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Business, Innovation and Skills
Committee

**Government reform of
Higher Education**

Twelfth Report of Session 2010–12

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Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/BIS

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Business, Innovation and Skills Committee

The Business, Innovation and Skills Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Innovation and Skills.

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/parliament.uk/bis. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

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1 Terms of Reference

1. This inquiry was launched in February 2011 in the expectation of the imminent publication of the Government's Higher Education White Paper (originally promised for Winter 2010). The Terms of Reference were deliberately broad, in the absence of the White Paper, enabling us to spark a debate about the issues considered most important by students and their parents, universities, academics and employers. Witnesses to this inquiry were invited to submit evidence on the following points:

- i. The conclusions of the Browne Report and the content of the Government's proposed White Paper on higher education; and
- ii. The role and future of state funding in higher education.

2. We are very grateful to all those who gave oral evidence between mid-March and the end of May. We had hoped to take oral evidence on the content of the White Paper, but its eventual publication only three weeks before the Summer recess meant that we were limited to one oral evidence session after its publication, with the Advocate for Access to Education, Simon Hughes MP, and the Minister for Universities and Science, David Willetts MP.

3. In reporting our findings, we have not attempted to re-run the Browne review, nor to address every issue raised by witnesses in what were extremely interesting, enlightening and wide-ranging evidence sessions. We have instead, provided our analysis of the Government's proposals. While at times we are critical of those proposals, our Report should be seen as a constructive engagement with Government on those issues we consider to be most in need of urgent action. There remain many uncertainties and policy details which are still out to consultation, and we look forward to discussing these with Ministers in more detail when firm proposals are made.

2 Higher Education Reform

Background

4. The proportion of young people going on to higher education has increased dramatically over the last 50 years from around 6% in the early 1960s to closer to 45% today.¹ A review by Lord Robbins in 1963² recommended an expansion in university places: this expansion began with the transformation of Colleges of Advanced Technology into universities and continued until the conversion of the former polytechnics in the mid 1990s.

5. The expansion of higher education was accompanied by a drop in available funding per student, leading to the establishment of the National Committee of Inquiry into Higher Education in the late 1990s. This Committee, chaired by Lord Dearing, recommended the introduction of private contributions to the cost of higher education, in the form of tuition fees. Lord Dearing's recommendation that payment of the fees be deferred until after graduation was not taken on board, and up-front tuition fees of £1000 were introduced for the first time in 1998.

6. The Higher Education Act 2004 raised the cap on fees to £3,000 per year (enabling so-called 'variable' or 'top-up fees') and introduced deferred payments so that higher education once again became free at the point of entry. These provisions came into effect for students entering university in 2006. Recognising Members' concern about the potential impact of this increase in fees, during parliamentary debates on the Bill the then Secretary of State for Education, Rt Hon Charles Clarke MP gave a commitment to examine the variable fee regime after three years of operation.³

7. The system of a fee cap envisaged that different institutions would charge different amounts, from zero to the maximum.⁴ Universities wanting to charge more than the previous £1,000 per year would need to divert some of that fee income into bursaries to support students from lower-income backgrounds and would need to develop an 'Access Agreement' with the Office for Fair Access (OFFA), setting out the other measures they would use to widen participation and the diversity of their student intake. In practice, the £3,000 maximum quickly became the standard fee, and no university now charges below this level.⁵

¹ Jo Blanden and Stephen Machin, Department of Economics, University College London and Centre for Economic Performance, London School of Economics, *Educational Inequality and the Expansion of UK Higher Education* (July 2003; September 2003—revised)

² *Higher education: report of the Committee appointed by the Prime Minister under the Chairmanship of Lord Robbins 1961-63*, Cmnd. 2154

³ HC Deb, 8 January 2004, col 418

⁴ HC Deb, 8 January 2004, col 418

⁵ Lord Browne of Madingley, *Independent Review of Higher Education Funding & Student Finance* (2010), p.37

The Independent Review of Higher Education Funding and Student Finance

8. Lord Browne of Madingley was commissioned by the previous Government in November 2009 to conduct the promised review of tuition fees. The Review Panel issued an initial call for evidence at the beginning of December 2009, seeking responses from higher education, business, students, and all others with an interest in higher education, and exploring the impact of the introduction of variable tuition fees since 2006. A call for proposals was launched in March 2010 after an analysis of the initial submissions, exploring opportunities for policy development. Ninety submissions were received in response to the first call for evidence, and 65 in response to the call for proposals.

9. The Review Panel held two oral evidence sessions, hearing from invited expert witnesses on key themes emerging from the written responses. An Advisory Forum was also established to give 22 key representative interests opportunity for formal, structured engagement with the Review's work. The Forum met five times during the course of the review.

10. The Browne Report, *Securing a Sustainable Future for Higher Education: An independent review of higher education funding and student finance* was published on 12 October 2010 and recommended that students in England should pay more for their tuition, to reflect the personal benefit they receive from having a degree and to ease the strain on the public purse. It also recommended that the market in higher education be opened up by removing the cap on student numbers (the cap is only necessary if Government must protect its exposure to liability for providing financial support) and allowing student choice to shape higher education provision. The Review further recommended that student finance be simplified, support for living costs be improved (especially for those from low-income backgrounds) and that part-time students should be treated on a par with full-time students, including the removal of up-front tuition fees for part-time courses.

11. Following publication of the Browne Review, the Government announced that it 'broadly endorsed' Lord Browne's approach, and on 3 November 2010, David Willetts MP, Minister of State for Universities and Science, set out initial details of the Government's proposed approach.⁶

12. In order to bring certain elements of its proposals into effect for students entering university in 2012, the Government quickly embarked on a number of legislative changes:

- Amendments to The Higher Education (Basic Amount) (England) Regulations 2010 and The Higher Education (Higher Amount) (England) Regulations 2010 were debated on 9 December 2010⁷ and passed with a narrow majority. These changes will come into force on 1 September 2012, raising the range of tuition fees needing approval by the Office of Fair Access (OFFA) to a basic maximum level of £6,000 per year and an absolute maximum of £9,000.

⁶ HC Deb, 3 November 2010, col 924

⁷ HC Deb, 9 December 2010, col 540

- Part Eight of the Education Bill, currently under consideration in the House of Lords, enables the charging of a ‘real’ rate of interest on student loans, and applies the tuition fees cap for full-time courses pro rata to part-time courses.
- Clause 27 of the Education Bill places a new duty on schools to ‘secure independent careers guidance’ for pupils from the age of 14 onwards. As originally drafted the Bill would exclude the possibility for a school to fulfil its duty to provide careers advice by asking a single teacher or other employee to provide guidance to all pupils. At the time this Report was agreed, this aspect of the Bill was being debated in the House of Lords.

The Higher Education White Paper

13. In his Statement on 3 November 2010, Mr Willetts said that the Government would publish “later this winter, a Higher Education White Paper covering the wide range of long-term issues that arise from Lord Browne’s report. We will hope to bring forward legislation in due course. Given the timescales, we would not expect to be implementing changes before the 2013–14 academic year”.⁸ In answer to oral questions on 13 January 2011, Mr Willetts revised the proposed publication date for the White Paper to “the early part of this year”.⁹

14. On 24 February 2011, Mr Willetts announced during a speech to Universities UK (the representative body for UK universities) that the promised White Paper would be delayed:

[W]e have decided to take more time on developing the White Paper—in part to test proposals more thoroughly among the sector, students and other experts; in part to learn from how price setting works this Spring”.¹⁰

15. Just over two months later, on 27 April, the Secretary of State for Business, Innovation and Skills told us that the White Paper was “at a very advanced stage” and that publication was “very close”, but would not commit to a revised publication date of June.

16. On 8 June, the Secretary of State for Business, Innovation and Skills told us that he thought the White Paper would be published “in July” this year, and undertook to write to the Committee with a “target date” within a few hours. His letter was received later that day, indicating that the White Paper would be published “shortly” and that he would write to us again as soon as a publication date was agreed.

17. The Government’s White Paper, *Higher Education: Students at the heart of the system*, was eventually published on 28 June 2011, many months after originally promised.¹¹ It was accompanied by an Impact Assessment, an Equality Impact Assessment, a dossier of

⁸ HC Deb, 3 November 2010: col 924

⁹ HC Deb, 13 January 2011, col 421

¹⁰ David Willetts’ speech to Universities UK spring conference 2011, available from <http://www.bis.gov.uk/news/speeches/david-willetts-uuk-spring-conference-2011>

¹¹ *Higher Education: Students at the heart of the system*, Cm 8122, June 2011

‘supporting analysis’, an implementation plan and a separate consultation on possible early repayment mechanisms.¹²

18. The delay of six months between the Government’s initial response to the Browne Review and the publication of its more detailed proposals has caused a great deal of uncertainty, and has eroded the essential preparation time available to higher education institutions, students and their families. The effect of this delay has been compounded by the fact that further policy announcements and proposals remain out for consultation or are still under consideration.

19. The White Paper is itself a consultation document, and is accompanied by a separate consultation on possible early repayment penalties. The Higher Education Funding Council for England (HEFCE) is also consulting separately on how the changes to funding and student number controls will work in practice for 2012–13. All these consultations will close in Autumn 2011, and the Government responses to them may be expected towards the end of the year. At the same time, a further consultation will begin on how student number controls should work from 2013–14 onwards, which we would expect to result in further Government proposals being announced during 2012.

20. In written evidence submitted after the publication of *Students at the heart of the system*, the University Alliance, which represents 23 ‘actively business focussed’ universities expressed anxiety about the pace and progress of the Government’s proposals:

[We ask for a] one year pause in implementing these proposals: we ask that no additional complexities (e.g. [changes to student number controls]) are introduced in year 1 whilst there is a tectonic shift in student finance system and market settles down.¹³

21. The Government’s rapid implementation timetable has also created other inconsistencies. For example, the Government’s Implementation Plan for the reforms says:

By September 2012: Make the most requested items of information—the ‘Key Information Set’—available on a course by course basis in a comparable format on each higher education institution’s website.

The student as an informed consumer is fundamental to the Government’s proposed reforms, but the information on which consumers of higher education will need to base those decisions will not be in place until nearly eleven months after the first UCAS application deadline for courses under the new fee regime has passed. Examples include 15 October 2011 for dentistry, medicine, veterinary science and veterinary medicine and for all courses at the University of Oxford and the University of Cambridge. The final UCAS deadline for courses starting in September 2012 is 30 June 2012: applications received after that date go directly into the clearing process.

22. When we asked the Minister about the rapid implementation timetable, he said:

¹² All documents are available from the BIS website: www.bis.gov.uk

¹³ Ev 282

I recognise that in a perfect world we might have published the White Paper and then made the specific decision on fees. The reality, however, was that the priority for the incoming coalition was to sort out the public finances.¹⁴

23. He went on:

When we announced in the public expenditure settlement what we were doing on [teaching] grant, at the same time we made it clear what we were doing on fees and loans. [...] [W]e then moved to replace the reduction in teaching grant with fees and loans as quickly as we could. That is actually one of the reasons why we have ended up with this timetable. We wanted the higher fees and loans to be available to universities as quickly as possible, and that drove the requirement for the early vote in order to give them time to plan through for the autumn 2012 new regime.¹⁵

[...]

In an ideal world, people always want more time at every stage, but the fact is that—provided we keep to the timetable, and I am optimistic that we can—what we will just be able to do is deliver the entire reform in the life of a Parliament, which I think was a reasonable objective to set. Remember, we needed the decisions before Christmas, because this would affect students going to university in 2012—it was already too late for 2011—and then, of course, it is three years for the new regime to feed through.¹⁶

24. The series of delays to the publication of the White Paper and the subsequent consultation exercises has seriously truncated the Government's timetable for implementing its reform of Higher Education. While the Committee understands the need for early implementation of the financial reforms, effective policy development can be undermined by the imposition of a rigid timetable. Many important pillars of the Government's Higher Education policy are currently out for consultation and the Department will need to take full account of the views expressed by consultees.

Government communication of higher tuition fees

25. The success of large scale reform is in no small part dependent on clear communication of the impact of that reform. The Government took the decision to introduce changes to tuition fees in advance of other parts of its reform package for Higher Education. This resulted in a sharp focus on tuition fees without the wider context of student support. Both the introduction of up-front tuition fees in 1998 and the move to higher 'top-up fees' in 2006 faced opposition in Parliament and prompted demonstrations by students.¹⁷ The raising of tuition fees passed by Parliament in November 2010 gave rise to another series of student demonstrations.

¹⁴ Q 642

¹⁵ Q 644

¹⁶ Q 652

¹⁷ For example HC Deb 4 November 1997 col 118; HC Deb 31 March 2004, col 1610.

26. Given the current economic circumstances, it is understandable that parents, students and graduates would be anxious about the affordability of higher education. Therefore, it was imperative that the reforms needed to be communicated both clearly and carefully. When we took evidence from Lord Browne in March, he said that his Report was “designed to be a very short summary of what we did”,¹⁸ but when pressed on how much advice he gave to the Government about implementation of his proposals, he said “all the advice that we gave was contained in the report. Remember, please, that we delivered this on 12 October and we were disbanded by that evening, so we do not exist, and we did not exist then”.¹⁹

27. When we asked why the proposals had provoked such opposition, he said:

I think the communication of what is a very complicated situation needs to be expanded. I was quite struck that when the panel came together, with a pretty reasonable cross-section of people, none of us really understood how the system worked. We had to spend a lot of time educating ourselves on how the present system worked. We came with a lot of misunderstanding, and I really do think that people still have a large amount of misunderstanding.²⁰

28. Professor Michael Arthur, of the Russell Group, commented that the proposed reforms to student finance were “not complicated, but it is not a very easy soundbite”.²¹ With this in mind, we asked some witnesses whether they could explain the proposals in a 20-second soundbite. They offered:

- “When you are earning £25,000, it will cost you £30 a month, or the price of two pints of beer a week”.²² (Professor Michael Arthur, the Russell Group)
- “A graduate contribution based on a percentage of your earnings afterwards”.²³ (Aaron Porter, then President of the National Union of Students)
- “Students get it free; it is graduates who repay” or “It is a payroll deduction, not credit card debt”.²⁴ (Professor Nicholas Barr, London School of Economics)
- “For over half of students it is a 9% increase in your tax rate for 30 years. If you come from a poor family, the upfront cost is effectively zero”.²⁵ (Lorraine Dearden, Institute for Fiscal Studies).

¹⁸ Q 21

¹⁹ Q 35

²⁰ Q 56

²¹ Q 133

²² Q 133

²³ Q 175

²⁴ Q 508

²⁵ Q 509

29. A key aspect of the debate on the increase in tuition fees was disagreements over how much a student would expect to be charged for a university course. The Interim Impact Assessment published in November 2010 alongside the new fee regulations was based on average fees of between £6,900 and £7,200 per year, once fee waivers and other discounts have been taken into account.²⁶ This mean average figure fairly represents the initial expenditure by Government per student, across a whole cohort of students. However, only students from low-income backgrounds would benefit from fee waivers: students from better-off families would pay the full fee.

30. We asked the Minister for an estimate of the modal tuition fee (which would be paid by the majority of students), rather than the mean, but the Minister explained that it was not possible to calculate this without knowing “the headline fee and support figures for every individual”.²⁷ However, it appears clear from the data published by the Office for Fair Access that the modal ‘sticker price’ (without waivers) will be £9,000.²⁸

31. We acknowledge the Government’s desire to enact the changes to tuition fees as a matter of priority. However, we urge the Minister to review the proposals for fee waivers, bursaries and scholarships to ensure that the strategy meets the needs of the intended recipients.

32. The repeated use of mean average figures did not help move the debate forward as it was less helpful and relevant to students than modal average fee. We recommend that the Government use the modal average fee in its communications material, alongside availability of waivers and support for students from poorer backgrounds.

Communications strategy

33. The Government acknowledged that a more comprehensive communications strategy was necessary and on 24 December 2010, the Prime Minister appointed Mr Simon Hughes MP as the Advocate for Access to Education. The appointment was for six months and amongst other responsibilities he was charged to:

Develop [...] a communications strategy to ensure that information on the new student finance arrangements reaches all secondary school students and particularly those from disadvantaged backgrounds to encourage them to access higher education.

[...]

The Advocate will focus on the effective communication and delivery of the Government’s policy programme, within the current budgetary parameters.²⁹

²⁶ Department for Business, Innovation and Skills, *Interim Impact Assessment: Urgent reforms to higher education funding and student finance*, (November 2010) page 17

²⁷ Ev 290

²⁸ www.offa.org.uk

²⁹ Letter from the Prime Minister and Deputy Prime Minister to Simon Hughes MP, 24 December 2010

34. Mr Hughes' report was published on 21 July 2011, and made 33 recommendations for schools and colleges, Government, higher education institutions and regulators. Whilst preparing his report, he also submitted three interim reports to the Prime Minister and Deputy Prime Minister, covering access agreements, the replacement of the Education Maintenance Allowance (both February 2011), and communication of the student finance changes (May 2011). These interim reports were not made public.

35. A second strand of Government communication on student finance was the *Future Students* microsite. It was launched on 6 May 2011, alongside a campaign on the radio and television. The microsite, at <http://studentfinance-yourfuture.direct.gov.uk/>, consists of seven branded web pages. Six pages each cover one aspect of the proposed system (costs; other financial support; grants; repayment terms; information for part-time students, and a repayment-calculator) and contain links to more detail. A poster and two two-page flyers are available to download from the seventh page. Clicking on any of the links for more detail from the six main pages takes the user outside the *Future Students*-branded site, and back to www.direct.gov.uk, often with no obvious means of returning to the microsite.

36. The *Future Students* site was criticised by Simon Hughes MP in his Report, noting that it “only mentioned the fact that students will not have to pay any up-front fees to go to university in the fifth paragraph of a section of the website entitled ‘can I afford to go to university?’”³⁰ In his evidence to us, Mr Hughes also criticised the press campaign. He said that the campaign “ran [...] adverts at the end of May [entitled] ‘Future students—paying for university in 2012’”. Well, nobody will pay for university in 2012. That is the whole point of the argument. You don't pay up front. You don't pay until you come out”.³¹

37. Mary Curnock Cook of UCAS also told us that she thought the *Future Students* site missed “a key message” in that “the affordability in terms of the amount of money that an individual would pay back out of their weekly or monthly pay packet is the same whether you have chosen a £6,000 or a £9,000 course”.³² We were also surprised to learn that the Government did not consult the Director of Fair Access himself when designing the campaign.³³

38. Professor Nicholas Barr, of the London School of Economics, told us:

Since loans were introduced, you cannot overstate the awfulness with which the system has been explained to the public. You hear mothers ringing in to phone-in programmes saying, “I am a single parent mother. I have got three daughters. I cannot afford to pay £9,000 per year for each of my daughters.” They do not have to. There is a huge gap there that needs to be filled. The website is a start, advertisements are very important, but a big publicity campaign is needed.³⁴

³⁰ Simon Hughes MP, Report to the Prime Minister and Deputy Prime Minister (July 2011) page 30.

³¹ Q 624

³² Q 385

³³ Q 383 and Ev 292

³⁴ Q 510 [Professor Barr]

39. In his report to the Prime Minister and Deputy Prime Minister, Simon Hughes MP says that “there is a collective national interest and responsibility in the six months from July to December this year [2011] in making sure that all school, college and sixth form students and all other adults thinking of becoming university students for the first time next year, and their families and teachers, must have accurate and accessible information and encouragement rather than discouragement now”.³⁵

40. The Government has now established the Independent Taskforce on Student Finance Information headed by Martin Lewis of MoneySavingExpert and supported by Wes Streeting (former President of the National Union of Students). The taskforce will work to combat the myths around the changes to English student finance in 2012 and will seek to reassure potential students about what they can expect when applying for university and beyond. The Government has stressed that it will be “independent of government” and that it will be free to “set its own agenda”.³⁶

41. We acknowledge the difficulties the Government faced with regard to the communications strategy and we believe that it should have been better handled. However, the establishment of the Independent Taskforce of Student Finance Information as an independent body should go some way to re-establishing trust. Given the independent status of the Taskforce, we will expect its work to be published separately from Government and without the need for Departmental approval before it is put in the public domain.

³⁵ Simon Hughes MP, Report to the Prime Minister and Deputy Prime Minister (July 2011) page 4

³⁶ www.bis.gov.uk/news/topstories/2011/Jun/student-finance-taskforce

3 Funding: tuition fees and student finance

Introduction

42. Under the current system of higher education funding, publicly-funded higher education providers in England receive income from two principal sources: tuition fees, which are backed by Government-funded loans; and a separate teaching grant from the Higher Education Council for England. As well as offering tuition fee loans, Government also currently offers means-tested maintenance loans and maintenance grants for students from the least wealthy backgrounds.

Teaching grant

43. Receipt of teaching grant from the Higher Education Funding Council for England (HEFCE) is one of the defining characteristics of a “higher education institution” under the Further and Higher Education Act 2004, and is the principal distinction between traditional universities from ‘alternative providers’ (which we discuss later in this Report).

44. The teaching grant is calculated by allocating courses or subjects to four broad cost ‘bands’: universities then receive a unit amount per student studying in each cost band:

Band A is worth around £17,800 per student and covers the most expensive-to-teach courses, like medicine and dentistry;

Band B is worth around £8,700 and is for lab-based science courses;

Band C is worth around £7,100 and covers subjects with a fieldwork element; and

Band D is for all other subjects and is worth around £6,000.³⁷

45. The annual block grant is calculated before exact figures for each year’s admissions are known. Therefore, the number of students in each band is estimated and a margin of error allowed. This helps to smooth out annual variations in student admissions and provides institutions with greater certainty year to year about the amount of teaching grant they can expect.

46. Institutions receive the teaching grant as a lump sum, which they are free to spend according to their own priorities, within broad guidelines set by the Higher Education Funding Council for England. It is common for institutions to ‘cross subsidise’ subjects which are more expensive to teach (such as science, technology, engineering and maths) with money from courses which cost less than the unit amount for their band (most often arts and humanities courses).

47. In the 2010 Spending Review, the Government announced “a shift away from public spending [on higher education] towards greater contributions [in the form of tuition fees] from those that benefit most and who can afford to pay”.³⁸ This translated as a cut of 40%

³⁷ Minister for Universities and Science, speech to the British Academy 1 March 2011

³⁸ HM Treasury *Spending Review 2010* (October 2010) Cm 7942, paragraph 1.47

in the higher education budget (including the teaching grant, but excluding research funding and provision of student loans) by 2014–15, which the Department for Business, Innovation and Skills described as being “in line with the Browne Report’s recommendations”.³⁹

48. In its letter of 20 December 2010 to the Higher Education Funding Council for England, the Government announced a cut of approximately 8% (in real terms) in the teaching grant for 2011–12, and indicated that it expected to increase spending on student loans by £4 billion by 2014–15 (more than doubling its expenditure on student loans in 2010–11).⁴⁰

Tuition fees

49. The Browne Review recommended that tuition fees should be un-capped, backed by public tuition fee loans so that no fee was ever payable up-front. The cost to Government would be mediated by a Government levy on fees above £6,000 per year. In addition, Lord Browne proposed a basic non means-tested maintenance loan of £3,750 per year, with up to a further £3,250 available via a means-tested grant for students from households with an income below £60,000 pa. This would have provided cost-of-living support from £3,750–£7,000 per year for all students, as well as covering their tuition fees.

50. The Government rejected Lord Browne’s proposals for uncapped tuition fees and in December 2010 passed new legislation to increase the cap on tuition fees from £3,290 per year to a ‘basic maximum amount’ of £6,000, and an absolute maximum of £9,000 which could be charged only in ‘exceptional circumstances’. Students would be entitled to tuition fee loans of up to £9,000 per year, according to the fees charged by the institution they attend.⁴¹ Part-time students studying at a level of least 25% intensity (i.e. it will take them four times as long as a full-time student to complete the course) would also be able to access pro-rata loans to cover their tuition fees.

51. Statements made by the Government following the publication of the Browne Review appeared to imply that a key purpose of the Review, if not its primary purpose, became to find savings in the higher education funding system to assist in deficit reduction. In the 12 October debate following publication of the Browne Report, the Secretary of State said:

Like many Members, I wanted to ensure that my children's and my grandchildren's generations enjoyed that free system of university education. In an ideal world, that is what we would do, but we are not in an ideal world. We are in a world in which we have inherited a massive financial mess.⁴²

52. He went on to say:

³⁹ Department for Business, Innovation and Skills press release, 20 October 2010

⁴⁰ www.bis.gov.uk

⁴¹ Separate arrangements will apply, at least in 2012/13, for students attending certain ‘designated courses’ at higher education institutions which do not currently receive a public teaching grant, known as “alternative providers”.

⁴² HC Deb, 12 October 2010, col 160

I have already explained the necessity, for economic reasons, of pressing ahead with these reforms. They have great advantages in themselves, but they also help us to address the massive deficit left by the previous Government.⁴³

53. The Secretary of State also asserted that once the economy returned to prosperity, the funding of higher education would be revisited:

When the Government's economic policies have produced the successful outcome that we all expect, we can return to the question of how universities can be supported in a more generous way, but at the moment we face a massive financial crisis.⁴⁴

Postgraduate education

54. Although the Browne Review addressed undergraduate study, it did not consider postgraduate study. When we asked him why his review omitted this important area of study, Lord Brown told us that his review was asked to work with Professor Adrian Smith's previous review on that issue. Professor Smith's review was published in March 2010 before the current Government's reform of higher education and therefore did not take account of the significant increase in undergraduate fees. Lord Browne said that while there was "plenty of discussion" on the postgraduate study within his team, it concluded that "the less done the better in this area, for the time being" as they "wanted to watch and wait before anything else happened".⁴⁵ As a result his review recommended that "we should now examine and watch carefully what is going to happen in the future as the undergraduate system is changing".⁴⁶

55. The White Paper states that HEFCE will now run a consultation exercise on support for postgraduate teaching but that it would have to be in the context that "the total funding available will reduce from 2012–13 onwards, in line with our reforms to funding for undergraduate teaching".⁴⁷ HEFCE will also conduct a review of participation in postgraduate study, to evaluate the impact of the changes to undergraduate funding and that the government would "revisit the issue of postgraduate funding as the new system beds in".⁴⁸

56. It is important that the increase in undergraduate tuition fees does not act as a deterrent to potential postgraduate study. We welcome the Government's decision to ask HEFCE to monitor and review this. We believe that interim reports from HEFCE may help reassure both students and institutions and we recommend that HEFCE considers this approach as part of its work.

⁴³ HC Deb, 12 October 2010, col 161

⁴⁴ HC Deb, 12 October 2010, col 165

⁴⁵ Q 43

⁴⁶ Q 42

⁴⁷ Cm 8122, p21

⁴⁸ Cm 8122, p21

Loan Repayments

57. Students who have taken out loans under the new student support system are, of course, likely to graduate with significantly higher total debts than at present. However, the proposed increase in the repayment threshold (proposed to be set at £21,000) will mean that their monthly repayments are lower than they would be under the present system, and the term of the loan is to be increased from 25 to 30 years, meaning that almost all graduates except those with the smallest debts or the highest salaries will be in repayment for longer. The introduction of a ‘real’ rate of interest also means that many graduates will in future repay more in real terms than they borrowed.⁴⁹

58. It is important to recognise that borrowing via student loans is unlike any other commercial debt. Because repayments and interest rates are income contingent, they are fixed to the graduate’s earnings, not the size of the outstanding balance and do not begin until the graduate is earning above the threshold. This also means that, after graduation, neither the Student Loan Company nor the Government can demand payments above this level, or insist at any point on repayment of the full outstanding balance. After 30 years, any outstanding balance will simply be written off with no penalty.

59. It also appears to be the case that this debt will not affect a graduate’s ability to secure a mortgage. The Department has made clear that “the Council of Mortgage Lenders has advised that a student loan is very unlikely to impact materially on an individual’s ability to get a mortgage” and that “student loan information won’t be shared with credit reference agencies by Student Finance England”.⁵⁰ The Minister also explained that “this is one reason why our proposal to increase the repayment threshold from £15,000 to £21,000 reduces the amount borrowers need to repay each month, and therefore increases the amount of net monthly income available to them which could be helpful to them when applying for a mortgage”.⁵¹

60. Not all graduates will repay their loan within the 30-year term, the expectation is that around 30% to 50% of what is borrowed will not be repaid. For many graduates, then, repayments of their student loan will be indistinguishable from a 9% tax on their earnings above the repayment threshold, which stops after 30 years. This was a point made by a number of witnesses including Libby Aston, Director of the University Alliance group:

In terms of the debt adversity issue, the message that we really clearly need to get across is that this is not a credit card debt, it is not a mortgage-style debt, and [...] it is not a pure graduate tax, but it is like paying tax. It is capped, it stops at some point, but it will feel like paying income tax, and Professor Barr very eloquently describes the fact that no parent or potential student loses sleep about the future tax contribution they are going to be making.⁵²

⁴⁹ Department for Business, Innovation and Skills *Frequently asked questions about student finance from 2012* <http://www.bis.gov.uk/policies/higher-education/students/student-finance>

⁵⁰ Department for Business, Innovation and Skills *Frequently asked questions about student finance from 2012* <http://www.bis.gov.uk/policies/higher-education/students/student-finance>

⁵¹ HC Deb, 16 May 2011, col 108W

⁵² Q 139, quoting Professor Barr of the London School of Economics (who also gave oral evidence to our inquiry) in *A graduate tax is for life not just for a few years* (The Guardian, Education p.10, 24 March 2009)

61. **The Government should work with the Higher Education sector to develop a consistent message, pointing out the limits on repayment, rather than its current concentrations on slightly lower repayments regardless of the increased debt.**

Annual Loan Statements

62. One crucial difference between the student loans system and a tax is that graduates will receive an annual statement on the level of their loan. Dr Mike Clugston, speaking in a personal capacity, expressed particular concern about the salaries that graduates would need to earn on graduation in order for their repayments to keep up with the interest charged on their loans and so reduce the total balance.⁵³

Breakeven income levels for 2012/13 starters in 2016/17

Total loan in each year	Debt at statutory repayment date	Breakeven income level
£9,000	£30,000	£39,600
£10,000	£33,600	£42,500
£11,000	£36,900	£44,600
£12,000	£40,300	£46,700
£13,000	£43,700	£48,900
£14,000	£47,000	£51,000

Notes: Assumes RPI inflation of 2.75% each year
For simplicity it is assumed that the total loan is the same in cash terms each year and courses all last three years. In reality it is likely to be larger in year two and smaller in year three.
Breakeven income is where repayments are approximately interest charges and the cash value of the loan does not increase.

Source: House of Commons Library *Student loan repayments (2011/6/1085G) 16 June 2011*

63. For comparison, average graduate starting salaries in 2010 were around £25,000—£29,000, although salaries would of course be expected to rise in cash terms by the time the first cohort of graduates under the new loans system begin their repayments in 2015–16.⁵⁴ According to High Fliers Research, “[starting] salaries increased by 7.4% in 2010 and 5.9% in 2009”.⁵⁵

64. However, we note that:

Looking at year one breakeven levels can give you a somewhat misleading impression. It is reasonable to assume that most people’s incomes will rise quite rapidly in the early part of their career. This means that breaking even is less important early on when compared to continued employment and rapid early earnings growth.⁵⁶

65. **We acknowledge that some form of annual statement on the student loan is an essential piece of information for the graduate. However, we recommend that the**

⁵³ Ev w31

⁵⁴ Association of Graduate Recruiters, *AGR Graduate Recruitment Survey 2010 Winter Review* (February 2010) and High Fliers Research *The Graduate Market in 2011* (January 2011)

⁵⁵ High Fliers Research *The Graduate Market in 2011* (January 2011) page 5

⁵⁶ House of Commons Library *Student loan repayments (2011/6/1085G) 16 June 2011*

Government and Student Loans Company give serious consideration to the form of the statement and supporting information to avoid causing undue concern to graduates about rising student loan balances.

Affordability of the loan system

66. A large number of variables can affect the likelihood of loans being repaid, including the initial size of loans (larger loans are less likely to be repaid in full); the proportions of male and female graduates and their earning profiles (recent trends show more female than male students, but, once employed, male graduates tend to earn more than female graduates and so are more likely to repay in full); and the behaviour of the economy, including inflation, interest rates and earnings growth. As the Higher Education Policy Institute explains:

The repayment scheme [is] designed to keep repayments low and consequently a large proportion of the repayments are expected towards the end of the 30 year repayment period. This means that the RAB charge depends on long term forecasts of earnings. In a response by BIS to a request for information about the longer term accumulation of debt, we were told that forecasting student loan repayments ‘several decades into the future is inherently difficult and relies upon a great number of assumptions’. Hence the RAB is uncertain.⁵⁷

67. The number of assumptions needed is clear from the Impact Assessment published alongside the White Paper, which explained that the “costs were estimated by assuming an average graduate contribution of £7,500, profiling future expected earnings profiles of graduates to forecast estimated repayments on loans and assuming take up rates for student support of 90% for fee loans and 80% for maintenance loans”.⁵⁸

68. The Interim Impact Assessment published alongside the Regulations raising the fee limits was based on an estimated RAB charge of 28% of the loan book.⁵⁹ In the full Impact Assessment accompanying the White Paper, this estimate was increased to 32% “because of changes in the income threshold at which repayments start to be made by graduates (changing to annual from 2016 rather than being up-rated every 5 years)”.⁶⁰ As it became clear that universities were setting tuition fees significantly above the £7,500 per year used in the Government calculations, analysis by the Higher Education Policy Institute, London Economics and the Institute for Fiscal Studies suggested that the Government’s estimated RAB charge remained optimistically low.

69. Bahram Bekhradnia of the Higher Education Policy Institute told us:

⁵⁷ Higher Education Policy Institute “*Higher Education: Students at the heart of the system*”—an Analysis of the Higher Education White Paper (August 2011)

⁵⁸ Department for Business, Innovation and Skills, *Impact Assessment: Higher Education: Students at the heart of the system* (June 2011) page 32

⁵⁹ Department for Business, Innovation and Skills, *Interim Impact Assessment: Urgent reforms to higher education funding and finance* (November 2010).

⁶⁰ Department for Business, Innovation and Skills, *Impact Assessment: Higher Education: Students at the heart of the system* (June 2011) page 54

We did our analysis a few months ago and showed that this 30% RAB charge, which is the real cost to the Government, was almost certainly a very serious understatement of the cost, for reasons that we set out, and I think that is now fairly widely accepted. Apart from anything else, the 30% RAB charge was based on £6,500 or £7,000 or whatever the figure was then being the norm, with £9,000 only the exceptional fee. Just the increase of the average fee to much closer to £9,000 is going to drive up that RAB charge hugely.⁶¹

70. In addition to the effect of higher than expected tuition fees, the Institute for Fiscal Studies also cautioned that:

The Government's analysis over-estimates annual earnings at the top of the distribution. Our profiles of lifetime earnings imply average annual earnings of £60,000 in the top decile over the period during which loans are repaid (and higher earnings thereafter as graduates' progress through their careers). As a result, the Government's analysis over-estimates the number of graduates at the top of the distribution who would earn enough to face the full 3% real interest rate while they are making repayments.⁶²

71. The Higher Education Policy Institute expressed particular concern about Government assumptions of likely earnings growth, and the ratio of male to female graduates.⁶³ HEPI calculated that a RAB charge of 47%, representing "entirely plausible" graduate earnings growth of 3.3% per year rather than the Government's estimate of 4.5%, would represent a 'break-even' point at which "the savings in public expenditure on tuition in moving to the new system are balanced by the costs".⁶⁴

72. In his evidence to us, the Minister defended the Government's calculations and the uncertainty around the RAB charge:

No one can be certain. This is a set of big changes. I am not claiming that we can be absolutely certain, but the estimate is that in 2012, 350,000 students will be eligible for loans, of whom 90% would take one out. That is a slight increase on the current number; no one is obliged to take out a loan. They would take out an average loan of £7,500, which is not the same as saying that the fee would be £7,500, because the loan need not be the same as the fee, though it often is. We stand by that as a broad ballpark estimate. It adds up to about £2.4 billion of loans. The RAB charge, which is the amount that you think you will not get back, at a rate of 30%, is about £720 million. We think that we are broadly there. But again, we will know for sure only when those students have arrived at university next autumn and have decided how

⁶¹ Q 430

⁶² Institute for Fiscal Studies, Government proposals for higher education would squeeze high earners less and cost the taxpayer more, (November 2010) (<http://www.ifs.org.uk/publications/5354>)

⁶³ Higher Education Policy Institute *The Government's proposals for higher education funding and student finance: an analysis* (14 December 2010)

⁶⁴ Higher Education Policy Institute *The Government's proposals for higher education funding and student finance: an analysis* (14 December 2010) Annex 2 paragraph 27

much they want to borrow and on what terms. I cannot give a 100% guarantee, but we still think that that is a reasonable estimate.⁶⁵

73. Professor Nicholas Barr of the London School of Economics was not convinced. He argued that the Government's proposals "will not stand the test of time" and stressed that some teaching grant should be restored as soon as economic conditions permit.⁶⁶

74. It seems clear to us that the Government's decision to shift the balance of higher education funding from teaching grants to student loans was, in part, driven by its commitment to reduce the deficit as quickly as possible at the same time as aiming to create a new model for higher education. During the debate on the floor of the House on the Browne review on 12 October the Secretary of State explained that deficit reduction was a factor in its policy formation:

I have already explained the necessity, for economic reasons, of pressing ahead with these reforms. They have great advantages in themselves, but they also help us to address the massive deficit left by the previous Government.⁶⁷

75. He continued:

When the Government's economic policies have produced the successful outcome that we all expect, we can return to the question of how universities can be supported in a more generous way, but at the moment we face a massive financial crisis⁶⁸

76. Regardless of the arguments both for and against a higher level of student contribution, the financial sustainability of the new system is untested. As a result, an unprecedented level of uncertainty has been introduced into higher education finances with success dependent on a large number of variables over which the Government has little control.

77. We acknowledge that the current proposals for student finance have been developed at a time of severe constraints in public finances. The White Paper states that the Government was "given the [Browne] report in an environment when public funding had to be reduced and we accepted the main thrust—that the beneficiaries of higher education would have to make a larger contribution towards its costs". It would appear that the Government has left the door open to reducing the burden on the student should economic circumstances improve. This approach should be made clear and we recommend the Government set out its long-term aspiration for Higher Education funding, in the context of improving public finances, in its response to this Report.

78. The affordability of the new system is dependent on a wide range of variables which are outside of Government control. We welcome the Government's commitment to "monitor the overall affordability of the system", but we are not convinced that its current assessments can accurately deliver on that. Should the loan system prove more expensive than planned, the Government will need to act to reduce the costs of the

⁶⁵ Q 668

⁶⁶ Ev 174

⁶⁷ HC Deb, 12 October 2010, col 161

⁶⁸ HC Deb, 12 October 2010, col 165

system and to reduce the RAB charge. In its response the Government will need to demonstrate not only that its assessment of affordability is accurate, but that it has robust contingency measures in place to deliver an affordable system without cutting student numbers.

Early Repayment

79. Alongside the White Paper, the Government published a separate consultation on “possible early repayment mechanisms” for student loans. The question of early repayment is crucial to the affordability of the loans system, since the system relies on some graduates repaying substantially more than they borrowed, in order to offset the loss made on those who do not repay in full, or at all. The Higher Education Policy Institute told us that the repayment consultation refers to former students who earn enough to be charged an interest rate higher than the cost of Government borrowing as contributing to the full cost of their tuition but the Institute argued that those graduates “would actually be contributing more than the full cost. The RAB charge for these former students is negative, without them the RAB charge [for the whole system] would be higher”.⁶⁹

80. According to the consultation document, the Government is keen to ensure that “those on the highest incomes after graduation are not able unfairly to buy themselves out of this progressive system by paying off their loans early” although “mechanisms would need to ensure that graduates on modest incomes who strive to pay off their loans early through regular payments are not penalised”.⁷⁰

81. The consultation offers three options:

- early repayment charges for high payers, such as a 5% levy on repayments over £3,000 or a specified percentage of the outstanding balance;
- overpayment charges for high earners; or
- a hybrid mechanism linking charges to the amount overpaid in a given period as well as the individual’s earnings.

82. In the same consultation document, the Government also noted that:

Voluntary early repayment of student loans currently forms a significant part of the total volume of repayment. Many individuals choose to make early repayments despite student loans attracting no real rate of interest or, as in current circumstances, a negative real rate of interest. In 2008–9 (with interest set at RPI), of the total £939 million repayments received by Government, £329 million were voluntary early repayments.⁷¹

⁶⁹ Higher Education Policy Institute *Higher Education: Students at the heart of the system —an Analysis of the Higher Education White Paper* (August 2011) paragraph 26

⁷⁰ *Higher Education: Consultation on potential early repayment mechanisms for student loans* (BIS, June 2011) page 3

⁷¹ Department for Business, Innovation and Skills *Higher Education: Consultation on potential early repayment mechanisms for student loans* (June 2011) page 4

According to figures from the Student Loans Company, quoted in the consultation document, the median salary of those making early repayments was £18,400.⁷²

83. Penalties for early repayment have been criticised by Martin Lewis of MoneySavingExpert and the think tank CentreForum, both of which note that the wealthiest students (or their parents) will be able to avoid loans or early repayment charges entirely by paying their fees up front.⁷³ CentreForum also suggests that “debt aversion not affluence” was the biggest driver for early repayment.⁷⁴ The Minister was reluctant to be drawn when we raised these issues with him, but said that he would “welcome feedback, including from, if it has a view, this Committee”.⁷⁵

84. We understand that overpayment by some graduates is essential to the affordability of the Government’s proposed loan system, and we support a progressive system which means that the better off make a greater contribution than those on lower incomes. We welcome the consultation on this issue. We believe that a fair mechanism must be found to cater for those who wish to clear their debts more quickly but which also addresses the issue of those seeking to avoid a progressive contribution by paying their fees up front.

Cross-subsidy

85. Another consequence of the reforms to student number controls and the transition from funding via the block grant to funding via tuition fees is to reduce institutions’ ability to predict their likely income year to year, since their actual income from tuition fees will depend to a greater degree than at present on the A-level results and personal or family circumstances of each year’s student intake and their eligibility for fee waivers and other reductions. Annual fluctuations could increase reliance on the current system of ‘cross-subsidy’, through which fees (and teaching grant) from courses which are cheaper to provide are used to subsidise more expensive courses.

86. The increasing emphasis placed by the Government on improved information, advice and guidance for students includes the suggestion that:

As students become more discerning, we expect they will increasingly want to know how their graduate contributions are being spent. It would be good practice for institutions to provide the sort of material that local councils offer to their residents, demonstrating what their council tax is being invested in.⁷⁶

87. At present, local authorities are required to itemise all spending over £500. If well-informed students do take an increased interest in what they can expect for their £8,000—

⁷² Department for Business, Innovation and Skills *Higher Education: Consultation on potential early repayment mechanisms for student loans* (June 2011) page 4

⁷³ Martin Lewis *The Seven Deadly Sins of Early Repayment Penalties* (22 March 2011) and CentreForum *Early repayment of student loans: should government impose early repayment penalties?* (September 2011)

⁷⁴ CentreForum *Early repayment of student loans: should government impose early repayment penalties?* (September 2011)

⁷⁵ Q 680

⁷⁶ Cm 8122, paragraph 2.12

£9,000 per year, they may not be supportive of paying fees in excess of the cost of providing their course, or revenue from their course fees being used to cross-subsidise other students' courses (particularly since, as we have already seen, the Office for Fair Access already also expects a certain percentage of tuition fee income to be spent on measures to improve participation and access).

88. There is a clear tension between accountability to students for how their fees are spent, and institutions' legitimate need to charge fees in excess of the cost of courses in order to replace the income cut from the block grant (and also cover the increased costs of widening participation work required because of the higher fees). We accept that graduate contributions towards the costs of their higher education should rise, but we recommend that the Government explore with the sector how to ensure that students seeking 'value for money' from their investment can see a clear relationship between the fees they pay and the cost of their course, while avoiding a fee structure which potentially discourages applications to higher cost courses in science, engineering, technology and medicine.

Support for maintenance and living costs

89. The Government has also announced that almost all full-time students—with the exception of those studying full-time distance-learning courses—would be eligible for a “maintenance loan” each year to help with living expenses. Maintenance loans are to be 65% non means-tested: all students will be entitled to at least 65% of the maximum loan (down from 72% in 2011), but access to the final 35% will depend on the student's family's household income. As at present, certain students with disabilities or caring responsibilities will also be entitled to specific additional allowances.

90. Full-time students from lower-income households would also be eligible to apply for a means-tested, non-repayable “maintenance grant”.⁷⁷ If a student is eligible for a maintenance grant, the amount they could borrow as a maintenance loan would be reduced by 50p for every £1 of maintenance grant available to them. This is done on the assumption that the grant will reduce the student's need to borrow, and also steers students towards non-repayable support rather than borrowing.

91. The Government therefore proposes the following maximum support packages for full-time students beginning their studies in 2012:

⁷⁷ Part-time students will not have access to maintenance loans or grants, though they may of course have greater flexibility to “earn and learn” by working alongside their studies. Tuition fee loans to part-time students become due for repayment from the third April after the student commenced their studies, whether or not the student has completed the course. This means that repayments may begin while the student is still studying – if he or she is also earning over £21,000 per year.

	2010/11		2012/13	
	Loan	Grant	Loan	Grant
Living at home	£3,838 (£2,763) ⁷⁸	£2,906	£4,375 (£2,844)	£3,250
Living away from home and outside London	£4,950 (£3,564)		£5,500 (£3,575)	
Living away from home, in London	£6,928 (£4,988)		£7,675 (£4,988)	

Source: *direct.gov.uk* and *bis.gov.uk*

92. Grants are entirely means-tested. Only new full-time students from households with an annual income of less than £25,000 will be able to claim the full grants shown above. Under current arrangements, students from households with an income of up to £50,020 are eligible for at least a partial maintenance grant. From 2012, this figure will drop to a maximum household income of £42,600. This change in maximum income thresholds means that the maintenance grants will be withdrawn altogether from 2012 for new students from families with an income between £42,600 and £50,020 pa. Most full-time students starting higher education in 2012, except the very poorest, will therefore receive less non-repayable support than they would have if they started their course in 2011.

93. As shown in the table below, although most students will have access to more money in total than they do currently, these changes will represent a reduction in available support of around £200 per year for new students from households on a ‘middle’ income of around £50,000 per year, compared to students from a similar financial background who begin their studies in 2011. The Minister for Universities and Skills, David Willetts MP, described this anomaly as a “strange kink in the system”, which the Department argued was “due to a complicated system inherited from Labour”.⁷⁹

Household income	2011/12			2012/13		
	Loan	Grant	Total	Loan	Grant	Total
£25,000 or less	£3,497	£2,906	£6,403	£3,875	£3,250	£7,125
£50,000	£4,924	£52	£4,977	£4,788	£0	£4,788
£65,000	£3,564	£0	£3,564	£3,575	£0	£3,575

Source: 2011/12 figures from *direct.gov.uk* student finance calculator,⁸⁰ 2012/13 figures from *BIS website*⁸¹

94. Given the scale of the reforms being implemented, we recommend that the Government take this opportunity to resolve the illogical and unjustified ‘kink’ in the student maintenance model which under present proposals will reduce the current level of support available for students from middle-income families.

⁷⁸ The headline figure is the maximum maintenance loan available. The figure in brackets shows the non means-tested element, which is available to all students regardless of household income.

⁷⁹ *Middle-class students fall victim to the great grant and fees squeeze* (14 April) Daily Mail page 24

⁸⁰ www.studentfinance.direct.gov.uk/portal/page?_pageid=153,4680136&_dad=portal&_schema=PORTAL

⁸¹ www.bis.gov.uk/policies/higher-education/students/student-finance

Student living costs

95. The Government's stated aim is to put "students at the heart of the system" and we fully support its proposals to extend student support to part-time students, introduce student charters and improve information and feedback for all students. No student will have to pay up-front for their tuition, and we welcome the increase in maintenance support for the majority of students. As Professor Arthur of the Russell Group said:

I [...] see this as really quite a socially progressive system. It allows anybody to go to university at no cost, the Government will provide the money. It will go from BIS, to the student loan company, to the university, and a grant will as well for anyone earning less than £25,000, and a further loan on the same basis, so that you do not need to spend all the hours God sends working in Tesco to get through your studies. Anybody from any background can go to university, and they will not, as in the United States, a month after they graduate, start having graduate debt repayments whether they are employed or not employed.⁸²

96. However, notwithstanding the small rise in maintenance support, we still have concerns about the levels of support available and whether it really will be possible for students to attend university at no cost. Several witnesses including Lord Browne, Aaron Porter (then President of the National Union of Students) and Simon Hughes MP (the Government's Advocate for Access to Education) stressed the importance of ensuring students had sufficient money while at university to cover their living costs.⁸³

97. A National Union of Students survey in 2009 found that the average cost of a room in university accommodation in 2009–10 was £3,892.62 per year, rising to £4,560.02 for accommodation in the private sector.⁸⁴ This easily exceeds the basic non means-tested element of the Government's proposed maintenance loan (£3,575).⁸⁵ Even for students who are entitled to some element of means-tested support, the Government's proposed package alone is unlikely to adequately cover their living expenses.

98. For example, the maximum support package which will be available to students from households on an average income of around £35,000 per year is just over £6,000. Assuming average accommodation costs of around £4,000 per year, this would leave such students with around £2,000 per year to cover the costs of books, transport, food and other living expenses. Both the British Medical Association and British Dental Association also identified a particular issue for students studying clinical courses who are often unable to take on part-time work outside their studies to supplement their incomes.⁸⁶

99. We recommend that the Government demonstrates its pledge to "put students at the heart of the system" by committing to improve the student maintenance model as soon as possible to ensure that the minimum non means-tested support available to

⁸² Q 131

⁸³ Qq14, 183, 615

⁸⁴ National Union of Students *Accommodation costs survey 2009–10* page 10

⁸⁵ Ev 217

⁸⁶ Ev w11 and w13

every student covers at least the average annual cost of accommodation in university accommodation. This may require working with the sector to reduce those costs.

Financial support for students studying at “alternative providers”

100. Institutions which do not currently receive grant funding from HEFCE (“alternative providers”, in the language of the White Paper) are not currently subject to the regulations which impose basic and higher limits on tuition fees. At present, certain courses provided by these institutions may be ‘designated’ for student support purposes by the Secretary of State for Business, Innovation and Skills, to enable students studying these particular courses to access tuition fee and maintenance loans. From 2012, the maximum tuition fee loans available to students attending these designated courses will be increased from £3,290 to £6,000 per year (full-time) or £4,500 per year (part-time). According to *Students at the heart of the system*, “this is in line with the amount that institutions in receipt of HEFCE grant can charge their students without putting in place an Access Agreement”.⁸⁷

101. However, in 2012–13 it is only the value of the tuition fee loan for these courses which is to be capped: the course fees themselves may exceed £6,000 per year. This means that, in 2012–13, unlike institutions which do receive HEFCE grant funding, these alternative providers will be able charge tuition fees in excess of £6,000 per year without having to put in place any access agreement and their students will have to fund the difference between the fee and the available loan as an up-front payment. Nor will these institutions have to comply with the requirements applying to other publicly-funded institutions regarding provision of information or quality assurance.

102. This is an interim situation, and the Government intends to legislate during 2012–13 to create a single regulatory framework for all higher education institutions, regardless of their source of funding.⁸⁸ When we asked the Minister why it was that the public money available to alternative providers was to be increased in 2012, despite the absence of other significant regulatory controls, he said:

In an ideal world, we would have the whole regulatory regime in place for 2012, but that is simply not practical given the parliamentary timetable. [...] Of course, we inherited a system from the previous Government where a student can have access to student loans at an independent provider, without having to comply with the full regulatory requirements. That is what currently happens. We will have to wait until 2012–13, parliamentary business permitting, before we can have a single regulatory regime. We are getting on with it as best we can.⁸⁹

103. In supplementary evidence to the Committee, the Department explained that “Such [alternative] providers are not currently part of the OFFA regime and it would have been

⁸⁷ Cm 8122, paragraph 4.10

⁸⁸ Department for Business, Innovation and Skills, *A New Fit-For-Purpose Regulatory Framework for the Higher Education Sector: Technical consultation* (August 2011)

⁸⁹ Q 724

unfair to those providers that are, had their students been free to take out a tuition fee loan of over £6,000”.⁹⁰

104. We agree that it would not have been fair to permit alternative providers to charge tuition fees of more than £6,000, backed by publicly funded student support, without having an access agreement in place. However, it does not seem fair that alternative providers should uniquely be able to access student support at all for courses with tuition fees in excess of £6,000 without an access agreement in place, even if the amount of student support itself is capped at £6,000 per year. If alternative providers can offer viable courses in 2011 with access to publicly funded student support of only £3,290 per student per year, we do not see the need to nearly double the public money on offer to them in the absence of any greater safeguards over its use.

105. This arrangement partially protects the Government’s total financial exposure to uncapped fees, but does nothing to protect the student’s. We would prefer that the amount of public funding available to alternative providers not be increased until the new single regulatory framework is in place. **As a minimum, we recommend that the Government urgently reconsiders its decision to increase the amount of student support available in 2012 for designated courses provided by alternative providers charging tuition fees of more than £6,000, unless it also requires that some form of access agreement and the Key Information Sets for those courses be made available.**

⁹⁰ Ev 293

4 Student numbers

Introduction

106. The starting point for the higher education funding system is what might be considered a ‘typical student’: an able-bodied 18-year old who studies A-levels before going away from home to study at a university for three or four years, and who will pay for their studies through a combination of loans and means-tested grants. However, not all students fit that mould. For example, students with non-standard qualifications may require additional resources or consideration during the applications process.⁹¹ They may also require additional financial support to access higher education in the first place.⁹² Once they have secured a place, they may require adjustments to accommodation or teaching facilities, or support for child-care provision or other caring responsibilities to enable them to get the most from their studies.⁹³ Students from families without a history of higher education may also require additional pastoral support and assistance whilst at university. They may also be more constrained in their choices of course or institution, particularly if family or employment responsibilities limit their ability to travel or stay away from home.⁹⁴ Any ‘non-typical’ students may also be subject to greater pressures in connection with their family, health, or work etc. which may threaten their ability to complete the course.⁹⁵

107. Part-time students also cost more to support, pro rata, than their full-time equivalents. The Open University quoted research commissioned by the Higher Education Funding Council for England and carried out by J M Consulting, which showed that “the costs of supporting part-time students are 15–44% higher than full-time students”.⁹⁶ For example, a part-time student will require the same resources (such as books, hand-outs, teaching time etc.) as a full-time student, and in some cases may require extensions to the normal opening hours of facilities such as laboratories and libraries to enable them to fit their studies around employment or family commitments.⁹⁷

108. Students who vary from the standard profile will, in general, cost more to support during their studies, meaning that an increase in the proportion of students from under-represented groups within the total student body could result in an increased cost overall, even if total student numbers remain constant.

Government proposals

109. The previous Government had set a target of 50% participation in higher education. The present Government has removed that target, stating that:

⁹¹ Qq 143 and 145

⁹² For example, Educational Maintenance Allowance/ Discretionary Learner Fund – see *Unite the Union* (HE09) paragraph 33

⁹³ For example, Ev w78. Specific additional grants are available from Student Finance England for students with disabilities, children or adult dependents.

⁹⁴ Ev 196

⁹⁵ Q 145 and Q 278 [Sir Peter Lampl]

⁹⁶ Ev 238

⁹⁷ Q 261

We have no target for the “right” size of the higher education system but believe it should evolve in response to demand from students and employers, reflecting particularly the wider needs of the economy. Subject to expenditure constraints, we endorse the principle enunciated in the Robbins report that “courses of higher education should be available for all those who are qualified by ability and attainment to pursue them and wish to do so”.⁹⁸

110. Its proposals to reform student number controls were published after the deadline had passed for universities to set their fees for the 2012–13 academic year (though before the Office for Fair Access had published details of the approved access agreements, confirming universities’ fee levels).

111. In its written evidence to the Committee, the Government refers repeatedly to its policy proposals as ‘maintaining’ student numbers and current levels of participation, yet it also refers to the requirement on universities to “show progress” towards benchmarks, and the Government’s “goal of increasing participation in further education”.⁹⁹ However, as Sir Peter Lampl of the Sutton Trust highlighted, widening participation without increasing student numbers was a “very difficult thing to do”.¹⁰⁰

112. In a similar vein, Professor Barr argued that if overall student numbers are fixed:

- Admissions are a zero-sum game. If some universities expand others must contract.
- If the number of institutions increases (e.g. because of new private entrants), the average size of each must fall.¹⁰¹

Furthermore, he believed that liberalisation of student numbers was “essential to achieving the core objectives” of improving quality, widening access and increasing the size of the higher education sector to eliminate excess demand and “ensure that Britain invests sufficiently in skills”.¹⁰² The Russell Group took the view that “maintaining the quality of the student experience and the reputation of UK degrees must be a greater priority than expanding the number of places”¹⁰³ because it “did not want to see [student numbers] grow without funding, and the unit of resource drop away so that we could not do the job properly”.¹⁰⁴

113. Both the Russell Group and the Society of Biology cautioned against expansion of student numbers without the associated capital investment:

[I]t is not necessarily the case that increasing student numbers in a good institution will guarantee more good graduates in the absence of significant expansion of staff

⁹⁸ Cm 8122, (June 2011)

⁹⁹ Ev 157

¹⁰⁰ Q 277

¹⁰¹ Ev 186

¹⁰² Ev 175

¹⁰³ Ev 251

¹⁰⁴ Q 148 [Professor Arthur]

and facilities. Higher numbers of students in practical (laboratory and field) classes can put a significant strain on standards. In this case increased student numbers could be a penalty.¹⁰⁵

114. When he gave evidence to us, the Minister acknowledged that achieving a widening of participation with limits on funding was not an easy objective to achieve:

I hope that it is not that kind of zero-sum game; you can improve the total number of people graduating by a reduction in drop-out rates. Individual universities will have to decide whether they wish to expand or not and how they expand and recruit more people.¹⁰⁶

Excess demand

115. In the Impact Assessment published alongside the White Paper, the Government estimated the underlying unmet demand within the system to be approximately 38% of the total number of ‘unplaced’ applicants each year.¹⁰⁷ This assumption was based on data from 2006–10, which the Government acknowledges includes a year (2006) where there was no cap on total student numbers. Bahram Bekhradnia, director of the Higher Education Policy Institute (HEPI) identified improvements in participation in recent years as “one of the great success stories”, but cautioned that the potential for increased demand was huge:

Add to that the fact that the last Government introduced, and this Government has not reversed, an effective increase in the school leaving age, so all those students that left at 16 in the past—10% of students with 10 or more GCSEs left school at 16 and were never seen again—that will stop. They will have to stay on in education into the future. That will itself necessarily give rise to increase.¹⁰⁸

Government proposals to increase demand

116. Currently, each higher institution is allocated a fixed number of student places each year by the Higher Education Funding Council for England, which also determines how much direct public funding they receive through the teaching grant. This means that institutions have a high degree of certainty from year to year about their likely income from teaching grant and tuition fees (as long as they can fill their allocation of places). It also means that some popular institutions are oversubscribed but cannot expand and have to turn away qualified applicants. At the same time, less popular institutions are still able to fill their allocation and collect their expected fee and grant income by mopping up the students unable to get into the more popular institutions and courses.¹⁰⁹

¹⁰⁵ Ev w84

¹⁰⁶ Q 704

¹⁰⁷ Department for Business, Innovation and Skills, *Impact Assessment: Higher Education: Students at the heart of the system* (June 2011) page 68

¹⁰⁸ Q 463

¹⁰⁹ Department for Business, Innovation and Skills, *Impact Assessment: Higher Education: Students at the heart of the system* (June 2011) page 48

117. The White Paper makes two immediate proposals for creating some flexibility in student number allocations and creating competition for student places. The first measure is to allow unrestrained recruitment of high-achieving applicants (those achieving grades AAB or above at A-level or equivalent) which is expected to affect around 65,000 places. The second proposal is to enable institutions to compete for a “margin” of a further 20,000 places “to support expansion by providers who combine good quality with value for money, and whose average charge (after waivers have been taken into account) is at or below £7,500”. The White Paper notes that “this will make it easier for further education colleges, new entrants and other non-traditional providers that can attract students, to expand to meet demand”.¹¹⁰

118. To create this “flexible margin” within a static total student population, institutions’ current allocation of student places will be reduced, first by their expected number of high-achieving applicants (plus an element for the expected annual rise in the number of high-achieving candidates), then a further percentage cut of around 8% to create the “margin”. Institutions which have not submitted access agreements to OFFA, and which therefore cannot charge fees of more than £6,000 (largely Further Education colleges which offer some Higher Education courses) will not be subject to the 8% reduction to “avoid creating a burdensome exercise whereby institutions lose numbers that are then likely to be returned to them”.¹¹¹ The Higher Education Funding Council for England then proposes to allocate the remaining ‘low-cost, high-quality’ places through “a competitive bidding process”.¹¹²

119. The Government’s intention is that the academic achievement threshold for unrestricted recruitment will gradually be lowered in future years so that it applies to more students, and the number of “marginal” places for which institutions compete will also increase. The Higher Education Funding Council for England will run two separate consultations over the next 12 months on how to implement these proposals.

120. In oral evidence before the publication of the White Paper, Sir Alan Langlands, the Chief Executive of the Higher Education Funding Council for England said:

It is a very static system at the moment because we operate institutionally based student number controls to keep control of the money, but if student numbers start moving around the system, that will increase volatility in the system, because clearly the money from the Student Loans Company will follow these students.¹¹³

121. The Government’s additional proposals on student number controls, which were announced after universities had had to make decisions on their fee levels for 2012–13, will result in around one in four student places for the 2012–13 intake being contestable and/or freed from student number controls.¹¹⁴ The new regime of fee waivers will mean that, in

¹¹⁰ Cm 8122, paragraph 4.20

¹¹¹ Higher Education Funding Council for England, *Teaching funding and student number controls: consultation on changes to be implemented in 2012–13* (June 2011) paragraph 132

¹¹² Higher Education Funding Council for England, *Teaching funding and student number controls: consultation on changes to be implemented in 2012–13* (June 2011) paragraph 134

¹¹³ Q 393

¹¹⁴ Q 675

future, institutions' fee income is more closely linked to the individual financial circumstances of the students they take in: institutions will not know what income they will receive from tuition fees until applicants' exam results are known and the new intake of students arrives to take up their places at the beginning of the academic year.¹¹⁵ This creates even greater uncertainty for higher education institutions about how many students places they will have available to offer in September 2012, and at what fee levels.

122. In its first consultation document on how to implement the changes to student number controls for 2012–13, the Higher Education Funding Council for England makes clear that “the funding method for 2012–13 described in this consultation document is an interim solution, intended to maximise predictability for institutions during the first year of the transition”.¹¹⁶

123. When we took evidence from the Minister after the publication of the White Paper, he also acknowledged the destabilising effect of the reforms:

I recognise that we are asking universities to go through a big set of changes with big uncertainties. I fully understand that. [...] That was why, with the Secretary of State, the PM and the DPM, we took a view that having one in four places contestable in 2012 was about right. Some people would have argued that we should have gone even further, but I thought that then universities would just be handling too much uncertainty; with less, it would not have been a big reform.¹¹⁷

124. The consultation to be run by HEFCE on how the new student number controls should operate in practice is to run alongside the Government's own consultation on its White Paper. As million+ notes:

[It is] difficult to see how the decision of Ministers to require HEFCE to implement this market in 2012-13 while at the same time inviting consultation on the BIS White Paper, provides for proper consideration and full and meaningful consultation of the impact of the student number market on students and universities.¹¹⁸

125. University Alliance also expressed concern about the timing for implementation of the various reforms, and recommended a delay to the implementation of student number controls until after the “tectonic shift in student finance system and [the] market settles down”.¹¹⁹

126. If a market model is to be effective in the higher education sector, we agree that restrictions on supply must be removed. However, this cannot be achieved overnight. The Minister is right to acknowledge that the Government's proposals to change student number controls will add to the uncertainty currently experienced by universities. We therefore recommend that changes to student number controls be

¹¹⁵ Ev 218

¹¹⁶ Higher Education Funding Council for England, *Teaching funding and student number controls: consultation on changes to be implemented in 2012–13* (June 2011) paragraph 143

¹¹⁷ Q 675

¹¹⁸ Ev 219

¹¹⁹ Ev 282

deferred for at least 12 months after the reforms to the student finance system have been implemented to enable the sector to be consulted on whether reforms to reduce control of student numbers should be phased in over several years, or introduced in a single measure.

Creating a market: the effect of the proposals

127. A year-on-year increase in the number of marginal places for “low-cost high-quality” courses seems likely, over time, to channel an increasing number of people (particularly those without A-levels or those with average rather than high grades) into a low-cost model of higher education. The Minister told us that:

A lot will depend on what alternative provision develops and what level of demand for it there is. If we find that there are some FE colleges and new providers that can deliver cost-effectively a significant amount of provision that people are choosing and that comes in at under £7,500—perhaps even at under £6,000—and that gets them the vocational qualifications that they want in an efficient, brisk way, with a high-quality teaching experience, and if people are happy to choose it, then, yes, we would want to see that expand. However, we will take a view when we have seen how we do on the cost-effectiveness and what patterns of student demand emerge.¹²⁰

128. According to Professor Barr a potential risk of the Government’s proposals are that they may create a market with three parts:

‘Top’ universities accept mainly AAB students and can expand. Competition within the group is a zero-sum game. For the group as a whole, expansion is by bidding AAB students away from ‘middle’ universities.

‘Middle’ universities: for the group as a whole, student numbers are reduced by the size of the margin and, because they charge more than £7,500, these universities cannot bid for margin students.

‘Low price’ universities have an average net fee of less than £7,500, so the group as a whole can expand by the size of the margin. An institution can combine a fee of £9,000, if it has a top department, with lower fees in other subjects, together with fee waivers calibrated to bring the average to below £7,500. The group includes three types of institution: new private providers, further education colleges, and access universities.¹²¹

He predicted that the ‘middle’ universities would face the greatest difficulties because “there is no mechanism for the average university in [this] group [...] to increase student numbers by improving quality (i.e. shifting its demand curve to the right); its only lever is to reduce price (i.e. moving down the demand curve)”.¹²²

¹²⁰ Q 690

¹²¹ Ev 186

¹²² Ev 186

129. This view was shared by the University Alliance, which suggested that “many of our most successful universities could expect to see their provision cut in half over the next six years and that there will be very few highly resourced courses available for students below AAB [...] [if] you roll these proposals forward over a few years, you quite quickly reach a stage where there is no market between £9,000 and £7,500”.¹²³

130. There is therefore a risk that the proposals could polarise the higher education sector into ‘traditional’ universities versus a ‘low cost’ alternative. This could have undesirable consequences for social mobility if able candidates from lower socio-economic backgrounds felt constrained to choose lower-cost provision. Further education colleges (and other providers) are capable of offering excellent low-cost and high-quality provision, but they may not offer the same experience as a student might receive in a traditional university.¹²⁴

131. Rebecca Watson, a recent graduate and student member of Quality Assurance Agency audit teams, explained:

Obviously a lot of people go to university for the graduate employability side, but also from a personal perspective, people, particularly those from lower socio-economic backgrounds, go to university for social and cultural enhancement as well as for employability. They see university as a place where they can understand citizenship, interact with people from different backgrounds that under normal circumstances they would not have had access to in their home town.¹²⁵

132. This effect may even be compounded by the inevitable difference in income between an institution recruiting large numbers of high-achieving students, each paying fees of close to £9,000 per year, which is able to offer generous bursaries or fee waivers, and one which focuses its provision on providing low-cost provision for fees of less than £7,500. The second institution will have far less scope to invest in facilities and other means to enhance the ‘student experience’ and perhaps find it more difficult to attract high-achieving students or those from wealthier backgrounds, regardless of the quality of its teaching. million+ said:

The removal of core numbers and/or price restrictions will reduce the unit of resource in those universities with strong track records in widening participation. This will impact not only on the number of places available for students from more diverse backgrounds but also on the income that institutions had anticipated would be available to invest in the quality of the student experience for their students.¹²⁶

133. As Professor Stefan Collini says:

The actual effect of the changes will be to make the distribution of resources for institution match more closely the distribution of A-level scores. Just on fee income alone, students at institutions with an AAB offer or better will be better resourced ...

¹²³ Ev 279

¹²⁴ Ev 163 and 166

¹²⁵ Q 237

¹²⁶ Ev 220

than students at institutions with lower entry requirements. [...] All the research shows that children at private schools have dramatically better chances of obtaining AAB at A-level than those at state schools. Now the universities they get into will be better resourced as well.¹²⁷

134. Even before the announcement of the Government's proposals on student number controls, a number of witnesses expressed concern to us that the Government's proposed removal of teaching grant for arts and humanities subjects, combined with a focus on tuition fees and graduate employment prospects could reduce demand for certain subjects, particularly arts and humanities, and foreign languages.¹²⁸ We believe that this could be exacerbated by a polarisation of the higher education sector into 'traditional' universities and lower-cost providers focussing on more vocational courses. Professor Simon Gaskell, representing the 1994 Group of 19 'research intensive' universities expressed his anxiety that there was a "real risk" that certain subjects could become "white middle-class student subjects".¹²⁹ Mike Robinson of UNITE the Union summarised this concern by asking the following question "What is wrong with a council house kid doing classics? Why should education as enlightenment not be a worthy cause rather than just education for occupational need?"¹³⁰

135. million+ also suggested to us that the promotion of 'cheap' places ran "counter to the communications strategy of Ministers who have sought to emphasise (correctly) that no matter how much students borrow in fee and maintenance loans, graduate repayments above the earnings threshold will be based on actual earnings rather than the size of the loan. These payments will therefore be the same each month whether or not students have borrowed fee loans for a £9,000 a year course or a course priced at £7,500 or less."¹³¹

136. Speaking to the Universities UK annual conference on 8 September 2011, the Secretary of State for Business, Innovation and Skills acknowledged these concerns, stating that:

I am aware there will be some concerns about unintended consequences. There have been suggestions that [the reforms] will reintroduce some sort of two-tier higher education system; this is absolutely not the case—our aim is diversity, not division.¹³²

137. While the Department's aim of "diversity, not division" is laudable, we have yet to be convinced that the access agreement mechanism will be sufficiently robust to counteract polarisation within the sector. It would help if the Government was to provide evidence on this issue in its response to this Report. For that reason, we recommend that the Government monitor very closely any changes in the social mix at English higher education institutions, and take swift action should any polarisation of the sector begin to emerge.

¹²⁷ Stefan Collini *From Robbins to McKinsey*, London Review of Books, Vol. 33 No. 16 (25 August 2011) pages 9–14

¹²⁸ Q 112, Q 219 Q 325, Ev w4, Ev w17, Ev w34, Ev w64

¹²⁹ Q 112

¹³⁰ Q 229 [Mike Robinson, UNITE the Union]

¹³¹ Ev 219

¹³² Text available from the BIS website: www.bis.gov.uk/news/speeches/vince-cable-uuk-conference-2011

Fair access

138. A key factor in the success the Government's proposals is that institutions ensure that the 65,000 places for high-achieving candidates do not go disproportionately to candidates from selective schools. In evidence to us, Universities Alliance set out the current breakdown of these candidates: "a quarter of the richest 20% of students get top A-level grades (BBB and above) in comparison to just 3% of the poorest 20% of students".¹³³ This view was supported by million+ who told us that

There is significant tension between the Government's professed commitment to increase social mobility and the proposals to allow unrestricted recruitment of the approximately 65,000 students who achieve AAB or above at A-Level or in equivalent qualifications. A wealth of research has shown that students from more prosperous backgrounds and at private schools tend to perform better in standard examinations. Out of the 54,600 students in England aged 16-18 who achieved AAB or better in A-Levels and AVCEs in 2010, 16,100 (29%) were from private schools even though only around 6% of all pupils study at private schools. A further 5,420 (10%) of those achieving AAB were at selective state schools.¹³⁴

139. The Government acknowledged this risk in its Impact Assessment, but asserted that its proposal "does not favour [candidates from independent schools] any more than the current system".¹³⁵ It went on to state that:

For as long as universities choose to consider high grades as a proxy for ability and potential [...] it is reasonable to expect that this cohort of students will continue to have high participation rates, higher than those with lower grades, regardless of the number control system. This model is therefore not expected to impact on their forecast prediction rates.¹³⁶

140. To address this concern, the National Union of Students suggested that there should be a means for "institutions to declare an applicant as an AAB applicant if they have lower grades but are admitted under a contextual data policy".¹³⁷

141. We note the proposals for additional flexibility for students achieving AAB grades or above. However, the Government will need to demonstrate that its policy encourages bright candidates from all backgrounds to aspire to achieve high grades at A-level. In its response we will expect to see more detail on how the Government will deliver equality of opportunity through this policy.

¹³³ Ev 280

¹³⁴ Ev 220 "AVCEs": Advanced Vocational Certificates of Education, also known as "Vocational A-levels".

¹³⁵ Department for Business, Innovation and Skills, , *Impact Assessment: Higher Education: Students at the heart of the system* (June 2011) page 72

¹³⁶ Department for Business, Innovation and Skills, , *Impact Assessment: Higher Education: Students at the heart of the system* (June 2011) page 72

¹³⁷ Ev 235

“Off-quota” students

142. The White Paper also contained a third “longer-term proposal” to enable institutions to take in additional students above their allocation who are sponsored by employers or charities, as long as they do not create any cost-liability for the Government.¹³⁸ On 10 May 2011, it was reported in the media that the Government was considering allowing universities to offer “off quota” places (i.e. places outside the HEFCE quota of student numbers, but without access to public loans or grants) to home students who were willing to pay up-front tuition fees at the same rate as international students.¹³⁹

143. The suggestion provoked concern that it would enable rich families to ‘buy’ university places, or that charities, schools in the independent sector or employers could buy university places.¹⁴⁰ Responding to an Urgent Question on the matter, the Minister was keen to make clear that:

The principles of fair access must apply; there would need to be genuine additional places; there would be no reduction in entrance standards; and, of course, rich individuals should not be able to buy their way into university.¹⁴¹

He also made it clear that “it is not our intention that schools should be able to buy places at university” and insisted “it is the university that will decide who is admitted, and it is essential that we do not compromise on that principle.”¹⁴²

144. In a later press release the Minister also stated that:

We will only consider allowing off-quota places where it contributes to the coalition commitment to improve social mobility and increase fair access.

There is no question of wealthy students being able to buy a place at university. Access to a university must be based on ability to learn not ability to pay.¹⁴³

145. The lack of detail in the initial announcement, and its timing towards the end of our oral evidence sessions, meant that we were unable to question many witnesses about these proposals. The White Paper itself provides little additional detail, meaning there are still a great many uncertainties about how the proposal would work in practice, not least who would make decisions on admissions to sponsored places.¹⁴⁴ The Minister conceded that the Government “are going to have to do a lot more work on this”.¹⁴⁵

¹³⁸ Cm 8122, (June 2011), paragraphs 4.22 and 4.23

¹³⁹ Reports appeared on *Today* (BBC Radio 4), Sky News and Channel 4 News, as well as in the *Times*, the *Guardian*, the *Financial Times* and the *Telegraph*.

¹⁴⁰ Mr Barry Sheerman MP (HC Deb, 10 May 2011, col 032); Mr Paul Blomfield MP (HC Deb, 10 May 2011, col 1034); Mr Gavin Shuker (HC Deb, 10 May 2011, col 1034);

¹⁴¹ HC Deb, 10 May 2011, col 1029

¹⁴² HC Deb, 10 May 2011, col 1035–1037

¹⁴³ <http://nds.coi.gov.uk/content/detail.aspx?NewsAreaId=2&ReleaseID=419415&SubjectId=2>

¹⁴⁴ We note, for example, that admissions to the KPMG School Leavers Programme are handled predominantly by KPMG (as prospective employees of the company) rather than by the partner universities. See Q 531

¹⁴⁵ Q 697

146. The White Paper also stated that these places “must be genuinely additional”, which the Minister explained was to avoid institutions trying to “reduce their publicly financed offering”.¹⁴⁶ However, we are unsure as to how additional students could be accommodated by an institution without them taking up teaching time and resources within an institution’s finite capacity. NUS argued that at its extreme, this could lead to a two-tier system “where non-traditional students must seek out sponsorship and shoehorn their own ambitions into what business and charities are willing to offer, whereas students from more affluent backgrounds retain greater choice”.¹⁴⁷ That said, if the “off-quota” proposal delivered additional places based on merit rather than ability to pay, Professor Nicholas Barr believed that the effect on overall capacity within the system would be “small but beneficial”.¹⁴⁸

147. Without detailed proposals we are unable to see how the Government will ensure that admissions to “off-quota” places are “based on ability to learn not ability to pay”. The Minister rightly acknowledges that there is a lot more work to do on this proposal, and we recommend that the Government proceed with extreme caution to ensure that the system is not open to abuse. In its Response, the Government will need to set out in much greater detail, how this policy will provide additional places while protecting the integrity of the admissions system.

¹⁴⁶ Q 696

¹⁴⁷ Ev 234

¹⁴⁸ Q 513

5 Provision of information, advice and guidance

Introduction

148. The White Paper says that “wider availability and better use of information for potential students is fundamental to the new system. [...] Better informed students will take their custom to the places offering good value for money”.¹⁴⁹ High-quality information, advice and guidance (IAG) is also identified as crucial to raising levels of participation by students from under-represented groups:

Potential students need high quality advice and guidance to make informed decisions about whether higher education is the right option for them and, if so, which route to take and what subjects to study to prepare them for their desired course.¹⁵⁰

149. The Government has therefore proposed that all higher education institutions ‘designated to receive student support’ should, from September 2012, publish a standard Key Information Set (KIS) about all courses, in a form which enables comparisons between institutions. The Government has also asked UCAS and higher education institutions to make available information about the “type and subjects of the actual qualifications held by previous successful applicants”¹⁵¹ to help prospective students make informed choices about which subjects to study. Improvements are also planned to the presentation and availability of statistical information about higher education institutions.

Key Information Set (KIS)

150. The new Key Information Set (KIS) is the cornerstone of the Government’s proposed new regime of information, advice and guidance. For each course designated for student support, the KIS will cover issues such as tuition fees, student satisfaction, assessment and teaching methods used, other associated costs, and employment destination data about past students.¹⁵²

151. Anthony McClaran, Chief Executive of the Quality Assurance Agency told us that it was “essential that the information necessary to make that kind of judgment [about the value for money offered by a course] is available in an easily accessible form and in a comparative form to students”.¹⁵³ Several other witnesses also emphasised the need for the information in the KIS to be comparable, and contextualised.¹⁵⁴

¹⁴⁹ Cm 8122, paragraph 2.24

¹⁵⁰ Cm 8122, paragraph 5.9

¹⁵¹ Cm 8122, paragraph 2.19

¹⁵² Cm 8122, paragraph 2.10

¹⁵³ Q 599

¹⁵⁴ Ev 234 and 244

152. We understand that the proposal is for the KIS for each course to be hosted on each institution's own website to enable the institutions to "own the information and [...] maintain it over time".¹⁵⁵ A link to the relevant KIS will also appear on the UCAS information and application page for each course.¹⁵⁶ While this will provide welcome information to prospective students, there does not appear to be plans for a central site on which the KIS for different courses and institutions can be compared side by side. The University of Hertfordshire expressed concern that "by having to work through dozens of links in order to compare institutions' KIS [...] students may only consider universities they have a preconceived idea about".¹⁵⁷ Sir Alan Langlands, of the Higher Education Funding Council for England (HEFCE) explained that they were "under huge pressure to get [the KIS] up and running for obvious reasons, given the Government's emphasis on choice based on the availability of information, and that was ... all that can be done with very limited resources and in the time available."¹⁵⁸

153. We consider it essential that the KIS for all higher education courses should be available from a central point, in a form which allows direct comparisons to be made between courses and institutions. We are encouraged by references in *Students at the heart of the system* to interest from organisations such as OpinionPanel, Push, the Student Room and *Which?* in providing such a comparison service. The private sector may be in a good position to deliver this service quickly and efficiently. We recommend that, as a priority, Government engages with these companies to develop an effective and impartial comparison site as soon as possible.

154. We are concerned about how the information in the KIS will be made accessible to prospective students who do not have easy access to the internet, and recommend that at the very least, institutions should also be required to advertise widely, the availability of hard copy versions of the KIS with their prospectuses. To facilitate side-by-side comparisons of printed versions, we recommend that a standard form be agreed for the KIS.

Employment data

155. The Government proposes to include within the Key Information Sets for each course, data on employment destinations and salaries of recent graduates. As well as the proportion of graduates in employment or further study six months after graduation, the KIS will also specify the proportion of those graduates in full-time 'graduate' jobs, along with the average salary earned by graduates from that particular course compared with the average salary for graduates in that subject across all institutions, measured at six and forty months after graduating.

156. Some witnesses suggested that "snapshot" of employment data six months after graduation was too early to give a true indication about graduate prospects.¹⁵⁹ The

¹⁵⁵ Q 413

¹⁵⁶ Q 414

¹⁵⁷ Ev w100

¹⁵⁸ Q 414

¹⁵⁹ Q 174, Ev w4, Ev w98

University of Hertfordshire in particular noted that “graduates from non-traditional backgrounds [...] may, as a result of their circumstances, find it takes longer to establish careers than other graduates”.¹⁶⁰ A recent report by the Institute for Leadership and Management also noted that “over half (57%) of graduates expect to leave their [current] employer within two years [and] 40% expect to leave within a year”.¹⁶¹

157. We are pleased that the Government has also chosen to include employment data from forty months after graduation in the KIS, but we believe the predominance of data from only six months after graduation gives these data undue weight. We are also concerned that the prominence of data on graduate salaries could create a perverse incentive for institutions to steer their graduates towards high-paying jobs, possibly unrelated to the course studied, so as to enhance the data in the KIS and encourage recruitment to their institution.

158. We recommend that as part of its improvements to the information available to prospective students, Government should ensure that detailed information on the sectors or types of roles in which graduates of each course are employed are contained within Key Information Sets.

159. Given the increasing reliance on well-informed students to shape HE provision, and the inclusion of data in the KIS about employment outcomes and endorsement of courses by professional bodies, we recommend that the membership of the Higher Education Public Information Steering Group be expanded to include one or more representatives of the all-age National Careers Service, and the Alliance of Sector Skills Councils.

Provision of information at schools

160. While our witnesses welcomed the principle of introducing Key Information Sets for prospective students, they also highlighted the importance of early advice and information at schools to encourage potential students’ aspirations and subject choices. Daryn McCombe, a recent graduate who had also been a student member of Quality Assurance Agency review teams, told us:

Schools, particularly secondary schools, need to do a lot more work with pupils all the way through from the beginning to the time they go on to A levels and national vocational qualifications etc. You can do a lot more work with people a lot earlier on in terms of things like careers advice. [...] To be honest, by the time you get to application stage essentially it is family background and experiences at school that will make those choices for you, so unless you have been able to impact people at a much earlier stage by the time you get to the application it is too late.¹⁶²

161. Other witnesses also emphasised that interventions to provide information and guidance to school pupils should begin early enough to enable it them to affect pupils’

¹⁶⁰ Ev w100

¹⁶¹ Institute for Leadership and Management, *Great Expectations: Managing Generation Y* (July 2011) page 9

¹⁶² Q 240

aspirations and subject choices—at least by age 13 or 14.¹⁶³ Professor Colin Riordan of Universities UK commented that “the key intervention is at age eight or nine. That is where the evidence shows you can make the biggest difference”.¹⁶⁴ Sir Peter Lampl of the Sutton Trust explained that his Trust runs outreach programmes for pre-school and primary school-age children. He argued that “you can intervene effectively at all stages in the process” and that it was possible to intervene successfully at 17, but intervening at a younger age could be “more effective”.¹⁶⁵

162. In his report to the Prime Minister and Deputy Prime Minister on Access to Education, Simon Hughes MP recommended that “primary schools should as a minimum arrange for 10 and 11 year olds a careers event [...] where parents, family members and others come in to talk to pupils about their jobs and work, and give pupils the opportunity to ask questions about how to obtain and qualify for them.”¹⁶⁶ He also recommended that:

At the age of 13 and 14 [...] every student should have made available to them information on all future pathways through education to employment, including information about which types of career different educational choices can lead to.¹⁶⁷

163. Aaron Porter, then President of the NUS agreed. He said that:

Successive Governments have talked almost relentlessly about the need for improved information, advice and guidance. [...] If we want to give applicants informed choices, it is not good enough to wait until they are 17 or 18. These things start much earlier.¹⁶⁸

164. The Minister agreed with the need for a wider dissemination of information asserting that the Government was “making progress and there will be more information in the months ahead”. However, he acknowledged that the Government had not “got as far as I would have liked in year 1”.¹⁶⁹

165. It seems clear that for the next three to four years at least, young people will be expected to act as informed consumers in an unfamiliar market place, for which their schooling has not necessarily prepared them. We recommend that the Government, as a matter of urgency, put in place transitional arrangements so that prospective students have the necessary advice and guidance infrastructure to help them make informed decisions on their education.

Careers advice

166. For many young people, formal and informal careers advice from school teachers will be one of their primary sources of information. The Education Bill replaces schools’

¹⁶³ Qq74, 139 and 617

¹⁶⁴ Q 138

¹⁶⁵ Q 343

¹⁶⁶ Simon Hughes MP, report to the Prime Minister and Deputy Prime Minister (July 2011), recommendation 1

¹⁶⁷ Simon Hughes MP, report to the Prime Minister and Deputy Prime Minister (July 2011), recommendation 3

¹⁶⁸ Q 157

¹⁶⁹ Q 638

existing duty to provide careers education with a new duty to “secure independent careers guidance” for pupils in Years 9 to 11 (roughly ages 14–18), including information on options for further education and training (including apprenticeships) available from age 16. Ministers intend this duty to apply from September 2012. It will no longer be possible for a school to fulfil its duty to provide careers advice by asking a single teacher or other employee to provide guidance to all pupils. Unless there are changes to the Education Bill during its passage through Parliament there will not be a specific duty to require schools to provide face-to-face advice to young people.¹⁷⁰

167. Separately, the Government is replacing the Connexions service, which is currently funded by local authorities, with a new “all-age” National Careers Service to be fully established from April 2012. According to the White Paper this will:

Provide comprehensive information about careers, skills and the labour market, and advice and guidance on all options, including vocational study in colleges, training through Apprenticeships, and higher education.¹⁷¹

The National Careers Service will be provided predominantly online and via a telephone service, with face-to-face advice only available to people aged 19 or over.¹⁷²

168. These proposals give rise to a number of concerns, particularly about the timing of their implementation and the means by which careers advice will be provided. The deadline for UCAS applications for higher education courses beginning in September 2012 is 15 January 2012.¹⁷³ There is therefore a clear gap in provision of advice about higher education options for young people during 2012. When asked about transitional arrangements, the Minister told us that:

The anecdotal evidence we get is that interest at open days and summer schools is, if anything, as great as ever, and the questions are in some ways more penetrating than in the past. We did write, via the DFE, to all schools and colleges with people in the crucial age group, drawing the head teachers’ and principals’ attention to all the resource that was available online.

He concluded:

I hope that young people get access to the information that they need.¹⁷⁴

169. The dependence on on-line and telephone advice was highlighted as a shortcoming by a number of our witnesses. Lorraine Dearden of the Institute for Fiscal Studies cited research carried out by the London School of Economics which showed that children from schools in deprived areas did not tend to proactively access web-based or telephone services.¹⁷⁵ Simon Hughes MP also stated in his Report that “young people overwhelmingly

¹⁷⁰ For further information on the Bill see <http://services.parliament.uk/bills/2010-11/education.html>

¹⁷¹ Cm 8122, paragraph 5.10

¹⁷² Q 707–710

¹⁷³ Ev 267

¹⁷⁴ Q 711

¹⁷⁵ Q 505

value receiving careers information, advice and guidance from another person—in person”.¹⁷⁶ Martin Doel of the Association of Colleges pointed out that the Government’s proposals were almost entirely reactive:

The services being offered in the all-age careers service seem to me a demand system; the empowered consumer demands information from the system to make choices about the way forward. That may be effective in that regard and it has probably been funded to do so. In some places you need a push to more actively engage the young person, and sometimes older people, to push to them the opportunities that may be available and to open their eyes up to the mechanisms they can use. There needs to be a combination of this: push and pull. The pull element is well served within this system or potentially; I am more concerned about the push element.¹⁷⁷

170. We asked the Minister about this reliance on online or telephone support, and the lack of a proactive element. He told us that under the Education Bill “schools will be required to get independent advice and guidance”, and that his Department was “working very closely with the DWP and hope that, not least through jobcentres, hard-to-reach groups, such as people who are on benefits, will have access to that type of information, advice and guidance, as well as its being available on websites”.¹⁷⁸ He also drew attention to the work being undertaken by Martha Lane Fox on digital inclusion.¹⁷⁹

171. We are not satisfied with the Minister’s answers on this point. Our witnesses argued for the need to take proactive action to raise the aspirations both of school pupils and of older people from groups traditionally under-represented in higher education. Providing information and guidance in an accessible format which is tailored to the needs of the audience is part of this. In support of this view, Simon Hughes MP recommended that “colleges, universities and groups of universities should form partnerships with faith, cultural and sports organisations, supermarkets and shopping centres, transport companies and businesses and trades unions to maximise the promotion of opportunities for further and higher education inside and outside the school gates”.¹⁸⁰

172. We do not believe that “hoping” people get the information they need is a sufficient response to concerns about advice reaching young people, in particular those young people in hard to reach groups. The Government must act urgently to put in place transitional measures to ensure school pupils have access to adequate careers advice and guidance before the first UCAS deadline for 2012 applications in January.

173. We support the view that the government should act urgently to guarantee face-to-face careers advice for all young people in schools and agree that the all-age careers service should provide face-to-face advice for people under 19.

¹⁷⁶ Simon Hughes MP, report to the Prime Minister and Deputy Prime Minister (July 2011) page 18

¹⁷⁷ Q 302 [Martin Doel, Association of Colleges]

¹⁷⁸ Q 709

¹⁷⁹ Q 710

¹⁸⁰ Simon Hughes MP, report to the Prime Minister and Deputy Prime Minister (July 2011) page 39

174. We recommend that a planned awareness-raising campaign should be put in place prior to the launch of the National Careers Service to make young people and adults aware of the Service and the higher education opportunities which may be available to them.

Quality of information, advice, and guidance

175. We have seen from the evidence submitted to our inquiry that there are already great many organisations offering information advice and guidance to prospective students, including employers, sector skills councils, learned societies and charities.¹⁸¹ As well as formal sources, prospective students may also be advised by friends, relatives, teachers and through the media.¹⁸²

176. At present, there is little control over the quality of the information and guidance provided. Aaron Porter, then President of the National Union of Students, gave an interesting example of why such quality control was necessary:

There must be at least 50 universities that describe themselves as being in the top 10 in terms of the quality of what they provide, so clearly something does not quite add up.¹⁸³

177. Some measures are already being taken to improve matters. We understand that, from September 2012, the QAA will include in its reports, the quality of public information provided by audited higher education institutions.¹⁸⁴ The quality and consistency of data in the Key Information Sets will also be monitored by HEFCE.¹⁸⁵ In the Report of its inquiry into Participation by 16–19 year olds in education and training, the Education Committee also recommended that the “quality, impartiality and extent of career guidance services in schools” should be monitored by Ofsted as part of its inspections.¹⁸⁶

178. However, none of these measures cover the quality of information and guidance provided by third parties outside the education sector. Both the QAA and Ofsted are in the process of moving to a more ‘risk-based’ inspection schedule, meaning that some institutions may be inspected less often in future than they are presently. QAA audits and Ofsted inspections also only represent periodic assessments, rather than setting a standard which must be met consistently. The Bridge Group, a policy association which “promotes social mobility through higher education” recommended to us that a “kite-mark system of quality assurance” be developed to identify the most authoritative third-party sources of information and guidance.¹⁸⁷

¹⁸¹ For example Ev w1, w28, w53, , w67, w74, w80

¹⁸² Ev w4, w67

¹⁸³ Q 174

¹⁸⁴ Ev 239, 242 and Q 605 [Anthony McClaran]

¹⁸⁵ Q 414

¹⁸⁶ Fourth Report of Session 2010–12 (HC 850) paragraphs 156 and 157

¹⁸⁷ Ev w5

179. We welcome all efforts to assist prospective students in making informed choices, but we consider that some prospective students, particularly those from families without experience of higher education, may need assistance in identifying the most reliable, unbiased and appropriate sources of information. Given the infrequency of QAA audits, we do not consider that its endorsement of an institution's public information provision alone is sufficient. We recommend that the Government develop a form of 'kitemark' which could be used to authenticate reliable and accurate sources of information about higher education opportunities.

6 Widening participation in higher education

Introduction

180. The terms ‘access’ or ‘fair access’ and ‘widening participation’ are commonly used almost interchangeably, to refer to the aspiration of increasing the proportion of students from under-represented groups entering and completing higher education. Professor Colin Riordan of Universities UK drew the following distinction between them:

Fair access is whether what you might call elite universities are really open to all. [...] Widening participation is the activity generally in the sector of reaching out to students who just have not gone to higher education.¹⁸⁸

181. The term ‘under-represented groups’ is also often used in this context. While it most commonly refers to students from lower-income backgrounds, who may have attended schools with generally lower attainment rates at A-level, it also includes disabled and mature students, care leavers, and students from minority ethnic backgrounds. As the National Forum for Lifelong Learning Networks cautions in its written evidence to the Committee:

Care should be taken not to identify potential learners in terms of their economic status alone; this is very significant of course but ambitions to widen participation should be not be limited to those learners entitled to free school meals.¹⁸⁹

182. There is a consensus that improving access and widening participation are worthwhile investments which brings private benefits to the graduate, as well as socio-economic benefits to the UK by increasing tax revenue from graduates (who generally earn more, and thus pay more tax over their career than non-graduates), promoting social mobility and ensuring that employers have access to the largest possible pool of highly-qualified and skilled graduates. As the University Alliance said:

With 80% of new jobs in high-skill areas it is vital that we have a system that enables all those who have the ambition and ability to succeed at university.¹⁹⁰

Funding widening participation work

183. Both the Higher Education Funding Council for England and the Office for Fair Access oversee the efforts of universities in relation to widening participation. Funding for this work is allocated by HEFCE through the block teaching grant. In 2010–11, HEFCE allocated a total of £372.7 million to institutions for:

¹⁸⁸ Q 137

¹⁸⁹ Ev w59

¹⁹⁰ Ev 274

- the additional costs for outreach activity to raise aspirations and attainment among potential students from under-represented groups (£130.3 million);
- to assist with the costs of supporting those students with disabilities (£13.2 million); and
- to improve student retention rates (£229.2 million).¹⁹¹

This funding is provided as part of the block teaching grant and was “protected” in the recent cost-saving exercise. The Minister told us that universities would have £407 million in 2012–13 to spend on access and outreach work, which would rise to over £600 million per year by 2015–16.¹⁹²

184. In 2007, HEFCE guidance on effective ways to target outreach activities stated that “as a principle”:

Resources should be targeted at learners with the potential to benefit from higher education who come from under-represented communities. Overwhelmingly these learners are from lower socio-economic groups (groups 4–8 in the National Statistics Socio-economic Classification, NS-SEC), and those from disadvantaged backgrounds who live in areas of relative deprivation where participation in HE is low.¹⁹³

185. The Office for Fair Access (OFFA) is an independent public body that helps safeguard and promote fair access to higher education. OFFA validates, approves and monitors universities’ ‘access agreements’. Under the current system this includes the monitoring of universities bursaries schemes which they are required to offer to students from families with an income of below £25,000 per year. The minimum bursary for 2010–11 was £329, although institutions were responsible for determining their own bursary regime and many offered much higher awards. The average bursary in 2010–11 was £900.¹⁹⁴ However, the Government is proposing to replace this compulsory bursary with a National Scholarship Programme, which we consider later in this section.

186. The current system of outreach and financial support offered by higher education institutions was subject to a review by OFFA. The research was conducted in 2010 and demonstrated that the current activity, while well-intentioned, was not achieving the desired outcomes. The research concluded that:

- The introduction of bursaries has not influenced the choice of university for disadvantaged young people.
- Applications from disadvantaged young people have not changed in favour of universities offering higher bursaries.

¹⁹¹ Ev 239

¹⁹² Q 663

¹⁹³ Higher Education Outreach: targeting disadvantaged learners, May 2007, HEFCE http://www.hefce.ac.uk/pubs/hefce/2007/07_12/07_12.pdf

¹⁹⁴ OFFA bursary leaflet for HE advisors 2010–11

- Disadvantaged young people have not become more likely to choose conditional offers from universities offering higher bursaries.
- Since bursaries were introduced most of the increase in the participation of disadvantaged young people has been in universities offering lower bursaries.¹⁹⁵

Government proposals

187. From 2012, OFFA will play a more central role in improving access. Each institution wishing to charge annual tuition fees above £6,000 must agree an access agreement with OFFA, setting out what it will spend and the measures it will take to improve access, measured against targets specific to each institution (depending on the university's existing success in attracting and retaining students from under-represented groups). OFFA will have the power to impose financial sanctions on institutions which fail to meet their agreed access targets or fail to deliver the support they agreed to provide without good reason. These financial sanctions can include asking HEFCE to withhold up to £500,000 of the institution's teaching grant, or refusing to grant permission for it to charge tuition fees above £6,000.

188. In assessing these targets OFFA has recommended that institutions with the lowest proportion of students from under-represented groups should invest around 30% of their fee income over £6,000 on measures to improve access. Institutions with average or higher proportions of students from under-represented groups may assign a smaller proportion of income, between 22.5% or 15%. However, OFFA made clear that the suggested proportions were "not precise minimums" and that "the purpose of access agreements is to deliver progress in respect of access and student retention, not to secure a precise amount of money to this end".¹⁹⁶

189. Bahram Bekhradnia of the Higher Education Policy Institute welcomed the expenditure on access and widening participation but he was sceptical that it would, in the long term, be an effective system:

What we have is OFFA being told that they have to insist that universities spend a higher and higher proportion of the fees that they get from these students explicitly on activity that is not going to benefit those students; it is going to benefit future generations of students, and perhaps not even that.¹⁹⁷

He also argued that it was both "unfair and a pity" that funding for widening participation came from students through a higher fee and not through Government from general taxation.¹⁹⁸

190. There is also a concern that a requirement to spend a specified proportion of fee income on access and retention measures may create an incentive for institutions seeking

¹⁹⁵ Office for Fair Access, *Have bursaries influenced choices between universities?: A report to the Office for Fair Access by Dr Mark Corver, senior analyst at Higher Education Funding Council for England (HEFCE)* (September 2010) page 2

¹⁹⁶ Office for Fair Access, *How to produce an access agreement for 2012/13*, (March 2011/01)

¹⁹⁷ Q 458

¹⁹⁸ Q 460

to replace lost teaching-grant funding with fee income to charge even higher tuition fees to incorporate this required spend on access. The result of this is that the costs of widening participation are passed on to students (or more accurately, to graduates once they begin repaying their loans). Furthermore, it risks raising fees further and potentially discouraging the very students the spending on widening participation is intended to attract.¹⁹⁹

191. An alternative approach to funding was offered by Professor Barr. He proposed that:

For equity reasons, there should be a pupil premium payable for each disadvantaged student, independent of university. The premium could be paid to the university as additional income, creating an incentive to recruit students from disadvantaged backgrounds, or to the student acting as a scholarship by paying a fraction of fees upfront.²⁰⁰

192. We are concerned that efforts to fund wider participation through a proportion of tuition fees will not achieve the Government's objectives in this area. Widening participation in higher education has an important impact on future economic prosperity and therefore is worthy of public investment. We therefore recommend that the Government reconsider funding this activity through a programme similar to the 'pupil premium'. This could reduce headline tuition fees, and consequently also reduce the size of student loans and improve repayment rates.

National Scholarship Programme

193. The Government also proposes to introduce a new National Scholarship Programme (NSP) as a replacement to compulsory bursaries. The Government has undertaken to contribute £50m to the NSP in the financial year 2012–13, with a £100m contribution in 2013–14, and £150m in 2014–15. Institutions charging above £6,000 will have to match fund any Government contribution.²⁰¹ The Department went on to say that participation in the new National Scholarship Programme is mandatory for universities wishing to charge over £6,000.²⁰²

194. According to HEFCE the NSP will:

- It will provide a direct benefit to individual, eligible students.
- Each eligible student will receive a benefit of not less than £3,000 (full-time and pro rata part-time to a minimum intensity of 25 per cent). This is a one-year benefit, not a recurrent, annual entitlement.
- No more than £1,000 of the overall award is to be provided as a cash bursary.
- The programme will not to be used to fund outreach programmes, which universities will continue to fund through alternative means.

¹⁹⁹ Ev 224 and 227

²⁰⁰ Barr and Shephard, *Towards setting student numbers free* (December 2010) paragraph 12

²⁰¹ Ev 154

²⁰² Ev 154

- The Government's contribution to the programme will be £50 million in financial year 2012–13, £100 million in 2013–14 and £150 million from 2014–15.
- It is expected that those institutions wishing to charge above the 2012–13 basic fee level of £6,000 who are required to submit an access agreement to the Office for Fair Access (OFFA) will provide a matched contribution to the programme of at least the same value as the government contribution.²⁰³

195. The NUS, million+ and others have expressed concerns about the proposed National Scholarship Programme, particularly that the match-funding requirement will be most onerous on those institutions with a higher proportion of under-represented students, and that awards from the fund are at the discretion of individual institutions, rather than an objective entitlement.²⁰⁴

196. Furthermore, the NUS warned that as the bursary awards under the National Scholarship Programme would be made after a successful application, the programme “will do nothing to influence the application behaviours of the students it is designed to target”.²⁰⁵ This point of view was shared by Sir Peter Lampl of the Sutton Trust:

We are concerned at the speed at which that programme has been put together. We are also concerned that it is going to break down into 100 different schemes, effectively, with individual universities running them, which does not seem to us be something that is going to be persuasive to someone who is doubtful about continuing education. We are also concerned in regard to the National Scholarship Programme that you can only access the scholarship after having applied for a place.²⁰⁶

197. The Association of Colleges also questioned whether the NSP was “fit for purpose” as a scholarship scheme to help bright people from poor backgrounds enter higher education and believed that the existence of “possibly over one hundred institutionally based schemes” could lead to “unnecessary complexity and confusion for applicants”.²⁰⁷ To help increase certainty for applicants, the Association of Colleges recommended that eligibility for support from the NSP should be linked to eligibility for the 16–18 Bursary fund (the replacement for the Educational Maintenance Allowance).²⁰⁸ This potential for inconsistency and complexity was summarised by Bahram Bekhradnia who stated “If student needs are the issue, then there is no argument for them to vary by university”.²⁰⁹

198. However, the Minister told us that leaving individual institutions to develop their own models of support under the National Scholarship Programme was a policy decision and

²⁰³ www.hefce.ac.uk/widen/nsp/

²⁰⁴ Ev 222 and 235

²⁰⁵ Ev 235

²⁰⁶ Q 342

²⁰⁷ Ev 166

²⁰⁸ Ev 169

²⁰⁹ Q 443

that the Government had “deliberately decentralised, or localised” the Programme as part of a specific coalition policy “to give a little bit more discretion to universities”.²¹⁰

Fee waivers versus bursaries

199. The Minister argued that the Government favoured fee-waivers could reduce the amount the Treasury would need to lend to the student, and thus also reduce the headline national ‘average’ fee.²¹¹ This argument was not supported by Sir Peter Lampl who believed that the promotion of fee-waivers in this manner sent out a contradictory message to the Government’s central claim that higher fees should not be a deterrent to participation:

We are all arguing these fees are not a deterrent [...] that is the official argument. We are saying that if we give kids a little bit of money so they do not have to incur such high costs, it acts as an incentive. That is where I see the inconsistency.²¹²

200. While a fee waiver undoubtedly reduces the graduate’s long-term debt, it also reduces the total financial support that the student may claim. A better-off student may have the resources to pay some or all of their tuition fees up front, but may still choose to take out a full fee loan and use those funds to spend on books, food, accommodation, field-trips etc. A student from a low-income background who is awarded a fee waiver does not have this option. The amount they may borrow to cover tuition fees is reduced accordingly, but they will only benefit from a lower debt as a graduate if and when they come within a few thousand pounds of completely paying off their loan. Many graduates do not become high earners, may never pay off their loan, and so would never actually benefit from having borrowed less as a result of the fee waiver than they might have done. At the same time, they may have accrued additional (and more expensive) commercial debts through overdrafts and credit cards to support themselves during their studies.

201. Aaron Porter, then President of the National Union of Students believed that support for less privileged students was better targeted at living costs:

I believe a discount on something that you are not repaying until you get to £21,000 is not as well spent as something that can put money in the pockets of poorer students while they are there.²¹³

This view was also supported by Simon Hughes MP, who said that when he discussed support for student “they were clear that any scholarships should be to pay off things other than fees and not be fee waivers”.²¹⁴ In his Report to the Prime Minister and Deputy Prime Minister he recommended that “from 2013 national scholarships should only be available for payment of accommodation and living costs, unless the student expressly requests the scholarship for fee waiver instead”.²¹⁵

²¹⁰ Q 718

²¹¹ Q 662

²¹² Q 348 [Sir Peter Lampl]

²¹³ Q 197

²¹⁴ Q 625

²¹⁵ Simon Hughes MP, report to the Prime Minister and Deputy Prime Minister (July 2010) page 11

202. We welcome any additional investment to remove barriers to participation in higher education. However, we are not convinced that the Government's policies for widening participation will achieve its objectives as effectively as it may have hoped. What prospective students need is a level of certainty about their entitlement and support before making an application.

203. We believe that focusing financial support on providing money for living costs to students while they are studying would be a more effective means of support than fee-waivers and would be more consistent with the message that students should not be dissuaded from applying to university because of the cost. We therefore recommend that the National Scholarship Programme be refocused to direct public funds to support living costs of students.

7 Alternative higher education providers

The role of alternative higher education providers

204. During the course of this inquiry, we took evidence from three alternative higher education providers: BPP University College, a for-profit provider, owned by the American Apollo Group, which has recently acquired its own UK degree-awarding powers; the University of Buckingham, the oldest ‘private’ university in the UK, a charitable, not for-profit institution which has not “chosen to sign financial memoranda with a funding council, which [...] brings obligations as well as money from the Government”²¹⁶; and the London School of Business and Finance, a for-profit institution with campuses in five countries and online, which offers professional qualifications and degree programmes validated by the University of Wales and also delivers degree courses in the UK on behalf of the Grenoble Graduate School of Business.

205. Both BPP University College and London School of Business and Finance focus almost exclusively on teaching (rather than research), close links with business, and take a utilitarian view of higher education. They described their place in higher education in the following terms:

If you are a student who wants a research-intensive university, if you are a student who wants a full-service, campus-based university lifestyle, then you probably would not choose BPP. BPP is very career-focused; it invests in the things that we believe are important for teaching excellence in a career-focused environment. There is a very distinct mission in comparison with what I might describe as the publicly funded sector.²¹⁷

The dominant purpose is not making profit; the dominant purpose is education and serving our communities.²¹⁸

We are research-active, but it is fair to say that we are teaching-led and we are not following the research-intensive path.²¹⁹

206. However, University of Buckingham, which came top in the National Student Survey for five years running (2006–10), did not want to overstate the difference between itself and traditional universities:

I think it is important to understand what we think a university is about at Buckingham. We think universities should, in the main, be run as mutuals in the traditional academic self-governance way, because we think that it is very important to teach and we are very proud, of course, at Buckingham of the National Student Survey. Of course we think teaching is very important, but ultimately the university has to be a centre of unfettered scholarship, where scholars are free to do research

²¹⁶ Q 552 [Terence Kealey]

²¹⁷ Q 553

²¹⁸ Q 554

²¹⁹ Q 561 [Carl Lygo]

almost in a Mertonian way—those Mertonian norms of scholarship. That is why, incidentally, we at Buckingham were created independent of the state, because we feel there is an awful lot of self-censorship in the public-funded sector, which [...] can be overlooked.²²⁰

207. The clear attraction of bringing alternative providers into the higher education sector is that it increases the physical capacity of the system without the need to provide additional capital resources; courses are sometimes offered more cheaply than by traditional universities and are often business or vocationally focussed. Alternative providers may also have higher ‘success rates’ for students who complete their courses, and increasing numbers of graduates with the kinds of qualifications offered by alternative providers may help to contribute towards a ‘skills economy’.

208. The Government’s stated intention is to increase choice, diversity and competition within the UK higher education market by opening it up to a larger number of ‘alternative providers’. The Government estimates that, in addition to the ‘traditional’ universities, there are over 1,600 bodies, including 250 further education colleges, which currently offer some form of UK higher education provision.²²¹

209. Alternative providers do have relationships with ‘traditional universities’ both through validation of their degrees and through co-development and delivery of content as part of a course at a traditional university. This may include incorporating specific industry-recognised qualifications or certifications within degree courses (e.g. Microsoft, CISCO qualifications), or the involvement of the alternative provider in the delivery of the university’s own course material online. In some cases, the university may simply provide support or facilities for students studying the alternative provider’s course through distance learning.²²²

210. These providers sit outside the statutory “higher education sector” and do not currently receive any teaching grant from the Higher Education Funding Council for England or the Skills Funding Agency. They are not subject to tuition fee regulations or oversight by the Office for Fair Access. As a result, fees can vary greatly, from below £3,000 per year to over £20,000 per year depending on the institution, the course, and whether the student is from the UK or overseas.

Government proposals

211. Under the Government’s proposals, all alternative providers will be able to apply to be designated for student support, meaning that students attending eligible courses would have access to publicly-backed tuition fee and maintenance loans.²²³ In return, all designated institutions would have to abide by undertakings similar to those which are

²²⁰ Q 567 The “Mertonian norms” of scholarship are communalism, universalism, disinterestedness, originality and scepticism.

²²¹ Cm 8122, (June 2011) paragraph 4.3

²²² *The Growth of private and for-profit higher education providers in the UK* (Universities UK, March 2010) pages 24 and 25

²²³ Under the present arrangements, designations are made on a per-course basis. The Government proposes moving to a per-institution basis, removing the need for each eligible course to be designated separately.

currently attached to receipt of the teaching grant, including the tuition fee cap (and the adoption of an access agreement if they wish to charge fees above the basic limit), subscription to the Quality Assurance Agency and Office of the Independent Adjudicator, publication of the Key Information Set and provision of certain statistics.²²⁴ Alternative providers which are designated for student support and those which operate on a not for-profit basis would also be eligible for direct grant support from the Higher Education Funding Council.²²⁵

Requirement	Bodies holding taught degree awarding powers	Institutions designated for student support	Institutions in receipt of teaching grants
Quality	✓	✓	✓
Dispute resolution	✓	✓	✓
Information		✓	✓
Access (if charging over the basic tuition charge)		✓	✓
Financial sustainability		✓	✓
Reformed student number controls		✓	✓
Tuition charge caps		✓	✓
Any additional conditions specific to the award of teaching grant			✓

Source: adapted from Department for Business, Innovation and Skills, *Students at the heart of the system* (June 2011) pages 69–70

212. We welcome the Government’s intention to create a more level playing field for all providers of higher education. In particular we agree that where public funding is applied, alternative providers should be subject to the same criteria as traditional universities. This is both a sensible and proportionate approach to expanding Higher Education provision.

213. We further welcome the fact that the Government has decided to restrict access to direct grant funding to institutions operating on a not for-profit model. However, for-profit providers may still be designated to receive student support from the public purse, and it is not clear from the proposals set out in the Government’s technical consultation whether they will be able to profit directly from tuition fee income backed by public student loans. We recommend that the Government clarifies the situation in its response to this Report.

²²⁴ Department for Business, Innovation and Skills *A new fit-for-purpose regulatory framework for the higher education sector: technical consultation* (August 2011) Chapter 2

²²⁵ Department for Business, Innovation and Skills *A new fit-for-purpose regulatory framework for the higher education sector: technical consultation* (August 2011) paragraph 3.2.9

Access and widening participation at alternative providers

214. At present, alternative providers (for-profit or otherwise) do not receive any teaching grant, and are thus not subject to any of the requirements imposed on the traditional higher education sector as ‘conditions of grant’. These conditions include the requirements to put in place Widening Participation Strategic Assessments and access agreements. As a result, although a small number of scholarships and other mechanisms are available, there is not yet a culture within the alternative higher education sector of prioritising widening participation in admissions.

215. Carl Lygo of BPP University College told us that BPP was not “set up for widening access” and that its focus was on “ABC1s, so high-quality students who are going on to high-quality jobs”. However, he pointed out that BPP funded around 100 full scholarships and bursaries out of the surpluses that it made from its operating business. He went on to explain that:

Ninety-nine per cent of our revenues are derived from the private purse; 60% of our students are sponsored by employers. Essentially, we plough back employers’ and student money into helping those students who need more help. Very many of us who teach at BPP have come from backgrounds where we did not have great life choices, and so we feel compelled, even though we are for-profit, to put something back and give others access to the legal profession, to the accounting profession.²²⁶

216. Terence Kealey, Vice-Chancellor of the University of Buckingham, believed that it would be a long time before institutions such as his were able to offer need-blind admissions. Although the University of Buckingham spends 4% of its income on bursaries and scholarship schemes. Mr Kealey argued that:

The difficulty we have, quite simply, is that we are funded almost exclusively by student fees and, therefore, we are simply under-resourced for what we would really like to do, which is a much wider widening participation agenda”.²²⁷

In the long term, Mr Kealey believed that his sector should aspire to establish endowment programmes on the scale run by institutions such as Harvard, Yale and Princeton. The size of their endowments made it possible for them to provide needs-blind admissions. However, he argued that it would take around 50 years to build up those endowments.²²⁸

217. While we recognise the fact that alternative providers to have scholarship and bursary programmes, our witnesses’ admission that they are not yet designed to accommodate the Government’s proposals for widening access is disappointing. That said, there are other ways in which alternative providers may be able to contribute to widening participation more generally. Private providers often work in partnership with universities to deliver the universities’ courses in local colleges and institutions, sometimes charging lower tuition fees than the validating university. This can help increase the available student places on some popular courses, and enable students who may not wish, or be able, to attend the

²²⁶ Qq 555, 561 and 571–2

²²⁷ Q 57

²²⁸ Q 57

validating university to access its courses. Access to student support for these courses could remove the barrier currently faced by students who would otherwise have to pay tuition fees ‘up front’. This arrangement does place the alternative provider in direct competition for students with the partner university, although the university would still receive some income from validation fees.

218. Another approach might be to follow the example set by the London School of Business and Finance in making its course materials available for free, and only charge fees for exam registration. Valery Kisilevsky, Managing Director of the London School of Business and Finance said:

Our rationale in doing so was, by widening access and enabling people to access content, by effectively waiving our rights to that content, we will enable people to pursue qualifications that would lead to better outcomes in terms of full academic programmes. Our approach was that, in this day and age, it is appropriate to be more relaxed about intellectual property rights to some types of content.²²⁹

219. Access to public funds brings with it responsibilities. We acknowledge the Government’s ambition to open up the market to all providers of higher education, but alternative providers must be held to the same standards as traditional universities in respect of widening participation and access.

Higher Education in Further Education

220. A second potential solution to increasing capacity in the Higher Education system and widening access can be seen in the increasing provision of higher education courses by further education colleges. According to the Association of Colleges, 262 further education colleges provide higher education courses, across all areas and regions of England, enrolling around 10% of all HE students in England.²³⁰ College income from HE provision is presently £500million, and the majority of Colleges charge between £1,700 to £2,200 in tuition fees to their degree students.²³¹ We understand that “the vast majority of FE Colleges teaching higher education will be charging fees of £6,000 or below next year”.²³²

221. “HE in FE” courses tend to be specialist skills-based vocational and/or technical courses, which may be tailored to the particular needs of the local or regional economy. Students at FE colleges are often older than those at university, often live locally, and are more likely to study part-time to fit around work or family commitments. Colleges often provide HE in areas that traditionally have lower HE participation rates, and to students with lower eligibility qualifications than many higher education institutions.²³³ According to the Mixed Economy Group, FE colleges now have “a significant, established, strategic and development role in the provision of higher education” and “colleges also offer value

²²⁹ Q 573

²³⁰ Ev 163

²³¹ Ev 163

²³² Ev 166

²³³ Ev 163

for money by focussing on teaching and learning, with smaller class sizes and longer student contact hours”.²³⁴

222. The Government has been explicit that it expects to see a growth of HE in FE as a result of its allocation of 20,000 student places for ‘low-cost, high-quality’ provision with fees below £7,500 per year.²³⁵ However, the Association of Colleges was keen to make clear to us that “FE Colleges are not competing with traditional universities [...] it should be noted that over 80% of those accepted to study higher education have qualifications other than A Levels (compared to fewer than 50% of all HE acceptances).”²³⁶

223. The Mixed Economy Group and 157 Group, both of which represent further education colleges which offer a significant amount of higher education courses, were keen to emphasise the distinct mission of “HE in FE”:

[The] college role should not be seen as doing the same as universities only more cheaply but expanding the numbers of part time students, extending opportunities for those in work and using their links with industry to emphasise local, flexible and work related programmes. In large part this involves bringing in new types of student rather than repackaging the offer to traditional undergraduates.²³⁷

224. Further education colleges offer another avenue to higher education and we welcome the Government’s focus on the potential that is in the college system. However, if overall student numbers are to remain capped (particularly for institutions recruiting applicants without high A-level scores), the expansion of places at further education colleges may well come at the expense of places at traditional universities. We will expect the Government to set out clearly whether the expansion of HE in FE is a real expansion in higher education or merely a transfer of higher education provision from ‘traditional universities’ to potentially cheaper alternatives.

²³⁴ Ev 224

²³⁵ Cm 8122, (June 2011) Foreword page 3

²³⁶ Ev 166

²³⁷ Ev 224

8 The role of employers in Higher Education

225. According to evidence submitted by the 1994 Group:

In 2008 [the economic contribution made by universities] was estimated by Universities UK to be £59 billion, representing 2.3 percent of gross domestic product. Universities directly spent £23 billion and fuelled an additional £32 billion through their knock on effects on other industries. [...]

As centres of excellence for research, universities give British industry the cutting edge. Innovative research generates new ideas that boost business. Many of the fastest growing industries such as green energies and healthcare services are closely linked to current research. Universities provide the innovation which allows business to flourish and compete in a global marketplace and by generating a talented, forward-thinking workforce.²³⁸

226. A clear aim set out in the Government's White Paper is to "create the conditions to encourage greater collaboration between higher education institutions and employers to ensure that students gain the knowledge and skills they need to embark on rewarding careers".²³⁹ The Graduate Talent Pool is one such collaboration between Government and the private sector and is designed to help new and recent graduates gain real work experience.²⁴⁰ Its website allows graduates to search and apply for internships posted by employers.

227. The scheme was strongly supported by the Federation of Small Business (FSB), which campaigned against its proposed closure earlier this year. Evaluation of the scheme, carried out for BIS after it had been in operation for around six months, indicated that "the vast majority of respondents who undertook an internship through the scheme had a very positive experience and believed that they had gained substantially from it in terms of employability and skill development".²⁴¹ Around one in three interns gained full-time employment with the same company at the end of their placement.

228. The FSB identified specific benefits for small businesses from taking on an intern under the scheme, noting that:

Very few small business owners have a degree or employ people who have attended university. Bringing a graduate intern into a business can break down barriers and misconceptions as well as generating a wealth of ideas for the business. Taking on a graduate intern often allows businesses to achieve development, innovation and growth.²⁴²

²³⁸ Ev 159

²³⁹ Cm 8122 (June 2011), paragraph 3.2

²⁴⁰ www.graduatetalentpool.direct.gov.uk

²⁴¹ *Evaluation of the Graduate Talent Pool Internships Scheme: BIS research paper number 28* (January 2011), page 3

²⁴² *FSB plea to save the Graduate Internship Scheme* (FSB, February 2011) page 3

229. The FSB also asserted that the cost of extending the scheme to a further 5,000 applicants (estimated at around £8million) would be covered by savings in Job Seekers Allowance (£1.5 million instantly and a further £3.37 million over the year) and increased tax revenue (around £5.4million) from the additional employees.²⁴³ In the context of rising youth and graduate unemployment, this would seem an attractive investment. Although the Government intended to close the programme it has subsequently decided to extend the Graduate Talent Pool scheme for another year.²⁴⁴ **We welcome the fact the Government has agreed to extend the Graduate Talent Pool for a further year. That said, it is not ideal to run such a scheme under repeated short term threats of closure. We recommend that Government commit to a five-year programme of support to the Graduate Talent Pool.**

Involvement in course design

230. Carl Gilleard of the Association of Graduate Recruiters identified a number of ways in which employers could work together more closely with higher education to improve the employability of graduates:

A modern university should engage with employers as much as it possibly can. Curriculum design is one element, as is inviting guest lecturers in. A lot of my members[...] will go on campus and run skills sessions, covering [...] the skills that need to be developed. There are recruitment fairs, careers events. We have talked about internship; businesses and universities could work together to set up work experience opportunities. There are lots of ways that employers can engage with universities. There are some really good practice examples out there.²⁴⁵

231. In its White Paper, the Government cites examples of accreditation of certain degree courses by industry bodies such as sector skills councils. This was an issue raised by a number of witnesses. The Chartered Society of Designers told us that “accreditation of courses/awards by professional bodies is also a driver for enhancing the quality of HE and will indeed be an important factor in influencing not only students’ choice but also influencing parents and career advisors’ recommendations”.²⁴⁶ The Society of Biology also recommended accreditation of degree courses by learned societies a means to signal the quality of particular courses.²⁴⁷

232. We are pleased to see that the Key Information Set (mentioned earlier in this Report) will contain details of professional bodies which recognise the course. Skillset, the Sector Skills Council for creative media argued that “where an industry is not represented by a professional body, the relevant Sector Skills Council’s accreditation system should have the same status as a professional body on the [Key Information Set]”.²⁴⁸

²⁴³ *FSB plea to save the Graduate Internship Scheme* (FSB, February 2011)

²⁴⁴ HC Deb, 17 May 2011, col 151W and Department for Business, Innovation and Skills *Students at the heart of the system* (June 2011), paragraph 3.43

²⁴⁵ Q 535

²⁴⁶ Ev w28

²⁴⁷ Ev w84

²⁴⁸ Ev w80

233. Another means of strengthening the links between university and employers is to directly involve employers in the design and provision of degree courses. University Alliance, which represents specifically business-focussed universities, said:

Alliance universities maintain a revolving door with business to help ensure that graduate employers get innovative and thoughtful, professionally accredited graduates with the right skills to grow their business.²⁴⁹

Valery Kisilevsky of the London School of Business and Finance explained how his organisation was able to respond rapidly to the needs of the industry by having “advisory panels with quite a big representation from industry across all [its] programmes, and we make a point of updating them regularly”.²⁵⁰

234. Some large employers such as KPMG, GlaxoSmithKline and Deloitte are going further by entering into partnerships with universities to develop courses which combine a degree, professional qualifications and work-based training specifically tailored to the needs of the business. Under the six-year KPMG School Leavers programme, to be offered at Durham, Birmingham and Exeter universities, students will be paid £20,000 per year and their tuition fees will be paid for them, while they study for a BSc degree in accounting as well as a chartered accountancy qualification, alongside working for KPMG. This is a model which may work well for courses which are vocational or highly specialised in nature, and we welcome its development as a means of ensuring that graduates have the skills and qualifications sought by industry.

235. The CBI’s annual *Education and Skills Survey* for 2011 also pointed to:

A wish among many employers to see universities doing more to help them develop their workforces, strengthening the skills base among those already in employment. [...] At a time when universities are facing mounting financial pressure and intense competition in the market for undergraduate courses, institutions should be looking to grow their provision in the adult workforce field.²⁵¹

236. It is clear that a balance will have to be struck between the academic autonomy and integrity of the institution and the requirements of the employer, otherwise such degree courses could eventually become a form of outsourced corporate training.²⁵² Aaron Porter of the National Union of Students commenting on that balance argued that employers should not have “the final say in what should be taught on courses”.²⁵³ Blue skies research, and the ability of universities to use that research to inform what it taught, should not be impeded by the relationship with private sector course designers. As discussed earlier, the Government’s proposed mechanism for employers and charities to sponsor “off-quota” students may provide the testing ground for where this balance is eventually struck.

²⁴⁹ Ev 274

²⁵⁰ Q 562

²⁵¹ *Building for Growth: business priorities for education and skills* (CBI, 2011) page 20

²⁵² *Richest students to pay for extra places at Britain’s best universities* (The Guardian, 9 May 2011)

²⁵³ Ev 234

237. **In principle, we welcome an increased focus on collaboration between higher education providers and the private sector, but the student must be clearly aware of the relationship between the institution and the private sector. For that reason we recommend that the Key Information Set contain details of the extent of employer or industry involvement in the design and content of each course to enable students to distinguish between academically or vocationally focussed courses. Information about “professional bodies which recognise this course” should also be interpreted widely to include accreditation by sector skills councils or other industry bodies.**

Entrepreneurship

238. We are particularly keen to see an expansion of support for student entrepreneurs, and welcome the Government’s support for university ‘enterprise societies’.²⁵⁴ Oliver Tant from KPMG identified entrepreneurial skills as a weakness amongst recent graduates:

We would identify entrepreneurialism as one of the skill sets that we believe greater work could be undertaken on. It is certainly one of the skill sets that we are finding most difficult to obtain in some of the individuals who approach us for interviews.²⁵⁵

239. Matthew Jaffa of the Federation of Small Businesses emphasised that supporting entrepreneurship requires effort both from educational establishments and existing businesses:

In the statistics we have seen that about half of young people have considered setting up a business, but only about 7% do so, so there is a major disconnect here. The FSB support self-employment and making it part of education of all ages to encourage people to start up their own business, but again, it would mean businesses going into schools, colleges and universities to instil the message and, on the education side, making it possible for businesses to come in. That is why education-business partnerships are key, and we need to create them across the spectrum. With the new Local Enterprise Partnerships being set up, and growth hubs, we would advocate that it is a key issue that should be addressed within that particular area.²⁵⁶

240. **We recommend that Local Economic Partnerships should have a specific mandate to encourage entrepreneurialism in schools, and to support and foster links between higher education institutions, further education colleges, schools and businesses in their area.**

²⁵⁴ Cm 8122, (June 2011) paragraph 3.45

²⁵⁵ Q 537

²⁵⁶ Q 540

9 Regulatory framework

241. On 4 August 2011, the Government published a ‘technical consultation’ setting out the regulatory changes which it proposes to make in order to give effect to its proposals in Chapters 4 and 6 of *Students at the heart of the system*.

242. In particular, the Government intends the role of the Higher Education Funding Council for England to expand:

HEFCE will help to limit Government’s financial exposure, oversee the financial health and sustainability of all higher education providers in receipt of public support (whether direct grant funding or via student loans), allocate additional Government funding to high-cost subjects, support strategic or vulnerable subjects and other national priorities and protect students by ensuring only reputable providers are eligible for Government support. [...]HEFCE will also be given a new specific remit to champion the student interest, where appropriate with reference to competition.²⁵⁷

243. The technical consultation was published too late for us to take evidence on its proposals but, given the extent of the changes to the Funding Council’s role, we are inclined to share the view expressed by Unite in supplementary written evidence that oversight and accountability of the Higher Education Funding Council for England ought perhaps also to be strengthened. Unite recommended that “at the very least there must be Parliamentary scrutiny of HEFCE to question the regulator over its role and actions and that it is delivering for students and the country as a whole”.²⁵⁸ **We expect the Government and HECFE to give us early sight of its proposals for changes to HEFCE so that we have the opportunity to feed into any pre-legislative scrutiny of those changes.**

Quality Assurance

244. At present, all higher education institutions are required to subscribe to the independent Quality Assurance Agency, which is the body contracted by the HEFCE to carry out external quality assurance by visiting universities and colleges to review how well they are fulfilling their responsibilities, and also to investigate the most serious concerns raised by individuals and organisations about the academic standards and quality of higher education at particular institutions. The Quality Assurance Agency also offers guidance to institutions on maintaining and improving quality assurance processes and developing course delivery through the Academic Infrastructure, and acts as an advisor to the Government on the merits of applications for degree awarding powers or the ‘university’ title.

245. In the technical consultation, the Government proposes that subscription to the Quality Assurance Agency should be a condition of access to public funding (either

²⁵⁷ Department for Business, Innovation and Skills *A new fit-for-purpose regulatory framework for the higher education sector: technical consultation* (August 2011) paragraphs 1.1.1 and 1.1.2

²⁵⁸ Ev 264

through access to student loans or direct teaching grant). It also proposes a move away from the current six-yearly review cycle to a ‘risk-based’ approach under which the frequency and intensity of reviews would vary according to the circumstances of the institution. HEFCE is to consult on the appropriate “criteria and ad hoc triggers” which would indicate a risk at a particular institution.

246. The Government’s aim is that this should achieve “very substantial deregulatory change for institutes that can demonstrate low risk”.²⁵⁹ This is of course welcome, though we also acknowledge the QAA’s submission that “quality assurance does need to be rigorous, to protect students and the integrity of higher education in the UK. The quality of the education offered by UK institutions is its strength and the basis of its strong reputation”.²⁶⁰ **HEFCE’s involvement in proposed criteria and triggers will need to include appropriate authority to monitor risk between reviews, and the ability for it to act swiftly if concerns are identified. We will expect the Government to set out in more detail how this will be achieved in its response to our Report.**

Degree-awarding powers and ‘university’ title

247. The technical consultation also proposes changes to the current process by which new higher education providers can acquire the ability to award degrees in their own right.²⁶¹ Degree-awarding powers (DAP) and access to the ‘university’ title are currently closely controlled in the UK under the Further and Higher Education Act 1992 and Higher Education Act 2004. All the traditional universities presently hold their degree-awarding powers in perpetuity, whilst those awarded more recently to alternative providers (such as BPP University College) must be renewed every six years.

248. To apply for university title, an institution must currently have degree awarding powers (at least for taught degrees), and at least 4,000 full time equivalent higher education students, of whom 3,000 must be studying for a degree. It must also be able to demonstrate that it has regard to the principles of good governance which are relevant to the higher education sector. The title of ‘university college’ is typically sought by, and awarded to, smaller higher education institutions with taught degree awarding powers, which deliver a limited range of degrees and higher education qualifications.

249. The Government proposes to reduce both the size and length-of-experience requirements for the award of university title from 4,000 students and four years’ experience to 1,000 students of which 750 are studying for a degree, and from two to three years’ experience according to the length of course being offered.

250. In particular, changes to the size and experience requirements for degree awarding powers could include enabling non-teaching organisations to award their own degrees, similar to the way GCSE and A-Levels are currently set and awarded by exam boards which do not themselves teach.

²⁵⁹ Cm 8122, (June 2011), paragraph 3.20

²⁶⁰ Ev 243

²⁶¹ Department for Business, Innovation and Skills *A new fit-for-purpose regulatory framework for the higher education sector: technical consultation* (August 2011) Chapter 4

251. We remain to be convinced by this proposal, which raises a number of concerns including those expressed by million+:

The proposal to grant degree awarding powers to institutions that neither teach nor carry out research indicates a lack of understanding of the nature and purpose of higher education - a form of education that is at the cutting edge of an academic subject and which demands high levels of research-informed scholarship from staff and students.²⁶²

252. While we do not necessarily agree that all higher-education must be heavily linked to cutting-edge research, it is not clear to us how the exam-board model will work effectively for higher education: nationally-set exams will not necessarily reflect the research interests or expertise of those teaching the courses but will have to cater for a basic, standardised syllabus which can be taught at multiple institutions. This risks restricting the ability of institutions to differentiate themselves and specialise, coincidentally also potentially reducing student choice. Setting a national exam is also likely to take longer than preparing an internal paper, and may mean that the questions cannot be quickly adapted to test understanding of emerging knowledge, particularly if there is a lack of consensus within the academic community about the validity or interpretation of new findings. It is also unclear how consistency of marking will be assured, or how to ensure that the exams test for, and reward, creative and innovative thought in the same way as at present.

253. The Government also proposes that alternative providers with degree awarding powers which are subject to review should eventually be able to obtain their powers indefinitely “subject to satisfactory outcomes of periodic quality assurance reviews” and it intends to remove the distinction between traditional universities and alternative providers by introducing new powers “to suspend or remove degree awarding powers [from any provider] where quality or academic standards fall below acceptable thresholds”.²⁶³ Under the proposed risk-based approach to quality assurance, the Government “will expect providers that lack a well-established track record, for example those that have recently acquired degree awarding powers, to be subject to more frequent and/or in depth QAA institutional review”.²⁶⁴

254. It is common ground that any expansion of university status or changes to degree awarding powers should in no way undermine academic standards. We will expect to receive an early update from the Department on its proposals so that we can judge for ourselves how this will be achieved.

255. We also note the concern expressed by the Higher Education Funding Council for England in their report “Diverse Provision in Higher Education” of the possible reputational risk to UK higher education from the expansion of the for-profit sector. We therefore believe that the Government should give a primary duty to HEFCE to maintain the quality of higher education, give degree-awarding powers to institutions

²⁶² Ev 223

²⁶³ Department for Business, Innovation and Skills *A new fit-for-purpose regulatory framework for the higher education sector: technical consultation* (August 2011) pages 29 and 32

²⁶⁴ Department for Business, Innovation and Skills, *A new fit-for-purpose regulatory framework for the higher education sector: technical consultation* (August 2011) paragraph 4.2.17

which have a proven track record and have been audited by the QAA. In that respect any change of ownership of a higher education provider with a university title or degree-awarding powers should trigger a QAA review to ensure that the institution continues to meet the standards expected of it.

10 Conclusion

256. The Government's reform of Higher Education represents a radical overhaul of the sector and will have a lasting impact not only on students but also on universities. In a number of areas—the provision of better and more extensive information, advice and guidance for all prospective students, the extension of tuition fee loans to part-time students, and a clearer requirement on universities to widen participation—the proposals have received widespread support. Certain reforms, for example the trebling of tuition fees, proved controversial. The Government's reforms also have to be considered in the context of the current economic reality and we do not dispute that savings needed to be made in the higher education budget. We also recognise the need for graduates to contribute to the cost of their education.

257. Our inquiry into the Government's reforms has highlighted a number of areas of concern. Decisions were taken early on regarding the raising of tuition fees. While it may have been necessary to resolve the issue of tuition fees early, the need for a clear communications strategy could have been more effectively realised.

258. When the Government published the White Paper, it announced a number of consultation exercises which would flesh out reforms in a number of key areas: early repayment penalties for loans, the future of student number controls, loans for students studying at alternative providers, "off quota" students and a new regulatory framework for new and alternative providers. The detail to be required in the Key Information Sets has yet to be finalised. There will also need to be changes to both OFFA and HEFCE to reflect their changing responsibilities in the Higher Education sector.

259. Consultation is to be welcomed although the Government has set itself a challenging timetable. The new fee regime is to start at the beginning of the next academic year and we are concerned to ensure that these consultations will deliver the necessary coherent package of reforms to that timetable. It is vital that a new fee regime does not start without key aspects of the wider reform package in place.

260. Successful delivery of these reforms is a key component of providing a prosperous Higher Education sector. Therefore, we strongly believe that they should be implemented as a package and not in a piecemeal way as both students and universities need certainty in the new system if they are to make informed decisions. We therefore urge the Government to ensure that its delivery programme has sufficient flexibility to accommodate a later implementation to deliver its reforms. To do so would be seen as a strength both for Government and for the sector it seeks to reform.

Conclusions and recommendations

The Higher Education White Paper

1. The series of delays to the publication of the White Paper and the subsequent consultation exercises has seriously truncated the Government's timetable for implementing its reform of Higher Education. While the Committee understands the need for early implementation of the financial reforms, effective policy development can be undermined by the imposition of a rigid timetable. Many important pillars of the Government's Higher Education policy are currently out for consultation and the Department will need to take full account of the views expressed by consultees. (Paragraph 24)

Government communication of higher tuition fees

2. We acknowledge the Government's desire to enact the changes to tuition fees as a matter of priority. However, we urge the Minister to review the proposals for fee waivers, bursaries and scholarships to ensure that the strategy meets the needs of the intended recipients. (Paragraph 31)
3. The repeated use of mean average figures did not help move the debate forward as it was less helpful and relevant to students than modal average fee. We recommend that the Government use the modal average fee in its communications material, alongside availability of waivers and support for students from poorer backgrounds. (Paragraph 32)
4. We acknowledge the difficulties the Government faced with regard to the communications strategy and we believe that it should have been better handled. However, the establishment of the Independent Taskforce of Student Finance Information as an independent body should go some way to re-establishing trust. Given the independent status of the Taskforce, we will expect its work to be published separately from Government and without the need for Departmental approval before it is put in the public domain. (Paragraph 41)

Tuition fees

5. It is important that the increase in undergraduate tuition fees does not act as a deterrent to potential postgraduate study. We welcome the Government's decision to ask HEFCE to monitor and review this. We believe that interim reports from HEFCE may help reassure both students and institutions and we recommend that HEFCE considers this approach as part of its work. (Paragraph 56)

Loan Repayments

6. The Government should work with the Higher Education sector to develop a consistent message, pointing out the limits on repayment, rather than its current concentrations on slightly lower repayments regardless of the increased debt. (Paragraph 61)

Annual Loan Statements

7. We acknowledge that some form of annual statement on the student loan is an essential piece of information for the graduate. However, we recommend that the Government and Student Loans Company give serious consideration to the form of the statement and supporting information to avoid causing undue concern to graduates about rising student loan balances. (Paragraph 65)

Affordability of the loan system

8. We acknowledge that the current proposals for student finance have been developed at a time of severe constraints in public finances. The White Paper states that the Government was “given the [Browne] report in an environment when public funding had to be reduced and we accepted the main thrust – that the beneficiaries of higher education would have to make a larger contribution towards its costs”. It would appear that the Government has left the door open to reducing the burden on the student should economic circumstances improve. This approach should be made clear and we recommend the Government set out its long-term aspiration for Higher Education funding, in the context of improving public finances, in its response to this Report. (Paragraph 77)
9. The affordability of the new system is dependent on a wide range of variables which are outside of Government control. We welcome the Government’s commitment to “monitor the overall affordability of the system”, but we are not convinced that its current assessments can accurately deliver on that. Should the loan system prove more expensive than planned, the Government will need to act to reduce the costs of the system and to reduce the RAB charge. In its response the Government will need to demonstrate not only that its assessment of affordability is accurate, but that it has robust contingency measures in place to deliver an affordable system without cutting student numbers. (Paragraph 78)

Early repayment

10. We understand that overpayment by some graduates is essential to the affordability of the Government’s proposed loan system, and we support a progressive system which means that the better off make a greater contribution than those on lower incomes. We welcome the consultation on this issue. We believe that a fair mechanism must be found to cater for those who wish to clear their debts more quickly but which also addresses the issue of those seeking to avoid a progressive contribution by paying their fees up front. (Paragraph 84)

Cross-subsidy

11. There is a clear tension between accountability to students for how their fees are spent, and institutions’ legitimate need to charge fees in excess of the cost of courses in order to replace the income cut from the block grant (and also cover the increased costs of widening participation work required because of the higher fees). We accept that graduate contributions towards the costs of their higher education should rise, but we recommend that the Government explore with the sector how to ensure that

students seeking ‘value for money’ from their investment can see a clear relationship between the fees they pay and the cost of their course, while avoiding a fee structure which potentially discourages applications to higher cost courses in science, engineering, technology and medicine. (Paragraph 88)

Support for maintenance and living costs

12. Given the scale of the reforms being implemented, we recommend that the Government take this opportunity to resolve the illogical and unjustified ‘kink’ in the student maintenance model which under present proposals will reduce the current level of support available for students from middle-income families. (Paragraph 94)

Student living costs

13. We recommend that the Government demonstrates its pledge to “put students at the heart of the system” by committing to improve the student maintenance model as soon as possible to ensure that the minimum non means-tested support available to every student covers at least the average annual cost of accommodation in university accommodation. This may require working with the sector to reduce those costs. (Paragraph 99)

Financial support for students studying at “alternative providers”

14. As a minimum, we recommend that the Government urgently reconsiders its decision to increase the amount of student support available in 2012 for designated courses provided by alternative providers charging tuition fees of more than £6,000, unless it also requires that some form of access agreement and the Key Information Sets for those courses be made available. (Paragraph 105)

Student numbers

15. If a market model is to be effective in the higher education sector, we agree that restrictions on supply must be removed. However, this cannot be achieved overnight. The Minister is right to acknowledge that the Government’s proposals to change student number controls will add to the uncertainty currently experienced by universities. We therefore recommend that changes to student number controls be deferred for at least 12 months after the reforms to the student finance system have been implemented to enable the sector to be consulted on whether reforms to reduce control of student numbers should be phased in over several years, or introduced in a single measure. (Paragraph 126)
16. While the Department’s aim of “diversity, not division” is laudable, we have yet to be convinced that the access agreement mechanism will be sufficiently robust to counteract polarisation within the sector. It would help if the Government was to provide evidence on this issue in its response to this Report. For that reason, we recommend that the Government monitor very closely any changes in the social mix at English higher education institutions, and take swift action should any polarisation of the sector begin to emerge. (Paragraph 137)

Fair access

17. We note the proposals for additional flexibility for students achieving AAB grades or above. However, the Government will need to demonstrate that its policy encourages bright candidates from all backgrounds to aspire to achieve high grades at A-level. In its response we will expect to see more detail on how the Government will deliver equality of opportunity through this policy. (Paragraph 141)

“Off-quota” students

18. Without detailed proposals we are unable to see how the Government will ensure that admissions to “off-quota” places are “based on ability to learn not ability to pay”. The Minister rightly acknowledges that there is a lot more work to do on this proposal, and we recommend that the Government proceed with extreme caution to ensure that the system is not open to abuse. In its Response, the Government will need to set out in much greater detail, how this policy will provide additional places while protecting the integrity of the admissions system. (Paragraph 147)

Provision of information, advice and guidance

19. We consider it essential that the KIS for all higher education courses should be available from a central point, in a form which allows direct comparisons to be made between courses and institutions. We are encouraged by references in Students at the heart of the system to interest from organisations such as OpinionPanel, Push, the Student Room and Which? in providing such a comparison service. The private sector may be in a good position to deliver this service quickly and efficiently. We recommend that, as a priority, Government engages with these companies to develop an effective and impartial comparison site as soon as possible. (Paragraph 153)
20. We are concerned about how the information in the KIS will be made accessible to prospective students who do not have easy access to the internet, and recommend that at the very least, institutions should also be required advertise widely, the availability of hard copy versions of the KIS with their prospectuses. To facilitate side-by-side comparisons of printed versions, we recommend that a standard form be agreed for the KIS. (Paragraph 154)
21. We recommend that as part of its improvements to the information available to prospective students, Government should ensure that detailed information on the sectors or types of roles in which graduates of each course are employed are contained within Key Information Sets. (Paragraph 158)
22. Given the increasing reliance on well-informed students to shape HE provision, and the inclusion of data in the KIS about employment outcomes and endorsement of courses by professional bodies, we recommend that the membership of the Higher Education Public Information Steering Group be expanded to include one or more representatives of the all-age National Careers Service, and the Alliance of Sector Skills Councils. (Paragraph 159)

23. It seems clear that for the next three to four years at least, young people will be expected to act as informed consumers in an unfamiliar market place, for which their schooling has not necessarily prepared them. We recommend that the Government, as a matter of urgency, put in place transitional arrangements so that prospective students have the necessary advice and guidance infrastructure to help them make informed decisions on their education. (Paragraph 165)
24. We do not believe that “hoping” people get the information they need is a sufficient response to concerns about advice reaching young people, in particular those young people in hard to reach groups. The Government must act urgently to put in place transitional measures to ensure school pupils have access to adequate careers advice and guidance before the first UCAS deadline for 2012 applications in January. (Paragraph 172)
25. We support the view that the government should act urgently to guarantee face-to-face careers advice for all young people in schools and agree that the all-age careers service should provide face-to-face advice for people under 19. (Paragraph 173)
26. We recommend that a planned awareness-raising campaign should be put in place prior to the launch of the National Careers Service to make young people and adults aware of the Service and the higher education opportunities which may be available to them. (Paragraph 174)
27. We welcome all efforts to assist prospective students in making informed choices, but we consider that some prospective students, particularly those from families without experience of higher education, may need assistance in identifying the most reliable, unbiased and appropriate sources of information. Given the infrequency of QAA audits, we do not consider that its endorsement of an institution’s public information provision alone is sufficient. We recommend that the Government develop a form of ‘kitemark’ which could be used to authenticate reliable and accurate sources of information about higher education opportunities. (Paragraph 179)

Widening participation in higher education

28. We are concerned that efforts to fund wider participation through a proportion of tuition fees will not achieve the Government’s objectives in this area. Widening participation in higher education has an important impact on future economic prosperity and therefore is worthy of public investment. We therefore recommend that the Government reconsider funding this activity through a programme similar to the ‘pupil premium’. This could reduce headline tuition fees, and consequently also reduce the size of student loans and improve repayment rates. (Paragraph 192)
29. We welcome any additional investment to remove barriers to participation in higher education. However, we are not convinced that the Government’s policies for widening participation will achieve its objectives as effectively as it may have hoped. What prospective students need is a level of certainty about their entitlement and support before making an application. (Paragraph 202)

30. We believe that focusing financial support on providing money for living costs to students while they are studying would be a more effective means of support than fee-waivers and would be more consistent with the message that students should not be dissuaded from applying to university because of the cost. We therefore recommend that the National Scholarship Programme be refocused to direct public funds to support living costs of students. (Paragraph 203)

Alternative higher education providers

31. We welcome the Government's intention to create a more level playing field for all providers of higher education. In particular we agree that where public funding is applied, alternative providers should be subject to the same criteria as traditional universities. This is both a sensible and proportionate approach to expanding Higher Education provision. (Paragraph 212)
32. We further welcome the fact that the Government has decided to restrict access to direct grant funding to institutions operating on a not-for-profit model. However, for-profit providers may still be designated to receive student support from the public purse, and it is not clear from the proposals set out in the Government's technical consultation whether they will be able to profit directly from tuition fee income backed by public student loans. We recommend that the Government clarifies the situation in its response to this Report. (Paragraph 213)
33. Access to public funds brings with it responsibilities. We acknowledge the Government's ambition to open up the market to all providers of higher education, but alternative providers must be held to the same standards as traditional universities in respect of widening participation and access. (Paragraph 219)
34. Further education colleges offer another avenue to higher education and we welcome the Government's focus on the potential that is in the college system. However, if overall student numbers are to remain capped (particularly for institutions recruiting applicants without high A-level scores), the expansion of places at further education colleges may well come at the expense of places at traditional universities. We will expect the Government to set out clearly whether the expansion of HE in FE is a real expansion in higher education or merely a transfer of higher education provision from 'traditional universities' to potentially cheaper alternatives. (Paragraph 224)

The role of employers in Higher Education

35. We welcome the fact the Government has agreed to extend the Graduate Talent Pool for a further year. That said, it is not ideal to run such a scheme under repeated short term threats of closure. We recommend that Government commit to a five-year programme of support to the Graduate Talent Pool. (Paragraph 229)
36. In principle, we welcome an increased focus on collaboration between higher education providers and the private sector, but the student must be clearly aware of the relationship between the institution and the private sector. For that reason we recommend that the Key Information Set contain details of the extent of employer or industry involvement in the design and content of each course to enable students to

distinguish between academically or vocationally focussed courses. Information about “professional bodies which recognise this course” should also be interpreted widely to include accreditation by sector skills councils or other industry bodies. (Paragraph 237)

37. We recommend that Local Economic Partnerships should have a specific mandate to encourage entrepreneurialism in schools, and to support and foster links between higher education institutions, further education colleges, schools and businesses in their area. (Paragraph 240)

Regulatory framework

38. We expect the Government and HECFE to give us early sight of its proposals for changes to HEFCE so that we have the opportunity to feed into any pre-legislative scrutiny of those changes. (Paragraph 243)
39. HEFCE’s involvement in proposed criteria and triggers will need to include appropriate authority to monitor risk between reviews, and the ability for it to act swiftly if concerns are identified. We will expect the Government to set out in more detail how this will be achieved in its response to our Report. (Paragraph 246)
40. It is common ground that any expansion of university status or changes to degree awarding powers should in no way undermine academic standards. We will expect to receive an early update from the Department on its proposals so that we can judge for ourselves how this will be achieved. (Paragraph 254)
41. We also note the concern expressed by the Higher Education Funding Council for England in their report “Diverse Provision in Higher Education” of the possible reputational risk to UK higher education from the expansion of the for-profit sector. We therefore believe that the Government should give a primary duty to HEFCE to maintain the quality of higher education, give degree-awarding powers to institutions which have a proven track record and have been audited by the QAA. In that respect any change of ownership of a higher education provider with a university title or degree-awarding powers should trigger a QAA review to ensure that the institution continues to meet the standards expected of it. (Paragraph 255)

Conclusion

42. The Government’s reform of Higher Education represents a radical overhaul of the sector and will have a lasting impact not only on students but also on universities. In a number of areas—the provision of better and more extensive information, advice and guidance for all prospective students, the extension of tuition fee loans to part-time students, and a clearer requirement on universities to widen participation—the proposals have received widespread support. Certain reforms, for example the trebling of tuition fees, proved controversial. The Government’s reforms also have to be considered in the context of the current economic reality and we do not dispute that savings needed to be made in the higher education budget. We also recognise the need for graduates to contribute to the cost of their education. (Paragraph 256)

43. Our inquiry into the Government's reforms has highlighted a number of areas of concern. Decisions were taken early on regarding the raising of tuition fees. While it may have been necessary to resolve the issue of tuition fees early, the need for a clear communications strategy could have been more effectively realised. (Paragraph 257)
44. When the Government published the White Paper, it announced a number of consultation exercises which would flesh out reforms in a number of key areas: early repayment penalties for loans, the future of student number controls, loans for students studying at alternative providers, "off quota" students and a new regulatory framework for new and alternative providers. The detail to be required in the Key Information Sets has yet to be finalised. There will also need to be changes to both OFFA and HEFCE to reflect their changing responsibilities in the Higher Education sector. (Paragraph 258)
45. Consultation is to be welcomed although the Government has set itself a challenging timetable. The new fee regime is to start at the beginning of the next academic year and we are concerned to ensure that these consultations will deliver the necessary coherent package of reforms to that timetable. It is vital that a new fee regime does not start without key aspects of the wider reform package in place. (Paragraph 259)
46. Successful delivery of these reforms is a key component of providing a prosperous Higher Education sector. Therefore, we strongly believe that they should be implemented as a package and not in a piecemeal way as both students and universities need certainty in the new system if they are to make informed decisions. We therefore urge the Government to ensure that its delivery programme has sufficient flexibility to accommodate a later implementation to deliver its reforms. To do so would be seen as a strength both for Government and for the sector it seeks to reform. (Paragraph 260)

Formal Minutes

Tuesday 1 November 2011

Members present:

Mr Adrian Bailey, in the Chair

Mr Brian Binley
Paul Blomfield
Julie Elliott
Katy Clark
Rebecca Harris

Margot James
Simon Kirby
Ann McKechin
Mr David Ward
Nadhim Zahawi

Draft Report (*Government Reform of Higher Education*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 260 read and agreed to.

Resolved, That the Report be the Twelfth Report 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.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 8 November at 10.00 a.m.]

Witnesses

Tuesday 22 March 2011

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Lord Browne of Madingley, FRS FREng, Chairman, Independent Review of Higher Education Funding and Student Finance Ev 1

Tuesday 29 March 2011

Professor Ruth Farwell, Chair, GuildHE, **Professor Les Ebdon CBE**, Chair, million+, **Professor Colin Riordan**, Universities UK, **Professor Michael Arthur**, Chair, The Russell Group, **Professor Simon Gaskell**, The 1994 Group, and **Libby Aston**, Director, University Alliance Ev 13

Tuesday 5 April 2011

Aaron Porter, President, National Union of Students Ev 34

Sally Hunt, General Secretary, University and College Union, **Mike Robinson**, National Officer Education, UNITE the Union, and **Jon Richards**, Head of Higher Education, UNISON Ev 42

Daryn McCombe, Student Reviewer, and **Rebecca Watson**, Student Reviewer, Quality Assurance Agency Ev 51

Tuesday 3 May 2011

Peter Roberts, Principal, Leeds City College, 157 Group, **Martin Bean**, Vice-Chancellor, Open University, **Martin Doel**, Chief Executive, Association of Colleges, **Dr Mary Bousted**, General Secretary, Association of Teachers and Lecturers, and **Sir Peter Lampl**, Chairman, The Sutton Trust Ev 56

Tuesday 10 May 2011

Mary Curnock Cook OBE, Chief Executive, Universities and Colleges Admissions Service, **Sir Martin Harris**, Director of Fair Access, and **Sir Alan Langlands**, Chief Executive, Higher Education Funding Council for England Ev 79

Bahram Bekhradnia, Director, Higher Education Policy Institute Ev 91

Tuesday 17 May 2011

Professor Lorraine Dearden, Institute for Fiscal Studies, **Professor Nicholas Barr**, Professor of Public Economics, London School of Economics, and **Dr Gavan Conlon**, London Economics Ev 100

Carl Gilleard, Chief Executive, Association of Graduate Recruiters, **Matthew Jaffa**, Deputy Head of Policy, Federation of Small Businesses, and **Oliver Tant**, Head of Audit at KPMG Ev 110

Tuesday 24 May 2011

Professor Carl Lygo, Chief Executive, BPP Holdings & Principal, BPP University College of Professional Studies Ltd, **Professor Terence Kealey**, Vice Chancellor, University of Buckingham, and **Mr Valery Kisilevsky**, Group Managing Director, London School of Business and Finance Ev 118

Rob Behrens, Independent Adjudicator and Chief Executive, Office of the Independent Adjudicator, **Anthony McClaran**, Chief Executive, Quality Assurance Agency, and **Professor Steve Bristow**, Senior Advisor, (Quality Assurance and Governance) British Accreditation Council Ev 124

Monday 18 July 2011

Rt Hon Simon Hughes MP, Advocate for Access to Higher Education Ev 131

Rt Hon David Willetts MP, Minister for Universities and Science, Department for Business, Innovation and Skills Ev 137

List of printed written evidence

1	Department for Business, Innovation and Skills	Ev 154: Ev 158: Ev 290: Ev 291
2	1994 Group	Ev 159
3	Association of Colleges	Ev 163: Ev 166
4	Association of Teachers and Lecturers	Ev 170
5	Professor Nicholas Barr	Ev 173: Ev 185
6	British Accreditation Council (BAC)	Ev 188: 192
7	Lord Browne of Madingley	Ev 194
8	GuildHE	Ev 196
9	Independent Adjudicator for Higher Education in England and Wales (AIO)	Ev 200
10	London Economics	Ev 205
11	London School of Business and Finance	Ev 211
12	million+	Ev 212: Ev 218
13	Mixed Economy Group	Ev 224: Ev 227
14	National Union of Students (NUS)	Ev 229: Ev 232: Ev 233
15	Open University	Ev 236: Ev 239
16	Quality Assurance Agency for Higher Education (QAA)	Ev 239: Ev 242
17	Research Council UK (RCUK)	Ev 244
18	Russell Group	Ev 246
19	Sutton Trust	Ev 252
20	UNISON	Ev 255
21	Unite the Union	Ev 259: 263
22	Universities and Colleges Admissions Service (UCAS)	Ev 265
23	Universities UK	Ev 269
24	University Alliance	Ev 274: Ev 278
25	University and College Union	Ev 284: Ev 287
26	University of Buckingham	Ev 290

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/biscom)

1	Alliance of Sector Skills Council	Ev w1
2	Bridge Group	Ev w4
3	British Academy	Ev w7
4	British Dental Association	Ev w11
5	British Medical Association (BMA)	Ev w13
6	Professor Roger Brown	Ev w17
7	Built Environment Skills Alliance	Ev w21
8	Campaign for the Public University	Ev w24
9	Chartered Society of Designers	Ev w28
10	Dr Mike Clugston	Ev w31
11	Crafts Council	Ev w34
12	Economics Network, Bristol University	Ev w36: Ev w41
13	Edge Foundation	Ev w47
14	ESRI (UK) Ltd	Ev w50
15	Geological Society of London	Ev w51
16	Higher Education Academy	Ev w53
17	Institute of Physics	Ev w56
18	Lifelong Learning Networks	Ev w58
19	Open College of the Arts	Ev w60
20	Oxford University Campaign for Higher Education (OUCHE)	Ev w64
21	RealWorld Push	Ev w67
22	Royal Geographical Society (with IBG)	Ev w74
23	Royal Society of Chemistry	Ev w76
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26	Society of Biology	Ev w84
27	UNITE Group	Ev w86
28	University Council of Modern Languages (UCML)	Ev w89
29	University of Bolton	Ev w92
30	University of Central Lancashire	Ev w95
31	University of East London	Ev w96
32	University of Hertfordshire	Ev w98
33	Eddie Hodgson	Ev w101

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	The New Local Enterprise Partnerships: An Initial Assessment	HC 434 (HC 809)
Second Report	Sheffield Forgemasters	HC 484 (HC 843)
Third Report	Government Assistance to Industry	HC 561
Fourth Report / First Joint Report	Scrutiny of Arms Export Controls (2011): UK Strategic Export Controls Annual Report 2009, Quarterly Reports for 2010, licensing policy and review of export control legislation	HC 686
Fifth Report	Government Assistance to Industry: Government Response to the Committee's Third Report of Session 2010–11	HC 1038
Sixth Report	Is Kraft working for Cadbury?	HC 871
Seventh Report	Rebalancing the Economy: Trade and Investment	HC 735 (HC 1545)
Eighth Report	Trade and Investment: China	HC 1421 (HC 1568)
Ninth Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code	HC 1224-I
Tenth Report	Pub Companies	HC 1369-I
Eleventh Report	Time to bring on the referee? The Government's proposed Adjudicator for the Groceries Code: Government Response to the Committee's Ninth Report of Session 201-12	HC 1546

Oral evidence

Taken before the Business, Innovation and Skills Committee on Tuesday 22 March 2011

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Paul Blomfield
Katy Clark
Mr Dan Jarvis

Simon Kirby
Ian Murray
Mr David Ward
Nadhim Zahawi

Examination of Witness

Witness: **Lord Browne of Madingley**, FRS FREng, Chairman, Independent Review of Higher Education Funding and Student Finance, gave evidence.

Q1 Chair: Good morning Lord Browne, and thank you for agreeing to come before the Committee. Just before we start, could I ask you to give your name and title, just for transcription purposes and voice levels?

Lord Browne of Madingley: Certainly. My name is John Browne, Lord Browne of Madingley.

Q2 Chair: Thank you. I am going to start with a somewhat philosophical question. What do you think universities are for?

Lord Browne of Madingley: In my view, universities are for two things: first, to promote the discovery of new knowledge in civilisation; and, secondly, to promote the understanding of that knowledge through teaching and communication.

Q3 Chair: That was a somewhat philosophical reply. Can you tell us in detail?

Lord Browne of Madingley: I am afraid it was a philosophical question.

Q4 Chair: What role do you think it has in, in effect, providing the knowledge, balance and skill sets for the needs of the economy and society that it serves?

Lord Browne of Madingley: Well, very great. I think it is reasonable to say that a more highly educated society—a society that is incentivised to innovate and create more people who participate in the education that comes from research and innovation—is a society that grows better, is more fundamentally rooted and creates stability and more economic activity for every member of society. So it is a very important driver in today's context of the future of the economic and financial strength of any nation.

Q5 Chair: Some commentators have suggested that your review was driven by an ideology or a particular view of higher education. Do you agree, and if so, what was that view?

Lord Browne of Madingley: No, I do not agree. We were not charged with coming up with an ideology. Rather, we were charged with coming up with a sustainable way—and I do stress that—of financing universities and providing support for students. Support for students and financing higher education is what we went about trying to do. We set ourselves

three particular areas to work on. One was participation—making sure that that was appropriate and didn't go backwards after tremendous strides had been made over many decades in this area. Secondly, it was important that the quality of higher education would always rise, which is given by the very fact that there is more knowledge, more competence and more competition. So, quality had to go up. Thirdly, whatever system we came up with had to be sustainable—in other words, it would not be pulled up by the roots, with the roots inspected every two to three years, which had been happening, because that is destabilising for just about everybody. Every transition any system goes through, whatever that system is, is very destabilising for those involved in it. We were asked to look at something that was long lasting to get to a degree of stability. I suppose, in that area, we had to look to see what was the right and proper role for the different people and different participants in higher education.

Q6 Chair: Can I just pursue that? You seem to imply that, in effect, you wanted a model that had long-term sustainability, but you also implied that previously there had been, if you like, non-sustainable models. Really, the post-Dearing proposals have sustained for quite a long time, and whilst they may have been tweaked, I would have thought that the basic model was fairly adaptable.

Lord Browne of Madingley: I think there were several changes in the way in which, post-Dearing, the development took place. After all, the late Ron Dearing did, to the best of my knowledge—if I remember this correctly—recommend that there should be a system where no fees were paid up front by students. In adopting his report, fees were made to be paid up front by students. So there were several changes to get, I think, to some of the points that even Ron Dearing had made.

Q7 Chair: Yes, but the model was sustained for quite a long time, with variations in the amount, obviously.

Lord Browne of Madingley: Well, I leave it to you to judge your own view of the definition of a model, but I would say that there have been many changes over the last decade or so.

Q8 Mr Binley: I think there is a general view that the work you did is absolutely vital for future well-being—not only of universities, but of our nation and commercial well-being. My question is across the party political piece. This is not a party political operation in any sense at all. Are you saying, in the crudest possible terms, that the drive to increase the market for university students was not matched by the genuine thinking necessary to finance that growth?

Lord Browne of Madingley: Everything is related to everything in this area, it seems to me. When we were looking at our task, we realised about 25% of the way through that if you change one part of the system—whether that is finance, participation, quality, regional scope or a whole variety of things—something changes somewhere else. So, in thinking through a system that had, over the last half century, gone from 5% of 18 to 23-year-olds going to university, as I think it was, to somewhere approaching 45%, we realised that things had to be looked at afresh. In addition, very importantly, I think we had all modelled or captured in our own minds this idea that a student was a woman or a man of about 18 who would go away from home to a higher education institution and stay there for three to four years. Actually, that is not 40% of students. They are much older, they are working, and they are studying part time. They are doing something really very important for the economy and for themselves. Either they have not had the chance to go early on through particular circumstances, or they have not had the desire because no aspiration was created in them at school or, simply, they did the wrong thing. But fully 40% of students do not fit the standardised mould. I say that just to show that you have to think about these changes over time and how they might change in the future. As people work longer, they will probably need to be re-qualified more often.

Q9 Ian Murray: I just wanted to look again at this word “sustainability” in terms of the conclusions of the report. Is it the case, in your view, in terms of sustainability, that the state should not contribute at all to universities unless the money has been fully recouped from the graduates themselves? If you were to draw a spectrum of full public funding to absolutely no public funding, would it be that the universities, in terms of sustainability, would be at the “no public funding” end of the scale and the funding would come directly from graduates?

Lord Browne of Madingley: Absolutely not, and that was not the conclusion of the report either. I stress that these are recommendations; they are not policy emissions. Our recommendations were in effect to look at the unique role of the state in this area—which was, in fact, to provide loans, not to universities, but to individual students themselves—and to recognise that these loans will not necessarily be paid off. In fact, between 30% and 40% of them will be written off in one way or another. That is correct, because people go to university and their circumstances change. They might conclude they wish to do a job that has tremendous appeal to them, but is not paid more than £21,000 a year, or they may come in and out of the work force in order to have children. A

variety of things like that happen. They might actually decide just to go and pursue something very personal outside the work force. You can think of hundreds of examples. It is therefore right and proper that the state should make that happen. We view that the cost is at least that of providing the means that other people would never provide for people to access university—that was one. Our second point was on providing additional support for certain subjects that are deemed from time to time to be strategically important or vulnerable. Our final point was to provide much more additional support for subjects that are very expensive which, if they were not put on a more level playing field with other subjects, people would be put off from, or there would be a bias in the way in which people took up the subjects. Those are examples of the things we thought were very important that were kept as part of the duty of the state.

Q10 Ian Murray: Am I right that you said that 30% do not pay the loans back?

Lord Browne of Madingley: It is 30% to 40%. I think it is about 36%, on average, but I can check that.

Q11 Ian Murray: Is the natural conclusion to draw from that, then, that the system is unaffordable?

Lord Browne of Madingley: No, I do not believe it is. Obviously, you would have to ask the Government how they will balance all calls on the Exchequer. But one has to say that there is a role here, and that there is a cost for making this happen. We believe that we have identified, at least, the cost which is sustainable.

Q12 Ian Murray: Sorry, I do not mean not affordable to the Treasury; I mean not affordable to the student, if 30% to 40% will essentially have these written off. Does it not suggest that the system is unaffordable if 30% to 40% essentially default on the payments they have to make?

Lord Browne of Madingley: Not at all, no, because others will pay back the loans—some very fast and some more slowly. This is a modelling analysis, if you will, of the distribution of graduate pay, and the demographics as we see them developing going forward. Broadly similar results were identified by the review team using BIS modelling techniques and also by the IFS (Institute of Fiscal Studies), which came up with very similar answers.

Q13 Katy Clark: A major plank of the proposals seems to involve what are called new providers, and there is a fear that what this means will be private companies coming in and calling themselves universities, but really looking quite different from what we have traditionally understood universities to be, perhaps with a greatly reduced range of subjects and a far more commercial than academic orientation. How would you respond to those who have very serious concerns about this as a direction for higher education?

Lord Browne of Madingley: In the report we simply said that they had to qualify for the right standards and that they had to be admitted with the right standards for granting degrees. Therefore, they should compete. It sort of happens now. Obviously, the

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University of Buckingham is a private institution and the BPP has been admitted as a university college—that has taken place now. It seemed to us that it was right and proper insofar as they hit the right quality standards and those standards are maintained.

Q14 Paul Blomfield: May I just ask a supplementary on the point you made to my colleague a moment ago? You said that you felt it was necessary for the state to provide support for STEM subjects because you were worried that costs might put off students. Were you not worried that trebling the cost of fees would in itself put off students, and particularly those from debt-averse families in which nobody had previously participated in higher education?

Lord Browne of Madingley: We observed several things. Again, I think in the bulk of the evidence that is available on the website, and which is part of this report, we concluded a couple of things about how people went to university. The first is that we felt that the really deep understanding of what happens to you when you go to university needed to improve—in other words, what you were really doing. Secondly, the ability to afford to live at university was very important. That was why we recommended that the so-called maintenance grant went up. We did believe that if the information was correctly communicated—and I do stress correctly communicated—these loans, which are not up-front loans like credit card loans or mortgages but are contingent payment loans, would be viewed as part of a very different system. Payment is made only if you earn over £21,000 and via a small percentage, inflated with wages for ever. I just note that 40% of all students who are actually in part-time education pay their fees up front, and that does not seem to put people off. You really have to understand it. Obviously I have no role in this at all, as my commission, as it were, expired on 10 October last year, but people still do come and talk to me and give me both good and bad comments. However, I am struck by the number of people who still think that a student loan is something that a parent has to take out. That is not true. A loan is only taken out by the student and is only payable by the student when the student can afford to pay it, so it is a very different situation.

Q15 Paul Blomfield: Can I just press you on the specific point that you, in answer to my colleague, obviously felt that high fees would put students off STEM subjects? Did you not think that that would apply more widely to other subjects?

Lord Browne of Madingley: Let us be clear: the subvention for the STEM subjects actually goes to the university, not to the student, so that the university neither does not offer the subject, nor reduces support.

Q16 Paul Blomfield: I understand the system. I am just interested in the thinking that led you to ensure that there was support for STEM subjects, but not for others.

Lord Browne of Madingley: Well, quite simply, there is support for every subject.

Q17 Paul Blomfield: But to keep fees at what you described as a level that would not put people off—

Lord Browne of Madingley: Quite simply, it was to keep the playing field broadly level for all subjects—that is why. It was to make it not impossible for people to climb barriers that could be so high that they would put people off.

Q18 Mr Ward: I would like a discussion in more detail about the difference between the perception of the proposals and the reality of them. However, to begin with, I worked in universities for 25 years—up until the day I came here—and two things were evident. First of all, there was a very large increase in the number of students. Secondly, there was a great reduction in the resource available per student, staff-to-student ratios and other resources. Leaving to one side the contentious issue of who should pay, was that something that you identified for the sector as a whole, and was there an issue of quality and sustaining quality for the sector, particularly in terms of international comparisons?

Lord Browne of Madingley: We found no evidence that quality had been sacrificed. We wanted to make sure that that would be the case going forward, and that, in a competitive environment, people did not trade off quality for volume, for reasons that are obvious. We just wanted to make sure that did not happen. We wanted to make sure that that was the case going forward, so quality was a very important plank in what we did. We stressed again and again that minimum standards of quality had to be maintained, but that the only way of driving quality itself was to provide the right level of competition among different higher education institutions within the country, and also from those institutions outside the UK. It is very clear, for example, that as time is going by, there are institutions offering undergraduate, and certainly Masters, degrees that are taught in English in places that are not in England or America. Competition is very important to keep quality up. The reason we applied that is because, after a lot of analysis of research work that had been done previously, we found no work that gave us any comfort that you could actually measure quality in advance of taking a degree.

Q19 Chair: I was rather puzzled when I saw the figures for the spend on your budget. There was actually a sizeable under-spend in your research budget. Whilst that might well reflect commendable frugality, I am a bit concerned. Are there any areas about which you feel, in retrospect, that you should have explored but did not, and did you have adequate time to deal with all the issues you had to?

Lord Browne of Madingley: Chair, I am afraid that I have never, ever seen my budget, because that was handled by an official. If I may say so, I do not actually know what you are talking about.

Q20 Chair: We will happily provide you with the figures. I must say, that is perhaps an interesting way of managing government budgets. We might look at it again in future.

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Lord Browne of Madingley: Of course, I want to remind you that we were independent. We were not part of any government, and we fiercely kept our independence.

Q21 Chair: But you had to have a government budget.

Lord Browne of Madingley: I think anything we wanted to do probably would have been paid for. We were very careful about how we spent public money, and we asked people to do work for us *pro bono*. We saw no reason why we shouldn't. The other thing that we were struck by was the huge amount of work and research that has been done in higher education. Actually mining what people had already done was an amazingly worthwhile thing to do. Of course, much of that had been paid for by public money previously, so it seemed to us to be a good idea to use it efficiently. We did commission all sorts of research, as we needed. For example, we commissioned London Economics to look at different higher education systems around the world on a consistent basis, so we looked at 13 of them to make sure that we understood what was going on, whether we could find best practice, whether there was something that we wanted to avoid, and whether there were any myths that we should dispel, certainly in amongst the members of the panel. I will remind you that the members of the panel had to come together and have a common and shared understanding of the problem we were dealing with, which meant getting rid of some of the myths and preconceptions before we could start our work. We did quite a bit, and I think you can see that in however many—I have forgotten—megabytes of information there are on our website. This report is designed to be a very short summary of what we actually did.

Q22 Chair: Would you have done more if you had had more time and you had known that you had more money?

Lord Browne of Madingley: No, we would not.

Q23 Nadhim Zahawi: Thank you, Lord Browne, for coming here to give evidence. Before I start my questions, I just want to ask you about a technical point. You mentioned that 36% in the model will be students who will not pay back the loans, and that the model had been done by the BIS Department modelling team as well as the IFS. Can I ask you what the tolerances around that model are—that is where does the model break?

Lord Browne of Madingley: Let me say immediately that, as I think was expected, I did not do the modelling myself, and in fact a set of analysts who work for BIS today—I think they work in different roles—were part of our team. We were quite concerned to make sure that the results were broadly stable, and I think our best test was the comparison of the BIS analysis with what IFS did. The assumptions decks were drawn up differently; they weren't aligned assumption decks. I think that is really quite an important test. If two people with two different reasonable set of assumptions can come up with

broadly the same answer, that means it is not a bad piece of simulation.

Q24 Nadhim Zahawi: I hear you, but government models are notoriously inaccurate. It does make you feel a bit more confident that two different analyst teams have come together to the same place from different points of view. Really, my question is: what was the tolerance? Is it a 20% tolerance or is it a 5% tolerance? Where are we on the tolerance at which the model would break and the Government would have to find additional funding?

Lord Browne of Madingley: Well, again, the answer is that it is actually quite a narrow range because of the vast sample sizes that were being dealt with.

Q25 Nadhim Zahawi: What is the range for the tolerance?

Lord Browne of Madingley: I cannot remember; I think you would have to ask BIS directly for these answers.

Nadhim Zahawi: Maybe we will go back to BIS, Chair.

Lord Browne of Madingley: Whatever models say, it is always important to recognise, as I think you are saying, that they are just a bunch of numbers. That is true for all forecasts of all things, I would say. I say that as an engineer by background. I think you therefore have to take the model and look at the process around it and the procedure you are using to take into account different eventualities. That was why in the proposed processes of this report there were several things that kept expenditure controllable. The first was the levy. As the fee went up, a proportion went back to the Government. That meant that people were charged more—they had to pay for people who weren't charging so much because their risk was going up. The second was at the bottom level, which is the admission of numbers, and related to very minimal standards of ability to learn. Those two things kept the number of people and the cost of the people under broad control. It was very important for us to bring together something that had a degree of certainty in a very uncertain world.

Q26 Nadhim Zahawi: As a chemical engineer I get that, but it is still important for the Select Committee to know what the tolerance is around that.

Lord Browne of Madingley: I think you need to ask the analysts for that.

Q27 Nadhim Zahawi: In a speech on 30 November, Vince Cable referred to having spoken to you to ask you to look at making the funding system more progressive. Can you tell the Committee a little more about what that conversation was about?

Lord Browne of Madingley: Let me say that he was not the only person to come and ask us to do a variety of things. I would say that we were brought together under a Labour Administration and we carried on through a coalition Administration. We had plenty of people come and ask us to do things, and we agreed to listen to all of them and did what we thought was right. We did not necessarily agree with them and we did not necessarily disagree with them, either. Dr

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Cable asked me for a couple of things. He asked me to look at the graduate tax. It turned out we were already looking at that anyway, because the NUS had provided two or three different versions of that to us, and we were obviously going to examine it. Secondly, I think he suggested that we looked at progressed progressivity. We were, again, already looking at that. Obviously, that is why we had the £21,000 threshold for repayment. We were looking at different rates at which we would have repayment schedules modelled, but we did not want to make any changes that were not absolutely essential, and we felt that we had got to that point. So, did his request actually make us change what we were doing? It might have reminded us to look again, but I do not think it changed the drift of our work.

Q28 Nadhim Zahawi: When did that conversation take place? Do you remember?

Lord Browne of Madingley: I cannot remember.

Q29 Nadhim Zahawi: Your answer implies that there was no change of reference. Did you feel there was a change in the terms of reference of your review after that conversation?

Lord Browne of Madingley: I do not think so at all. We maintained our terms of reference as published in the report. We continued with these terms of reference.

Q30 Nadhim Zahawi: The Government have obviously chosen not to adopt all your recommendations. What do you think of the system they propose instead?

Lord Browne of Madingley: It is too early to tell, because we have not yet seen a White Paper, which I think contains the bulk of the recommendations. This report is not about a fee cap; it is about rather more than that. The debate has been around the fee cap and certain aspects of widening participation and fair access—only certain aspects of it; not the bulk of it—so I think one has to wait until we look at the White Paper before assessing how it went overall. My sense is that in this, again, we were not charged with drawing up legislation; we were charged with providing a report of recommendations. Obviously we support the recommendations we made—if we didn't, we would not have made them. If we had supported another set, we would have made those, so we support what we said, but they are recommendations.

Q31 Nadhim Zahawi: So let me just push you a little bit further on that, in terms of your opinion being independent. What problems do you foresee due to the gap between your report and what the Government are actually adopting?

Lord Browne of Madingley: Well, I come back to this one point: everything is a system. In this case, it is a rather intimately linked system. Changes in one area mean that you are therefore required to think through the consequences—unintended consequences—around the rest of the system. Changes in the way in which fees are levied, changes in the way in which they are paid back, changes in the way in which participation takes place and changes in the number

of students coming in all make differences that need to be thought through. That is why I genuinely think that until you see the White Paper, it is premature to say what actually is going to happen here.

Q32 Nadhim Zahawi: As you quite rightly point out, it is a system, and if the Government tinker with the system because of politics, the law of unintended consequences then comes into play. The Government should actually be careful what they wish for when they begin to tinker with what, as you quite rightly outlined, is a complex system. Do you have any fears?

Lord Browne of Madingley: I am always very reluctant to give advice to politicians, because that is what you do—I do not do that. I think that is important. I come back again and again to this point: in my view, and I believe in the panel's view, we need a system that is sustainable. It is not right and not appropriate to have a system that can work for a couple of years, after which we do it all over again. All change is very tough, in my experience. It destabilises everybody and it never appears fair to everybody, so there is the fair and the unfair, just by definition. You want to minimise the number of times you do that, it seems to me. That was why, when we were asked to look at something that is a sustainable system, we thought that was a very good idea. I think I would be sad, simply as a citizen, to see that the system was not sustainable for the future and was simply consigned to the inevitability of producing another report and another idea every two or three years.

Q33 Nadhim Zahawi: Are you seeing signs of those dangers?

Lord Browne of Madingley: I don't know yet. Again, I need to see what is going to happen in the totality of the ultimate legislation that will make all this work.

Q34 Chair: One point on this independence issue. You say that you were totally independent, and yet you used the BIS departmental model basically to assess different options. Do you not feel that in some ways it has perhaps compromised your independence?

Lord Browne of Madingley: Not at all. We did quite a lot to make sure this independence was both symbolic and real. The team was moved out of the BIS building in 1 Victoria Street to Kingsgate House, which was pretty well emptied—ready, I think, for some other activity. We sat on what was not a very nice floor, but it certainly did us. I did not want to have any senior civil servant or Minister just wander by the team and have a little chat, and for that little chat to then be interpreted as instruction, so we moved people out. We obviously used the BIS model because to reinvest in that would have been a destruction of value, I think. But we used it; they didn't—that was the important thing. The people operating it were two analysts who were part of our team. All the papers were independent. Of course they were all publicly accessed, but we were very clear that we were, insofar as was possible, independent of a Government Department.

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Q35 Mr Binley: Lord Browne, you were telling us that you thought very carefully about the comprehensive model that you were proposing, where each piece was interdependent on the other. You have made that point very sizably. What advice did you give to the Government in that respect when you delivered your report? It seems to me that if one or two pieces of the jigsaw are missing, that could be a rather serious issue. What advice have you given to the Government to say, “Look, for God’s sake, recognise that this whole thing hangs together?”

Lord Browne of Madingley: We gave the advice to the Government, very publicly, in the foreword to the report, which basically said—and you can read it again—that, “You should not underestimate the work needed. It is a system.” It also said that we should not lose sight of the powerful role that higher education will play in continuing to build the greatness of this nation. All the advice that we gave was contained in the report. Remember, please, that we delivered this on 12 October and we were disbanded by that evening, so we do not exist, and we did not exist then. The same advice went to all parties as well, very importantly.

Q36 Mr Binley: I understand that was there, and that is why I think we want it on record, because it is a very important part of what you are saying to us.

Lord Browne of Madingley: I hope that the direct recommendations will remain in the foreword, and we obviously stand behind that.

Q37 Paul Blomfield: Lord Browne, your proposals, even more than the final settlement that the Government are taking forward, would have created a US-based system with a completely free market. You said in response to a question from the Chair that London Economics carried out an assessment for you of 13 different higher education systems around the world. I assume that that included the US?

Lord Browne of Madingley: It did.

Q38 Paul Blomfield: What evidence was there from the US experience that that market drove quality to be improved at every level of the system? Clearly there are some outstanding universities in the States, but is there quality improvement at every level of the higher education system in America?

Lord Browne of Madingley: I do not believe that we have proposed a US-based system—that would be my first point.

Q39 Paul Blomfield: The proposals that you made for no caps on fees would have been pretty similar to the financial model in the States, wouldn’t it, in terms of creating a market?

Lord Browne of Madingley: No, because the critical point here is that students would not have to borrow money to go to university and then have to pay it back in a mortgage-style way. They were contingent loans payable only on earning power, which is very different from the bulk of the university systems in the United States, so I think there is a very big difference. Secondly, in the system that we proposed, there was to be a higher education council that still retained a

degree of discretion—albeit we wanted to cut back some of the discretion—to re-examine a variety of things such as vulnerable subjects and strategic balance. Thirdly, there was to be a universal approach to qualifying people for loans under our proposal. These are very different from the state-by-state variations that you see in the United States. Equally, for the purposes of improving quality, we recommended competition among higher education institutions. That competition could not take place without some boundaries to the competition. This market is not a perfect market; it is prone to failure. Therefore, the failure had to be considered in the regulatory apparatus that we recommended to allow this system to work. I think that that is important. Competition is there for sure, because it drives quality, much as competition is there in the States, but it does break down in lots of places. It certainly has driven quality at the top end; it really has driven it.

Q40 Paul Blomfield: With respect, that is precisely my point. What evidence is there that it has driven quality throughout the system in any of the higher education systems that London Economics looked at for you?

Lord Browne of Madingley: I think in quite a few it seems to indicate that competition has improved quality or is expected to improve quality. Australia and New Zealand are two examples of that, and I think Finland is a third. I forget the details exactly, as it is now five and a half months since I last read about them.

Q41 Paul Blomfield: Was there evidence from looking at those systems that competition and a market in fees had an impact on access for those from lower income families?

Lord Browne of Madingley: Very mixed answers, I would say, because the approach to access is very different here. Again, what is clear is that having no up-front fee, which is the key feature here, is one point. The second point is that there was money given for people to live on, so that maintenance, which is a very expensive aspect of providing student support—and we wanted to make it even more expensive, because we thought it was so important—is given up front in living expenses, combined with real information about what it means to go to university, what you have to do to get there, why you need to aspire to it, and what it would mean to you when you are through the process. These sound easy, but they are difficult to do. But all the evidence—that package of things including all the 160-odd bits of evidence, the many hundreds of hours of oral evidence and our discussions with the stakeholder groups in the advisory council—seemed to point towards the same view that, yes, these were the things that would control access, not actually the fees.

Q42 Paul Blomfield: Following on the Chair’s theme about the opportunities that there were within your research, you were tasked in the terms of reference with looking at postgraduate education, but in your report, I have to say, you fairly lightly dismissed that whole area. Now, given your comments this morning

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that the whole higher education system is entirely interrelated, and that a decision taken in one part has a consequence in another, many Vice-Chancellors to whom I have spoken are deeply concerned about the impact of the new funding regime on postgraduate-taught courses, for example. Do you not think it was a mistake to fail to look at that area?

Lord Browne of Madingley: No, I do not, because I think we were asked more precisely to work with Professor Adrian Smith's review of postgraduate study. That was actually what we were tasked to do—not to examine postgraduate study, but to look at Professor Adrian Smith's work on postgraduate study. We did, and we concluded, at that stage, that there was no evidence base for us to do much more other than to say, "We should now examine and watch carefully what is going to happen in the future as the undergraduate system is changing."

Q43 Paul Blomfield: So you had no discussion within your committee about the impact on postgraduate taught?

Lord Browne of Madingley: We had plenty of discussion, and it was unclear. We were worried about how to divide postgraduate taught and postgraduate research. We concluded in the end that the less done the better in this area, for the time being. It seemed to work, and we wanted to watch and wait before anything else happened.

Q44 Paul Blomfield: The Secretary of State clearly made his views known to you about the direction of much of your work. Did he concur with your decision not to examine postgraduate education in the way that the terms of reference suggested you might?

Lord Browne of Madingley: We did not ask him. We did not ask either Secretary of State who looked after us—neither Lord Mandelson nor Dr Cable. We did not ask them any questions about the terms of reference. We looked to see what we could do. We were given a deadline of the autumn of 2010, and I think October was late enough in the autumn, verging on winter, for us to have to finish. I will remind you that we were working with a small unit from BIS, and with seven volunteers who were the members of the panel.

Q45 Chair: Could I just ask you about the issue of public opinion? There have been press reports that your recommendations were based on the results of one opinion survey carried out by Opinion Leader. What are your comments about that?

Lord Browne of Madingley: The results certainly were not based on that. If I can recall this correctly—although I cannot quite recall—we did some testing to see how to communicate it, and what the impact of these recommendations were.

Q46 Chair: Did you look at any other comparable organisation or do any other alternative research?

Lord Browne of Madingley: We did a lot of research. We also relied on other people's research, of which there is a vast bulk, some of which is indicated in our website.

Q47 Chair: How much weight would you say you put on that particular piece of work by Opinion Leader?

Lord Browne of Madingley: I do not think we put any undue weight on any one piece of evidence or another. Like any programme, there is a vast amount of research that we have to look at in the whole, rather than in the specific.

Q48 Ian Murray: To go back to Mr Blomfield's questions about quality, is there a danger, by creating a market in higher education, that prestige becomes a cipher for quality, and that there is a march to the top of any fee structure to create prestige at the expense of quality?

Lord Browne of Madingley: This is a theoretical question, and I have to give you a theoretical answer.

Q49 Ian Murray: It is not quite theoretical, because there are non-Russell Group universities that have already indicated that they will charge the top level of fee as instructed by the Government. I know that you had suggested something slightly different, with a totally open top end, but non-Russell Group universities are doing that, and it was envisaged by the Government that it would be only top Russell Group institutions that would charge. There is already a march to the top, so is that being done for prestige at the expense of quality?

Lord Browne of Madingley: That I do not know, because I have not asked the universities what is in their minds when doing this, and it would perhaps be a good thing to ask them why they are doing such a thing. Again, I think that most people would argue, and most studies show, that people migrate to a cap if you have one. Not having a cap puts a very different decision-making process in front of the people who are charging for their services.

Q50 Mr Jarvis: Lord Browne, I would like to ask you a couple of questions about the Student Finance Plan. First, can I ask who you think loses out under the Student Finance Plan?

Lord Browne of Madingley: Compared with what, Mr Jarvis? I think that is the question.

Q51 Mr Jarvis: You now have the luxury of looking back on the work that was done. When you revisit that work, do you think that there is any particular sector or any particular group of people that has lost out?

Lord Browne of Madingley: No, I do not. I actually think there are probably more winners than losers, notably part-time students. Also, the earning power of students has to be bigger before they pay back. In the last proposals—the devil is in the detail—it was £15,000 indexed with inflation, but wages usually go up faster than inflation. There are gaps, but they usually go up. We recommended that the £21,000 was indexed with wages, not with inflation, and that is quite important. It is very expensive, as well.

Q52 Mr Jarvis: You said more winners, but there seemed to be an acceptance that there were some losers.

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Lord Browne of Madingley: I cannot think of them, other than saying that there has to be a proportionate rebalancing of who gets to pay what, so successful students pay more. But on the other hand, if they are successful, I do not see why they are losing.

Q53 Mr Jarvis: Your proposed Student Finance Plan is predicated on some institutions charging above £6,000 in order to fund the up-front government costs via the levy. How many institutions would need to charge fees of more than £6,000 to make the system viable?

Lord Browne of Madingley: Under our proposals, if everyone charged £6,000, it would also be fine. It was very much about a deep understanding in each institution of how they wish to choose to use their cost base. It is a more complicated question to answer than first seems to be the case, because many of them do two things—research and teaching—and it is very difficult to get a proper allocation of costs between the two.

Q54 Mr Jarvis: I just wanted to ask you about whether the economic modelling that was done took into account the different earning profiles of men and women?

Lord Browne of Madingley: Yes, absolutely. Again, you would have to get the detail from the analysts, but as a result, it is the case that fewer women pay back the full amount of the loan. That is correct, I think, because many people take time out. Women do take time out of their earning stream to have children and raise a family. They may do that; some may not. So there are many, many different reasons why, but in general women will pay back less than men.

Q55 Mr Jarvis: Also on the modelling, did you carry out any other impact assessment, for example on the impact on disabled or mature students?

Lord Browne of Madingley: On mature students we certainly did. We looked at questions to do with the financing of part-time students. There was a lot of modelling done in that area. Again, some of that modelling was also done by London Economics for one of the mission groups—which one, I cannot remember, I am afraid. For disabled students, we did not.

Q56 Mr Ward: In terms of affordability—I understand it is around about £45 a month less under the new proposals, within 9% of the £6,000—why is this such an unpopular policy with so many people? What have the Government done wrong?

Lord Browne of Madingley: I do not know how to answer the question. It is the case that 60% of students are better off under these proposals than they were under the conditions prevailing until these results were put out, but I think nobody understood that. I think the communication of what is a very complicated situation needs to be expanded. I was quite struck that when the panel came together, with a pretty reasonable cross-section of people, none of us really understood how the system worked. We had to spend a lot of time educating ourselves on how the present system worked. We came with a lot of

misunderstanding, and I really do think that people still have a large amount of misunderstanding. People have plenty of things to deal with, and this needs to be brought forward to them as something that they really need to concentrate on, if it is relevant.

Q57 Mr Ward: But I think in your report, if I remember rightly, you say that one of the barriers to people, particularly those from deprived backgrounds, getting into higher education now is the complexity of the system, and that this is actually a simpler system.

Lord Browne of Madingley: That is right; it is a simpler system. We tried to outline a nested way of managing this, effectively through one portal, to make this all happen, but whether that is going to be adopted or not, I think we have to wait and see. However, one can simplify the system.

Q58 Ian Murray: Since your review, Lord Browne, the Government have published figures. You have made a great play this morning of this threshold of £21,000 per annum in 2015–16. I believe London Economics assumed that inflation would be running at 2.2%, but of course it is far higher than that at the moment. Given the way in which inflation is running, the £21,000 in 2015–16 will probably be the equivalent of about £18,500. Was that your intention?

Lord Browne of Madingley: No, our intention was that it would be £21,000 and that it would keep going up with wages.

Q59 Ian Murray: May I just press you a little bit on that? Again, you have made great play of the £21,000, in terms of increases. A £15,000 threshold is currently in place, and again following increases at 2.2% inflation, which is quite low, that threshold would be worth more than £19,000 in 2016. What would be your response to the Government's tinkering with those figures, because that is diluting what you have put together?

Lord Browne of Madingley: I think you have to ask the Government. Again, I am not particularly up with exactly what the Government are doing to this. I am very clear that what we proposed was a quantum change in the way in which this was to happen, and importantly we wanted to make sure that it kept going up with wages, rather than simply general inflation, because as long as the economy is healthy, wages tend to go up more strongly than inflation.

Q60 Ian Murray: But you would agree that it is a dilution of the progressiveness that you have explained already?

Lord Browne of Madingley: If it is the case I am not aware; I have not followed the detail.

Q61 Ian Murray: But £18,500 is less than £21,000, Lord Browne.

Lord Browne of Madingley: It always is, in mathematics.

Q62 Ian Murray: So there must be a dilution. I wonder if I can go on to talk a little bit about the UCAS points system and the eligibility for student finance, and how that would work. What led you to

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use UCAS points as the measure of aptitude in terms of the system?

Lord Browne of Madingley: It did not come out in quite the way you put it. The first thing to think of is a practical way of how to control numbers without allocating numbers. Anything to do with direct allocation from the centre—so saying, “University A you have 10; University B you have seven; and University C you have eight”—seems to be a system that is prone to have to be re-looked at every so often. We therefore needed something with a degree of balancing in it that made sense to everybody, so UCAS points looked like the right way to go—not, I may say, to rank order, but simply to provide a minimum threshold where a minimum amount of success in education indicated that you could go to university. If the UCAS points did not do that, there was probably something wrong with the UCAS points, because they are used for this very purpose right now, so we thought it was simply an extension of today. What we discovered, however, was something quite interesting. At the time of the report, there were 3,000 different level 3 qualifications that could get you into a university. However, only 1,000 of them had UCAS points attached, so there were 2,000 different qualifications that did not have UCAS points. We were inquiring about how, therefore, they were used in the admissions process, and the answer is “discretionary”, which is also fine, provided it is done consistently. So we said, “Well, maybe we should get all of these things attached to UCAS points,” and we discussed that with UCAS, and indeed there is a process under way at the moment to get most of them done. There was a debate, which I think is not over-relevant, about whether or not you could—to use very pejorative words—equate cake decorating to nuclear physics. In my mind, I think that is the wrong question. It is about attaching the right understanding of points to each. This process is going on. We believed it was very possible to make this work, and to allow a little discretion—with 10% of the entrants—for things to be done in a different way.

Q63 Ian Murray: If there is a march to the top in terms of fees, that obviously creates a liability for the Treasury in the short term until repayments are made by graduates. Is there not a risk that, under the proposals, future Governments could use the UCAS points system to control taxpayer liabilities in the student finance system?

Lord Browne of Madingley: Yes, there is a good chance that the standards keep going up right at the very bottom, minus the 10% discretionary numbers, but I would remind you that under the proposals we made, there is also control at the top, which is the levy. I think to control the lower end without controlling the upper end would unbalance the system.

Q64 Ian Murray: So the levy that you proposed would, essentially, have compensated the Treasury for institutions that charge at the upper end in order to take pressure off the public purse?

Lord Browne of Madingley: That is right.

Q65 Ian Murray: Therefore you are conceding, Lord Browne, that there could be confusion between fiscal and academic imperatives when dealing with the UCAS system for access to student finance.

Lord Browne of Madingley: I am actually not conceding anything; that is actually what the report says very clearly. The control of numbers at the bottom and the question of how many students go through the system, provided the top is controlled, has to be a budget matter. The Government of the day may decide that it is not a budget matter, but other Governments may decide that they need to put a budget to it, in which case this was a way to create the budget and keep improving the lower end upwards, minus the 10% for the discretionary.

Q66 Ian Murray: Did the work that you conducted involve any research at all into the profile of UCAS points and whether potentially wealthier students would have greater access to points accumulation, and whether therefore, without controlling the top as well as the bottom, any change in government policy to use the UCAS system to control entry into university in terms of numbers could disproportionately affect poorer students?

Lord Browne of Madingley: Yes, we did look at quite a lot of this. I cannot recall precisely all the studies we did, but some of it is indicated in the report. We were very concerned to make sure that entry to university was not directed by the type and nature of school that you went to, but by the type and nature of person you are.

Q67 Simon Kirby: Lord Browne, we have heard about numbers and widening participation. Is widening participation about numbers—about more students—or is it about the right students?

Lord Browne of Madingley: It is about the right students. Widening participation and, in particular, fair access are about the right students. That is about making sure that students are not put off or prevented from going to the universities of their choice for reasons that do not relate to their aspiration and capability. That is important. Widening participation is about getting the right students, but equally remembering that getting the right students does not necessarily mean we have got to the right point at the moment. I do not know whether we are right or wrong. It is just that a lot of nations seem to educate more people through higher education institutions than we do, and they are quite successful nations.

Q68 Simon Kirby: What I am trying to explore is whether we should be obsessed with numbers, because you are saying on the one hand that other nations have higher numbers than us but, if I may say so, you are contradicting that by saying that it is not about numbers, but about the right students.

Lord Browne of Madingley: Allow me to separate two things. It seems to me that first we must do things that do not put people off going to higher education institutions if they have the desire and the capability. That is really important. I believe a lot is being done in that area, but not enough. There are many cases that we saw in the evidence Sir Martin Harris gave us

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where people were basically put off from going to certain universities because of where they came from, and that is simply wrong. The widening of participation is a matter of how much the nation can afford, which is very important. However, on balance, I think all the evidence shows that the higher the educational quality of the nation, the better off the nation generally is. I think that that is demonstrated through data from various sources, such as the OECD.

Q69 Simon Kirby: Can I ask you about the evidence that you took in terms of asking students what they themselves were looking for in a university course? How much weight we should put on what students are looking for?

Lord Browne of Madingley: We did quite a lot of work, especially in these consultation groups that we set up, and also with the NUS and other people, about what it is that people want to see. There was a strong feeling that even when fees had gone up in the recent past, the student experience had not improved, so students asked, “Why are we paying? Surely it should be better.” They had some good points to make. We started on the basis that, of course, students have to choose to go somewhere anyway today, so students make a choice right now. Therefore the question was: can they make a better choice by being given better information, better advice—how you actually use the information—and much better guidance? What does it all mean, and where should you go? Different levels of that information, advice and guidance are relevant to different ages, so we thought that it was very important that this was improved in all schools. It looked very good in private schools, but it did not look so good in some of the publicly-funded schools, so this had to be improved.

Getting the right information to the student does actually, I believe, get the student to make the right choice. People look at different bits of information. It is about all costs, for example in terms of how much it costs to live in some place. If you are interested in being employed, it is about whether the degree that you are taking does, on balance, actually get you a good job or not. I think that there is a lot of evidence that people are certainly guided, but they are perhaps guided by the wrong information. For example, we found a very large number of people who had taken forensic science. We are not quite sure why, because many of them were unemployable as a result of that, but the students were probably heavily influenced by television programmes.

Q70 Simon Kirby: Presumably your recommendations will change the choices that students make, because you have added an extra dimension to that choice, haven't you, and that is a financial and market-driven choice?

Lord Browne of Madingley: Yes, it will be one factor. Again, in our system, which is a complete system, they would have to balance that against what they wanted to do with the qualification they would obtain. Was it to get entry to research or a job, or simply to satisfy themselves and to be more rounded people?

Q71 Ian Murray: One of the most successful courses at the University of Edinburgh in terms of employment is history. On the analysis that you have just given, not many people who would do that course are looking to be historians, so how do you balance that particular dilemma for students who do such courses in terms of the costs of the choice they make and what they do later on in life?

Lord Browne of Madingley: Forgive me, Mr Murray, but I do not believe I said anything that would deny people doing what is a very successful course. Incidentally, we did not deal with Scotland, so this is not relevant to our report.

Q72 Ian Murray: But the recommendations are, and they have significant consequences for Scotland.

Lord Browne of Madingley: No, they are only for England.

Q73 Ian Murray: Yes, but the Government's decisions will have significant knock-on effects in Scotland.

Lord Browne of Madingley: Those are outside our terms of reference. With the right information, advice and guidance, people would be able to see very clearly what those who have gone through those successful courses were doing and why they were successful. There are plenty of courses like that.

Q74 Chair: What you actually say in your report is “Students are best placed to make the judgment about what they want to get from participating in higher education.” Well, in view of the evidence that you have given today about those applying for courses on forensic science, just as the number of opportunities in that particular profession is diminishing, do you stand by that statement?

Lord Browne of Madingley: Absolutely, because I think the context of this report is that that is provided that they get the right information, advice and guidance. That is the context that is set out within this report, not, I think, the specific phrase you used. I stand by that absolutely. Information, advice and guidance of the highest quality are exactly what students need, and that should start at the age of 13.

Q75 Chair: I do not think that anyone would contest that students at 17 or 18—or even before that—need advice and guidance, but do you think we can always trust students to make these decisions at that age?

Lord Browne of Madingley: If I may say so, I think we can trust them as much as any other group, provided they are given the right guidance. I think they are very wise, because they are very focused on what they are doing. I think all of us make better choices if we are given the right balanced guidance, and I think that is important. This is obviously given to people in fee-paying schools and in some publically funded schools, but not all. We did speak with the Department for Education about this. We would very much like to have seen much greater emphasis on providing information, advice and guidance to students, and also on making sure that the data they were using to drive the information—so, data first, information second—were basically uniform and

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comparable. We made some recommendations in that area in our full report.

Q76 Mr Ward: You spoke to employers and got feedback from them. What was the view of employers about the general business awareness of graduates?

Lord Browne of Madingley: It depended on what it was that they were recruiting, and that was important. Obviously, if they were doing business studies, I think people were recruiting people who were clearly very business-aware. But I think they were recruiting people who they could see at least appreciated areas outside their own speciality, without taking away from the depth of that speciality. We visited many universities, but on one visit—I think it was to Manchester University—we saw a programme that was being taught to undergraduates that did just that, so regardless of what you were studying, you became much more aware of business, social responsibility and a variety of things like that. I think that that is important. I used to be a very large employer of people, and I would say that I would much prefer someone who was very well educated in a specific subject. Afterwards, we would then spend a lot of money giving them the business awareness on the job.

Q77 Mr Ward: I visited a manufacturing business in my constituency yesterday morning and we talked about the issue of young people. They basically said that if young people had mastered maths and English, they would teach them what they needed. Is there a general view from the employers that things have changed in this area over the years?

Lord Browne of Madingley: I think so. This is not included in this report, but it is more an assembly of things that I have heard not only when doing this report but at other times. I would say that people are very concerned, especially in small and medium-sized businesses, about having people who can very quickly adopt and understand business practices although they have studied engineering, chemistry or any other subject. Providing them with as much as possible, very quickly, is very important for employability. The economy still has a large amount of service content in it, and if the productivity of that area is not as good as it is in the United States, for example, one of the reasons might well be business awareness and business management, so I think this is something that should be improved.

Q78 Mr Ward: You looked at alternative options for financing, and considered and rejected a graduate tax. I know there is something in the report, but did you consider any other options that could be combined, such as increased graduate contributions as well as an employer tax?

Lord Browne of Madingley: The purpose of the study of the 13 different countries was to give us a very broad view of all the different systems—lots and lots of hybrid systems. We also looked at the graduate tax. We looked at the graduate tax plus, and the graduate tax plus plus, and there were several different variants of this proposed by the NUS and others in the evidence sessions that we held. In the end, of course, what we have proposed is not a graduate tax, but it

has many functionalities that are similar to a graduate tax, without actually being a tax, and that is really quite important. We looked at all these hybrids and, actually, in the end, in order to get something that fits the bill and has a degree of continuity—not for continuity's sake, but just if there is the ability to have continuity—we came up with the proposals that we made.

Q79 Mr Ward: There is much talk about the progressivity of the proposals that have been subsequently been adopted by the Government. Additional measures have been introduced, particularly those related to free school meals. Was it beyond your remit to look at those measures?

Lord Browne of Madingley: They were. We have looked at all sorts of things, but we really did want to keep it simple. I think it is pretty progressive, and the charts in this book show that it is a pretty progressive system, and much more progressive than the existing system.

Q80 Ian Murray: In terms of whether or not the system is progressive, I think the Government have talked a lot about how they feel that the system is progressive. I don't think current students and future students feel that way at this particular stage, although maybe that will change, but that is why I wanted to bring you round to the assessment that the Sutton Trust put together. The Sutton Trust, which is an organisation set up by a free marketer from the City who is very much in line with the free market economy and what that could deliver, said that a fee in excess of £5,000 would significantly damage participation. How would you respond to that particular assessment?

Lord Browne of Madingley: Well, I don't know actually which of the several Sutton Trust studies this refers to. There was one that was based on questionnaires, and our technical analysis of the questionnaires said that the conditions under which the questions were asked were not appropriate for the answers that were given. In other words, they were asking people questions that they could not actually answer in a way that made full sense.

Q81 Ian Murray: But in the view of your report, fees in excess of £5,000 would not be a significant barrier to participation in higher education.

Lord Browne of Madingley: Absolutely not. It depends on how the context is set for those fees. Again, I come back to what we said. We believe that they weren't a barrier, provided everything else was done.

Q82 Ian Murray: But you have made it quite clear this morning that your report, in its entirety, will not be taken on by the Government, so the pack of cards could collapse.

Lord Browne of Madingley: I have actually said this morning that it is too early to tell, because we haven't seen the White Paper yet.

Q83 Chair: May I just conclude with a couple of questions, first on this issue of the graduate tax? Was

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your decision to reject that based in any way on the evidence you put forward that, at least in the early years, an extra £3 billion of Government funding would be needed annually?

Lord Browne of Madingley: There are several things. It was not only the additional funding needed that made us think, “Why do this if you could do it a different way?” Secondly, however, I think it actually wouldn’t get into equilibrium with the existing system until 2041.

Q84 Chair: So in part it was determined by the extra costs, if you like, and presumably the economic context into which you were bringing these proposals.

Lord Browne of Madingley: Chair, I come back to this point of sustainability. If it cannot actually match the existing system until—I think—2041, and the present system has been deemed to be unstable, that system, surely, would be more unstable. If it requires more up-front money, it seemed to us, as ordinary citizens, that again it was very unlikely to be stable.

Q85 Chair: Would you have altered your recommendations at all if you had known that the Government were going to cut funding to arts and social sciences at the level that they have done?

Lord Browne of Madingley: No, because we did not recommend cuts to the study of arts and humanities. This is a misunderstanding. The funding goes through the student—

Q86 Chair: I quite realise that you didn’t recommend that, but the point is that in the context of these cuts taking place in combination with the fee structure, it could disproportionately impact on the study of those subjects.

Lord Browne of Madingley: We did everything to make sure that it did not have a disproportionate impact. In fact, we specifically allowed some examples for further funding if subjects became vulnerable. Anything else that the Government did, you would have to ask the Government about, I think.

Q87 Chair: We will, yes.

Just one final question on information and advice for would-be students: what do you feel can be done for students, who, shall we say, in spite of all the good advice, do not follow that advice and do not study courses that are economically relevant?

Lord Browne of Madingley: I just hope that the bulk of students follow the advice. But people don’t follow advice, and I don’t think they have to be students; they can be grown-ups, as well.

Chair: Some students are.

Lord Browne of Madingley: And some grown-ups are not students. But equally, I think you cannot force people. This is about self-determination, surely. It is about the ability to do that with the best information through someone advising you who does not have any other interest other than your own at her or his heart. It seems to me that that is the important thing about guidance, and that is why I believe very strongly that we need to get this right for people.

Q88 Chair: Vince Cable has said “When the Government’s economic policies have produced the successful outcome that we all expect, we can return to the question of how universities can be supported in a more generous way.” Do you think that basically compromises the assertion that you have made that you have introduced or recommended a long-term, sustainable model?

Lord Browne of Madingley: We recommended a long-term model. I hope very much that a long-term solution is developed, because that avoids transitions, but I note what the Secretary of State has said.

Q89 Chair: Do you think there may be a more generous student finance regime in the future?

Lord Browne of Madingley: I don’t know. I just very much hope that the economy will be better.

Chair: Thank you very much, Lord Browne. I know you have another engagement, so we will let you get away.

Tuesday 29 March 2011

Members present:

Mr Adrian Bailey (Chair)

Paul Blomfield
Katy Clark
Rebecca Harris
Dan Jarvis

Simon Kirby
Mr David Ward
Nadhim Zahawi

Examination of Witnesses

Witnesses: **Professor Ruth Farwell**, Chair, GuildHE, **Professor Les Ebdon CBE**, Chair, million+, **Professor Colin Riordan**, Universities UK, **Professor Michael Arthur**, Chair, The Russell Group, **Professor Simon Gaskell**, The 1994 Group, and **Libby Aston**, Director, University Alliance, gave evidence.

Q90 Chair: Good morning. I know feelings are running high in the student community, but I trust that the bag outside is purely innocent. Can I welcome you all and thank you for agreeing to address the Committee? In a moment I will ask you to give your names and titles for voice level and transcription purposes. We do not normally interview six people at a time, and I am conscious—please do not take it the wrong way—that interviewing six people from the academic community can take an awfully long time. If we ask a question that is not organisation and person-specific, or if somebody has said what you would say, you do not need to repeat it. Obviously, we want to keep contributions as pointed and informative but as brief as possible in order to get through the enormous range of questions that I know members of the Committee want to ask you. So could we start from Professor Farwell? If you could introduce yourself and your title and run through the panel.

Professor Farwell: I am Ruth Farwell, Vice Chancellor of Buckinghamshire New University and Chair of the representative body GuildHE.

Professor Ebdon: Les Ebdon, Vice Chancellor of the University of Bedfordshire and Chair of the University think-tank million+.

Professor Riordan: I am Colin Riordan, Vice Chancellor of the University of Essex, and I am here representing Universities UK.

Professor Arthur: I am Michael Arthur; I am Vice Chancellor of the University of Leeds and Chair of the Russell Group.

Professor Gaskell: I am Simon Gaskell; I am Principal of Queen Mary, University of London, representing the 1994 Group this morning.

Libby Aston: My name is Libby Aston, I am a director of the University Alliance and a Senior Research Fellow on Higher Educational Policy at the University of Lincoln.

Q91 Chair: Thanks very much. We will start with a slightly philosophical question, but hopefully tease out the issues around whether education is good for its own sake or whether it should be focused on the defined needs of the economy and the community. What do you think a degree is for? Who would like to open that?

Professor Gaskell: Shall I begin? I think it is true to say that the benefit of a university education should be viewed in terms of benefit both to the community

and to the individual, and the balance of that benefit of course varies with circumstance. I think both for the individual and for the community, there are clearly economic benefits, and those tend to be focused on in such discussions. So we might take those as read, but I think we also need to recognise that there are benefits to society and to the individual that go beyond the economic. So, for example, when I am talking to students at Queen Mary, I will certainly refer to the fact that their degree will improve their employability and their earning power, but I will indicate that it should also improve their emotional and intellectual development so their broader contributions to society will be greater after they graduate.

Chair: Does anybody wish to add to that?

Professor Farwell: I would like to add that we talk quite a bit about the contribution to the economy, and often think about that in the context of the national economy, but it is important also to think about the local economy in the sub-region in the vicinity of many higher education institutions. I think a contribution of degree-level education is also about increasing growth locally, in terms of the capacity of the communities but also in terms of the local sectoral employers within that area.

Chair: Thank you. Libby Aston, you indicated, but my next question is specifically directed at you, so I will leave you for now and see if anybody else wishes to comment on that.

Professor Arthur: If you go slightly beyond the question, which I think we already have, there is also an international element to the importance of higher education, which is related to this country's standing in the world; the soft diplomacy, if you like, of our international excellence in higher education is of significant value.

Q92 Chair: Thanks. Libby, representing University Alliance, you said in your written evidence, "The question of appropriate balance between public and private funding should not be driven only by economic pressure on the Government but on a coherent argument about the desirable extent of public support for higher education." This is obviously the issue we are trying to tease out. What do you think that argument should say?

Libby Aston: Our point is that you are absolutely right to identify a need for protected academic space and for the ability to enjoy learning for the sake of

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Professor Michael Arthur, Professor Simon Gaskell and Libby Aston**

learning. All of those arguments are absolutely right. But we have this particular English approach of downplaying the role of universities and of our graduates in the economy.

I will not go into it all, but all of the research shows that growth in our economy is going to be around high-tech and innovation-based growth. In the kind of economy that we are moving towards, in that way driving economic growth, the primary driver of that is the quality of your human capital. We are in a world where Sarkozy, Obama, all of these other major countries, our competitors, fully recognise the central role of universities, higher education and research in driving economic growth. For whatever reasons, we shy away from that; we do not recognise that as well in this country. We are trying to make that point and to emphasise that the balance of public and private investment needs to come from that perspective, and from the understanding that higher education is no longer an addition, a badge or an extra of the education system. It is absolutely at the heart of economic policy, of growth policy.

Q93 Chair: Do you agree that money spent on higher education should be regarded as an investment and should be termed as such?

Libby Aston: I could not agree with that more strongly, Chair.

Chair: Could I just ask—it is probably a no-brainer—do the other witnesses agree?

Professor Ebdon: Chair, absolutely I agree with that. I think it was a great mistake to refer to the investment that the Government makes in higher education as a subsidy to it. According to figures from the Royal Society of Chemistry and London Economics, the Exchequer makes £81,875 additional income through extra taxation because of graduates earning more. Yes, there is a benefit to a graduate of over £117,000, but clearly it is an investment in terms of the return to HMRC and to the Government from increased taxes. It is a return to the country in terms of the higher skills that we need to have a competitive economy in a knowledge-based world, where we will succeed or fail based on the high level skills of our people, and in terms of citizenship and culturally, as we have been discussing, it is a major investment in our country. It is a great mistake not to regard higher education as other than a very significant investment with a very good rate of return for this country. In fact, universities generate £59 billion of output in this country, and as the Committee well knows, in excess of £5 billion of export earnings every year.

Q94 Chair: Thank you, and I think you have made the case fairly powerfully that the education industry is absolutely crucial to the country and also to individuals. What do you think the Government should do to maximise universities' ability to contribute to economic growth?

Professor Riordan: Can I make a point on that? I think one of the key things we have to watch out for is the temptation, due to political pressures, to regulate universities excessively. I was at a meeting in the United States last year at which one of the presidents

said, "When they stop sending you money, they send you regulations instead." There is something in that, because if there is a feeling that resources are tight, you need to make sure you are getting as much value as possible from them, and you have to show that by regulating. I would imagine that my colleagues tend to agree in this area: you have to be very careful not to strangle the golden goose.

Professor Arthur: I would agree that autonomy is critical and it should be maintained. There is quite a lot of evidence that the more autonomous your higher education system is—and the more it also has to compete for funding—the more productive the higher education system is. I would have that pretty high on the list. I think we need sufficient funding to remain internationally competitive in what we do—that would be another prerequisite for successfully driving the economy forwards—and alongside that therefore, appropriate levels of investment in research and science are also critical if we are going to keep the economy buoyant.

Q95 Chair: I think you have partly answered my supplementary. I will come back to you in one moment. What do you think is the biggest threat? I gather you would assume that regulation is, and possibly finance. Is that correct, and would you wish to add to that?

Professor Riordan: I agree with Professor Arthur that autonomy is the key to this, and it is something that is very difficult for people to recognise because it is as though we want to have our cake and eat it. We want to have funding, but we also want to be able to do what we like. That really is not the point. There is evidence that the more autonomous an institution is, the more likely it is to succeed, and just anecdotally, if you think of what you regard as the most successful universities in the world, you will find that they are relatively free from state interference, and do have control over their own finances, staff and buildings, and have autonomy to make their own decisions, clearly within sensible parameters.

Chair: Professor Farwell indicated that she wished to speak, and then Simon Kirby wants to come in with a supplementary.

Professor Farwell: Yes, Chair, thank you. I would like to add that one of the important things about the sector that needs to be preserved is its diversity. No doubt we will return to this later, perhaps around student choice and also around funding, but in terms of the different sectors that are served by different types of institutions, I think that diversity is fundamentally important to maintain the breadth.

Q96 Simon Kirby: You mentioned autonomy and how universities perform best when they are autonomous. Should the Government then have listened to Lord Browne and not imposed a ceiling on tuition fees?

Professor Riordan: That is clearly a matter for the Government, but the Browne review was very well thought through. It is kind of like a clockwork mechanism: it is difficult to change one bit of it and not affect everything else. The way that Browne

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worked was saying, “Yes, there is no cap on fees, but there is a levy that will discourage”—not force; universities can make choices about how they set their fees, but if they do so they will be making a powerful, quite substantial financial contribution back into the system to finance widening access and participation. In that sense, the Browne Review had considered the fairness of no cap on fees and found a way of counteracting that. At the moment we do not have that; we have a cap on fees, but no way of recycling back in.

Chair: That seems to have generated a fair bit of interest.

Professor Ebdon: There were two fundamental flaws with the Browne review. One was the introduction of the concept of subsidy to higher education as opposed to the investment that we all argued for. Of course, that paved the way for a massive 80% cut in teaching grants, a massive swing from funding by the Government to funding by the graduates of universities, and I think there will be significant consequential impacts of that on widening participation, on social cohesion, on opportunity for young people from poorer homes. I am sure we will discuss that later.

The second flaw was suggesting that there should be no ceiling on the fees. Of course, that effect would be exacerbated; fees in excess of £10,000 would have completely put young people from poorer homes off going to university; it would put it completely out of their reach. I think I have gone on record as saying that if you have been paying high school fees then maybe high university fees do not seem to be quite so off-putting, but for the vast majority of people in this country fees in excess of £10,000 look quite unreasonable, and we have seen that would have been charged. I think the Government were right to say that there should be a ceiling; I think they were wrong to take away 80% of the teaching funding, which meant that the ceiling had to be at £9,000, and I think it will impact on participation.

Q97 Simon Kirby: Can I just explore the logic of that particular point? What you say is very true if the fees were required up front. I do not understand your logic if they are paid in arrears only when the graduate is in a position to repay them. It is illogical; I do not accept your point.

Professor Ebdon: It is the perception of debt, and of course the research that the Browne review did suggested that even £5,000 fees would be significantly off-putting for people from poorer homes going to university, so I think we have to take the evidence such as it is. Obviously, I very much hope it will not, and as you say, it is something that people will only repay later. The Deputy Prime Minister suggests that 60% to 70% of graduates will never repay their debt. In one way, I hope he is right. I guess the Treasury hope he is wrong.

Professor Riordan: Just on that point about the perception of debt, before the last time fees were tripled, in 2004, the evidence appeared to show, and a debate certainly took place about the notion, that students would stop coming to university because they

would be put off by fees of £3,000 or more. That clearly did not happen; there was a dip and then there was a continued increase until now we have so much demand we cannot meet it.

Obviously, there has to be a tipping point, where fees would become too much of a burden, but whatever the perception, the reality is that it is more like a tax. Whether the fee is £5,000, £4,000, £6,000 or £9,000, you pay the same per month related to your ability to pay, and it is a question of how long that happens. It may go the full 30 years, or maybe you get a better job and earn more and pay it off more quickly. That is what it is about.

Professor Arthur: I state a very clear preference for no cap—in other words, following what Browne originally suggested—but on the condition that there is no upfront payment—that it is an income-contingent loan system. That is crucially important, otherwise you will see a negative effect on social mobility. Another condition has to be that there will need to be a lot of work, even with the system that the Government is currently running with, in terms of informing prospective students and their families about what the arrangements actually are, because there is a lot of misinformation and there has been a lot of scaremongering, which I think will ultimately be incredibly unhelpful. Alongside that, the levy: I personally think the levy as it was constructed was a little bit heavy, and perhaps if it had been more related to the RAB charge—that is the eventual cost to Government—that would seem more logical to me. But I do think the principle of having no cap was a good one.

Professor Gaskell: I think the question of perception is important, and wherever the fee is finally set for a particular institution, the perception of that fee by potential students is important. I find the situation very frustrating, because we got this wrong once, when fees were first introduced. We did not get the terminology right. To talk about a loan system is probably ill advised; it is a contingent tax liability that has been introduced, effectively, and that would be far more useful terminology. But even regardless of that, I think the Government and universities have a real obligation now to inform potential students and their families about what the real system is. We had some school kids through one of our outreach programmes a couple of weeks ago. I talked to one of their teachers and asked, “How are students perceiving the new system?” and he said—

Chair: We are going to deal with the question of access, which in part is covered by this, in a moment.

Professor Gaskell: It was just on the question of perception; the perception is that the students and their families will have to pay up front.

Chair: Perception will affect access as well.

Q98 Mr Ward: Can I just say how much I welcome your comments, which are confirmed by Lord Browne, because there are many groups and organisations that are frightening people and then saying that people will not go because they are frightened. I welcome your comments. These are possibly the comments you made tied up with the

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autonomy, but you mentioned regulation. Would you add to that stability and sustainability, or lack of sustainability and constant change?

Professor Ebdon: I certainly would say that universities have three or four-year product life cycle typically, and therefore stability is important for us. Changes of funding during the time a student is with you are very destabilising. We have benefited over a number of years from a very stable situation, and one of the concerns about the proposals for 2012 is that they may create an unstable situation. We are already being told by the Minister that, if we do not average out at fees of £7,500, the Treasury will be forced to step in and take further savage action and claw back money after we have already committed to students. I think one of the things he will be worried about is the evidence from the Office for Budget Responsibility, and I think this relates to one of the reasons why the Government would not have followed Browne. Already the Government will be cumulatively adding £13 billion of extra debt to the public sector by 2015/16 to fund this new system of funding universities, and if Lord Browne's no cap had been followed, that figure of £13 billion extra borrowing would have gone up even higher.

Q99 Paul Blomfield: I just wanted to take the opportunity to clarify the language, because, whilst I understand the attraction of describing the Government's proposals as effectively a tax, it is fair to say that a tax is something based on earnings, irrespective of what is effectively, in this case, an income-contingent loan, isn't it? We are asking students to pay back the money they need to borrow to go to university, not make a contribution based on their earnings irrespective of that, which would be a tax.

Professor Ebdon: Quite right. million+ was of course the only group to suggest that a graduate tax should be seriously considered by the Browne review, and I am very sorry that Browne did not consider that seriously. There was a little aside that I have said that, if I was marking that as a student attempt, then I would have failed it, or if it had been a modular A Level, I would have sent it away to be done again. A graduate tax of, say, 2% on graduate earnings over £21,000 would raise £3.5 billion a year of income. That is compared with the 9% that will be required under the proposals that are presently there. It would take us back to 1997, when universities received all of their money from Government, from taxation, and there was no suggestion that we did not have autonomy. It is a system that is much more likely to promote participation, because people realise that you cannot avoid death and you cannot avoid taxation, and people accept taxation. An income-contingent loan, something which your mortgage company might look at when you go to buy a house and all of those things, is very disconcerting to people, particularly if you have a couple who have both got an income-contingent loan to pay back.

Q100 Chair: We will be covering this area a little later, so I would like to make a little bit of progress

now, because inevitably we are straying into areas that we will be asking more detailed questions on in a moment. I would like to conclude by asking: Browne does seem to envisage more private involvement in educational provision. How do you think the private sector can add value to education in this country? Anybody want to take that up?

Professor Riordan: The private sector could obviously add more choice and diversity of opportunities for students, but I think the crucial thing for us is that, if that is to be the case, then it needs to be on the basis of a level playing field, so that any private sector providers that get degree-awarding powers—that has already happened, in fact—are subject to exactly the same regulations on quality assurance, and absolutely now, consumer protection, as universities would be.

Q101 Mr Jarvis: I would like to ask you about the Browne review; indeed, Lord Browne gave evidence to the Select Committee a week ago. The review was presented as a package, and I would like to ask what you think the risks are if it is not implemented in full.

Libby Aston: You are absolutely right to say it is a package. It was a very tight idea that in and of itself worked well. The logic of it was very convincing. The difficulty of what we have now as a result of implementing parts of it is that the system; that logic, does not hold. What was underpinning that was that Browne achieved this critical separation of public investment and private investment through graduate contribution, and that allowed the UK Government to be putting in—if it chose to—stable public funding, core funding for teaching, and also for the university sector to increase its income from private graduate contributions over time.

The compromise situation we have, however, is this locking of the two systems together. Because compromises were made around the repayment system of the graduate contributions, it is not self-funding. Under Browne, the only thing the Government had to put in was the upfront cost to cover that part of the system, and that could have been done through accessing private markets. There are all sorts of ways of doing that. Under the system that the Government are implementing, there is a 30% subsidy on every single student that is going through the system, which means that you have locked public contribution and private contribution in together. This makes it incredibly complicated, and incredibly hard for us as a sector to see how we can—well, we cannot—increase the total pot of investment coming in to our higher education sector, which was critical and exactly the problem that Browne was trying to solve. The compromise has meant that that is a really complicated thing to do: we cannot, because of that tie-in between the cost to Treasury and the system that is now being run.

Q102 Mr Jarvis: My next question is for you, Professor Ebdon; it is about your organisation million+. You took quite a different view on the Browne Review to the other mission groups. You have spoken about this already to a degree, but perhaps you

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could tell us a bit more about your view on the report and why you disagreed with the other mission groups.

Professor Ebdon: As I say, the basic flaw in the Browne review was to disregard the importance of public investment in higher education. I think we have heard others on this panel eloquently saying why indeed that is important. As a consequence, we get into this language that the Government contributions towards higher education are some kind of a subsidy to individuals, and it is solely about individual advancement. As a consequence, we have seen this massive cut to teaching funding. In my own university it will amount to about 97% of our teaching funding, going on present estimates; on an average across the country it is 80%. I know that in some universities it is better than in mine, but it is a massive cut in the contribution from the Exchequer. We have ended up with a system that is actually more expensive to the Exchequer, as the Office of Budget Responsibility has shown, than the present system, with graduates carrying a very heavy burden of debt—which many of them, admittedly, will never pay off—but we have ended up with that system. We have also ended up with the possibility that we may damage the UK system in global terms by reducing the amount of access and opportunity, and therefore damaging UK plc by not having an appropriate supply of highly skilled people in the future.

Q103 Mr Jarvis: Thank you. My next question comes in two parts. I would like to ask you what the impact of another Government review of university funding in the next few years would have on the sector, and I am also interested in your view on the comments made by Sir Alan Langlands, who said, “The reductions in public funding for university teaching activities have been the consequence of the financial crisis and the budget deficit, and the post-Browne review settlement should not be viewed as permanent.”

Professor Ebdon: I would like to support Alan Langlands very strongly in that the misfortune of the Browne review was to report at a time when we were seeing such large cuts in public sector borrowing, and here was a marvellous opportunity to take a large chunk out of that particular column, namely the HEFCE teaching funding. Sir Alan is Chief Executive of HEFCE. I think he is absolutely right in saying that we should regard this as a temporary solution. We need a long-term, stable solution. We will of course see what the impact of these fees are before we get to that, but I really fear there could be a significant impact on students from lower income groups.

Q104 Chair: On this, could we have any alternative viewpoints?

Professor Arthur: To answer the question, I think a further review at this point would be pretty devastating. We have been through a period of considerable uncertainty. When you are planning for the finances of an organisation that, in my case, turns over half a billion pounds a year and has 8,000 staff, then the last thing you need is this level of uncertainty, and having gone through that and come out the far

end with at least some of those uncertainties landed—albeit not necessarily the way you would like—we now need a period of stability to get on with our job, which is educating students and doing research with impact for society.

I guess I take a slightly different view from Les, because Les is implying that this level of funding was cut because of what Browne said. It is my assertion that this level of funding would have been cut no matter what Browne said—at least it looks that way—and I would go further than that. If you followed the IFS figures, what the previous Government were going to have to cut from higher education, if they stuck to what they said they were going to do, would also have been in the order of £2.5 billion. For whatever reason—and we of course found this incredibly difficult to understand in comparison with what was going on internationally—higher education has been targeted for really significant funding cuts for quite a long while. We have known about that for the best part of two years, and it has created a very low morale and great difficulty.

The way in which the funding has now been cut was a surprise to all of us. None of us expected 80% funding cuts in teaching, and therefore maybe the review shaped the nature of the cuts in a strange way. I do agree with Alan Langlands; if we are going to go forward in future, I personally think that the balance between graduate contributions and state is the critical issue. I think graduate contributions are the best way forward. I agree with the Blair Government; it was a brave thing to do, it was the right thing to do, and the balance at that stage was about right. What has happened now is that the balance is heavily towards the graduate contribution, and over time, as the country’s finances improve, there is of course the opportunity to rebalance the state side.

What has been particularly unpopular in our institutions has been the way in which this has fallen on arts, humanities and social sciences predominantly, although one understands the arguments about money being channelled through a different route, but it does not feel like that to individual members of academic staff. It feels as though their subjects have been rather targeted, and that has caused a lot of unrest and difficulty.

Professor Farwell: I want to add a point in support of what Michael has said about the destabilising effect of the review; however, I fear that there could be a certain inevitability about some change being needed relatively quickly in terms of the new system unfolding. I think there are two big risks and two big questions about what is going to happen: one is whether demand will hold up, and if it does, what would the impact be on the student loan book. So perhaps change, which could incorporate some of Alan Langlands’ points about the level of public funding and reviewing that in the future, could take place or will have to take place because of what unfolds, but it would not necessarily have to be on the scale of the massive review that has taken place with Browne.

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Q105 Mr Jarvis: I would now like to turn to the Government's response. What you would most like to see in the Government White Paper and what you would not want to see in it?

Professor Riordan: This follows on from the previous question, because the fact is that the present system is not yet finalised. We do not yet know what the present system is, we do not know what student number controls are going to look like, and there is a huge wealth of detail there. So before we start thinking about another review, we really need to conclude this one. Just to pick up on the previous point about the balance between funding, you would not need any kind of a review; it would be a relatively straightforward matter to increase the amount of money that goes into the T-grant by feeding that through from BIS to HEFCE. You could do that without any kind of review in the future, and inflation would take care of fee levels if you wanted to hold those down.

So far as the White Paper is concerned, I think the key priorities for us will be to have a way of controlling overall student numbers that nevertheless allows some student choice, because if we do not allow students to choose between institutions under the system we now have, there will be no incentive for universities to introduce differential fees. Do not forget that the fees that are being set now are for one year. If there was a possibility of students choosing which university they went to on the basis of what they perceived to be the value for money—if the assumption that they would take account of the fee level is correct—then there needs to be a methodology for achieving that, at least at the margin. There needs to be some marginal opportunity for students to say that they can move between universities as they choose, rather than as allocated in terms of the numbers, which is obviously the present system. There is only a small amount of latitude at the moment. That will be a key thing.

Another key thing would be an absolute commitment to university autonomy and an undertaking to keep regulation to as reasonable a minimum as we could possibly have. A third priority would be to ensure that as new providers come into higher education, they are subject to the same sets of regulation and provisions that pertain to the universities and the traditionally publicly funded providers.

Professor Arthur: Not surprisingly, I would agree on the points about autonomy. A risk-based approach to regulation might be something to think quite carefully about in the White Paper. There are many other things—like a magic wand—that I am not sure the White Paper could include, but educational attainment in people coming to us, visas, Freedom of Information Act, initial teacher training, NHS; there are so many things that are influencing our future that probably will not be part of the White Paper at all, and I think it is very important for the Select Committee to understand those other pressures that are outside the immediate issue of students and their fees.

Chair: I do appreciate that we could have a seminar on this subject alone, so I appreciate your brevity on that.

Professor Gaskell: I will try and match it. I think the issue of autonomy is critical, but it needs to be defined. Almost everyone signs up to their notion of autonomy and almost everyone means something different by it, so it has to be made very clear what autonomy means. The second point, in terms of primary providers, is that there needs to be, as Michael has said, a very clear establishment of a level playing field—I think Colin said that. But we also need to recognise that private providers are not interested in matching the breadth of provision that is made by universities at present. Carl Lygo, who runs BPP, is very clear: he is interested in law, accountancy and other such courses. That is where money is to be made—not in teaching Latin, Greek and modern languages. So we have to have a recognition that any private provision first of all must work to the same rules, but is also not simply going to provide the other side of the coin and cover the same breadth that universities cover at present.

Professor Farwell: I would like to see the narrative in the White Paper shifting and broadening out from perhaps, say, some of the language that has been used in Browne and in the Government's response, which has a rather one-dimensional view of a student in higher education. The complete range of people who participate in higher education is an important factor, and along with that it is shifting away from simply access, and access of particular kinds of students to particular kinds of institutions, to broadening participation generally within higher education.

I think that then takes me into a point—following on from Professor Riordan—about the increase and meeting demand in student numbers and also student choice, and it is not just about marginal effect. I think it is also about enabling numbers to grow, or perhaps even reducing pressure on the loan book in terms of those students who are not taking out loans and are off the loan book, in effect.

Professor Ebdon: I would like to see the White Paper to take the Government's stated commitment to widening participation and social mobility into real action. In particular, I would like some assurance that the current widening participation funding that HEFCE gives institutions that participate in this expensive activity is going to be continued. That is unclear at the moment, and that is very unsettling. I would like to see a clear commitment to strengthening and sustaining the research base in this country. I think selectivity—a situation where 75% of research funding goes to just 24 institutions—means that we are beginning to destroy the seed beds in which we grow new researchers and, indeed, new subjects and new areas of research, and that will look very foolish in a rapidly changing world.

Of course, it is important that we preserve the UK concept of a university, with research-informed teaching underpinning our high-quality universities, which are recognised around the world. As to the suggestion in the White Paper that non-teaching organisations should get degree-awarding powers, I know that the Archbishop of Canterbury has them at the moment, but virtually everybody else is a teaching organisation, and to get honours degree-awarding

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powers you need to have a research-informed teaching background. I would certainly like to see that preserved, so that our international competitors cannot denigrate the UK university system.

Chair: Thank you. Can I just come back to Dan Jarvis on the issue of sustainability? We have partly touched on that.

Q106 Mr Jarvis: We have, Chair. Just finally from me, in terms of the specifics of the Government's reformed funding system, will it work in the short and medium term? What problems and opportunities do you foresee with it?

Libby Aston: It is a really big question, and it comes back to the White Paper, because what we need is for the Government to be taking a longer term view of how to set up the system. The fear is that they will focus on this very immediate concern, this very short-term issue, of how to make sure there is not overspend, how they control total student numbers and all those things. The irony of this is that the Government are very committed to creating more of a market, more competition, more openness. The sector would absolutely welcome that, on a like-for-like basis, on a level playing field. Universities are innovative, entrepreneurial organisations. The worst-case scenario is that in the short-term fix the Government become obsessed with finding levers, regulatory mechanisms, controls on the system that in the medium and longer term are just going to restrict the quality and growth of this sector.

Professor Gaskell: I think the short answer is, yes, it will work, because universities are very inventive organisations and will make it work. The question is, at what cost? For an institution like mine there are two costs, both of which we alluded to previously. The first is stability: are we going to be providing a diminished education, are we going to achieve less in research because of the instability associated with the introduction of the new system? The second challenge—particularly for an organisation like mine—is whether we can maintain our commitment to widening participation. I know that we are going to get on to that, but that is a real issue. My university is unusual, perhaps unique, in having a very high level of research attainment, within the top dozen or so within the UK, but also a very high proportion of ethnic minority students. It is a very unusual combination, and there is a real question whether under the new system we will be able to maintain that status.

Professor Arthur: I am also an optimist. I believe we can make it work. I also think there are significant challenges in there, not least of which is making sure that prospective students understand the new system.

Q107 Paul Blomfield: Following on from that point, in terms of how the system will work, but also how the terrain will look different: how do you see higher education changing outwardly as a result of these changes—to students, to employers, to other stakeholders?

Professor Ebdon: Ruth has already referred to the diversity of the sector. Million+ universities teach

21% of the students in the sector, but 33.7% of the non-white students. We know that ethnic minority students are not equally distributed in our universities and tend to predominantly go to universities in the million+ grouping. The system that therefore disadvantages those universities disadvantages ethnic minority students, and I think there will be a number of unintended consequences that have not been thought through in terms of equal opportunity, which I worry about substantially.

The other thing that worries me a lot is the actual level of debt that students will leave with and, when that becomes clearer, the impact that will have. London Economics have done some figures for us that suggest that, if the fees are £9,000, the student with a maximum maintenance loan will leave university with debts of £53,439, if the proposed introduction of the interest rate while you are studying is implemented. That is substantially higher, I think, than people are expecting. That means, as I say, that if a couple are both graduates we could be looking at debts of £106,000 at the time they leave university, which is going to have a significant impact on the structure and the types of people who think they can go to university.

Professor Riordan: The point I want to make is I suppose a slight repeat of what I said before. I am sure—as Michael said, we are very inventive—that we will make it work, whatever it is, but we still do not know what it is. We do know the parameters clearly of the fees and of the recovery system, and how that is meant to be funding. But there are two really big questions: one is whether the cap on numbers for individual universities will be lifted so that those numbers can go up and down; and the other one is, if the costs of the new system are higher than anticipated, how will that be clawed back? Presumably it will have to be, and that will affect things. There is also the whole NHS funding issue. There are a lot of variables in there that make it very difficult to see exactly how it is going to work. We really need the White Paper and the detailed proposals to be able to have a sensible view on that.

Professor Arthur: I think it will contribute to improving quality. What I have been saying internally in the University of Leeds is that this is not just an increase in the fee. This is a really significant change in the way in which the whole of higher education is funded, and therefore your continued success as an institution or as a school within an institution relates to your ability to attract students at whatever fee we choose to charge in due course. Therefore, people are going to be looking very heavily at the quality of what you do and making choices about whether or not they wish to pay that for that quality. It powers up and puts money behind the importance of learning and teaching in a way that has not been quite so evident in previous funding regimes.

I have made a comparison with the way in which the importance of research was powered up by the funding that came through the research assessment exercise, and that became a very prominent set of issues during my academic career. This now rebalances that equation quite significantly. There is

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also going to be a high expectation of good levels of information about the courses and programmes that are on offer. I am a little bit worried about that, because I think that is a space where it will be awfully easy to have a lot of data and not too much information. I think it will potentially be very confusing to people when they first look at it. But nevertheless, I think that, plus the social media, means that one's reputation and the quality of courses will be out there and very evident to people. I do not think that is a bad thing: I think that is a positive out of all of this.

Q108 Paul Blomfield: Could I pursue that point in terms of driving quality, because it is part of the conversation we had with Lord Browne last week. What evidence do you think there is, say, in looking at the system in the States, that a more marketised system with higher fees at the top end drives quality at all levels of the system? I can see how it would drive quality, and there is no doubting the strength of Ivy League institutions, with which I guess the Russell Group can most closely compare itself. But where is the evidence that that system drives quality at every level?

Professor Arthur: I could not quote you specific evidence; I am really talking about the reaction of an organisation to charging a significant fee, much higher than before. The biggest difference, of course, is that we previously used to receive a pretty gold-plated grant from HEFCE each year that would vary at the margins but would turn up each year. That is no longer there, to any significant degree, across all subjects, and in some subjects, as we were saying earlier, is not there at all. You can imagine that being an enormous driver to make sure that what you are doing with those students when they come is something that they are going to value. I am not in the consumer category myself, I think this is a partnership between us and the students, but it has to be very high quality, it has to feel very high quality to them, in order for them to report it back positively to their families, to their friends, to future prospective students. There are various surveys, as you know, the national student survey being one of them, from which it will be very evident if things are not right. Of course this may lead to a lack of recruitment, and a lack of recruitment puts the future of a part of a university, inevitably, under significant threat. It is very difficult to make any higher educational entity pay for itself without the background of undergraduate education and its funding as part of the package.

Professor Riordan: I think we will be equal to this challenge, because like many universities, in our case at Essex 46.5% of students are on unregulated fees now, so they are either international or postgraduate; many of them are self funded, and some of them have families putting in considerable amounts of their own hard-earned cash up front into fees. This is not something that we are not used to, and that will be the case for many of the universities represented at this table and around the sector. I think it is a challenge that we will be able to meet; it is something we are

familiar with, but it will clearly extend to pretty much the full extent of our activities.

Professor Ebdon: I think the honourable Member's question is a very good one, because if you look at the United States you see a much more stratified system of universities, with exceptionally well-funded and high-achieving universities at the top, but a much wider spread. In this country, of course, we have always had a system in which we expect the same standards to apply throughout our university system. In the States they do not have that. In the States they have very distinctive universities. You can go to a university that is just one colour; you can go to all black or all white universities—largely the surrogate for class in the United States. I think we should look with some anxiety at the fact that we might end up with a system like the US. Yes, there will be winners from this system, but there will be a large number of losers, and those losers will be in particular social classes, and I think MPs would be right to be worried about that.

Q109 Nadhim Zahawi: Professor Ebdon, can I just pick up a point? You quite rightly say that there is a difference between our system and the US system, and then you went on to say that in our system the difference is that we expect all universities to be of similar quality.

Professor Ebdon: No, I said standard.

Nadhim Zahawi: Same standard? And the word was "expect". Do you think we have achieved that in our university system?

Professor Ebdon: Yes. To be absolutely clear, the difference between quality and standard always comes up as a difficulty when I am in this House, because we use these words in technical ways in universities. The standard is the level of achievement of students, and we have for some time had a system in this country designed to make sure that there is a broad equivalence between a first obtained in any one of our universities, and that is very important internationally. It is actually not so difficult within one's subject area to say, "Have we got equivalent standards?" because the external examiner system enables one to do that. The challenge comes between different subjects. But it is something for which we strive very hard, and we have a quality assurance system in this country—a framework to help us to assure that. Of course, very few countries use the external examiner system. It is a great strength of the UK system.

Q110 Nadhim Zahawi: I hear you. Do you think we have delivered that in reality on the ground?

Professor Ebdon: Yes I do. I think it is remarkable that we have managed to widen participation in our universities in this country, reach out to a much broader percentage of the population and sustain that. That is one of the remarkable achievements of UK universities.

Q111 Nadhim Zahawi: Does the rest of the panel concur with that view—that we have achieved that on the ground rather than its being an aspiration?

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Professor Gaskell: I would tend to argue that what has been extremely successful is the achievement of appropriate minimum standards, which does not necessarily mean that a degree means the same thing for all universities, but it is of key importance that there is not a broad scale. There is a minimum level of achievement that international companies and organisations can have confidence in. I think it is perhaps a little misleading to suggest that the average employer would consider a first-class degree to be the same, regardless of which institution it was derived from. But the minimum standard is important. That is a different issue.

Chair: I am conscious that we have a lot of questions and Paul has been waiting patiently to pursue his line. Paul, can you come back?

Q112 Paul Blomfield: Yes, I certainly will, thanks Chair. I wanted to explore another area of a more marketised system, and I appreciate that we are looking day by day at a system that looks less marketised than the Government's ambition. Do you feel that any subject areas might be a casualty of a more marketised system—areas that would not sustain demand in the face of higher fees?

Professor Riordan: The obvious answer is that arts and humanities might suffer, but if you look at what happens elsewhere in the world, where there is a marketised system, in the United States, people do not stop studying those subjects, and I genuinely do not believe that students go to university purely with an economic motive in mind. Certainly many of the students I talk to do not have that as the primary focus; clearly they are aware of it. Who knows, is the answer, I suppose, but I have enormous confidence that students will continue to want to study those subjects at universities that really do offer a great education—something that we can be proud of and students can be inspired by. They will recognise that yes, there is going to be a headline fee, but what they pay back will be related to their subsequent success in life. So if they do become a struggling novelist, for example, they perhaps will not pay at all or they will end up paying a lot less for their education than those who go on to become the multi-million, airport novelist-type bestseller. It seems to me that there are as many reasons to say that those subjects will thrive because they will be better funded, and there may be better morale among the staff if that happens, as there are to say no, students are going to make an absolutely economic decision, "I am only going to study accountancy or business or law," because of a level of fee.

Professor Gaskell: I think there is perhaps another twist on that, and I think Colin is exactly right. These subjects will survive—partly because universities will ensure that they do, but in terms of the student body I do worry that, to be blunt, some subjects will become white middle-class student subjects, and that, I think, is a real risk. I think we will have our work cut out to ensure that the demographic that is represented across the university is reasonably well represented across the subject mix as well. That will be a real challenge.

Q113 Chair: Just on this, do you think it was wise for the Government to set the fees regime eight or nine months before they actually publish the White Paper?

Professor Riordan: I think the reason why they did that was that they recognised that universities could not continue living with uncertainty. As Professor Arthur mentioned earlier on, we had years of this under the previous Government—awaiting a review and then awaiting the Browne review. I think what they were trying to do was to get some certainty in the system as soon as possible, but of course the best-laid plans and so on, and I think the intention was to get the White Paper out very soon after the fees vote, but it became a much more complex matter than was anticipated.

Q114 Chair: On the basis of what you said in answer to previous questions, it looks as though the uncertainty is still there.

Professor Riordan: Yes, it is.

Professor Ebdon: I think it has been a very unfortunate circumstance. Universities have always made it quite clear to Government that we had to set our fees around about this time, because students who are thinking of applying need to know what fee they are going to be charged. But it has come at a time of very particular uncertainty. We have had the uncertainty about when the White Paper is going to be published and the important things within that. We have had the uncertainty about the visa situation—a consultation on Tier 4 that looked at one time as if it would cause massive damage to the number of students and therefore the income to universities. We have had a Government White Paper that says that the Government want to shift teacher education from universities into schools. That is a major income line for my university and many like mine. There is the uncertainty about nursing and midwifery and professions allied to health, because they are funded and commissioned at the moment by the strategic health authorities, and about the only thing we know is that they are being abolished. We have had this great uncertainty about virtually every income line coming into the university, and in that context we have had to set fees, so it is no surprise that people have erred towards the top end, rather than the bottom end.

Professor Farwell: I will not repeat what Les has said because I would support what he said, but I would add another point about the uncertainty. We understand why the announcement around fees has come early, but there are many details about how, for example, part-time students are going to be included or not included and they add to the uncertainty that has already been articulated by Les.

Libby Aston: I have heard somebody describe it as like driving at 100 miles an hour towards a system and we are not quite sure what it is going to look like when we get there, why we are driving there, and about many of the parameters of the journey along the way. There is this fundamental issue that once it was announced, this tectonic shift in how the money was going to flow through the system and this limit on fees—it is such a big change, and we are moving

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towards it so quickly, and the difficulty of this is doing things almost the wrong way round—we needed serious discussion of the White Paper first, and then to start to put these things in place. You can understand the circumstances of this and why these conditions have had to come about in the order they have, and the Government were doing their best to provide stability and funding for universities, but it is a very unfortunate set of circumstances, which means that we are doing things in a really funny order.

Professor Arthur: The first prospective students who will be paying the new fee will be at an open day at the University of Leeds in about 60 days' time, so it is all to do with relative timing. The timing was initiated by the announcements in the first Budget of the new Government and the comprehensive spending review. If we had not been able to put the new regime in place for 2012, we would have had a year of extraordinarily difficult times, with a lot of money removed and absolutely nothing to replace it, which I think would have been a real problem for the sector. I can understand the timings. I do not understand why the White Paper has now subsequently been delayed—that is Parliamentary business. It could have been closer, but I think the fees decision had to go at that pace because of all the other decisions.

Q115 Paul Blomfield: Incidentally, I am not sure that the White Paper has been delayed because of parliamentary business, but to follow up on an earlier point from Professor Riordan, you were, I think, alluding to the potential withdrawal of funding from other areas of university activity as a result of the Government having got their calculations wrong on where the fee levels were going to settle. If that is the case, and there is additional constraint on teaching and research, what areas do you think are most vulnerable? What are universities going to have to stop doing?

Professor Riordan: I really do not think that should happen. I think it would be a wrong move to say, "Let's take money out of Quality Researching funding, or money out of the remaining teaching grant." It seems to me that a better way of recovering that money will be to have a modified form of the Browne levy, so you effectively reduce the number of student places available across the piece. If that is not available, you reduce the number that are automatically allocated, and leave, say, year by year 3%, amounting to 10% over three years, of student places that are available, but you have to bid for, and you could bid for those on the basis of the level of fee you have set. Those who have set a low fee would perhaps get them either for nothing or for a very low price, and those who charged a high fee would have to pay more to secure those places. That would allow more money to flow back into the system and would allow universities choice over whether they engaged in that or not, or preferred to restrict their numbers, and maybe others would be able to take up the slack and recruit more than the 10% difference.

QR would be a disaster. There is only one way of funding blue skies research; it has to be public funding, and economic prosperity into the future

absolutely depends on the amount of money that goes into it. You can show that. That really must not happen, and it will be quite wrong to take money from the teaching grant when it would simply reduce the quality and reduce the unit of resource on an even basis across the piece, when people have set slightly differential fees at least. So something related to our own decisions and some sense in which the universities can then decide which route they want to go in that new landscape will be more beneficial.

Professor Ebdon: I know that Oscar Wilde said, "The only thing we learn from history is that we do not learn from history," but there is some history on this concept of taking away 10% of funding and then bidding for it. The Polytechnics and Colleges Funding Council did that—sadly, I am old enough to remember that—and exactly what it did was drive down the unit of resource very rapidly indeed, because you had to bid to get your money back. You were either looking at a 10% reduction in your funding, or you had to take significantly more students. That drove class sizes up, contact time down—the very things that students say they most value and the very things that the Minister says he most wants to see improved under the new regime. They will be the first casualties, and then of course we begin to look at the least economic courses in our provision and say, "We can no longer afford to cross-subsidise this particular subject area because there are not enough people taking that programme." I am sure that is what we will see again; that is what we saw before, and that is what we will see again if that path is followed.

Q116 Nadhim Zahawi: What barriers are there to further efficiency within the sector?

Professor Ebdon: There is one very important barrier: we would all like to engage in more shared services. We do remarkably similar things; we would like to do them together. If we engage in shared services, those shared services are subject to VAT. A change in the arrangement so there was not 20% VAT on shared services would be a very significant help and stimulation to further efficiency in the sector.

Q117 Nadhim Zahawi: I hear you on that, but what are the other risks around and compromises that you have to make when you, for example, share services?

Professor Colin Riordan: You will not get any value out of it unless you have the same business processes. Say Bedfordshire and Essex shared an HR department or service: unless we unified our promotions system, you would have to have two promotion systems, for example, and if the Council of the University of Essex wanted to say that research was a key element and Bedford wanted to say knowledge exchange was a key element, or vice versa, and they did not map on to each other, it would then be difficult to share that service and get any value out of it. I suppose on things like payroll presumably you would be able to have the same business processes, but that requires organisational and cultural change, which is not insurmountable. It can be done, but it has to be recognised that unless you can map the business processes onto each other it is not going to work.

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Professor Gaskell: I think one important point to consider is that there is some scope for further reductions, but one barrier is the recognition that what you are cutting is the quality of the student experience. We tend to assume that the quality of the student experience is solely related to expenditure on academic staff. Library staff, IT staff, estate staff and so on: all of these individuals and organisations within the universities contribute to the quality of the student experience. It is foolish to imagine that we can simply keep on squeezing what is sometimes simply called the administration without recognising that that would directly impact on the student experience.

Nadhim Zahawi: So the risk is that those people also interact with the student, and therefore—

Professor Gaskell: Very directly, yes.

Q118 Nadhim Zahawi: What other revenue sources are you considering, other than shared services?

Professor Arthur: Of course a major effort in alumni and development, and fundraising from those who would support a university in the city and region, and alumni internationally. Many of us are following an American style of developing the alumni function of our universities. I have been at that over the last seven years at Leeds. We have launched our first campaign, and I guess if you look back at the history of higher education, particularly between the two wars, philanthropy was absolutely commonplace. Of course, it fell away with state funding, and I think we largely lost the culture of asking, with one or two notable, ancient exceptions. We are rebuilding that, and lots of universities are doing that and it is becoming quite successful. That is one area.

Interactions with industry, of course, are another potential source of funding. For both research and education and greater relationships with small- and medium-sized enterprises in the city and region, I think most universities are ploughing that furrow very significantly. Then I guess also we should mention international students: the international student market was growing at 7% to 8% per annum internationally, and I think most universities in this country were expanding at that rate, roughly. I am a bit worried about the visa changes, particularly the post-study work change to Tier 2.

Chair: We will be asking a question about visas later, so take that as read.

Professor Arthur: International student growth in my turnover is now £50 million, and in my current projections it is set to grow to £70 million. I have scaled that back a wee bit in light of recent decisions.

Professor Gaskell: It is also important to recognise that there are two aspects of international student education. The first is clearly directly impacted by visa regulations: the education we provide to overseas students in the UK. There is another very important aspect—particularly in my university—and that is the provision of our education to students outside the UK. We have 2,000 students in Beijing, which is educationally first rate. It is very good from a number of standpoints, including building up further international relations, but it also operates at a surplus.

Libby Aston: I think this question of alternative sources of funding is a really critical one. Universities are private institutions in receipt of public income. They are not lazy public institutions sitting there with their receipt of full public income. Alliance universities—this is the case across the sector, but I can only speak for the 23 I represent—receive less than 50% of their funding from core public funding sources. That is not an unusual picture for a university. Yes, it is absolutely critical, but there are two things to bear in mind. Firstly, one thing universities are very successful at is this idea of a gearing ratio: that you give us a small amount of public funding—for example, for working with industry—and we will bring back a lot more on the back of it. For example, it is recorded that we bring about £7 back for every pound invested in public funding. That is a fantastic gearing ratio, but when you are reducing the number of pounds going in—the amount of public investment up front—obviously our ability to bring in private investment on the back of it is reduced.

The second point is that—people have described it as a perfect storm; that is perhaps a little bit overdramatic—all of the possible sources of alternative funding are under threat for different reasons. They are all unstable and they are all under threat. You are absolutely right to identify it, and it is a critical issue for our universities. We are historically very good at finding alternative sources of funding, and we will continue to be, but it is a very difficult area.

Q119 Nadhim Zahawi: Let me just push back for a second on that, because we heard from Professor Arthur that part of the cause of the failure to attract alumni contributions has been the dependency on public funding. I hear you when you say that universities are private organisations, but even private organisations can always do better. There is a disconnect here, i.e. that too much public funding makes you behave differently. There is some research—very little research, but some research—from the countries that do have fees, Australia, Canada, America, that people begin to behave differently when they are able to go out and market themselves and reap the rewards for that.

Libby Aston: I absolutely agree with you. I just do not think that our sector has been lacking in drivers to be innovative and entrepreneurial in seeking alternative sources of funding. You are right to say that there will be increasing and additional pressures to do that. As Professor Arthur said right at the beginning, a competition for funding and an autonomy and freedom to be innovative and entrepreneurial are exactly the things that will drive us to be a better and more efficient, more successful sector.

Chair: I am conscious of the fact that Rebecca Harris, I believe, has to leave early, and I would like to bring her in to ask some questions on fee setting before she goes.

Q120 Rebecca Harris: Thank you Chair. I want to talk about how you think the new charging fees regime is going to look in practice, because I think

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about 10 institutions have already said what their intentions are in terms of fees, and about seven of those have already said they intend to charge the upper limit. What impression do you have of the number of institutions that are likely to wish to charge the full upper limit?

Professor Riordan: I suppose the answer to that is we will soon see. It is not something that vice chancellors have discussed among themselves because of competition—that would be quite wrong and we certainly have not done it. But I think we are all aware that, when you look at the drivers, the question that you ask yourself is, “What would be the reason for not charging the fee that will allow us to give the best possible education to our students? Why should one not do that?” That is a difficult question to answer. If you believe that you are offering extremely high-quality education, you have a great library, the best staff, sports facilities, etc, and you intend to invest in all those facilities and improve them, enhance them and make them fit for the future rather than just for the present or the past, then that tells you that you need to charge the maximum fee that you are allowed to, and you believe that you are offering real value to your students.

Professor Gaskell: It is important to recognise that there are different approaches one could take to setting fees. One could take a purely market-driven approach, and indeed there are pressures from Government to do that. Then, of course, you would simply look at your respective university’s position in the marketplace and decide what fees might be justified. The approach that we have taken has been quite different. One approach is to say, “What do we need to charge to replace the income we are losing, having built in some quite significant efficiency savings? Building in all these factors, what do we need to charge?” The other approach that we have taken is to say, “Let’s use the best methodology we have for determining how much it costs to provide that education, again building in some quite challenging efficiency savings.” Those two approaches have essentially given us the same answer. This in fact has not been a market-driven approach. We have essentially taken the approach: “What is the lowest fee we could charge?” We have not yet announced it, but we will not be out of line with the rest of the sector.

Q121 Rebecca Harris: Shall we just try to guesstimate then, the proportion of institutions that are going to be at the upper limit, because the logic of what you have said is pointing in that direction?

Professor Gaskell: I guess the question you are asking is whether there is any reason to suppose that those who have announced their fees so far are unrepresentative of the sector. My guess would be no.

Q122 Rebecca Harris: The Government have said that only in exceptional circumstances would institutions be expected and understood to go for the upper limit. What do you take the Government to mean by “exceptional circumstances”?

Professor Arthur: There are only three people who can answer that question: the three people who used

the words. We are taking a very similar cost base and “what have we lost”-type approach, and also absolutely critical in that is quality. For example, I could provide an arts degree at a lower cost, but at a student/staff ratio that is not internationally competitive. I am running student/staff ratios in the high 20s in some of my arts and humanities subjects; my competitors internationally are running student/staff ratios of 10. That is the real issue: do we want to provide at the very highest international quality, and do we think that is important to the country’s future? Where there is a margin—and I can tell you that the margins are not very great—that would immediately be reinvested into that quality issue, and that is how we arrive at the fee structure. You also have to think about those subjects and what we charge our international students. The bottom line is that the figures you are seeing, the £9,000, are about the real cost of providing a higher-quality arts and humanities degree. The margins get smaller the further you go up the banding structure. That is the bottom line: that is what it costs to provide a really high-quality education. That is one definition of “exceptional”, I guess.

Q123 Rebecca Harris: I gather that some universities, such as Goldsmiths, have said that they might be looking at a variable fee option, perhaps for less popular courses. How realistic do you think that is? How likely is it that we will see different fees for less popular courses?

Libby Aston: I think there are two sides to variability by discipline. We all know that students choose on the basis of their subject, their discipline, and therefore there is a lot more differentiation in the market in terms of accepted hierarchies, who are the elite, etc. There is a lot more movement and differentiation across different subjects and disciplines. In introducing more of a market into the system, it is a very healthy thing to do to have differentiation of graduate contribution levels by subject or discipline, and we are all aware of the fact that the returns are different, the value is different, in the marketplace, so it makes sense. The difficulty we are facing is that, as has been eloquently described, the cap that is currently in place, when you strip out public funding for teaching, is not far off the cost of most courses. We are not in a position where it is possible to differentiate in a way that would more accurately reflect the market. I think you will see some differentiation in price, subject to discipline; I do not think you will see as much as is an accurate reflection of the market and how much differentiation there is in the market.

Q124 Rebecca Harris: Maybe the differentiation is perhaps to prop up certain courses, rather than the market value. There will be a suspicion that universities will look at charging on the basis of being reassuringly expensive, and there is the risk that a course that is not coming up to full cost will be suspected of being of less value. Do you think there is any possibility that universities will factor that into their charging regime?

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Professor Riordan: There are two things on this. One is that you just have to look at what we presently do on overseas fees. Those are unregulated fees, and the normal practice is—certainly in my university, I am sure it is in others—that you do not charge more for an undergraduate business studies degree—maybe some do, we certainly do not—than you do philosophy just because business studies is a lot more popular so you can get more money out of the students. We do not do that: we set fees in bands. Clearly it is more for engineering, but it would be anyway because we would have Government funding for engineering.

The other thing is that universities are not there to make money on courses. We do not make profits; we do not have shareholders. We are there to provide education. It is very important to me that the University of Essex continues to be able to educate in art history and philosophy and literature, as well as in business studies and accountancy. Almost any of us at this table could make our universities far more financially efficient by becoming essentially an enormous business school with one or two bits of other things attached. But we do not do that, because the way that universities finance work is that you have money from a very large number of sources—which we have already discussed—and they all come in and you allocate them out in order to achieve your objectives, which is essentially to extend and deepen the fund of human knowledge, not to create profit margins.

Professor Farwell: I think an important principle in all of this is that we are not taking advantage of our prospective students in terms of where our fees levels end up. That is therefore linked—we have talked about this before—to having very clear information for prospective students about what they will be experiencing on their different courses, so that they have an understanding of the kind of course they are embarking on.

Professor Ebdon: I think there is a danger that we have created a system in which signalling is important. We are dealing with a generation that buys designer goods, and therefore is influenced by the reassuringly expensive tag. I am sure that, as Colin says, universities would reinvest that money in the student experience, so it becomes a real challenge if you do not charge the maximum not to seem to give an inferior student experience. But again, it is worth looking at the United States, where of course there is a free-for-all in the market. If you go round American universities, you see wonderful sports stadia, you see marvellous dorms, you see non-profit making charities reinvesting that money back into the student experience in a lavish way, but of course now many of those universities are facing a real crisis because of the economic recession in the United States. They have fees that are uneconomic; it is not a sustainable model. That is another reason why I think it is important to have a cap on fees.

Q125 Rebecca Harris: How will a student determine whether a given degree course is good value for money in future?

Professor Riordan: They will have to make a judgment on the information that is provided, which could include their potential future earning power. They could certainly look at that information, and that will be provided. They could look—now, I am not saying that everyone is going to be in a position to do this—at the quality of the staff: are there world-leading academics at this university and will they actually teach me? They could look at the contact hours; they would have to understand that contact hours are not the be all and end all, and in fact it is the totality of the interaction that really matters. What they do look at is facilities: they come and look at the sports centre; they come and look at the accommodation; they are interested in the social facilities. They will make a judgment based on all of those things. One of the most important matters is nearly always word of mouth; other people telling them they had a great time at that university does seem to affect things. Clearly they can have a look at the educational attainment and the levels of achievement of students who go there, and they will make a judgment in the normal way, as anybody would making a decision about which way to go when you know that you are going to incur a liability.

Professor Arthur: I would add to that graduate destination—not necessarily the amount of money you are paid, but the type of job that you do and whether or not it is a fulfilling job. I think there is perhaps a bit too much emphasis on the pure graduate premium, but coming to university is a life-changing event, and generally speaking you will end up with a type of job that will be fulfilling for the rest of your life. That is crucially important.

Q126 Chair: Just a couple of quick questions. First of all a practical one: if a student signs up for a course at the fee level of, for example, £7,000, will that £7,000 remain constant over the three-year period of study? I see nods; is that unanimous?

Professor Arthur: That has been the system under the previous fees regime, so when the fee goes up each year, it just goes up for those in the first year and follows through the three years.¹

Chair: So you know the level of your commitment, and that is not altered. That is important. Sorry, did I—

Professor Ebdon: It doesn't. The Government announce the maximum fee level every year, the £3,000 uprated by inflation, and then all students pay that fee, so in a sense they will pay the original fee uprated by inflation, so you do not have different fee levels for your different years of students, Michael.

Libby Aston: In real terms it stays the same.

Q127 Chair: That is an interesting qualification. So in effect, if there is built into the system a price increase in line with the CPI or whatever, then students will have to pay more than originally anticipated in cash terms?

¹ Footnote by witness: [correction of fact—the fee has previously increased each year by inflation.]

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Professor Ebdon: Yes, I think the tradition now is that if you are paying it to the Government then it goes up by RPI. If they are paying you, it goes up by CPI.

Chair: That is interesting.

Professor Farwell: I believe that in the fees that are being set in 2012, if we imagine that there might be a purely inflationary increase over and above that, then that would have to be specified currently.

Q128 Chair: HEFCE calculates a block grant according to certain bands, depending on the cost of the courses, and it varies from £17,800 at the top for medicine and dentistry to £6,000 for the, if you like, cheapest courses to deliver. Do you think fee structures will tend to reflect that? Obviously, institutions cannot charge £17,800, but do you think there will be a reduction for the cheaper courses?

Professor Ebdon: I think it is worth qualifying that: we actually get a block grant from the funding council. After we have received the block grant and we know the numbers of students we have recruited in those particular bands, a calculation is done to see whether the unit of resource per student is within plus or minus 5% of that. Although those are indicative figures, it is not a voucher system, like the new system will be. At the moment, we have a block grant and we have considerable cross-subsidy between courses, because those bands are very broad bands, covering quite a large activity. So within band C, for example, are all of my computing students, who are a good deal more expensive than some of the other students in band C, so there is broad variation.

The question is—I think it has come up before—whether we are expecting to see variation in the fee levels charged. I suspect we will not; we do not at the moment, but it is possible under the present system. If you do the open day talk, as I frequently do on a Saturday at my university, you get questions that show there is not a great level of understanding about the fee system as it is now or in future. We frequently still get the question about having to pay £3,000 up front. People do not understand the very complex fee system that we have at the moment, and they will not understand an even more complex one. I do not think they will understand that there are different fees for different courses. It is altogether too complicated, and I suspect that most universities will go for a common fee across their programmes.

Chair: Professor Riordan; I want to move on if you can just confirm whether you agree.

Professor Riordan: Just as a point of information, London Metropolitan University has announced that it will charge differential fees within its own institution.

Q129 Chair: That is interesting. Professor Ebdon thinks it will be a standard fee. We have had an announcement that one university will not. What do you think is the situation?

Professor Riordan: I think some may go for that. London Met has said that that is what it is going to do, but it will be up to each university to decide. We certainly considered it: we set our fee a couple of weeks ago. We had considered, at one point, setting a differential fee, but having thought it all through, in

the way that I explained to Rebecca Harris, we decided that in the end it was clearer, simpler, less confusing for students and fairer to set a single fee, which is the Essex fee.

Q130 Chair: But would it be fair to say that it is not dependent on the bands that HEFCE worked?

Professor Riordan: No, it is up to us now.

Q131 Nadhim Zahawi: I think we touched on the factors that influence choice for students if these are essentially equal. I think, Libby, you talked about course being the influencer, and friends and family and experience. How much of an influence do you think price will be when the variable fees—I know I am asking you to stick your finger in the air, because until it is there you will not know—how much of an influence do you think price will be when you do have variable fees?

Professor Riordan: Our estimation has been that price is going to be less of an influence than people felt, because it is capped at a point at which in a sense the band is not big enough. That is one reason; the other reason is that—Professor Ebdon may well not agree with this—I nevertheless see this as really quite a socially progressive system. It allows anybody to go to university at no cost, the Government will provide the money. It will go from BIS, to the student loan company, to the university, and a grant will as well for anyone earning less than £25,000, and a further loan on the same basis, so that you do not need to spend all the hours God sends working in Tesco to get through your studies. Anybody from any background can go to university, and they will not, as in the United States, a month after they graduate, start having graduate debt repayments whether they are employed or not employed. They will not have that.

It will essentially be rather like an income tax. So if you are on the basic rate of tax, instead of paying 20%, you pay 25%. When I graduated I think the basic rate of tax was 30%, and when I got my first job it was 25%, and of course you carry on paying that for ever, whereas with this, you have a chance, at least, of paying it off, although perhaps not until the 30 years have elapsed. So it seems to me that the Government have built in a huge amount of safeguarding of social mobility, but it is absolutely true, as we heard earlier on, that perception is a key issue. We really do have to communicate this to people: that the Government are going to fund your fees for you, and you will be expected, later on, to repay as and when you can afford it.

Professor Farwell: I would not disagree with what Professor Riordan has said, if you take a particular view of what individuals want from higher education. If you take the view that what you have is a group of young people who are typically going away from home, then I believe that what he said is correct. I think if you take a broader view, then some groups may be more price sensitive. For example, one in six of my full-time undergraduate students choose not to take out a loan, because they do not want to do so for various reasons—personal reasons—and I imagine

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that some of those students, who are often local, will be quite sensitive to what kind of fees are levied.

Also, I know for sure that some of our mature students who are studying alongside work, who already have particular personal responsibilities—they may already have mortgages and so on—may well be more sensitive to price because of the amount of loan that they will have to take out over and above what they already have.

Q132 Mr Ward: If I was a potential applicant from a low-income family, and there were two courses, wouldn't I be foolish to go for the lower price?

Professor Riordan: I suppose it depends what the course is and what you want out of it, what kind of a university—

Mr Ward: Two equal courses, one is at £6,000, one is at £9,000. I would be stupid to go for the £6,000, when actually I am going to pay exactly the same for both.

Professor Ebdon: I think this is one of the features of the system that I imagine the middle classes will cotton on to quite quickly. I liken it to when I took my first mortgage out. I was not so much worried about the total sum or the number of years I would be paying it off. What I was worried about was whether I could afford the monthly repayments. The feature of the system is that the monthly repayments will be the same no matter how large the total is. I have some optimism that one can explain this system to the middle classes. I think it is more difficult if people come from backgrounds where mortgages and mortgage calculations are not so common. We are going to have to work a lot harder there.

Of course, the advantage of the £9,000 course is that you would expect to see significantly more investment in that course. You would expect an improved student experience. If the course was at £6,000, the experience would have to be a poorer experience than you are presently getting, because £6,000 is less than the amount of money that we have per student at the moment.

Professor Arthur: I was going to say that the big unknown in this is how much debt aversion will come in to play, and how much people will be advised to go for the lower cost course by their advisers. I would come back to something I have said all along: I do not think anywhere near enough work has been done yet on publicising and making clear the way in which the new system will work. There is a slight aversion to marketing in the current Government, and expenditure on marketing, but I do think publicising and marketing this new system is fundamentally important. We did not get it right when we put fees up to £3,000 in 2006. We should learn that lesson, and there needs to be a massive concerted effort from Government, from secondary, from further, from higher education, all joined together to really explain this new system to people.

Chair: We are just moving into this area of questioning.

Q133 Simon Kirby: Yes, very briefly picking up on Professor Ebdon's point, I think in a way it is quite

patronising to say it is a more difficult thing to sell to poorer students, or potential students, because presumably for all of the universities, people who are applying will need a number of A-levels to attend. It is quite a clear system, and one of the benefits is that it is clear that anyone can go to any university if they want to and they are academically able and have been offered a place. They pay no money up front. It is not a complicated thing to explain, and the same applies to people from—to use your expression—middle-class backgrounds as poor backgrounds. It is not complicated, and I think you do people a disservice using that kind of explanation.

Professor Ebdon: Perhaps I can respond to that. Obviously, I am in daily contact with potential students coming from that background, and they find the system much more difficult to understand. I myself came from a background where nobody had previously been to university, and I remember every time I had a setback, the common response from people in my peer group back home to me was, "University is not for the likes of us." I think it is very easy for people without that tradition of going to university, without that tradition of investing in themselves, to be put off. We live in a society of debt, most of us. The difference is whether it is manageable debt or unmanageable debt, so I think it is reasonable to say that there are different responses to debt in different groups in this country.

Professor Farwell: I make the point again that not all students can necessarily go to all universities, because some are constrained in terms of their locality and their mobility.

Simon Kirby: That is a fair point.

Professor Arthur: It is not complicated, but it is not a very easy soundbite, whereas £27,000 debt, and debt with an inflection in the voice, is a very easy soundbite. That is the problem we are up against, and our media tend to work in 20 second soundbites. You try getting the whole explanation of the new system out in 20 seconds; it is actually very difficult. That is the problem we are up against, and we need to start using language that other people can understand. When you are earning £25,000, it will cost you £30 a month, or the price of two pints of beer a week—brackets, in the north of England, close brackets.

Q134 Chair: We have a whole range of questions on access and participation. Some have been anticipated in the responses that you have given, so I would ask you not to duplicate them. Just before I bring Nadhim back in on that, I think Professor Arthur made the point that we did not market the initial tuition fees level properly. I accept there were a lot of presentational difficulties about it, but at the end of the day, if my memory serves me right, the number of lower-income students who went to university did marginally increase. I think that fell off in the last year or 18 months, but certainly there was no obvious impact in terms of demand.

Professor Arthur: You are absolutely right. In fact, the participation of students from low-income families in Russell group universities went up. Of course, the biggest difference was removing the upfront payment

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of £1,100 or whatever it was at the time, and replacing it with no upfront payment but £3,000. It did work, but the publication and the publicity about it was relatively late in the day. I think it could have been better.

Professor Ebdon: Can I add that the reintroduction of the grant was also significant for those students? You can see those figures in the improvement of participation by lower income groups. I think the grant re-introduction was very important.

Q135 Nadhim Zahawi: Before we get on to access, do you think we will see less popular courses put on special offer to attract more students and retain the staff?

Professor Riordan: You might see grants, bursaries and scholarships. We do that now. Do not forget that none of this is new. This is merely an extension of activity that already happens, whether it is in overseas or postgraduate fees, or indeed some present undergraduate programmes.

Q136 Nadhim Zahawi: What courses do you think would be at risk of that?

Professor Riordan: Languages; my own subject has been in difficulties for many years now.

Q137 Nadhim Zahawi: Just on access, what is the difference between talking about access and participation, and does it really matter?

Professor Riordan: Fair access is whether what you might call elite universities are really open to all. Does everybody have a fair chance of getting into one of what are commonly regarded as the elite universities? Widening participation is the activity generally in the sector of reaching out to students who just have not gone to higher education. So there is one thing: can you go to higher education at all? Do people go to higher education from certain areas or socio-economic groups? That is widening participation. Fair access is, that being the case, can they go to the universities that take, say, a higher proportion of students from private schools? Is there a level playing field in terms of access to those universities?

Professor Gaskell: I just want to develop that point and recognise that much of what universities do at present—certainly in my university there are plans to extend this—is concerned with widening participation in higher education. For example, we have a couple of partnerships with local schools, where our objective is to help them build up their sixth form, their years 11 and 12, and a measure of our success, in part, will be the proportion of those students who go to university—not to my university, but to university. One of the points that I hope the White Paper will acknowledge and get right is that the contribution that universities make has to be taken across that broad canvas. To simply measure the success of universities' commitment to widening participation in terms of the make-up of their own student body is under-representing all the work that is done by universities.

Q138 Chair: Can I just come on to—we have touched on this—how you sell the new package to

particularly lower-income and historically lower-aspiration students. I suppose you would say that there is a role for Government and universities, and indeed Parliament as well. In that context, in my experience of representing a constituency of West Bromwich West, where there has been relatively low participation in higher education, the role of Aimhigher was extremely constructive. That is going. How do you think universities and Government can replace it?

Professor Arthur: Most of us would be working with a series of schools, quite often in the region and in the city, and increasingly extending out from that. I think we would envisage that part of our effort would include a redoubling of those efforts and greater investment in those efforts and those schools, and possibly extending out geographically into other parts of the country, and I think also collaborating with other institutions around the country to make sure that there is reasonable coverage. A big effort from us ourselves and our own outreach activities is critically important.

Just to put some numbers on this, we would be working with 200 schools, and we would have about 40,000 contacts. We would also, by the way, have some very specialised schemes, which I am happy to describe, which are really targeted at individuals from low-income families or care families, first-timers to higher education, individuals from schools with very low GCSE attainment, those types of criteria. We used to use educational maintenance allowance as a criterion to identify a potential student we would like to work with. So we have some very special schemes for really targeting and working extensively with those individuals to persuade them to come to higher education. One is called Access to Leeds, the other one is called Reach for Excellence. Both of those have had significant philanthropic support.

Professor Ebdon: I pay tribute, obviously, to the work that Leeds does in widening access. It is very much treating the vanilla student there. MPs should be aware that more students go from colleges into higher education than go from schools—43% of my students are over the age of 24 before they join us. Getting into schools and getting the message out there is in some senses the easy bit. There is a plethora of colleges it is important to get to, and more important, obviously, are the people who are perhaps no longer in the formal education system. There are people who maybe missed their first chance to go to university, or they did not have a first chance and now we need to reach out to them and tell them there is still the possibility: they have not lost out for ever just because fees have tripled. We need to reach out to them.

I think that the role of social media is absolutely crucial with this younger age group that Michael is talking about, and that need not necessarily be terribly costly. It is such a disappointment that there has been a delay in reaching out to that group. Reaching out to the mature student market is more challenging. We knew that it was more challenging when the £3,000 fee came in. There is, of course, a built in reason why it is more challenging, and that is that they have less time to recoup the benefit from the investment they

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are making, because the older you are then the less your working time. So we need to put particular effort into that mature student market.

Professor Riordan: I would not want the Committee to lose sight of the fact that the key intervention is at age eight or nine. That is where the evidence shows you can make the biggest difference. I am absolutely sure we all do this: you need to go into primary schools and you need to get the families involved. The parents need to come on campus, and so we have programmes for children of that age, and they go through a programme for a month or so and then have a graduation ceremony with little robes and Professor Fluffy gives them their degrees, and this really matters. It takes away the fear and ignorance, as it were, or lack of awareness about what higher education really is.

Q139 Chair: I certainly agree with you about the engagement with primary schools. However, there has been some interesting work by the Institute of Fiscal Studies that shows that at the age of 16, something like 53% of lower-income students aspire to go to university, but at 18 only 13% do. If you take the figures for higher-income groups, it is hugely higher. What is not being done between 16 and 18 to ensure that that cohort of students realise their aspirations?

Professor Arthur: I think that one of the quickest wins in this field is the quality and accuracy of the independent advice and guidance that is given to 14 to 16-year-olds, and as far as one can gather it is a pretty variable feast. We certainly, in the Russell Group, frequently come across the attitude that you should not apply to Russell Group Universities because it is not for you. That is being expressed to those individuals, and that is a great shame.

We have held events for secondary school teachers about the sort of things that you need to be doing to get people to come to the Russell Group institutions, and it is pretty unusual to get significant attendance from the state sector. I am afraid I do have to say this: the number one issue about all of this is educational attainment in secondary schools, and the type of courses that people are studying at A-level. That set of issues must be made clear at an early age. That is one of the reasons why the Russell Group produced that publication recently called *Informed Choices*, which was some 18 months in gestation. It was in some ways a little bit controversial, but it did state very clearly the sort of facilitating subjects that you need to have at least two of when you apply to a leading, research-intensive university. I do not think it is unique to the Russell Group, by the way, that set of issues.

So if you ignore that, this is a whole-system problem, basically. You have to work on the educational attainment, the independent advice and guidance, the funding systems—EMA or its replacement of yesterday—and admissions to university. If you only ever work on one part of it, then you will not succeed, and we will be having the same conversation in another 15 years' time. The whole system has to be addressed.

Libby Aston: Chair, if I may I would like to go back to your question about how we communicate this new system so that finance is not a barrier. Firstly, we need to understand in what way finance can be a barrier. Two points on that: all of the research evidence shows that, first, it can be a barrier in terms of upfront cost, and secondly it can be a barrier in terms of debt adversity, or perception of debt. Those are the two things that we need to tackle; that we need to communicate clearly to potential applicants.

Then in terms of how we communicate this, again two points. Firstly, language matters. I know this has been said already, but if you tracked back or looked at your public records of our conversations this morning, how many times have we used the word “fees”? It is not rocket science as to why, when we talk about fees, tuition fees, top-up fees, £9,000 fees, that people new to this system, encountering it for the first time, will think there is a fee to pay when they arrive. It is not rocket science, but we all still keep using the language, and we need to get past that and move on. This is Professor Arthur's point again about the soundbite. We need a name for this programme, whether it is Graduate Contribution Scheme; whether we steal the Australian title and call it HECS—the Higher Education Contribution Scheme; whether we call it Study First, Contribute Later. Whatever we call it, we need to start using a different language, a different dialogue that explains quickly and clearly that this is about a graduate contribution; there is nothing to pay up front.

In terms of the debt adversity issue, the message that we really clearly need to get across is that this is not a credit card debt, it is not a mortgage-style debt, and Paul Blomfield is quite right to identify that it is not a pure graduate tax, but it is like paying tax. It is capped, it stops at some point, but it will feel like paying income tax, and Professor Barr very eloquently describes the fact that no parent or potential student loses sleep about the future tax contribution they are going to be making. We need to get this system into that kind of mindset, into that kind of understanding by potential applicants and parents. They are not going to be afraid or put off by a system in which they will be paying a little bit more graduate tax after £21,000.

Chair: Thank you. Paul, you have been mentioned in dispatches, so would you like to come back in?

Q140 Paul Blomfield: Just very specifically on that point, surely the Government are seeking to develop a narrative in which prospective students are encouraged to think about the different levels of fees, and therefore the different levels of debt?

Libby Aston: Graduate contribution? Yes, you are to think about the different level of graduate contribution, and that will only affect how long you pay for. It will not affect your weekly contribution, and it will not affect your upfront cost. There is no upfront cost, and your weekly contribution is dependent only on your income.

I take your point that this is more accurately described as an income-contingent loan; it is accurate and precise to describe it as such. Who understands what

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an income-contingent loan is? We are used to loans in which the amount you borrow and your interest rate determine your repayments. It is quite a big step to try to get public understanding of an income-contingent loan. Much better to describe it as something that is well understood already, say that it is like income tax, which is exactly how this system is going to operate, in effect, for that person paying it back on a month-by-month basis.

Q141 Chair: Could I just move on to the issue of aptitude, potential and contextual information? First of all, how you define aptitude and potential? Would anybody volunteer a definition of that?

Professor Gaskell: I am not sure I can come up with a definition, but I think it relates to a point that we were addressing a few moments ago, of identifying students who might benefit from the courses we offer, and without wishing to be too anecdotal there is in the area of medicine, for example, a real problem in that there is a glut of very highly qualified students, and there is a great deal of work to be done to recognise among school students the aptitude and the ability, and then coach them in the final years of schooling so that they are prepared in the way that matches the preparation they might be given, for example, in the private school sector.

Q142 Chair: Does using contextual information mean that qualified applicants whose parents sent them to private school could lose out to applicants with lower grades but who went to a disadvantaged state school? How do you strike that balance, and do you think it could undermine, if you like, the quality of courses and results? Professor Gaskell, are you volunteering to answer that one?

Professor Gaskell: I can do; I think in a sense universities very commonly use contextual information, in that if we are deciding between students who have equivalent qualifications and derive from different backgrounds, then we are likely to take that into account in assessing their potential to benefit from our courses. That is rather different from saying that the requirement in terms of A-level tariff, for example, is lower for someone from one background compared with another. That is a move that, at least so far, we have resisted.

Q143 Chair: Anybody would differ from that?

Professor Arthur: This is anecdotal to Leeds, but I think it makes an important point. It is very clear that there are individuals who, through their life chances, have not had the opportunity to develop themselves as well during their secondary education as others. You can identify them using various criteria, and it is also clear that you can assess that potential. The scheme that I described called Access to Leeds is a 10-credit module conducted inside the university. It is, of course, quite expensive to run, but nevertheless, if people obtain a satisfactory grade through that course when given the chance, and we offer up to two A-levels lower for admission to the university, we have been able to show that those individuals do end up with the same level of attainment at degree level. I

think we have had four, possibly five, cohorts of graduates from that scheme; it has been running for seven or eight years. So if you put the work in, you can assess that potential, and it can substitute for A-level performance in terms of later performance in university life. I think that is really good, hard evidence that contextual information can be relevant. We like to combine it with assessing potential. That makes us feel comfortable that we are doing the right thing.

Q144 Chair: Do you think it is fair—if indeed you think this—that the cost of widening participation is basically being paid for by the universities?

Professor Riordan: That is how long is a piece of string, isn't it? We absolutely have a responsibility in this area. I do not think we should be shrugging this off and saying, "It is something that schools should be doing." We clearly have a responsibility, and I know that many of us will be recycling up to 25% of any increased fee income above £6,000 back into that. That is going to be a matter of judgment as to how much it should really be. I think that universities have taken this responsibility extremely seriously and will continue to do so, and we have put an enormous amount of work into this. Everyone is committed to it. It is very rare to come across anyone who says in universities, "We should not be doing this." There is generally throughout the staff and students of universities a commitment to this agenda, and we do fulfil our responsibility. Some of it needs to be in schools—of course it does.

Q145 Chair: I was going to say: what role do you think the Government have?

Professor Ebdon: I think there is a perverse incentive here that we have to deal with, because taking students from a widening background is more expensive. They require a larger input from the university both in terms of recruitment, as Professor Arthur has pointed out, but equally in terms of teaching while they are with you. They are more likely to drop out, not necessarily for academic reasons but often for financial and social reasons. They come from much more challenging situations. They are often single parents with much bigger commitments than other people, and therefore they are more likely to drop out, and that of course is a substantial loss of income to a university under the present system, and will be so under the new system of funding. You can prove that such people are more expensive to teach, but they are not evenly distributed in our universities: 70% of my students in the University of Bedfordshire qualify for the full grant; 1,000 of them are assessed as having zero income when they join us. So that is a significant contribution that we make to widening participation.

Now, the easiest thing in the world would be for my board of governors to say to me, "Stop doing all this widening participation work. Stop reaching out to those communities. Go and get some of these easier students to teach with three As at A-level, and save us all a bit of money." I think it is important, if the Government's belief is behind their rhetoric in the

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area of social mobility and widening participation, that they recognise these increased costs and that it is important for Government money to be there to support them.

Q146 Chair: Do you not think that there is a danger of a hotchpotch of schemes designed to get lower-income students into university, and that there could be considerable duplication of effort and waste of money?

Professor Ebdon: I think the biggest problem that we face is an inconsistency with those systems. We have had a number of initiatives. Every time we get a new Secretary of State we seem to get a new initiative, and we have just seen the abolition of two very effective initiatives, the EMA—I worry a lot about the abolition of the EMA and its impact on a university like mine—and the Aimhigher initiative, both demonstrably successful at engaging young people and raising their aspirations and indeed their achievements. They are being stopped and now replacements are being drummed up to take their place.

In the case of Aimhigher, which obviously as a university vice-chancellor I know better, there will be a year's gap between the end of the Aimhigher funding and any additional money from additional fees coming to my university. It is important that in a very tough year I find some money to support the good people we have doing that Aimhigher work or otherwise we will never attract high-quality people into that kind of outreach activity, because they are going to say, "Well, after two or three years the Government will abolish that initiative and start another one." I would ask for some consistency from Governments in those initiatives. They are long-term activities. As Colin said, the work you do with eight- and nine-year-olds is important, and you have to continue that work, continue to reinforce the messages you have given, and they are not there for short-term initiatives.

Chair: I like the phrase a "whole system" that was used by one of the witnesses earlier, and certainly I think that is the approach to take. Can I move on and bring in Katy Clark on student numbers?

Q147 Katy Clark: Thank you very much. My first question is to Professor Ebdon. University Alliance and the 1994 Group are in favour of removing controls on student numbers, and I understand that the Russell Group says that it would rather concentrate on high quality but fewer students. Where does million+ stand on this?

Professor Ebdon: We would be very keen to see the end of the student number cap, which has denied opportunity to study to large numbers of students—probably in excess of 100,000. It does seem to me to be rather extraordinary for people to talk about establishing a market when you have capped the volume. It is another one of the strange features of introducing so-called differential pricing if the option is not there in terms of volume. We would be very keen to see the abolition of the student number cap.

Q148 Katy Clark: My follow-up is really to the whole panel. If funding was not an object, what proportion of the population do you think ought to study at degree level?

Libby Aston: Can I give you an interesting statistic? From 2000 to 2008—slightly old stats now—OECD data shows that we were third as a country for the proportion of graduates coming out of our population. We are now 15th. Now, 2000 to 2008 was a time when we were investing quite heavily in higher education, and rapidly increasing the number of students and graduates. Turn that around: what that shows is that our competitors are investing increasingly and at even faster rates than we are. Now we are in a situation where we are potentially capping numbers, and we have gone from third to 15th. Where do we want to be? I have talked already about the fact that human capital is now the primary driver of economic growth, if economic growth is about high-tech and innovation-based economy. We have to get our human capital there and in place, the high-quality graduates. We do not want to be 15th; we want to be back to third again. How can we do that if we are putting these caps on student numbers?

Professor Arthur: I do not think there is any evidence that accurately answers your question. There are international comparisons and trends, and I agree with Libby that the trend of us sinking down that league table is rather alarming in a global environment where we are going to survive by our wits and our knowledge economy and staying ahead intellectually through innovation. But what that translates to in terms of a precise number I think is really difficult, and of course you do get accused of snatching a number out of the air without the evidence to back it up. The other piece of evidence, which I think is quite interesting, is that the wealthier a country, the higher the level of participation in higher education. We would of course love to say that the country becomes wealthy because it invested in higher education, but it looks as though it is the other way round. It looks as though countries that are wealthy protect their future by investing in higher education. That is very evident internationally, particularly if you look at Scandinavian countries, for example. I am worried by the trends and would like to see higher education grow, and the reason why the Russell Group is being cautious about this is that we did not want to see it grow without funding, and the unit of resource drop away so that we could not do the job properly. That was really our key point.

Professor Riordan: I think what we have seen, though, is that if people are given the opportunity and the aspiration is promoted and we go out and say yes, this is a good thing to do, then they will take that opportunity. We seem to have reached a limit, although a limit has now been imposed. Had there not been a student number cap imposed a couple of years ago we would have gone straight through that 43%, up towards the fabled 50% that was the original aim. It is correct that 50% is a number plucked out of the air, to be honest.

Professor Ebdon: I often hear that, and the reality is that when it was introduced a lot of people, including

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the CBI, supported it. The Leitch Report is probably the best piece of evidence we have as to the numbers of graduates we might need in this country, as it says that by 2020 50% of the jobs in this country will need higher-level skills. Because so many of the 2020 work force are actually working, and we have done poorly at the number of graduates in the work force compared with OECD countries, that suggests we should have a participation of 70% in our higher education. Now, the objection to 70% is that we cannot afford it, and we have had to cut back on student numbers in this country, and that is in the Government policy. I sometimes wake up and think Lewis Carroll has taken the world over, because I am told that the Government have to make savings on higher education, and then I read from the Office for Budget Responsibility that the new system will cumulatively add £13 billion of additional borrowing to the public sector by 2015/16, so I just wonder what happened while I was asleep.

Professor Gaskell: It is very important to recognise that the labelling can be a little bit arbitrary here. I think most of us would agree that a very high proportion of the school-leaving population need to acquire higher-level skills. We need to give, I think, more attention to what should precisely be the form of delivery. It may not be higher education as we currently understand it. That should not deny the entitlement to gaining higher-level skills from an increased proportion of the population.

Chair: I want to move on to postgraduate funding and visas, so if we can just complete this, Ruth Farwell, what is your view, very quickly?

Professor Farwell: I do not need to add anything.

Chair: Fine, no, that is good. Can I bring in David Ward on postgraduate studies?

Q149 Mr Ward: Thank you. First of all, postgraduate taught programmes. In the Smith review, this was the area in which we—I was at Leeds Met for 25 years—had some flexibility when we had capped numbers for undergrads. The flexibility was in external income generation, research and postgrads, international students and so on. It is not covered, of course, by the new scheme. What is going to be the impact, do you feel, on postgraduates? The taught programmes to begin with.

Professor Arthur: I think it is a really significant issue: it throws us into a quandary. Some HEFCE funding has been removed, and in essence those programmes were often not cost-effective even with the HEFCE funding, and obviously without replacing it, it will be difficult. However, it is a relatively price-sensitive market. Quite often individuals are having to pay out of their own pocket or take real bank loans to fund their postgraduate taught activity, so we need to think it through carefully before changing the fee structure. Obviously the risk, with the increased cost of undergraduate study, is that fewer people will want to take up postgraduate study. It is a big social mobility problem, because quite often these courses can be pathways into the professions. To ignore this problem would be a long-term mistake for the country. The thing that is needed most is a pathway to funding

that is affordable. I have one or two personal ideas of how that might be achieved. One is of course rather worried that there is no state funding left for this, as we currently look at the complexities of funding of higher education today.

Professor Gaskell: I think there is a real concern—I think I share the concerns that Michael has—that we might in fact see a transfer of the widening participation problem from undergraduate level to postgraduate level. That is a real concern with the levels of debt that undergraduates will leave university with. They will be much more averse to further study rather than beginning to earn money. The other key point, of course, about postgraduate taught programmes in particular is that at present they are very heavily populated by overseas students. For example, at my university more than half of our taught postgraduate students are from outside the EU. This is a mechanism that is already propped up by overseas students.

Professor Ebdon: Just to echo, I think universities are seriously concerned about this. There will be a clear deterrent effect to taking on a postgraduate programme if you have £53,000 of debt, or, as Libby would term it, a graduate income-contingent contribution. Postgraduates still pay their fee up front, and therefore you would be looking to find between £6,000 and £9,000, depending on what people think the cost of a programme is as an upfront fee, and no maintenance. I think it is not going to be a possibility for many students.

I think employers are going to have to pick up the tab here. I expect to see a lot more programmes that my university runs together with employers. They will obviously fit more closely to what employers want, but local employers tell me they understand the problem and they will step up to the mark in terms of funding that. The words are often good; the realities can be somewhat different, given the economic circumstances.

But there is a significant problem for our international recruitment as universities, because those international students, who increasingly come to do postgraduate taught programmes—and we have a big commercial advantage in this country in terms of our one-year masters programme, which is widely regarded around the world—are hoping to study alongside UK students, and increasingly those programmes are going to become exclusively taken by international students.

Professor Riordan: This is a genuine problem: at the moment the M-level fees tend to be less than the level that many universities are now going to be setting for undergraduates, and that is because Research Council UK guidelines push us in that direction. Something we absolutely need from the White Paper is a genuine attempt to address this issue. I gather that Adrian Smith is returning to his postgraduate review to look at it again in the light of these changes, and the White Paper does need to take this quite seriously. It is fine, and I think we agree it is a good thing—at least we do—to have a large cohort in the country with undergraduate degrees, but that then makes the requirement to have a postgraduate degree possibly

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greater in order to distinguish oneself, and there will be people who will want that. We need to find ways, as a country, of enabling that to happen.

Q150 Chair: We are going to have to close slightly earlier than I anticipated because I have just discovered that another Committee is supposed to be coming here for five past one. We did want to ask about graduate employment skills, and I think we might table questions to you separately for that for written responses. Quickly, can I just ask: last week, the announcement on student visas, how far does that really meet the problems that have been identified by the HE sector in terms of recruiting students?

Professor Arthur: I am happy to go first on this. I do think that there is really good evidence that the Government listened to higher education and made a lot of positive changes, and have left us with a workable system. One area that I have subsequently picked up on where there is continuing concern is the change from post-study work being almost guaranteed, as it were, over to applying for a Tier 2, albeit uncapped. The practicalities of the timings seems to be a bit of an issue. You literally have to get that all done in a very short space of time, and yet get the graduate-level employment opportunity together within three months of your visa coming to an end.²

² *Footnote by witness:* [correction of fact—a letter from BIS last week indicated that the timescale was four months]

That will be quite a tall order for a lot of graduates. The problem with it is that of course prospective students will compare that with the post-study work systems that are still available in Australia, Canada and so on. Although it looked good at first, when it comes to the practicalities of making it work, I have already heard that my international office, for example, have some concerns about that.

Chair: I see nods across; is there anything that anybody wants to add to that?

Professor Farwell: We have talked a lot about perceptions today, and I think whilst a workable solution might have been found, damage has already been done, in terms of respective recruitment areas overseas, about how hospitable or not we are as a country.

Chair: We will take those points and reflect them in our recommendations. I am sorry that we have had to conclude slightly more hurriedly than I had intended. I would repeat what I have said to other witnesses, that, if on reflection you wish to add to any of the evidence that you have given, please send it in to us in written form. We will be pleased to receive it. Secondly, of course, there are a few questions that unfortunately we were unable to fit in, but we will do so, and would be grateful for your response on them. I thank you for your attendance and the very full way in which you have responded to a very comprehensive list of questions. Thanks very much.

Tuesday 5 April 2011

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Paul Blomfield
Katy Clark
Rebecca Harris
Margot James

Simon Kirby
Ian Murray
Mr David Ward
Nadhim Zahawi

Examination of Witness

Witness: **Aaron Porter**, President, National Union of Students, gave evidence.

Q151 Chair: Good morning, Aaron, and thank you for agreeing to speak to us. We have just an hour with you. I have brought you in well on time because we have a lot of questions for you, so if you could be admirably concise in your answers I will try to keep the Committee equally admirably concise in their questions. Before we start, just for the purposes of voice recognition, could you introduce yourself with your title?

Aaron Porter: Thank you, Mr Bailey. I am Aaron Porter, President of the National Union of Students.

Q152 Chair: The first question is slightly philosophical to set the framework. What do you think universities are for?

Aaron Porter: I consider the purpose of higher education to be threefold: first, the pursuit of knowledge; second, research and pushing the boundaries of research and, third, teaching. Clearly, there are economic and social benefits that are derived from higher education, but I see them as positive consequences. The core purpose is the three factors I have just outlined.

Q153 Mr Binley: I am a secondary modern school graduate who is a businessman. I have always been concerned at the academic view of universities, which I welcome, but not in its entirety and not separate from the needs of the business world. How do you feel in that respect?

Aaron Porter: Clearly, I appreciate that while higher education remains in receipt of considerable public funds, and I am sure we will come on to the ratio of those public funds shortly, there is an important role for joined-up thinking between the research conducted in universities to help stimulate the economy and the skills provided for the future work force. I think that has to be constructed alongside the pure academic reasons why higher education exists, but the two need to co-exist comfortably alongside one another to justify those public funds.

Q154 Mr Binley: I have two supplementary questions. First, do you therefore have an understanding that some degree courses—the ones that more specifically verge upon the world of work rather than pure academic intellectual activity—need to be built with that in mind? The second question I would like to ask is because of a particular interest of mine: in the world of research, how happy are you

about the involvement between universities and the world of work in terms of that research? It is the old hoary chestnut about Britain not developing very well the stuff that comes out of our universities but relying upon other nations to do so, to our detriment.

Aaron Porter: In terms of the first point and the construction of the curriculum, certainly with regard to the vocational end of the spectrum of qualifications I perfectly accept the need at times for there to be not just a close relationship but almost a uniform relationship in the construction of the curriculum, particularly where courses are professionally accredited—like engineers, doctors and so on. Of course, that needs to be done in parallel. So, yes, I perfectly accept that. At the other end of the spectrum there will be subjects like philosophy, English and so on, where the relationship with industry is much less important.

On the second point about research, it is worth pointing out that despite the fact the UK has 1% of the world's population, it punches considerably above its weight in terms of its research. It has excellence internationally in terms of high-end research. There remains an ongoing challenge for the UK, if you consider where its competitive advantage will lie in future, as to how it ensures it is pursuing areas of research excellence, which is not necessarily based on a preconceived idea of which institutions historically have done the research well but rather which institutions, departments and ultimately which academics really excel in their field. When I consider the distribution of research funds at present, there has often been a historical distribution of where the research goes, based sometimes on the perceived prestige of certain institutions with perhaps not enough emphasis on where the real world-class academics are. If they happen not to be in one of the Russell group universities, I am perfectly comfortable with that. If they can prove that they are leading internationally in their field, they should be getting research funds to pursue the area of research that they are currently undertaking.

Q155 Chair: The NUS has been virulently opposed to tuition fees. What is the basis of your objection?

Aaron Porter: I should start by saying that at the introduction of tuition fees and then their increase in 2004–2005, which came into effect in 2006, NUS opposed any kind of graduate contribution whatsoever. However, recognising at the launch of the

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2009 review that both of the parties likely to be the major player in any Government were wedded to some kind of graduate contribution, I think it was right that NUS changed its position to accept some form of it. We put forward a costed version of a graduate tax. We do not accept that there needs to be a market in tuition fees. I will perhaps go on to explain why I consider that to be problematic.

I do not think that as yet we have seen any evidence that a market in higher education delivers any improvements in the quality of teaching or the undergraduate experience that students are able to enjoy. Indeed, I would go further: the impacts of a market where variable fees exist under the system proposed by Browne and taken forward by the Government could have some damaging implications on student choice. In evidence we have seen from prospective students, there is concern that student choice might be shaped equally by the price that an institution or department is charging, and not necessarily the quality. I have not seen any substantial link between the price that an institution will charge and the quality of what the undergraduate will experience. While I believe that price will be set largely as a proxy for quality, it will actually be based on the institution's perceived prestige, its league table standings and history. League table standings are largely about research performance and not anything to do with undergraduate experience. I am happy to elaborate on why I think that a market in fees is not, therefore, the most helpful way to secure a graduate contribution.

There is a secondary issue about how I consider that a graduate tax would be a more progressive solution to the collection of the graduate contribution. I think there are limits to the way a market can be progressive, and I am happy to elaborate on that if Members of the Committee would like me to.

Q156 Chair: Do you not think that the market approach has some merit in so far as it gives universities greater flexibility to use their fee-charging system to attract undergraduates to courses that they want to develop, or maybe even courses for which there is a national need but that hitherto have not been provided for within HE?

Aaron Porter: I do not believe that price should be the way in which students are attracted to or put off from studying a particular programme. Since the introduction of fees, we have seen choice increasingly determined by factors other than the academic content of the curriculum. I am of the clear opinion that choice should be determined by the curriculum on offer and the academic provision that a student should be entitled to receive on a particular programme. I am worried that as institutions start to charge different prices—not necessarily linked to the actual quality on offer or because the information is not there to get under the skin of the prices being charged, either to justify them or otherwise—there could be some unintended consequences of the market coming into place without the information properly to allow prospective students to navigate that market. There could be some perverse consequences.

Q157 Chair: But the Government hopes to counter that with a range of information support systems for students to prevent it. Do you not think that will act as a counterbalance?

Aaron Porter: I accept that successive Governments have talked almost relentlessly about the need for improved information, advice and guidance. I absolutely accept that and would wish to work with Government to try to provide better information and guidance to prospective students, but it is worth noting that one of Browne's recommendations that we thought very important, although the National Union of Students was largely critical of them, was about the provision of information, advice and guidance to those currently in our schools. If we want to give applicants informed choices, it is not good enough to wait until they are 17 or 18. These things start much earlier, from 11 onwards.

Q158 Chair: I would say pre-11.

Aaron Porter: I would agree. But for reasons that were perhaps motivated by finance or other things, those recommendations about information, advice and guidance have not been taken forward by the relevant department, which is the DfE.

Q159 Mr Ward: Would you say that the rejection of the Browne proposals for uncapped fee levels largely removes the accusation that a market was being created in higher education?

Aaron Porter: Had Browne's recommendations been taken in full, we would certainly have seen considerable variance in the fees offered. My prediction would be that the average fee may well have been lower had there not been a cap in place. But where we have seen the cap introduced, as we did with the 2004–05 reforms and now with the 2009 reforms, the vast majority of institutions will head towards that limit. So the variability will be somewhat constrained. That said, we will see real price variability for the first time, but I accept that because of the introduction of a cap, the level of variability will be less than it would have been.

Q160 Mr Ward: To follow up something in NUS's own document *Five Foundations for an Alternative Higher Education Funding System for England* from 2009, you say there are five key principles. One is that, "Students should be provided for according to their true needs while they study, and should make a contribution to the costs of higher education according to the true benefit while they work. We would define this as a progressive approach." Would that not apply to the proposals as now agreed?

Aaron Porter: We supported a contribution linked entirely to earnings. This is still a contribution where you receive a debt on graduation and you repay it for a period of up to 30 years afterwards. The contribution is still largely derived from your choice of institution and subject, and then you repay it at 9% over £21,000. There are some problems with that in terms of it not being linked entirely to the benefit obtained. There are two reasons why I consider this to be a regressive system overall, even though the repayment mechanism is a progressive one. First, the fact that the

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contributions of top earners are not capped at all means that their total contribution is less than the middle earner as a percentage of their earnings over their lifetime or the 30 years.

Q161 Mr Ward: In your document *Funding our Future Blueprint* there is a table showing the repayments under your proposals. There would be no tuition fees under your proposals. Presumably, these figures do not take into account any debt incurred by a student, so that would be on top of these figures.

Aaron Porter: Yes. The blueprint we put forward, which was a version of a graduate tax that we asked Lord Browne's committee to consider, was for a graduate contribution to replace tuition fees. A maintenance system would need to be supplementary to that.

Q162 Mr Ward: It could not be compared on a like-by-like basis with the proposals now because they are inclusive of the debt incurred, but these are not.

Aaron Porter: Yes. Ours should be considered alongside a replacement for tuition fees.

Chair: I was going to ask whether you had put your proposals to Browne, but you have anticipated that in your response.

Q163 Nadhim Zahawi: Thank you for coming, Mr Porter. What are the basic standards students should reasonably expect from any university in terms of facilities, teaching, etc? What do you think those basic standards are?

Aaron Porter: Clearly, it varies from subject to subject and institution to institution. That said, I think the threshold that any prospective student should expect is one that allows them to maximise their academic potential within a particular course or institution. I think that increasingly there are concerns about elements of quality in higher education. For some students there are concerns about lack of contact in terms of either its quantity or quality. There are secondary long-standing concerns, borne out by the annual national student survey, about the quality of feedback on assessed work, where satisfaction is much less than in other areas of academic activity.

Q164 Nadhim Zahawi: I was asking you what the basic standards are. Give me the mean of what the basic standards should be?

Aaron Porter: I do not know how you can quantify standards.

Q165 Nadhim Zahawi: I am referring to facilities, teaching quality and so on. I understand what the concerns are, but is there a basic standard?

Aaron Porter: I think that because institutions and courses are so varied, it is very difficult to put forward a model that would not be wholly inappropriate for another subject. The standards that need to be met as a basic threshold are ones that allow a student to pursue a particular field of study to the best of their ability.

Q166 Nadhim Zahawi: Do you think that the Government's proposed funding model will deliver that, or not?

Aaron Porter: I think that for some institutions the new funding settlement absolutely allows them to continue to provide world-leading higher education. One of the consequences of the market, though, will be that institutions that are already historically richer will become richer still, because they are the ones at the top end of the market and therefore will be able to charge a higher price. These are incidentally the institutions that tend to teach the more well-to-do, middle-class students. There is a slight concern that with the seismic change in the way higher education is now funded, the institutions that have lost a great deal of public funding because they concentrate on arts, humanities and social sciences, coupled with the fact that they may not be able to justify a higher fee—not because they are bad institutions but because their perceived prestige or history does not allow them to charge a fee of perhaps more than £6,000—could experience relatively substantial cuts in the order of 20% or 30% in real terms. That I think raises some real questions about whether they will be able to provide a standard that is good enough.

Q167 Nadhim Zahawi: That would make sense if there was no cap, but if you talk to somewhere like the University of Cambridge, the real cost of a student per annum is about £19,000, yet, obviously, we know there is a cap of £9,000. That does not seem to follow your model, i.e. the richer universities will just get richer, because they cannot charge an open-ended amount.

Aaron Porter: Fortunately—or perhaps unfortunately, depending on your perspective—a great deal of cross-subsidy goes on in a university like Cambridge. It receives a considerable amount of research funding that often cross-subsidises other areas across the institution. Coupled with its endowments and ability to raise alumni donations, in contrast to other institutions, I do not have an ounce of concern about Cambridge University being unable to provide a world-class education.

Q168 Nadhim Zahawi: Nor do I, but that does not apply to your argument that having endowments or the ability to raise money does not necessarily mean they will get richer because of the system that the Government is introducing. Do you see what I mean? There is a disconnect between the two arguments.

Aaron Porter: The reason I make that case is that Cambridge will be able to charge £9,000 and another university that may have a similar cost base will not. Cambridge is a bad example because it still provides one-to-one undergraduate tuition.

Q169 Nadhim Zahawi: But you get my meaning? They will not get richer because of the system.

Aaron Porter: Relatively, they will become richer. Universities that charge towards the top end will be relatively richer compared with those that cannot.

Q170 Ian Murray: Is there a danger in this system, therefore, that if there is a differential in long-term

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funding for institutions, many of them will charge at the top end of the scale essentially to buy them prestige, even if the quality of the course or teaching is not there? I do not necessarily agree that the quality of the teaching will not be there, but we have already seen universities charging up to £9,000 and it appears that they are doing it essentially in order to try to be in the top bracket of the Russell Group.

Aaron Porter: Clearly, there are universities making strategic decisions about where they wish to place themselves in the market based on what that will look like to prospective students. Until there is a comprehensive relationship between the price being charged and the quality on offer, I am not assured that the price being charged is a fair reflection of what the undergraduate is likely to receive. In my private conversations with university vice-chancellors they have said that they do not want to be considered the Raters equivalent of a university by setting their price low, and therefore considered to be offering a worse product, as it were, to prospective students.

Q171 Paul Blomfield: Aaron, you chose your words carefully in responding to Nadhim's point about quality. You said you had no doubt that some universities would continue to be able to offer high quality. The Browne review set itself six key principles, the first of which was that there should be more investment in higher education. Do you think the Government's proposals will achieve that objective?

Aaron Porter: I do not consider that all universities will be in receipt of more funds; in fact that will patently not be the case. Those that have lost considerable public funds for teaching and are unable to fill that with increased tuition fees will be worse off under this system. That said, the total amount of money flowing into higher education could be greater if the fees end up being higher than £7,500 on average, but that requires two factors to come into play: first, that the Government chooses not to withdraw the additional funds from BIS if tuition fees end up being higher than they had budgeted for, which presumably is a decision for BIS and the Treasury and, secondly, that total student numbers are where they are, because you need to take that into account alongside how many there will be in the system.

Q172 Nadhim Zahawi: To go back to the idea of minimum standards, what do you think universities will need to charge just to maintain them?

Aaron Porter: The university leaders I have spoken to suggested that anywhere between £7,200 and £8,000 allows them largely to stay where they are. As Mr Binley and others have pointed out, some universities believe they have larger historic costs.

Q173 Nadhim Zahawi: Currently, which factors do you think are most influential in the decision by students to go to university and the institutions they choose?

Aaron Porter: One of the good things we have seen as a consequence of the expansion of higher education over the past two decades, really since 1992, is that the choices students make are quite varied, but the key things that keep coming back are their ability to gain

employment afterwards and their earnings linked to that. For some students it is the academic quality on offer; fortunately there are still some students who make a choice based on the academic robustness of the curriculum and so on. There are others who do it simply to reskill, either because they wish to change profession or are looking to move in another direction. There are others who go into higher education because it is part of their career plan—essentially to gain additional skills.

Q174 Nadhim Zahawi: Do you think the majority of students are in a position to make informed and rational choices between universities based on value for money and quality of degree course?

Aaron Porter: I trust students in terms of using the information available to them to try to make informed choices. That said, I do not believe that the provision of information at present, or indeed as proposed, is quite good enough. Let me illustrate that with a couple of examples. Lots of students go into higher education for career earnings and so on. As yet, the only information that really exists on a national level for earnings is six-month destination data after graduation: the DLHE data. That is not good enough; that is not a sufficiently accurate reflection of what your earnings might be five or 10 years down the road. Over the past couple of decades, universities have become increasingly interested in glossy prospectuses. There must be at least 50 universities that describe themselves as being in the top 10 in terms of the quality of what they provide, so clearly something does not quite add up. What we would like to see is more impartial information about both the academic content and equally the graduate destinations of different students based on courses and institutions.

Q175 Nadhim Zahawi: The Mission group has described a general failure on the part of the Government and media to explain the new funding system in words that people can understand. I ask you to put yourself in the position of the media or the Government. Can you explain to students in a 20-second sound bite what the new system is about?

Aaron Porter: If I was trying to describe it, it is a graduate contribution based on a percentage of your earnings afterwards. Fortunately I am not in the game of having to describe it; I am in the game of having to critique it.

Nadhim Zahawi: That is very good, I have to say. I might steal that.

Mr Binley: It's called getting on the front foot.

Q176 Nadhim Zahawi: We also heard from the Mission group that it is clearer, simpler and less confusing to students and fairer in the end for each university to charge the same fee for all courses. Do you agree with that?

Aaron Porter: In truth, I see the arguments on both sides. I certainly do not have a problem with markets per se, but I do have a problem with a market in undergraduate fees because I do not think it is linked to quality. Therefore, to an extent I would much prefer a system where there was a flat fee across institutions. Of course, you can hit that by asking how it is fair to

a student who perhaps goes to a particular university and gets a couple of hours of contact a week and is unable to gain employment, compared with someone who pays the same price who gets 20 hours a week and is therefore able to earn considerably more. That is why I believe that the contribution should be linked to your earnings. That is the only way to have a truly progressive system.

Q177 Nadhim Zahawi: What research has NUS conducted into the number of graduates who will completely repay their loans? What proportion of graduates do you expect still to be in debt at, say, age 50?

Aaron Porter: We have looked largely at research done by the Institute for Fiscal Studies on what the outcomes might be for graduates who go through the system. We have also looked at the work of London Economics. There is conflict between the two sets of economists in terms of how progressive the system might be.

Q178 Nadhim Zahawi: That is no surprise.

Aaron Porter: The research we have done has looked largely at what the deterrent effect or otherwise might be of variable fees for students likely to go into higher education. We really do not have the kind of economic capacity properly to model what might happen in terms of earnings tracks and so on.

Q179 Paul Blomfield: We have talked a lot about fees for full-time students. Much has been made in the public discourse of the Government's proposals about additional support for part-time students. What do you anticipate will be the impact of the proposals on part-time fees?

Aaron Porter: We welcome the fact that two thirds of part-time students will now be in receipt of a loan rather than an upfront fee; there remain about one third who will not. However, in the pricing put forward by universities for 2012 that I have seen it looks as though part-time student fees are now more than doubling as a consequence of those students being able to receive loans. Certainly, any system that means you can repay once you are earning is better than one where you have to pay an upfront fee, but we should accept that as a consequence of that, the total contributions being made by part-time students are likely to increase considerably.

Q180 Paul Blomfield: Looking at those full-time fees, you will recall that when the Government made its announcement to assuage concerns, there was a very strong message that fees of £9,000 would be charged only in exceptional circumstances. What did you understand "exceptional" to be at that time? Did you expect that to be the outcome?

Aaron Porter: On the same day I said that it would be at least 50%, and I stand by that; indeed, I might have offered a conservative prediction, as it seems that somewhere in the order of 80% have gone straight to the maximum. I have to say I was utterly astounded by what I considered an incredibly naïve assumption on the part of BIS. Without any new disincentives being introduced, why on earth would the majority of

institutions not go to the top end? I am concerned not just because it is a poor prediction but because of the Treasury implications afterwards. In the media over the last week suggestions have been made that there could be a black hole of the order of £1 billion if the average fee ends up being £8,500. I am concerned that there will be pressure to take that out of the university budget, which has already suffered considerable cuts, not least a £3 billion cut in teaching.

Chair: We shall be investigating the implications of that in the near future.

Q181 Paul Blomfield: Clearly, there will still be some universities that charge below 9k and some may choose to pitch their courses significantly below that level. One or two have already given that indication. What do you expect would be the difference between a university course that charged, say, £7,000 in terms of the quality of experience and teaching and one at £9,000?

Aaron Porter: Let me look to history to try to offer an informed answer. Since fees went up from just over £1,000 to £3,000, as far as I can see there has been no demonstrable indicator as to how quality has improved in that time. Student satisfaction has remained approximately where it was; contact times remain roughly where they were. The areas where there were improvements were to do with capital investment on campus and expenditure in other areas of the university, but as far as I am concerned there was no demonstrable improvement in the quality of what an undergraduate received. To extend that to its logical conclusion, I suspect that unless information is really transparent and probing, you will not necessarily see an obvious difference between someone paying £7,000 in one lecture theatre and another student paying £9,000 elsewhere.

Q182 Paul Blomfield: Do you think that universities that choose to pitch courses at the lowest level, say those on 6k, might be taking a risk with quality and the experience they are able to offer?

Aaron Porter: Certainly, one university, London Metropolitan University, has publicly suggested that it will have fees of largely around £6,000. Where some of its courses have a cost base that is greater than that, there will have to be cuts. I struggle to see how that will be done easily without potentially compromising the quality of what is on offer. I suspect that the model of London Metropolitan and others that choose to charge a lower fee might be one that moves to a system of poorer staff/student ratios, so there will be larger lecture theatres, and also perhaps a restriction in the amount of direct contact, either in terms of one-on-one personal tutors or indeed contact time. I do not believe that is in the interests of the student.

Q183 Paul Blomfield: Moving to a different point, in your written evidence you raise concerns about hidden and additional charges imposed by universities over and above course fees. How widespread do you think that problem is and what can such charges amount to?

Aaron Porter: There is considerable concern among existing students about what some of their additional

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costs are, and it is not just because they are not particularly well advertised or documented pre-arrival. The biggest concern for students is the amount of money they have in their pocket while they are there, if you fully understand the nature of the repayment system for tuition fees. There are some courses, particularly concentrated on certain subjects like the creative ones—photography, fashion, design and so on—where the responsibility is on the individual to go out and buy the camera, process the film, buy the materials and so on, which can easily amount to several thousand pounds over the course of a year. That often exceeds the maintenance loan that is provided to the student. There is an issue about access to fulfil your academic potential if you are unable to buy the resources. I have heard of instances where fashion students, for instance, have had to foot the cost of hiring out halls to put on their end-of-year shows, or art students having to pay for the construction of their installations and so on. These costs are sometimes prohibitive.

I accept that there is an extent to which the individual will have to bear the cost of those things, but the least that I think should be afforded to them is that institutions are transparent about the expected fee upfront. In the White Paper process, we suggested to the department that the quality agency, as part of monitoring standards in institutions, should monitor the additional costs that are passed on to additional students. Potentially, they could include that in their audit if they believe that the institution is not giving due consideration to particular students on particular courses.

Q184 Paul Blomfield: That is a useful point we can take note of, Aaron. Under the current system do students have access to any significant support on these additional costs, and what is your understanding of what might happen in the future?

Aaron Porter: Above and beyond the maintenance loan, which has been marginally extended under the new arrangements, every university has some form of access-to-learning fund or hardship fund, depending on how the institution is set up. I fear that those funds will come under increasing pressure, so there is a prospect that they might have to stretch further if institutions do not supplement those funds sufficiently.

Q185 Mr Binley: The kinds of subjects you are talking about suggest that there might be real opportunity for sponsorship and the connection with industry that I talked about before. Do you see enough energy being put into that, or do you expect it to emerge? Do you see it as a possibility?

Aaron Porter: I think that often relationships between institutions and employers have been sluggish, and not enough effort has been made for both institution and discipline-wide relationships to be struck up, whether that is with the creative industries, financial services or other professions. That is partly because the responsibility often lies with the individual staff member. Very proactive staff, who have a considerable number of other pressures on their plate, are expected to go off and deliver those relationships, when I do not think they necessarily get enough

support from the institution centrally, and to an extent there are no regional or national fora for that to be pursued.

Chair: That is worth noting.

Q186 Paul Blomfield: The Government has not yet published its policy on early repayment of loans for graduates with high incomes. What do you hope to see on that issue?

Aaron Porter: It is a difficult issue with which I appreciate the Government has to wrestle. At this stage I offer a personal preference. My instinct is that those who can afford to pay upfront should be subject to some kind of additional penalty if they come from families that are sufficiently wealthy to be able to do that.

Q187 Paul Blomfield: Is that a view NUS will be pressing?

Aaron Porter: As a president who likes to consult with my members, I would have to seek a wider endorsement for that.

Q188 Margot James: I want to start by asking a supplementary to Paul's last question. GlaxoSmithKline have said that they will repay all loans for graduates on their graduate training programme. Do you think that might become quite a widespread phenomenon? Presumably, you would wish to apply the same kind of premium. Do you feel that your idea of charging those students a premium might disincentivise employers from making that generous gesture?

Aaron Porter: Certainly, I welcome the moves by GlaxoSmithKline and others who have decided to strike up links with particular institutions because they are confident of the outcomes of the graduates from certain institutions. If those companies are sufficiently confident about the skills that those graduates would bring, the likes of GSK are probably in a position to withstand a 5% tolerance of early repayment, if that is what the Government plumps for.

I would just put a rider on that. While I welcome these schemes, it would be something of a disappointment if largely middle-class graduates who ended up in relatively well paid jobs were the ones who benefited from them. I have been assured so far that GlaxoSmithKline and others in their relationships are trying to provide internships and work experience to students from poorer backgrounds, in a quest to try to give them opportunities they would not otherwise have. That is a positive move, but if it was just middle-class students who were likely to get those benefits, that would be a missed opportunity for some.

Q189 Margot James: The noises we are hearing about widening participation are that it is a quid pro quo for charging the top fees. Presumably, if that was working successfully, the kind of graduates who would end up applying to companies that would repay their fees would have a wider selection of income backgrounds.

Aaron Porter: What we need to see are more effective outreach programmes from universities to genuinely ensure that they are recruiting and then supporting

students from disadvantaged backgrounds. Some progress has been made over the past 10 years. Certainly, the participation rate for students in the bottom 20% of socioeconomic backgrounds has increased substantially. That said, their participation is still disproportionately skewed towards more modern universities. That is not to say that more modern universities are not providing a high standard of higher education; they absolutely are, but in terms of destination there is a disadvantage for certain institutions. If you are able to get into the more elite universities you are more likely to get into certain industries. That is where we need to see real progress. I should say at this stage that the Government has talked a great deal about its focus on participation, access and so on, but as yet we have not seen any detail or any concrete suggestions about how universities will have to change their behaviour. The letter from the Secretary of State to the Director of the Office for Fair Access used tougher language but afforded that office no new powers that are not currently in existence.

Q190 Margot James: What powers and concrete proposals for widening participation would you like to see the Government come up with?

Aaron Porter: I believe that if universities fail to meet the targets for access, which they set themselves, they should be prevented from charging the highest fees until they are able to show they are making progress towards those targets. There has been a historic problem where universities have said they will offer a certain amount of money in bursaries and have not offered all of it. That should be made publicly available and those institutions should be compelled to ensure that the money they said was going towards bursaries actually ends up in the pockets of the poorer students. That has not always happened historically.

Q191 Margot James: Are you suggesting fines for universities that do not achieve their targets?

Aaron Porter: Not quite fines, but they would be prevented from charging the highest fees in future years.

Q192 Margot James: Do you think there are ways to improve access that do not involve reducing standards ultimately?

Aaron Porter: Absolutely. I think the area of outreach by institutions in terms of the effectiveness and economy of every pound they spend is sometimes not as efficient as it could be. Under the previous reforms lots of money went into bursaries and fee waivers. If you are serious about widening access, you need to put the money in earlier. That means you need to get the money to those who are 11, 12 and 13 to get them the experience of a higher education institution and genuinely improve their experiences of HE. The evidence suggests that if you target the money earlier you get a greater return on investment. I also consider that money that goes into fee waivers is one of the least effective ways to spend it, because you are not repaying it until you earn £21,000. If you get a £3,000 discount on your tuition fee, the fact is that you are not repaying it until you get to £21,000. I would rather

see that £3,000 go into the pockets of students from the poorest backgrounds while they are in higher education, so they do not have to do as many hours of part-time work whilst they are there, or alternatively see that money goes to ensuring universities go into some of the schools with students from poor backgrounds and so on.

Q193 Margot James: In your written evidence you talk about flexibility to enable students to move between universities during their courses. Is there much need for that? What stops it from happening at the moment?

Aaron Porter: In any market environment—this is not the language I would use but rather the language that I imagine universities will consider—if the consumer is unhappy with the service that they receive and are paying something for that, they will move to another provider. If you are unhappy with what Sainsbury's offers, you will go along to Tesco. Unfortunately, the same principles will probably need to be established in higher education. If you are paying £9,000 a year to go to a particular university and can prove that what you receive is not what was promised to you, I believe you should be able to take your £9,000 and go to another institution. Clearly, there are limits. I respect the fact that universities remain responsible for their admissions and they will need to ensure that prospective students meet their entry requirements, but if we are to put power into the hands of students, which is what the Government says it wants to do—I believe that will be the thrust of the White Paper in terms of their intentions—we need properly to deliver it. I think that would be a critical way to ensure that can happen.

Q194 Chair: Earlier you quoted GSK. It was an interesting observation. Given the huge influence that potentially GSK has over the design and content of courses, do you not think that it could use its influence to compromise academic freedom? If you do, is that necessarily a bad thing anyway?

Aaron Porter: If I were a student and graduate. I would want skills that would be useful for prospective employers, so in many respects I would be reassured that if an employer like GlaxoSmithKline was in a relationship with a particular institution, that would probably stand me in good stead not just for prospective employment with them but, most likely, with other employers as well. Clearly, it is for institutions to design and sign off their curriculum, but if that is done in relationship with companies like GlaxoSmithKline, I do not consider that necessarily to be a problem.

Q195 Chair: Interesting. I raise a slightly different angle to do with access. You mentioned what is effectively a fining process for universities that do not meet their targets. You did not mention the problem that could arise with a number of universities who already have a high proportion of lower income students and, if you like, the difficulty they would have in raising those targets. Therefore, they have greater difficulty and are more liable to that fining

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process. How do you see such universities being able to get round that?

Aaron Porter: I know from personal experience. I have gone to the University of Leicester. Leicester is a university that is pretty successful at recruiting students from relatively poorer socioeconomic backgrounds, partly because of the demography of the city but also because of its successful outreach. I perfectly accept that if they are already quite successful it is harder for them to improve yet further. That is why I think they should be judged on benchmarks compared with similar institutions. Leicester should be judged alongside similar institutions like Loughborough, Exeter and so on. If they are already meeting their benchmarks they should be assured that they will continue to be able to charge the fee they want to set, whereas institutions that fail to meet their benchmarks would be the ones that perhaps faced penalties of some kind.

Q196 Chair: Perhaps “benchmarks” is a better word than “lower targets”, but effectively that is what it is.

Aaron Porter: Yes.

Q197 Mr Ward: You mentioned fee waivers, Aaron. I agree with you, but that is because we both understand the policy; if I was on free school meals, I would go for the most expensive university I could possibly find. But we are also told that the perception of debt, even though it is income based, is a deterrent to would-be students from low-income families, so there is a benefit in fee waivers, is there not, in terms of dealing with that perception?

Aaron Porter: Basic economics would suggest that there has to be price elasticity of demand. Just because demand did not fall under the previous reforms—although it did fall by 5% in the first year of capped variable tuition, it subsequently increased—I suspect that we could be looking at a 10% or 15% decrease in the first year of the introduction of this new system. I would like to see institutions taking decisions that ensure that every pound is spent most effectively in terms of what has a genuine impact in terms of widening access and outreach. That is why I believe a discount on something that you are not repaying until you get to £21,000 is not as well spent as something that can put money in the pockets of poorer students while they are there.

Mr Ward: I agree.

Q198 Margot James: You said in your written evidence that the traditional university model was not suitable to supply the rising numbers of people we need with the higher level skills that the economy will require in future. Can you expand on that and also comment on whether you think we are therefore oversupplied with traditional universities?

Aaron Porter: An interesting observation I would make is that despite the significant increase in participation in higher education since 1992, we have slipped from third to 11th, at least since 1997, in terms of the percentage of graduates in the adult population of OECD countries. I am concerned that as a percentage of the adult population we do not have sufficient high-level skills in the economy to remain

internationally competitive with some of the countries that we would like to be seen alongside.

That said, I think there is too much focus on the full-time undergraduate experience. We do not have a system that allows people to feel comfortable enough to decide to go into higher education for the first time at 25 or 30, or indeed later on in life. There is not enough opportunity to study part-time alongside full-time study to genuinely reskill. Linked to this there is an issue about access to postgraduate education, because if we are really interested in stimulating the economy going forward, our performance in those highest level skills is where we are dramatically falling back, particularly for UK-based students. We are heavily reliant on non-EU students in some of our STEM fields particularly, so I have concerns both about overall participation and, more importantly, when and how people are participating, and making informed choices about what they are studying in terms of how it relates to the economy.

Q199 Mr Binley: I completely welcome your remarks, but again is there not a real opportunity to work with the commercial and industrial world? It seems to me that there is a massive benefit in this respect. I can see the ability of forming relationships in that way as highly beneficial. Am I being idealistic, or do you think that is relevant?

Aaron Porter: What I would like to see as part of this improved information for prospective students when they are 13, 14 or 15 is somehow a sense of where the skills gaps are in the economy 20 years hence. It is difficult to capture that information and to predict the trends of the economy and where investment might fall in future. But there has been a historic problem, for instance, in some obvious areas like chemistry, physics and engineering, where not enough UK students have chosen to study those subjects. Lots of them have chosen other subjects. If someone wants to choose those subjects because they are interested in them, that is absolutely fine. There is a huge cost associated with it and that is their prerogative, but equally if they are making that decision because they do not know that there are gaps in the skills economy for the future in physics, engineering and chemistry that is a missed opportunity.

Q200 Margot James: My last question is a follow-on from what you said about the need for a more flexible model of provision across the age range. Do you want to add anything about what would be a suitable model of provision, bearing in mind the skills shortages? In the blurring of the line between the further education sector and the university sector, have we got the balance right between those two structures?

Aaron Porter: I would have liked to see essentially a credit-based model, whereby if you choose to do 60 or 120 credits of accountancy or engineering, you are funded for those credits; it was disappointing that Lord Browne’s review did not give enough attention to that. You might not need to study a full three-year undergraduate programme—a full degree. If you already have a degree and you are 40 years old, in order to secure a promotion you might need to upskill in your statistics or physics. I would have liked to

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see a model genuinely based on lifelong learning and credits linked to learning, rather than our ongoing obsession with qualifications rather than learning.

Q201 Mr Ward: I was interested to read about the idea of the accumulation of credit points and additional contributions. Would that be a disincentive to progression?

Aaron Porter: No. If anything, I think it might be an incentive to progression, because you would view education in a different way. At the moment, if someone drops out after two years they are seen as that—a dropout—rather than someone who has successfully undertaken two years of higher education and picked up certain skills if they have passed the modules. For instance, in Europe they are much better at also accrediting prior learning, so if you have been in a business or public sector environment and have picked up certain skills and can prove that you have met those requirements, in some respects you should be credited for those achievements. You might realise that your skills deficiencies are in certain areas, and you just pick up the modules that provide those particular skills and then garner a qualification in that way.

Chair: There are a couple more questions. If Members depart it is because business is about to start in the Chamber. I know that some Members have questions that they have to ask, so do not take it as a reflection on anything you have said.

Q202 Ian Murray: I just want to pick up the interesting discussion about credits and a full degree course, and where people would choose to do stuff maybe to advance their careers. But the difficulty is that it is not really a university or further education problem, is it? If you look at any structure of business in terms of what they are looking for, the very first thing they say is that at a certain level there is a need for a degree of a certain grade in various subjects. Therefore, we do not really need to model the university sector as such to change attitudes; we need to alter the business sector and employers themselves. That has to be governmental, doesn't it? Otherwise, people will still just say they want a first-class honours degree from Cambridge and nothing else.

Aaron Porter: I completely agree that there is narrowness among many employers about what they look for in terms of the skills and experiences of potential graduates who work for them. I find it very disappointing that lots of our top companies simply choose to screen graduates by the institutions where

they studied. That is not necessarily a reflection of the quality of the graduate. I have seen some pretty poor departments in some of our supposedly world-leading universities, and the same goes for graduates. Equally, I have met some outstanding graduates from universities that might fall outside the top 20, but I would argue that the fact that perhaps they have come from a deprived background, got into higher education at all and secured an impressive final degree classification means that they are often much more suitable for the place of work than the ways in which some employers screen. I appreciate that in an environment where there are tens of thousands of applications, you need to find a system to do it, but I am not sure that is the most sophisticated one.

Q203 Margot James: What are the top three things you would like to see in the forthcoming White Paper?

Aaron Porter: I would like to see proper protections for students in so far as if they have been mis-sold something in terms of information, those individuals get the chance either to take their education elsewhere or get a proper refund or reimbursement for what they have undertaken, if they can prove that that has been the case. I would like to see the new system have strict requirements on access. If those access requirements are not met, institutions should be prevented from charging the top prices. Thirdly, I would like to see a responsibility on all institutions to have to engage with their student union on academic-related issues to ensure that there is a proper strategy on student engagement on teaching and learning issues in every single institution.

Chair: That is admirably concise. We have got through a lot of questions within the hour. Thank you very much, Aaron. We appreciate your contribution.

Q204 Mr Binley: May I ask just one more question? What is your career choice when you leave your present job, Aaron?

Aaron Porter: Give it 10 years. No, I finish with the NUS in three months and currently I am weighing up my options.

Q205 Mr Binley: You have not yet decided.

Aaron Porter: Not fully.

Q206 Chair: My observation is that that is a very political answer.

Aaron Porter: You would know.

Chair: Thank you very much.

Examination of Witnesses

Witnesses: **Sally Hunt**, General Secretary, University and College Union, **Mike Robinson**, National Officer Education, UNITE the Union, and **Jon Richards**, Head of Higher Education, UNISON, gave evidence.

Q207 Chair: Good morning, and thank you for agreeing to speak to us. As you will gather, business in the Chamber is about to commence. Members of the Committee have questions to put, so there will be a degree of coming and going during the course of the interview, so please do not take that as anything

personal or a reflection on you. It is not a matter of discourtesy on the part of Members; it is just a reflection of the difficulty of being in two places at one time. Before we start the questions, could you just introduce yourselves for the purposes of voice recognition?

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Jon Richards: I am Jon Richards, Senior National Officer for UNISON and head of HE.

Sally Hunt: I am Sally Hunt, General Secretary of the University and College Union.

Mike Robinson: I am Mike Robinson, National Officer for the education sector of UNITE.

Q208 Chair: Thank you very much. If you feel that a question has been adequately answered by a colleague, do not feel a pressing urge to add to it. We have only one hour. First, what is university for, very briefly?

Sally Hunt: I think it is very simple. For the individual and country it is an economic, cultural and societal benefit. What we are doing within a university is something that has to be recognised as a benefit both for the whole and for the individual. It also has to be seen to celebrate stretching the human being to the extremity you can; in other words, the intellectual rigour that it enables us as individuals and as a society to embed in our lives is something that is absolutely epitomised by university regardless of the subject area. When it is done well that is what it should aim for.

Q209 Chair: Do you have anything to add?

Jon Richards: I don't think we could.

Q210 Chair: Good. Let's move on. If you had been in the room earlier you would have heard about the impact of the reforms on students and universities as organisations. From your perspective, what do you think will be the direct impact on staff working in HE?

Mike Robinson: I think there will be a long period of instability in universities from the changes, particularly affecting staff. I know from speaking to many vice-chancellors and senior management in universities that they cannot predict the exact outcome of the change to the fee and funding regime. Therefore, they are not able to predict with any certainty what staffing levels would be. The concern for me is the great degree of uncertainty. Management use the phrase "the valley of death" when talking about the 2012–13 funding arrangements, because they see all 160 of them—not 600—riding into the unknown and they do not know how many will come out on the other side and survive. For staff working in those institutions, that gives them great uncertainty, inability to plan and a lot of concern about their future and jobs.

Q211 Chair: Do you wish to add to that?

Jon Richards: We ought to start from where we are. We have a hugely successful higher education sector and what the Government seeks to do sets up risks. For me, the big issue is the unknown risks, how we are to progress with them and measure them and whether the Government has made a proper risk analysis. In the financial future, we are really gambling with a successful model. That is not to be complacent. I think there are areas where there is potential for improvement, but you need to be very careful what you do when dealing with a very successful model.

Sally Hunt: The point about instability is well understood, so I will not go over that ground. Academically, I think it is already having a real impact. In the planning that is taking place both within individual institutions but also at departmental and research institute level, staff are now very mindful that there is a cut of approximately 10% in real terms over the next CSR period in terms of research, added to the 80% teaching cut that is coming through. That means there is real anxiety about how and where they plan their academic work, set against not really knowing what the benchmarks will be. For individual staff members, that has real insecurity about it. In terms of what that means for their decisions, it is a potential narrowing down in the scope of blue-sky work that will take place. I think there is also a risk of drift of those in the top flights looking outside this country in terms of where they will base their work. Therefore, it is job security for all, but in terms of outcomes, choices are already being made in a way that judges security or insecurity in this country, and it is coming down in a very negative way.

Q212 Mr Binley: Isn't the concern, however, that the nation has wanted to expand higher education but never really got down to the business of financing it, so finance has always chased the number of people involved? Is that not the fact of the matter? Do you think that we still have not got down properly to deciding how we should finance higher education?

Sally Hunt: Gosh, Brian. How long have we got to answer that question? That is moving slightly from the question you were asking.

Q213 Mr Binley: Yes, it is, but it is important, I think.

Sally Hunt: I think that in this country there has been, quite rightly, an expectation and commitment from Governments over a number of generations to expand the higher education sector. With the changes that came through under the previous Government, we started to have a slight stuttering, if I may put it that way, in terms of how funding from Government and the balance between industry and the family would underpin that expansion. What has never been in question—I would question whether it should be—is the necessity of funding for the system, because I think it is accepted that for this country economically, socially and culturally in the decades to come it is a fundamental for us.

Do I think that the funding systems that have been put in place to address what has to be a mass expansion in higher education are right? No. I agree with you, Brian, that a range of sticking plasters have been put on in a way that has not recognised the needs of the system, or our expectation that we have to have access to higher education, and our need for it. It seems to me that what we have at the moment is a policy that struggles between the two. It seems to be going down on the side of it being almost a privilege as opposed to a need for the country. If you know it is a need, you have to fund it, and you cannot do that with the system that is in place.

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Q214 Paul Blomfield: Sally, I wonder whether I could follow up your answer to the Chairman about what university is for. Do you see a difference between a university and other higher education providers? If so, do you think they should be recognised differently within the system?

Sally Hunt: I would start by saying that we have to be incredibly careful of the name university. I think the brand of the university system in this country should be protected and nourished, because the quality it is rightly known for is based on some very clear benchmarks, for example the need to have at least four years' experience before you can call yourself a university; the not always welcome interventions from the QAA and other agencies to make sure that the standards are there; and the embedding of higher education with academic freedom. All those basic things have protected the brand. Within that we have already some pressure points. If you then add to what is taking place, particularly with the White Paper coming through, we have to be very careful, because the notion of higher education that will be coming through the private provider is one that is in real danger of diluting the brand, unless it is given exactly the same kind of quality test and protections.

In further education, there is fantastic provision of higher education. That is something that is not always recognised and understood, but it goes on quietly in a way that we should be very proud of and gives opportunities to many people who would not otherwise necessarily go on to a higher education institution. Within that, though, the pressure points are where because the incentive is often that it is cheaper, that can mean fewer and less qualified staff, fewer resources and less ability to develop the necessary research that goes alongside good quality higher education. I think there are pressure points coming into the system now, and ones that I genuinely worry will dilute what is one of the great success stories of this country. I think that to call yourself a university in this country is something you should have to work very hard to do.

Q215 Katy Clark: I know that one of the concerns of the various trade unions in terms of the proposals is the use of private providers, and institutions that perhaps traditionally would not have been considered universities being called universities, and that some of the private organisations that already exist operate in quite a different way, particularly in relation to issues such as academic freedom. When you are looking at the proposals that are likely to come forward, what would be your warning to the Government in terms of some of the issues to do with academic freedom?

Sally Hunt: For me the main concern is that if you are looking to expand the system through the use of private provision, you have to incentivise the private provider to come in. The theory ought to work in that it enables higher education to be delivered more cheaply in terms of the state and the individual student. The experience we have had of providers in the States has told us that that is exactly the opposite of what happens, particularly for students coming in, because you find that the drop-out rate is massive compared with public sector universities in the States.

The level of complaint has been far higher, to the extent that now there is far more regulation being introduced. I would be extremely worried if we did not learn the lessons from the United States that have been shown to be needed.

The second thing is that if we are to have private providers—to be quite honest with you, I and my union are very opposed to that, and I suspect my colleagues will also have comments about it—and we go down that route, which I think the Minister has made very clear is his preferred one, we must have exactly the same kind of protections for the academic staff and students as we have for our institutions now; namely, the statutory provisions within their own constitutions that say academic freedom is absolutely enshrined. It seems to me we must have contracts of employment that enable academics in particular to work in a way that is independent of what the parent company might do.

I say that very carefully because I think there is a misunderstanding of how someone like BPP, who may have quite an experience in higher education, is not bound in the same way that the University of Sheffield might be bound by its statutes. It is bound by its parent company and has to make certain provisions. We have to think that one through because those are very different influences and pressure points.

My suggestion would be that in the White Paper this Government needs to look very carefully at why, within the terms that are coming through, we could not learn the lessons from Scotland and introduce something very clear linking academic freedom to what we expect of institutions in the country. It is a simple way of doing it. Set that benchmark high and, at the same time, protect institutions like the QAA and say that they have to go in and the inspections have to be there. Do those two things and you will probably go a long way to making it credible. I suspect that it might put off a lot of providers though, because the benchmarks are tough.

Jon Richards: There is also an issue about funding. There is not a read-across to the funding model in the United States. There is a completely different culture of alumni-giving; they have a completely different role of investment structures, and that brings additional risks to the model. Harvard, where we have quite a few links, not too long ago took huge hits on the investment market as a result of the amount of money it had put in. Again, if you are involving private providers you introduce new risks in the market, which I think people need to be very careful about, especially the culture of giving, which just is not here in this country. Huge amounts of money are pumped into the United States from alumni.

Q216 Paul Blomfield: I wonder if I could explore the same issue that Nadhim Zahawi raised earlier with Aaron about the basic standards that you all think students should reasonably expect from their university in terms of facilities and teaching. I realise it is difficult to quantify, but what is your broad understanding of what student expectations might reasonably be?

Sally Hunt: That is an impossible question, if I might say, so I will probably give you an unhelpful answer.

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I am not doing it deliberately. To talk globally about student provision is an impossibility, because it is utterly dependent on the type of institution, the course and the student. What ought to be the principle we start from is that if you have the ability, you should have access to a course of your choosing and the necessary support to underpin that. That might well mean that you need a university in your locality that has the full range of courses; it might well mean that within your first year in particular you have the necessary support structures around you to enable you to make the transition from a very different type of education into higher education, or from the workplace back into higher education, in order to enable you not to waste that opportunity.

You ought to have the basics, I think, of contact on a level that enables your tutor to know who you are. I think that is one of the things that has been lost in the last few years. You ought to be able to have feedback that enables you to know how you are progressing through your course, but you also ought to know that you will not necessarily pass your degree. That is the bit we sometimes forget. You ought to know that there should be a standard of rigour from your institution and those who are teaching you that enables you to know the standards you are trying to meet, but that you cannot necessarily expect to pass simply because you have paid the money. Linked to that is the need for good library systems. That includes good IT systems. That means you must have investment in the infrastructure, and you must know that you are in an institution where you can be surrounded by research of the highest quality, because all those things together are what I think a student needs to have the stimulus and change that higher education ought to enable them to have.

Q217 Mr Binley: Doesn't that argument end up in a consumer market and doesn't it relate to the information before a student makes the choice? We heard from the student union that there is simply not enough information and outreach, and that the universities are not doing enough to inform potential customers early enough in the process. What can we do to improve that situation?

Sally Hunt: I do not think it is just a consumer approach.

Q218 Mr Binley: I just wondered. It sounded like it.

Sally Hunt: I do not think we should just treat students as consumers, which is why I say there should not simply be the expectation that because you arrive, at the end you will get a bit of paper. There must be something much more complex within that. Do I think there is a need for greater support when choices are being made? Yes. Jon will probably want to comment on the fact that a series of cuts is going through at the moment in terms of career choices and the people there to support young people. This is exactly the time when that is not needed. You need that support right the way through the system, but simply to say it is the university's fault—this is possibly where I disagree with NUS—is wrong. I think that at the end point, where universities start to influence, shape and help students, it is sometimes

very difficult for them to unpick what has gone before. Sometimes I think they are blamed for something that is not all their fault.

Jon Richards: Perhaps I may expand a little on that and talk about the student experience rather than the consumer model. We are getting used to living with the phrase "student experience". I think it goes wider. What students also need are things like basics around security. You need a good security team in the sense that students get carried away sometimes; you need to have the ability for staff to do look after them. You need to have clean halls and clean and safe environments; you need decent catering. Therefore, the student experience is not just about teaching and education.

When I went to university, the first proper relationship I had was with the cleaner who came in to clean my room. I felt isolated; I was a working-class boy who came down from the Midlands. I was in Kings College just down the road. The first person, who was a bit like a surrogate mother for a short while, was my cleaner. There are examples of universities that have picked up on that, and taken into account the need to use cleaners to spot when people are ill. The student is not there, the cleaner picks that up. I think there is a role for the wider HE institution; it is not just about education.

Mike Robinson: There is also a lack of flexibility. Many students do not realise when they sign up for a degree what they are buying themselves into. They are being led into a concept, and when they arrive and see that sometimes it is not exactly what they were expecting, they are not sure how to react. They react like consumers and try to complain and start another one, just like you go to Marks & Spencer and change something. That is not something you can do. I think it is that lack of flexibility that Aaron Porter expressed. Having commenced down a path and found it was not for you, if there was more flexibility you could switch to something else. That must be a better way forward than keeping people stuck in a groove where they really cannot get out, or they drop out.

I think we need greater examination of the drop-out rate and why that is. Was it lack of flexibility or lack of delivery in the first place that did not provide students with the ability they were looking for? Once they are in, the university seems to be saying, "Well, we've got you now for three or four years."

Q219 Mr Binley: It is a bit like the Army.

Mike Robinson: Yes, it is very like the Army. Don't volunteer to do things as well. But I think we need to look at more flexible models than just putting students in and not giving them the ability to change.

Paul Blomfield: Thank you for those answers. I have to say, Sally, with the helpful comments from Jon and Mike as well, that was a very full answer to an impossible question. It was very helpful.

Do you think the Government's proposed funding model will help to deliver the level of standards that you describe, or not?

Sally Hunt: It is a disaster. I am sure there are polite ways of putting that, but you asked me to be succinct. I think that we are being asked as a sector to go blindly into a future with a number of the necessary

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props taken away. What I think will now happen is that a number of students, by which I mean hundreds of thousands, will not necessarily get places this year. We will quickly see a limitation in the range of courses available. That is particularly influenced by the teaching cut to the arts, social sciences and humanities, which I think is one of the most extraordinarily backward steps I have seen a Government take. If we look simply at the funding model we are putting in, to do that at the same time has in itself destroyed the ability of the new funding system to have any real chance of working its way through, because that 80% cut will take place at exactly the same time as the very rapid shift over the next three years to a very unpredictable funding model.

We already know that individual institutions are making the choice—not surprising; entirely what we predicted at the start of this process—to go for the highest fee. Frankly, I do not blame them for that, because if I was the head of an institution and looking at how I could mitigate all those unknowns, I would look to make sure I was maximising our potential income. I would also make sure that I looked as if I was a provider at the top of the tree. Therefore, I would go for the highest level. That means that the model expected by the department in particular has been holed below the waterline before it even starts. I would predict now that it will be universities that will be asked to pay the price for that lack of understanding of what was likely to happen. They will have to find the money from somewhere, and I suspect that means greater cuts coming through in higher education on top of those already taking place.

I think that for students a terribly damaging policy has been put in place, given the future that is likely to come through. I think that for the institutions and therefore the country as a whole, we have a very worrying few years. I often say that education is this generation's commitment to the next generation, and that is what it should be. What we have now is a real step back from that, and shrinkage of the system is very likely in terms of both quality and range of courses available.

Mike Robinson: I do not think it was thought through at all, and the Government based its plan on an ideological reason rather than what the practicalities would be. When student funding first came in, it was new money in the sector, and we did see an expansion based on that. These student fees are money, but in place of money that is coming out of the sector. I do not think anybody has predicted how that market, if it is a market, will react. I think you will get some unexpected consequences from that.

The level of fee-setting worries my union as well. We would like this Committee to look at how fees have been set, because we do not think that the number of institutions that are going at the £9,000 level is an accident. We think it is deliberate. Whether it was planned between them is our concern, and I think that is something you need to look at. We have anecdotal evidence that institutions—I am happy to write to the Committee at a later date once I can specify exactly which institutions they are—are worried about acting in concert because they are having discussions

between themselves. We are looking at institutions that have not taken a very transparent view of how they set their fees. The fact that there are so many institutions already at the £9,000 level changes the way the Government now has to deal with it. We understand that the Treasury is looking at cutting back on funding, simply because the amount of money they will have to set aside in terms of student loans is greater than anticipated. Therefore, it is contemplating reducing student numbers in order to fit the experience.

I do not think any of this has been thought through and it is the unintended as much as the intended consequences that are the real problem, because we really do not know how universities will cope with some of these demands and difficulties, or how the student population itself will react to it.

Jon Richards: I am a scientist and I look for the evidence. I do not see a lot of evidence-based reasoning. I look for risk analysis and I do not see a lot of it. I see potential market failure. To be fair to the Government, it has started to address that. In the Education Bill, John Hayes recently talked about the possibility of FE failure. He is a very good Minister; we met him the other day. I at least welcome the honesty, if that is what it is to be, but we have to think of the consequences of HEI failure. The consequence of HEI failure in London may not be as big as it would be in places like the University of Hertfordshire and the University of Bedfordshire, which have a huge role in the local economy and also have the highest level of widening access. I think there are wider issues about market failure.

Q220 Mr Binley: As you know, I have the University of Northampton in my constituency. Their response to that question was different. When I went to see them only two months ago they saw this as a challenge, as every business in the land has seen the recession as a challenge. My personal experience of my company is that we started to take action in late 2007 because we saw it coming. That is by the by; it is just an aside that is of interest, I think. But there are universities that do not see the doom that you describe. They see difficulties and challenge, but they believe that accepting that challenge can create a better outcome. Again, am I being too idealistic?

Sally Hunt: I would challenge anyone to say that efficiencies and limiting or changing the range of courses will mitigate an 80% cut in teaching funding and a 10% cut in research funding, and a completely unpredictable model in terms of where your students will come from. I think that would be a big order for any organisation or business if it was asked to do that. We are talking about that in a three-year period. I think it is almost impossible for any institution to look at that and say that they are calm.

When we have undertaken research, we have found a range of institutions that are at risk at a certain level, by which I mean that their ability to protect their long and medium-term planning is in jeopardy and they are having to make rapid changes. Not every institution will go to the wall. I do not think we should talk in that language. There are some institutions that will genuinely be at risk, because the level of funding they

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have from teaching is far greater than from research. The demographics they are dealing with are far more limited than others. I think that is something we should not simply say is okay.

We have an opportunity to pause and say that when Browne looked at his proposals he said you should do them all in the round. I and my union might not have agreed with them, but he was very clear: you do them all in the round or they start unpicking. That is exactly what this Government has not done. It has not said that it will take all those proposals together; it has put in certain proposals and put limitations on others. We already have evidence coming through to us from consultations and redundancy notices where we are being told specifically that as a result of the Browne proposals and Government cuts, universities are removing courses and staff because they cannot accurately and safely predict that they can fund those courses in the future. That is not the same as saying those courses are not necessary or successful and our country does not benefit from them. It is specifically saying that because of the proposals now on the table, which will only be made worse by the White Paper if it goes down the road of privatisation without limitation, we are seeing shrinkage in what is available in higher education and a shedding of staff. I think that is something we should be really worried about.

Mike Robinson: Is Northampton going to be a £6,000 or £9,000 institution? If it is a £6,000 institution, does that make it worse than institutions that are charging £9,000? You may say it does not make any difference and Northampton will still be a good university. I agree, but it is the perception of how it is viewed outside and how they view themselves. They now all want to be £9,000 institutions, because to be a £6,000 institution means you are not viewed as being as good.

Mr Binley: I understand that. My only point is that we are back to my original question about not sorting this out for years and years.

Q221 Paul Blomfield: Following up your point, Mike, we are certainly very interested in looking at the way fees are being set. I am sure we would welcome written supplementary evidence. On that specific point, when the Government announced their plans they said that £6,000 would be the norm and £9,000 would be exceptional. At the same time, I was being told by university vice-chancellors that they would have to set fees within a range of £7,500 to £8,500 to stand still. What does each of you think the level of fee ought to be to enable our universities to maintain current standards?

Mike Robinson: What universities are doing now is setting the fee in order to meet their financial obligations, so they are estimating where they will be and therefore realising that they cannot possibly survive on this level, and it has to be that level. It is the financial consideration rather than what the student arrangements should be or where the market, if that is where it is, is to be set. In the past few weeks there has been a change as a number of institutions have announced their levels. You would have expected a smattering of all ranges, but very few are below

£9,000. I think three or four have set it below that level.

When last week Liverpool John Moores, which is a university I know, set its rate at the same level as Liverpool university, you could say that they are doing slightly different things, but I believe they were setting the rate because it was within the city, and therefore they are competing at the same level in order to try to be as good as one another. What John Moores is on record as saying is that it set the fee because it could not survive at less than £9,000. That is the driver for them in terms of setting fees. I think the whole issue of fees and how they are being set is something we need to look at very carefully. There is expected to be a market and there is not one; it looks as if everyone is going to the top end.

Sally Hunt: I do not think there is a set level. We have got caught up on the assumption that we can find a fee level that is adequate for the student and the university. I reject the premise. I think we have forgotten that university education and research is a money-earner for this country, if you want to be really basic about it, and that means it is worthwhile for the state to invest in it. My union has said repeatedly that it is opposed to the fee regime.

If you want to take the fee regime as it is, I cannot for the life of me understand why anyone assumes that most universities would charge less than £9,000. That is not wisdom after the event; it is what we have said over and over again. I do not believe that if you introduce a market into the system, you should at the same time put in all the regulations that are there. What they have done is make it an impossible market, because in higher education there really is not one; it is a false argument to say there is. Therefore, whether it is a cap of £3,000, £9,000, £7,000 or £12,000, it really does not matter.

What does matter is making ourselves aware of what higher education costs us as a society if we do not have it, not if we do. Understanding that means we have to fund it in a way that enables students to undertake those courses, regardless of whether they have the ability to pay. At the moment, as Mike says and as you have said, all that has happened is that students are being asked to fill the gap that has been left by Government cuts in funding. I think we should all be honest about that. We have not got increased funding going into higher education; if anything, we have a reduction.

Q222 Paul Blomfield: Perhaps I may ask you one specific question, Sally. In your written evidence to us, UCU propose a business education tax. Would you like to develop your thoughts on that briefly?

Chair: Very briefly.

Sally Hunt: Very briefly, we believe that there are three groups that benefit from higher education: the state, the individual and business. We believe that two of those groups have been asked to pay and the third has not. We believe there is a strong argument—we put this to the Browne review—that we should look very carefully at a business contribution. We argued very strongly that rather than look to reduce corporation tax, we should apportion it in a way that said that is the funding needed to go into higher

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education because that is what will provide the driver economically for businesses in this country. We still believe that. What has not happened at any point in the debates that have taken place in higher education for a number of years, not just under this Government but the previous one, is recognition that while business gets an awful lot of benefit from higher education, its proportionate contribution is minimal.

Q223 Chair: Perhaps we can move to wider access and participation. Do you think the cost of the various structures, processes and regimes for widening access will put up fees for all students?

Jon Richards: Not while the Government has a limit. I think the issue about access and widening participation is taking it further back from where it is. Sally mentioned earlier that my organisation looks after careers and Connexions staff, who give advice to people in circumstances when they are not in education, employment or training, and people who traditionally are not likely to come into the HE market. At the moment there are huge cuts in local authorities, so about 50% of those professional staff are disappearing, and about one third of the centres are being closed. Therefore, there is a whole question for us about where the information, advice and guidance will be for young people who are not the traditional market. I think that is a question for the Government.

The Government is talking about putting in place a new all-age careers guidance service, which is a model we welcome, but there is very little information on what resources will be put into it and how it will be built and delivered. If it is not delivered face to face, particularly to traditional students who do not go into HE, I think there are potential issues for building up problems for widening access in the future. There are also issues about fees in terms of how they will hit people. I am trying to think through the clichés we use. In a sense, the access agreements mean that the poorest students are likely to get funded; those at the very top will be able to afford it anyway. The squeezed middle, the middle classes, will make sure that their belts will be squeezed and make cuts to ensure their children go to university.

For us I think the real question is what is happening to the so-called aspirational working classes, in a sense the old Thatcherite classes that Thatcher appealed to in the 1980s. These are the people who traditionally have been a bedrock and have moved into the middle classes, and who traditionally have not seen debt as a helpful thing. I think there are real issues for this group about their ability to pay and how they will be affected by visions of debt and lack of access to independent advice and guidance. I went to college as a result of an outreach programme, so I find them really very important. I would not have gone to college if it had not been for that, so any wider issues that are not directly related to HE institutions need to be taken into account.

Q224 Ian Murray: Who should pay for widening access to education? Should it be the universities themselves, the Government, students or perhaps employers?

Sally Hunt: It is interesting to look at what has happened over the past few months. We have lost Aimhigher, which was one of the most important drivers for bringing non-traditional students into higher education. We have had a massive cut to the EMA, which was one of the major routes to further and higher education; we have now got tuition fees for access courses in further education. You have to bear in mind that 40% of students in higher education come through further education. When we ask who will pay, I think it is the people who are already paying, because they are being denied all of the links that they need for equal access to higher education.

Do I think that universities themselves are the ones that should be uniquely punished for not necessarily meeting benchmarks? No, I do not, because I think it is a false argument. As I have said previously, by the time you get to university, quite often the life chances available to you have been dictated. As Aaron said earlier—I am pretty sure we all agree—what you do with young people before they are anywhere near making a university choice, in terms of their development, education and aspiration, is as important as what then happens in terms of the access routes that a university is able to create. Despite valiant efforts by a lot of our members—I say that for UNITE, UNISON and UCU—we know that, for example, in the Russell Group the change in demographics has been minimal. At the same time, we know that some of the post-1992 institutions have done exceptional work in bringing in non-traditional students, and I think they should be congratulated.

If we are to have a system that says universities have to justify their funding on the basis of sharing access, what I would like is transparency, as I think others have said, and real incentives so it is clear that if they are able to bring in those students, they will be supported in that. That is not just about financial penalty. I draw your attention to what happens about qualifications, and the criticisms often made of universities if they set a lower benchmark for one set of students than for another, for example. They have to be supported in that. There has to be recognition that if you are looking to make sure that there is good access, you start by saying, “How do you make sure that happens throughout the system?” Do not start by saying, “Here’s the penalty at the end; here’s what we’re going to do to whack you on the head if you aren’t able to achieve it,” if at the same time the Government, as I have said, has itself removed all those stepping stones. I do not think that is a credible argument on the part of Government.

Mike Robinson: I am not sure about the cost, but in terms of access there are a number of staff working in institutions who cannot afford to send their own children to those institutions. We have tried to engage employers in the argument about whether they could encourage their own staff to send their children, or offer some incentive to do that. There was absolutely no response whatsoever from the employers in engaging in that. We are talking about UNITE members, who are on occasions in low income groups. They will not provide arrangements even for the children of their own staff to attend universities. It does worry me that the argument about access is

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not really being engaged in a serious way by many institutions, the Russell Group in particular, and they need to get their act together and start to address that.

Q225 Mr Ward: I am concerned by the constant reference to concerns about young people from low income backgrounds. I think that in one sentence, Jon, you referred to the ability to pay and visions of debt. The ability to pay under the new proposals will be much better than the existing scheme. Do you think that the actual mention of debt and visions of debt is a disservice to would-be students from low income families and future low income graduates?

Jon Richards: I think it is a description of the reality of what people think. If you look at surveys immediately after the Government introduced the proposals, the debt figure started to figure among their discussions. I do not think it is something we are doing to people; it is something people realise. It is tough out there. Huge numbers of people have been made redundant and are suffering under austerity measures. I think that in those situations debt becomes a big issue for people. Where I come from, debt has always been a big issue for people around me. When you are focusing on spending, just the vision of a long-term debt being owed by your children is seen as a bad thing.

Q226 Mr Ward: But the perception is worse than the reality.

Jon Richards: I said deliberately that it was a perception. I recognise that the Government has sought to introduce some progressive measures to deal with that. However, it is focused on the very poor. There is the middle group in between that I worry about and in a sense they form the middle class of the future.

Q227 Chair: You may have heard the earlier exchange between me and Aaron Porter about businesses and the configuration of academic courses and university and academic freedom. What is your view about universities developing graduates' business skills as a key aim of degree courses alongside a core subject?

Sally Hunt: I was interested in that exchange, because it goes back to my concern that we are starting to narrow down the concept of what a university education is about. First, shock, horror, I do not think it is just about whether you will get a good job at the end of it. I think we have to be quite careful about that. Secondly, there is a very strong theme in any degree worth its salt of the qualities that then make you a good employee: your ability to think, make decisions and work in teams.

Q228 Chair: If I may intervene, surveys of employers show that a very high percentage of them do not think graduates have appropriate "employability" skills, shall we say? They may well have very good academic skills and so on, but in terms of the needs of their businesses there is now quite a substantial body of evidence to show that there is a low level of satisfaction.

Sally Hunt: At the same time, we have a university system that is ranked as one of the highest in the world. I think we have to be quite careful about how we start putting external influences into the composition of a degree programme. That is not to say there is not a need for universities to work with local businesses, larger businesses and multinationals in this country; it makes sense for them to do that, and they do it far more often than they are given credit for, but the moment you start saying that how a degree is constructed is to be dictated by outside forces, you put pressure on the concept of academic freedom. Even to me, that sounds as if I am trying to say, "Hands off." That is not what I mean, but be very careful about the skill sets that come through on all of our degrees, let alone if we then go into the specifics of business in terms of commerce and the media, which have huge numbers of students going into the economy and produce billions of pounds for our economy. I think we have to recognise that it is a pretty good story, and what we are talking about is perhaps making it easier for business to work with universities. But I do not think universities are averse to that; quite the opposite. If you look at what is happening in terms of their governing bodies and boards and the development of access within degree courses so there are placements for students, I would say that the traffic was going in that direction rather than the other way round.

Q229 Chair: Perhaps I may quote the CBI report in 2010, which talks about 52% of companies being concerned about literacy levels and 49% about numeracy. That is not about designing a course or compromising academic independence; that is just the basics.

Jon Richards: Funnily enough, I was going to quote from the same report. It talks about employability skills. It talks about self-management. If you are a full-time student away from home, self-management becomes an important thing to learn. As to team working, again most courses deal with that. Business and customer awareness is quite clearly a separate issue. Problem solving is again fundamental, as is communication and literacy. The majority of skills that they are talking about are part of it. What students do not do is get it delivered in the way individual employers seem to want, as though they should be designed for them. I think there is a discussion to be had between businesses and universities about exactly what it is they have.

What was lacking from their list, which I would have been looking for in a graduate, were imaginative skills, critical thinking, lateral thinking, innovation and the wider skills that are being taught in universities, which will be the next generation of businesses. Sometimes I worry—I think we include it in our evidence—that businesses are focused only on their current knowledge and needs; but actually innovation and skills for the second generation, which in a sense universities ought to be building into them, are the sort of skills they ought to be looking for as well.

I will give you a very quick example. When I worked in the NHS for UNISON we wanted to introduce safer

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needle devices as part of a healthy and safety campaign. The businesses already out there were very much interested in defending their patch. There were new and innovative devices and high-tech products that would have enabled them to get bigger profits, but their focus was on defending their own market. There is a danger that if you get business focusing too much on the narrow current, what is going to happen in the future? I think it is the role of the institutions to deliver for the future as well as the current.

Mike Robinson: I have a slightly different view. UNITE's submission makes an argument about university technicians and their age profile in the 45 to 60 group. It is becoming difficult to replace those skills because the basic levels of physics and mathematics to carry out some of those functions are not coming through, so I have sympathy with employers in that argument. One of the difficulties is that it then tends to try to channel people into particular occupational silos. What is wrong with a council house kid doing classics? Why should education as enlightenment not be a worthy cause rather than just education for occupational need?

Q230 Mr Ward: We all know that postgraduate activities have always been a very useful source of funding to universities. If we just take taught programmes first, obviously under the proposals there is no provision for postgraduate studies. Can we just look at what is currently proposed regarding undergraduate provision and its impact on postgraduate studies, taking taught programmes to begin with?

Sally Hunt: We know there is concern about the level of debt, because we have been looking at that from the provision of people who will be able to fill academic roles in future. We know that this is already part of people's thinking, because once you get to the end of your undergraduate, first degree, can you go on to do your master's and your PhD? I think that is the part that needs to be seriously thought through in the Government's discussions and thinking, because if we cannot enable people to choose higher education as a career, we have a serious problem in terms of our delivery in future.

In terms of the taught courses themselves, the discussion that is taking place at the moment in a number of universities—I think it is an interesting one—is about the balance between international students coming in for those shorter courses and how they balance that against domestic students. I am not sure that people have really thought through what the balance is at the moment. A number of institutions teach those shorter postgraduate courses and are dependent on international students coming in. I think the balance in terms of how that will still make provision for domestic students is something we will have to look at very carefully. What I do not want to say at the moment, David, is that we have detailed analysis of it; we have not. It is something of which we have an awareness. We are looking at it in terms of academics and staff for the future, because those qualifications will be necessary, and we are looking at it in terms of income streams coming into universities and the balance between international and domestic

students, but I suspect there will be pressure. It is something we have to keep watching.

Q231 Mr Ward: On research, for which there is funding, there is a discussion to be had about whether research funding should be spread thinly or concentrated in the elite research institutions. Do you have a view on that?

Sally Hunt: I think we have to start by recognising that there is to be a 10% cut over the next period in real terms, by which I mean over the period of the CSR, so whether you are a Russell or non-Russell Group institution I think you will have a situation where you have to make choices on research. I think there is a clear justification for the Government where it is putting in research funding to know that it will deliver against its economic or other objectives. I do not have an argument with that. What I do have an argument with is the way that is spread. If you are to look at innovation and creativity, it is not simply done by concentrating research funds in a small number of institutions. I think that completely ignores the fact that academic work and development happens right across the university sector.

That is really concerning at the moment, because we are heading very fast towards a two-tier system where research funds will be concentrated in a small number of universities; others will not have that and will be asked to become in effect teaching institutions. That will affect the ability of the sector to have the innovation we need. We cannot always predict; sometimes we have to make the commitment in order to have a potential future, as opposed to necessarily knowing the answer. I think it will also impact on the quality of student education over the range of institutions, because only those who are exposed to research will necessarily see it as a career or something to which they can aspire. On a number of levels that is starting to narrow down what is possible, and that is such a pity when you look at our world-class reputation in that field.

Jon Richards: I think there is a great opportunity for the forthcoming eighth European Union framework research programme to get involved in that; not to fill the gaps, because the reality is that there will be a funding gap whether we like it or not. Therefore, I think we should be piling in there. We have been working with sister trade unions in Denmark and Ireland looking at some of the bureaucracies that mean a lot of researcher time is spent on filling in forms rather than employing administrators and getting other people to do the admin work for them. There is still quite a lot of bureaucracy in the programme. We would be quite happy to join colleagues in trying to get rid of some of that bureaucracy, so the money comes more directly into the country.

Q232 Chair: Do you think universities will be able to continue to attract and retain highly qualified staff?

Sally Hunt: You have to be quite careful with the phrase "brain drain", but we have evidence already to show that choices are being made, particularly by those who are involved in research that they will undertake it elsewhere, by which I mean in the States

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or India. That is already happening. What is interesting to us is that where we have investment in places like Germany and the States to ensure that you have the research base and the facilities there, we seem to be going in completely the opposite direction in this country. There is no question that top-flight research will make choices based on what is available not just in terms of pay but infrastructure. I think this country will be found wanting in the very near future if we are not careful.

Mike Robinson: I think it is connected to remuneration. Before 2000 when remuneration within universities was not akin to what you could get in the private sector, clearly there was an imbalance and people were choosing private sector routes in order to pursue their careers. When they rebalanced university pay in about 2003–04 that consolidated it and meant people were more content to remain in a university environment. As that starts to be affected and fall in real terms, which is where we are currently, I think people will start to look again outside at other options rather than maintain themselves in the university sector.

Jon Richards: There is also an issue about utilising the staff that you have. What we know is that a lot of staff in universities are former graduates. We did a survey a couple of years ago of admin and clerical staff. Just under 30% of them had a degree, 10% had a master's degree and 1.5% had a PhD, so there are huge numbers of other staff available with those skills. I think there is an issue about skills profiling within universities and also training budgets. The first thing that always goes in a time of cuts is the training budget, yet we have huge numbers of staff who have the ability to help and support academics in their work. I just do not think that universities have really understood re-profiling in the way it has happened elsewhere in parts of the public sector, such as schools, or in the private sector, where it has become a necessity because of austerity.

Q233 Chair: I should like to conclude by asking each of you, preferably within 30 seconds, to say what you would like to see in the White Paper.

Sally Hunt: I would like to see academic freedom enshrined in law.

Mike Robinson: I would like to see reconsideration of the student fee and how it is applied. UNITE's position is similar to UCU's, but it is not exactly the same. We think that you cannot keep burdening the student with the cost of higher education. The market eventually becomes over-burdened and collapses. We think that as, Dearing put it in 1992, it is a balance between the public purse, students and employers. We think that needs to be redefined and a better way found in terms of how student fees are funded. Our fear is that you cannot keep going to the well and to the same person too often.

Jon Richards: I wanted to say something about governance, but I have not had a chance. Therefore, I would like to see them say something about governance. I would also like them to address public investment for the future—Alan Langlands has said there is a need to revisit it, which I think is absolutely vital—and recognise the role of staff and investment for HEIs to remain the cutting-edge institutions they are.

Q234 Chair: I thank you for your contribution. I repeat what I have told other witnesses in the past. If you feel that you have additional information or points to make that we have not been able to cover today, please feel free to put in a further written submission. Obviously, if in retrospect we think we have missed something we may send you some supplementary questions for you to respond to. Thank you very much. It has been very interesting and helpful.

Sally Hunt: Thank you for the opportunity.

Examination of Witnesses

Witnesses: **Daryn McCombe**, Student Reviewer, and **Rebecca Watson**, Student Reviewer, Quality Assurance Agency, gave evidence.

Q235 Chair: Good afternoon and thank you very much for agreeing to attend this session. You may have heard my plea to the previous panel of witnesses. If one of you answers a question the other should not feel obliged to supplement it unless there is something specific you want to raise that has not been covered by the original response. For the purposes of voice recognition, I ask you to introduce yourselves and your positions.

Rebecca Watson: I am Rebecca Watson, a QAA student reviewer.

Daryn McCombe: I am Daryn McCombe and I am also a QAA student reviewer.

Q236 Chair: Thank you very much. Why do you think people go to university?

Daryn McCombe: There are probably a number of answers to that depending on who you are, where you

have grown up and what you want to do with your life. I can tell you why I went to university but I cannot really speak on behalf of anybody else—certainly not in this capacity.

Q237 Chair: You must have a collective experience. You interact with others. What would be your perception of their motivation?

Rebecca Watson: Obviously a lot of people go to university for the graduate employability side, but also from a personal perspective, people, particularly those from lower socioeconomic backgrounds, go to university for social and cultural enhancement as well as for employability. They see university as a place where they can understand citizenship, interact with people from different backgrounds that under normal circumstances they would not have had access to in their home town. It is a multi-faceted thing.

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They go because of the employability but there is also the social and cultural side.

Daryn McCombe: For others it is probably just the next step in their educational career. It is what their parents did and that is what they are going to do.

Q238 Mr Ward: What are your views on the new proposals that have been introduced and their impact on the decisions that young people make about going to university?

Daryn McCombe: Specifically or generally?

Q239 Mr Ward: Generally to begin with, and then we can look specifically at fees later on.

Daryn McCombe: I think people will consider a lot more carefully whether in the first instance to go to university. Unless more information is made available at application stage people will have significant difficulties with making informed choices if they get over the hurdle of deciding they want to go and rack up circa £42,000 over three years.

Rebecca Watson: Fundamentally, it will also change what courses students decide to pursue. For example, I can foresee a lot of students thinking, "Why should I do an arts degree at the moment because in the way the Government is going about things it might not be as useful?" There might be an emphasis on students doing more vocational courses that they think will enhance their graduate employability.

Q240 Mr Ward: How do you suggest the Government can improve the way it gets across its message about the proposals to young people?

Daryn McCombe: People understand what £9,000 is. In that context schools, particularly secondary schools, need to do a lot more work with pupils all the way through from the beginning to the time they go on to A levels and national vocational qualifications etc. You can do a lot more work with people a lot earlier on in terms of things like careers advice. What is the right route for you? What are your options? How will those options impact on your later life opportunities and chances? To be honest, by the time you get to application stage essentially it is family background and experiences at school that will make those choices for you, so unless you have been able to impact people at a much earlier stage by the time you get to the application it is too late.

Rebecca Watson: I totally reinforce what Daryn says. The importance of communication and information to students should not start in college when they begin to think about university; it should be from the beginning of secondary school so they are aware of what their transition will be from FE to HE, if that is what they want to pursue. I think the information should be made available earlier to students—the implications in terms of debt and managing money at university and what the graduate market looks like should be communicated honestly.

Daryn McCombe: When I applied for university it was under the first set of fees, so it was relatively low compared with what we are talking about now. I was deterred at that point. It was only because my mum had been to university that she pushed me to apply. Until two weeks before the UCAS deadline I was not

going to go. I did it because my mum took that interest in me and pushed me along. Obviously, the school was very keen because it helped their numbers and made them look good, but there is no real quality right from the get-go to push people through, if that makes sense.

Q241 Mr Ward: You say you were deterred by the initial fees at that time.

Daryn McCombe: Yes. As a 17-year-old making that decision you are talking about what you perceive to be a lot of money. Without wishing to go into it in too much detail, coming from my background and from a state school, not being very rich, that was a deterring factor. The counter-factor was my mum's experience of going through higher education and what she taught me about how that impacts on your life chances. You can then make a choice. She always said that if you want to be a dustman you can choose to be one and that is fine, but don't force yourself to be one.

Q242 Rebecca Harris: Have you thanked her?

Daryn McCombe: Yes, very much so. I surprised her on Sunday.

Q243 Mr Ward: I am concerned because under the new proposals even with the increased fees it will be £45 a month less, so in terms of affordability it has improved. You mentioned the figure of £42,000 as an example of debt. Is there a message to be given to would-be students about the affordability of the monthly payments as opposed to the level of the debt?

Daryn McCombe: It depends. I graduated two and a half years ago and I am in my first job. It is fairly well paying largely because of my degree, so I am incredibly grateful for that experience, but if you look at what comes out of my wages at the end of the month—national insurance, income tax and student loan—the student loan is the second biggest portion largely because of the job I have. I am very grateful for it but it is the second biggest portion that comes out. In terms of looking at things like saving for a mortgage and getting married in September—that kind of thing—it takes a significant chunk out of your wages at a time when you probably need it the most. I do not know how you solve that. Do you have a 10-year or five-year break in loan payments after university? Maybe that is an option, but you are hitting people at the end of the month in their wages when money is at its tightest. You do not necessarily have any assets, own a house or that kind of thing at that stage.

Rebecca Watson: I think it is particularly difficult to sell the affordability of higher education to students when the fee has increased threefold or fourfold since Daryn and I went to university. Given the graduate market, I think it is incredibly difficult to sell affordability to students at the moment in college or secondary education.

Q244 Mr Ward: I move on to your reviews. I still carry the scars of the QAA visit at the university I worked at. Obviously, you have the opportunity to see across all universities. Do you have any suggestions

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about where universities could save money or be more efficient?

Daryn McCombe: I am not sure I am in a position to be able to offer that kind of advice yet.

Q245 Mr Ward: I guess that what you do have a good view on is value for money: the money going in and the outputs as a result of the provision.

Daryn McCombe: My own industry is transport. It is the same kind of thing. You are dealing with a sector that has been underinvested in for a significant period of time and bears the scars of that underinvestment. It is basically playing catch up, if you see what I mean. For example, some of the money that goes into new library facilities or IT means that they are just getting to the stage where I would expect them to be; it is not adding anything necessarily in terms of fantastic IT equipment or library facilities. They are just getting to the stage where I would expect them to be. Sometimes that money looks like it is not being spent well. I do not know; I am not a financial auditor, but it is largely because they are plugging holes. That is my perception of it at the moment.

Q246 Paul Blomfield: Conversely, can you say where you think universities might prioritise money to best enhance quality of student experience?

Rebecca Watson: I personally agree with one of QAA's objectives, which is to make sure that students are the stakeholders in the university and that includes management of quality and standards. I think a lot of money should be invested in the way the university engages with its students and how much they involve them in their quality assurance processes. Again, I would say that resources are chronically underfunded in terms of library and IT infrastructure. A lot of money should be put into that, but I would say that students should be involved in the maintenance of the quality of higher education.

Daryn McCombe: I would add to that the link between research or scholarly activity, depending on the institution, and teaching because really higher education is to expose you to that environment both in teaching and research.

Q247 Rebecca Harris: Do you think that the increase in fees is likely to make students cast a much more critical eye on the value for money they are getting and demand more involvement in that?

Rebecca Watson: I think that is the case. When fees were first brought in we saw a fundamental repositioning of students as consumers of educational services. I think that the fact the fees have increased by so much will exacerbate that situation. Students already perceive higher education as a service and owed to them because they have paid for it, and I think we will see an upsurge in people being dissatisfied with the level of service they have received.

Daryn McCombe: And possibly unjustly to the institution. I would say that now most institutions see students as co-producers of higher education. I do not think they have really worked out what that means, but they certainly do not see students as consumers. It is almost as though the fee gets you through the door;

it does not get you anything else in that sense. It gets you access to the facilities, lecturers, knowledge, research etc, but you are expected to put something else in once you are there, in developing and delivering higher education as part of your degree. What fees do is fundamentally change the student perception both at the point of application and probably all the way through. The student says, "Well, I'm not a co-producer; I'm just here to consume knowledge that is given to me."

Q248 Rebecca Harris: Is this a positive or negative thing?

Daryn McCombe: I would see that as a negative thing because it changes the nature of higher education.

Q249 Rebecca Harris: You do not think it will improve it?

Daryn McCombe: It will improve some aspects; maybe the physical estates will improve; you will get more lecture slides.

Q250 Rebecca Harris: It will have some tangible aspects?

Daryn McCombe: Yes. I cannot really put it into words, but probably the relationship with the core of teaching and learning, knowledge development and production in that sense has been altered. It is hard to put it into words, but at the same time it changes the nature of what comes out. Does that make sense? Perhaps it doesn't.

Q251 Ian Murray: Let me probe that a little because I think it is one of the fundamental issues in this inquiry. If it is about quality and the changing relationship between the student and institution the amount of money that the Government has taken out of higher education equates to between £7,500 and £8,200 a year per student in terms of fees, as I think Aaron Porter told us. Unless organisations are to charge £9,000 at the top end of the cap—the Government is already looking at perhaps drawing back some of that or putting 10% of it into access—it will be very difficult to improve quality. Universities will have no more money in terms of their overall balance sheet. How can universities then take that fund in terms of the fee and make the experience better in the way you have just explained if they really do not have any more cash in real terms?

Daryn McCombe: I think it will pull it out of other areas that are not student facing. If that is the Government's objective I suppose the market will—

Q252 Ian Murray: Would you clarify what you mean by services that are not student facing? You are not talking about R and D?

Daryn McCombe: Potentially. I don't know. Universities individually will have to make that decision and balance their budgets. I guess what it will do is focus students on the more tangible issues and make them more vocal about them, as Rebecca put it, which may focus the minds of institutions on them and they will prioritise accordingly. I agree with you.

Q253 Ian Murray: But it is being done without any more cash essentially, so there would have to be a refocusing within the current envelope.

Daryn McCombe: Which is possible. You can change the way you spend money within a budget, but to do that something has to give.

Q254 Mr Ward: I return to the issue of what students were getting for their money but also how well informed they were before making that decision. To some degree, the milk is spilt once they are there, but how informed do you think they are? Do you think improvements need to be made in that part prior to making decisions?

Rebecca Watson: From personal experience, at the moment I think it is quite hard to quantify how informed they are because we have gone through, but from my experience I felt relatively informed. Do you mean about what higher education can give me personally?

Q255 Mr Ward: No. I am referring to the institution.

Rebecca Watson: What information the institution provides?

Q256 Mr Ward: Yes.

Rebecca Watson: I felt very informed by the institution where I did my undergraduate programme but, again, it is very variable at the moment. That is an area that needs to be improved. I do not think it should just be, "Here's what you'll get on your course; this is what the student union offers". It should be things like, "This is what your graduate employability will look like when you leave the university, or at least what we want it to look like." I know that the university I attended was working on a programme that set out 10 key skills they wanted you to have. That should be adopted over the sector so that when students go there they can say, "This is the course I'm receiving; this is the level of support I'm receiving, but when I leave these are the skills I will have." You often think, "Well, am I really going to be employable after I have gone to university?" I think it is a matter of getting that journey right through the university.

Q257 Mr Ward: Would it be in terms of outputs and outcomes or destination statistics?

Rebecca Watson: I am not too sure. I would probably say it is outputs.

Daryn McCombe: The sector is becoming quite innovative. It has things like applicant portals. You can get access to a wide range of information in one place on a university's website. I was really lucky. My parents and family would drive me around the country to visit institutions before I applied and also for interviews and stuff like that. If you do not have that I can see how you might not feel as informed as you would be if you had sufficient access to IT or internet and the school provided time to look in depth.

Q258 Mr Binley: You talk about assessing your employability. It is very difficult when you go into a university to make those kinds of decisions, but even so we ought to try to do it and be more successful at it. In your experience how much input is there from

the private and public sectors in regard to available employment and so forth?

Rebecca Watson: At the moment?

Q259 Mr Binley: Yes.

Rebecca Watson: Again, at the university I attended there were lots of links with business enterprises, sending graduates on programmes after they had graduated.

Q260 Mr Binley: Are you saying that in that respect the information stream is good?

Rebecca Watson: Yes, I would say so.

Daryn McCombe: I would not say it is the same across the entire sector. I was very lucky and had a part-time job in the careers service, so I had access to some of that, but with a multi-campus institution the careers service was based largely on one site and I could see how people might miss it once they were at university. Before university I would not say there is really a clear line of sight as to where you might be employed afterwards. Maybe there would be a couple of graduate profiles on the website or something like that, but that would be about it.

Rebecca Watson: It is also quite common for universities to put emphasis in the second and third year on the importance of getting a job once you have finished your degree. I think it should start from the moment you walk through the door of the university. The careers advice and support is very visible. I thought the careers support at my university was fantastic, but, as Daryn suggests, it is quite variable across the sector.

Q261 Paul Blomfield: Both of you are in a very good position to assess students' key concerns about their courses. When you are looking at student satisfaction what do you think are the main issues they raise as being important to them in terms of what they want to get out of their course and how they would measure their course?

Daryn McCombe: I think the main ones are feedback—timeliness and quality—access to resources, particularly on specialist courses and sometimes sufficient access to lecturers at the right time. Particularly in the case of part-time mature postgraduate students concerns are often raised about physical access to the campus at the right time. If the campus closes at 5 o'clock and you are working until 5 every day you do not get to see a lecturer, get to the library and that kind of thing.

Rebecca Watson: Building on that, it is quite common for students to say, after they have gone through college and have had quite a communal atmosphere with colleagues and tutors, that when they come to university they feel that they receive almost a faceless service and would like more of a community built up. A lot of people do not know who their tutors are and feel that their tutors do not know anything about them. Maybe that is not what should be going on in HE but quite a common complaint is, "I don't feel that I have enough contact hours with my tutor or lecturers."

Q262 Paul Blomfield: Feedback on assessment and contact time has been a pretty consistent theme

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through the years, has it not, from the national student survey? Do you get any sense from your audit visits that universities are really beginning to address that issue?

Rebecca Watson: Again, it is variable from the audits that I have undertaken. Rather than them having any initiatives in place at the moment to combat that issue, they are conscious that feedback is an issue and they will have to start to do something about it. In another audit I did they were quite good on feedback anyway, which was quite rare from what I had seen across the sector, but it is almost as though they recognise that the problem of feedback is there and now they need to start working with students in order to combat it.

Daryn McCombe: One of the audits I have undertaken showed they were using very innovative ways of feeding back but they were still getting low satisfaction scores. I guess that it is about managing expectations as well as the actual delivery of feedback

and assessment. Universities are not necessarily very good at doing that and do not tell people what they are doing to give feedback and assessment.

Q263 Paul Blomfield: Do you think student expectations are unreasonable?

Daryn McCombe: Never. The student is the customer and is always right.

Paul Blomfield: That is a very good answer, if I may say so.

Chair: That is very helpful. You have given us a different perspective on our deliberations so far. If there is anything we have not asked you that you think we should have asked you, feel free to write in with an answer. If there is anything that on reflection you think you might like to add to your existing answers please feel free to do so. Thank you very much.

Tuesday 3 May 2011

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Paul Blomfield
Rebecca Harris
Margot James

Simon Kirby
Mr David Ward
Nadhim Zahawi

Examination of Witnesses

Witnesses: **Peter Roberts**, Principal, Leeds City College, 157 Group, **Martin Bean**, Vice-Chancellor, Open University, **Martin Doel**, Chief Executive, Association of Colleges, **Dr Mary Bousted**, General Secretary, Association of Teachers and Lecturers, and **Sir Peter Lampl**, Chairman, The Sutton Trust, gave evidence.

Q264 Chair: Good morning, welcome and thank you for agreeing to join us in our deliberations on this issue today. Before we go into the formal part of the proceedings, can I just make one or two general comments? We have got a lot of questions to ask you. With five speakers, I do not necessarily want five answers to every question, otherwise we could be here for an awfully long time. Do not feel under any obligation to put in your six penn'orth if somebody else has covered the response that you would like to give. However, of course, even when we have a person-specific question, if you feel that there is something you need to add to it, then obviously please feel free to do so. Just before we go into the questions, could you introduce yourselves?

Martin Doel: Martin Doel, Chief Executive, Association of Colleges.

Peter Roberts: Peter Roberts, Principal of Leeds City College, representing the 157 Group.

Sir Peter Lampl: Peter Lampl, Chairman of the Sutton Trust.

Martin Bean: Martin Bean, Vice-Chancellor of the Open University.

Dr Mary Bousted: Mary Bousted, General Secretary of the Association of Teachers and Lecturers.

Q265 Chair: I will start with a fairly philosophical question, but please answer as briefly as possible. What do you think universities are for?

Martin Doel: What universities are for or what higher education is for? Did you say universities or higher education?

Q266 Chair: What is university for? Collectively you could say higher education.

Martin Doel: I am obviously a little more comfortable with that question, answering from a college perspective. Higher education fulfils a wide range of functions, from the derivation of new knowledge to improving minds, increasing the individual's ability to succeed in life, but also, critically, allowing people to increase their prospects for employment, increase their employable skills and respond to the needs of business and industry in supplying the nation's economic needs. It is to that end that I would say that colleges particularly orientate their higher education to the needs of employability and the economic needs of the nation.

Peter Roberts: In terms of your opening remarks, what I would like to add are the social and economic benefits that higher education particularly brings to the locality. This is where the widening participation agenda, as Martin indicated, is very important to colleges. The local economy benefits, as do the individuals.

Sir Peter Lampl: I sort of agree with all that. I would see it as developing the mind; it creates better citizens. There is a lot of work from the birth cohort studies that shows that university graduates volunteer more, vote more—all that kind of stuff. It should be or could be a great vehicle for social mobility, but a lot of the work we have done shows that it really has not been a great vehicle for social mobility. Although there has been a big increase in participation in universities over the last 30 years, it has gone disproportionately to middle class people, and the working classes, the lower social orders, have not really benefited from that.

Martin Bean: We are an exception to Peter's comments. Every university is created for something different. I like to think that the Open University is the access or widening participation university of the UK, and that is why we exist. Whether it is the 49% of our students that have one A-level or less, the 12,000 students with declared disabilities, the 15% of our students that come from the 25% most disadvantaged backgrounds in the United Kingdom out of a total cohort of 265,000 students, I would like to think that universities can exist like ours to provide access to people who are motivated to succeed in higher education.

Dr Mary Bousted: It is difficult to follow all that. Higher education is an individual good, a social good, and the case is proven that it is an economic good. We need to ensure that it is available to those who can benefit from it.

Q267 Chair: There is an ongoing debate about whether it is in the best interests of the country to have so many people in higher education, as opposed to vocational or other training courses. Leaving aside the issue of funding, what would you say is the appropriate proportion of the population that ought to study to degree level? Who would like to lead on that one? On the basis of evidence so far it looks like nobody. Right, we have a volunteer. Martin Bean.

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Martin Bean: Perhaps, if I can Chair, part of the reason for the hesitation is that it should not be about artificial goals for participation. It should be about student needs, goals, and outcomes. It should be about the ability to provide a quality student experience. We are intensely proud that we consistently rank within the top three of all higher education institutions rated by students in the national student survey. If you turn the question around, the answer is all about how many institutions can provide the quality higher education experience at a degree level to create as much supply as we possibly can to meet what I am sure will be an ever-increasing demand, because the inescapable reality is that an innovation economy requires higher level skills.

The only other point I would make is to touch on something that was within your question: these artificial distinctions that we have hard-wired into our system between secondary, higher education and further education are most unhelpful. The system this Committee should be looking at is a flexible, innovative system, where credits can move fluidly, where students can have pathways and ladders, and can build on their skills throughout their lives. Four out of 10 undergraduates are part-time students. They are working adults and 89% of those working adults are studying for career-related goals. We need to break down these distinctions and celebrate participation wherever and whenever we can have a quality experience.

Q268 Chair: That reflects some of the comments made by Aaron Porter at an earlier session and we will be going on to cover this later. Sir Peter, I think you indicated you wanted to comment.

Sir Peter Lampl: If you look at the international comparisons, clearly we have stalled relative to other nations. Everyone is increasing their participation in higher education. In answer to your question, it is not a fixed target; it is a moving target. It increases over time for the reasons we have just heard: you need more of a knowledge economy and more people need to go to university. I would like to think we can go the vocational route or the apprentice route, which European countries do—France and Germany—but I do not think we can. We have to follow the American route, where kids do actually go to places called universities and colleges and do vocational courses. I suspect that we are heading in that direction. If you said, “50% is the right number,” I would probably disagree; I think you are probably going way beyond 50%.

Q269 Chair: That is interesting because in the debate on this the pressure is to say fewer than 50% in so many cases. I invite Peter Roberts to comment.

Peter Roberts: Two points really, Chair. The first is about the notion of higher level skills. We have to remember that higher level skills include higher level vocational skills. It is really important that we see higher education as delivering higher level skills. The other point is that it need not be at a university. Further education colleagues have a strong record of delivering higher level vocational skills that will,

building on other points, help UK plc as it goes forward.

Q270 Chair: Martin Doel, would you like to comment?

Martin Doel: I do not want to prolong this, but to endorse the comments made so far. The distinction between a full degree and 50% full degree is perhaps an unwise one. There is that ladder and there are sub-degree, higher education or higher skills qualifications that have a strong track record of improving companies’ productivity and individuals’ prospects and then represent that ladder forward, which, to take Sir Peter’s point, may be more than 50%, may be less than 50%, but there are a variety of qualifications that can be awarded that are not full degree that still improve people’s prospects. That is why colleges deliver 11% of all higher education, much of which is not at full degree level.

Q271 Mr Binley: I am from that class where social mobility is seen as an insult, quite frankly. I am rather saddened by the whole debate, bearing in mind that 81% of kids in real poverty get out of it themselves. We should never forget that there are qualities of kids out there at every level of our society that will do what they want to do. We ought to give more credence to that. Now, on to the questions I wish to ask. The first is the target setting, which I find unhelpful, particularly when you do not really think about how you are going to fund the achievement of the target. That has been one of the real problems over the past 15 or so years. Am I right in thinking that the two have to be really totally connected, even if targets are useful? The fact that I do not believe they are useful in the way that Mr Doel and Mr Roberts said seems to me to be going in the right direction. But if they are useful, shouldn’t we also recognise that they have to be paid for and that we have not really dealt with that problem so far?

Martin Doel: There is a liability to Government by whatever means you seek to fund higher education. Partnered funding between employers and the providers of the education, or the individual making a commitment to the costs involved, seems to be the only tolerable and sensible way to proceed here. There is an issue about funding wider participation. We need to worry at that prospect and actually drive more efficiencies into the higher education system to meet the nation’s needs more effectively. I am not entirely sure that currently the market mechanisms that apply will allow that to happen.

Sir Peter Lampl: If you look at the OECD data, our public funding of higher education is very low compared with other countries’, and with the latest tuition fee increases and the reduction in the teaching grants, it is going to get lower. We should recognise as a country that we should be investing more in this area rather than less. We should be funding more kids going to university than we do at present, which is in the low 40s. My view is that it is good for the nation, it is a public good, and it is good for people. We should be devoting more rather than less resources. We are very low in comparison with other countries.

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Peter Roberts: There are two variables that I would like to bring to the Committee's attention. The first is the funding mechanism itself. That can be very restrictive if one takes the view that so many people at so much equals a certain amount. There have to be innovative ways of funding, whether that might be through the employer or via other routes. There are people who are prepared to pay for themselves and who do not require any state funding at all, particularly if you are a mature part-time student in employment. We need to take account of some differing costings.

We talk now about modern technology, blended learning and I think we need also to break free in terms of how we deliver some of these qualifications and skills. If we have got some part-time students who are perhaps mature and in work, then maybe some of the assessment can take place in that workplace and take account of the skills that they have got. My overriding point is that sometimes it feels like we are in very much of a straightjacket, and we need to take some blinkers off and think more innovatively.

Q272 Chair: We will be moving into some of these areas. Dr Mary Bousted.

Dr Mary Bousted: The question also was around targets and funding. We do need to address that. We know now that the vast majority of universities will be charging way over £6,000; the average is about £8,750. The OBR says that that will increase the funding required by the Government to £10.7 billion by 2015/16 compared with £4 billion in 2010/11. I do think the Government is in some difficulty here. It went forward in the confident expectation that the majority of the universities would be charging nothing like. The Government said previously it thought it would be an average of £7,500. That is not happening. It is doing this repeatedly. It is doing it in the school system as well. It has left itself with very little ability to regulate the market it set up, and you have got the University of East London now charging £9,000, as much as the Russell Group of universities. There is the issue of increasing public debt by introducing a market mechanism into higher education that is not regulated.

I want to say more also about the perception of debt for working class young people going to university. They do not readily perceive that it is not debt in the normal sense: they do not have to pay it up front; they will only have to pay it back later. All the caveats around that have not been well explained to the very potential students that so many submissions to this Committee say they want to attract. I do think we are in a really unknown area here. For my particular responsibility for my members, which is teacher training, a highly expensive course to run, it is interesting now that Liverpool Hope are threatening their teacher training department and I suspect that other expensive vocational courses will be under similar threat.

Whatever we say here, we do not know what the effects will be. We do not really know what the effects on the system will be. It is absolutely true that in many universities at the moment there is an awful lot of angst and turmoil about what the effects of the

massive cut in the teaching grant will be, particularly on their ability to attract students on to courses that are not immediately vocationally relevant. Or indeed, if you consider teacher training, which attracts at undergraduate level a disproportionate number of working class students, what effect that will have on training for a vocational course.

Q273 Chair: Again, we are going into areas we are going to cover. I think Brian wanted to come back.

Mr Binley: Yes, I have just one more question.

Chair: If you let Martin Bean respond to that.

Mr Binley: Of course, he is a constituent of mine.

Martin Bean: This notion of funding and targets is often thought about at a very macro level. I would like to give you two examples of where the targets and funding can be very helpful, particularly as this session is about access. Everybody in this room has a duty of care to make sure that the unintended consequences of this new system are not that people are deprived of access.

So two great examples of funding and targets: number one, HEFCE currently invests £372 million a year in widening participation funding, designed to support students with disabilities and students from the most disadvantaged backgrounds. That has only been protected for the year 2011/12, despite the fact that it was spoken of by both the Minister and BIS and HEFCE as their highest priority. One of the recommendations I would suggest this Committee makes is that that money should be defended, extended and targets should be put against it so that we get people participating in the sorts of areas that we need to in order to be able to ensure that access is preserved.

The other one is on the supply side. Pretty well every institution in the country, other than Birkbeck and the OU, are actually shrinking their part-time provision in higher education in the university sector, leaving my FE colleagues to one side. HEFCE currently has funding of £72 million a year to support the extra costs of supporting a part-time cohort, which they model with JM Consulting as being about 15% to 44% higher. There is another wonderful example of where funding matters and targets of participation on the supply side for part-time provision are critical if the system is not going to leave people behind.

Q274 Mr Binley: My final "to the core" question is really about value for money. It seems to me that educationalists do not normally set money and relate it to value, otherwise they would not have all gone to the highest level of charge, quite frankly. There is a real problem here from the perspective of business about the quality and value that people are getting for their £8,500. I just wonder how you deal with that. Whatever you tell me, I do not believe that the quality across the piece is as evenly balanced as that figure would suggest.

Martin Doel: Value for money has obviously quality and cost elements within it, and the first point to make is that, with colleges, our statistics, ahead of the actual fee levels having been set by colleges, indicates that most colleges will be setting fees at £6,000 or less. They are able to do that on the basis that they are

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more cost-effective organisations, with tighter staffing structures, less expensive estate to maintain, although obviously some high-class facilities as well to deliver high-technology outputs for employers, and therefore can deliver at a more cost-effective price in that regard, but it has to be high quality as well. It is significantly differentiated from what universities do because it is aimed at employability with a more direct teaching model. It builds on what colleges do with employers at levels 2 and 3; it is within, if you like, the DNA of colleges to work with employers, and it extends that working with employers forward to the higher levels of skills. Therefore it is integrally delivering to the needs of employers and to the individuals that those employers will employ.

The whole direction here I would argue has significantly come from the fact that further education is the most contestable area within education, with a significant number of private providers. Colleges also have to compete with universities as well as schools; that has driven disciplines within the sector that then deliver to the needs of employers and to students. If we are to see similar contestability, albeit within a managed market at the university or higher education level, I think we might see some of the similar benefits that were career-driven in further education, given that colleges get the opportunity to compete effectively, which is another point for later in the discussion this morning.

Peter Roberts: The key issue for me is that further education has always concentrated on students, and less so on research. Where we are with both our further education and our higher education is delivering a quality service, quality delivery, but the actual hours of teaching in higher education are generally higher than one would find at university. Through the system of teaching and support, we maintain that quality, as Martin has suggested, at a lower cost than most HEIs seem to be indicating that they will set their fees. We are subject to rigorous external quality assurance as well through the QAA. The information that I have received is that, of the 65 reviews that were done on FE, all were confident in terms of the assurance that was given.

Dr Mary Bousted: I have several points. First, the grand assumption that one size fits all and we would expect HEIs to set varied charges for courses has not worked. Secondly, in the NUS submission to this Committee, one paragraph was really important: "Fee levels will cause the cost of loan finance to increase dramatically and become unaffordable and the Government has little stick. Threats to reduce HEFCE funding will do no good. Institutions that might be expected to charge lower fees are not institutions standing to lose by such a penalty, and penalties for drop out would cause chaos."

Thirdly, when you look at the graduate premium, which is set at £117,000 per individual, if you are ending up with much higher debt, then the premium comes down. Fourthly, in terms of a broad and balanced curriculum, if you are thinking about value for money and employability, and then you think about teaching in school, where are you going to get your graduates to teach religious education and science and maths and business studies and citizenship

and history and dance and drama? It becomes a much more risky business, particularly in the context of an economic downturn and graduates having to take lower paying jobs because they are competing for work with people who have not been to university.

I taught for 11 years in a university as well as teaching in school, and I am a great believer in university education and the higher good. The point I want to make is that with the current economic downturn, the fact that Government has not left itself any levers in terms of what universities charge, the fact that there is not price differentiation, the fact that graduates will leave not with debts in the traditional sense that they have to pay back but debts that they have to pay back if they earn more than £21,000—and I want to say more about the squeezed middle later in this session—means my view is there are going to be huge unintended consequences of these changes, and we do not know what they will be. Young people, particularly those from lower socio-economic groups, will look very hard at the economic advantage of higher education.

Sir Peter Lampl: Just a couple of points on value for money. We are doing an analysis right now looking at students coming out of university with these levels of debt. What happens when they need to buy a house? What happens when they get married? We are looking over time at what it looks like. What is coming out, just preliminarily, is that for certain courses at certain universities, it is not clear that it is worth incurring that level of debt to get the qualification.

The other point I would like to make is that we are incredibly narrow as a nation in terms of our education. We get kids to specialise at 15 or 16 into three or four subjects. Then at university, we generally do one subject, which is very unhealthy. It makes our graduates less employable than other country's graduates. I know Germany and the United States well; Those guys come out with much better soft skills, communication skills, working in teams. I think we need to look at all that. I am really upset about how narrow education is in this country compared with anywhere else.

Chair: We are moving on—and I realise we have already touched on this, so please do not repeat what you said before—to access and widening participation.

Q275 Margot James: I should, at this stage, make known that I am a governor of the London School of Economics. Could I start by asking whether you think it is possible to widen participation without increasing student numbers?

Chair: Effectively redistributing the balance of the student population that we now have.

Peter Roberts: If I may start on that particular conundrum, I do not think it is as simple as that, bearing in mind previous answers in terms of the need to build more innovation into the system so that it is not one or the other. The point about widening participation is that it obviously is possible to broaden participation and access to higher level skills, but if you stay with the narrow definition, it would be at the expense of something.

One of the concerns of the 157 Group is how you judge someone suitable for higher education. Traditionally, one looks at what A-level grades people got. That tends to be quite suitable for young people, but if you are 23 or 24 years old, maybe left school early and went into employment, and have a wealth of experience of both the working world and also life, how do you make that judgment there? The issue for me is one of let's not narrow the entry criteria, which would arguably make your conundrum a little harder to solve, but I come back to how we have to think differently rather than in terms of these numbers versus this amount of money. We have just got to break away from that, dare I say it, silo mentality.

Q276 Chair: Martin Bean.

Martin Bean: I think the challenge for this session today is actually the inverse, which is not necessarily being worried about whether you can open up widening participating by having more numbers, but the unintended consequences of the new world that we are moving into of maybe restricting widening participation because current funding that is allocated to stimulate it gets moved to other areas to protect core delivery in traditional cohorts.

Again, I will give you a couple of quick examples of that. The first is transitional funding. BIS and Government have already spoken about transitional funding for the full-time sector—60% of undergraduates. They are going to be able to get two years under the current regime if they are in their first year of the existing regime; terrific, it allows for access, it allows for participation. There has been complete silence so far for part-time students, so it is absolutely impossible for the part-time sector to give appropriate information, advice and guidance right now to people considering participation in the part-time sector in 2012/13 because we do not know what the transitional funding arrangements are. We would advocate five years, because it is the minimum amount of time someone studying at 50% can take to be able to complete an undergraduate degree. Another terrific example is the £372 million of widening participation funding that exists in the system today; it is funding that exists in the system today, but it is vulnerable funding. If it were allowed to be taken and used to fund the core T funding formula by HEFCE, then you absolutely, by allowing that funding to shift, would restrict people's ability to get access to the types of programmes that we discussed earlier today that drive up access.

Sir Peter Lampl: I think widening participation without increasing student numbers will be very difficult because clearly some people from the upper and middle classes would have to not go to university. If you are growing the system, it is easier to bring in kids from low or lower middle income backgrounds into the university system. Right now, we have got a pretty static system and it is quite difficult to bring those kids into the university system. Without the growth in numbers, widening participation remains a very difficult thing to do.

Q277 Margot James: If I can cast our minds back to the previous decade, when there was more growth in

the overall numbers of students studying, we did see a considerable widening of participation, with larger numbers of children from lower socio-economic groups attending university, but there was no change in that balance between higher economic groups and lower economic groups when it came to Russell Group university places. In fact, the position became even more in favour of students from higher income homes. That is obviously a concern. I would like your comments on how we achieve wider participation in a system where obviously growth is going to be curtailed. The other point I want to ask you about is whether, for all these students currently attending university, that is the right place for them. Last year, 30% of students who were awarded places at university only attained two E-grades at A-level. I question their suitability for a degree course. I would like your comments on that in the context of the Government's desire to widen participation.

Martin Doel: As Peter mentioned, the US system may be instructive when looking at this particular issue, particularly about some more sustainable partnerships between colleges and universities. In the US model, there is extensive use made of an associate degree, a two-year course, which then converts to a university degree at a later stage. This effectively is very attractive to those from lower socio-economic backgrounds because it defers the cost and the risk in those first two years. It delivers a high quality product that then allows them to matriculate through a credit transfer scheme to a full honours degree, either in the college in which they are studying or within a partner university. In that way, you begin to address that conundrum to some degree by broadening participation at that initial level, but then people having the ability to find the right course at the higher level for themselves later on. There is the ladder that Martin Bean spoke about earlier, a much more graduate ladder through the system, where people take considered risk in terms of their financial prospects, see the benefits and can continue working and have that much more flexible way of developing their skills. That associate degree model might be something that can serve for some universities to be the next stage, particularly as we have the methodology around that through foundation degrees and higher national diplomas and certificates.

There are some very interesting conversations along these lines that colleges are now having with Russell Group universities, which previously would not normally have happened, about perhaps working with them on the first two years and then a bridging course for the final year at the Russell Group universities. This seems to me a very interesting theme to be coming out of what is going on now, rather than just seeing it as directly competitive between colleges and universities. Some interesting models are arising, and I think we need to promote those kinds of models.

Dr Mary Bousted: I have two quick points. First, there is no doubt that what has happened with greatly increased widening participation in universities is that the class structure has reasserted itself between universities, and the Russell Group universities have taken the traditional middle class intake, who probably do the right subjects at school and get the

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right sort of guidance to go there. Nevertheless, they see that that is their place to be.

Secondly, it is undoubtedly the case that, as the previous Government did, this Government is doing what it can do about apprenticeships, and about providing funding and structures for apprenticeships, but we have a very weak record there. We have nothing like the record of other European countries around apprenticeships. I agree with Sir Peter that that makes university the place to go because there is no vocational training and work readily available to you or in the subject that you want to do or at level 3. Remember, our funding at level 2 for apprenticeships is weak; you need to get the level 2 before you can get the level 3. We do not provide the incremental ladders that we should do. Having said that—I was very struck by the million+ submission to this Committee—many universities provide a fantastic education for students who do come with weak A-levels but end up with very good skills.

I thought the Russell Group's submission to this Committee was laughable—I got quite cross about it, actually—in saying that the Russell Group do a lot for widening access, but they do not want any penalties if they do not actually widen access to Russell Group universities because the work they do might trickle down. If you read that submission again, it was incoherent in its response to what the penalties should be for universities not meeting their widening access targets. I think they need to be much more strongly questioned on that.

Sir Peter Lampl: I am surprised at your 30% on two Es; I know a lot of people go on with two Es, but I question that data. Just to take that point, I think people here on this table are heroes for taking kids with low grades. We have got it totally wrong in thinking people who do not finish a course in three years are drop outs. We should be taking more risks on kids, rather than fewer risks. There was a Joseph Rowntree study done a few years ago that interviewed 70 kids who had dropped out of university. They discovered that the majority had dropped out for reasons other than academic reasons—personal reasons. Nearly all of them said it was a good experience, and all but one said they would go back if given the chance. We should be viewing these kids as continuing learners and not drop-outs. People here on the table are generally dealing with those at that end.

Coming to the Russell Group, which was your second question, we have got to recognise that we have an incredibly socially selective school system. I have visited hundreds of schools over the last 14 years. You cannot compare kids who have been at inner city comprehensives with those from top private schools; they are just totally different animals. We have a system where it is pretty much determined whether you get into a Russell Group based on your A-level grades. There is a little bit of tinkering, but very little. That is why the Russell Group basically has not changed its mix: because it is based on A-level grades.

Q278 Margot James: May I just ask one brief supplementary, Sir Peter, based on your answer there? I agree with you about your comparison between inner

city comprehensives and private schools, but Mary pointed out in her response that a lot of the problem is that the children at these inner city comprehensives do not do the right subjects at school.

Sir Peter Lampl: Correct, that is a big issue.

Q279 Margot James: Have we made it far too easy for them to do subjects that are not considered appropriate entry qualifications for Russell Group universities? In my constituency of Stourbridge, fewer than 25% take geography at GCSE. Have we not made it too easy for them to take soft subjects?

Sir Peter Lampl: We have let them do that, but not let them know what the consequences are.

Q280 Margot James: Is it time we did?

Sir Peter Lampl: Well, information, advice and guidance, which we are coming on to later, is a big issue in that they are not being advised properly by their teachers or whoever about what they need to do to get into those universities, if indeed they want to go there. I totally agree with you that it is a big problem.

Q281 Chair: Can I just add to this? The Sutton Trust and Government have done research that shows that comprehensive school students with slightly lower A-level grades than those, if you like, from the more selective independent sector actually do better at university.

Sir Peter Lampl: What we would say is something like: if you take two grades lower over the A-level spectrum, you end up with about the same result. So instead of taking kids with A, B, B, you could take an A, B, D or whatever it is—two lower—and they would do the same. That was done with the Government and that was a complete nationwide study. Now, something has come out from Cambridge recently that said, "Actually at Cambridge we do not think it makes much difference." We believe overall that there is clearly an effect.

Q282 Chair: You would expect the Russell Group to want to maximise the quality of degree output that they generate and therefore would be more predisposed to look at that cohort.

Sir Peter Lampl: Sure. Well, some of them do give kids a break, firstly. Secondly, there is an enormous lobby against any kind of a break from the Independent Schools Council, the *Daily Mail*, etc. So we have an assumption here that the fair way to select kids is based on their A-level grades, which I totally reject; I think that is just one way of doing that. There are others—we will come on to that later.

Q283 Chair: I will bring in Peter Roberts now, who has been dying to get in.

Peter Roberts: A couple of points, but I am afraid, Chair, that you have stolen my thunder. Going back to your introduction, about how successful the people that got two grade Es are, there is an assumption that they are not. The notion of value added is quite important in this spectrum. On the issue of widening participation, I do not think we should forget about progression into higher education. We have a concern, particularly for mature students at level 3 under the

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new financing system, that there is a danger that they may not even get on to the ladder. People talk about the ladder; sometimes if you take away the bottom three rungs, it is difficult to get on to the ladder. We have to be careful about that.

I agree with the point about the notion that HE should be all about dropping in and dropping out, and then dropping back in again. Sometimes it is assumed—and, dare I say it, I was one of the products—that you go to school, do A-levels, go to university, finish your degree and, with a postgraduate degree, you would all be done and dusted by 22 or 23. It is not like that for many students who participate in foundation degrees or vocational degrees. It would be remiss of me not to remind the Committee that HE has got a multitude of facets. It is not all about academic; it is not all about 18-year-old full-time. There is a whole host of other people who go to university.

Q284 Nadhim Zahawi: I want to pick up on Martin's point about the idea of associate degrees and colleges working much more closely with universities. Do you think that the dynamics of the new system help nudge that along? Is it a positive thing or is there no change even under the new system in that sense?

Martin Doel: I think there is no change as yet. The White Paper will be extremely important in this regard in establishing the right conditionality to permit and encourage that type of credit transfer and accumulation model. I can see the difficulty of autonomous universities being wary or chary of that happening, but groups of colleges and universities working together could be a very powerful medium for doing this. Taking some of the things that were good from Aimhigher and Lifelong Learning Networks and building them into the future seems to be a sensible thing to do, not least on the point that was made before about apprentices and their progression in the system.

Both the outgoing and the current Government put a lot of store by apprenticeships and the growth in numbers. Colleges are very supportive of that, but there is not a good record of apprentices progressing from level 3 to level 4 and onwards. Over 50% of them say, when surveyed, that they would like to continue in their studies beyond level 3; the current figures, or the last set of figures that I have, say only 5% of them do. That begins to say to me that universities are not recognising what expertise apprentices have, or alternatively the types of study or the patterns of study that they are offering do not suit apprentices and the ways in which they want to learn, which is a combination of work, reflecting on their work, and having their work experience accredited, some structured learning, and building in a flexible way over time to increase their skill levels and their prospects.

Yes, there are lots of people looking at the US model, that more flexible system where you can accumulate and then move to different types of institution within the system, but do not underestimate the difficulties in our system culturally of making those changes. But I think that we absolutely need to do that, otherwise we are going to have a group of young people, particularly the new apprentices, looking to progress

and not seeing a way forward. We are putting a lot of effort into level 3 apprenticeships now. We have to think about the level 4, the level 5, and where they go next, if we are really going to upskill the economy, particularly at the technician level, which all the UKCES surveys that I see say is absolutely critical to our recovery and reshaping the economy.

Q285 Chair: That is very interesting because, with the increasing number of apprenticeships, it is increasingly seen as an alternative route to degree level or higher education. If there are cultural and institutional blocks, that is obviously very significant indeed. Is there anybody else who would wish to take up that point?

Peter Roberts: Following on from that, the issue for me is that colleges are dependent currently upon universities to validate their degrees. There is a danger that colleges in FE feel that there could be a squeeze put on them because of the potential changes. The way around that is linking into Martin's point about associate degrees/foundation degrees; if we could award those ourselves, that could help us build some more rungs on the ladder that I described before. My worry is that some universities may see it as an opportunity to withdraw from validating degrees or maybe changing the charges that they wish the colleges to incur. There are some genuine threats to that. I hope that the White Paper will help in that regard.

Q286 Nadhim Zahawi: It is up to Government to lay down the rules of road for you to drive on. Going back to Dr Bousted's point about the lack of differentiation in terms of fees charged, we had Lord Browne explain to us how intricate the system is. It is like the mechanism of a very fine Swiss watch; you tinker with bits of it but you do not know what the consequences are. Presumably whether they are Russell Group or otherwise, they still have to get through OFFA, the Office For Fair Access, before they get to be able to charge what they are announcing they want to charge. But also if some of their courses do not attract enough students, the penny will drop very quickly: they are at the wrong price. Therefore that sort of competition must be healthy.

Dr Mary Bousted: The level of competition that is being introduced very quickly I think probably is unhealthy, because you have opened up the floodgates and you do not know where the water will flow. There is a danger that some HEIs will go bust, which will be no good whatsoever for the students enrolled in them. My feeling would be that they are probably the students who can least afford for the HEI to go bust. Then of course there is the issue about the quality of provision. If your teaching funds are purely around who is on the course, the numbers you attract, and that is in flux right up until the moment when you actually get them registering, then universities at the moment, from my information, are in a very fragile state. They do not know where the funding is going to come from or which faculties are going to succeed. When that comes to teacher training and when you think that every year you have got to train 40,000 teachers—I want to talk later about how groups like

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teaching and nursing are going to be very badly hit in terms of repayment—you do not know how you are going to guarantee to supply future generations of teachers or key workers that you need.

I am not completely against competition; of course competition has an effect. In fact I think the HE system was quite competitive beforehand in terms of attracting students. It is when you get unfettered competition like this, where the money just follows the student and you do not know what the outcomes are, and where the Government has left itself virtually nothing to really shape the effects of its actions—and this coalition Government does this repeatedly; it just believes that competition will do the job—that you can be left with huge unintended consequences, and I think you will be.

Sir Peter Lamp: I emphasise that we really need a credit transfer system in this country for widening participation, for letting kids come into universities, spend a year or two, get credits, take time out, go somewhere else—the way they have in the States. It is a great system. We need the same thing. We are not going to increase the participation of our lower socio-economic groups until we do, I think. I wanted to make that point.

Picking up on the OFFA point, I love Martin Harris, he is a great guy, but he is a former vice-chancellor, he has got a couple of people working for him, he is in HEFCE, it is not independent. If you are serious about OFFA, it has got to be an independent body, it has got to be beefed up, it has got to have an independent board. That is virtually no deterrent at all at this point, in my opinion.

Q287 Chair: I want to bring in Martin Bean

Martin Bean: The language in Lord Browne's review, as well as in the early statements from the Government around awarding flexibility, innovation, alternative ways of providing, give us all the ingredients we need to have a better system. The White Paper is critically important, but what you are hearing from us is that connectedness in the system is the most important thing. We have 400 schools for example that offer our Young Applicants in Schools scheme, which are largely STEM-related OU courses that are being delivered in secondary education. We validate five further education colleges today, through wonderful partnerships, to allow them to deliver our modules. We work with a number of other universities in a 2plus2 programme, where you will do your first two years at the Open University and then you will be able to immediately go on and do your final two years at other institutions.

The proof is in the pudding as to whether we allow the economics on the supply side to follow to enable it. This is what you are hearing everybody say here is absolutely critical: that the funding will allow these new types of models to flourish and grow. A great example of that is the £72 million currently invested by HEFCE in the part-time allocation. It is all about offsetting costs to allow for a different model of capacity to take hold and emerge. You can imagine the unintended consequences if those types of allocations go away. Then we will have the inverse of your question, in that we will have a more rigid, more

divided, less flexible, less innovative system that is less reflective of our society.

Q288 Nadhim Zahawi: That is very useful. You have pretty much answered my question as to how higher education providers can best strike a balance between widening participation to more people and maintaining academic standards. The points have been made. Unless someone else wants to add anything else, I think we will move on from that question, Chairman. One of the problems as I perceive it is that we are told by universities that charging £9,000 is a mark of quality. If further education colleges charge lower fees, which they are, how do you get over the perception gap that will very quickly materialise that this must be a lower quality output than its equivalent at university? How do you overcome that?

Martin Bean: The Open University today is unbelievable value for money and very high quality: £4,200 to £5,860 all up for an undergraduate degree, compared with £10,000 or more; constantly in the top three, rated by students, for quality.

Q289 Nadhim Zahawi: That is a great advert, Martin.

Martin Bean: Thank you. I use it to totally dispel this notion that somehow fee levels are equal to quality of provision. There are ways through innovation, there are ways through different models of pedagogy and there are ways through being more efficient and effective for FE and HE to deliver very high quality without the proxy being the fees that they charge.

Q290 Nadhim Zahawi: I want to bring in Martin Doel.

Martin Doel: The critical thing for me to say is that they are not the same thing; they are differentiated. Colleges are delivering something different at high quality that builds out of their vocational offer at levels 2 and 3, therefore building on efficiencies within the system already—the infrastructure and staff structures—and delivers something that is differentiated from higher education and the full, if you like, three-year, residential, academic experience. It is different. It is not less good. It is different and high quality. As Peter said, of the IQER review, 65 out of 65 validated and confirmed the quality of the provision in terms of its rigour and effectiveness. It is about differentiation. It is about those more innovative and flexible ways of delivering.

There is a brand association issue here about status and paying that amount, and you cannot walk away from that. But if students see the quality of what they get at level 2 and level 3, they see the quality of the teaching, they see the quality of the outputs at level 4 and level 5, then they will be attracted to that more flexible model.

We talk a lot about the competition between colleges and universities. A recent study, which I would be happy to supply the Committee with, indicated that colleges predominantly operated in cold spots for higher education geographically. People want to study locally. So in somewhere like the south-west of England, if you are in Taunton, there is not a university; if you want to study locally, you will study

locally at your college. You are not in competition with universities there. The college is providing local provision. Equally, in somewhere like Bristol, some of the subjects the college will offer in Bristol are not offered by the universities in the city. Again, it is a cold spot; it is not direct competition. Equally, in some areas—a small number—it is direct hot-spot competition, if you like, about directly similar products, particularly, I would say, at million+ type universities. Now, there is an issue about how much you pay and what it is worth and the rest of it, and people have to make more graduated decisions in the future.

The other thing I would like to talk about this morning at some stage is the thing that is holding back a lot of that innovation and flexibility in colleges from being released to deliver their potential in this area, this differentiated product. That is the nature of the funding agreements they receive, particularly in direct funding via universities for franchise provision, which effectively gives universities control of the markets, flexibility and innovation that the colleges would like to bring to bear in this area. Perhaps, Chair, if that is a question for later, I will come back to it.

Q291 Nadhim Zahawi: Peter, did you just want to come in very quickly?

Peter Roberts: You are correct in terms of perception. I think Martin has indicated that there is a difference. I still think it is an issue that we need to address, and we need all the help we can muster to address that. It is broader to me than simply a degree from HE and a degree from FE. It is the academic versus vocational divide again as well, and we have got to somehow keep banging the drum about vocational high-level skills being something valuable to the economy, society and individuals, and that they can be delivered in a variety of forms in a variety of institutions. I concur totally with what Martin said about people who do not have to leave home, particularly people in employment who have got families who can stay at home and study locally in the cold spots.

Q292 Nadhim Zahawi: I am conscious of the time, so could we have pithy answers? Sir Peter, you mentioned the rigidity of the current system, where A-levels are far too tight a measure. What would you say is the most reliable measure of a candidate's aptitude and potential?

Sir Peter Lampl: We trialled the American SAT for a number of years in British schools. It started out looking very good.

Q293 Chair: Sorry, SAT?

Sir Peter Lampl: Scholastic—well, it is called SAT. It is the American SAT.

Q294 Nadhim Zahawi: Scholastic aptitude test.

Sir Peter Lampl: It is the test you take for American universities. It used to be called the scholastic aptitude test. They have dropped that now. They call it the SAT. The problem is the SAT has become more of an achievement test. It started out as an aptitude test. When we did the trial, unfortunately the SAT changed and it did not give us much above GCSE and A-level

results. Unfortunately the SAT does not work. How do you do it? You have got to take contextual information into account; you have got to look at the schools from which kids come, the family background. That has to be part of the process.

The other thing I will say is that we are totally hung up on trying to pick the kids who are going to get the best degrees. I do not think that is what the selection process should be about. I will give you an anecdote. A few years ago I was invited to sit in on a Harvard Admissions Committee meeting. I sat through the meeting. They had a number of candidates who clearly came in with much lower academic performance than the normal kids they take. They took one girl from Watts city LA with an SAT of 1200, which is right at the bottom of their range. They had done a lot of work on this girl. She was outstanding in all sorts of ways. At the end of the meeting, I said to the chairman of the committee, "You have taken this girl. Is she going to get as good a degree as some of these people you have rejected?" The committee chairman said, "Of course not. She is not going to catch up in four years, but we are not interested in that. Only 10% of our graduates become academics. We are looking for winners in society. We are looking for people who can make a big contribution to society, and, by the way, we are in the value-added business here. We are going to add a huge amount of value to this girl," as opposed to taking somebody else who may have been to one of the top boarding schools and has got good grades. They really do. They have a totally different selection procedure, whereas our assumption is that you have got to pick the people who are going to get the best degrees. I do not agree with that.

Q295 Nadhim Zahawi: Very briefly, what is your view on the whole IB versus A-level issue?

Sir Peter Lampl: I think IB is hugely better than A-levels, no question. It is a much broader qualification. It is more prescriptive. There is another piece of research we did that reflects on this. We got the Institute of Education to look at what British high school kids come out with in terms of qualifications at 18 compared with other countries. They answer is they know a lot about a few things. Just one thing: if you take maths, less than 10% of kids do maths to 18 in this country; if you take France, Germany and the States it is about 40%. We drop a whole bunch of really important things. Maths and English get dropped at 16. It is crazy, in my opinion. We are the only country that does it; everyone else has a broad education to 18. The IB does that. It is prescriptive, which I think is quite a good thing. I think it is a great qualification.

Q296 Mr Ward: I welcome your comments, Peter, on the way universities should be assessed, but the reality is that in our schools it is about attainment and not achievement. I would love there to be a list of contextually value-added league tables, but there is not. The success of the school as to whether it is good or bad is based on the attainment levels, quite wrongly in my view—not whether they progressed young

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people, but where they actually end up. I suspect that will always be the case with universities.

Sir Peter Lampl: Yes.

Q297 Chair: I wanted to ask about information, advice and guidance in a moment, but I think Dr Mary Bousted indicated she wanted to comment.

Dr Mary Bousted: The Government is looking at league tables, and the Secretary of State, Michael Gove, has said—he said it at the ATL conference two years ago—he is interested in a system that looks at progression and not absolute raw scores. If this Committee could make a recommendation that that would be a very good thing to hold to—

Q298 Mr Ward: Last I heard, he was actually going to scrap CVA.

Dr Mary Bousted: Yes, he is, but he was saying rather than looking at the absolute raw scores, he would look at the progression pupils make from when they enter the school, so the schools that enable students to progress more come to the top of the league table. Now, he has gone very quiet on that.

Q299 Mr Ward: The blinds are drawn. I was looking for a pig flying past.

Dr Mary Bousted: Yes, yes. I do think it would be good to ask him where that is going.

Sir Peter Lampl: Could I just make a comment about league tables? The league tables run counter to all this. In a micro-sense, if you look at the Oxford and Cambridge situation, you have got the college league tables, the Norrington Table and whatever it is at Cambridge. Each college is determined to get the best degree results in the university because Corpus does not want to be worse than Merton, and so the whole thing there is totally geared towards who is going to get the best degrees. They do not want to be any lower in the league tables. Then you have got the university league tables, of which a big component is A-level attainment on entry and also what percentage of kids get firsts and 2:1s. The whole league table system is geared against trying to do anything on the contextual side or looking at value added.

Chair: I am conscious of the fact that we are only a quarter of the way through the questions, so I repeat my strictures: please minimise repetition and keep your answers and indeed your questions as brief as well. I will bring in Nadhim Zahawi now on information, advice and guidance.

Q300 Nadhim Zahawi: Why is it so hard to get adequate information, advice and guidance out to prospective candidates? What needs to happen to make information accessible, trusted and relevant to prospective candidates and who needs to be providing that information?

Peter Roberts: It falls into two categories for me. One links back to the previous question of the age of the potential candidate. If you are talking about a 16, 17 or 18 year old, they will tend to be in a school or a college. Obviously, for schools with sixth forms, there are issues about how you provide that advice. One of the issues that we have come across in the 157 Group is that the people who are actually providing that

advice are not necessarily fully up to date with the various routes into higher education, in particular if you ask careers advisers or gatekeepers whether you can get to university with a BTEC National or through an apprenticeship route. People are used to A-levels. We need to get the message across that there are various routes in. The notion of IAG for adults comes back to the contextualisation point that Sir Peter raised.

Dr Mary Bousted: There is a real issue here. Providing good information, advice and guidance is very complex if you think about the range of provision that is available, the number of courses, and the qualifications you need to do to get on them. It is a very big job. Browne said that it should be delivered by certified professionals who are well informed, who benefit from continued training and professional development and whose status in schools is respected and valued. At the same time, the Government in its Education Bill has scrapped the requirement for schools to have Connexions advisers and to give them access to schools.

Schools will be left to let a thousand flowers bloom in terms of information, advice and guidance. It may well fall again on teachers, many of whom will have been through very traditional routes themselves. It is a difficult job. On the one hand, in this new world you need better; on the other hand, the funding to provide better information, advice and guidance is being decimated. Again, how do you square that circle? I do not know.

Martin Bean: Very briefly, you have got an incredibly rigidly divided system that is going through unbelievable transformational change. Most of the major vehicles for providing information, advice and guidance are biased towards young people, 18 to 21-year-olds. You cannot get a single look at the system to make up your mind as to what choices you have and how you want to invest in your learning.

To take UCAS as an example, part-time providers are not in the UCAS registration system today. There are transitional arrangements, as I mentioned before, that the Government has announced for full-time; they have not for part-time. If you want to find distance education or alternative provision inside UCAS, it is extremely difficult to do it. Lynne Brindley's taskforce on e-learning touched on that in its findings in January. You have got to be prepared to knit the system together and get everybody on the same story about what options are available out there. You asked who should do it. The bottom line is that we all should be doing it. The great travesty is the number of people who will enter our system incurring large debt loads, having been given poor information, advice, and guidance. They are the people that are really going to lose at the end of all of this.

Martin Doel: I am going to pick up points from both those previous points, but particularly from Mary. As well as concerns about funding being removed for pre-18 careers guidance, we are also concerned about the removal of any assurance mechanism to oversee the quality of the advice and guidance given. The Department for Education in particular has spoken about schools procuring independent advice and guidance, but no means by which they are going to

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ensure that is being done. Colleges are very concerned about the options that are given or explained to young people at 14 and at 16 as to the best way forward for them, whether it be an apprenticeship or an A-level route.

Colleges themselves, because they are these all-age institutions, though we have sixth form colleges as well, generally submit to the matrix standards of independent advice and guidance, an external standard for careers guidance, which then requires them to put the processes in place to give effective careers guidance. Actually, colleges much more than schools are already judged on both their retention—that the student completes the course, and obtains the required level—and increasingly progression as a means of ensuring those outcomes for young people.

The direction of travel already in colleges is for independent advice and guidance, and also looking at outcomes for young people and reflecting that in their offer to people in terms of better information and being able to make more informed choices. The all-age career service is an interesting notion; we are very interested to see how that develops, but we are concerned about the funding for that system.

Q301 Chair: You have just picked up my next question. The all-age career service advice, telephone or online I believe from April next year: how do you see that developing and do you think it will be an effective substitute for careers advice that has been given so far?

Martin Doel: I think effectively you need both a push and a pull system in careers advice and guidance. The services being offered in the all-age careers service seem to me a demand system; the empowered consumer demands information from the system to make choices about the way forward. That may be effective in that regard and it has probably been funded to do so. In some places you need a push to more actively engage the young person, and sometimes older people, to push to them the opportunities that may be available and to open their eyes up to the mechanisms they can use. There needs to be a combination of this: push and pull. The pull element is well served within this system or potentially; I am more concerned about the push element, which formerly was delivered by Connexions, but there are concerns about the continuing funding of Connexions for those more difficult to reach young people and older people that perhaps need more active careers advice and guidance. Colleges are looking to provide that themselves through the matrix standards and put real effort into this area because they see it as core to their mission, but there is concern across the whole of the system as to whether or not that will be effective going forward.

Sir Peter Lampl: I just wanted to make a point more on your previous question. We conducted a survey a couple of years ago that showed kids think half of information, advice and guidance in schools is not worth it at all. There is a lot of dissatisfaction out there. Just as a corollary, we did a teacher survey along the same lines. Half the teachers said that they would not consider having their brightest pupils apply

for Oxford and Cambridge. There is a huge amount of resentment against Oxford and Cambridge out there amongst the teachers. In terms of where you go with this, you really want an independent careers service, I think. Part of the problem is the schools, but you want it in the schools. How it all works out I do not know. It has been a very difficult area for a long time, and to be honest we do not have the answers.

Q302 Chair: Before I bring in Dr Mary Bousted, on your comments about teachers' aversion to Oxford and Cambridge, what is your reading of the basis for that aversion?

Sir Peter Lampl: When asked they say, "We do not think they will get in because Oxford and Cambridge are pretty much biased against state school kids." This survey showed that three-fifths of teachers, the majority of teachers, thought the proportion of state school kids at Oxford and Cambridge was below 30%; it is actually between 50% and 60%. Their perception is that it is an incredibly elitist place that only privately educated kids go to, so that is the bottom line on that.

Q303 Nadhim Zahawi: Chair, just very quickly, just as a note, both Martin Doel and Sir Peter have offered bits of research and reports. If we could have them for the Committee that would be very useful, because you mentioned that you would supply them. Those sorts of things are very useful.

Sir Peter Lampl: Just coming back to the teacher thing: they do not think their kids are going to get in, because the place is biased against them, and if they get in, they do not think they will fit in because socially they do not think they could handle it.

Q304 Nadhim Zahawi: There is a massive perception gap?

Sir Peter Lampl: There is a massive perception gap.

Q305 Chair: There is obviously an issue around teachers on this, but certainly in terms of the social acceptance, there may be in a genuine issue there.

Dr Mary Bousted: Sorry, I have just got to say something there. Yes, it is my members that I represent here. I think it is really interesting that something is said that is critical of teachers and the level of animus in the room is really quite amazing. Rather than just "It's the teachers what done it", remember that teachers are responsible for greatly increased access of young people to university, particularly working class young people. You have also got to remember that teachers teach these young people every day, and many young people, particularly first time entrants into university, do not want to go to the distant spires; they want provision that is close to home so they can stay near their families. In fact, the University of North London has done quite a lot of research on this. So you can shake your head all you like. They have done the research that shows that it is not just teachers' perceptions of Oxford and Cambridge; young people have those perceptions as well. Now then, we want to change that. Of course we do. But you cannot just rely on teachers to do that. You have also got to rely on

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Oxford and Cambridge, and not forget all the other things that Sir Peter has said about admissions, about the sort of tuition you get there, about the sorts of people you meet. Am I going to meet somebody like me at the top elite universities? Are there going to be enough people like me so that I am going to be able to have a social life, so that people understand who I am and what I am like and my perception of the world? It is a very complex issue and the level of animus that comes up, when it is “Teachers what done it”, is ridiculous. It is not “Teachers what done it”; teachers do their very best. Teachers interact in a complex system.

Sir Peter Lampl: I completely agree with that.

Chair: You have raised a lot of feeling, and I will try to bring everybody in. I will just make a point, which to a certain extent underlines what you said. My own local authority of Sandwell, a Black Country local authority, has had one person in Oxford and Cambridge in the last five years. Hertfordshire, I believe I am right in saying, has had 1,500. That is just an astonishing gap and underlines all these issues you mentioned.

Nadhim Zahawi: Can I just clarify to Dr Bousted that this is a cross-party Select Committee; there is no animus. We deal with evidence that you provide to us that is very useful to us, so any sort of research that you can provide—and you have just quoted a piece of research—would be very useful for the Committee. Let’s not politicise a Select Committee that is cross-party.

Q306 Chair: This is a huge issue and there are, if you like, political protections of teachers involved as well. There is a genuine issue that we need to explore here. To a certain extent, there is an issue about teachers’ attitudes as well, but there are also big social barriers, and certainly there are views of aspiration and perceptions in areas such as those I represent about the nature of Oxford and Cambridge that would underline the point that has been made.

Peter Roberts: If my memory serves me correctly, Chair, you were asking about the all-age career service?

Q307 Chair: Yes.

Peter Roberts: In general terms, that would be welcomed because it gets rid of a number of the artificial divides that there currently are. The quality of the advice is the important thing, and that comes back to everything that the panel has said. It comes back to the point about whether somebody who is very bright and predicted nine A*s or whatever would be advised to do an apprenticeship.

Mr Ward: What we found from other sessions, which is my own view, is that there is without a doubt a gap in perceptions, but that does not necessarily mean that it is teachers that should fill that gap. There is no reason why a teacher should know about Oxford or Cambridge if they have never been there, but the same gap applies to manufacturing, engineering and industry and business generally. To expect teachers to fill the gap that we have identified is to ask them to fill a gap that they are not equipped to fill.

Q308 Chair: We could probably have another two hours’ discussion on this, but we want to move on and be a little more focused on some of the questions. Simon Kirby, you have been waiting patiently.

Simon Kirby: I have, Chair. I am very pleased we are talking about students choosing universities rather than universities choosing students. How do we make sure that students know which are the bad courses, where the poor teaching is, where there is a low chance of employment? OFFA are producing a key information set. What should be included to best inform those choices? How do we support the teaching staff so that they can provide the guidance and the information to students when sometimes they cannot see the wood for the trees, perhaps?

Peter Roberts: We did a little research on that, the college, in terms of the key indicators because students, as Martin said, come up through the notion of how many people start, how many people finish, and how many people pass—that is the key indicator. The number of hours that people get taught is an indicator, because we have had some students who have gone on to higher education who maybe have been taught for four, five, or six hours a week alone. I am not saying that is right or wrong; it is just a comment. It increasingly becomes difficult, but FE now has received for next year some employment funding, where we will be judged on students that get employment. That is quite important to students in terms of their chances of getting a job. Those are the three key ones, from my perspective.

Martin Bean: Building on what Sir Peter said before, I think what is really critical is that we measure performance of quality of institution based on study goal or study intent of the student. We need to be very mindful of simplistic high-level measures that may distort rankings or information, advice and guidance. There are many of our students who embark upon single or multiple modules or certificate-level attainment. Not everyone aims for an undergraduate level. Focusing on completion at an appropriate level and progression according to student goals is absolutely the right way for us to measure quality. The other thing I would say is that I think we need to listen to the students, so those students that are currently experiencing an institution’s quality of teaching or those who have graduated from an institution—

Q309 Simon Kirby: Can I just interrupt?

Martin Bean: Please.

Q310 Simon Kirby: One of the problems of quantifying your perception of the quality of your experience is that you have nothing to gauge it against. I will let you continue, but that is an issue, isn’t it?

Martin Bean: Yes, that is fair, but what you can evaluate is your expectations along certain parameters against what is being delivered to you. The National Students Survey does a good job at giving you enough granularity for you to be able to comment on the quality of what you are receiving, but your point is extremely well taken. My overwhelming advice is do not go for simple, blunt macro measures; break it down into what the study intent was for that student

and what the outcomes were for that student. Make sure that the student voice is exposed loud and clear to move, in the world of the web, from shopping recommendations to learning recommendations. There is something very powerful in that.

Dr Mary Bousted: I agree with that. There are ways of doing it. I was head of the School of Education at Kingston University for four years, and the Teacher Training Agency, which is the funding agency for initial teacher training, ran a very, very complex survey once newly qualified teachers had been teaching a year. It was looking back within the course of a year in the job on the quality of your preparation for the job. That is a good survey. The university cannot really influence the results because it is sent to the teachers in their workplaces. It really gave both universities and the system very good feedback. For example, newly qualified teachers will always say, "I did not get enough training in behaviour management." They always will, but there were really interesting things around equalities and special educational needs that were fed back into the system of training, which were then inspected on. So there are ways of doing it. In fact, we know that those surveys are used by prospective students in making choices about where they apply.

Sir Peter Lampl: I am going to pass on this one.

Chair: Simon do you wish to come back?

Q311 Simon Kirby: Yes, very briefly. There has been a focus in the environment of fees on salary expectations. Is that a fair focus? Should students be considering what they get out of it in fiscal terms or is higher education more than that?

Dr Mary Bousted: They will. The issue we really need to look at is the students who do not have middle-class parents to fund them and who fear high levels of debt, even though we know that it is not going to be debt in the traditional sense for paying back your loan. Those students will quite rightly and rationally be looking very carefully at value for money, particularly in the economic circumstances, where many graduates now are getting quite low paid jobs. I was talking to one at the weekend. She got a 2:1 in psychology from the University of York and an MA; she is going to do a job where the basic salary is £15,000 a year. She gets a London allowance of £3,000, so she is going to get £18,000 a year and she is saddled with massive debt. People are going to be looking at that, obviously.

Sir Peter Lampl: One of the tragedies of the new fees regime is that people are going to come out with higher debts, which means that they will not want to be social workers or teachers.

Chair: We are going to get on to that next.

Sir Peter Lampl: Sorry.

Q312 Simon Kirby: I am really interested in this point: is the perception of places like Oxford and Cambridge, which we spoke about, linked to the perception of the whole debt arrangement? Is it the same socio-economic group that has that difficulty—I have used the expression "seeing the wood for the trees"—understanding the reality?

Dr Mary Bousted: The perception does not quite take them that far. The question is not, "If I do a degree, where will I go?" It is "Is it worth while doing a degree?" That is the first order question.

Q313 Margot James: Can I just ask about the Aimhigher programme? What do you think its main benefits were? What impact do you see arising out of the closure of the programme, in the context of what we have been discussing of trying to raise the aspirations of students from lower socio-economic groups?

Peter Roberts: I can only speak of my perception, having worked in a number of local authorities, primarily in the north. The aims of Aimhigher were laudable in terms of trying to get people who traditionally had not thought of going to university to go to university. There were a number of very good and innovative examples where that took place—summer schools, visits and universities coming in—and I think it had a lot of success. The issue is one of how consistent that was across the piece, and I am not necessarily well qualified to comment on that, other than to say that my own perception is that certain areas operated more effectively than others. There is a danger that it will leave a void. We certainly have to make sure that that does not happen. It is a question of having a strategy that targets people, particularly in the schools. I keep coming back to my other point about there being adults involved in this equation as well. We need to make sure that we target adults who may benefit from going to HE.

Sir Peter Lampl: Can I just say a word about Aimhigher? We are very sorry that it has been discontinued, to be honest. I got involved in starting a summer school programme with Aimhigher when David Blunkett was education secretary. It was based on our summer school model. I think the summer schools are a fabulous thing. Our summer schools are for kids who are going to go to university, but we show them Bristol, Cambridge, Oxford, and those kinds of places. The Aimhigher ones were for kids who might not go to university at all, but just gave them an experience of university before GCSEs. It is a tragedy that they are all going to be discontinued, to be honest. We reckon that for every £1 we spend on our summer schools we get about £14 of value generated; that is just financial value to the student. This is because they realise much higher aspirations as a result of that. I think the HEFCE ones were very cost-effective too. As far as the whole scheme is concerned, I know about the summer school bit of the scheme, but all these outreach things are very cost-effective—mentoring and all that is all good stuff as far as we are concerned. We are very sorry to see it go.

Q314 Margot James: I have one supplementary to that. I agree with you about summer schools. LSE run a summer school and quite a lot of Russell Group universities do.

Sir Peter Lampl: We funded it by the way

Q315 Margot James: I did not know that.

Sir Peter Lampl: That is all right. Yes, there you go.

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Q316 Margot James: I wanted to ask whether you felt that is a good way of OFFA carrying on. With universities that want to charge the top fees, there will be an onus on them to widen participation. Could the institution of summer schools all across the country from the top universities be maybe a good way of meeting that responsibility?

Sir Peter Lampl: Yes, I think a lot of them will be doing that. What I am concerned about is that, again, you had a national scheme in Aimhigher, so you will have each university responsible for doing some outreach, so by its nature it is going to be spotty. It is not going to be consistent across the whole system. I agree with you that there will be some good things. We are getting a number of requests to work with universities to set up summer schools at this point.

Peter Roberts: My only supplementary to that is, would the universities target people who had not traditionally thought of going to university, or would the summer school just be for people who were coming to them the following September? There is a big difference between those two.

Sir Peter Lampl: The summer schools have got to be targeted. They are not for people that are coming; they are for people who would not go otherwise.

Chair: Thank you. Can we move on now to the impact of tuition fees? Again, some comments have been made on this already, so please do not repeat them. I will bring in Rebecca Harris to kick off this area.

Q317 Rebecca Harris: It is a very simple question: will the rise in tuition fees affect participation and in what ways?

Martin Doel: I do not know. The reason why I say I do not know is because, as has been discussed earlier on, this is as much about perception as about reality. When you are dealing with perceptions, understanding how those perceptions are being received is very difficult to predict. You can see all logical conclusions or consequences upon people's behaviour here, but I honestly do not know. I do not think anyone knows. You would perhaps say that people with a closer eye to value for money would be looking to reduce their risk within the system. If you are studying closer to home, you are reducing not just the tuition fees by studying at a college but also the maintenance costs in so doing. People will perhaps be looking at more part-time routes to higher education or put off altogether. I honestly do not know, but I do know that there needs to be some very effective communication about the offer, the consequences, the real consequences, and people understanding what that offer is, and I do not know whether that has been communicated as effectively as it might have been up until this point. That is the concern. We have concerns about how it may affect behaviours here, but I honestly do not know.

Sir Peter Lampl: I would probably disagree with that. There have been some surveys. We conducted a survey last year amongst school children: "At various levels of university fee, would you go to university?" Above £6,000, close to half of them said, no. If you look at kids from less privileged backgrounds, they say no more often than kids from privileged

backgrounds. There was a survey on Thursday of last week done by High Fliers, who interviewed students in their final year at 25 of the most selective universities; these are kids at Russell Group universities. They asked them, "If you had to pay £9,000 a year, would you have done that? Would you have done that course?" About 50% said they would not, and for kids from comprehensives it was 59%.

Q318 Rebecca Harris: And when the actual financial arrangements are explained to them about the rate at which they repay?

Sir Peter Lampl: Whether explained or not, that is what they perceive to be the case. They just know that there is going to be £9,000 a year tuition fees. I also probably differ with most of the people in this room. I actually think this is real money. This is real personal debt. We are looking at this right now. When you want to buy a house, you are going to have, whatever, £40,000 to £50,000 debt. I agree it is a contingent debt that you pay back when you earn over a certain amount, but I still think it is debt and I personally would not want to have it if I was a student graduating. If I am going to go to Goldman Sachs, I can pay it off in a few years, but if I am going to be a teacher or a social worker it is going to take me 20 or 30 years to pay that debt off. I think this is real money.

Q319 Mr Binley: What about small business men? I am hearing an awful lot about teachers and social workers and people who work in the state sector, but there is a whole sector out there that in fact does not get paid £15,000 a year that is struggling below that. I just wonder how we work with those a little more.

Martin Bean: I think that is where, as I talked about before, part-time provision for working adults has to be something that we have got to protect. I will give you a great example of one of our students who started a family business—a small business, a car battery company. Cars are getting better. He saw that the business was declining because you do not have to change the batteries as much. The day his dad retired, he graduated from the Open University and began a year in computing. In the absence of part-time provision for him to be able to earn and learn and retool as a small business operator, he would have been stranded and we would have had somebody else displaced in our community.

Coming back to the question that you asked, there is a tremendous amount of uncertainty, which is why we have got to make sure that we do not lose those discretionary funds that we have at our disposal—the £372 million widening participation, the part-time premium. If those funds did not exist and we suddenly had much more of a backlash of aversion to the increase of debt loads or fee aversion, then we would really be in trouble, because we would lack the very mechanisms that we needed to be able to continue to stimulate provision.

Dr Mary Bousted: I agree with Sir Peter. I think this is a real debt. If you are a teacher, all teachers earn over £21,000. To replace the teaching stock, you need about 40,000 to come in every year to do teacher training. Your starting salary is just over £21,000. That

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means you will be paying back the debt with a graduated rate of interest, so the debt you will be paying back on a modest salary over the years will be proportionally greater than if you are below £21,000 or if you are earning an awful lot and you can pay it back more quickly. That is combined with the stopping of incentives to be a teacher—the stopping of bursaries and the stopping of repaying your student loans—in the context of a situation where the TDA is not getting the numbers it needs to teach, particularly in the STEM subjects. Particularly in physics, chemistry and maths, you are not getting the numbers of teachers in either to provide specialised teaching or to replace the numbers that are being lost through retirement. That is in a situation where many children are taught maths not by specialist maths teachers—they are teachers who have retrained. So there is a real issue. Browne said we need to give extra help to medicine; one of my asks is we need to give it to education as well. We need to do that.

I would say one more thing as well. The research from the University of North London—done quite a while ago now, but I do not see why it should have changed—shows that it is the perception of debt that stops the poorest young people who are able going on to university. This is real debt; you do have to pay it back. If you think of the graduate premium—£117,000 for the individual—if you have got £50,000 worth of debt, you are halving your graduate premium. It is okay the Government saying, “Go to university and you will earn this much more over your lifetime”, but that is being halved by the level of debt that you are in.

We are in uncharted territories and I expect that if this Committee meets in two years’ time, the offer from universities may be much narrower than it is now, particularly in the new universities. Even in the Russell Group, are you really going to be spending £27,000 over three years to do film studies? Are you really going to be doing that? So the offer may be much narrower and there may be a real skewing of the sorts of students who do the full-time undergraduate courses. Now I agree that part-time provision is really helpful and I do think the proposals about providing funding for part-time provision are very helpful indeed. I do think there are issues about living costs for part-time students—and we have put this in our evidence—particularly with the economic situation, with hours being cut and with wage premiums standing still or reducing. So I think there is an issue there, but I think the part-time funding for courses is helpful. But the key thing is that we do not know and the other thing is that the Government does not know.

Q320 Rebecca Harris: Can I just ask if anyone else wants to comment on the changes to part-time funding?

Peter Roberts: The issue for me is with a point that we alluded to earlier, and that is that there is a danger that the HE relationship with the further education colleges could suffer as a result of the changes. But having said that, I think there is an opportunity for further education colleges to deliver degrees if we are allowed to deliver degrees. I think the fees question is broader than just the HE side of things, because I

think there are things happening on the further education side of fees, again with regard to part-time adults. I will quote the example of Access to HE. That arguably will also become income-contingent loans. You could have people having to take out loans in order to do an access course in order to go on to HE in order to take out further loans. It won’t happen.

Martin Doel: To echo Peter’s point, I think the issue of FE loans is around the corner. It might be something for the Committee to look at in the future, because I think this is a really significant issue upcoming. On part-time, the only thing I would say is that we are very supportive of the move towards supporting part-time provision more. Colleges are ready to do that; it is what they do and they do well. But I think there is still some uncertainty about the conditionality and how it will work. The circumstances in which adults undertake part-time studies are more complicated and do not have the UCAS filter in quite the same way as access to full-time loans have and the conditionality around it still needs to be worked out. Portraying that part-time offer directly to students and support is difficult to do currently. We need some greater clarity for what the conditionality will be.

Q321 Rebecca Harris: Would you envisage greater take up of part-time courses?

Martin Doel: Well, subject to my initial comment, I just do not know. But yes, logically and sensibly, I would see that being something that would be set for growth. What I think we do need to do is put the other conditionality around this in place, particularly about the numbers and who controls the numbers within the system, which is the point I made earlier about indirect funding for colleges and universities having the franchise numbers and handing them out to colleges. If part-time numbers are conditioned to the same numbers control, then I do not think you will get the growth in this area. We need to better understand how numbers and liability for loans will be controlled within the system to understand how all of this will work in the future.

Martin Bean: Chair, I would like to send through the research that I talked about that HEFCE Ev . has on the extra costs associated with part-time provision and the current support of those, because absent of that support you may well see a decline across the sector. I will send that research through afterwards as well.

Q322 Rebecca Harris: You said that some courses may just simply not be desirable any more in terms of value for money and whether students feel they are going to be paying off in the future. What changes do the panel think they might see over maybe the next 10 or 20 years in what universities offer? Do they think we will be seeing some courses dying away? Perhaps, as Sir Peter was saying, students will demand broader courses, like you would like to see, to make them more employable. I know we have already talked about the credit transfer model, so it is really about what changes you think these alterations in the fees arrangement could bring in to universities in the future.

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Sir Peter Lampl: I think the East Londons, the South Banks and the Liverpool John Mooreses of this world are going to struggle in this new environment of this level of fees. You quoted a figure of £117,000 as the graduate premium. I am not even sure that is right; I am not sure it is that high. But that is an average number. The Oxbridge number might be £500,000 and then you go to some of these other places it is much lower. I think you are going to find that particularly those that are what I would call recruiting universities that are getting kids in from poorer backgrounds are really going to struggle in this new environment, because we have cut the teaching grant to 10%. We are the only country in the world that is there. We are totally out of line with the rest of the world.

We did some analysis of the average debt American university students come out with after four years. People think American universities are incredibly expensive and everyone thinks of Harvard and Yale. That is not the reality. The reality is most American kids go to their local state university and they are heavily subsidised. The average level of debt—and we have got two different sources for this—is around \$22,000, that is £15,000—after four years. Our kids are going to come out with £40,000-plus after three years. Okay, you can argue it is not real debt, but it is still there. I think it is real debt. We can debate that. I think we are totally out of line with the rest of the advanced world here. I think it is a very dangerous situation.

Q323 Rebecca Harris: Do you think courses will change, though, as a result?

Sir Peter Lampl: I think the Liverpool John Mooreses and the South Banks of this world will find it very difficult to survive in this new environment. I really do. I just do not think students are going to go in there and pay those numbers. Okay, they can reduce their fees, but they are not getting any subsidy for their courses. They have got to cover their costs. Everyone is saying, “We have got to charge these fees because we have got to cover our costs because we are not getting any funding from the Government,” effectively. So you have got a real problem in those places.

Martin Doel: I share the concern about the breadth of courses on offer; the market is an imperfect mechanism and it needs to be managed effectively to deliver that kind of breadth for it to be seen as a public good to follow courses that do not have a direct relationship to economic prosperity. To put a more positive spin on this, my point earlier on about colleges being in a contestable market has driven a degree of innovation and efficiency into the way they do business, towards mergers if necessary, or to moving into niche provision that they can deliver cost-effectively. Looking from the outside in—and I would say this from the outside in—I do not see that same degree of behaviour applying in some of the universities, to look at their cost base, the way in which they do business, who they respond to, who their customers are and how they focus their activities in that way.

Interestingly, I would also say that Peter’s point earlier on about colleges serving a locality—being of the

place—does not apply in the same way to universities. Therefore I think there will be more room for universities to go to the wall without loss of overall provision within the nation because they are perforce normally sub-regional or regional players and provision can be picked up either by other universities or by colleges in the locale. So I do think you are going to have a more contestable market. My concern, if I have to say, about some of the universities setting their fees at £9,000 is that they have just substituted one form of income for another and are not attending to the efficiency within their own organisations in the way we would perhaps say was necessary to do.

Q324 Chair: We are only just over half the way through the questions and we have only got another 45 minutes, so could I just say please be brief and disciplined: comment only if it is really something you feel that you have to say.

Dr Mary Bousted: Very quickly, we do not know, but my guess would be that there will be far fewer humanities courses. I think that will feed through into the need for a broad and balanced school curriculum. Sir Peter was talking about a broad and balanced school curriculum where you get the graduates to do that. Contestability and competition has its place in the system, of course it does; it is very important. But this level of uncharted territory that we are going to—that the market will just decide what the shape of higher education provision is—first of all is very temporal to what we need now; it is not future-looking. It is very difficult for individuals to future-look into what sorts of qualifications or degrees they will need in a few years’ time, so it is very temporal. And secondly, we do not know. We can only guess.

Q325 Simon Kirby: Back to access, I am afraid. Is Simon Hughes MP doing a good job in his capacity as advocate for access to higher education?

Sir Peter Lampl: I met with him last week and I think he is doing a good job.

Q326 Simon Kirby: Okay, perhaps I can ask what conversations or discussions have you had with Simon Hughes? That might be perhaps a slightly fairer question.

Martin Doel: Simon has conducted a wide range of visits to colleges—Cornwall College, a range of colleges in the Midlands and across the country, Solihull College—looking at the EMA issue first, because this is a through-life approach, if you like, to higher education and education generally. We have been pleased with the engagement that he has had with students, most notably, and also with staff within colleges. We have been reassured by that level of engagement. Whether or not that effectively then translates into policy we wait and see, as ever. But we have been very pleased with the engagement and the way in which he has got round to talk to colleges and their students directly.

Q327 Chair: I do not want to pursue this one. It would appear that he is actively engaged. We are awaiting the outcome.

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Simon Kirby: Can I just ask the Open University, have you enjoyed a similar level of engagement?

Martin Bean: Yes. I will be brief, Chair. We have had a couple of very good discussions with Simon. He was particularly helpful in getting the National Scholarship Programme, which started as being £150 million for bright young people, extended for people across all the ages of their life and stations in their life, which was very helpful. He certainly has listened well to our arguments about the need to preserve the £372 million of widening participation funding.

Q328 Mr Binley: How much is the educational establishment responsible for the mess we are in? Lack of creativity? Lack of getting out there and changing things? Or am I talking like a businessman?

Dr Mary Bousted: Well it is not a question that makes much sense.

Q329 Mr Binley: It does to a lot of people out there, let me tell you. Please do not dismiss it quite like that.

Dr Mary Bousted: Sorry, I was a bit too dismissive then, because I did not mean to be rude. It is a difficult question to answer, because it is the perception of a lot of people. Let's just be clear about the education system. We have one of the most highly regulated education systems in the world. Schools do what they are chartered to do by Government. We have a national curriculum, which is yet again being changed, apparently once and for all and for ever, but Governments like to think that they are going to change it for ever and they never do. Our children and young people are the most highly tested. We have the most highly regulated inspection system. Schools perform to a multiplicity of centrally imposed targets. This Government is saying that they are doing less, but this Government is highly contradictory in saying it is promoting localism and autonomy for schools and actually being incredibly centralising—the Education Bill is incredibly centralising. So in effect, the educational establishment does what the Government—the powers that be—tell it to do. So it is not sensible to blame an educational establishment—

Q330 Mr Binley: I did not blame anybody; I asked you a question.

Dr Mary Bousted: Well the question presupposes a level of—

Q331 Mr Binley: It does not at all. I asked you a straight question.

Dr Mary Bousted: Well the way it is phrased—“Is the educational establishment responsible for the mess we are in?”—in my view is not quite value unloaded.

Q332 Chair: This is a very broad question, which could well form the basis of a seminar that would go on for a very long time.

Mr Binley: It is a broad question that leads into the questions I need to ask, Mr Chair.

Chair: Well I want to bring those in very quickly.

Sir Peter Lampl: Which mess are you talking about?

Mr Binley: Well I think there is a general view that education has not succeeded anywhere near as well as

it ought to have done over the last 40 or 50 years in this country. You have been stating that, in fact, when you have referred to other nations' educational abilities. So it is as simple as that.

Sir Peter Lampl: On the tuition fees specifically, I think the position of the university vice chancellors and Universities UK was terrible. They just rolled over.

Q333 Mr Binley: It is a much wider question. Let me go on to my questions.

Chair: Yes, I was going to say, I do not want a wide-ranging question, because we will never get on to the other questions that we need to ask.

Mr Binley: I thought you would enjoy meeting the challenge; I am rather saddened that you have not done. Let me now continue. Are you comfortable with the development of sponsored degrees, such as that offered by the University of Durham and KPMG?

Martin Doel: Entirely happy. Part of the problem I think has been colleges responding to the needs of business and students and moving with the times. Many colleges respond with foundation degrees to particular employers: Sony working with St Helens College on composite technologies and semiconductors; that is a precise product produced for that particular company. It has been very successful in upskilling the company and the employees and increasing their productivity. I think it is a wholly worthwhile development, but I do not think it is everything and there must be range for those broader, traditional offers. But I do think the potential to deliver in that way is incredibly important. Going back to your earlier question about whether there is a mess, I think you would have to say, is there a mess? Which educational establishment are you talking about? There are various establishments and there are various sorts of messes.

Mr Binley: I understand that.

Martin Doel: But I have to say, in the further education sector—and I would say this, wouldn't I?—perhaps because of some of the strictures we have been put under and some of the contestability, we have had to get our act together, particularly over the last five years. We have done that, particularly to work more with employers to understand employers' needs, to understand students' needs and to respond to them. Employer-facing degrees are only one example of the way in which you can do that, and I think the ones we want to look to in the future.

Q334 Chair: We are going on to the role of HE in FE in a moment.

Peter Roberts: I would support that view, with the addition that the credit accumulation transfer scheme is really important in that, because what you want to do is to be able to offer bits of qualifications as opposed to necessarily all the qualification. What we may have, to continue your analogy, is the notion of what if KPMG wanted us to do that module, that module and that module, but not all 10 for a certain individual? One would still want that to be a valuable qualification at the end of it.

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Q335 Mr Binley: That leads on to my second question, so you might be able to join these two together. Should the academic sector feel fear from a close relationship of that kind?

Martin Bean: I think the KPMG announcement with the University of Durham is fantastic. It is a little bit of back to the future. In the Department for Education Bill Committee we talked a lot about this notion of earn and learn. This notion of practical experience while you get the theoretical is incredibly highly valued by employers and I think is something we should celebrate and stimulate moving forward. At my own university, 10% of our students have full or partial fees paid for by their employers. The CBI estimates that somewhere around £18 billion of plc money a year is spent on training. Wouldn't it be fantastic if more of that money made its way into our higher education and further education system to help offset the debt loads and the fees that we have been talking about? Now it does raise an interesting question for the Committee, and I would like to give you a recommendation, if I can be so bold. That is, one of the open questions is should we allow for off-quota funding? Should we allow students to participate in higher education who are not going through the Government loan programme? My answer to that is absolutely, because otherwise what you will do is lock out all of those wonderful additional funding streams that we see through employers that need to make their way in. I have to tell you, I do not see terribly much wrong with graduating six years in with six years of work experience with something that is meaningful for your career and life without debt.

Sir Peter Lampl: I am totally for all this stuff. I think you should get a lot more commercial involvement in higher education. Obviously it is much bigger in the States than here.

Q336 Mr Binley: Of course. You now know what I mean about creativity and thinking outside of the restricted area of activity that it seems to many the educational establishment has got itself stuck into. That was the whole essence of my question. I hoped you would rather meet the challenge in a more robust way. I think we have had the answer to this again and again. Would a move towards a more part-time and module-based provision of HE mean that we need to rethink what we mean by degrees? The answer is clearly yes. You have said it on a number of occasions. Should employers be encouraged to think differently about what they mean by graduate jobs? You have touched on that too, it seems to me, given your answers. But if you have not, I would be grateful to hear from you.

Peter Roberts: Just a supplementary going back to your earlier question, in case you feel that we were not robust enough, one of the issues with regard to modular in colleges was we were not allowed to offer modular HE quals and yet they were in universities, so that is not necessarily a mess of our making.

Mr Binley: I understand that.

Martin Bean: Very briefly, coming back to link with Rebecca's question before, we have modules that are called openings courses that are 15 point courses that are completely designed to allow access for people

that may not have considered or think they are capable of surviving in higher education to get started. Those courses not only will teach you the subject—psychology, law, managing children—but will also give you valuable study skills and ICT skills for you to survive. So those are the types of programmes that at a modular level can do the very thing that we need to make sure people can ascertain their level of desire and willingness and ability to succeed that are very vulnerable if funds like the £372 million widening participation go away. It is those types of modules that we often overlook that are incredibly successful. We have 18,000 students studying our openings programmes right now.

Q337 Mr Binley: Can I just have a final point? Dr Bousted, it is noticeable that you did not comment on any of that other than your opening remark.

Dr Mary Bousted: I think those questions are really around higher education provision.

Mr Binley: No, that is a fair answer.

Dr Mary Bousted: If you would like me to comment on anything particularly I am very happy to do so.

Mr Binley: I think you are a part of this whole education establishment, and I want you to begin to think differently.

Q338 Chair: Quite a lot has already been said about the next section, funding for widening participation, so I would ask you not to repeat it, but can I bring in Paul Blomfield, who has been waiting patiently there?

Paul Blomfield: Very specifically on the funding aspect of widening participation, I think you said earlier, Sir Peter, that all work in this area is useful?

Sir Peter Lampl: I did not say that, no. If I did, I misspoke. Yes, it is a very high return activity. We have evaluated a lot of these schemes and they are very high return.

Q339 Paul Blomfield: I am guessing—and I have read a lot of the work of the Sutton Trust—that some is more useful than others, because you have done that evaluation. Where do not only you, but other members of the panel, think that resources can be most effectively deployed to achieve the best return in terms of widening participation? For example, there is evidence that a lot of the focus that there has been on bursaries does not actually make a critical difference.

Sir Peter Lampl: Yes, the research we have done says bursaries are a very poor way of using money to try to widen participation. We are not very happy about the National Scholarship Scheme spending £150 million a year essentially on scholarships and bursaries. We do not think that is a good use of money. I would rather see that £150 million spent on the kind of stuff that Aimhigher was doing, which is funding summer schools and outreach programmes and all that stuff. So we would like to see a national programme along the lines of Aimhigher and clearly the universities need to be doing a hell of a lot more. That means a much stronger OFFA, in our opinion, that is going to make sure they do spend what they are supposed to, which is about 25%, I think, over £6,000 on widening participation and then I think people like us—charities and private people funding. We have got

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private people funding a summer school at Cambridge and stuff like that, but I think a lot more of that can be done. There needs to be a lot more fundraising from private sources for outreach. People like to give to that kind of thing. It is easy to raise money for a summer school. That is our take on it.

Q340 Paul Blomfield: Certainly, having talked to kids who have been on some of those summer schools, they have been absolutely transformational.

Sir Peter Lampl: Absolutely.

Q341 Paul Blomfield: But I wonder if that view is shared by other members of the panel?

Martin Doel: We have some reservations. We are pleased £150 million has been found for the National Scholarship Programme. We are concerned at the speed at which that programme has been put together. We are also concerned that it is going to break down into 100 different schemes, effectively, with individual universities running them, which does not seem to us to be something that is going to be persuasive to someone who is doubtful about continuing education. We are also concerned in regard to the National Scholarship Programme that you can only access the scholarship after having applied for a place. The problem might be you are not applying for the place. So I think I share some of Sir Peter's concerns about outreach activity and national schemes having an important role to play here in addition to the National Scholarship Programme. We are pleased, however, that the Government has undertaken to review the National Scholarship Programme as it goes and learn the lesson the first year round to see if it can be more effectively targeted and used. We would actually say, I think, that schools and colleges, having identified young people who might benefit from additional support, might be in a good place to work with those young people directly, rather than the universities themselves holding the funds here, but that is something to discuss in the future.

Martin Bean: Our experience has been that there seem to be three broad areas for widening participation and success. Number one is clearly just making sure that you can serve that part-time cohort; I will not go into any more detail. Second is students with disabilities. We have 12,000 of them with declared disabilities; without that funding being there to provide the sorts of accommodations and extra use of technology and know-how and inclusiveness for people with disabilities, we would wholesale lock out a very large and meaningful percentage of our population.

The third area is in embedded community partnership programmes. By working with the not-for-profit sector in communities through the use of programmes like our openings programmes to give people access to higher education that, for whatever reason, they normally would not have participated in has been very successful. On the National Scholarship Programme, we understand that during the first year, the flexibility in the programme will be there to continue to use those funds in addition to the £372 million to act in meaningful ways for enrolling people at a modular level to get them started. What we also like about it

is we think it gives us an opportunity to match funds with employers—so, going back to the point that was made before, to get a matching of employers that want to engage around it as well. The big fear that we have about the National Scholarship Programme is that that same level of latitude may be dried up in the out years, so we think it is important that it stays from a widening participation perspective, or we give £150 million on the one hand, allow the £372 million to evaporate on the other, and have a much smaller amount of widening participation funding going forward.

Peter Roberts: The only thing to add, from my perspective, to what has been said is the notion of widening participation cannot ignore access into HE. I think sometimes there is a big divide between what we want to happen in HE and what we do to allow it to happen prior to HE.

Q342 Paul Blomfield: Specifically on that point—and it might have been covered by some of the Sutton Trust research—I wonder if there is evidence to suggest that money deployed earlier would have more impact in raising aspiration and ambition among students in schools. A lot of the focus of university work is at kids at the age of 15 and 16. Any thoughts on that?

Sir Peter Lampl: Our view is that it makes sense to intervene at all stages. In fact, you can effectively intervene at 17, which we do with our summer schools. Then we have programmes that get primary school kids—10-year-olds—to visit universities. Then of course we have got early years programmes as well, which is pre-school stuff. Our view is that you can intervene effectively at all stages in the process. Then we have got stuff going even further, which is access to the professions—we have got a big scheme on access to law—which is even later, if you like. Our view is that you can do it the whole way. You could argue that maybe younger is more effective, but I think you can do things effectively at older ages as well.

Dr Mary Bousted: I think that is right, but for the most disadvantaged young people, going to university is a cultural issue as much as an academic issue and an attainment issue. It is: "Is a university a place where somebody like me goes?", so the earlier you can intervene to say that universities are for people like you, the better. It is very interesting that disadvantaged young people are disproportionately on education courses, because the professionals they have seen and worked with are teachers. So it is a case of "Teaching might be something for somebody like me, because I have been taught by teachers who like me and who think I am good at doing something." It is about familiarity and it is about believing that you are the sort of person who should be in a university. I think you have to understand that for people who have not had traditionally privileged, affluent or middle-class backgrounds, there is always the thing of the tap on the shoulder and, "What are you doing here?" It is something that has affected me quite a lot in my life: "What are you doing here?" So the answer is, "Well actually, I am here because I should be here."

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Q343 Paul Blomfield: In the debate in the House last week on higher education, a point was made about the fact that a lot of the onus in the debate has been on using a proportion of additional fee income for funding widening participation work, and that what we were saying was that students themselves in the additional burden they were facing with increased fees were funding work that should be a core commitment of public funding. Do you have a view on that? Is it right that students should be, through the additional fees, paying for that work?

Sir Peter Lampl: They are effectively paying for that work because they are paying additional fees?

Paul Blomfield: Yes.

Sir Peter Lampl: I do not know. I think the additional fees are totally out of line, so I am going to come back and say it is wrong they should be funding that.

Martin Bean: I think everybody in this room and beyond has an obligation to make sure that the funds that are currently invested by the state in widening participation are preserved and protected and used for meaningful outcomes, and that the vast majority, if not all, of the fees that students incur for themselves go into the quality of the teaching experience and the return on the investment they will be taking in having those loans assessed against them.

Dr Mary Bousted: I think that is particularly important when we really do not know how the impact of the money for widening participation through student fees will be evaluated and what effect there will be on universities if it is not successful. So I do think it is right, but I think Sir Peter is absolutely right; students should not be paying for widening access. The state has a responsibility to ensure that higher education is open to those who have the ability and aptitude for it, and should be funding programmes that enable that to happen.

Peter Roberts: Regarding pastoral systems, further education colleges and indeed the better universities should all be part of the same fee, as far as I am concerned.

Paul Blomfield: I think the general consensus around that question has taken away the need for me to ask the next ones.

Chair: Again, we have covered a fair proportion of this, but Margot, do you wish to come in with your question to Sir Peter on the Sutton Trust scholarship programme?

Q344 Margot James: Yes, thank you Chairman. Will the National Scholarship Programme in your view help to attract students to apply to university who would not otherwise have done so?

Sir Peter Lampl: Yes, it will attract some, but I do not think it is in any way a cost-effective way of spending £150 million.

Q345 Margot James: What would your recommendations be to improve it?

Sir Peter Lampl: I would focus not on scholarships but on outreach activities—on funding summer schools and mentoring programmes. Universities can all do a hell of lot more of that; £150 million can be spent very quickly doing that. What was the Aimhigher budget? About £120 million, I think. So it

is similar in size to the Aimhigher budget on an annual basis. What we have done is taken away the Aimhigher funding—we did not evaluate it independently, but I think it was very effective overall—and we have substituted the National Scholarship Programme. Not just us, but other people have looked at it and even Martin Harris at OFFA said you do not attract students by giving them a £3,000 scholarship. He is the head of OFFA. We do not think it is at all a useful way of spending £150 million a year. That is our bottom line.

Q346 Chair: Just before I bring in Martin Doel, there is a sort of contradiction that I can see emerging. First of all there is an argument that increased tuition fees are a major disincentive to people going to university, but secondly, that giving bursaries, which you would assume would mitigate the impact of the tuition fees or in some cases virtually eliminate them, are not an incentive to go. Now those do not seem to me to be totally consistent.

Sir Peter Lampl: They are not consistent. You are right; I agree.

Q347 Chair: But you still stick by them?

Dr Mary Bousted: The issue about the National Scholarship Scheme is—I think the NUS gave very good evidence about this—you have to apply to a place; you do not know what you are going to get. As Martin has said, there will be 100 different systems of application; it will be very complex. I think the issue is that for these systems to work, there has got to be much more transparency and much more knowledge of what you are going to get in order to make the application. Remember, the biggest cultural hurdle is to make the application and if you do not know what you are going to get, you do not know how you are going to get it and you do not know how to apply for it, the more there is a lack of transparency around these things, the more they do not feel to be real and tangible. Again, “It is there, but it is probably not there for me.”

Sir Peter Lampl: The point I think you were making was that we are all arguing these fees are not a deterrent, which I do not believe, but that is the official argument. We are saying that if we give kids a little bit of money so they do not have to incur such high costs, it acts as an incentive. That is where I see the inconsistency.

Q348 Chair: Yes. We do not know yet and it may be that this argument has to be debated further once we do see the sort of bursary levels and so on that are being offered, but it does seem to—

Sir Peter Lampl: Well they are going to be small amounts of money in relation to the whole package that students are going to pick up in terms of debt. They are going to be £1,000 or £2,000 sort of numbers.

Q349 Chair: So you think they will be ineffective in combating the real debt levels and the perception of the debt?

Sir Peter Lampl: Absolutely.

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Martin Doel: I do think, talking about how it might be improved in the future, Margot, one of the areas we might look at is trying to join up some Government policies here. The Discretionary Learner Fund, which has just been agreed as the EMA replacement, seems to me to be something that ought to be joining on with this National Scholarship Programme in a sensible way, for one to reinforce the other or to build out of the other. The fact that they have been delivered in two separate ways does not seem to me to be necessarily the best way to do it. How that would work I do not know, but I think it is something that is certainly worth investigating, particularly on the point that Mary made and I made earlier that knowing what support you are going to get before you apply or getting support ahead of the application is as important, if not more important, than the support you require after you have made an application. You have already made the commitment to incur a level of debt, which I think goes to your point, Chair, about why the two things do not connect precisely. So I think timing is important and joining up support to 16 to 18-year-olds generally would be an interesting way to go here.

We have the difficulty here where if you want to do something, you have two Departments running it. The Department for Education is leading on the Discretionary Learner Fund, and although Department for Education staff were involved in constructing the National Scholarship Programme, the Department for Business, Innovation and Skills is leading on it. There will always be discontinuities in this situation. I think we just need to make a really determined effort to look holistically at the behaviour of 16 to 18-year-olds and what is likely to shape their behaviours better, and also take up Peter's point, which I know we could make about adults as well, and how you support them after 19. We have some very hard lines around this that correspond almost with Government departmental boundaries, which are artificial to human beings and where they make choices in the system.

Peter Roberts: Just a plea rather than a recommendation: a plea for simplicity. As someone who runs a large urban college with over 50,000 students, we have got bursaries, we have got fee waivers, then we have got the National Scholarship Programme, and it is a question of sometimes we do not necessarily know which way to turn for the best. It comes back to your earlier point.

Q350 Margot James: We have touched on this area before, but I wondered if the panel had anything else you would like to say in terms of what specific measures you would like to see universities who do charge £9,000 or thereabouts a year have to put in place in order to meet the widening participation criteria. We have seen Aimhigher going and you are all concerned about that. What would you like to see universities do as the quid pro quo that is going to be required of them?

Sir Peter Lampl: I think they have got to pick up from where Aimhigher left off. Every university should be running a summer school, in my opinion. They should all be running summer schools. We run longer term interventions for really deprived kids, where we work

with them over a couple of years, and we have got summer schools and mentoring. We have got stuff going on with Exeter and Leeds, and there are a lot of longer interventions they can do to really get local kids from poor areas into their universities. There are lots of schemes that we have done over the years that they can pick up and can be scaled up. All that needs to happen.

Dr Mary Bousted: It cannot just be left to the universities. At the moment, it is going to be left to the universities to decide how successful they are about widening access and what measures they should need to take. If we say that widening access is important and if we know what we know about rates of access for disadvantaged pupils and young people, then we need some national benchmarks and some national criteria that universities are going to have to be able to be answerable to. If they are just allowed to do it for themselves, then they are clever people; they can make up loads of stories. I noticed in the Russell Group submission to this Committee—which got me really cross—it said that the number of young people from the lowest socio-economic groups had increased by 20% between 2006 and 2009. Well I have loads of questions about that. From what basis? How big are the figures? You can create narratives around widening access and participation, which universities can do very well, but what you really want is some rigorous evaluation and to have that rigorous evaluation you need national benchmarks. Then you can start comparing like for like.

Sir Peter Lampl: What you need is a really strong OFFA that is actually going to police this, because it does need to be policed.

Chair: That goes back to the point you made earlier, and of course we will be having OFFA in front of us.

Q351 Paul Blomfield: I am conscious that previously OFFA has signed off university access arrangements that were more about marketing than access in terms of rewarding students who were applying for shortage subjects or with high A-level grades. Do you think those arrangements have any place at all in the role of OFFA?

Martin Doel: I think the debate has moved on. I do not think those are priorities for the future.

Q352 Paul Blomfield: So you would be surprised if anything along those lines was signed off by OFFA in the future?

Martin Doel: Yes.

Q353 Chair: Right, I come to the concluding question. Now I am conscious that this could provoke another seminar-type discussion, so I would ask you to confine yourself to one or two main points. What would you want to see in the Government's higher education White Paper?

Martin Doel: Only because I have been aiming throughout to try to get to this point, Chair. Without prolonging the debate, in order to have a responsive market, some of the market control mechanisms need now to be revised. If you are going to have funding following the learner in a system, that makes no sense if the numbers are controlled by the universities.

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Colleges can have direct numbers, but even if they have direct numbers they have to seek a validating partner, and that validating partner has no cap on what they may charge for the services that are delivered and that service delivery can be removed, though we are in very useful discussions with the likes of the Open University about a broader validation.

More particularly, colleges receive some of the numbers on a franchise basis from universities. In the situation emerging now, for quite understandable institutional self-interest reasons, universities may withdraw those franchise numbers from colleges, which, as we have discussed this morning, are more likely to produce the innovative, flexible, part-time type of offers that they do working with employers. So you are going to have the method by which you might broaden participation, but in a more cost-efficient way, being removed, unless we get some control over this numbers control issue. So how do you control numbers and liability for loans but allow the market to move towards more cost effective, innovative and flexible providers? I think the White Paper needs to say something about that issue in particular.

We are very taken with the opportunity fund that is now being discussed around a core and margins issue, where there is a core of numbers that a university or college has, perhaps taken on a historical basis—we would say go back two years to about 2008—then you get 90% of your numbers on a core basis and compete for 10% around criteria that might be attached to affordability, relevance, employability skills and flexibility of provision. Whatever the criteria, it is obviously important that it gives the ability to the Government to manage the market currently, while there is not enough money to meet uncontrolled demand within the system. So having this market operate in ways that colleges are empowered, either as consumers of validation services from universities or through the ability to deliver their own validation, but having the ability to release the potential that colleges have to do more around higher skills and more flexible provision seems to me to be the core of what we are looking for from the White Paper. It is not for special protection, but it is allowing colleges to compete effectively to do what they do well.

Q354 Chair: That is a good pitch. Can I come on to Peter Roberts now?

Peter Roberts: I am a little bit stronger than Martin on the degrees. I think we should be allowed to offer degrees and at least, if that is a bridge too far, certainly foundation degrees. I think we should also be allowed innovation that enables us to look at the entry requirements to allow us to take account of the varied intake that we get. Finally, I would like people to think more about progression into and protect the widening participation agenda than maybe we have done thus far in terms of joining up across various Government departments.

Sir Peter Lampl: I am going to make three points very quickly. First of all, I would like us to move to a post-qualification application system. I think it is a great injustice. There should be 3,000 more kids from state schools going to the top dozen universities out of

30,000 that are not. They are not applying. I think that is a big thing. We are surveying vice-chancellors at the moment about it; there is quite a lot of resistance from the university sector to going to that, because it would mean them admitting kids in the summer. But I think that is a really important thing for social justice. We have talked about the credit transfer system and the whole attitude to drop-outs I which I think is something I would like to see change in the White Paper. Thirdly, I would like us to achieve an expanding higher education system. Right now we are either static or we are going backwards in terms of numbers. I want to see the higher education system increase. Something that I am very concerned about, which we have not talked about here, is postgraduate education. What is the impact of fees having on postgraduate education? Are kids with £40,000 or £50,000 of debt from modest backgrounds going to go on and do masters, PhDs, etc? I think that whole area needs to be looked at.

Martin Bean: Three recommendations from me as well. Number one: that as much clarity is given in the White Paper for full-time young students as for part-time mature students. A great example is transitional funding: where there is clarity for full time today, there is no clarity at all for part time. We were bold, we were courageous, we levelled the playing field and let part-time in, so let's make sure we now deal with the detail around what that really means.

Number two: let's make sure that we are hedging our bets around the uncertainty of participation by not allowing the £372 million that HEFCE currently invests in widening participation to evaporate. We need that money to continue to deal with the uncertainty that lies ahead. We have secured it for 2011 and 2012, but you cannot do anything meaningful with widening participation in annual cycles. Institutions just will not spin up the types of programmes that they need to be effective.

Thirdly, let's make sure that it is recognised that on the supply side, if we want part time to grow and not be in retreat as it is today, we had better get real and recognise that there are extra costs associated with supporting a part-time cohort—the research shows that is 15% to 44%—and let's also then maintain the part-time allowance for all institutions that offer part-time support to help offset those costs or my fear is, in a world of excess demand, we will continue to see part time retreat.

Dr Mary Bousted: Three things. ATL has supported post-qualification consistently.

Sir Peter Lampl: Yes, you have, and I agree with that. It is the universities that are the problem.

Dr Mary Bousted: Yes. The predictions are notoriously inaccurate.

Sir Peter Lampl: Of course.

Dr Mary Bousted: And they always will be. So post-qualification would give the most disadvantaged young people the confidence that they can do it. Secondly—I would say this, wouldn't I, but I have come to defend teachers or to press their case—I am really worried that the vast majority of teacher training now is done through PGCE. You are starting a profession at £21,000. I am really worried that with debts of £40,000 or £50,000 you will not do the extra

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year. Where are the middle earning professions going to come from that this country needs in order to teach, to have nurses, to have social workers and all the professions? The private sector is very important, but so is the public sector. Where you are going to have the infrastructure of care and support for communities with this level of debt I have real worries about. So my plea would be to reinstate support for core professions, particularly around postgraduate training and the costs of that. We had a teacher training crisis in the 1970s, we had one in the 1980s and we had one in the 1990s. When new Labour came in, after two years it invested a huge amount in getting teachers into training, but it can very, very quickly go the other way, and with the amounts that you need going

through the system, you can very quickly be in trouble. So monitor the system and get some support back in.

Chair: Thank you. A number of extremely interesting things emerged during the course of the questions and answers, for which I thank you because that is incredibly helpful. I would repeat what I say to other panels. If, on reflection, you feel that there is something you would like to add to any of the answers that you have given, feel free to submit it. Equally, if you feel that there is a question that we did not ask but should have and you would like to answer, feel free to submit that in further evidence as well. Thank you very much.

Tuesday 10 May 2011

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Katy Clark
Margot James
Mr Dan Jarvis

Simon Kirby
Mr David Ward
Nadhim Zahawi

Examination of Witnesses

Witnesses: **Mary Curnock Cook OBE**, Chief Executive, Universities and Colleges Admissions Service, **Sir Martin Harris**, Director of Fair Access, and **Sir Alan Langlands**, Chief Executive, Higher Education Funding Council for England, gave evidence.

Q355 Chair: Good morning and thanks for agreeing to come before the Committee. Before we start the questioning, could you introduce yourselves for voice transcription purposes?

Sir Alan Langlands: Good morning, I am Alan Langlands and I am the Chief Executive of the Higher Education Funding Council for England.

Sir Martin Harris: Good morning, I am Martin Harris, the Director of the Office for Fair Access.

Mary Curnock Cook: And I am Mary Curnock Cook, Chief Executive of UCAS, the Universities and Colleges Admissions Service.

Q356 Chair: Thank you very much. The first question is about the news we have heard this morning—the media speculation that there could be in the White Paper what I believe in education jargon terms is known as the core and margin approach: the ability of rich students to buy a place in a university over and above the loans system. Would you summarise your initial reaction to that? Can I perhaps start with Sir Alan Langlands?

Sir Alan Langlands: I have not heard the news this morning. I did see the Minister yesterday; it was not mentioned. I do not know anything about it. I assume it is part of the build-up to the White Paper, so I have no basis on which to answer the question, because I have not seen any detail.

Q357 Chair: The understanding is that, on the same basis as foreign students can buy a place, there should be a certain ability of universities to offer places to rich people. Whereas you might not have seen this in the press, have you considered this at all and thought about the implications of it?

Sir Alan Langlands: I am afraid I have not, and I think we would need to see in much more detail the Government's proposals before we could take a view on that issue.

Q358 Chair: Sir Martin, do you hold the same line or have you got any thoughts that you are prepared to divulge?

Sir Martin Harris: I think, Chairman, it is not a line. I am indeed in the same position as Alan. I had no prior knowledge of this suggestion. All I would add to what Alan said is that my principal remit is to ensure fair access in the broadest sense, which I am sure we will talk about later, and I would be anxious

to be sure that the details did not in any way adversely affect that, but until one sees the plan, one cannot really comment.

Mary Curnock Cook: Well, I have to say that instinctively I feel that a level playing field for all applicants is probably desirable. Like my colleagues here I have not seen any detail of the policy, but presumably there is a finite capacity in each university or college accepting students, and one would need to look carefully at how many places were being ring-fenced for which kinds of applicants.

Q359 Chair: Well, it is an issue that we may well be taking up post-publication of the White Paper. To come back then, my question, specifically, is to Sir Martin Harris. What legal powers do you actually have to direct universities in respect of fee setting?

Sir Martin Harris: The answer, I think, is fairly straightforward: the 2004 Act, which was envisaged in different circumstances and for different purposes, says that I can limit universities to charging the basic fee, which was then £1,000 and is now £6,000, if, and only if, I do not feel they are making strenuous efforts to ensure fair access to their institutions. In other words, there is no power to control the fee as such, that is quite clear, but there is a power to prevent the charging of a higher fee but only under certain, very specific circumstances relating to efforts universities are making in respect of the inclusivity of their pool of applicants.

Q360 Chair: So if a university puts forward proposals that, on the face of it, are a genuine attempt to broaden access, there are no grounds for you to limit their fees?

Sir Martin Harris: That is correct, and it might be worth adding that it is precisely some of those universities that maybe Ministers might have hoped would charge less who actually make some of the greatest efforts to ensure the social inclusivity of their entry, so the law was written for a different purpose and in a different time.

Q361 Chair: Can I get this absolutely clear? On the Government assertions that you will regulate tuition fees, basically, you have not got the legal capacity to do it, provided universities, if you like, demonstrate that they are making legitimate attempts to broaden access?

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Sir Martin Harris: Yes, that is true, although your proviso is, of course, the critical proviso. They do have to make genuine efforts, which vary enormously from institution to institution, because they are very different positions. They do have to make genuine efforts to recruit and retain students from an inclusive range of candidates.

Q362 Chair: Yes. Have you ever exercised this power?

Sir Martin Harris: Well, what happened when fees were first introduced was there was a great deal of going backwards and forwards until I was satisfied with that initial range of access agreements. That process will now take place again over the next few months. It is my purpose to persuade universities to increase access, not to punish them for not doing it.

Q363 Chair: Yes. Based on previous experience, and I do not want to put words into your mouth, would it be reasonable to assume that, if their preliminary proposals do not come up to scratch, they are likely to go back to the drawing board and redo them?

Sir Martin Harris: There is always a period of sustained discourse, one of which is starting right now.

Q364 Chair: You put it superbly diplomatically. The Government has said that it might introduce further legislation or powers for you to do that. Do you feel that would be necessary in order for you to regulate tuition fees?

Sir Martin Harris: I think it is just worth making the point again: there is at the moment no power to regulate tuition fees. There is a power to regulate access agreements. I think it would be a very profound policy decision to decide that the Government was going to set the fees of individual institutions, whether directly or through a quango like OFFA, and you will recall that the power to control admissions is specifically excluded by the Act; that is, the 2004 Act makes it absolutely clear that neither the Government nor any agency of Government can control the admissions of a university.

Q365 Chair: So there is basically no legal power that the Government can use, either directly or indirectly, to control tuition fees?

Sir Martin Harris: Not provided universities are willing to make the efforts that they need to make to ensure widening participation and fair access.

Q366 Chair: Turning on to resources, we understand that 130-plus universities have chosen to charge more than the £6,000 basic amount. To scrutinise and to enter into dialogue with all these universities must put a big strain on your staffing levels. Do you need further resources?

Sir Martin Harris: I think if you had asked me three months ago I would have said it was essential, but in the last three months the Department has seen that that need is real and has, by seconding from other institutions and organisations, given us the resources so that I think we will be able to cope by the middle of July, which is our self-imposed deadline.

Q367 Chair: Right just to finish off my questions here, obviously this is not a new ball game but it has changed quite dramatically in terms of scale and the influence you have. How do you see the shape of your organisation changing over the next few years?

Sir Martin Harris: I think a lot depends on the answer to some of your earlier questions; that is, is the Government going to seek any greater powers, and if so, what kind of powers—for example, to influence the kinds of ways in which universities engage in outreach and so on? As I understand it, there are as yet no decisions in this respect, and what I have argued to Ministers is that the shape of OFFA must depend on the policies that are selected and not the other way round.

Q368 Nadhim Zahawi: Sir Martin, on that last point, can you say a little bit more about the shape of OFFA today? With the secondments, what does it look like?

Sir Martin Harris: When OFFA was set up—in a sense I am the only employee of OFFA—what I decided was that it was best if everybody else was a secondee. It avoided so much hassle and trouble, and that is how we have survived to this day. You must remember: this is my seventh year as Director of OFFA—it seems incredible now, doesn't it? For most of the time that group, within our little £500,000 budget, has been adequate. There was a great flurry at the beginning and there is going to be another great flurry now, but in general it has been an adequate organisation.

Q369 Nadhim Zahawi: How many in the group?

Sir Martin Harris: There are three and a half people.

Q370 Nadhim Zahawi: A question to Ms Curnock Cook. UCAS has said that it intends to publish all verified fee information on a single day in July. What is the fallback if that does not prove possible? If, for example, OFFA is delayed in approving some access agreements, what happens then?

Mary Curnock Cook: Obviously, we are working very closely with Martin and colleagues, and we are all working under the assumption that we will be able to publish all the fee information on a single date in July. I am quite sure that Martin and colleagues would alert us as early as possible if there was any change to that situation, and we would have to consider what would be in the best interests of applicants and institutions in terms of alternative publication decisions.

Q371 Nadhim Zahawi: So is there a fallback position if OFFA cannot deliver?

Mary Curnock Cook: At the moment, we are not planning for anything other than a single date of publication in July, and as I said I am sure Martin will be keeping us closely posted if that changes.

Sir Martin Harris: The worst that could happen was that one or two or three universities were not able to publish at that time because they had not had approval, and Mary would then not be able to publish their fee information.

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Q372 Nadhim Zahawi: So it would be piecemeal publishing then?

Sir Martin Harris: Well, we are both hoping to avoid that.

Q373 Nadhim Zahawi: Right. Has any assessment been made of the impact if that does happen? I only ask because you brought up the example of the worst that could happen.

Sir Martin Harris: My guess, and it is more than a guess, is that, based on all our experiences, universities will make all necessary efforts to ensure they get an access agreement, and the discourse I referred to earlier will, in the end, be effective.

Mary Curnock Cook: It is worth noting that, whilst applicants might start doing their preparation for making an application to higher education, they cannot actually make live applications until September, so they will not be put in a position of having to make a choice before they are certain about the fee levels that pertain.

Q374 Nadhim Zahawi: Thank you very much. Can I go back to the concept of value for money? How should a prospective student judge whether the cost of a course represents value for money? In your answer, could you take into account broader issues like whether the student wants to move away or live at home, what the university town or city is like, or where the student's siblings or school friends are going?

Sir Alan Langlands: I think all of these factors come into play. I think principally people chose their course and then, typically, their institution, but of course there are a myriad of other factors in play. We tend to think about university admissions sometimes by only thinking about 18-year-olds leaving school; they are a part of the wider university population. There are a lot of older students where practical questions about partners, about elderly relatives that they might be caring for, or about children, come into play, and that tends often to drive people to more local provision. I think before we get to the question of making some sort of assessment of the academic quality of an institution, and now, of course, doing the all important financial arithmetic, many of these factors have a bearing.

Obviously the new factor is the higher fee levels and the system of support and income-contingent loans that the Government is currently introducing. I think it is very difficult, given that you are dealing with the behaviour of nearly half a million individual people, to judge how that is going to play out. Clearly one of the uncertainties at the moment is what effect this new fee regime is going to have on demand and, ultimately, the conversion of students into places: what effect it has on participation levels.

Q375 Mr Ward: Sir Martin, I have been mulling over some of your comments on this discourse. Is the likely outcome an increase in the negotiated level of access and wider participation activities, as opposed to a reduction in the proposed fees?

Sir Martin Harris: Yes. If you look at the communications that OFFA has had with universities

subsequent to the letter that David Willetts wrote to me, one of the things we have stressed is that student support at 18 is important, yes, whether it is bursaries or fee waivers but much more significant in changing attitudes is clearly outreach—to work with schools, to make sure that at 14 and, again, at 16, young people are fully aware of the consequences of making these choices and those choices. It is in that area where one might wish to say to a university that their planned efforts look, for example, less committed than some of their peer universities. This is the kind of thing one discusses. In the end, universities decide and I have to say yes or no, but one has a dialogue in order to try to make it possible.

Q376 Mr Ward: Could I just pursue that? We have discussed Aimhigher before in these sessions. I worked in universities for 25 years, and my experience is that some universities are better than others and did more than others. There may be adverse by-products, but is a possible by-product of the new regime that there will be an increase, an improvement in the general level of wider participation activity across the university sector?

Sir Martin Harris: I would be very surprised if that is not an outcome. In other words, I do think that increased outreach to both 11-to-16 schools and 16-to-18 institutions is likely to be an outcome of the set of access agreements that are currently being discussed. I hope that is indeed, one of the outcomes—perhaps the most important single outcome.

Q377 Chair: Before I bring Nadhim back in, a question has been running through my mind, because in our previous sessions there has been, I think it is fair to say, quite a consensus of opinion that, in effect, outreach activity is more effective than offering bursaries or fee waivers in recruiting young people from lower income backgrounds. However, I would guess this is based on past experience of tuition fees at a level of, what, £3,000? It could be the relative advantage will change given the fact that tuition fees could be as high as £9,000 and bursaries may in the future be a greater pull. Has any research been done on that to get some sort of assessment?

Sir Martin Harris: No research, because what people say they will do and what they actually do, we have seen for the whole of the last seven years, have almost no relation to one another, but I do agree with Alan. It is a bit like financial services advertisements, isn't it? What happened in the past is no necessary guide to what will happen in the future. I was always confident that £3,000 fees would not deter and they have not deterred. We are in another ball game now and time will tell. Obviously, it is my job and the job of many of us to make every effort we can to make sure that demand is sustained and that students are supported, but I think we would be unwise to predict absolutely what will happen in 2012 and subsequently.

Q378 Nadhim Zahawi: I do not know whether, Mary, you want to come in on the original question about value for money?

Mary Curnock Cook: Yes, I wanted to reference some research that UCAS has done, which shows that different groups of applicants have very different motivations when they apply for higher education. There are some quite clear groups who are seeking to, for example, maximise their career outcomes, so they will be very interested in what the employment outcomes and salary outcomes are from particular courses. Others are passionate about a particular subject, and they will research the best course and the best institution for a particular subject. Some will be looking to support professional career development, and some will be looking for academic passion. But I think the point that I wanted to make is that it is a mistake to think that all applicants will treat value for money in the same way, and obviously you have got a very wide age range: about 25% of applicants are mature applicants now, so they will have very different types of motivations.

Q379 Nadhim Zahawi: Can you share some of the numbers with us? You went through the different types of applicants. Do you think that the majority of prospective students are in a position to make those sorts of informed choices on value for money?

Mary Curnock Cook: There is a great deal of work going on, not only within UCAS but within a number of other organisations, to improve the sort of information that is available to applicants so that they can make choices that end up with them making the right decision for the right reason and hopefully with a very good outcome. I do not have the figures, but there is a big chunk of applicants who are just broadly favourable, have always thought they would go to university, and are kind of applying and presumably with advice from their schools and so on; but there are these distinct other categories, and I have no doubt that the pattern of the categories will change as the applicant cohort changes as well.

Q380 Nadhim Zahawi: We know that in the White Paper the Government wants to encourage the involvement of more private higher education providers. What impact will the growth of private provision have on your organisation?

Sir Martin Harris: I think that will depend on the extent to which the Government expects or demands that any private provider is included within the appropriate regulatory framework or not. There are two kinds of ways you could envisage private provision, aren't there? One is where they are required to conform to all the current regulatory frameworks, quality and standards and so on, in which case they would come within the remit of our bodies or our successor bodies, whatever they may be. The other is that they would be totally at liberty to do what they wanted, and I cannot believe that that is likely to be the route we go down.

Sir Alan Langlands: I think there is probably a distinction to be made between those private providers who want to access public money, i.e. HEFCE funding, or indeed who have students who will access public funding in the form of loan support. I think the position, obviously subject to the Government's current discussion about regulation, should be very

clear: there should be a level playing field; it should operate in both directions. My sense would be that there would have to be quite clear criteria in terms of quality, which there currently are in relation to the private sector because they are required to be part of the QAA system if they are accessing public money. For access—Martin's area, information and where new private providers are, if you like, entering the arena, there has to be some sort of system of financial due diligence. We have seen very clearly in other countries that private sector failures in higher education have a very serious knock-on effect on the reputation of what we currently regard as the mainstream of the sector. I am not advocating, indeed not at any point this morning, overbearing regulation in these new arrangements, but I think the public interest and the student interest have to be secured across the board.

Q381 Nadhim Zahawi: A final point to you, Sir Martin. The thought has gone through my head that you have been in the job for seven years; have you seen this year a change in behaviour from the management teams because of this dramatic shift where fees are concerned, and what that behaviour is like in terms of access and, I guess, thinking out of the box?

Sir Martin Harris: I think the answer is that we, the sector—that is, the institutions—are going through a period of rapid adaptation to a new environment. I think if you had a set of vice-chancellors here, very few of them would be categorical about what will happen in 2012, but most are trying to position their universities to be able to continue to attract students and at a price that will enable the university to continue to thrive. I do think there is a great deal of thought going on in most institutions about how to do that, because, as the Chairman said, it is a new game. It is not just a slight difference; it is a very radical difference.

Q382 Nadhim Zahawi: By the way, have you seen the new advertising campaign and what do you think of it?

Sir Martin Harris: I have not seen it.

Q383 Nadhim Zahawi: Anyone else?

Sir Alan Langlands: I have seen the written material; I have not seen the web-based or the film material.

Q384 Nadhim Zahawi: Mary, you were nodding?

Mary Curnock Cook: Well, I have seen the written material, and I do think that a key message has been missed so far, and that is that the affordability in terms of the amount of money that an individual would pay back out of their weekly or monthly pay packet is the same whether you have chosen a £6,000 or a £9,000 course, and I think that is a critical piece of information, because most people borrow money on the basis of its affordability out of their monthly income.

Q385 Nadhim Zahawi: That is interesting. Why do you think that has been missed out?

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Mary Curnock Cook: I do not know, but I am engaged in meetings with various groups and my colleagues are, and we will obviously push for that information to be made more open.

Q386 Mr Binley: I was interested in your response to my colleague about adaption to a new system, and it sounded to me like there is not a great deal of excitement about that process, which slightly disappointed me. I just wonder how you see the balance amongst vice-chancellors in those terms, because I have come across a couple who feel really rather excited about what might be happening, and I just wanted to know how that was reflected across the spectrum.

Sir Alan Langlands: I think a number of people do see tremendous opportunities here. We have to be careful when we are having this discussion—and two of us here have been vice-chancellors—that we do not really just confine ourselves to a discussion about changes in the undergraduate fee regime. That is the issue of the day, but the postgraduate economy is hugely important; the overseas market is very important; the research progress of universities and their access to overseas, and indeed, UK charity-based research funding are virtually important. Most vice-chancellors, in terms of thinking about the academic development of their institution, and indeed, its financial sustainability, will be thinking across a whole range of activities, not just about the fees issue. I think many of them do see opportunities. A lot of universities are going to great lengths to ensure that their prospective students and the schools that they tend to have relationships with have good information, advice and guidance. The Government campaign that has just been mentioned is something that will be built on at a local level. People are working very hard on—I am sure it has come out before at your hearings—something called the key information set, to make sure that there is course-based information available to prospective students that tells them about learning, teaching and assessment methods, accommodation costs, and sometimes professional accreditation and begins to—although you cannot forecast with any certainty—open up the question of graduate salaries. A combined effort is being made to convey the virtues and the intrinsic value of higher education, but also some of the practicalities in terms of what return people might expect to get on their investment.

A huge amount of interesting work is going on. Institutions have prepared extremely well for these changes, and as soon as we have the White Paper, the national agencies and the higher education system are in a strong position to move forward. We are moving forward from very strong foundations, despite some really tight financial settlements over the last couple of years. It is quite clearly the case that £1 billion has been taken out over the last couple of years, before we even start on the fee regime, so universities have had to really smarten up their act, deal with their cost base. Yet they are returning good financial results, which I think is a sign of true and effective management and strong academic standing. So there is excitement and opportunity, but of course people are worried about the risks.

Q387 Simon Kirby: A question to UCAS: you mention in your written evidence a comprehensive communications plan, and in view of your comments about a key message having been missed, can I ask you to explain what your comprehensive communication plan involves and when it might be available for us to see?

Mary Curnock Cook: I think the first thing to say is that we aim to have the most up-to-date information and the most comprehensive information available on our website, which is where the majority of applicants will actually look for that kind of information. So we are working very closely with the Department and others to make sure that is available. We are also trying to populate an increasingly complex matrix that allows students to understand the fee arrangements depending on their current domicile and which country their chosen institution is in, because you will be aware that there are very different arrangements in Wales, Scotland, Northern Ireland and England. We are aiming to get that factual information out as far as possible.

We are also planning to try to make sure that, when applicants look at fee information, they are also exposed to some sort of benefit information as well as some cost information. We are putting together plans at the moment to make sure that we have some statements and vox pops from credible spokespeople, so that when applicants do look at that fee information they are also getting messages about why it is a good choice to apply for higher education. We also have a very comprehensive outreach campaign. We have folk on the ground who are visiting schools, colleges, education providers, but also higher education so that we make sure that when institutions are going out to schools or colleges they have got the most up-to-date and comprehensive information that UCAS has available. It is a comprehensive communications plan. The absolute key to it is to make sure that the factual information is correct and up to date for applicants when they are deciding to press the apply button.

Q388 Chair: Before you go on to your next question, Simon, can I raise a very specific point? I believe a lot of the information will be accessed online. Now, there is a natural presumption that students will be totally conversant with online techniques, but there may well be students from lower income backgrounds that may not have the same availability, or indeed there may be disabled students who for one reason or another have specific difficulties in that area. Are you addressing these issues?

Mary Curnock Cook: We do still have a pretty comprehensive range of print materials that are sent out to schools. A lot of schools are not necessarily very online friendly themselves, so a typical sixth-form common room will have UCAS posters and calendars and how to's and key dates and all that sort of information. We also have a contact centre, and we take thousands of phone calls every week from not just applicants but also their advisers, from parents, from schools and colleges.

Q389 Chair: Do you have any specific approach to disabled students? I saw a figure somewhere—I may

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have got this wrong—of something like 20,000, so it was a much larger number than I might have anticipated.

Mary Curnock Cook: We meet all the normal standards on our website and for our print material of making available material in, for example, large print and so on, so we do try to do that as comprehensively as possible; but as I said, we do have individual advisers on the telephones and going out to schools, if anybody needs specific information.

Q390 Simon Kirby: Can I follow on and ask you what you would say if I were suggest your communication plan was not as joined up as it might be? I am asking and thinking about whether you are working with the Student Loans Company, and, indeed the Government campaign that has already been mentioned.

Mary Curnock Cook: We work in various communications groups, and our own communications team works with all the other organisations, not just the Student Loans Company and Government Departments but, for example, UUK and mission groups and others who are active in this space, and they meet on a very regular basis. In fact, coming up to this peak time of anxiety for applicants, around A-level results, they meet weekly to discuss communications issues. In my experience of education communications, I would say that the respective agencies and interested bodies are as joined up as I have seen them.

Q391 Simon Kirby: Okay. Thank you. Can I move on, if I may, to Sir Alan? The new system is obviously going to affect your ability to monitor the financial health and the risk of failure within the HE sector. Is that a problem?

Sir Alan Langlands: It is not a problem if we have a clear set of ground rules beginning to emerge from the White Paper. These new arrangements start from 1 August 2012. We have a clear instruction from Government that there is not going to be legislative change before then that in any way affects our powers, role or responsibilities, so we continue with our current powers, if you like, until the end of July 2013. Also remember—I am trying to put this change in perspective—that in the first year of the change it is only the first year undergraduate students who will be in the new system. All other undergraduate students and, indeed, the rest of the university system, in terms of research and knowledge exchange and everything else, carries on pretty well as normal. It is a gradual change over a three or four-year period.

Clearly the change that is taking place is that, as our grant funding runs down, sums are going to be channelled, or routed, through the Student Loans Company, and clearly the challenge in transition, and indeed ultimately, is for these two bodies, HEFCE and the Student Loans Company, to work together to synchronise funding, even at the very operational level of ensuring reasonable cash flow to universities, so that people get their money on time. All of that work is quite far advanced; there have been detailed discussions. We are working with the SLC on that.

Now, the other element of your question is who has control—or if not control, who is acting as the kind of steward for Government funding? We do that at the moment by attaching to conditions of grant to our funding, so we insist that money is used for the purpose intended. We pursue, through conditions of grant, particular Government policies. If we are not allocating that money, we will not have that leverage over the sector, and therefore I think the discussion in Government at the moment is about developing a regulatory framework that is light touch but nonetheless ensures the proper stewardship of public funding, ensures that money is used for the purposes intended, and protects, ultimately, the interests of students and the wider public in terms of institutional sustainability.

Q392 Simon Kirby: Can I stop you there? That is an interesting point. If it protects the interests of the public and the student body, therefore the new system, by its very nature of being funded by the level set for fees and the number of students applying to a particular institution, is less financially secure for some institutions than is currently the case.

Sir Alan Langlands: Yes, there is going to be more volatility in the new system and, of course, some of the things that were mentioned earlier in relation to core and margin are a possible attempt by Government to introduce a bit of early dynamism in the system. It is a very static system at the moment because we operate institutionally based student number controls to keep control of the money, but if student numbers start moving around the system, that will increase volatility in the system, because clearly the money from the Student Loans Company will follow these students.

There are also other factors in play that increase volatility: reductions, for example, in NHS funding and TDA funding will have a very significant bearing in some institutions that do a lot of teacher training and that train nurses, midwives, the allied health professions. Often in the new world it will be a combination of a number of factors that test the sustainability and the financial well-being of institutions, and I think someone somewhere in the system will have to keep reasonable track of all of that.

Q393 Simon Kirby: Okay. In the new world, is there a need for HEFCE to be the size it is today, or is there an inevitable downsizing?

Sir Alan Langlands: Not really. It is a very small organisation at the moment. It has just been judged by the Public Accounts Committee to offer tremendous value for money. If anything, the tone of the Public Accounts Committee hearing was about loading more responsibilities onto HEFCE rather than fewer, but I have an open mind on that issue. It will absolutely depend on what powers, roles and responsibilities Government give to HEFCE and, just as Martin said earlier, HEFCE is not an end in itself. Whatever body is required to do what the Government want to do in higher education is the one that we will create. We are not precious about that.

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Q394 Simon Kirby: Okay, thank you.

Sir Martin Harris: Chairman, can I just add one thing that follows from Alan's point about potential volatility, and thinking about the funding from HEFCE, from TDA, from the NHS and how these factors will all vary differentially in respect of different institutions? I just wanted to make one point specifically from my access perspective. I take your point that at many universities there are great opportunities here; I really do agree with that. What I am worried about is that in any given community there should remain an institution with a sufficiently broad range of subject offerings, so that those people who are geographically or socially tied to that area can still take full advantage of higher education. In other words, it is all very well saying, especially in London, that if one institution changed radically in shape and so on we could cope, and that may well be true, but just think about the whole of England—you can make analogous points for Wales and Scotland, but that is not my role. There are universities where there is not another university within the near travelling distance, and the survival and the flourishing of those universities seems to me to be essential to maintaining fair access in the very broad sense of that phrase. I do think this Committee should bear that in mind.

Chair: A good point.

Q395 Nadhim Zahawi: It is really a question to Sir Martin. Is it fair that students paying the highest fees should be required to subsidise students from underrepresented groups through their tuition fees, do you think?

Sir Martin Harris: In the system we are moving to, the total income that a university has will have a much higher proportion that comes from student tuition fees than has been the custom in this country, and that money is then used by the university for a whole variety of purposes. One of those purposes, which is public policy, and, I think, an all-party public policy, is that there should continue to be fair access for poorer students of ability, so in a roundabout way, I am saying yes to your question.

Q396 Nadhim Zahawi: How can you be sure that institutions are not setting their fees higher than they might do in order to fund some of the widening participation work that they are having to do—that they must do to justify the fees in the first place?

Sir Martin Harris: I do not see widening participation and fair access as a kind of bolt-on extra. I think universities have many, many purposes and functions. Alan has outlined a number of them today. One of them is to make sure that they continue to be able to admit on merit and merit alone and not be compelled to turn students away on financial grounds. I think that would be the worst possible outcome.

Nadhim Zahawi: Thank you for that.

Q397 Mr Jarvis: My question is for Sir Martin. In a previous evidence session, Sir Peter Lampl of the Sutton Trust recommended that universities should run summer schools. Do you agree with Sir Peter's recommendations?

Sir Martin Harris: Peter and I have worked together in many ways over a large number of years, and I think one of the things the Sutton Trust has done is show that certain forms of outreach, including summer schools, have more demonstrable benefits than certain other forms. One of the things I have asked universities to bear in mind very much in the access agreements they have now submitted is to focus on those outreach activities where there is a proven record of changing young people's aspirations or intentions, and there is no doubt that, for summer schools that are properly run, Peter is right.

Q398 Mr Jarvis: Thank you. Are there any specific measures that you want to see in all access agreements?

Sir Martin Harris: One of the things that is clear is that working with schools—and I do not mean this to sound negative—on a random basis, such as, "I accept a speech day here; I go there; I do this," is significantly less effective than for a university or a group of universities to have a sustained relationship over a period of years with a number of schools, maybe in their vicinity or more widely. So what I have asked universities to bear in mind is that a schools relationship programme needs to be structured and consistent. It may well be with other universities and with a large group of schools, but that consistent advice and guidance, so that over a period of years young people and the teachers build up a relationship of trust, is much more likely to be effective. There are universities that do a lot of things and make a lot of effort, but the more the effort is focused the more likely it is to achieve fairer access of the kind that Peter Lampl is very much focused on.

Q399 Mr Jarvis: What about provision for raising participation by disabled students?

Sir Martin Harris: I think that different universities are going to approach this in different ways. Making sure access is fair in terms of the social background of students will, I feel, feature in every access agreement, but many universities will add to that special efforts that they might make in respect of disabled students, in respect of particular ethnic groups and so on. A lot depends on the precise situation of that university and the communities around them: remember, a very high proportion of students now go to their local university, and who lives in the locality varies very much from institution to institution. I do not think it would be sensible to say every university must address all of these things, but the sector, between it, should address all of these things, yes.

Q400 Chair: Just before Dan moves on, I earlier raised the issue of disabled students and I mentioned a figure of 20,000. For the purposes of the record, I believe the OU has said they have 12,000. I do not have any figures for the number of disabled students throughout the university population, but it may well be in excess of 20,000 if you include the OU. Do you have any figures for that?

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Sir Alan Langlands: We can provide you with figures, but I do not have them in my head.¹

Chair: That would be very helpful.

Q401 Mr Jarvis: In announcing the Government's initial response to the Browne Review, the Minister said that the maximum tuition fees of £9,000 a year would only be charged in exceptional circumstances and with the agreement of OFFA. Can I ask you what exceptional circumstances means to you?

Sir Martin Harris: I think what has emerged, and I think everybody understands it now, is that the legal powers that it was perhaps thought existed, as we established right at the beginning, do not exist, and that the constraint on charging £9,000 is in fact dependent entirely on whether or not a satisfactory access agreement is submitted. I have tried to explain what might be satisfactory in that respect but I think that is all I can say.

Q402 Mr Jarvis: Now that you have received all of the universities' proposed fee levels and access agreements, what proportion of universities do you expect to give permission to charge the maximum £9,000 fee?

Sir Martin Harris: I am not in a position to answer that yet. We are doing detailed work, detailed analysis, and as I said earlier, in some cases, perhaps quite a lot of cases, there will be a conversation with the university suggesting enhancements and improvements that may be made. There was quite a flurry in the press last week, where my assistant director said something that was misinterpreted, but was actually, if I put it in the words that I would choose, quite right—that the purpose of this exercise is to persuade universities to produce access agreements that are acceptable. To that extent we do expect, as happened five years ago, that universities will hopefully—that is the purpose—come up with access agreements, albeit maybe modified over the next week or two or month or two, that meet the needs to charge the fee that they have set. After all, it is in the universities' interest as well as our interest that they are able to achieve what they have set out to achieve.

Q403 Mr Ward: Going back to the issue of legal powers and the discourse taking place, is there a current control mechanism through the allowed student numbers that could be applied to universities?

Sir Martin Harris: I have to be very careful now that I do not tread on Alan's toes. Let me just start and I am sure Alan will want to come in. Nobody yet knows what the total cost of the student support will be under the new regime because there are so many variables,

but it is clear that total cost interacts with—I put it no more highly than that—the cost of running the rest of the university system. There are many variables, of which student number is only one, but, Alan, you might want to come in.

Sir Alan Langlands: We have been asked over the last couple of years by Government to implement a system of student number controls, and the reason for that was simply that the budget on student support was overshooting. We did so at the end of 2009. Ministers intervened, reducing HEFCE funding to offset an overshoot on student support funding managed by BIS. They also reinforced what had been a prior commitment to keep student numbers at a certain negotiated level in each institution. We are continuing with that. Clearly part of the Browne Review's recommendation was to open that up.

I think even Lord Browne realised, however, that there would still have to be some sort of overarching national control if the pressure on the loan book and the student support system was to be sustained at the required level, although he did recommend additional student numbers, which has not been followed through as an issue by Government. Then we get back to an earlier discussion this morning about whether from 2012–13, rather than have a static system defined by money and by student number controls at an institutional level, the Government want to start introducing marginal changes that will create some dynamism, begin to simulate the process of competition. This is the stuff of the White Paper. I know that various options are being looked at, but I am not in a position to say more than that at the moment.

Q404 Mr Jarvis: The Government asked OFFA to make sure that universities' level of ambition in their access agreements was proportional to the fee that they would charge. What difference should we therefore expect to see between a university charging fees of £9,000 and one charging fees at the other end of the scale?

Sir Martin Harris: I think the outcome will actually be something that is more attractive to everyone, and that is that as almost every university seeks to charge a fee higher than £6,000, I think you will find that all of them will indicate the kind of extra steps they wish to take to justify the fee they are seeking. While I understand the point of your question, I think it is more about the nature of the outreach activities and so on that some universities do compared with others. Let me give you one example. We have specifically changed the rules this time so that universities where retention is an issue are allowed to spend part of their resources on retaining students they have admitted. Now, that is obviously an issue in some universities and not in others, broadly. That seems to me an entirely rational way to say to some universities, "You have recruited these students. Now let's see what extra pastoral and academic support they need in order for them to eventually graduate." But that will not appear in some access agreements where the dropout rate is very, very low.

¹ Note by the witness: In response to question 401 from the above hearing, Sir Alan Langlands confirmed that figures would be provided for the number of students registered as disabled at UK Higher Education Institutions (HEIs). These details are given below:

In academic year 2009/10, there were 185,000 students known to have a disability at UK HEIs. Of these, 155,000 were registered at an English HEI. The Open University reported the largest number of disabled students with 14,000 registered.

Note: Further details can be found in Table 3 of HESA's "Students in Higher Education Institutions 2009/10".

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Q405 Margot James: I want to come in, Sir Martin, on this whole issue of fair access. Would you agree that the issue is really with improving access to the Russell Group of universities, because the data from the last 10 years show that participation among all universities widened considerably, but participation among the Russell Group universities did not. Am I right in that?

Sir Martin Harris: You are broadly right, yes. I think what has happened is a very interesting semantic shift. When the Office for Fair Access was set up what people actually had in mind was widening participation, and widening participation has been one of the great success stories of the last seven or eight years. It has been a tremendous success in all kinds of ways, but within that widening participation, what is now called fair access, which is students from relatively disadvantaged backgrounds going to the most selective universities—what I called just now the Peter Lampl agenda, because he is the one that has championed it most—has flatlined. Interestingly it has flatlined if you go right back to the 1960s, when nobody paid anything for anything. The proportions have remained very constant and it has always been a social issue in this country.

It is a social issue, and my own view is that unless we burrow deep—I am not saying for a minute that universities must not make every effort to get 18-year-olds into the applicant pool and to encourage them to come to the most selective universities—all the evidence is that what you choose at 14—well, you can go back as far as you want—what transition you make at 16, all of these things are what really determines and makes the difference for a bright student from a family with no HE experience or an 11-to-16 school with limited interest in HE. That is where we are really going to make the difference.

If there is time, Chairman, can I just relate a very short anecdote? I did a lot of work in the last year with head teachers of 11-to-16 schools where two years later very few of their young people went on to university and even fewer to the most selective universities. I was struck by the fact that, of the 3,000 or 4,000 young people that we are really talking about and that Peter Lampl focuses on, there may be as few as one or two in any 11-to-16 school. The head teacher said to me—I have never forgotten this—“In my school there is one pupil for whom three sciences at 14 to 16 is essential. There is no way I can run the curriculum of this school for that.” All kinds of extraordinary arrangements—twilight teaching, Saturday teaching and so forth—were having to be made. These 3,000 young people are not in big groups; they are in ones and twos. It is there in the schools that you are really going to give them the right subject opportunities, the right advice and get them, eventually, at 18, into the applicant pool of the selective universities. It is a big task and it will not happen overnight.

Q406 Mr Ward: This follows on. Mary, in the written evidence you talk about the information provided to schools, colleges and advisers on HE admissions, but there are two aspects to this, aren't there? First of all, there is information about what is

available, and the second area is that of aspirations, which is really what we have been discussing just now. Is there a UCAS remit for that aspect of the WP?

Mary Curnock Cook: We do not have a remit; we are an independent organisation and we are funded through fees from applicants, from the institutions who take applicants and from some commercial activities as well. As an organisation we would like to be able to do more to reach out into schools, and particularly those in low participation areas for higher education. We are not funded specifically to do that, but UCAS does have a robust financial strategy, which aims to increase the funds available, particularly through commercial activities, so that we can do more of that kind of work, and I think it is a good role for an organisation like UCAS to broadly be an advocate for higher education. Obviously we are not in the business of recommending one particular institution, one of our members, above any others.

Sir Alan Langlands: I think it is probably fair to say that HEFCE has had firstly to raise aspiration around STEM subjects but also more generally to support aspiration raising through programmes like Aimhigher. That was at the heart of that programme, which supported campus visits and mentoring and student support and all sorts of things. Clearly there is a worry at the moment that a gap has been created. We are spending I think £84 million or £85 million on Aimhigher this year; next year we are spending nothing. Now, universities, as Martin has been describing, are putting a lot of their own money into outreach, but I think we are at a difficult point where we are unplugging one approach and introducing another—the Pupil Premium, the National Scholarship Programme and other new policies. We just need to make sure that the endgame is a coherent plan for widening participation that deals with the whole lifecycle of widening participation from aspiration raising at a young age right through to access support in universities and support, hopefully, into employment or even perhaps further study. I think at the moment we are in this kind of change phase where one coherent system—more than £3 billion has been spent over the last 10 years on widening participation and retention—is being removed and we are inventing another one. It seems to me that coherence is the key and, as Martin has been saying consistently not just today but before, 11 to 16 is crucial.

Q407 Mr Ward: I will push you on this Alan, because there was very much a horse and water approach to Aimhigher, and most of the universities wanted to drink the water and were very keen to do it, but some did not. We have talked about the Russell Group, and there is evidence there that they were not too bothered about that. The fact that there has to be a justification for the £9,000 fees should ensure that each of the universities is doing something, and Sir Martin will make sure that they are, but that does not amount to a national plan, does it?

Sir Alan Langlands: Well, I do not know if I believe in national plans, but the question is will it amount to a coherent approach? I think that is what we should be striving for in the future. We achieved that; it was hard won. You are right, it was not always perfect, but

we made very substantial progress. What we want to ensure is that we can use the new system to maintain that progress and to move things forward. For our part, that means continuing to support resource allocation for widening participation and retention, as we have done this year and as we think we will be able to do in future years.

Q408 Chair: Inevitably I relate this whole issue of access to my constituency, because I represent a constituency where historically there has been very low educational aspiration and relatively low university attendance—indeed, I believe we have had one Oxbridge student in the last five years, and if you compare that with Hertfordshire, I believe they have had something like 1,500. On analysing it, I see an issue genuinely with the aspirations of young people: they tend to have travelled less, be less socially self-confident and so on, so moving to a Russell Group university moves them out of their, if you like, comfort zone.

Secondly, we were told by the Sutton Trust, last week I think it was, that 45% of teachers said they would rarely advise their brightest pupils to apply to Oxbridge. Now, is the fault with Oxbridge, the Russell Group? Do they have a certain culture that alienates people from these sorts of backgrounds? Is the fault with teachers—and bear in mind it is very easy to blame teachers for all the faults in society—or is there a deeper cultural issue that that you have not really drilled down to, to use your expression, Sir Martin, and can you address that problem through the new access agreements?

Sir Martin Harris: I would not use the word “fault” on anybody’s part. I think what we have here is a very complex set of social interactions, many which you have just explained very, very clearly. Let me just add one, which is actually perhaps the hardest one of all to tackle, and this again is based on work we did last year. I will not talk about the precise locality, but you will all recognise the kind of locality it could be. If you have a school that is unusually good at encouraging young people from an area where not many go to higher education to do so, then you find a second layer that is within that group: one or two of those do really well and others do moderately well, but the one or two who do really well want to go to the same place as the ones who have done moderately well, and the moderately good ones go to the local university, so their two or three mates who could be doctors or whatever say, “Well, that is where I am going to go,” and it is back to comfort zone: “I know I will be comfortable there.” That is very hard to address.

Q409 Margot James: Before I come to the questions I must ask you, I do want to keep continuing down this theme, Sir Martin, as we have got you here. I feel that some of the discussion has been more about intervening too late, and I was affected by the anecdote you told about the teacher who says, “I cannot organise my curriculum around the needs of one or two students.” This is not a loaded question, but is that not an argument for academic selection at

a younger age, so you have not just one or two in a school, you have many more?

Sir Martin Harris: It is certainly an argument for identifying not later than 14 who these young people are, and teachers tell me that is possible and it is then possible, through groups of schools and whatnot, to arrange the kind of extra support that some people need. I think full-scale selection at an earlier age is simply not a starter for all sorts of reasons. Just to come back to something the Chairman said, teachers are critical in this. Universities cannot identify the small number of 14-year-olds who particularly might become doctors or vets or engineers or whatever it might be. They can only do that in conjunction with teachers. It has to be a partnership, and that is why independent advice and guidance, something I think again is now seen by all parties as fundamental, is imperative at 14 as well as at 16. If you do the wrong subjects at 14 it is not impossible to change later, but it is a jolly lot harder.

Mary Curnock Cook: If I could just mention, I think the main accountability for secondary schools has been around the achievement of five GCSEs including English and Maths at grade C. It seems to me fairly clear that that has created a whole lot of patterns about where schools have put their efforts, and the efforts have gone into nudging the Ds up to Cs, and very often those who are capable of achieving As and A*s are put in for their GCSEs early and are left alone after that, and similarly the very low achievers. I think the whole accountability framework in secondary education has to change because schools are simply not incentivised at the moment in terms of outcomes for youngsters going on to higher education, and therefore it is not a focus.

Q410 Margot James: Do you think the English Baccalaureate will improve that?

Mary Curnock Cook: I think the English Baccalaureate is quite controversial because it is basically saying that, instead of having five GCSEs or equivalent, which has allowed a number of secondary schools to pile into BTECs and other similar qualifications, it should point schools towards a more academic curriculum. In terms of what the evidence is at the moment, predominantly the most successful qualification for progression into higher education, and particularly to more competitive, more selective institutions, is still the A-level without a shadow of a doubt. If you look at the proportions of those from more deprived backgrounds and those with lower HE participation, they are more likely to have a higher proportion of young people following a BTEC or similar route than an academic route.

Q411 Margot James: Moving on a bit, could I ask you about the admissions process review and why you felt that this led to a view that applicants are not using their choices wisely?

Mary Curnock Cook: There is a lot of evidence available to us at UCAS from applicant behaviours and so on. At the moment you will know that applicants can make five choices of institutions. One of the things that alerted us to the fact that they might not be making their choices wisely was the large

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number of applicants who drop out or who turn down offers from higher education institutions. For example, last year there were approximately 210,000 who, as the media might say “missed out” on a place, but in fact nearly 95,000 of those were people who had either withdrawn from the system or had turned down offers. That leads us to believe—we are currently conducting research to back this up—that of the five choices that many young people make, some of them may be just filling in boxes. Certainly, when I go out and talk to school advisers and sixth forms, many of them think that they have to fill in all five boxes and they think that those choices are ranked in order as well, so we are doing quite a lot of work to bust those kind of myths. Of course if an applicant has only genuinely got three choices, for example, of where they would like to receive an offer from, those extra two are just creating extra expensive admissions administrations in the institutions.

Q412 Margot James: We heard from the Open University about the problem of finding a single coherent source of information for students. Will the key information system address that problem, do you think?

Sir Alan Langlands: I think it is trying jolly hard to address that. I think all of the national agencies and the sector in the form of Universities UK and indeed the NUS have been working pretty hard on this, and I think all parties are pretty satisfied with what has been achieved so far. There will be a lot more information and it will be in a coherent and recognisable form. We think it will be intelligent information: it is based on a lot of research with students and prospective students about what they want to see. It might not be completely comprehensive but by 2012 we will have standard information for 21,000 courses up and running, covering learning, teaching, assessment, accommodation, employability, professional accreditation—all the things the student body have told us matter to them, dovetailing with the National Student Survey and other sources. So I think there has been a huge advance in a relatively short space of time on that issue.

Q413 Chair: Can I just interrupt you, Margot? My understanding is that if a prospective student wants to access the key information service, they have to go to a university website and then access the key information service. That seems to me the wrong way round—surely a student needs to use the key information service to determine which university they want to go to. There does not appear to be a central point of access for a prospective student to make this judgment.

Sir Alan Langlands: I think the universities have to own the information, and have to maintain it and develop it over time. I think there was an air of pragmatism in that decision too, though, that says we are under huge pressure to get this up and running for obvious reasons, given the Government’s emphasis on choice based on the availability of information, and that was the quickest most effective way of doing it without creating some great new industry; but the information will be compiled centrally and then

passed back out—in other words, there will be quality checks on the information and checks on the consistency of the information across institutions. I think the solution that has been developed in partnership with the students and with institutions is all that can be done with very limited resources and in the time available.

Mary Curnock Cook: I think it is still the intention that the KIS, the key information set, will be available on the UCAS website, so any applicant researching courses at a particular institution will be able to get very quickly to that key information set.

Sir Alan Langlands: It will be linked with UCAS.

Mary Curnock Cook: So it will be, if you like, available from a central point.

Q414 Chair: Sorry, I do not understand. If you apply on Newcastle’s website, you would have information about other universities as well?

Mary Curnock Cook: Yes. UCAS contains a number of tools and web areas that help applicants to research what institutions and what courses they want to do, with links to other websites and, indeed, institutional websites, and the intention is that the key information set would be one of the key pieces of information you could access through the UCAS website.

Q415 Chair: But will those links be consistent across all universities?

Mary Curnock Cook: They will.

Chair: Margot, I interrupted you.

Q416 Margot James: That is alright. It was a very good question, if I may say. I want to just ask about the timing of applications. At the moment the system is based on predicted grades. Could I start with you, Sir Martin: do you feel that the application system being based on predicted grades rather than actual grades disadvantages students from state schools or poorer income students in any way?

Sir Martin Harris: This is a very difficult area to be sure about. What you have just said has been argued to be the case, and various attempts have been made to change to a post-qualifications admission system. So far I have never seen a method of post-qualification admissions that will actually work—in other words, I start from the pragmatic question. If there were such a system, then it certainly would not disadvantage disadvantaged students; it might even help them, but there are these incredibly complex practical difficulties that involve reorganising our entire national school system and our entire national university system or allowing a delay between results and the start of a new academic year, all of which have massive consequences, and so far everybody has backed away from tackling them.

Q417 Margot James: Do you think the current system is a major issue for poorer students or state education system students?

Sir Martin Harris: I think that I go along with Mary. If the initial choices are well made on the base of good advice and so on, then the system works perfectly well. Where I think there are issues, and where there is certainly an intellectual case for PQA,

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is that there are some students who do very substantially better than was expected either by themselves or by their teachers, and some of them have then to intermit a year in order to reapply, or students whose final year at school leads them to change sharply the areas in which they want to specialise. But, as Mary can tell you better than I, there are now all kinds of pick-up mechanisms after the initial A-level results to recycle quickly. The problem is: will there be a space still available in the course you want in the institution you want at that point?

Mary Curnock Cook: Can I just add to that?

Sir Martin Harris: Please do.

Mary Curnock Cook: The predicted grades research indicates that about something over 40% of grades are predicted wrongly, but the vast majority of those are over-predictions rather than under-predictions, so there is not a large number of people who are having grades predicted below their capability—from memory, I think it is something like 6%. In my view the post-qualifications admissions debate has been somewhat hampered by the general impossibility that people have felt around the process, and one of the things that UCAS is doing through its admissions process review is to look at whether we can design a process that would make it possible to run a post-qualifications admissions system without having to do the kind of disruption that Martin mentioned of changing term dates and exam timetables and so on. My own view, for what it's worth, is that it probably is possible to reduce significantly the amount of admissions administration that normally takes place over a ten-month period, not least because those who do go through a predicted grade and offer system in effect go through it twice: you get a conditional offer, which you either accept or reject, and when you get your results you go through that process again. We are certainly looking—amongst other options, I hasten to add—at whether there is a process that would make PQA possible.

I think then it is for the sector, both on the applicant side and the institutional side, to look more at the educational aspects of applying post-qualifications admissions. I think the most important point to make about this is that institutions seek to admit applicants very often based on potential, not just achievement, and I think there is a feeling that quite long relationship that has built up between applicants and institutions over the current system is valuable in that respect, and that if the process was pared back and done over a shorter period of time, the emphasis would shift very significantly towards simple grade achievement rather than looking at the potential. I think that is the area where possibly the real debate needs to happen about whether PQA would advantage or potentially disadvantage particular groups of applicants.

Q418 Margot James: That is a very interesting point. Thank you. One final rider, if I may. You mentioned the 40% of grades that were predicted wrongly were mostly over-predictions. Does your data enable drilling down to see the proportions between

independent schools and state schools that were over-predicted?

Mary Curnock Cook: It does; we have done some research for the Department on this, and I believe that they are due to publish it fairly soon. I have not got the numbers in my head, but it will not surprise you to hear that, broadly speaking, independent and selective schools are better at predicting grades than those from more deprived areas.

Margot James: Oh, right. Okay, thank you.

Q419 Chair: Thank you. Could I just conclude with a very specific issue that has arisen, and this question is for Mary. I think it is estimated that 18,500 students are making applications effectively deferred until 2012, but their applications have had to be in already, by 5 May. Of course, they will not know what their financial commitment is, because the fees for the specific universities they are applying for will not have been agreed yet by OFFA. You said in your written evidence that it is essential that all applicants understand the financial commitments they are making before submitting their UCAS application. Do you think those students due to start courses in 2012 are getting enough information about the fees they are going to have to pay?

Mary Curnock Cook: This is quite an interesting situation, and I think the changes to the fee arrangements were made long after UCAS would have put to bed its application process for 2011, which would include those who wish to apply for deferred places. Nevertheless, you are right that those who have applied for deferred places were asked to make a commitment to accept or decline an offer by 5 May, before the time when they would have had certain information about the fees. I think there are a couple of important points to make here. First of all, the number of applicants applying for deferred places is a very small as a proportion of the total and, indeed, has halved this year for obvious reasons.

Q420 Chair: Sorry, is 18,500 a reasonable figure?

Mary Curnock Cook: I will have a quick look at the figures, which I have here. The other thing I think is important is that the standard admissions application process is to apply in the year for which you want to start, so the standard admissions process is built around people applying this year for admission this September and October. The deferred applicant opportunity, if you like, is entirely voluntary and discretionary at an institutional level, and most institutions do not even make deferred offers—they do it, if you like, as a favour with explained circumstances; it is outside of the normal process and done on a discretionary basis.

Having said that, I do see that some applicants who do want deferred places might feel that they are disadvantaged, and we have worked hard with the sector to make sure that they have the information they want. I think it is fair to say that, for a great number of institutions, their intentions about fee levels are in the public domain already, but where applicants have expressed anxiety about this, we have encouraged them to get in touch direct with the institutions. We believe that those institutions have

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made individual arrangements to, in effect, keep the offer open for next year, when all the fees information is confirmed.

Chair: Right. Thank you very much—very helpful indeed. If you feel there is anything you would like to add subsequently to an answer that you omitted,

please feel free to submit it in written evidence. Of course, it may well be that we will think of a question that we did not ask you but we would like to, and we will write to you subsequently. Notwithstanding that, thanks very much; that was very helpful and will inform the outcome of our report.

Examination of Witness

Witness: **Bahram Bekhradnia**, Director, Higher Education Policy Institute, gave evidence.

Q421 Chair: Good morning, Mr Bekhradnia. Could you just introduce yourself, as the others did, for voice transcription purposes?

Bahram Bekhradnia: Certainly Chairman. My name is Bahram Bekhradnia, and I am Director of the Higher Education Policy Institute.

Q422 Chair: Thank you very much for agreeing to speak to the Committee. You have been waiting very patiently there, but will at least have got a flavour of some of the questions. I will start with the question that I started with for the other panel. What is the impact or potential impact of the proposals that are reported in the press that could be in the White Paper on core and margin education—the opportunity for rich students to purchase places at universities over and above or outside the tuition fee paying regime?

Bahram Bekhradnia: What I would say is that it is an interesting but not a unique proposal. This sort of arrangement does exist in other countries, generally developing countries where the Government does not have sufficient money to provide places that are demanded by a growing young population; it would be unusual in an advanced, Western country. Having said that, it is a response, and a response that could be made to work, perhaps, to a situation that is not one that we expected to be in when the Government first made its proposal, or when the Browne committee first reported, for increased fees. We did not expect to be in a situation I think where the budget that clearly the Department has from the Treasury is in danger of being quite seriously compromised. Ways have to be found to enable the university system to operate within that budget, and I think this might just help to achieve that—at a cost, but it might.

Q423 Chair: Do you think it will add to the capacity of universities to offer places to lower income students, or do you think it may actually take out those places, given the finite capacity of certain universities in terms of the number of students they can cope with?

Bahram Bekhradnia: It could do either, Chairman. One of the possible responses of the Government to a situation where there is more demand than it can meet within its budget, by giving loans that are subsidised and so on, is to cut student places—just cut the number of loans that it is prepared to give. If that happens, then almost certainly the students that will be affected would be those from the poorer income backgrounds, so in order to avoid that—and if this is the price to be paid to avoid that—yes, it would help to keep the number of places and help those from poorer backgrounds. In the sense that it avoids

damaging their interests, you could say it does help their interests, but the other effect it might have, of course, is precisely the one that you mentioned. A university with a limited number of places that might get £9,000 from a regular student might prefer to take a student paying £13,000, say, who is able to do that, at the expense of a regular student. So it could well have that damaging effect.

Now, quite honestly what we have at the moment is an idea that is floated; we have had other ideas that have been floated. I am not surprised the Government is looking for a way to enable it to live within its budget and this could be such a way. I think the devil will be in the detail. I suspect it will be very difficult to achieve this; I suspect it will be deeply unattractive to quite a lot of the most prestigious universities if it were an arrangement whereby it could be portrayed that they were taking substandard students or students that were not as good as some others, perhaps, but for the money. There are all sorts of potential problems here.

Q424 Chair: Yes. No doubt we will return to this theme as the proposals get clearer. Now, can I just ask you a fairly general question? What do you think universities are for, and in an ideal world with no funding constraints, what proportion of the population would you expect to study at degree level or to degree level?

Bahram Bekhradnia: Well, that is a very open-ended question, Chairman. It does depend on your definitions of degree level, of university student and so on. I start from the position that a more educated person is generally a better thing than a less well educated person, and so the more education we can provide, one way or another, the better. I do not say that just for economic reasons, and I do not say that just from the point of view of the person concerned. There is some outstanding research from a group called the Centre for Research on the Wider Benefits of Learning at the Institute of Education that shows how society benefits by having better educated people in terms of their demand on the health service—they tend to have better health, better mental health, better social attitudes, less anti-social attitudes and so on. So more education is a good thing, by and large. The job market has changed and the employment market is changing as well, and by and large better educated people are demanded there. The other thing is that we lag far behind many other countries that are as successful, if not more successful, than we are. I take the view that we are a long way yet from where we might be in terms of demand.

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The other thing is there are huge disparities at the moment in terms of who goes to university and who does not. We know about the social class disparity. There is the gender disparity: hugely more females go to university than males. Now, unless you believe that males are inherently more stupid than females, then there must be a lot of scope there for additional demand.

Q425 Chair: We will not go down that path.

Bahram Bekhradnia: No, I suggest you do not, Chairman, because it might not have a happy ending. There are regional disparities; unless you believe that Geordies are more stupid than people from the South, then you have got to believe that there is plenty of scope here for additional demand. My view is—and we produced our last report about this earlier this year—the potential for increased demand is very large indeed, and we are going to face a really difficult situation in the coming years as numbers are constrained, as I think they will be. The Government is already starting to constrain numbers for financial reasons, but I believe, despite the demographic downturn among young people, demand is potentially going to be very much greater.

Q426 Mr Ward: Could you tell us what your involvement was in the Browne Review? We know you have done an analysis of it, and we will come on to that later, but what was your actual involvement in the review itself?

Bahram Bekhradnia: No, no involvement in the review. I think we submitted evidence very early on—it was very low-level involvement.

Q427 Mr Ward: You analysed the report itself and made some comments. Can I just pick up one point that was in the quote received here, talking about the economic crisis and the contribution that may or may not have made to the review's outcomes? You said, "It is unfortunate that the review appears at a time of economic crisis leading to public expenditure cuts," and that "the review and its timing offers the Government the opportunity to cut more than would otherwise have been the case." My point is just that "opportunity" is a very loaded word.

Bahram Bekhradnia: Well, that was unfortunate in that case. It was not intended. Perhaps it did not come over very clearly in our analysis of the Browne Review or the review we did subsequently of the Government's proposals, and perhaps that is because this has only over time become apparent, but what we had in the Browne Review and what we have in the Government's response is a very ideological position. We effectively are in a position where the Government is withdrawing from funding universities directly, but it is not withdrawing from funding higher education totally, as I am sure Government Ministers that you may have interviewed have said. They are instead funding higher education through the student, by not giving money to the students or not giving grants to the students, as in many other similar systems, but by giving them loans that are then subsidised, and that is the form of the Government investment. Now, this is the introduction of vouchers. We are moving towards

vouchers in higher education, which is a perfectly respectable way of funding higher education, but it is a very ideological one. It is taking the state out of directly funding these institutions and funding them through a voucher system.

Now, there are voucher systems in higher education around the world, but not many. They have them in Azerbaijan, they have them in Kazakhstan and they have them in the state of Colorado in the USA. Now, I really would not hold up Kazakhstan and Azerbaijan as good examples for this country to follow. In Colorado they had a voucher system and they brought it in for very similar reasons: because they would increase competition, increase efficiency through competition, and increase choice. But the Government then subsequently, about three years ago, reviewed the operation of the voucher system and had to conclude that none of the benefits that had been anticipated had been achieved. I think there is empirical evidence, but not a lot, on the use of vouchers in higher education, but it is unusual. Most Governments that have thought about it have shied away from it because of the strategic importance of higher education for a country. Higher education is part of a country's infrastructure, and so effectively to withdraw from a direct involvement in the funding of universities is really quite unusual, but that is what we have and that is why, I think, I describe it as quite an ideologically driven approach that both Browne and, subsequently, the Government adopted.

Q428 Mr Ward: Can I ask you about another quote? Talking about public expenditure and the impact upon that, and you say that "borrowing in order to make loans to students does not count as public borrowing"—so this is about whether it is on the balance sheet or not and so on, which we all understand—but then you say, "It is smoke and mirrors, and it provides an extraordinary reason for changing the whole basis."

Bahram Bekhradnia: Yes.

Q429 Mr Ward: Smoke and mirrors suggests that it is somehow hidden. I do not think that many people believe that the new tuition fees policy has been hidden away from people in terms of what it will mean. The ideology, I guess, is there is a transfer from general taxpayers, which includes low income taxpayers, including, of course, many non-graduate low income taxpayers, to, by and large, higher income graduate earners. This is not simply a transfer. How is that smoke and mirrors?

Bahram Bekhradnia: No, no, forgive me. What happens is that the Government borrows in order to lend to the students, but the money it borrows in order to lend to the students is off balance sheet, because it is able to claim a subsequent income stream to repay that; the same money is borrowed, but it does not count towards public sector borrowing. Smoke and mirrors is colourful language, but that is what is being described there: it is the same borrowing, but it does not count towards public sector borrowing, so without reducing our borrowing, we have reduced the borrowing requirement that the financial markets see.

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There is another problem, however, which is that the money it is claimed will be repaid will almost certainly not be repaid to the extent that is claimed, and I think everybody now accepts this. We did our analysis a few months ago and showed that this 30% RAB charge, which is the real cost to the Government, was almost certainly a very serious understatement of the cost, for reasons that we set out, and I think that is now fairly widely accepted. Apart from anything else, the 30% RAB charge was based on £6,500 or £7,000 or whatever the figure was then being the norm, with £9,000 only the exceptional fee. Just the increase of the average fee to much closer to £9,000 is going to drive up that RAB charge hugely. That is why I say that the Government really needs to find mechanisms to reduce the cost to itself, and what you called the core and margin system is perhaps being floated as a mechanism for that.

I think it is more than that though; I think it is also a mechanism for creating a market. If Leeds University can take on more students, some of the students that it takes might have been students that Leeds Met might have hoped to attract, and therefore Leeds Met might need to compete on price. At the moment there is going to be no price competition, for obvious reasons. As I said, demand is very high and will continue to be high. Universities can afford to charge what they like because the demand will almost certainly be there.

Q430 Mr Binley: That is an interesting question. How will that impact upon value from a student's perspective?

Bahram Bekhradnia: I heard the earlier discussion about value. I think it is an enormously difficult one. Students—most of us, actually—are not in a position to know what value is added in any individual case—

Mr Binley: That is what concerns me.

Bahram Bekhradnia:—before they go to university and go to any specific university. Students will look at things like—if you are talking about economic value, and I think you probably are—the job market success of the graduates who went to a particular university and so on. It is very difficult to disentangle how the universities contributed to that from the nature of the student body that it had in the first place. We know that students from Oxford and Cambridge get terrific jobs and they go on and are leaders of society subsequently, but they probably might have been anyway.

Q431 Mr Binley: But there are production criteria that can be used. I am sorry to use a crude, commercial term, but there are, and I just wonder whether they are being used to any good effect, quite frankly, to help students?

Bahram Bekhradnia: Do you mean things like knowing how many hours of contact they would have a week, for example?

Q432 Mr Binley: Yes, but there are a number of parameters of that kind.

Bahram Bekhradnia: I know that there are attempts to create the information services that you were discussing earlier, but there is nothing a) systematic,

that is available, certainly at present, and b) that we know would actually be of benefit and of help to students in making their decisions on the basis of value. I think it is enormously difficult and I have serious doubts about whether £9,000 a year for many of the students that go to many of the universities that will be charging that is going to represent good value, but universities can charge it, and so they will.

The people who are coming out of this best—this whole new arrangement—are the universities, some of which might find it difficult, but most of which will be laughing all the way to the bank, quite honestly. They will be able to charge and they will be charging the maximum fee. Students will be paying. Taxpayers will be paying much more than the Government thought the taxpayer would be paying downstream, when the loans are not repaid or when the cost to the public is higher than has been shown. Universities are the ones that really will be benefitting from this new arrangement.

Q433 Mr Binley: Let me just pursue this with one more question. What you are telling me is that the whole of the academic establishment will be the prime beneficiaries from this situation. How do we turn that round by importing some sort of structure for perception of value for students?

Bahram Bekhradnia: Well, it must, as you say, come to better information being available to help students make decisions and maybe shame universities into doing better. The market and competition is what we rely on, but we do not and will not, on the face of it at the moment, have a market that will enable us to drive that improvement. I think that the suggestion that I read about this morning is actually more than anything else an attempt to create a market—the Leeds Met sort of arrangement that I described to you. I have doubts about whether it will, but it is an attempt to do so and I think we will see other attempts to do so, because the Government and the Browne Report were relying on market mechanisms to hold down price, and so far it does not look as though that will happen.

Q434 Mr Ward: I am interested in when the chickens will come home to roost on this, because the model is that, more or less, the reduction in the funding to universities would be filled by graduate contributions over a period of time; that is the model. What you seem to be suggesting is, particularly with the cluster around the £9,000 level, that the Government's predictions will not work out as planned and something has to give, so there will either need to be a continued Government contribution to higher education, or student numbers will have to be reduced accordingly. At what point will that have to be faced by a Government?

Bahram Bekhradnia: It depends on the view of the Treasury, I suppose. Immediately it will be known if the Government has to give loans out that are more than in the Browne Report. I mean, that is something that will be known in the first year, but whether those loans are then going to be repaid at the rate that was assumed, only time will tell. It could be five, 10 years, or into the future before we find out what sort of a

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hole there is in the finances as a result of that, but I am not sure that we will get to that position, because we are seeing that the Government are looking very hard at ways to reduce the cost of its hole, and one of them would be to cut student numbers, for sure. Another would be simply to increase the cost to the student: instead of charging them 3% interest, it could charge them more. It would be politically very difficult, given what we know about the response of young people last year to that, but that is something else they could do.

It could, on the other hand, accept the hit on student loans and cut the HEFCE grant even further. There is not a lot there left to cut, but it could do. Now, that would have a very different impact from the other things, because, by and large, what is left of the HEFCE grant is for research and for STEM subjects, and those subjects, of course, are mostly provided in the older universities; similarly, research grants, by and large, are available to those in the older universities. So that would be a very differential sort of effect, impact.

I start from the position that, by and large, it is very likely that the Treasury will insist that the budget that BIS has is adhered to, and so something has to give: it could be student numbers, it could be the HEFCE grant, it could be students having to pay more, and the core and margin arrangement that you saw. There are different sorts of core and margin arrangements by the way. We had a core and margin arrangement in the early 1990s, and that was a very effective way of driving down price. It was a different sort of margin: universities were invited to bid for places cheaply, so you effectively had a core and margin with that sort of arrangement, but that would be very different again because those universities that bid cheaply would be those universities that, again, you might not first think of as the ones you would want to expand.

Q435 Chair: You partly anticipated a question that I was about to chip in with, that the core and margin approach could be one way of addressing it, although on the surface of it, it would appear that this would help the universities, but not necessarily the Government funding.

Bahram Bekhradnia: Bidding for places at marginal points?

Q436 Chair: Yes.

Bahram Bekhradnia: Well, no. If the average price at the moment is £8,500 and universities are invited to bid for additional places, and they are bidding at £6,000, then that would reduce the average cost of loans to the Government. I think Alan Langlands was quoted in a newspaper as describing it as a cheap and nasty approach. It would be a way of reducing cost, it would give places to low-cost universities, but actually David Willetts has been speaking about low-cost further education colleges and low-cost private universities as being the ones that will help to create competition and drive down price, so it could be an approach that would be considered.

Q437 Chair: As you said, the devil will be in the detail.

Bahram Bekhradnia: The devil will certainly be in the detail, yes.

Q438 Margot James: I was going to ask you about employers' expectations of graduates' knowledge and skills. Do you think it is a reasonable expectation?

Bahram Bekhradnia: I think employers, reasonably perhaps, always want more than they get, and tend to want job-ready graduates, rather than graduates who have been deeply and broadly educated and who can then pick up different jobs. But ever since I have been in education—I was in schools and teacher training before this—employers have complained about the quality of what they were getting from the education service, and I think they do in other countries as well. I do not think we need beat ourselves up in this country particularly about this. I think that it is common around the world.

It was not that long ago that the Institute of Directors, who have not been friends of the system by and large in the past, did a survey of their members and found that actually their members were really quite satisfied with the outputs of education. The more thoughtful employers get it—they understand that what they need is not students that can do the first job immediately, but not necessarily do anything after that. I think that is understood. The question for universities will be to balance that: to give the depth of understanding that will enable students to go on, but also to enable them to get work straight away.

Q439 Margot James: Could I just go back, Chairman, to an issue that Mr Bekhradnia raised that was also raised last week as well? For the record, I would like to know what you mean by the statement that the Government are withdrawing or public funding is being withdrawn from the higher education sector? As far as I understand it, it is being reduced, not withdrawn, from the state funding approximately 60% of the cost of higher education to funding approximately 40% of the cost of higher education. Given things like the loan write-off, which is predicted at 30% of total loans never being repaid, the maintenance grant, teaching grant for STEM subjects, all of this—is that 40% figure roughly right, in your mind?

Bahram Bekhradnia: I do not know whether that is exactly right. Sorry, let me clarify what I should have said if I did not: they are withdrawing from funding universities directly, and they are funding them in future through the student. That is what I mean by that, which is, effectively, a voucher arrangement. And it is not even true, as you say, that they are withdrawing from funding universities directly completely, because there will be this residual amount for funding STEM subjects and, of course, very substantially for funding research as well.

So those elements of university grant remain, but, on the other hand, that is what is vulnerable if the Government has to make further cuts in its budget in order to meet the higher loan costs it is going to have to meet. The way it approaches this will affect different universities very differently. As I said, STEM subjects research is done by a certain type of university; if it goes for a core and margin model,

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such as the Chairman described, it would benefit probably those universities that are the cheapest anyway as well. There is lot to play for still, and a lot of uncertainty as to how this will work out.

Q440 Mr Jarvis: In your analysis of the Browne proposals, you suggested they were made in the shadow of the deficit. In your view, should we consider the Government's proposals as long-term reforms or as temporary measures to cope with the current constraints of the economy?

Bahram Bekhradnia: A bit of both, if I may say. I think the Government and Browne probably were ideologically committed to a market-led approach. I do not say ideologically in any pejorative sense, that is a perfectly respectable position, but there is a certain ideology that will hold the market up as the way of regulating these things, and funding through the student rather than directly funding universities as being a better way forward. There is that, and I think that is long term; as long as we have this Government that will be long term.

I also think, however—interestingly, Sir Alan Langlands, in his address to the vice-chancellor of the HEFCE conference, said something similar—universities must be ready for direct Government funding to increase sometime in the future as well. I suspect the extent of the cut in direct funding has been driven by the public expenditure situation, and so we will see an adjustment in the balance between funding going through directly to universities as grants and through the students as loans and fees in the future.

I think there is a bit of both, and what I think is—and we said this in relation to the Browne committee in particular—it is a great shame they did not set it out more clearly in a principled way as to where they thought the balance lay, and they almost stated it as a matter of principle that the Government should withdraw its direct funding. I think that was a pity.

Q441 Mr Binley: Can I follow up that with a sort of prequel question in some respects? Do you think that the desire to enlarge the whole university student population was not matched by an understanding of how it should be funded? Do you think there was a basic problem there, which stretches back some way, that we are still only attempting to come to terms with, and not that successfully?

Bahram Bekhradnia: That is a very good point, I think you are talking about the early 1990s here. I cannot remember any discussion in the early 1990s about student fees or about this; it was simply about forcing universities to provide for more students with less money—and, if you remember, there was a 35% cut in the funding per student in about five years in the early 1990s. That was potentially catastrophic in terms of its impact on quality. Then we had the Dearing Review, which began to address that by bringing in another stream of money through student fees.

Personally I think that student fees are important, are necessary, especially the way we have them in this country, where we actually have and will have in the future the most progressive arrangement that I am aware of in the world for students to contribute. It is

free at the point of use, as we have heard many times this morning—they pay nothing, so affordability should not be an issue—and then they only repay when in work, as they can afford it. There is a system close to that in Australia and one or two other countries, but this is the most progressive system I have encountered in the world for that.

But we sort of stumbled on that. First of all in the 1990s we expanded by forcing universities to provide more cheaply; then we had the post-Dearing settlement, which was a shambles, quite honestly—the £1,000 fee that only 30% of the population paid. So yes, you are right, we did expand originally without much concern or consideration as to how it was going to be funded.

Q442 Mr Jarvis: The universities told us that the student finance arrangements were complex and confusing. Do you agree with that assessment?

Bahram Bekhradnia: We have not looked at that, to be honest, so I cannot tell you that objectively. What I can say though is there is one aspect of it that we have looked at that is confusing, unpredictable, and almost certainly unjust, and that was touched on this morning with your previous witnesses: the arrangements for bursaries, which were in the hands of individual universities. The system as a whole bore no relation to the needs of students, so a student at one university could have twice as much bursary as another with the same family background, the same needs, although they were no better off and their needs were no different. The bursary system was not objective, was confusing, and was unjust.

We argued in favour of a national bursary scheme. If student needs are the issue, then there is no argument for them to vary by university. Interestingly we did research three years ago that concluded that bursaries played no part in creating fair access. Students were unmoved by the level of the bursary in terms of their choice of university. OFFA did research on this last year and came to the same conclusion. I think that is right.

Q443 Chair: Can I just quickly intervene? That, of course, is based on the previous level of tuition fees and loans?

Bahram Bekhradnia: Yes.

Q444 Chair: Do you think that situation may be altered as a result of the new level?

Bahram Bekhradnia: You made that point earlier this morning, and I think it is a very good point. It would be unwise to extrapolate from the previous system entirely into the future. Interestingly, from the perspective of the individual student and then the individual graduate in work, the system in the future is actually more affordable for them even though the fees are going to go up three times, because the threshold for repayments goes up and they have to pay a lesser amount every week, but that message is going to be a hard one to get across. We just do not know the answer. I mean, £9,000 a year is a frightening figure if it is not explained, and if it is not handled properly. Have you had Professor Nicholas Barr as one of your witnesses here?

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Q445 Chair: Next week.

Bahram Bekhradnia: Next week? Well, talk to him about it—he is terrific on this—but let me anticipate him and steal some of his thunder. It is basically a tax: the students will repay when in work through the taxation system by having sur-charge on their tax. He will tell you that, even at the present levels, throughout their lifetime a graduate will probably pay about a £1 million in terms of their tax and national insurance and all that. To add another £25,000, £30,000 or whatever it is going to be to that is significant, but it should not be frightening. If it is described properly it need not be frightening. But you are right: we do not know.

Bursaries might help students to decide, but that did not happen in the past. What you had was Leeds University and Manchester University both offering bursaries, both charging £9,000 of fees. Now, the findings of the OFFA research and our research were that a student would not be moved between going from Manchester and Manchester Met, or Leeds and Leeds Met, by whether bursaries were on offer. They would go to Manchester rather than Manchester Met because that is where they wanted to go, and for other, obvious reasons.

Q446 Mr Binley: I just want to press you on the so-called KPMG degrees, where students' fees will be paid and they will receive a salary while studying. What do you think of that sort of arrangement?

Bahram Bekhradnia: Well it has always existed, and at the margins it is a great thing, for the student particularly. I suppose it depends on the conditions imposed on the student as they study and the subsequent commitment they have, but you are obviously sceptical.

Q447 Mr Binley: No. I am not. I agree with you.

Bahram Bekhradnia: Yes, but it is going to be marginal though. This is not going to solve the Government's problem.

Q448 Mr Binley: And I do not expect it to, but what I would have expected is a more adventurous, robust attitude from the university institution to work and to think more imaginatively in those terms in the past. Am I sort of being rather romantic in thinking that that might have happened and did not?

Bahram Bekhradnia: Romantic is not the right word I do not think, but why would they?

Q449 Mr Binley: But they did not to any great degree, did they?

Bahram Bekhradnia: No, no—

Mr Binley: We have not seen a lot of adventure here.

Bahram Bekhradnia: Well, adventure is great, but if you are interested in money, as the universities increasingly have been, unless KPMG are paying more for these students than the university will get through the Government grant and through the fee that the student will pay, why would universities want to? You need to find a way of incentivising them, and that is perhaps something that HEFCE could do. HEFCE is very good, by the way, at incentivising universities to do all sorts of unusual things by providing financial

levers and mechanisms, and it could. Universities will do what is in their interests to do, and unless you can make it in their interests to do that, they will not do it.

Q450 Mr Binley: I am arguing that is not the case. Let me give you another example, a situation where universities have been very slow to benefit from research in those universities in order to increase the well-being of the establishment. The Americans have been immensely good at that, and we found that out on a trip to the US for that specific purpose. That is another area where they could be more adventurous. I am just worried about the university establishment, and the whole educational establishment, being trapped in a mindset that says, "We are reliant upon Government." Am I right in thinking that?

Bahram Bekhradnia: It is a pity you did not ask Sir Alan that, because they have got all the data. They do something called the business interaction survey.

Q451 Mr Binley: I know they do.

Bahram Bekhradnia: Actually, I believe—I may be wrong about this—on many measures UK universities are outperforming even the American ones that you are referring to, and certainly outperforming any others in Europe. If you think English universities are laggards, my goodness me, you should see many of our colleagues elsewhere. I am sure there is always scope for more adventure and more imagination, but our universities have been quite entrepreneurial, although not necessarily in this KPMG sphere. Given that, by and large, universities are capacity constrained—not entirely, but to some extent—there has been no strong incentive for them to go after that sort of sponsored student, which would necessarily almost be—in many cases anyway—at the expense of an equally funded, easier to get student.

Q452 Mr Binley: Let me then go to the reverse of that coin and ask whether you think there are any concerns about academic freedom if business and industry had a greater involvement in, for instance, designing courses?

Bahram Bekhradnia: Concerns, yes, but not serious concerns. I do not see why there should be. I think universities must obviously be able and be willing to say, "This is what we are doing on academic grounds, and we cannot accommodate your needs." It is more of a concern, I would say, in research than in teaching.

Q453 Mr Binley: If those sorts of degrees grow—I think a number of other companies have jumped on the bandwagon, and I find that interesting—is there any danger of creating social divisions in universities between those who are getting a £20,000-a-year salary as well as having their fees paid and those that do not? Does that matter?

Bahram Bekhradnia: Possibly. I do not know. I remember when I was at university there were always people there from the Army or the Air Force, or somewhere, who had something. They just drank more.

Q454 Mr Binley: Is that a regret? Okay, let's move on. Can I ask if you anticipate a general change in the

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types of courses and degrees offered by universities? I am thinking here of modular courses, more vocational or employer sponsored courses, and less focus on attaining a degree—that sort of change from what universities have traditionally been, to providing a sort of wider menu of educational opportunity?

Bahram Bekhradnia: No. There may be a trend in that direction for other reasons, but I would say, on the contrary, raising the cost is going to focus students even more on the certificate, diploma or whatever it is they get when they leave that will then serve them in the job market. I think it depends largely on the attitudes of employers. You talk about conservatism; employers have shown themselves to be extraordinarily conservative in terms of their attitude to graduates. They know what they like: they like graduates from certain universities; they like graduates to have the qualifications and the degree. In all of this, it will depend on the attitudes of employers and what they reveal they want from students. If they want students who have done very narrow vocational subjects and students cannot get employment without that sort of subject, that is what students will do. Employers might say, “We want you to produce your diploma and your degree certificate, and without that we are not interested in you,” and that has been the trend. That is why a lot of the demand for university now is driven by employers who previously would have been happy with A-Level entrants and are now demanding degrees. Now, you cannot get a civil service job without having got a degree—you cannot get all sorts of jobs without having a degree. That is what is driving part of the demand.

One of the earlier questions you asked me was, “What is going to happen to demand?” As long as that trend is not reversed—and I do not see any sign of that being reversed—the poor old student, the poor old 16-year-old and 18-year-old, is going to want to go to university if for no other reason than the graduate jobs are not going to be available for them without doing so.

Q455 Mr Binley: And is that trend primarily about fashion, about lower educational standards at school level, or is it about any other factor? Are you really telling me that they want better educated people, and consequently are getting them as a result?

Bahram Bekhradnia: I suspect there is a bit of that. I would hope, we must all hope, that going to university does actually add value to the student and the job they do subsequently, but part of it is because they can. It is very difficult to break into this loop. I do not call it a vicious circle, because it has got many good aspects to it, but why would you as an employer, given that 50% or close on 50% of the population go to university now, select somebody who had not been to university for a job when you had plenty of applicants who had been to university? Going to university at all, and then which university you go to, is a sifting mechanism for employers.

Q456 Mr Binley: I will answer, as an employer, providing the other qualities are equal; it is not the only criterion.

Bahram Bekhradnia: Of course, of course. It goes without saying, absolutely.

Q457 Katy Clark: Do you think the Government, the Higher Education Funding Council and the Office for Fair Access have got the balance right in where funding for widening participation and access work is coming from?

Bahram Bekhradnia: That is a very interesting question. I am very disappointed about the decision to phase out the Aimhigher programme. It had its critics, but it was a programme, funded centrally, focused very much on the one thing, which was to get more students aspiring to and into higher education. What we have now is very interesting. By the way, I am a great admirer of David Willetts, and I know that as a Minister you have to do all sorts of things that you might never have thought you would have to do when you were in opposition, but David Willetts, when he was in opposition, said that he would not countenance higher fees unless the universities concerned could show how the students were going to benefit from the fees that they were paying, but what we have now is OFFA being told that they have to insist that universities spend a higher and higher proportion of the fees that they get from these students explicitly on activity that is not going to benefit those students; it is going to benefit future generations of students, and perhaps not even that. I think it is a disappointment, and I think it is a misjudgment to withdraw central funding for programmes like Aimhigher and to insist that those are funded by students in future, which is what they are going to be. I think it is disappointing; it is not consistent with what has been said in the past, and it risks atomising the activity. I hope not, but that is what the risk is.

Q458 Margot James: I want to challenge your assertion that this fairer access money, coming from universities that are charging £9,000 or thereabouts, will not benefit the existing student body. Surely it will benefit the students who would not have otherwise got there, who have got there under the fair access scheme?

Bahram Bekhradnia: Okay. So the money gained from students today will benefit the students in three or four years' time, and the money that they pay in three or four years' time will benefit those who come through four years after them. Yes, okay—but it is replacing central Government money. I actually think it is pretty doubtful and quite a long-term argument that you have got there.

Q459 Katy Clark: What is your opinion of the Office for Fair Access recommendation that a percentage of all fees above £6,000 should be spent on access and widening participation?

Bahram Bekhradnia: That is really the point that I was making. I welcome the expenditure on access and widening participation. It is important, but I think that it is unfair and a pity that it is not coming from the Government from general taxation but from students themselves, from the higher fee that they are going to be obliged to pay. I can see you can construct an argument that, over a long period, although the money

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that you are contributing today might not benefit you personally, the money contributed by some of the students sometime in the past will benefit you, because it might have got you there in some cases, but not in the majority of the cases. The majority of students do not need widening access-type activity to get them to university; they are going to go anyway. So I think I would dispute Margot James' point. I take your point that it is difficult to explain to students that a significant part of the fees that they are paying is not to benefit them but to contribute to widening access activity that will benefit some students sometime in the future.

Q460 Mr Binley: What do you think of the National Scholarship Programme? Will it support and encourage more students from disadvantaged backgrounds to come into higher education?

Bahram Bekhradnia: I hope so. I think that a well targeted scholarship scheme would. I take the point that your Chairman has made: the data are there and the evidence is there, so we know that in the past students have not been deterred by the higher fee, and, because, for the reasons that I mentioned, this is a progressive arrangement that we have and free at the point of use, it logically should not deter people in the future, but we also know from research evidence that students from poorer backgrounds are more likely to be deterred from going into higher education than others. So yes, I think that the schemes like that are probably needed in order to ensure that there is no financial disincentive.

Q461 Mr Binley: What changes do you expect to see in student numbers over the next five, 10 years?

Bahram Bekhradnia: That depends entirely on the Government's attitude to growth and on the budget. If you are asking me what changes I expect to see to student demand, I would say I expect student demand to be buoyant, to be greater than the supply of places, and for there to be unsatisfied demand sometime into the future.

Q462 Mr Binley: So it is a seller's market all the way through then?

Bahram Bekhradnia: I think it is a seller's market all the way through. I do not know. We keep coming back to the fact that a £9,000 fee is very different from a £3,000 fee, even with all the arrangements for repayment that I described. It might choke off demand. I do not think so, but it might. If it does not, it will be for reasons I have described: males catching up with females, and regional and social class differences being eroded. One of the great success stories in recent years has been the very large increase in participation by students from the poorer backgrounds. It really has. I think it was a 30% increase in participation in only five or six years, so there has been a big increase there. There is a long way to go, so the potential for increased demand is huge. Add to that the fact that the last Government introduced, and this Government has not reversed, an effective increase in the school leaving age, so all those students that left at 16 in the past—10% of students with 10 or more GCSEs left school at 16 and

were never seen again—that will stop. They will have to stay on in education into the future. That will itself necessarily give rise to increase.

Q463 Mr Binley: How do you know they did not go on to build multimillion pound businesses?

Bahram Bekhradnia: No, some of them went on to have great successful careers; many of them did not.

Q464 Mr Binley: That is right. Okay. Now, I am going to be very kind to you and I am going to change you with David Willetts—I am going to put you there to write the White Paper. What three things would you most want in there?

Bahram Bekhradnia: May I write to you subsequently about this? I would not start from where I am, you see. If I were David Willetts, I would not have made some of the decisions that have been made to get us to this point. The main thing, as I said at the beginning, is they have to find a way of creating a market to moderate prices. I think there has been a serious misjudgment that has enabled prices to be announced at the levels they have been announced, so we have to think hard about how to do that, and I think today's announcement, or today's speculation, is one step in that direction.

Q465 Mr Binley: I realise I threw that question at you. Would you be kind and write to us when you have thought about it: what three things would you have in the White Paper?

Bahram Bekhradnia: Okay.

Mr Binley: That would be very helpful.

Q466 Chair: You have been asked to be David Willetts. I am now going to ask you to be Sir Martin Harris. What specific measures would you like to see included in access agreements?

Bahram Bekhradnia: I am glad we have an Office for Fair Access. I think it has stimulated and galvanised activity and focused the mind, but as Sir Martin hinted and as has been apparent all along, access agreements will be met. Universities will do whatever they have to do in order to meet their access agreements. They are not going to a mechanism for regulating fees. I have said already that I regret the central activity that has been choked off with Aimhigher being closed. I would like to see more coordinated activities, so I would hope to see that access agreements, in part anyway, pooling resources and activity between perhaps different types of universities in an area, to fund these sorts of things. By and large the sorts of things that they do, such as summer schools, which somebody mentioned, are great, but summer schools tend to be attended by the well motivated middle class students anyway. In a way, that sort of thing is too late.

Q467 Chair: I was going to say, I can just imagine some of the students in my constituency being asked to go to a summer school. Given the fact that some of them may well not have travelled very far at all, the thought of going somewhere to a summer school would be a very intimidating prospect.

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Bahram Bekhradnia: You need to start back at primary school and that sort of thing. There have been some very imaginative initiatives. If only those had been learnt from and built on. There was Professor Fluffy in Liverpool, who used to go round the primary schools trying to motivate really quite young children to understand that going to university was a perfectly normal thing, although Professor Fluffy was not very normal, I have to tell you—anything that is imaginative like that. You have got to think very widely, but I think the problem is that what you need is expenditure and activity at school level, and, in a way, what universities are doing is almost too late.

Q468 Chair: You said before—I think I got this right—you do not like Government interference in university policy, but do you think OFFA should be given enhanced legal powers over fee setting?

Bahram Bekhradnia: No, I do not, because I do not think that they would necessarily make the right decision and do a good job, and nor does Sir Martin Harris think that they ought to have that. Of course nobody likes interference, because interference is a pejorative term. I do think, though, that Government does have a role in setting the national direction of higher education, and should have some powers in relation to universities, and should have influence in relation to universities and, in the past, exercised that influence quite effectively through the funding that it provides through HEFCE. By cutting the Government direct funding of universities to the extent it has, and

by relying on the market in the future to the extent that it is, I think it is getting the balance wrong.

Q469 Chair: Obviously you do not feel that OFFA should have legal intervention powers, but you hinted that the Government should step in?

Bahram Bekhradnia: No, but you were asking about fee levels.

Q470 Chair: Yes.

Bahram Bekhradnia: No, on fee levels I do not. I think that fee levels are a funny sort of thing. I mean, they are a market mechanism almost by definition. I think that there needs to be much better information if we are going to have fees at this level. Everybody agrees with this, it is not an unusual thing to say, but I would not expect OFFA to be able to make very sensible, informed decisions about the levels of fees.

Chair: Thank you, once again. You have been a solo act for an hour, and I do appreciate the contribution you have made.

Bahram Bekhradnia: I enjoyed it.

Chair: I will repeat what I said to the previous panel: if you feel that you would wish to add anything to your response to a question that we asked or, indeed, would like to respond to a question that we did not ask you but should have, feel free to do so.

Bahram Bekhradnia: I will.

Chair: Thank you very much.

Tuesday 17 May 2011

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Rebecca Harris
Margot James
Dan Jarvis

Simon Kirby
Mr David Ward
Nadhim Zahawi

Examination of Witnesses

Witnesses: **Professor Lorraine Dearden**, Institute for Fiscal Studies, **Professor Nicholas Barr**, Professor of Public Economics, London School of Economics, and **Dr Gavan Conlon**, London Economics, gave evidence.

Chair: I welcome and thank you for agreeing to speak to the Committee. What I always say when we have a panel in front of us is, obviously, when answering a question do not feel an obligation to repeat what one member may have said if you feel that that member has covered the points you wish to make. Equally, if there is a question directed to any one member of the panel and you feel that there is an issue that you must take up, feel free to do so. Before we come into the formal part of the questions, will you give your name and the organisation that you represent for voice transcription purposes?

Dr Conlon: My name is Gavan Conlon, and I am a partner at London Economics.

Professor Dearden: My name is Lorraine Dearden and I am based at the Institute for Fiscal Studies and also the Institute of Education.

Professor Barr: Nicholas Barr; I am a Professor of Public Economics at the LSE.

Q471 Chair: I will start with a general question. That it is general does not mean that I want a huge long answer, so if you could respond as briefly as possible: what do you think universities are for?

Professor Barr: I can give a short answer. They are there for the pursuit of knowledge for its own sake and for the transmission of important values. That has always been the case and it still is the case. What is new is that, increasingly over the past 50 years, they are now also there as an important element in people's life chances and in national economic performance.

Chair: Do any other members wish to add to that?

Professor Dearden: No.

Q472 Chair: Excellent, I think you have summarised it unusually succinctly, if I may say so. Can I just come on to the next question? An argument is often put that universities and their students make a significant contribution to both regional and local economies. Do you think that the reforms that are being proposed will impact on their capacity to do that?

Professor Barr: This is a terribly academic answer: it depends what the reforms are going to be. If the reforms as they come out allow some universities to expand at the expense of others, that could be damaging to some regional universities. On the other hand, if expansion of total student numbers is possible, so that some universities could expand but regional universities could still largely retain numbers,

then that would not be a problem. I think a crucial thing is whether numbers are fixed or not. If they are, then there could be a problem.

Professor Dearden: I think it is just too early to tell. As Nick said, it really depends on a lot of factors, which we are going to have to wait and see the impact of.

Dr Conlon: I think Professor Barr is correct when he says it all depends. The fact that some regional universities might have fewer substitutes, less competition, in a local area, means some regional universities might actually perform quite well as a result of these reforms, depending on how the reforms look. Where there is greater competition in large urban areas, we might see some universities suffer to a greater extent than in the regions, but it all depends.

Q473 Chair: This specific question is to Dr Conlon. In your paper, *Fair, Progressive and Good Value?*, the paper you published with million+, you say that Government proposals are "not progressive" because most graduates will pay more than under the current system. Is that not really the point of the reforms—that graduates should contribute more?

Dr Conlon: I think so. It is very difficult to answer the question of whether the proposals are progressive. It is certainly the case that the current Government proposals are more progressive than those proposed and put forward by Lord Browne. However, if we look at the situation of how the current proposals change the amount of repayments, or the cost of university for students and graduates compared with the current system, I do not believe that the current proposals are progressive.

I think there are two very important points. The first point is that a lot of analysis has just looked at graduate earnings, and I think what has not happened is a detailed analysis of what happens to graduates with different levels of earnings depending on their household income when they enter university. The cost of university under the current proposals hugely depends on current household income. We have done an analysis where we have illustrated that, once you combine all of the subsidies, grants and tuition fees, compared with the current system students from average-income households who go on to earn above average earnings pay more than students from higher-income households. I do not believe that the current proposals are progressive across the piece. I think individuals from middle-income households who go

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on to earn above average earnings will end up paying more compared with current high-income graduates. Progressiveness is a difficult thing to pin down.

Q474 Chair: This is back to the squeezed middle income argument.

Dr Conlon: That is somebody else's phrase. It is certainly the case that, if you wanted to define progressiveness as whether the wealthiest or the graduates going on to earn the most pay more for their education than graduates who earn the least, then yes the system is progressive. That is when you are comparing individuals from the very top of income distribution with individuals at the very bottom and when you essentially ignore their origins, their household income. But if you undertake a more sophisticated analysis, I do not think it is an open and closed question.

Q475 Mr Binley: We have had evidence to suggest that the setting of ever-increasing targets, up to 50%, has never been supported by a real view of how university education should be funded. The latter has never been properly tackled during the whole of the growth period. I have read your paper and found it very interesting. I wonder how you might advise us that we should advise the Government on how it should be funded to make it more progressive, if, as you say, it is not as progressive as you would want it to be.

Dr Conlon: If the question is progressiveness, then there are more progressive approaches than those that are currently suggested. I will await the criticism from Professor Barr, but I think the option of a graduate tax is certainly more progressive than the proposals that have been put forward. It is also much more transparent and straightforward to implement. I believe that one of the reasons why a graduate tax was not properly considered was that essentially it is expensive in the short term in terms of the budget deficit. However, I think the advantages outweigh the disadvantages.

I also think that even despite the additional cost that might be incurred by the state in funding the graduate tax in the short term, the rates of return associated with higher education—the additional income tax, VAT and National Insurance payments that are accrued by the Exchequer as a result of having graduates—far outweigh any short-term costs associated with an alternative mechanism such as graduate tax. Even though it is expensive in the short term, certainly the benefits outweigh the costs.

Chair: Professor Barr, I can see you are itching to get in on this debate.

Professor Barr: To set the thing in a broader context, first of all under the current arrangements the interest subsidy on student loans is unbelievably regressive. The major beneficiaries are successful professionals in mid-career. That part of the reforms unambiguously makes things more progressive than the current system. Second point, of course progressivity within higher education is important, and we should take it seriously, but people who get to higher education are by and large those who have made it. I would rather see progressiveness not over 18-plus, but nought-plus.

All the evidence shows the real drive to widen participation should come earlier in the system. In a way one could say, "These heavy subsidies for higher education are taking money that I think ought to be spent, to some extent, more on nursery education."

As regards graduate tax, I have no ideological problem with it, but there are deep practical problems. First, graduate tax is irredeemably public funding. You are not going to get private finance until the cumulative repayments of graduates is greater than the outgoings from the Treasury. Secondly, the Treasury continues to control the funding envelope for higher education; it is a closed system, which means the capacity for expansion is limited. Thirdly, that mutes competitive incentives, and my view is that you need competition between universities; it benefits students and quality. Finally, with a loan the individual takes out a contract, and that can be enforced where people are working abroad. A graduate tax can only be imposed on people who are UK taxpayers. Anyone who comes from the EU will not pay, and you cannot collect from any Brits who have studied here but then go to work abroad either. These are deeply practical issues that worry me, not the ideological ones.

Professor Dearden: I think there are a couple of further things. I think some of the complications in the middle relate to how the loans system has been implemented. With very simple tweaks to the loan system, i.e. adopting Lord Browne's idea of a universal loan, you could get rid of a lot of those perversities. In effect, with a £9,000 fee you have a graduate tax for well over 50% of people, but you lose all the advantages that Nick mentioned.

Q476 Chair: Going back to the comment made by Professor Barr about a loan being enforceable abroad, I am not altogether clear how much easier it is to enforce payments of a loan from somebody abroad than it is a graduate tax.

Professor Barr: If I go and work in America and have no income in the UK, I am not liable for UK tax, and hence not liable for a graduate tax. Whereas if I have a loan and I have an individual contract with the Student Loans Company, then the Student Loans Company can and will pursue me to the United States and will enforce repayment. I am not saying that the system is perfect, but a graduate tax is 100% imperfect in that particular respect.

Q477 Chair: I certainly accept the first part of your answer. I am not sure that the economics of enforceability would back up the second argument you make. Maybe that is somewhere where more research needs to be done.

Dr Conlon: I would agree with that. I think what Professor Dearden says about removing the hump in the loan system will remove a lot of the perversities in the current system. We absolutely would all agree on that. In terms of the contractual arrangements, the difference between a graduate tax and the current loan system, there is a number of Parliamentary questions and responses that have been tabled asking what proportion of loans that have been taken out by EU students have been repaid or are in repayment, and for what proportion of these loans the Students Loans

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Company has been able to identify the borrower. The numbers are pretty low. I do not think that the current system is being in any way successful in recouping fee loans from foreign students.

You made another point about a graduate tax removing competition. If you look at the current system, or at the current proposals with the £9,000 fee cap, I do not think there is going to be that much competition in the current market, especially if individual institutions have caps. There is not that much competition. The fundamental mechanism of the market is that if one institution raises fees, or raises its price, then the threat of students moving to another institution will mitigate those price increases. However, under the current system, as far as I am aware, institutions who may charge a lower fee have their individual student numbers capped and will not be able to take those extra students that might be deterred from attending another institution. The threat of competition does not really exist under the current proposals. I am not sure that a graduate tax would be better or worse given the current state of competition.

Professor Barr: It is true that the collection of loan repayments abroad is not good. It is true that the current proposals do not do as much as they should for strengthening competition. Both of those features can and should be fixed. A graduate tax institutionalises both problems by design.

Chair: Professor Dearden, do you wish to add to that?

Professor Dearden: No. I completely agree with what Professor Barr says.

Q478 Chair: I think we have had a pretty comprehensive debate on that. Getting back to the issue I raised earlier, what do you think needs to be done to maximise universities' abilities to contribute to economic growth, and not just regional or local in this context?

Professor Barr: This is a very imperfect answer, not least because I do not understand where growth comes from, and I do not think anybody understands where growth comes from. I think I would come back to competition. Giving universities quite a lot of freedom to compete, within a sensible structure of well designed loans, etcetera, will give incentives to innovation. I think that if it is genuine competition and—broadening out the discussion, if you look at research funding as well—if research funding encourages universities not just all to do fundamental research but rewards a whole range of different research including local research, I think you are then going to get an even more vibrant and diverse system than we have. I think it is through diversity, competition and innovation that one maximises the chances of universities contributing to growth. I cannot think of a specific mechanism for doing that because growth and innovation are sort of magic, at least on my reading of what economics understands today.

Professor Dearden: I do not think it is just research. I think that it is education across the board. That is very important.

Professor Barr: Yes, I agree.

Dr Conlon: I would say of the current proposals, where there is a suggested 80% reduction in HEFCE

teaching funding, even if that was replaced pound for pound by loan income through tuition fee loans, the economic uncertainty that some universities would be faced with is one potential negative outcome associated with the proposals. I think it is very difficult for higher education institutions to keep undertaking the good work that they do, and they do generally do very good, high-quality teaching and research, certainly in many institutions. I think removing HEFCE teaching funding places universities under extreme strain and uncertainty in some cases. I do not think that will assist in driving economic growth or human capital formation.

Professor Barr: I completely agree. The taxpayer should contribute to the extent that higher education creates benefits to society over and above those to the individual. We cannot measure those external benefits, but all the qualitative arguments say they are very real. Getting rid of teaching grant for the arts, humanities and social sciences was a very bad move. It means something is not getting a subsidy that it ought to be getting. For efficiency reasons, that will reduce demand either in terms of student numbers or in terms of quality. I completely agree; it is one of the worst aspects of the proposals.

Q479 Chair: Do you know of any research that effectively correlates economies with a high number of graduates to economies with high levels of economic growth?

Professor Dearden: There is a literature out there. It is hard to do robust empirical evidence showing this. There is some empirical research out there of varying quality. The literature is all over the place. I am very out of date on the latest state of this literature.

Professor Barr: There is an OECD study that shows a link between spending on higher education and economic growth. The problem is that it is not just the quantity of money that you spend but the way you spend it. America spends shedloads of money on health care, but their health is worse than that of Britain, which spends a lot less. It is how it is spent as well. I agree with Lorraine; it is very difficult to be definitive.

Q480 Mr Ward: I am interested in the comments from Professor Barr to do with these external benefits. It touches on what you just said: these lead to “a more productive and occupationally adaptable workforce, and harder-to-quantify benefits around better parenting, increased civic engagement and tolerance of different views.” Doesn't that just go to any money spent on educating individuals, whether they are in universities or not?

Professor Barr: Yes, but it is true also of higher education. I think there is good evidence that graduates of higher education are more involved in civil society. We know that disadvantage gets transmitted down the generations. If you educate people, particularly women, that will have all sorts of benefits for children. Then there are the narrow economic benefits: because I can read, you can send be an e-mail and then that raises your productivity. I agree that is true at all levels of education, but it is true of higher education as well.

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Q481 Mr Ward: The vast majority of people that I know who work in the voluntary community sector, and many of the toughest areas of my constituency, never stayed on at school and certainly have never ever been inside a university in their lives, yet they make a massive contribution.

Professor Barr: I am absolutely not saying that it is only graduates who do that. All I am saying is that it increases the likelihood that people will be involved in those sorts of activities.

Q482 Nadhim Zahawi: Professor Barr, you talked about not knowing where growth comes from. One thing we do know is there are 4.8 million small and medium-sized businesses in the country, and you would wager a pretty good bet that a good proportion of the growth would come through that sector. Do you think we do enough in terms of our universities working with the SME sector to understand the needs better? Some of the things we hear in this Committee is that the graduates that we are pumping out do not have the skill sets for the jobs that we have and are creating in the economy.

Professor Barr: If you have a system of centrally planned, publicly funded higher education, universities will look at you and say, "We do not do things that way." If you put us in a competitive situation, where students or graduates of the university do not get jobs because we are doing things in the old way, they will face competitive incentives to listen to small and medium-sized enterprises and adjust accordingly. I think the answer is to liberalise the sector, create incentives such that students vote with their feet and money follows. I am not talking about an unregulated market; it needs lot of regulation, but more competition will give universities an incentive to get down off their high horse and interact more with businesses.

Q483 Nadhim Zahawi: That brings me on nicely to my next question. We know that the Government wants to increase the number of private higher education providers in the sector. What effect do you think that will have on the sector and its financial sustainability, and are any safeguards needed? I think you alluded to the fact that safeguards need to be put in place so that you do not have unfettered competition, but do you think that is a good thing?

Professor Barr: I do not think that the distinction between public and private should matter. You should have a diverse competitive system of higher education together with a well designed loan system and robust quality assurance that should apply to all higher education institutions, public or private. Assuming there is robust quality assurance, I would welcome creating a level playing field for private providers because it does strengthen competition.

Q484 Nadhim Zahawi: Does the rest of the panel agree with that view?

Dr Conlon: I would just say that there are many countries, for instance the United States, with public and private higher education institutions. They work in tandem. As long as there is appropriate regulation and quality assurance, there is no reason why a private

sector provider should not be able to compete alongside a public sector provider.

Q485 Nadhim Zahawi: Do you think it is possible to have a real market in higher education when universities have full control over who they will teach?

Professor Barr: Nobody who has ever thought sensibly about higher education has ever advocated a free market. If you say to universities, "Accept as many students as you like and the taxpayer will pay," that is giving universities a licence to print money. Even universities have not suggested that. There needs to be at least three sets of constraints on the freedoms of universities. One is minimum qualifications for entry into higher education. The second is quality assurance, which needs to be robust. The third is, and this gets into more technical detail, my own feeling is that, if universities are asked to pay a university-specific insurance premium to cover at least part of the loss of the loans of their graduates, that also faces universities with a stiff dose of reality. I think the combination of those three would allow competition but not give universities a licence to print money.

Dr Conlon: I would agree with two of those points, the second about quality assurance and the first point. On the third point about universities having to undertake some of the costs of the non-repayment of the loans of their graduates, I think we would have to tread very carefully with that. It is clearly the case that universities would have an incentive to cherry pick the graduates that they would believe, for whatever reason, are most likely to repay their loans, so therefore they would potentially have the least liability going forward. If I was a university, that would be completely rational behaviour. You would be selecting on factors that may not be related to merit. I would tread very carefully on that last point; you are selecting on household income, essentially, as a proxy for future earnings.

Professor Barr: I agree, and in other things I have written I have said that if the loss on loans falls on the taxpayer, the Treasury has an incentive to constrain student numbers. If the loss on loans does not fall on the taxpayer, you can then relax student numbers. The question is, where should that loss fall? Elsewhere, with Neil Shephard, I have argued that some of it should be paid by the cohort of graduates on a national basis. For universities that charge higher fees, one should think about a university-specific premium. Universities should face only part of the cost for exactly the reasons that Dr Conlon set out.

Q486 Nadhim Zahawi: I am going to ask you, and this is the \$64,000 question, can you anticipate what effect the reforms will have on participation in higher education, and do you think it is better for the economy to spend more on higher education and have more graduates or to keep the higher education bill down? What do you recommend as the best balance between investment by Government, students and graduates, and other private sector providers: charities, social enterprises and so on? What you cannot do is say to me, "We have to wait and see." You have to stick your reputation on the line.

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Professor Dearden: Raising fees will impact on participation, but if it is accompanied by grants and loans then that will offset that. We have never seen changes of this magnitude before. Estimating the impact is very difficult. I expect that these reforms will have some impact on participation.

Nadhim Zahawi: Positive or negative?

Professor Dearden: It will have a negative impact on participation, but by what order I am not sure.

Q487 Chair: I think it is fair to say that there has been an emerging argument from witnesses that we have had before the Committee that the provision of bursaries and fee waivers is less effective in determining applications than engagement at an earlier level, which I think is broadly the position of Professor Barr.

Professor Dearden: Yes.

Chair: Are you contradicting that? Would you like to elaborate further?

Professor Dearden: No, I am saying everything else being level—the overall package of returns. I mean we saw it before. Increasing grants and loans, and giving loans that mean you pay nothing upfront almost stops the negative impact on participation but not quite, but it is very small amounts. But we have never seen changes of this magnitude.

Q488 Nadhim Zahawi: You still think it would be negative?

Professor Dearden: Yes, but it could be a very small negative. We have no idea.

Chair: You just raised the point that we have not seen changes of this magnitude before. Do not worry, Nadhim. I will bring you back in to conclude your line of questioning, but I have got Brian and Margot who want to come in quickly. Make it brief.

Q489 Mr Binley: I am particularly interested in this, because we have received evidence that this will continue to be sizeably a sellers' market.

Professor Barr: Yes.

Q490 Mr Binley: Can I ask, yes or no, whether you agree or do not agree with that view?

Professor Barr: My short answer to the previous question is that tragically there will be no effect. There will not be more places. The balance between Government and the taxpayer will not change. The savings from raising the interest rate on student loans, which was the right move, is being gobbled up by raising the threshold at which repayments start too much. So the system remains expensive, the balance between Government and taxpayer does not change very much, and therefore the resources that should have been used to widen participation, particularly through earlier interventions, are not there. I agree with Lorraine; there is a negative effect, but roughly that will be offset by a positive effect because there is still excess demand for higher education. My guess is that a chance to do something real for quality and participation is being lost, and I find that very sad.

Chair: That is a pretty dramatic argument.

Q491 Margot James: I should mention that I am a Governor of the London School of Economics and an ex-student of your good self. I wanted to follow up on Professor Dearden's comments about participation and the fact that you believe that this magnitude of change will have an adverse effect on participation. Did I get that right?

Professor Dearden: I am just saying, if you look at it with everything else held constant, that will probably be the impact. Look at what we have done with the other reforms: if you hold everything else constant, then raising fees, changing nothing else, will have a negative impact. But everything else is not remaining constant. That is the problem. As Nick said, if you do not raise the number of funded places, if you put restrictions on everything else—

Margot James: I accept those, yes.

Professor Dearden: If you increase fees, with everything else remaining equal, it will reduce demand. If you increase the generosity of loans that pay those fees, then it has an offsetting effect.

Q492 Margot James: I appreciate that you did not give a black and white answer, and I accept those caveats. I wanted to explore the issue of participation at different types of university. Under the last Government we saw a huge widening of participation at the newer universities and very little change, if anything a negative change, at the Russell Group universities. Do you think that the change in fees, with all the other changes that perhaps offset their negative impact on participation, will have an even worse effect in the distribution of students who want to go to the newer universities, because they are perhaps closer to home and therefore lower cost, versus students from poorer backgrounds who want to go to the Russell Group universities?

Professor Barr: I would say no, it will not make a difference.

Professor Dearden: No, I cannot see that it would make any difference.

Dr Conlon: In pure economic terms, we have looked at the impact of the current proposals compared with what is currently in place. Students from households in the bottom 30% of the income distribution are essentially unaffected by these proposals. Because the proposals that are being put in place are now so complex, the issue is now a real informational one. I know that students find it very difficult to assess the quality of an institution and the quality of the degree that they are going to receive. At the moment, a lot of the signalling that is taking place in the market is through price and branding, which are not perfect proxies for quality. Probably one of the biggest determinants of students making the right choice is about recommendations, information, proper and complete information in the marketplace; that will assist students in making the right decision for them. The complexity of the proposed system is such that students will probably make the wrong decision. It is almost unintelligible.

Q493 Nadhim Zahawi: I was just going to push Dr Conlon on an answer to the impact question and whether he thinks it will be positive or negative.

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Dr Conlon: In terms of the impact on participation, the work that the IFS has done and Professor Dearden has undertaken in the past on the impact of the changes to fees, grants and loans is excellent work. She has indicated that the increase in fees will reduce the quantity demanded. It will only be partially offset by the introduction of increased loans, so there will be an effect.

Professor Dearden: But it is very small. We have never seen changes this big before, so it is impossible to predict what will happen in the future.

Dr Conlon: I think there is a second issue and this is to do with foreign students. There are tens of thousands of students from the EU coming to the UK every year to study in UK higher education institutions. By raising fees by this order of magnitude, if we assume that foreign or EU students have more substitutes, i.e. they can study in their own country or in various other countries, certainly we will see an impact on the demand for higher education amongst foreign students, even if there are associated fee loans. I think this will adversely affect educational exports—the value of the UK educational sector. Right now we are undertaking a piece of work for the Department for Business, Innovation and Skills on the value of education exports. We modelled what we think the effect of fee increases will be.

On your other questions about whether the economy can essentially absorb more graduates, if you look at the rates of return to the individual from degree-level qualifications, the rates of return and the individual lifetime benefit associated with higher education qualification attainment have remained relatively constant over the last decade or 15 years. With the increase in supply of graduates from new universities, we have not seen this massive erosion of the graduate premium; it has held up. It sort of implies to me that there has been an equal shift in demand for graduates. The economy can absorb graduates. Businesses complain about not having a qualified workforce. They have responded over the last 15 years by employing more and more graduates. I do not think there is an issue there.

The third question you asked was about the balance of funding. At the moment I think most people would agree that the balance between the Exchequer funding of higher education and private or individual funding of higher education is unequal. The Exchequer contributes approximately £6.5 billion per year to get a cohort of students through the system in terms of fee loans, subsidies, and so on. Students essentially pay very little. There will be very few people who would argue that students should not contribute more and the Exchequer should contribute less. The question is how exactly do we implement that? There is a range of alternatives. We can tighten up the loan system; we can try to make it more progressive—there is a whole range of options. I think the problem is that the approach that is taken, where teaching funding is being reduced by 80%, essentially makes many of the changes to the current fees and loans system pretty trivial compared with the 80% reduction in funding. That is a long answer to three questions, apologies.

Q494 Chair: Before I move on to Rebecca, can I pick up you up on one point? You said the economy has the ability to absorb graduates and yet—I am quoting from an *Observer* article on Sunday—“graduates face the bleakest employment prospects for years. The unemployment rate has doubled from 10% to 20% in the past three years. An estimated 55% of this year’s graduates will fail to land a job that requires a degree.” How do you reconcile the point that you made with those statistics?

Dr Conlon: That is absolutely true. I cannot comment on the specific figures, but graduates are facing a hard time at the moment. I think we all know that the accumulation of additional qualifications will set you in better stead in the labour market going forward. The recession will end, the economy will recover, and graduates will become more needed. It is a short-term effect.

Professor Dearden: And it is relative to what they would have done if they had not got a degree.

Dr Conlon: They would be in a worse situation if they did not have a degree.

Q495 Nadhim Zahawi: Just one further question on postgraduate provision. We know from the Smith Review that it provides a significant income stream for higher education institutions. How do you think the reforms will impact on postgraduate provision and participation?

Professor Barr: It seems to me incredible that we do not have a good loans system for UK postgraduate students, and this was one thing that Browne got wrong. It seems to me that that is the biggest constraint and the reforms do not address it.

Chair: Any further contribution on that?

Dr Conlon: I think there will be a negative effect on postgraduate qualification attainment. I believe there will be fewer undergraduates coming through the system, and that will have a knock-on effect on postgraduates.

Q496 Mr Binley: For the record, can I just confirm, is that the general view in the sector? Do you all believe that the comment made by Professor Barr—that this was the major error—is the general view of the sector?

Dr Conlon: No, I would disagree with that.

Professor Barr: I did not say it was the major error; there was a whole series of errors.

Mr Binley: A major error.

Professor Barr: That was as regards postgraduate students.

Professor Dearden: Did he have scope to look at that?

Mr Binley: I do not think he did.

Professor Dearden: I am not sure.

Mr Binley: I am not sure either, but it is an important thing you said.

Professor Barr: The report said postgraduates are well looked after. There is no case for it, and I just think that is wrong.

Dr Conlon: I would disagree with that. I think if you have a limited envelope of resources, we had the argument earlier on about whether you should invest in higher, secondary or primary education. If I had to make a choice between investing in undergraduate

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education and postgraduate education, I would invest in undergraduate education. I do not think postgraduate education or postgraduate loans are where we should devote scarce resources.

Professor Barr: If we design loans right, postgraduate students will repay close to 100% of what they borrow. It is a cash flow issue but not a long-term fiscal cost issue. I do not disagree on where the subsidies should go.

Chair: This is a fascinating debate and I think we can probably run for a long time, but I do need to get on because we have got other questions.

Q497 Rebecca Harris: I wanted to ask you firstly for your thoughts on whether the Government, HEFCE and OFFA have got the balance right in terms of where the funding is going to be coming from for widening participation and access?

Professor Barr: My view is that the loan, which goes largely to the mainly middle-class students in higher education, will continue to be a fiscal black hole, and that is gobbling up resources that I think should be spent earlier in the system. I am happy to amplify that.

Professor Dearden: The increase in fees means there is an increase in the taxpayer contribution to higher education, everything else being equal, because of the subsidised loans, as Professor Barr has said. This reform involves a small increase in the taxpayer contribution, and with higher fees the taxpayer contribution goes up. If you really want to impact on widening participation, research that I have been involved in shows that you have really got to change things in secondary schooling. That is where the biggest barrier is.

Q498 Rebecca Harris: Professor Barr, you submitted quite a lot about that and have quite strong views on the way it should be pursued. Do you want an opportunity to say any more on that?

Professor Barr: If you look at the evidence, if you take 100 young people whose parents are professionals and 100 whose parents are manual workers, in 2002 81 of the first group went to university, 15 of the other. If you then say we do not just look at 100 and 100, but look at people with good A-Levels, it is roughly 90 and 90, which says if people get decent A-Levels, then the socio-economic gradient in participation almost entirely disappears. Then you have to say, what are the things that stop people getting good A-Levels? It is mainly leaving school at 16, usually for reasons that go back a lot earlier. Then you have to start asking about early child development, the quality of primary education; you have to start thinking about information raising aspirations, getting universities on the radar scope of 12-year-olds. "Why bother to get decent GCSEs in order to go on to A-Level if university is for them and not for me?" That then gets you into territory that economics does not have much to say about, but where there is a huge amount of evidence that that is where you crack the problem of participation much more than what you do in terms of grants and things like that. I am not against grants and bursaries, but that is the tail; the dog happens much earlier.

Professor Dearden: That is based on research that I have done. It is absolutely true.

Q499 Margot James: Just a quick question following on from what you said, Professor Barr. Would you agree that the choice of A-Level subjects that are not considered appropriate qualifications for Russell Group universities is a key contributory factor as to why children from lower socio-economic backgrounds do not get into the top universities?

Professor Barr: There I agree with something that Martin Harris always stresses: the quality of advice that is given to 13- and 14-year-olds about subject choice is critical. It is raising aspirations but it is also good information. Choice of A-Level subjects is absolutely fundamental and it needs to be addressed.

Professor Dearden: Even earlier with GCSE subjects. There has been a huge switch in the portfolio of GCSE subjects. A report that my colleagues at the ISF have just done for the DfE shows that there has been a quite substantial shift in the portfolio, probably just driven by school league tables.

Q500 Rebecca Harris: I was just talking about advice, but I want to move on to how prospective students should judge whether a course represents good value for money. I know Dr Conlon has already said that currently getting information on how to judge that is pretty unintelligible; we touched on that. I just wanted to ask the panel what they thought about how a prospective student should judge the quality of a course and the value for money.

Dr Conlon: In advance or upon completion of the course?

Rebecca Harris: In advance of choosing a course.

Professor Dearden: It is very difficult and it is very complicated. One of the good things about this system is that students are insured; if they get the choice wrong, if they do badly, then they do not pay for the full cost, but that does not answer your question. It is very complicated.

Professor Barr: The way I think of it is, what would a bright 15-year-old ask? Will it be fun? Will I be well taught? Will I get a good job? Will it be fun? There are plenty of good university guides comparing nightlife in Nottingham with nightlife in Leeds. Will I be well taught? I am a hardliner on that. Universities are already required to have student questionnaires evaluating the quality of the teaching they get. It should be mandatory to put those on universities' external websites, together with the answers to questions on contact hours, average class size, faculty or graduate student class teachers, the amount of written work, etcetera. That starts to answer the question, will I be well taught? Will I get a good job? Again, require universities to put on their websites what happens to their graduates. I think that answers the sorts of questions that I think an intelligent young person would want answered. I mean there are universities where I hear consistent complaints about low contact hours. If that were on the website, students would vote with their feet, things would change, so I think that would be the practical way I would tackle it.

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Q501 Mr Ward: The value for money argument only comes into play, surely, if someone can afford to go to university—if the family can afford to put them through, or the Government puts in place measures to allow that affordability for those from low-income families. Otherwise it does not matter whether it is wonderful value for money if they literally cannot afford to study.

Professor Barr: It is essential in any well designed system that higher education is free to the student. It is the graduate who should make the repayment. So the loan has to be large enough that when someone turns up at university, the Student Loans Company pays their fees, the Student Loans Company squirts enough money into their bank account to pay for their living costs so it is free for the student, and that is absolutely essential for the reasons that you allude to.

Q502 Rebecca Harris: You are saying then at the moment it is not possible to make a really strong choice on value for money. There is not information there at the moment.

Professor Barr: Information could and should be improved.

Q503 Rebecca Harris: The fact that there is some competition in the system may actually mean that just comes about—the universities do that themselves, do you think? You said it should be mandated.

Professor Barr: It should be mandated and it should be audited, because if it is mandatory then universities will have incentives to shape things a bit. Just as with credit cards, when we get our credit card bills it is always the same way of calculating the interest rate by law to create comparability. Similarly, for data that universities put on their website there should be a set of definitions, and things should be audited.

Dr Conlon: The one point about information is the more information that is mandated and audited the better. Students will make better decisions. There is one source of information that many students and schools lack. There are many schools where the teachers in the schools have not attended Russell Group institutions, and do not know the lie of the land and the way, the means or the tricks of applying to specific institutions. I think there are certainly some schools near where I live that send students essentially to the local university because that is their only experience. That is their experience, that is their peers' experience, or their peers' families, and that is also their teachers' experience. They do not know what a two-day interview session in Oxford or Cambridge will be like, so they cannot advise their students how to prepare for it. And this point about information, it is both public information in the form of proper assessment of teaching and contact hours, etcetera, but it is also to do with more informal information provision within individual schools.

Q504 Rebecca Harris: How should we be addressing that?

Professor Barr: Let me be radical. Come up with a bit of research money so that an institution like the Institute for Fiscal Studies could put together an expert system. It is university advice on a CD. It just

starts by asking you basic questions, and depending on the answers, it branches out into further questions. Maybe it has been tried, but I would love to see that.

Professor Dearden: At the moment colleagues of yours at the LSE, Sandra McNally and Gill Wyness, are going into schools and have set up a randomised controlled trial around what sort of information you can provide to kids. I do not know about it, but their approach has had to change. They thought providing this information online would be a good way for kids to be able to find out more information about school, but they could monitor the hits that they had on the website and it was very low, so they went into these poor schools and tried to give kids better information, but they did not log on to the website. There are some things going on.

Q505 Mr Ward: Aren't we really just talking about life experiences of teachers? So the same could be applied to the manufacturing industry and the business world generally. So it is not just the Russell Group that they maybe have limited experience of; it is experiences other than their own.

Professor Dearden: Yes.

Professor Barr: You have peripatetic music teachers. Maybe one should have peripatetic university advisors who could improve the information of teachers as well as pupils. It would be a small start, but that could be doable.

Professor Dearden: That is my biggest problem with the final HE funding system that has come up. It is very, very complex. More information and less complexity, and making it easy for teachers to convey this information to kids, are very important.

Q506 Chair: I think I am right in saying there is a consensus on this?

Dr Conlon: Absolutely, yes.

Q507 Rebecca Harris: Everyone has been telling us that the new student financial regimes are complex and confusing. Could you do a favour for politicians and explain the new student finance system in a 20-second, user-friendly sound bite? Professor Barr made a marvellous one explaining what university is for, so I am quite optimistic that you might be able to.

Professor Barr: The sound bite that I have trying for years to sell to the Department is, "Students get it free; it is graduates who repay." And the second one is, "It is a payroll deduction, not credit card debt."

Chair: That is interesting.

Q508 Rebecca Harris: Any other pitches?

Professor Dearden: Effectively, for over half of students it is a 9% increase in your tax rate for 30 years. If you come from a poor family, the upfront cost is effectively zero.

Dr Conlon: I could not provide a sound bite in 20 seconds on this.

Q509 Rebecca Harris: One last question is that the Government has recently launched a new website to try to explain the financial support available to students. Have any of you looked at it and do you have views on it?

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Dr Conlon: For a piece of work we were undertaking for BIS last year on student support arrangements in 15 different countries, we looked at the DirectGov website to get a handle on some of the subtleties associated with the student loan system, and the information was incorrect. We rang up Student Finance England, and the information they provided was incorrect. I believe many people who are actually administering the system do not fully understand it, especially when you have cross-nation movements between Wales and England, England and Scotland, Scotland and Northern Ireland, etcetera. I have not been on to the website, but previous experience has not been positive.

Professor Dearden: I have not been on to the website.

Professor Barr: I have not, but I heard the other day for the first time an advertisement on the radio aimed at students, and my wife, who was sitting next to me, said, "About time," but it was said with a great deal of venom. Since loans were introduced, you cannot overstate the awfulness with which the system has been explained to the public. You hear mothers ringing in to phone-in programmes saying, "I am a single parent mother. I have got three daughters. I cannot afford to pay £9,000 per year for each of my daughters." They do not have to. There is a huge gap there that needs to be filled. The website is a start, advertisements are very important, but a big publicity campaign is needed.

Professor Dearden: But make it easy for students to access the system. Why introduce this complicated means-tested loan? You could come up with an almost equivalent system, having a universal loan that does not need any administration.

Professor Barr: If you have an interest subsidy, loans are expensive so you have to means test it. If you raise the threshold so that loans are expensive, you have to means test it. Design the loan right and let everybody have a full loan. It is very simple.

Professor Dearden: And do all the means testing through the grant system.

Q510 Mr Binley: Your simplicity would not help the bureaucrats, by the way, but that is another matter altogether. Can I proceed to ask about comments made by the Minister of State last week. He was quickly slapped down, but I thought he raised an important discussion point: allowing employers and charities to buy university places that are off quota and would not place any burden on the public purse. What do you think about that proposal, even though it does not seem to be on the cards?

Professor Barr: They had that system, maybe they still do, in Australia, and the phrase was "thick but rich".

Mr Binley: You have described me beautifully.

Professor Barr: The argument was that thick but rich kids can buy their way into the system. I think if you want to set numbers free, which we should, there are much better ways of doing it, like university-specific insurance. I think it was politically inept, but also the wrong way to achieve a desirable objective.

Q511 Mr Binley: The point I am trying to get at is that my reaction to many of the people we have seen

from the educational establishment is that they have not been very robust. They are not willing to think out of the box. I liked it when you said, "Let me be radical for a change." I just think that we need to instil a much more radical approach to education, and maybe the educational establishment needs to look to itself as to whether it should be providing more of that radicalism.

Professor Barr: People always love competition for other people but not for themselves. That is true throughout industry, not just higher education. What universities really want is a return to the '60s, where they got huge amounts of taxpayer money, no questions asked. I think they need to be forced into a situation where they are facing real competition. I have lived through this. Until 1980, universities got taxpayer support for foreign students, and we lost that overnight. That did not matter for universities that only had three foreign students, but for LSE, with a third of our students from overseas going back to the interwar period, we were suddenly dropped right in it. And guess what? It worked; we improved what we did for students. We faced genuine competitive incentives, and it did much more than any bureaucrats beating up on us.

Professor Dearden: I think the National Scholarship Fund needs to be looked at again, because of the universities having to fund the first year of anybody on free school meals and stuff. There are some perverse incentives of the current system, whereby universities who take a high proportion of kids with free school meals will have to pay more again.

Mr Binley: We will take note of that. I am grateful for both of those responses.

Q512 Nadhim Zahawi: Professor Barr, on the thick but rich comment—

Mr Binley: It is not true, by the way.

Chair: Self-evidently so.

Nadhim Zahawi: Back to your point about trying to focus more resource on students at an earlier stage in their life. If you have got companies like KPMG doing this, and you have social enterprises or charities, what is wrong with those sorts of charities engaged in this process? The "thick" bit of your argument would not stand up, because you are not asking universities to lower their intake qualification requirement, and therefore if you open up to off quota, maybe we can begin to address some of those access issues because some charities may choose to focus solely on that particular group of people, that cohort, and take them all the way through.

Professor Barr: If what you are describing is a situation where I cannot become an off-quota student at Oxford just because my dad can afford to pay, but only because KPMG or a charity is prepared to support me, then the "thick but rich" does not apply. Then the social inequity does not apply, and it would not be a large effect. I think it would be small but beneficial. But then if you want to set numbers free, you should be doing other things as well.

Professor Dearden: And it depends on whether it is funding additional places or squeezing out places as well.

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Q513 Nadhim Zahawi: Well the whole idea of off quota is that they would be additional.

Professor Dearden: Okay, but that is crucial as well—that it is truly additional.

Q514 Mr Binley: Should the Government, perhaps through HEFCE or OFFA, have greater powers to intervene in individual institutions' fee levels?

Dr Conlon: Yes.

Professor Barr: No.

Dr Conlon: I think one of the biggest issues in the current proposals is that there has to be some degree of pretty strong regulation. I think whoever the regulator ends up being, they have to be properly staffed and resourced, but I think you have to have the ability to impose appropriate sanctions if they believe that the organisation in question is not undertaking what they said they would undertake, or agreed to undertake. I think there has to be a very strong regulation, and potentially there has to be penalties and sanctions, as with any other regulated industry.

Professor Dearden: I am going to come in somewhere in between. I think a lot of the problems over the fees that are being charged are because there has just been a straight cut in the teaching grant—a flat rate grant. If you had designed it better and provided some subsidy for all courses and related it to the fees charged, then you would have had a much wider variety in the fees charged, and not the incentives for everybody just to charge the maximum. I think Gavan's comments are partly driven by the way that the HEFCE grant has been cut.

Dr Conlon: If an institution is told it can charge anywhere between £6,000 and £9,000, and they have just lost 80% of HEFCE teaching funding, of course institutions are going to charge £7,000 to £8,000 or higher. I think the surprising point initially was that institutions that might not be perceived as being high quality were charging £9,000, but given the fact that many institutions, for example modern universities, lost a greater proportion of their teaching funding because they have a greater proportion of Band C and Band D subjects, they were forced to raise their fees even higher than would otherwise be the case. I think there are real issues, and this is where the regulator comes in, about institutions charging maximum fees in subjects where they still receive substantial Exchequer funding. I think for an institution that still receives the lion's share of Band A or Band B funding and still charges the £9,000, those price increases may not reflect the cost of provision in those specific courses.

Q515 Chair: I think in fairness, Professor Barr demurred from the others, and I will give you a few seconds in your normal, concise and brief way to sum up your position before I go on to the other issues.

Professor Barr: I was answering the specific question about whether there should be powers in respect of fees of individual institutions. There is a hugely powerful case for having a fees cap. What should be done at the level of individual institutions is quality assurance. Institutions should be free to set whatever fees they like, but there should be robust quality

assurance, and the design of the loan should not have the crazy incentives the current system has to give everybody an incentive to go to £9,000. Design the loan system right, let institutions set their own fees, and have robust quality assurance.

Chair: Five minutes now on alternative funding mechanisms. We have already had the graduate tax versus loan debate, so I do not want to go over that again.

Q516 Margot James: Lord Browne rejects the idea of private business making more of a direct contribution to higher education. I think the argument was that private business will be paying graduates higher wages and that is indirectly their contribution. Do you agree, or do you think private business should make more of a direct contribution?

Professor Barr: 100 years ago jobs, like marriages, were for life, and it made sense for employers to invest in the skills of their employees. Today with portfolio careers, my incentive as an employer is to hire trained people but hope that someone else will pay for them to be trained. I think most of the repayments of loans should be from the graduate, and my contribution as an employer is through wages rather than through expecting businesses to come up with a lot of money to train somebody who will then be poached by competitors.

Q517 Chair: I assume you are not advocating portfolio marriages.

Professor Barr: No, absolutely not. No.

Q518 Chair: Any other comments?

Dr Conlon: No.

Q519 Simon Kirby: If I may, I will ask one question and wrap it up with that if I can. We have heard some very interesting things this morning, and some suggestions as to how the system could be improved. To finish, could I ask each of you what advice you would give to the Government as to what it should put in its higher education White Paper? In succinct and practical terms, can you wrap up the advice you have given us this morning?

Professor Barr: If I am allowed one thing, it would be to freeze the £21,000 loan threshold in nominal terms, so that over time the real threshold will fall and start to bring loan design back into balance. If I am allowed a second thing it would be off-quota students where universities pay a university-specific insurance premium. If I were dictator in some peculiar parallel universe there would be more things I would do, but in the realms of what is realistic those are the two that I would push for.

Professor Dearden: I would have a universal maintenance loan and have all the progressivity through the grant system to reduce the complexity and the administrative burden, but I disagree with Nick about freezing the £21,000 in nominal terms, because for each successive cohort, it will become less progressive. I would uprate it with inflation or earnings, but to save money set it at a lower level.

Dr Conlon: There are three things I would say. Do not cut the HEFCE teaching funding by 80% because

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that is simply excessive. Number two, I would say the system of student support has to be simplified. It is infinitely too complex. The third thing is, for the first time after the oversights in 2006, part-time students have been treated more fairly than was previously the case. I think that is highly advantageous. I think that should be a very strong component of any proposals. I think there is significant positive associated benefit from that in terms of encouraging people to study part time. People who are on full-time routes can switch to the part-time routes; currently they just drop out. I think it adds a lot of flexibility to the system.

Chair: Thank you. I am conscious that we have had to rather hurry the final part of our inquiry. Do feel free to submit a written response to any question that you would like to add to, or indeed to any question that we did not ask but you feel that we should have asked. And of course if we in retrospect think there is anything we need to ask you that we did not, we will write to you. The different perspectives that you brought to these considerations were very helpful and illuminating. Thank you very much.

Examination of Witnesses

Witnesses: **Carl Gilleard**, Chief Executive, Association of Graduate Recruiters, **Matthew Jaffa**, Deputy Head of Policy, Federation of Small Businesses, and **Oliver Tant**, Head of Audit at KPMG, gave evidence.

Chair: Good morning, and welcome. I am sure you got a flavour of the questions while you were sitting there. Can I just reiterate what I say to all panels? You are going to be asked a series of questions. Do not feel under an obligation to comment on all of the questions if you feel that an adequate response that covers your particular views and perspective has been given by another member of the panel. Before we start with the questions, please say who you are and what organisation you are representing for voice transcription purposes.

Carl Gilleard: Good morning, I am Carl Gilleard, the Chief Executive of the Association of Graduate Recruiters.

Matthew Jaffa: Matthew Jaffa, Deputy Head of Policy at the Federation of Small Businesses.

Oliver Tant: Oliver Tant, UK Head of Audit from KPMG.

Q520 Chair: Thank you. Again, I will start with a general question to get your perspectives and set the discussion within a framework. What do you think universities are for?

Matthew Jaffa: From the business perspective, universities are there to provide a platform for businesses to take on talented, analytical thinkers to take businesses forward. In the past it has perhaps not been geared so much to small businesses, but the value of graduates is as important to small businesses as it is to any large business.

Carl Gilleard: Doing my homework for this morning, I picked up a quote from an American educator that, "The outsiders want students trained for their first job, and the academic insiders want the student educated for 50 years of self-fulfilment, and the trouble is that students want both." I am on the side of the students; I think it is a combination of both.

Oliver Tant: From our perspective, I think we would like to see rounded individuals developed both in terms of their educational ability and broader pastoral care. The university system is capable of supporting that, and that makes a difference to us as employers.

Q521 Chair: There is an oft-repeated complaint I get from employers about softer skills, the employability

skills. What do you think is the best way to teach them, and whose responsibility should it be to do that?

Matthew Jaffa: It does not just lie necessarily with higher education, but stems throughout a person's education, including teachers and parents. It is the knock-on effect, and at every stage it is giving the learner the tools that an employer is looking for. A degree is important in this day and age, but it is also necessary to have a willingness to learn, determination to succeed, punctuality, customer awareness skills and communication skills. All these skills set you up for your first day in the job. And from that point on it is the employer who will say, "Right, you have those skills. Let me train you in what you need to succeed in this job for yourself and the competitiveness of the business."

Carl Gilleard: I think that employability skills should be embedded in the curriculum. I have visited a lot of universities and seen a lot of initiatives around employability, and the ones that impressed me the most are embedded in the curriculum. That requires buy-in from the institutional management, and in the last decade I have noticed a sea change in attitudes in universities from vice-chancellors down. So embed them in the curriculum, involve the academic staff as well as the careers and support staff in helping the individuals to develop their employability, but emphasise right from the start that ultimately it is the individual's responsibility. What we should be doing here is helping individuals to take control of their own learning, their career and their life.

A lot of work that has been done on skills development in universities has actually been about skills for the 20th century, and we need to think what will happen in the future; we should be developing skills amongst our young talent for the 21st century. That takes into account globalisation and continuing technological change in the world of work. As a US labour statistics agency has said, graduates today are going to have maybe four, five or six careers, not jobs, by the time they come to the end of their working life. It is impossible for any of us to second guess what those careers are going to be. 10 years ago did any of us really imagine the kind of jobs that are being developed today? It is a fast-changing world, so we do not want to go down a very narrow vocational

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route where we are simply giving individuals skills that are almost already redundant.

Q522 Dan Jarvis: How are the employability skills you expect graduates to demonstrate different from those that you would expect from someone who left school at 18?

Carl Gilleard: I do not think they really are different. When we try to look to the future, post-Browne and the White Paper, I am not sure what proportion of young people will opt to go to university or go into a training programme, an apprenticeship, or straight into a job, but they are all going to have to face that scenario that I painted a few minutes ago of uncertainty and rapid change, so I think we need to make sure that all young people develop those skills. If they are going into a job at 18, I think there is more of a responsibility on the employer to help those individuals develop those skills, but equally there is a role for schools as well. Effective education and careers information and guidance is important for employability, and that is a process that has to begin in schools.

Q523 Mr Binley: Before I came to this place, I was a businessman, and still consider myself to be so. I interview quite a lot of graduates. I think the real concerns that many of our employing businesses have is the very basic, almost primary education skills that you would expect to have that you do not see. It is enormously frustrating. Skills like reasonable English—grammar and actual, sensible spelling. Skills such as numeracy and literacy, reasonable manners, presentation, which we used to understand from the way the world was. I am an old-fashioned guy—you can tell that by what I am saying to you. There is nothing that disturbs an interviewing employer more than the lack of that level of skills. How do we deal with that?

Matthew Jaffa: From our perspective, the demographic in micro-businesses, what you just said is exactly what our members have been telling us for years. They feel that they are not the ones who should have to pick up the shortfall in the education system. Small businesses get labelled with this tag that they do not train. They do train informally, but they do not want to be training in literacy and numeracy skills because that is going backwards. They want the person to have those skills from the first day they start, and then they can start to look at ways to integrate that person into the business and teach them skills further down the line. Succession planning is a long step, but for that to happen they do not want to be in a position where they have to go two to three years backwards in the skill cycle.

Oliver Tant: I think we are blessed with the opportunity to recruit lots of very capable individuals from higher education establishments. We find that there is an ample pool of people that possess the sort of skills you are referring to. Part of the challenge for us is to recognise that the world is becoming increasingly more complex, and we need to broaden the basic thinking patterns of the people that we recruit into our profession. We need greater levels of lateral thinking ability and life experience amongst the

people we recruit. We need to recognise that we are now a global player operating in a global industry, and we are competing with organisations that may be located in very different parts of the world, where the skill sets may be different. We need to make sure we have people who can stand up to the challenges of competing in that environment.

Mr Binley: Many of your customers will be experiencing the difficulties that I have just outlined, and it is relevant to you in those terms.

Q524 Dan Jarvis: In the light of the points my colleague has just made, do you think there is a tendency amongst some employers to advertise jobs as graduate jobs or as requiring degree-level qualifications in order to attract the type of person who is more likely to have those basic skills?

Carl Gilleard: My livelihood is based in graduate recruitment, and if I had to define what a graduate job was today I might struggle. There are jobs where a degree is a pre-requirement for all kinds of reasons—maybe the professional institute requires that—but there are also lots of jobs that graduates enter that do not necessarily require a degree but to which graduates bring added value. I think the edges have been blurred and are becoming increasingly so. I am an employer as well; I have been recruiting people for the past 30 years, and whenever we have gone into a recession I have had graduates applying for jobs that would require a basic five GCSEs. I have never been turned off recruiting those graduates because I think they bring added value to the organisation. I do not expect them to stay in those jobs indefinitely, but while they are with us, we are getting extra work out of them. They bring freshness and a different way of thinking to the organisation.

We have done some research called Adding Value Beyond Measure with Anthony Hesketh from Lancaster University, and by working on case studies with employers, he found the speed to value of graduates is much faster than non-graduates. They start to give you a return much more quickly. I took it upon myself to encourage those individuals to start thinking beyond the job they were doing, and as soon as the economy started to improve they moved on. I think that is something a lot of graduates have to accept.

These days when you go to university you cannot expect that after three years you will come out with a half decent degree and walk straight into a job. Those days have gone, so we need to get the message across from day one that you need to develop these very basic skills. You have to compete in the workforce. In AGR's membership, in 2010 there were 69 applications for every graduate-level vacancy. That is the first time that a lot of young people have been in a competitive situation. Of those, 67 or 68 are not going to get the job, and if you see the quality of some of the applications, the way that some people present themselves, it is not surprising. We need get across that, when you go to university, it is no passport into a guaranteed job of your choice. There are lots of things that you have to develop, and indeed the majority will start in non-graduate jobs, but over time should be moving towards that graduate job if they

have developed those employability skills around managing their own career and their own learning.

Q525 Dan Jarvis: Do you think a move towards more part-time and module-based provision of higher education means that we will need to rethink what we mean by a degree?

Matthew Jaffa: From our perspective, for a considerable amount of time we have been advocating that micro-businesses need bite-sized, short chunks of learning that are relevant to the business and can give you that balance between being in education and business. At whatever level of education, courses have been full time, unbalanced and unnecessary for the needs of micro-businesses. We would welcome anything that can make it more tangible to what a micro-business needs, particularly in terms of part-time learning. Again this is something that is very much up for discussion, but we would welcome that move and that shift towards more bite-sized chunks of learning.

Oliver Tant: As a profession we have been used to bite-sized chunks of learning in the context of acquiring accountancy qualifications. One of the features of our school leavers' programme, and the discussions that we have had with the three universities that formed the platform for it, is that we have been able to develop a degree course that meets both the needs of the student and our business. It involves part-time learning during the course of their six-year contract with us. Over a four-year period they have two months away from the business in the first three years for their degree qualification, and then in the fourth year a nine-month period away. That suits our business very well, and in conjunction with the way we have managed the accreditation that they gain from that learning in relation to their accountancy qualifications, leads to a very effective six-year learning programme that delivers both a degree and the accounting qualification.

Q526 Dan Jarvis: I want to return to Mr Gilleard's earlier point about some graduates' inability to project themselves at interview. How well do you think most graduates identify and articulate the employability skills they have? And do you think some students are unable to map the employment skills that they have gained at university across into the working environment?

Carl Gilleard: Yes. There are some students who get it very quickly. They stand out at recruitment fairs and assessment centres. They have self-confidence, self-awareness, self-efficacy, and a head start over graduates who have not spent sufficient time during their studies reflecting on what they have learnt, and how to use and articulate that learning. That is why employers ask candidates what they will bring to them. A classic example is an employer will say, "Have you had any work experience?" Very, very few students graduate today without having worked at some stage, so the opening line, "Well, I have only..." is enough to turn me off. They have got it wrong from the start. They should say, "Yes, I have. I have worked in the Students Union Bar and I have picked up all of these skills." When they get into that mode

of thinking, because they have reflected on what they have done, they are away.

I think there is a responsibility on university staff to help students who struggle with that. No one should get to the end of a £9,000 a year course fee for three years without somebody having said, "Just a minute, you are heading for oblivion here. Those 69 other candidates are going to beat you to it. It is time you pulled your socks up." They might be 18, they might be 19, they might be 29, but they still need that metaphorical clip around the ear occasionally to get them to see that life at university is not an end in itself. It is a process that leads on, and some young people are not getting the best returns from their investment. I feel passionately about this, to the extent that I wrote a book with a colleague called *If Only I Had Known*. I insisted on *If Only I Had Known* as the title, because of the number of occasions that graduates used that as an excuse when they were in a recruitment process. Sorry, it is too late to use it as an excuse then; it is something that should have been dealt with much earlier.

Q527 Dan Jarvis: Have you seen any evidence of grade inflation in graduates' degree classifications?

Carl Gilleard: I am sorry to come in again, but I think the degree classification is not a perfect selection tool. Most employers will use the degree classification as a means of reducing the numbers of candidates, but we all know that it is not a standard. A 2:1 from one university is not the same as a 2:1 from another university, and a 2:1 in one degree from one university is not the same as a 2:1 in another degree from the same university, so it is a fairly crude tool. A lot of work has been done over the last four or five years by Professor Bob Burgess's group looking at the Higher Education Achievement Report. I hope that will be picked up in the White Paper because I think we need more information on the journey that the student has travelled in their time at university. To think that three years of higher education can be reflected in a set of letters after a name in a system that was created 200 or 300 years ago is not good enough for me.

Q528 Dan Jarvis: If it is a crude tool, and I am sure you are right, what methods can you use to identify the best graduates from a pool of applicants?

Carl Gilleard: Employers use a whole range of tests online, including psychometric tests. I was talking to a major employer last week about FE college degrees, and she said, "I don't care where they get the degree from, if they have a 2:1 we will take them to the next stage, and then we will trust our own selection processes to find the ones who have got the potential, ability, skills and knowledge that we require to take them to the next stage." In this country over the last 20 to 30 years we have developed some very sophisticated assessment tools.

Oliver Tant: I would reinforce that point. We have an online application process; we set academic standards that we require through that. As an aside, it is worth noting that we have applicants from over 540 universities applying to KPMG, and we employ each year on a regular basis applicants from roughly 80, so we have a very diverse group coming from a broad

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range of universities from within the UK and beyond. Our assessment process involves online application, where the graduate is given some indication of the academic and broader standards that we require, and we then set online verbal and numeracy tests for the candidates to undertake. This results in a process whereby we can distinguish and take forward to interview the candidates that apply online. We interview and then go through an assessment process with a series of tests, psychometric and others, in order to assess those candidates that we eventually offer a job to. It is a relatively well developed and considerable programme to make the judgments about which candidates to bring in.

Matthew Jaffa: Those comments by my two colleagues emphasise the problem and the competitive disadvantage that small businesses have. A small business will not have a clue about psychometric tests or these other things because they do not necessarily have HR departments. They are very small, they do it all themselves, so they will not know how to advertise flexibly or how to advertise part-time roles for graduates. From that perspective they are at a competitive disadvantage against, for example, KPMG and other larger businesses who have this at their disposal and probably get a wider pool of higher-level candidates, while small businesses tend to take on lower-skilled individuals.

Q529 Dan Jarvis: Mr Tant, you said that you receive a range of applications from a broad range of academic institutions. Do you place any weight on an application from a particular institution?

Oliver Tant: That is not a feature. We look at the academic standards that the individual achieves. We are looking for either a 2:1 or a projected 2:1 at the point of time that they go through our process, together with the equivalent of an A and two Bs at A-Level, and two Bs in English and maths at GCSE. Then we are looking at a variety of other skills, which we assess through that process. We recruit from a very broad range of universities, and just for your information, those that in our case rank amongst the highest are universities like Nottingham, Warwick, Manchester, Bristol and the LSE, but we recruit from over 80 universities across the country and beyond.

Q530 Mr Binley: I am great admirer of your school leavers' programme, and I think we need more of that sort of radical thinking from business and industry generally. Who decides who is admitted to the school leavers' programme? Is it your company or is the university?

Oliver Tant: KPMG are responsible for recruiting, so we use the type of process that I outlined earlier with the school leavers' programme, and we basically sought candidates. Durham, Exeter and Birmingham Universities will then see the candidates that we are proposing and have a right of refusal if they see fit, but that is not expected to be part of the process in the vast majority of cases.

Q531 Mr Binley: If I may ask a question that has been raised on a number of occasions during this particular inquiry, is there a danger that the generosity

of the KPMG package might create a social divide on campus between those students who are getting paid quite well on sponsored courses and their peers? Do you have any experience of friction in that respect?

Oliver Tant: Well firstly, the school leavers that we will be sending to university will be spending 10 months working for us, with the incumbent costs associated with living in a major metropolis and being able to fund the working environment that they are going to form part of, i.e. living standards, etcetera; so to suggest that they are going to spend most of their time at university on the £20,000 package that we are offering them is clearly not appropriate as a benchmark for comparison with their peers whilst they are at university. I hope that our programme is going to be immensely attractive and that will encourage some of the best students to look to join the profession. I think it is vitally important that professions like ours have access to the best people in the country, because we perform a major role on behalf of UK plc.

Q532 Mr Binley: And do you track and mentor?

Oliver Tant: Part of the reason for choosing the universities—Durham was very instrumental in our thinking on this matter—is the fact that they have very sophisticated pastoral care programmes, which we also dovetail with in the context of the overall support that we are providing for school leavers that join us under this programme.

Q533 Rebecca Harris: As we know, Lord Browne specifically rejected the idea of private business contributing directly to higher education. Any views on that?

Oliver Tant: For a variety of reasons we very clearly believe that our engagement is a good thing. KPMG is basically competing on a global stage; with the types of services that we are providing being provided by organisations the world over, we are competing in an international market. We need a broad range of skills amongst the people that we employ. We need to make sure that we have access to a very diverse group of people who demonstrate different ways of addressing issues and problems. We feel that recruiting from a variety of different sources will add to the range of skills and the diversity of the recruitment programme that we adopt and the type of people we recruit.

The six-year programme that we have put in place is essentially per hour a programme that results in equivalent cost to us as employing somebody post-graduation to join the business, so there is no cost disadvantage to us operating this programme, but it offers us those individuals under a six-year contract rather than purely under a three-year contract. We have an increasing need for a higher level of skills and experience within our professional workforce as some of the more routine activities that the younger ones undertake are being replaced by either greater technology applications that are capable of undertaking some of those activities, or by the ability to access resources from different sources outwith our UK business. From a business perspective this suits us enormously, let alone, hopefully, the advantage of

offering an opportunity to groups of individuals who may find it more difficult through the traditional graduate route to get to a career in accountancy this programme provides. We think it is a very positive initiative, and to our advantage.

Matthew Jaffa: I concur with what Professor Nicholas Barr said in the last session, that for small employers it is not their job to get involved in terms of the financing aspect, but it is their job to pay a decent wage and provide the opportunity for the graduate when they start in a business. We are highly supportive of graduate internships after the degree is finished, and that is where we feel the small business angle is on this particular issue.

Carl Gilleard: I was quite surprised by what Nick Barr said. He said it was my job as an employer to pay the wages, but there are training and development costs, and those employers that run graduate programmes would invest at least quarter of a million pounds in salary and training costs over a five-year period in each of the individuals they have recruited. I think that is right. Employers do not take the finished article from university; they expect to have to contribute towards further development. If someone is on an accountancy course, there are the recruitment costs, which are not cheap. Just the screening process and assessment centres for 70 candidates is really quite expensive. Then there are all the onboarding activities. Once they are in-house, there are costs for setting up mentoring. There are costs of going on professional training courses and the salaries. In five years, it is not difficult to reach those sums. Those figures were not mine; they came from an academic institution when we were doing the research on Adding Value Beyond Measure. Employers make a very heavy investment in graduates when they recruit them. That is why they take great care in their recruitment processes and have spent a lot of time developing tools that enable them to eliminate as much of the risk in the recruitment process as possible.

Q534 Rebecca Harris: Going back to the role of the employer in university, whether it is financial support or what have you, would you go so far as to suggest that it would be a good idea for employers to have a greater role in designing university courses in the first instance?

Carl Gilleard: For some courses, yes. A modern university should engage with employers as much as it possibly can. Curriculum design is one element, as is inviting guest lecturers in. A lot of my members, possibly KPMG, will go on campus and run skills sessions, covering some of the points that Mr Jarvis raised about the skills that need to be developed. There are recruitment fairs, careers events. We have talked about internship; businesses and universities could work together to set up work experience opportunities. There are lots of ways that employers can engage with universities. There are some really good practice examples out there, but in all honesty I think we have a long way to go, for example, to make sure that we have enough quality work experience places for all those students who would benefit from them.

The figure for internships is 63%, I think. Certainly about two-thirds of my members offer internships, but some of them are only able to offer small numbers. Now the demand for internships is increasing significantly. I have a son at university. He applied for an internship with a major oil company recently, and he was told that there were 5,000 candidates for 100 places. He was not successful, but it was a whole day's recruitment process just for an eight-week placement, so you can start to see how the costs actually build up. A lot of students—coming back to how you make yourself more employable—have worked out that having relevant work experience or having been on an internship is a huge advantage when it comes to applying for a job.

Q535 Chair: Before we go on, can I just tease out an issue? I think earlier you implied that universities needed to approach the employer. That seems to be a rather one-sided approach. Is that normally the case, or is there an issue about business being reluctant to engage with academia for a whole variety of reasons? If so, what are those reasons?

Oliver Tant: We at KPMG are a people-driven business. We do not have a factory full of machines. We have 10,500 people in our workforce in the UK, and the development of our people is clearly a critical part of the value that we can provide to our clients and the communities that we form part of. Our whole interest is in reaching out to our people both whilst they work for us and actually once they leave us, because sometimes they come back, but also extending back to their university or pre-university education. We have as part of the school leavers' programme an advanced outreach programme to ensure that we are encouraging and developing the individuals who are most likely to join those programmes and join us to develop in the right way. I think it is incumbent upon the employer to get involved both at school and university level. Our school leavers' programme and the degrees that will be awarded to those people participating on those programmes have been designed by the university, by KPMG and by the accountancy institutes in conjunction with one another to make sure that end up with the right university degrees to suit both the academic and subsequent vocational qualifications of the individuals who are on the programme.

Matthew Jaffa: I think from the small business perspective there is quite a lot of work that gets done in terms of education-business partnerships, but only up to about 19. I think in this country we lack that integration between small businesses and university, and that is because it is perceived that small businesses and graduates do not go together. We need to dispel that myth. We need much greater awareness and build up education-business partnerships, not just from 14 to 19 but 14 upwards, to ensure that small businesses can get involved.

Q536 Mr Binley: In an age where jobs are increasingly difficult to come by, entrepreneurialism and the ability to go out on your own grow as a possibility. So what work is being done there? I do not hear anywhere near as much I would like to about

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entrepreneurialism in schools, and I do not know whether it happens in universities either.

Oliver Tant: We would identify entrepreneurialism as one of the skill sets that we believe greater work could be undertaken on. It is certainly one of the skill sets that we are finding most difficult to obtain in some of the individuals who approach us for interviews. I would add to that the capacity to think creatively, adaptability, and the ability to form relationships. Client relationships are clearly very important, and the ability to extricate information is very important in a business like ours. There are definite soft skill sets that we believe work needs to be done on in the context of both the graduate and school population.

Q537 Rebecca Harris: Where do you think the balance should lie between designing higher education courses that meet business' needs and scholarship for scholarship's sake? In the context of the changes happening in our education funding it is quite fundamental—the degree to which people are looking to make sure they are employable as well as excelling at university.

Carl Gilleard: A glib answer, but I would like to see them both have equal weighting.

Matthew Jaffa: No comment on that.

Oliver Tant: I have no comment either.

Q538 Mr Binley: You were sitting there, gentlemen, when I asked a question relating to David Willetts' statement last week about Government proposals to allow employers and charities to buy university places which are off quota and do not place any burden on the public purse. I think ideas of that nature are worth considering, quite frankly, but I noted he was slapped down rather quickly. What do you think about that?

Matthew Jaffa: I am probably going to plead the fifth on this one. It is not something we have pursued in the FSB, but we are always open to innovative solutions, so it is something that is definitely worth considering but not something we take a position on at the moment.

Q539 Mr Binley: I saw you wanted to respond to the entrepreneurial thing in schools and universities, which directly impacts upon you.

Matthew Jaffa: It does. In the statistics we have seen that about half of young people have considered setting up a business, but only about 7% do so, so there is a major disconnect here. The FSB support self-employment and making it part of education of all ages to encourage people to start up their own business, but again, it would mean businesses going into schools, colleges and universities to instil the message and, on the education side, making it possible for businesses to come in. That is why education-business partnerships are key, and we need to create them across the spectrum. With the new Local Enterprise Partnerships being set up, and growth hubs, we would advocate that it is a key issue that should be addressed within that particular area.

Q540 Mr Binley: Thank you very much. I am grateful for that for the record. Mr Tant, your response to my earlier question?

Oliver Tant: We obviously are off quota, but on the basis that our course is part time and a closed scheme, which the universities are able to organise, and with an employer, we think the type of scheme that we have developed will have resonance across a far wider group of professional organisations, and we will see it replicated in a number of instances elsewhere, both within the accounting profession and beyond. I know from speaking to accountancy institutes that other firms within the accountancy profession have already expressed considerable interest in what we have done, and we have had a whole series of professional bodies come to talk to us about the programme with a view to trying to replicate similar things within their professional environment.

Carl Gilleard: I was out of the country last week getting a nice suntan. One of the key challenges facing higher education, not just in the UK but in many other countries, is affordability. I think the pressures are such that we ought to have an open mind and to at least consider any suggestions that are put forward for finding alternative sources of revenue.

Q541 Margot James: A question for Mr Gilleard. In your manifesto you talk about the need to shift the focus back from quantity of graduates to quality of graduates. What in your view would be the best way to do this?

Carl Gilleard: With the UK higher education system, I have mentioned affordability and it is difficult to sometimes have the best of everything. If it comes to making a choice we must ensure that the quality of higher education is maintained: a) to protect the reputation of UK higher education, which is now operating in a competitively global market; b) for the benefit of those students who invest in higher education so that they get the best deal out of their investment; and c) so that employers are getting graduates who are employable and bring the kind of skills and attitudes that employers require in the 21st century.

In an ideal world we would have both the quality and the quantity. The manifesto had eight points in it, several of which were interlinked. One of those was to remove the cap on fees, so that you bring more income into higher education. Secondly, we would look at quality assurance in higher education, ensuring that courses all meet minimum standards. Thirdly, in a more competitive market, the students, through raised expectations, would drive up standards and improve quality. I still believe that. I think higher education will find its relationship with students will change in the coming years, and one of the reasons why we supported removing the cap was precisely that—to get the students to drive this agenda. I think there are many reasons there.

Also we have noticed that now there is a lot more transparency about what you actually get when you enrol on a particular course, so students will know what the contact hours will be. I have heard mention of a contract—that was in our submission to Lord Browne—like a service level agreement between the institution and the individual. All of that will help to drive up quality. We heard a question earlier about whether employers go to particular universities. Very

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few recruit from particular universities, but they do target particular universities. The universities they target are the ones that they have had the best response from previously and have built up a reputation for quality over the years. So the whole change in the environment of higher education is going to help drive up standards—at least I hope it is.

Q542 Margot James: What impact do you think the reforms will have on student numbers over the next five to 10 years?

Carl Gilleard: I was expecting that question, and I cannot give you an answer. I think we are in a situation that I have never experienced. I worked in education for many years before I went into recruitment. I think next year will be really interesting. I do not think, with due respect, the Government has got the message across clearly enough about how the fee system works. There is an awful lot of confusion. I watch and listen to the media and I hear potential students saying things that are clearly inaccurate. The messages have not got across. It is very complex and difficult to understand.

In my personal life I happen to be of an age where lots of people I know have children who are in school or going to university. I am finding I am getting asked questions by middle-class parents—not poor parents—whether it is still worth going to university. I think the next year is going to be very difficult. My hope is that it will be similar to what happened when fees were first introduced. There was a lot of concern that that was the end of higher education as we know it. It was pushed through in a White Paper, it happened, and actually applications increased. I think we may have a couple of years when numbers start to fall. We have seen a big growth of applications this year, people trying to get in under the wire, but in three, four years' time perhaps it will level out, as long as those who are in higher education feel that they are getting the value for money. One of the biggest influences over young people's decision making are other young people, and if those who are in university do not believe that they are getting what they expected to get from higher education, then that will create a whole set of challenges for the next generation.

Q543 Margot James: To come back on the question of the complexity of the fees system and how the message has not got across, we heard exactly the same message from the first panel this morning. Do you think that the National Union of Students campaign, which has been given an enormous amount of media coverage, is partly responsible for all of that misinformation? Could it have backfired in any way? Could it be putting off the very students that it purports to want to encourage to attend university?

Carl Gilleard: I do not think I could possibly comment.

Q544 Margot James: Okay, if no one wants to comment on that. I deliberately did not make the question too political, I hope. I understand that the AGR recommended to the Browne Review that companies and businesses should be encouraged to

provide bursaries and other sorts of support to encourage students from low-income backgrounds. As we have got an employer on the panel, can I ask you, Mr Tant, whether your programme has any element of encouraging wider participation within it?

Oliver Tant: It has a very strong element, and indeed one of the motivations for wanting to do it was to reach out to communities who might otherwise not appear on our doorstep through the graduate recruitment programme. We have a number of targeted schools that we identified as an early part of the programme, which initially were schools around our main offices, but are now spread across the UK. The criteria for determining those schools were based on the degree to which they met the national average around free school meal quotients, and we have reached out to those schools with a more intense campaign, looking to target individuals that are coming from those institutions rather than the broader population. We are monitoring that quite carefully. Obviously for legal reasons we cannot show any particular preference to one group or another, but part of the purpose of the programme is to embrace and capture a community of people who we believe have the skills to make a phenomenal contribution to our profession, our business and the broader UK economy, and who might not otherwise find their way into the profession through the existing channels.

Q545 Chair: I applaud what you are doing, but why are you doing it?

Oliver Tant: You may recall I said that our business is basically a business that thrives on the thinking processes and patterns of the people that we have within our organisation. Our belief is that the greater the diversity of people we have, the greater the breadth of thinking that we will have within the organisation. That is to some extent determined by the nature of the experiences that they have had before they join us. One factor will be the type of background and educational experience they have had before they joined. We believe that will be broadening the scope and nature of the individuals who join our profession, and thereby enhancing the breadth of skills and thinking patterns that they will deploy on our behalf as we move forward.

Q546 Margot James: My last question is to all of the panel: are there any other ways that business could be encouraged to follow the excellent example set by Mr Tant's firm?

Matthew Jaffa: In terms of our members, they have already been sold in terms of the benefits of apprenticeships for their business; but in terms of graduates and internships, that is still a hard sell, particularly for micro-businesses. A recent scheme that was scrapped by BIS to create 8,500 internship places relied on co-funding between HEFCE and business as well, and this was for businesses that had never thought about becoming employers of interns. About 25% go on to employ them full time after the internship. An area that we are championing is that this particular pot of funding was minimal, but at the same time it bought benefits to the Exchequer through more taxation once that employer took on that person

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full time afterwards. We have pushed David Willetts in particular, but we would inquire as to why that particular pot of funding has been scrapped when it was so beneficial to small businesses.

Oliver Tant: I know you are going to say I would say this, because clearly it affects our business, but we do believe that the sort of scheme that we have put forward and which has been very successful in the context of the level of interest that it has attracted from young people is something that should be encouraged more broadly. Clearly some sort of incentive programme around the responsibility that we are taking on in terms of cost for the replacement university education—maybe by some form of tax break—might encourage more people at the margins to contemplate this type of scheme.

Mr Ward: I think you have anticipated very well the next couple of questions. I almost feel I should have been on the panel, because you talked very much, Carl, about the good practice that is out there. I was at a university that for 20 years has had, and still has, full-time, 48-week, paid placements in industry, has industrialists on exam boards, designing of course, and has personal transferable skills and personal development modules. So there is good practice out there. It is maybe a Russell Group focus that we have been looking at rather than the old polys, which are doing much in terms of enterprise and employment skills. I have got that off my chest.

Carl Gilleard: I am an ex-poly myself.

Margot James: Are all the polys now universities?

Q547 Mr Ward: Many, yes—well, not all. The first question was about the scheme that you referred to, which I think came to an end in March of this year, but it leads us on to the issue of incentives, possibly through tax breaks for businesses, which may be of more benefit to small business—just the issue of tax breaks and financial incentives.

Matthew Jaffa: From our perspective, although tax breaks can be beneficial, they are quite convoluted and complex to understand for a micro-business. Incentives, such as the ones that were available during the graduate internship scheme for small businesses were very simple to understand: co-financing between HEFCE and the small business, 50% to 50%, and it brought benefits to the Exchequer by reduced benefits payments and producing jobs at the end of it. So it has greater economic benefits than just simply providing easy money for small businesses. That is not what it is, and we would not be advocating just throwing money at a problem, but where there are definite incentives and it can bring jobs, which is the important thing and the key economic driver to growth, we should be incentivising that. We would make the plea that that scheme should be brought back into university thinking and business thinking.

Q548 Mr Ward: I would assume you would welcome tax breaks, but obviously it washes its face, in your view, as a good investment.

Oliver Tant: We have clearly undertaken the initiative on the basis that we believe it is beneficial for our

organisation, for the people we employ and the communities that we serve, but obviously we believe that there is an advantage to this scheme being replicated more widely, and one way to encourage that would be for some sort of incentive process based around the appropriate employment of individuals through these types of schemes.

Q549 Mr Ward: The final question is to do with the White Paper. As you probably heard in the previous session, what are the three key things that you would like to see in the Government's Higher Education White Paper?

Matthew Jaffa: From our perspective, the key one would be to bring back the graduate internship scheme for small businesses, or some form of that incentivisation of smaller employers. Secondly, knowledge transfer partnerships: these offer businesses great opportunities, but small businesses are not aware of them, and those who do take up maybe specialised graduates to come into their business are concerned with things like intellectual property and losing their intellectual property to the university. So raising awareness of knowledge transfer partnerships, but also making sure that small businesses are protected in terms of IP and copyright.

Oliver Tant: Two things. First, I mentioned that we are in a global market and so are UK universities, and I think any proposals need to be considered in that context—that they are competing on a global stage. Clearly we do not receive applications from 540 universities in the UK; there is a large number of applicants from overseas. I would also encourage anything, and I would sort of react slightly against Lord Browne's advice, which encourages private business to engage in and take on some responsibilities for developing the educational platform within the UK for the benefit of our commercial enterprise.

Carl Gilleard: The first would be greater flexibility in provision, with adequate financial support for students. Innovative approaches to learning, as well. I really think one size does not fit all. Why do the vast majority of students have to go on to three-year, full-time degrees? The employability agenda we mentioned, and some incentivisation or encouragement for more placements for students in employment. If I can have a fourth one—I mentioned this much earlier, but I think it is fundamental to getting the formula right—a much greater emphasis, as Lord Browne actually suggested, on a professionalisation of careers guidance services in the UK.

Chair: Thank you. I will repeat what you no doubt heard me say to the other panel. If you feel there is anything that you would wish to add to any of the replies that you have given today, please feel free to send them to us. And similarly, if you feel there is a question that we should have asked but did not, and you would like to respond to, then please feel free to submit that as well. Thank you very much. That will be very helpful in our deliberations.

Tuesday 24 May 2011

Members present:

Mr Adrian Bailey (Chair)

Katy Clark
Rebecca Harris
Margot James
Dan Jarvis

Simon Kirby
Mr David Ward
Nadhim Zahawi

Examination of Witnesses

Witnesses: **Professor Carl Lygo**, Chief Executive, BPP Holdings & Principal, BPP University College of Professional Studies Ltd, **Professor Terence Kealey**, Vice Chancellor, University of Buckingham, and **Mr Valery Kisilevsky**, Group Managing Director, London School of Business and Finance, gave evidence.

Q550 Chair: Good morning and thank you for agreeing to appear before the Committee. Just a couple of preliminary announcements: first, we are on a fairly tight timetable, so can I stress that not every member of the panel is obliged to answer all the questions in detail? However, if there is something that another member says and you feel that you either need to contradict or amend, you are free to do so. For voice transcription purposes, will you introduce yourselves and give us your particular professional position?

Terence Kealey: I am Terence Kealey; I am the Vice Chancellor of the University of Buckingham.

Valery Kisilevsky: My name is Valery Kisilevsky and I am the Group Managing Director of the London School of Business and Finance.

Carl Lygo: I am Carl Lygo; I am the Principal of BPP University College.

Q551 Chair: Thank you very much. I will start with the first question, which is really on private provision in the UK. There is not actually a definition of a private higher education provider. Could you just tell me what you think are the defining characteristics of such a provider, as opposed to those of perceived state universities?

Terence Kealey: Every higher education provider in Britain is fully private and every higher education provider in Britain is fully independent. The differences are that those of the Royal Charters, in the main, have chosen to sign financial memoranda with a funding council, which therefore brings obligations as well as money from the Government. We, however, are a royal chartered institution, like all the others a charity with the Royal Charter, with a Chancellor—we are members of UUK and all the rest of it—who have chosen not to sign such a financial memorandum. If we wished to, HEFCE I am sure would be interested, and many institutions in recent years have done so. Equally, if an institution like the London School of Economics choose not to, as it nearly did 10 years ago, that is permissible.

On the other hand, you have the for-profit sector, which is a completely legitimate sector but completely different in that, unlike ourselves—we are charities—these people are owned by shareholders and their task is to perform a good service for the students on behalf of shareholders. We are charities that choose not to take Government money. Although we have complete

respect for the for-profit sector, it is a completely different animal.

Chair: Thank you. Have either of the other two panellists anything they wish to add to that? It seemed a fairly concise summary of the situation.

Carl Lygo: I think there is a sub-category as well. There are private providers that are degree-awarding bodies. There is the post-2004 group, where you have four providers that are UK degree-awarding bodies, and are therefore subject to the higher regulation of the Quality Assurance Agency directly. Then you have some 690 or so private colleges in the UK that are not directly regulated by the QAA. There is a distinction there as well.

Q552 Chair: Can I just follow this up? If you were a prospective student, leaving aside the issues of the currently unregulated fees, why would you, as a student, not want to choose private higher education?

Carl Lygo: I will use BPP as an example, because obviously BPP is a model that I know. If you are a student who wants a research-intensive university, if you are a student who wants a full-service, campus-based university lifestyle, then you probably would not choose BPP. BPP is very career-focused; it invests in the things that we believe are important for teaching excellence in a career-focused environment. There is a very distinct mission in comparison with what I might describe as the publicly funded sector.

Valery Kisilevsky: If I might add to that, students today, particularly on undergraduate courses, who are interested in receiving Government funding in the form of student loans would probably not choose a private provider because, under the current arrangements, they will not be eligible to draw on student finance.

Carl Lygo: That is not quite true actually.

Chair: It has been changed, of course.

Carl Lygo: There are around 6,000 students who receive student loan support even under the existing system, on designated courses provided that your programme is designated, and about 6,000 students from private providers. It is an area that is a bit opaque and obscure, so it is not surprising that the whole of the private sector does not know about that particular source of potential funding.

Q553 Dan Jarvis: Good morning. For-profit higher education providers have a responsibility to make

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money for their shareholders. I am wondering how that can best be reconciled with any proposal to give them direct access to a limited pot of public funding.

Carl Lygo: I think it is a subsidiary purpose. If you ask people at BPP, our dominant purpose is to provide high-quality education for all, within our mission statement. It makes us efficient because we are a for-profit, and that provides a discipline that you do not see commonly in the sector. I think the focus on providing a return for shareholders obscures the dominant position. Looking at me, I am an educationalist in business; I am not a businessman in education. The dominant purpose is to provide high-quality education.

Q554 Katy Clark: There has been a great deal of concern about the US for-profit model. Do you think what we are talking about is importing that style of education into this country and, if not, what do you think is being proposed?

Carl Lygo: The system in the United Kingdom is very different; it is a very different model from the United States. The regulation of the UK sector is very different. I am in a unique position, being owned by a US parent, to see the differences between the US and the UK. We have much more control by the academic peer group in the UK. The external examiner system does not operate in the US. I have something like 39 different UK universities represented within the governance structure of BPP. It is a very different environment from the US, and also the US for-profit sector is probably dominated by those who are seeking to serve the open-access sector, and that is dominated by the Open University in the UK. It is a very different provision. If you look at the type of student that I have at BPP, it is the ABC1s, so high-quality students who are going on to high-quality jobs.

It is a very different model in the UK from the US, and what I would say to the panel members here is that we have to make sure that we maintain a strong regulatory role for the Quality Assurance Agency across the whole of the private sector. At the moment, I am sitting in a team of four private-sector providers that are directly regulated by the QAA, while the 690 or so that are not degree-awarding bodies are not being directly regulated. It is quite important that we have that level playing field, as I describe it, as we go forward.

Valery Kisilevsky: I would like to echo Carl's statement that we need a level playing field and a common regulatory framework for all providers of higher education in the UK. Some well-publicised risks and failures are associated with the US model. LSBF is a fully British owned company and we take great pride in that and in the fact that we are actively engaging with the Government here to advocate one common regulatory framework. There is greater room for the Quality Assurance Agency to impose a uniform regulatory framework for the sector in the UK, which would help avoid many of the pitfalls that have become known in recent years in the US.

Q555 Dan Jarvis: How you think the private higher education sector would react to requirements to

publish the same amount of information that is routinely made available by the public sector? I am thinking about things like being subject to the Freedom of Information Act, the public QAA reports and publishing a standard key information set.

Carl Lygo: First, not everybody is directly regulated by the QAA, so they will not be able to provide a QAA inspection report. At BPP, we decided to publish our QAA inspection report, so we would have no problem with that. Being directly regulated by the QAA means that, from next year, you will have to provide all that information anyway. For those of us in that small group, in the post-2004 group, it is not going to pose a problem. The question is what you do about the rest of the sector, whether they comply with it and what the sanction would be if they do not. For BPP, if we do not comply with the requirements of the QAA, we do not have our degree powers renewed and that is pretty unique. There are only four providers that have degree-awarding powers for a limited period of time, so that is a unique power. Certainly on behalf of the post-2004 group, we would respond positively to that.

Valery Kisilevsky: At LSBF, we represent the mainstream of the private higher education sector, one of those 690 colleges Carl referred to. I believe that most of the providers in this large and diverse group would actually welcome moves for greater transparency and standardisation of the information that will be available to students. We believe that our role is to provide greater choice and better options for students, and to deliver better value and better outcomes for students. The only way to do so credibly is for students to be able to evaluate that using a common framework and common methodology. Again, to do so, we will probably need a common regulatory framework, which will encompass the entire higher education sector—public and private.

Q556 Dan Jarvis: Finally from me, can I ask you what contact you have had with the Department for Business, Innovation and Skills about the impact of the Higher Education White Paper on your sector?

Terence Kealey: We are in regular contact with David Willetts. He had a couple of meetings earlier this year with representatives from all the non-HEFCE-funded institutions. I do not want to be pedantic—I am not trying to be offensive or in any way rude—but the word 'private' is misleading. Oxford is private, you understand. The question is whether they are publicly funded or not, but they are all private, and most of the money that the so-called public institutions get these days is increasingly private anyway. The distinction is for-profit, or whether you are a charity and not HEFCE-funded, as we are. As I said, David Willetts had two such meetings at BIS earlier this year. They were very useful but we have no idea what is going to come out of them.

Q557 Chair: Just before I bring Nadhim Zahawi in, could I ask Mr Kisilevsky, is your accreditation report to the BAC actually published?

Valery Kisilevsky: Yes it is. The BAC has moved, I believe last year, to publish its accreditation reports.

Until last year, they were not in the public domain; they are now in the public domain, yes.

Q558 Nadhim Zahawi: In 2009, Universities UK's report on the private higher education sector recommended that the Government establish better channels of communication with the private higher education sector. Are you aware of any action taken in this area?

Terence Kealey: Not on my part, no.

Carl Lygo: Certainly since 2009, I think we have had a lot more engagement with both flavours of Government. Without there being a representative body, I have seen a lot more activity—individual meetings and being part of roundtable discussions—since 2009.

Valery Kisilevsky: I am not aware of any direct measures taken by the Government. We have written to Mr Willetts as part of the consultation on the White Paper, and one of the things that we emphasised is the contribution that the private sector can make in bringing innovation to the higher education sector, and we called again for a common, better, uniform regulatory framework for the entire sector.

Q559 Nadhim Zahawi: Is there a reason why you have not developed a single representative voice?

Terence Kealey: I can answer that. I try very hard to bring together, and I hope this time I will be successful, about six institutions like ourselves—charitable, with Royal Charters, providing independent higher education without Government funding. For example, Regents College is one; Richmond University is another. There are a number of them. I am trying to bring those six together and I think this time we will, because our collective turnover is well over £100 million. We are also members of the Association of Independent Higher Education Providers, which is a group of people like Valery's organisation, which are for-profits accredited by other people. Then there is Carl's organisation of four—I do not know if they come together—which are the for-profits with degree-awarding powers, and I think they work together as well.

Carl Lygo: They are not for-profits; three of them are charities. The reason why BPP is different is that 96% of our students are UK based. We identify more with the traditional UK sector and, at the moment, the representative bodies of the traditional UK sector do not offer access to the for-profits. When they do, I will be delighted to join, but other representative bodies, which are seeking really to lobby the UK Border Agency, do not interest us.

Terence Kealey: Buckingham is, of course, in UUK.

Q560 Nadhim Zahawi: Private higher education in the UK tends to be focused on business management and law qualifications, although private institutions overseas offer a much wider range of subjects. Do you anticipate the private sector in the UK moving into other subject areas—humanities, arts—or developing research capacities?

Terence Kealey: Can I just talk about us six independents that are charities? I believe, and I very much welcome the opportunity to say this to you

because I hope you will take this back to Parliament, that the big gap in British higher education is that we do not have an Ivy League. The great universities in the world are in the American Ivy League, and it is enormously powerful and useful for America to have an Ivy League because of the soft power—here we are in a political context—that is projected by Harvard and Yale. It has a big influence on America's impact on the world, because of these stellar institutions. We do not have an Ivy League.

An Ivy League can be very clearly defined. An Ivy League university is an independent institution, completely independent at the level of undergraduate teaching. They are independent like Buckingham, so to speak, but they have a very close and fully funded relationship with Government research funding agencies. If we wanted an Ivy League in Britain, and I hope that your Committee would seriously consider advocating that, we would have institutions such as Oxford and Cambridge, for example, being completely independent at the level of undergraduate teaching, but the QR money, which at the moment is given by HEFCE in response to RAE, now REF, would be eligible for non-HEFCE-funded institutions. Under those circumstances, you then have a British Ivy League—i.e. fully funded undergraduate teaching and fully funded research.

Now, we at Buckingham have a wide range of courses, and here it is much easier for us than for the for-profit sector. We have a faculty of humanities, a faculty of social sciences. I am a biochemist; we have a very active biochemistry department at Buckingham with grants of more than £1 million a year in this tiny institution. Buckingham is a plural university, but our lives would be so much easier at Buckingham if you, as a group, were to advocate to Government and to Parliament allowing the Buckinghams to have access to QR money without having to subject themselves to all the regulatory framework of HEFCE. Why not follow the Harvard/Yale/Princeton model? I think the for-profits can speak for themselves. It would be jolly hard for them to have plural institutions, but we at Buckingham aspire, and we are definitely moving towards, the Ivy League model. Government could help, by helping us the way the American Government helps the American Ivy League: independence but full research funding.

Nadhim Zahawi: I think you made that point well, Professor.

Carl Lygo: Certainly we have aspirations to make a wider subject offering than we currently make, which is business, law and health. In fact, my parent group has successfully run universities in arts, communications and wider health subjects, so that is certainly the aspiration for BPP. We are research-active, but it is fair to say that we are teaching-led and we are not following the research-intensive path. We would not seek any Government funding to support our research—that money can be better spent elsewhere—but we are research-active. We spend about £600,000 each year on scholarships for students so that they do not have to pay any fees whatsoever. We have granted 100 full scholarships in this academic year alone, and we prefer to put our funding into those areas to help

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students access those kinds of business areas that we offer.

Q561 Nadhim Zahawi: Valery, in your written submission you talk about the ability of LSBF to innovate quickly in response to changing demands from students and employers, yet we heard from the universities that capacity-building in a new area takes a long time in the publicly-funded HE sector. How does LSBF manage to do it so quickly?

Valery Kisilevsky: It is an excellent question. One of the ways in which we are able to innovate so quickly is through greater involvement of industry in the design and delivery of our programmes. We have advisory panels with quite a big representation from industry across all our programmes, and we make a point of updating them regularly. That is a key point for us, because the employability of our graduates is a key indicator for us in terms of the success of our programmes and our delivery.

On top of that, being a younger technology-led organisation, we have introduced quite a lot of innovation in the form of delivery of our programmes, by offering students complete flexibility and choice between traditional classroom-based delivery modes, online delivery modes and a blending of the two, whereby students can start studying a programme, let's say at our Manchester campus, continue it online if they go on secondments overseas, and then come back to head office in London, etc, and still study the same programme. I would say it is through technology and the involvement of industry.

Q562 Nadhim Zahawi: Mr Lygo, in an interview with *The Guardian*, you talked about actively poaching teaching staff from the public sector.

Carl Lygo: Did I?

Nadhim Zahawi: Do you anticipate greater direct competition between private and public higher education, and what effect do you think that will have on UK higher education as a whole?

Carl Lygo: I know for a fact that many universities are laying off good academic staff and they are beating a path to my door. I joined BPP from the public sector, and I did so because I have a passion for teaching, not particularly a passion for research. I wanted to be in an environment that supported teaching and high-quality teaching. I think there is opportunity for all, and I do not think the impact of BPP in the sector is going to be negative—quite the contrary: it is going to drive up standards. It already has driven standards up in the postgraduate sector in which we operate.

Q563 Nadhim Zahawi: Do you think that the private sector is interested in taking over public universities, which will struggle to compete?

Carl Lygo: Absolutely. There are ways of doing this. BPP has teamed up with a further education college in Swindon to leverage the fixed cost base of that operation and BPP's operation to offer a lower-priced degree alternative for people who live locally in Swindon. That is a good example. We are talking to other colleges, which obviously I cannot talk about for commercial confidentiality reasons, about the opportunity of working together. Usually it is trying

to reduce the unnecessary fixed costs, so that you can deliver a better outcome for the learner. That is not in any way reducing the level of teaching contact. In fact, quite the contrary; it is investing more money in the teaching, so that there is more teaching, which is the biggest issue that parents and students talk about. They want more contact with the tutor in the classroom.

Q564 Nadhim Zahawi: Can I just push you on that one? Can you just enlighten the Committee? What are those unnecessary fixed costs?

Carl Lygo: We did an exercise with a couple of private providers on the published cost base of universities, and we thought that, if you put non-teaching faculty and all the back-office costs through a proper procurement exercise, you could save about 20% to 25% of that cost base. I am not trying to decry the efforts of the finance teams within universities, but there are ways of achieving those costs that do not diminish the quality of what you are doing, and they do not necessarily have the means to do that. A great bit of the work that I have been doing for the last year has been going round to various interest groups in the public sector and telling them about our model, and how we drive out those unnecessary costs. In this kind of environment, there are cost savings to be had from the way in which you procure your peripherals.

Q565 Chair: Just before I bring Margot in, just to jog your memory, Mr Lygo, I think this is *The Guardian* on Friday 15 April: "Will you be poaching good teachers from the non-private sector?" "Yes, absolutely. We already do in our narrow fields of law and business." I won't go on.

Carl Lygo: I was poached 14 years ago. I hope I was a good teacher then.

Q566 Chair: Could I just ask Professor Kealey, would Buckingham be interested in taking over any, if you like, perceived failing public higher education institutions?

Terence Kealey: Very much, but I think it is important to understand what we think a university is about at Buckingham. We think universities should, in the main, be run as mutuals in the traditional academic self-governance way, because we think that it is very important to teach and we are very proud, of course, at Buckingham of the National Student Survey. Of course we think teaching is very important, but ultimately the university has to be a centre of unfettered scholarship, where scholars are free to do research almost in a Mertonian way—those Mertonian norms of scholarship. That is why, incidentally, we at Buckingham were created independent of the state, because we feel there is an awful lot of self-censorship in the public-funded sector, which only emerges if you look for it; it can be overlooked.

But yes, I would love the opportunity of Buckingham being able to work with another "failing publicly funded institution" to try to spread the Buckingham model. What is the Buckingham model? The Buckingham model is putting the student first and coming top of the National Student Survey every

single year. At the same time, you foster a deep sense of collegiality as a self-governing academic institution. You also prioritise research and scholarship, because ultimately you believe a university on the Ivy League model has to be independent to foster scholarship. I would love to see the Buckingham model spread.

Q567 Margot James: Do your staff and students currently have access to the various services like JANET, JISC and SCONUL?

Carl Lygo: Some. It depends on whether the for-profit sector is permitted to subscribe to those. I believe that we do have access to the ones that you referred to. We certainly have an extensive set of research materials that are available and, when we gained the degree-awarding-power status, the QAA reviewed all the access that we had. Often we have to make alternative provision—at twice the cost, in some cases.

Q568 Margot James: You would be interested in having full access.

Carl Lygo: It is a really peculiar thing where the for-profit sector has been left out, and it is only because the for-profit sector is BPP, I guess, and is a degree-awarding body. It is breaking down the barriers at each stage. I am pretty confident we have access to those, but I would need to look.

Q569 Margot James: Would you be willing to pay for those services if you did not have them as of right?

Carl Lygo: I am a big believer that it should be a level playing field, so we should pay the same as everybody else. Obviously, I have just made the point about good procurement, so I would want to negotiate a fair price.

Margot James: Good for you. Thank you.

Valery Kisilevsky: At LSBF, our students have access to those services through UK universities with which we work in partnership, so our validating universities. It is quite peculiar, as Carl says, that the private sector is not allowed, for instance, access to the .ac.uk domain name, which is administered for JANET. There is no particular reasoning behind that—that is just the way it is.

Just to elaborate on that previous point around failing universities and working in partnership, when we are talking about the private sector taking over a failing university, I think it is quite important to be sensitive to the different models in which the private sector has been working and can work with public-sector universities. We have had great experience of working with different UK universities on their service provision, particularly in terms of teaching and also other areas, and there are a number of innovative models in which the private sector can integrate with the public universities to deliver better outcomes for students, which fall short of complete takeover. It is quite important to recognise that it is not a once-and-for-all solution that means that the private sector would assume complete control and ownership of a university.

Q570 Mr Ward: There are a number of questions on the widening participation agenda. You mentioned the

scholarships that are on offer, but the general question is really about what support is available through discounts, bursaries and scholarships, as you mentioned, for all the organisations that you represent, and how you fund those.

Carl Lygo: We fund them out of the surpluses that we make from our operating business. We do not have any other source of income. Ninety-nine per cent. of our revenues are derived from the private purse; 60% of our students are sponsored by employers. Essentially, we plough back employers' and student money into helping those students who need more help. Very many of us who teach at BPP have come from backgrounds where we did not have great life choices, and so we feel compelled, even though we are for-profit, to put something back and give others access to the legal profession, to the accounting profession. These are scholarships, usually around the criteria that identify most with widening access, so in my case, as a first-generation university graduate from a fairly deprived South Yorkshire background, the scholarships that I give as the Principal target people who come from similar backgrounds and need that opportunity.

Q571 Mr Ward: That is commendable, but how do you justify that to your shareholders?

Carl Lygo: It is all part of being a good corporate citizen and serving the communities in which we operate. The dominant purpose is not making profit; the dominant purpose is education and serving our communities. Now, I am not going to pretend that we are a university that is set up for widening access. We are doing our bit. We are in a very privileged position, where you have the highest Law Lord who sends all of his children to BPP; you have former Prime Ministers sending their children to BPP. It is only right that we do our bit and allow those who are less fortunate that opportunity—the opportunity that I was given.

Terence Kealey: Widening participation is extremely important. We live in a deeply unfair society, where the advantages to the children of the middle classes are so much greater than the advantages to children of other levels of society. It is almost heartbreaking. All educational institutions have a really profound responsibility. We currently spend 4% of our income on bursaries and scholarship schemes. The difficulty we have, quite simply, is that we are funded almost exclusively by student fees and, therefore, we are simply under-resourced for what we would really like to do, which is a much wider widening participation agenda.

The country that has the widest widened participation ironically is the USA, which has the freest market in higher education, while paradoxically countries like France, Italy and Germany, which have free state monopolies essentially, have the least wide participation in higher education. The empirical evidence is very clear. Obviously there are always going to be exceptions, with outliers like Denmark, but if you look at the big countries, there is a very simple correlation: the freer the market, the wider the participation. In huge part, it is because of endowments. Harvard, Yale, Princeton, these are

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need-blind admissions, and it is clear to me that my sector should aspire, over a reasonable timeframe—perhaps 50 years—to have need-blind admission. Need-blind admission is perfect in terms of quality for the institution and it is socially just, but I think you will have to give us 50 years to build up those endowments, for the time being.

Valery Kisilevsky: At LSBF last year we submitted more than £2 million worth of scholarships, including many that were full scholarships. We fund them again from the surpluses that we generate, but we also work in close collaboration with some of the corporate partners, which also send students to us. For instance, one of the ways in which we encourage participation is by providing commercial loans, where we work with lenders that, as part of their CSR agenda, provide loans at a reduced rate to students who study with us. I would like to talk a bit more about widening access and participation in quite an innovative scheme that we launched last year. LSBF was the first academic institution anywhere in the world to offer an academic programme using Facebook as a delivery platform. That platform allowed us to offer the entire knowledge transfer and content to a full academic qualification, in that case an MBA programme, Masters in Business Administration, free of charge using the world's most popular social networking website. Some have criticised us for going too far, but what we have seen is that more than 90,000 people interact regularly with this content absolutely free of charge, and then some of them would follow on with more engagement using our traditional study modes to pursue the full qualification. There are other ways in which one could widen access and participation by first enabling people to get access to the content.

Q572 Mr Ward: With the weakness of super-injunctions, how do you protect intellectual property rights?

Valery Kisilevsky: As I mentioned, we took quite a bold step in the sector by offering the entire intellectual property of the entire Masters programme absolutely free of charge to anyone who was willing to see that. Our rationale in doing so was, by widening access and enabling people to access content, by effectively waiving our rights to that content, we will enable people to pursue qualifications that would lead to better outcomes in terms of full academic programmes. Our approach was that, in this day and age, it is appropriate to be more relaxed about intellectual property rights to some types of content.

Carl Lygo: It is not so much the intellectual property anymore; it is the award that is the key issue.

Q573 Mr Ward: That is right, because the funding is not for the materials but for the qualification and award at the end. Is that right? I think I read that.

Valery Kisilevsky: That is right.

Q574 Mr Ward: Going back again to earlier comments from yourself, Mr Lygo, I think on the American model, although there is hopefully going to be a more important focus on wider participation with the stipulations on universities for the higher fees, you seem to suggest that, in America, the private sector,

perversely in some ways, was providing for those who were from lower-income backgrounds.

Carl Lygo: I am looking at it from a distance, so I am not an expert. But looking at it from a distance, you have open access provision there and virtually unlimited federal funding. When you have that combination, you need a responsible sector that is properly regulated. Again, I would implore the Committee to consider that QAA ought to be that regulator for the whole private sector, and put all the private colleges in the same position as BPP, whereby we completely lose our business if we do not satisfy the requirements of the QAA.

Q575 Chair: Just a couple of general questions, some of which you have partly touched on. First, we have heard comments about a level playing field. What changes in the regulatory regime do you think would bring about a level playing field?

Carl Lygo: Direct regulation of the private sector by the Quality Assurance Agency, and that has to be meaningful, so that providers that fall below the high standards that we expect in the UK are kicked out the club.

Valery Kisilevsky: It is direct regulation on the same terms and conditions, because Carl's institution, for instance—he mentioned it earlier—has its degree-awarding power subject to renewal in six years' time. Now, none of our public-sector universities have the same conditions stipulated. There are numerous other provisions in the proposed regulatory framework for the private sector that would differentiate between, again, providers based on their funding source, and those ideally should be illuminated, so we would really have common, uniform regulation for everyone.

Q576 Chair: Given the withdrawal of a large chunk of HEFCE funding from the traditional university sector, do you see any likelihood of moves from that sector towards the Buckingham or other model?

Terence Kealey: It is not usual to praise Governments, but in the last 10 years, first Tony Blair and now David Cameron, Vince Cable and David Willetts—it is actually cross-party—have been extraordinarily enlightened. Very brave men have done very brave things within higher education. I predict that, in 20 years' time, Britain will have a market in education as free as America's. I predict that, in 20 years' time, the two countries in the world with the best higher education systems in the world—markedly better than anyone else's—will be Britain's and America's, and everyone else will be level. It will be in large part because of a huge Buckinghamisation of the sector. I would urge, however, that we look at the Ivy League model, which is better than the Buckingham model. The Ivy League model is Buckingham plus full economic costing of research grants, and that really will give Britain probably a better system than America's, if collectively you would endorse it.

Q577 Chair: Do either of the other panellists wish to comment on that?

Carl Lygo: I am very popular at dinner parties at the moment with Vice Chancellors who want to know

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more about the private model and the alternative model.

Chair: That is very interesting indeed.

Carl Lygo: It is unusual.

Chair: We will not ask you to name names.

Carl Lygo: I do not get a sense that they are actually going to move to the model; it is just an intellectual interest in what it would be like with supposedly less regulation. In fact, my position is more regulated, since I lose my whole business model if I do not get my degree-awarding powers renewed every six years.

Valery Kisilevsky: Mr Willetts already indicated that the way forward is that funding will follow students. To me, inevitably that means that we will see a shift

in the provision model whereby, if funding follows students, institutions will be forced to adapt and focus on excellence, delivery of excellence and teaching excellence in outcomes for students, which would probably mean alternative models and new models for provision, even for the established providers.

Chair: Thank you very much. I think you have provided certainly a rather different insight into higher education than we have had, which of course was one of the reasons why you invited you to attend the Committee. You have given us considerable food for thought. Thanks very much; I appreciate your contribution.

Examination of Witnesses

Witnesses: **Rob Behrens**, Independent Adjudicator and Chief Executive, Office of the Independent Adjudicator, **Anthony McClaran**, Chief Executive, Quality Assurance Agency, and **Professor Steve Bristow**, Senior Advisor, (Quality Assurance and Governance) British Accreditation Council, gave evidence.

Q578 Chair: Good morning and welcome. You may well have heard the questions posed to the previous panel. Can I reiterate the welcome, and also the comments that you may have heard earlier? Obviously we do not require an answer from each one of you to every question; please intervene on some questions only if you feel that you have anything to add or, indeed, contradict. Can I just ask you to introduce yourselves for voice transcription purposes?

Rob Behrens: Good morning. I am Rob Behrens; I am the Independent Adjudicator and Chief Executive of the OIA.

Anthony McClaran: I am Anthony McClaran; I am Chief Executive of the Quality Assurance Agency for Higher Education.

Steve Bristow: I am Steve Bristow; I am Senior Advisor, Quality Assurance and Governance, at the British Accreditation Council for Independent, Further and Higher Education, to give it its full title.

Q579 Chair: Thanks very much. I shall open with a question to Anthony McClaran. Do you think the QAA has the resources to take on its new responsibilities for auditing all the higher education providers wanting highly trusted sponsor status?

Anthony McClaran: Thanks. I think that we have a model that has proved very capable of expansion as the higher education sector has expanded. We already have significant involvement with private providers of higher education, as you heard in the previous session. I think a particular factor here is that the heart of QAA's approach is peer review: it is not QAA staff who form a judgment about the quality and standards of higher education institutions; it is peers. We have several hundred staff who, at any given time, work with us on a contractual basis to form audit and review teams. The potential expansion of activity is significant and we are clearly giving a lot of consideration to how we would do that, but I think we have a model that essentially is capable of expansion in that way.

Q580 Chair: Currently the QAA audits the five private providers with degree-awarding powers plus, I believe, two American universities operating in London. Do you audit any other private institutions?

Anthony McClaran: We have some arrangements with private institutions that have come into what is called "voluntary subscription". They have chosen, for reasons of their own development as institutions, to work with us through a process that may eventually lead to them applying for degree-awarding powers, so we have that involvement. In the wake of the announcement from UKBA, we have at the moment nearly 300 enquiries from private higher education institutions that want to explore the possibility of educational oversight.

Q581 Chair: How would that impact upon your capacity?

Anthony McClaran: The answer I gave at first: clearly that is a very significant increase in the level of activity that we engage in, although that level of activity is already fairly high. It is important to recognise that the key factor for QAA's activity is higher education. Last year the majority of our activity took place in further education colleges offering higher education, so we are already used to working with very significant volumes of institutions that offer higher education.

Q582 Chair: How would you compare your work with the private institutions with the traditional universities?

Anthony McClaran: For us in a sense, we are rightly blind to the financial status of the institutions that we quality assure. In relation, for instance, to our work for the awarding of degree-awarding powers, whereby we advise the Department on that, our concern is not with whether an institution is private, publicly funded or any of the other definitions that we heard earlier.

Q583 Chair: Obviously you are right: you should be blind to them. What I am saying is, in the quality of

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the work and research that you have done with them, have you detected any differences?

Anthony McClaran: We found excellent practice in both publicly-funded and private institutions, and our reports would equally identify and publish that good practice where we find it. No, I do not think we would find a distinction along that fault line in quality.

Q584 Nadhim Zahawi: Mr McClaran, you currently, as we heard in the earlier evidence session, review any degree-awarding powers granted to private institutions every six years. Do you think that is sufficient if the private sector were given access to more public funding—i.e. is it sufficient to review only every six years if they are then given more public funding?

Anthony McClaran: Six years is the current cycle. In previous periods of QAA's history, that cycle has been four years or five years. When looking at whether six years are enough, you come up with the question that David Willetts has put into the public domain of whether the fundamental approach to institutions ought to be on a cyclical basis, which has the advantage of treating every institution equally, or whether it ought to be risk based, whereby on recognising particular risk factors, you may look at certain institutions more frequently. We have been asked to think about that debate. We are doing that and hope to get more direction from the White Paper when it is published.

Q585 Nadhim Zahawi: Where are you on that debate? You have given us David Willetts's view; where are you?

Anthony McClaran: In aspects of QAA's work already, we have incorporated certain aspects of risk. For instance, in the review system that we operate in Wales, there is a risk-based approach to further review depending on the outcome of a particular review. That will determine at what time interval we go back in to look at an institution. I think, from our point of view, we can see merits in a risk-based approach in terms of concentrating the activity where there is recognised risk and reducing the burden of quality assurance on institutions where there is not such a great perception of risk. The key factor there though is actually establishing robust indicators for identifying risk and that is not a simple matter.

Q586 Nadhim Zahawi: No, you are quite right. Do you anticipate making traditional universities' degree-awarding powers subject to review in future?

Anthony McClaran: That is a matter that would have to be addressed by legislation, so no, we do not envisage making their degree-awarding powers, which they hold by charter or statute, subject to our review. We would not have the power to do that in our own right.

Q587 Nadhim Zahawi: Final question to Mr Bristow: now that any institution wishing to acquire highly trusted sponsor status must be approved by the QAA—by Mr McClaran—what role do you see for the British Accreditation Council; your council?

Steve Bristow: I wonder, Mr Zahawi, whether I can take you back to the origins of BAC. BAC was

established in 1984, precisely because Her Majesty's Government decided it did not wish to be engaged with private further and higher education. A group of people came together to form the original British Accreditation Council and, 27 years on, we are still playing that role. Of course, our role changed quite significantly in 2007, with the introduction of the points-based system. From being solely a voluntary accreditor (and we are a voluntary charity) we became what I have described elsewhere as a quasi-regulator. That role is now likely to change in the light of the Home Secretary's announcement of two months ago, and we are currently exploring alternative ways of taking all the work that we have done in the past, which has been significant (and I think has been recognised as being significant) into whatever future arrangements will best achieve the principal object of the BAC, which is to act as the national body, or possibly even contribute to work as the national body, to assure the quality of further and higher education in the private sector.

Q588 Mr Ward: Two questions for Rob, if I may: on the evidence that we have been provided with, there has been an increase in complaints over the last few years. I believe in your submission that you see that as something that will continue in the future. Is that right?

Rob Behrens: Yes.

Q589 Mr Ward: We also have the composition, the types of complaints. Are there likely to be new complaints that emerge or is it just more of the same in the future, do you believe?

Rob Behrens: Taking your first question first, the trend is steadily upwards. In 2010 the increase on the previous record year was above 25%, so it is growing steadily. The OIA is becoming much better known in the student community. Fees being increased and talk about fees being increased will have a big impact on the number of complaints we receive. We already know that international students make the most complaints and they pay the most fees. There is a whole set of reasons that will lead to a big expansion in complaints. Students are now being encouraged to act as consumers; consumers have a characteristic of making complaints. The labour market is much tighter, so the value of a degree and ways of seeking to get a good degree will be exploited as far as possible. The number of complaints will increase quite considerably, and I do not know anybody in the sector who does not believe that. That is the first thing. Secondly, as far as the complaints themselves are concerned, as you can see, about 60% are academic-related complaints. They are not about academic judgments, but the processes leading up to the award of a degree or the academic judgment being made. The issue of mitigating circumstances for example, the issue of whether the university has abided by its own regulations, disability, the sanctions that are used against academic misconduct—all those things are mainstream; they feature in our complaints year after year, and I think they will continue to do that. Where there will be a change, I think, is in an increase in the number of complaints that come under

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the category of Fitness to Practise and professional qualifications. If you look at our outturn figures for nurses, doctors, social workers and teachers, who have to have a professional qualification in addition to their academic qualification—and therefore there is a double issue about their qualifications—those complaints are increasing and I expect them to increase considerably.

Q590 Mr Ward: The talk of mitigating circumstances brings back dreadful painful memories of endless exam boards, which flooded into my mind at that moment. Do you believe that you have the necessary powers to deal with this increasing level and type of complaint?

Rob Behrens: It is a good question. The way things are at the moment, we have no coercive power, yet universities have complied almost always with the decisions that we have made since 2005, and I pay tribute to universities for that. The only sanction that we have is to publish the name of the university in my annual report if it fails to comply with one of our formal decisions. Until this year, there has been no incidence of that. In my annual report to be published on 14 June, I will report two incidences of non-compliance, and I will want to see how universities respond to that before Making a judgment about whether, subsequently, we need increased powers.

I would just like to add one thing: from 2012, as a result of extensive consultation with universities and students' unions, we will publish summaries of complaints by name of university, which is a development of existing practice and will bring us in line with the Scottish example, where that already happens.

Q591 Mr Ward: That is looking at when things may go wrong and the powers to do that. Have you any advice to universities or, indeed, to the Government on how to reduce the number of complaints?

Rob Behrens: Absolutely. The OIA should not be a police officer sitting in Reading criticising universities when things go wrong. We have to and we do work with universities and students' unions to promote good practice, and one of the most significant things we do is run seminars, workshops and send out e-newsletters disseminating good practice, to make sure that universities incorporate that good practice before things go wrong. In the Pathway Report, which was my strategic review of the way the OIA works, published in 2010, there was a very important chapter asking university students how they experience complaints and appeals handling processes in universities. Students are very clear about what goes wrong, and there is a lot that universities can learn and have learnt from this. First, the time taken to resolve complaints in universities is regarded by students as too long. Secondly, there is a sense that the complaint or the appeal is not taken sufficiently seriously. Thirdly and very importantly, most complainants who come to us do not believe that the process leading up to the decision has been fair. Now, the record of cases suggests that is not the case, but there is more

universities can do to take students with them in explaining the process and how it works.

Q592 Mr Ward: You mentioned good practice. As I understand it, the private providers can be voluntarily members of the scheme, but it is not necessary. Should that be changed?

Rob Behrens: Well, it should be changed. It is not satisfactory at the moment and, if the yardstick is to be a level playing field, as I believe it should be, between the private and the public, there should be a change in the rules as far as private suppliers are concerned. The situation is complex. First, some private suppliers, like Buckingham for example, are already full members of the scheme because they have a Royal Charter. As a result of the Pathway Report and the consultation that I undertook, we now encourage those for-profit private suppliers to join the scheme as non-qualifying institutions, under the 2004 Act. That is a voluntary undertaking, unlike public universities, which, under the law, are required to join the scheme. I believe that, where there is the use of public money, that activity should come under the remit of the OIA, and I think that is a sensible proposition and should be looked at very closely in the White Paper considerations.

Q593 Mr Ward: Finally from me, the Browne Review recommended the combining of OIA/HEFCE/QAA. What are your views on that?

Rob Behrens: I think I have made my views about the inadequacies of the Browne Report, Chapter 6, very clear. It is evidence-light; it is armchair speculations about what must be the case; and it does not take into account the large amount of work we have done to clarify our strategic role—the consultation we have undertaken with the sector. Critically, it does not take into account the experience in legal services and financial services in the last few years, which have cost millions of pounds of taxpayers' money, to ensure that there is a separation between regulation and complaints handling. That should apply in higher education as well. I work very closely with Anthony McClaran and his team at QAA, but we should be institutionally separate. We should exchange information, but there would be a clear conflict of interest if the two organisations were merged.

Q594 Mr Ward: Finally, any other comments on the complaints from the other two panellists?

Anthony McClaran: Yes, if I could just say something about complaints, as far as QAA is concerned, and following on from the point that Rob Behrens has just made. QAA has a procedure for complaints and for concerns, and we are interested in complaints and concerns, but our interest is the extent to which a complaint, which may be from an individual student, a member of academic staff or from one of the professional bodies in higher education, seems to indicate that there is a more widespread issue of a threat to quality or standards in a particular institution or in part of an institution. We are interested in the extent to which there is evidence that may point not just to an individual failing, which will be of concern

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to the individual, but a systemic problem that may indicate a wider issue.

We have a concerns procedure that leads to direct investigation of institutions where we believe that there is evidence to indicate that there should be such an investigation. In those circumstances, the kind of exchange of information that Rob Behrens has referred to is helpful, and we engage in that. Similarly of course, sometimes we will get individual complaints that we are able to redirect to the Independent Adjudicator, because that is where they are more appropriately dealt with. There is a coherence about what is available in terms of routes for complaints, but our focus is very much on threats to quality and standards.

Steve Bristow: If I can put this in context, we inspect 527 private institutions in the UK, which is roughly a third of the total. Of those 527, our complaints procedure, which is invoked when a student has exhausted all the avenues for complaint within the institution, resulted in 72 active complaints in 2009 and 45 in 2010. We will take complaints up from students only once they have been through their own institutions' procedures and are still dissatisfied. Of course, this stands quite outside the OIA arrangements, because our institutions are not in receipt of public money nor indeed is BAC in receipt of public money.

Chair: Can we just go back to quality assurance now? I will bring in Margot James.

Q595 Margot James: Thank you, Chairman. The report by Universities UK in 2009 recommended that the QAA review its code on collaborative provision between the public sector and the private sector to ensure that it is rigorously applied by universities. What progress have you made on that requirement?

Anthony McClaran: We have made progress in meeting that requirement. First, we have taken the existing code and added to it some significant new material that draws particular attention to the responsibilities that universities have in collaborative provision for assuring themselves about issues of governance and financial probity. They are reminded that is a responsibility that they cannot in any sense delegate, because it is they who hold responsibility for the quality and standards of any awards that are made in their name. We intend further work in this area. We have conducted, over the past few months, a complete review of our framework, within which quality and standards are set, called the Academic Infrastructure. Codes of practice are part of that, and they themselves will now be fully reviewed and rewritten, as we move towards a new code of practice for quality and standards as the result of that review.

Q596 Margot James: Thank you. How much investigation, practically, do you believe that universities should do to honour their commitment to inspect the financial probity of their potential partners?

Anthony McClaran: Clearly the amount that is necessary will depend on the partner; it will depend on the country in which that partner is operating and the legal framework within that country. Part of the

advice that we added to the code was a reminder of the need to take proper legal advice in looking at those sorts of questions. We also recommend very strongly that there should always be a very clear agreement that governs each collaborative arrangement, with clear specification of respective roles and responsibilities. We have tried to indicate and to point to the directions that should be taken. In our own review work, those are the kinds of frameworks against which we then measure what we find, and the review of collaborative provision is a very specific activity in our total programme of activity.

Q597 Margot James: Thank you. Do you think that a greater role for private providers will help drive up quality in the traditional universities?

Anthony McClaran: I think that the expansion of the number of institutions and their diversity will give further impetus to a situation that I think has been part of the structure of British higher education for some time, which is competition between institutions—competition to attract students, diversity in the offering that is available to students and a responsiveness to the choices that students make. I think that the expansion of that tendency within British higher education will be part of a process of further improving quality. I do not think it is the only way in which quality is improved—I think there are other ways—but I think it is an important lever.

Q598 Katy Clark: How do you think prospective students should judge whether a course offers value for money?

Anthony McClaran: I think that the decision about value for money will vary, almost student by student. Clearly, there are very different reasons why people decide to progress to higher education. That may depend on their age; it may depend on their motive for entering higher education in the first place, which could be very career focused. For a mature student, it may be very different; it may come at the end of a working career. The ultimate decision on value for money must be a decision that the student takes.

I think two things: first, it is essential that the information necessary to make that kind of judgment is available in an easily accessible form and in a comparative form to students; and secondly, and more specifically as far as the QAA is concerned, it is certainly our aspiration, as an organisation with responsibility for quality assurance, that part of that decision about value for money should include a consideration of the work that we do in describing the arrangements for the assurance of quality in institutions. A very important part of the direction that I think we are moving in as an agency is to make sure that the work we do is much more publicly accessible, much more written with a student audience in mind and located in places where it is easily found by a student who is searching for information to help make their choices about higher education.

Rob Behrens: There needs to be much greater transparency in universities about what they provide and what students can expect. I pay tribute to the work of Professor Janet Beer in creating not only charters but key information sets, which are going to lead the

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way to this. We should see that students are much better informed about that, but two other things are important in the context of the OIA here. First, the National Student Survey is a priceless survey of what students really think about the quality of what they are getting. Although each year over 80% of students say that they are very satisfied with the overall quality of what they receive, the marks for feedback and assessment are significantly lower than that 80%. In fact, they are usually the lowest level, and that is something that students will need to look at in coming to a judgment.

The other thing is that there will be, from 2012, the publication of an annual letter from my office to universities, setting out the record of the university in complaints and appeals over the previous year. We do not want to create league tables, but this should be something that is in the public domain, and prospective students will want to have a look at it in making their choices.

Q599 Chair: Why do you not want league tables?

Rob Behrens: I do not necessarily want league tables. One of the issues that I have, and have had in the last two years, is encouraging universities to come with me down the road to greater transparency. Their concern is that red-top newspapers will distort the publication of figures. When you come to complaints, sometimes the figures are so low that they are not statistically reliable, and that makes league tables not necessarily useful in this area, but there should be publication.

Q600 Chair: If I can pursue this, schools have to put up with this sort of scrutiny; why should higher education institutes not?

Rob Behrens: You must ask them that. It is not a problem for me and, if it happens, it can happen, but it will not be at the top of my priority list. My concern will be to put in the public domain the key information about how complaints and appeals are handled.

Q601 Chair: Could I just follow on, because this is quite an interesting question? Is there a real danger that, if you had league tables, those that would feature as worse might do so only because in fact they have more transparent and open procedures?

Rob Behrens: That is a good point, and this is a very sensitive and difficult area, but it will not stop me publishing the information. The key issue is that some universities, particularly metropolitan universities, tend to have more complaints brought by students, in part because the university has a different approach to access. We need to take that into account.

Q602 Chair: Can you elaborate? What is the different approach to access that precipitates more complaints?

Rob Behrens: There are some metropolitan universities that have a much more proactive outreach strategy in attracting students, and those students are perhaps more likely to come up against difficulties during their courses and, therefore, might bring complaints. I do not have a problem about a university

having a large number of complaints reported to the OIA. The test is whether those complaints are justified or partly justified. Any reporting of this information has to take into account that universities will be of different size, they will have different demographic intakes and, therefore, we need to be very careful when we are comparing one university with another.

Q603 Katy Clark: My next question is for the British Accreditation Council. Are your accreditation reports routinely made public?

Steve Bristow: Can I break that down, if I may? Because we have been a voluntary accrediting body for 27 years, our agreement with institutions has been that they may publish their report in full if they choose to do so. If they publish, it has to be in full; they cannot cherry-pick from the report. We then publish a small agreed statement about them and we also publish data sheets giving information about the institution. Our thinking was very well advanced towards publishing all reports from 2012 when the Home Secretary made her announcement. We have now put that just to one side while we look at some of the implications of that announcement.

It will represent a change in the relationship between the charity and its accredited institutions, so there is no difficulty in principle, but of course all the work of BAC is paid for by inspection and accreditation fees; we have never received any public money whatsoever. Any additional costs that we incur need to be carefully looked at and properly resourced, be those in the quasi-regulatory work that we have been doing for the Border Agency over the last four years or in moving towards publication, which involves a much greater concern for the editing of reports and consistency in the way in which judgments are reported.

It is important also for me to say that inspectors' reports are presented to our accreditation committee. It is the accreditation committee that makes the decisions about accreditation. It is not the inspectors who make the decisions; they make a recommendation. Sometimes the accreditation committee will take a different view from the inspectors and add additional information into the judgment that they make, so we have been having to find a way of making sure that what reaches the public domain reflects the decision that is made by the accreditation committee, not necessarily the raw report that comes back from the inspectors. All quality assurance agencies that have a staged process (where there is an inspection team or panel—whatever form that takes—which then makes a recommendation to a sign-off body) has exactly that issue to face.

Q604 Katy Clark: Do you think there is a way that more information could be made available?

Steve Bristow: Yes, with no difficulty at all. If I can just come back to the earlier discussion, our inspectors do ensure, first, that colleges' publicity is accurate—that they are not making claims that they cannot sustain. Secondly, our inspectors ensure they have in place appropriate student feedback mechanisms, and other systems for staff appraisal, staff engagement and so on, which is all a central part of their own quality

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assurance scheme; and then thirdly, that they are developing their own approach to self-evaluation and self-assessment. BAC is Britain's second member of the European Association for Quality Assurance in Higher Education. QAA is a full member; we are an associate. We are on a track, or at least we still think of ourselves as on a track despite the Home Secretary's announcement, to becoming a full member in a couple of years' time. We hold ourselves accountable in exactly the same way that we expect colleges to hold themselves accountable.

Anthony McClaran: Can I just add one comment, which in a sense closes a loop between the issue of information and that of review? In the new review method for England, which will come in from the academic year beginning in September, we will not only look at the information that universities make available but, as a formal part of the review, we will reach and publish a judgment about that public information. It is not simply aspiration; it is formally going to be part of the review process.

Q605 Katy Clark: My next question is primarily for the Quality Assurance Agency, although the other witnesses might want to respond. We have already heard evidence about the increased use of private institutions and, in particular, for-profit organisations in providing higher education. Do you anticipate any problems with commercial confidentiality if we are moving to approved private colleges, and has any discussion taken place about how we deal with that, so that students get the highest quality of information?

Anthony McClaran: Yes, it is a very important issue and we have indeed started to discuss that. The main forum for that discussion is our advisory committee on degree-awarding powers, which is the committee that makes recommendations through the Department to the Privy Council about whether institutions, be they public or private, should be given degree-awarding powers. We are conscious of the fact that, in an era of private provision or an increase of private provision, the very acquisition of degree-awarding powers can in itself be something that adds a real financial value to an organisation. We are therefore having discussions that will lead to a very clear protocol for the way in which that committee conducts its business to ensure that we have a balance between respect of commercial confidentiality but, at the same time, the needs of students in terms of access to information about the institutions that are going to hold degree-awarding powers, but it is a very important issue.

Rob Behrens: Can I just make a couple of points about that? First, we now have two private providers that have joined the scheme as a result of the protocol that we published last year. That is welcome. Sometimes private providers are a little unsure about whether they want to share their balance sheet with us, because we need to make sure that they are in good standing, but that ultimately is not a problem, and I think that is a good thing. I think all suppliers in higher education are too non-transparent in their approach, and they need to be much more transparent, so it does not just apply to private suppliers. One of the things that students tell us consistently is that it is

only when cases come to the OIA that they see documents related to their own case, which they should have seen during the course of the original investigation. That applies to public and to private institutions.

Steve Bristow: To say that we are a voluntary accreditor, I have to pay tribute to our colleges, which report annually to us in detail on their activities, with changes, with declarations of whether they are engaged in any legal disputes of any sort. They supply key information from their own accounts. We have a due diligence process with new colleges that approach us, where we look at their governance information and their financial information—the sorts of things that you would expect a licensing or a registration body to do. As there has been no registration body, we felt that it has fallen to us to do that. The only area where colleges have asked us, on occasion, to treat information as commercially confidential is in their agreements with universities, because these tend to specify the amount of money that the institution is paying to the partner university, and that is all very sensitive information.

For the rest, their fees are in the public domain. I can tell you for example, just reverting to your last question, that among the colleges that we accredit, you can pick up a British university degree for anything between a tuition fee of £4,000 a year and £13,000 a year. The judgment then has to be, from the student's point of view, whether they are getting value for that money. From our point of view, it is ensuring that the institution is very clear about what services and benefits the student will get for that.

Q606 Katy Clark: My final question is really to ask the witnesses what they hope to see in the Government's White Paper when it is published.

Anthony McClaran: From our point of view, an affirmation of the critical importance of independent external quality assurance. I do think that principle is vital in terms of providing the constructive challenge to institutions that enables them to improve and to continue to build on their quality. I do think it is important that we remember that education is a devolved matter, but the framework for the quality of higher education is actually a UK-wide framework. The continuing recognition of the value, in reputational terms and in terms of international standing, of the UK higher education sector is critical. I think it is important to recognise that.

It is important that we have a framework that can recognise and support a diversity of institutions, but within a common framework. Students do look for comparable information. Diversity adds that dimension of competition and choice, which are important drivers of quality. Finally, there should be a very clear understanding that the arrangements that flow from the White Paper and any legislation that follows have students at their heart. Over the past year, as we have reviewed the way in which we operate, that has been a guiding principle, and the new review method will, at every level, embed directly students in the work of evaluating and contributing to the quality of the education that they experience.

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Q607 Chair: Just before Katy concludes on that issue, I think you have probably anticipated my intervention in your comments. Do you think it is possible for students to work out value for money before they go to university?

Anthony McClaran: As I said earlier, value for money will be a decision for students that will vary from student to student, depending on their motive for going into higher education. The critical fact is that they are given the information that helps them make that judgment. Now, the direct correlation between value for money and the quality of what the student is going to experience is a judgment that they will make, and of course it is also a judgment on the part of each individual university that each university will have to explain and justify. I think the contribution of quality assurance is providing the assurance to the student that they will receive higher education of a standard and in a context where there are arrangements clearly in place to make sure that they not only receive that standard but receive it effectively and with the right arrangements that will ensure a really positive teaching experience for them.

Chair: Can I just bring Katy in to conclude?

Q608 Katy Clark: It is really just in case any of the other witnesses—

Steve Bristow: Are we are going to be allowed to say what we think should be in the White Paper?

Katy Clark: Yes. What should be in the White Paper?

Steve Bristow: Thank you. I think we hope that whatever the common level playing field for quality assurance is, it should be inclusive. It should not damage the access that students have, through private colleges, to higher education of all sorts, in a range of fields. In your earlier discussion this morning, you were given the impression that there is almost a complete focus on business and professional subjects. That is not in fact the case in the sector that we serve, so for example the Academy of Contemporary Music, Sotheby's Institute of Art, the Centre for Alternative Technology in Machynlleth, the Royal School of Needlework are all very high-quality institutions. Many of them are very small institutions and may not be able to bear quite the same form of review that is currently available through QAA mechanisms, but I hope that the White Paper will be sufficiently open to ensure that institutions of decent quality can come within that common framework.

Rob Behrens: Can I just make six very simple suggestions for the White Paper? First, it is time to bury Chapter 6 of the Browne Review. We need from the White Paper a firm commitment to the integrity of a national, independent, impartial, well-resourced complaints-handling organisation, safeguarding the student experience. Secondly, we need recognition that students' unions are a valued resource in assisting students to launch appeals and complaints, and spelling out the need for universities to work better with them on this basis.

Thirdly, it would be interesting to see a proposal for an OIA kite-mark validating complaints processes. That is something we are interested in and would be willing to discuss. Fourthly, as I have already said, there needs to be an underlying commitment to greater transparency and support in the White Paper for our plan to publish summaries of complaints by name of university from January 2012. Fifthly, there should be a level playing between public and private suppliers, in which the conditions in which the suppliers come to the OIA are exactly the same.

Lastly, and we have not mentioned this, there is good practice in Wales. Recently they published an interesting report on governance in higher education in Wales, in which one of the findings was that boards of governors should take a much greater interest in reviewing the university's record on complaints and appeals, and disseminating and putting that into the public domain, in the way it sets out in the QAA code of practice. Those are six things that I think are helpful.

Chair: Thank you very much. I thank you all for your contributions. I apologise for Members having to leave. You will note that business is about to start, and of course some Members have questions on the Order Paper, so have to be present in the Chamber. Do not take it as a reflection on the quality of your contribution. That is the division bell, which indicates that prayers are starting and questions will start very quickly. I thank you once again for your contributions. If you feel that you would like to answer questions that we failed to pose to you, feel free to submit answers in any further written evidence, or if you feel you wish to add to any comments that you have made. If we feel we have not covered something that perhaps we should, we may write to you. Anyway, thanks very much; your contribution is very helpful.

Monday 18 July 2011

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Paul Blomfield
Katy Clark
Rebecca Harris
Margot James

Simon Kirby
Ian Murray
Mr David Ward
Nadhim Zahawi

Examination of Witness

Witness: **Rt Hon Simon Hughes MP**, Advocate for Access to Higher Education, gave evidence.

Q609 Chair: Good afternoon. Thank you for agreeing to attend, Simon. Obviously you need no introduction to the Committee, but for voice transcription purposes could you please introduce yourself?

Simon Hughes: Chair, thank you very much, and for the invitation. This is Simon Hughes. I have been, since the beginning of the year, the Government's access advocate for education.

Q610 Chair: Thank you very much. We understand that you submitted your report as Advocate for Access to Education to Mr Cameron and Mr Clegg. When can we expect to see it?

Simon Hughes: I hope it will be published this month. It is now not in my hands. It has gone out of my hands to the PM and the DPM in response to their request, but my expectation is that it could be published as early as the end of this week. I am keen that it should be this week because the school terms will still be on in England and Wales, and there will therefore be the opportunity for teachers to go away with some of the ideas in their minds—students too. I certainly expect it to be published this month.

Q611 Chair: From your discussions with prospective students, what do you think the impact of the higher education reforms will be on participation?

Simon Hughes: I think you know that my concern was that the increase in fees would put people off by its reputation—not so much the facts but the perception of what the increase would do. So, I have used the six months to ask about that, but also to test people's knowledge and go through the new system with them, explaining it and seeing what the result of that was. I have to say that it is obviously still an issue, because fees, loans and debts are generally frightening things, but if you talk about costs and benefits those are very different things and they are not so frightening. I have carried with me for the past six months in my top pocket the payback amount, and have explained very simply to people wherever I have been that you need to look at this in terms of what it will cost you. If you earn up to £21,000 it will cost you nothing.

Q612 Chair: We are aware of that and I understand the issues, but what do you actually think will be the impact? How do you think it is being perceived?

Simon Hughes: The answer is that the message is getting through and therefore the impact is likely to be less problematical than originally thought. My judgment is that we will not be able to tell that until next January because the crucial six months are the six months coming now, as people come back after the school holidays and think about applying to university. Therefore, I have recommended to the Government that a huge effort be put in during the next six months, to make sure that there isn't a single student, family, teacher, peer group or adviser who does not have the right information. We really will not know until January. There will be fewer people going to university. The number of 18-year-olds is dropping, and so people must not be misled next year by the overall numbers; we must go behind them.

I have considerably more confidence than I did when I started that we are now beginning to get the message out. I pay tribute to the fact that there are now independent people. I recommended that it should not be the Government and Ministers who tried to sell the scheme, but independent people, and there is now an independent student finance task force, led by Martin Lewis, the money expert, supported by a former president of the NUS. I think they are far better placed to get the messages out. The other people who are really good are people who have just been to university and who go back to their schools and say, "This is my experience." I'm talking about people who either were just there or have just come out the other end. They're the most influential people to say, "This is worth doing and the cost is worth it."

Q613 Chair: In terms of influence and the perception of prospective students, do you think their concentration on fee waivers and bursaries is likely to have more influence, or outreach activities?

Simon Hughes: I'd like to give an example in answer to your question. My test has always been a youngster living in a council flat on the Old Kent Road. What would be likely to get through to them if they were from a family who had never been to university? I think they are hugely influenced by outreach. There has been a brilliant scheme in London that has got all the universities working together. I think that's needed in every region for all the schools in the region—not just some, but every single school, sixth-form college and FE college.

I also know that if you're offering scholarships, they need to be big enough to appeal to a youngster for

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whom 30 quid or 300 quid won't make a difference in their life choice when they're 18. That's why I believe that £3,000 is the right sort of amount to have in the frame, and I'm very clear that it should be offered in order for the student to offset their living costs, not their fees. I've made it very clear to Government that it's inconsistent to say, "Don't worry about fees. They're not payable up front. But here's a scholarship to help you with your fees." It seems to me that what youngsters worry about is the debt that can't be put off, as it were, because it's on a credit card or whatever. In the end, your living costs are your living costs, and your overdraft at the bank is your overdraft at the bank, and nobody is going to say, "Don't worry about it. You don't have to pay until you have £24,000 a year." So, significant scholarships are needed.

If I may say so, the only thing that will ensure that every school understands the system is every school in England having a scholarship offered to it. I'm clear that what has happened is that some schools have been really good at providing a ladder to university, whereas from some schools, almost nobody has gone to university, or nobody at all.

Q614 Chair: On the basis of what you've said, it sounds as though fee waivers might be irrelevant and what is needed is scholarships, provided that they cover maintenance costs. How well do you think the national scholarship programme will address that?

Simon Hughes: I agree with your interpretation of what I said. I think that it's not fee waivers that will matter to the student, with very few exceptions. I think people should have the right to say, "I would rather the money was put to a fee waiver than a bursary for my costs," if that is what they want. There are some cultures and groups that see things that way, so people must have the choice. But the offer will be more persuasive if it is to pay living costs. I think that if it's significant enough and well publicised enough, it will be influential.

The scholarship scheme is a good one. I've been working with the group that is working out how it will work, but it hasn't yet said that it will reach every school. At the moment, it's a scheme available to people with lower incomes. I don't think that will be good enough unless it reaches every school—unless every school in your constituency and mine knows that from the age of 15, scholarships will be available to youngsters from families on lower incomes if their grades are good enough. Obviously, you have to get a place, but if you know it at 15, even if there are only a few from the school, that can influence the whole of the class and suddenly provide an ambition and an aspiration. I think that's what we need.

Q615 Chair: I think it's fair to summarise by saying that a huge amount of evidence that we've had from witnesses says that in effect, outreach programmes are more effective than scholarships.

Simon Hughes: Yes, on balance, because there's more of it, bluntly, but scholarships have never been available in every school to every student, starting at 15. That has never been there; it has not been a concept. I'm very clear that so far, all the scholarships

offered by every university are not influential at all in terms of who goes there, because you apply and get the place and then you may discover there's a scholarship, a bursary or a prize. Unless universities want to hide what they're offering, they need to put that on the front page of every prospectus. The national scholarship scheme—

Q616 Chair: But wouldn't it be better not to bother with the scholarships and just put more into outreach, then?

Simon Hughes: No. I think there are some youngsters for whom the scholarships will be helpful, but you're right—outreach is the key. It starts in years 9 and 10, with people coming into schools from the slightly older generation. It starts with really competent careers advice. I've spoken to DFE Ministers about the fact I'm troubled that, having gone around the country, I have seen that two things have not been working in relation to secondary school years 8 and 9 upwards. One is careers advice, which generally youngsters think has been poor, and the second is work experience, which generally has been poor. If those can be good, that changes the culture and aspiration. We really need to concentrate on that.

Chair: Okay. Can I bring in Paul Blomfield with a supplementary before I bring in Nadhim Zahawi?

Q617 Paul Blomfield: If you thought that the overall impact of the changes was so benign, why did you refuse to support the Government when the proposals were on the Floor of the House? I am guessing it was about more than presentation.

Simon Hughes: I never said they were so benign. As you know, Paul, I was worried that they would be off-putting because of the perception of what the fees would do, particularly to youngsters who had never thought of going to university. Big sums—described as a big debt—would be off-putting for families struggling to cope with finance on a day-to-day basis. I was very clear about that. The sort of constituency I represent has mainly people from those sorts of homes, not any other sort of homes. I agreed to do this job because, given the decision Parliament took—as you know, I did not vote for that—I wanted to make sure that we did not suffer the adverse consequences that would affect your constituents and mine. You can change information, you can change attitude and you can change response, but you have to get the message out really clearly. I repeat: the words "fees," "debts" and "loans" are unhelpful; "costs" and "benefits" are much more helpful.

Q618 Nadhim Zahawi: The responses you have just given are very insightful. Did you have any budget to do any research on this, because it sounds like you've really honed down what needs to be done?

Simon Hughes: Thank you; that's kind. I was given a small staff to work with me. They mainly concentrated on arranging my visits to see people and on bringing people in to see me. I drew my evidence base from the people who came to speak to me and who gave me their work. I didn't commission new research. There was plenty of research. You know that

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well, as a Committee, because you have been considering this very thoroughly.

I wanted to do something that was slightly different. I wanted to spend at least half my time talking to the young people—not to the academics, to the people at UCAS or to people from the head teachers' and teachers' unions. I went specifically to schools, sixth-form colleges and universities and talked to the students about their perceptions and understanding. I choose three parts of the country, so I wasn't skewed in my view. Apart from my part of the world, I chose Cornwall, as it is the most remote part of England from here; Merseyside, as it is one of the most deprived urban areas; and a band in the midlands and middle England. I have specifically gone back to those youngsters at the end of my work and asked them some key questions to see whether I have judged the mood right, and I have. There were so many reports produced both before I started and during my inquiries. The Library here and other places had done work, and I didn't think I needed to do more academic research.

Chair: Ian Murray and Katy Clark have supplementary questions.

Q619 Ian Murray: A quick supplementary. When you started this particular six months of research and the report, was it your perspective that the only problem with the system was perception, because many of the people who have spoken to me about it have said that it isn't perception. They are saying clearly that leaving university with tens of thousands of pounds of additional debt will stop them from going. That's not a perception; that's a fact, isn't it?

Simon Hughes: Well, I've got into the debate—as you may have done—about what it is you leave university with. Is it a debt in the conventional sense or is it something else? You know as well as I do that the consensus around the debate last year was that everybody—all three main political parties in England, the NUS and others—had pretty well accepted that we were going to have to move to a graduate tax and contribution-type system.

The question is: can you change it from being a debt that is frightening to being a graduate tax and a contribution that you pay according to income? I report just as I found. Every time I spent an hour with a group of youngsters going through the new system and asked, hands up at the beginning and hands up at the end, the number of people dissuaded from going to university once they understood the system was always reduced. I am not going to pretend that there was no one in the room with their hand up saying, "It still worries me." That would not be true. But when they understood the system—whether they were in the most deprived bits of Merseyside or in south-west London—the numbers significantly improved. That persuaded me that the message, the facts and the terminology were as important as anything else.

There are still other issues—if your mate goes off to work at 16, are you going to do the same? If your parents put pressure on you and say, "We need money coming in", are you going to do other things? The answer to that—I have heard you argue this case, Mr Bailey—is to remind people that they do not have to

make a choice only at 18. They can go to an FE college and take up apprenticeships and then come back to university later. The best way to help the sort of kids that you would be worried about is to tell them about further education colleges. The college in the community, which is easy and accessible and looks like a place you can cope with, is, for many people, the only way they will get to university. If FE colleges do their job properly, they will promote them the best locally.

Chair: Okay. Simon Kirby.

Q620 Simon Kirby: Thank you. You have mentioned about perception and you have told us that we now require a huge effort over the next six months. In hindsight, was six months an appropriate period in which to produce the report or should you have done it quicker?

Simon Hughes: That wasn't my decision if I may say so. To be fair, I think that it was reasonable. It gave me long enough to collect the information. I was also clear that it needed to be completed in time to influence the coming academic year, so that from September we can be doing what I hope are the right things. I hope that the Government will respond positively, but the work is not done. I am not bidding for another job, but I am clear that it is no good someone being asked to do a bit of work, producing a report and then everyone backing off. There is a huge task to do, starting in September, and I am very clear in the recommendations to Government that it needs every school, careers system and university to work hard, and the Government information machine must do that. The more people like Martin Lewis on the moneysavingexpert.com website who can say, "These are the figures, work it out," the more likely we are to have youngsters who will say, "Okay, this is working out for me." May I add a PS? There is still one category that I worry about and it is those for whom the degree will have to be more than three years—such as medicine, dentistry, architecture or veterinary science. If you come from the Old Kent road council flat, being able to manage four, five or even six years is a very different kettle of fish. There are real issues about widening participation for those sorts of courses. I am keen that the Government, the universities and OFFA should have a system that specifically looks at schemes to have access courses and preliminary years and marks them and adjudicates them. OFFA should look at them separately to see whether they are working. Otherwise—to put it bluntly—you have the children of doctors, architects and vets going off to be the next generation.

Q621 Mr Binley: Simon, I was really interested in your point about outreach. Governments across the piece are not good at outreaching. I link your argument that there should be outreach with the fact that it has to start from September. You have talked to Ministers. Have you had any indication that they are prepared to put that sort of resource behind a need of that kind?

Simon Hughes: The answer is some, but so far not enough. Your help with that would be welcome.

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Chair: We cannot anticipate the outcome of our report. In spirit at least, the Members will be there.

Simon Hughes: No, but this discussion gives me the opportunity to say this. May I be very specific about two things? There is obviously a willingness. There is a communications budget and there are things in train. The difficulty in England is that schools are, to a large extent, free to arrange their own affairs and Government, rightfully, do not want to tell every head teacher or principal exactly what to do. I have no doubt that good schools will do all the right things. My worry is that not every school will do the right thing, so I have been strong in saying that we need to ensure that messages are going to every school and that there is a system for checking that they are going to every school. We cannot rely on just happenstance for that to happen. That is my area of remaining concern.

Q622 Nadhim Zahawi: I think that you have pretty much addressed my question. To take you back to schools, we have heard a consistent message from all those we have taken evidence from that the problem is at schools. It is there that the gap begins to appear. I do not know whether you want to add anything else, Mr Hughes. What more can Government do? You have mentioned being consistent and making sure that every school has an outreach programme, but is there anything else specifically to do?

Simon Hughes: Universities have quite often said, "Don't blame us; you must look further down the food chain, at schools." I think that there is an equal responsibility between schools, colleges and universities. Of course it starts at schools. They have to make up for parents where there isn't parental aspiration and give parents information. You can start at the top end of primary school by bringing people in to share their work experience in primary schools. The best do that already. Some of them take youngsters to do work experience when they are in year 6.

Secondary schools are vital, but universities cannot let themselves off the hook. Particularly those that have done least well in the last 10 years, and often the most elite universities, have to do more. For example—you may have seen some comments that I made in the press—you have to have the best possible and fairest admissions procedures, so that you do not skew your intake on the basis of the admissions process. Universities have to look at potential to get a good degree, as much as the grades you got when you did your A-levels. It is much easier to get good A-levels if you are in a family where everybody else has been to university, you have a room at home to study privately and you get sent off to holiday courses than it is if you are sharing a bedroom with two other siblings.

Chair: I think everybody understands that.

Q623 Simon Kirby: Were you involved in designing or contributing to the various public awareness campaigns that we have seen? I am thinking of the web-based ones in particular.

Simon Hughes: The answer is only marginally. The Government had, obviously, started their own process

of an information campaign. I had a session with the people who had given them advice and done the research, but then they went off and made their own decision, quite properly. It was not for me to be part of that process; it was partly influenced by budget.

My worry was that it talked too much about fees, loans and debts and not enough about costs and benefits. One or two of the examples I would not have written. In the same way, my local paper, *The South London Press*, ran the adverts at the end of May: "Future students—paying for university in 2012". Well, nobody will pay for university in 2012. That is the whole point of the argument. You don't pay up front. You don't pay until you come out. That is probably not the best title.

The answer is that I gave advice that it would be better not to use certain words and so on, but it wasn't my campaign; it was very much the Government's campaign. I gave an interim report on communication issues at about the same time for the coming year, and I have come back to that in my final report, which I have just submitted.

Q624 Simon Kirby: Okay. That is very useful. You mentioned meeting lots of young people, which is, at the end of the day, what this is all about, isn't it? You said that you went back with the key questions that had arisen. Before those key questions formed, what were the main messages coming from the young people that you met?

Simon Hughes: The main messages were, first, that careers advice was generally poor, much poorer than I had assumed it would be. I am talking about 80% or 90% of young people who said that they had had poor careers advice. Work experience was particularly valuable, especially for those who came from an area where work was more difficult to find—for example, in the north-west—but often, it was poor too. People were being placed for work experience in a place where they did not want to go.

There may be a difference between what Professor Wolf argued for and what I found. I think you can start work experience from 14 upwards. I don't think you have to wait till 16. If somebody really wants to be a vet, for example, why can't they do a week's work experience when they are 14 to see if that is what they really want to do, or if somebody wants to be a chemist, a scientist or a computer technician? Those were the strongest things.

Thirdly, the language issues were very clear from young people. Fourthly, they were clear that any scholarships should be to pay off things other than fees and not be fee waivers. There were other responses, too, of course.

Q625 Ian Murray: I want to ask you two quick questions, if I may. You are right to talk about costs and benefits—that is a valid point to look at—but did any of your analysis look at whether mortgage companies or high street lenders would see a student coming out of university with significant fees to pay back, regardless of the structure that is put in place, as having a significant debt?

Simon Hughes: Absolutely. That is an obvious question. Interestingly, at the very first session I had

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when I went to one of my local secondary schools, one of the very first questions was, "How will this affect my mortgage?" That was from a youngster in an area where most people are not owner-occupiers. So I did look at the issue. I discussed two things with the Government and the banks: how we can get the best help from the Council of Mortgage Lenders and the best help from the banks. The Government are on the case. I do not think they have yet secured as positive a commitment from the building societies or the banks as I would like. Of course, the banks cannot say, "We're not going to take your obligations into account at all," but they should be able publicly to say, and I hope they will say, "This won't affect your ability to have an account with us. It won't affect our assessment of your credit worthiness or other things." Mortgage lenders, I hope, should be able to say—I would encourage them to do this—"We will not regard an obligation to pay off your student fees as something that would prevent you from having a mortgage with our company."

Q626 Ian Murray: Is there potentially a danger that mortgage lenders looking for an opportunity to say no to a mortgage could use this issue?

Simon Hughes: I think one thing that will lock the system into a much safer place would be if the banks and mortgage lenders could be helpful and could give as generous a commitment as possible not to disadvantage people. If you think about it, it would be illogical for them to do so, because the average earnings of someone who has been to university or further education college are much higher than those of somebody who has no qualifications.

Q627 Ian Murray: If a student's future mortgage is based on undertakings from the bank, I would really worry, Mr Hughes. However, my second question is that if the Prime Minister and the Deputy Prime Minister implement all the recommendations in the report you have given them, and there was a vote on this issue again tomorrow, would you vote yes?

Simon Hughes: That is a question I had not anticipated. If all my recommendations were implemented, I would have to vote yes, I guess.

Q628 Mr Ward: Just a quick question, Simon. Do you regret the demise of the Aimhigher programme?

Simon Hughes: I do, and it was very well regarded around the country, not just by the people who worked in it. That is why one of the things I have urged should happen—I took evidence from people in Aimhigher, not only in London, but in other regions—is that Aimhigher is, effectively, replicated through a requirement from OFFA. I would like OFFA to say, "We won't allow you to charge more than £6,000, unless there is a collaborative scheme in your region for all universities reaching out to every school and college." That is the best way I can see of taking the Aimhigher benefit into the new system.

Q629 Chair: So, if I can clarify, you are saying that universities or higher education institutions charging more than £6,000 should collectively organise a

funding process to enable a successor organisation to Aimhigher to function in their area?

Simon Hughes: I am, and I would have it as a precondition for crossing the £6,000 threshold. If those involved do not do this, they are not doing one of the basic things they should be spending their extra access money on. They have plenty of money to do it; they should do that.

Chair: That is very interesting.

Q630 Katy Clark: I have two points. The first is on the education maintenance allowance. You will be aware that the scheme that existed has been scrapped, and the Government have come up with a new scheme, which is less well funded. Did you explore what impact that will have on people, particularly those from disadvantaged backgrounds, going into higher education? Also, do you accept that even if everything that you have suggested happens, it will be difficult to get people from disadvantaged backgrounds to go into higher education, because of the £9,000 a year? I know that you represent a constituency that has many of the groups that we are trying to get into higher education and that you know how difficult it is to do that. Even if many of your proposals are implemented—I hope that they are implemented, if this goes ahead—do you not accept that the fees will still be a disincentive?

Simon Hughes: Okay. On the first question, I was very preoccupied about EMA. Immediately after being asked if I would do the job, I asked if it could specifically include allowing me to give advice on the replacement for EMA. I remember Mr Ward and other people saying, "Actually, we need to concentrate as much on people who are never going to go to university and who are only going to do apprenticeship, training and college as we do on those who go to university." In fact, the majority of our youngsters will not go to university; they will do other things. So for me they were as important a group, if not more important, than those who will go to university.

Therefore I gave a report in February—an interim report that I produced immediately. I recommended that there should be a continuation of EMA for those who had begun with it in year one, so that they did not suddenly discover that they were left high and dry. The Government accepted that; it was provided at a slightly lower financial level, but they accepted that.

I hope that I am at liberty to say this, but I recommended that there should be a travel entitlement, because in non-urban and rural areas travel was the most important issue and the cost could be variable. In the end, the Government did not give that travel entitlement, but they gave a sum that was increased from £175 million to £180 million and there was no limit on how the college could spend it, so they can spend it on travel support. So I guess that I was able to contribute to the fund increasing significantly. It needs to be monitored, it may need to be varied and it may need more finance, but obviously it is working within tight constraints.

You are right to say that, for many people, going to college and feeling that they can afford to go to college is the only way they will ever think of going

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on to university. If they go to college, they can find the opportunity.

Q631 Chair: Can I just pick up on a comment that you made before I bring in Paul Blomfield?

Simon Hughes: I am conscious that I have not answered the second question from Katy Clark at all.

Chair: I am sorry. Answer that first, please.

Q632 Katy Clark: Even with the first question, I was asking you something specific. Given that there are these changes and that we have a system that is less well funded, even taking into account the improvements that you were able to get—I very much welcome the work that you did to get those improvements—do you not accept that it is still likely that the fees will still have a deterrent effect?

Simon Hughes: I will make three points. First, clearly there were some abuses of the old system. I am not saying that those cases were in the majority, but there were some, particularly where households were apart and the income of one part of the household was not taken into account. So there were abuses. Some youngsters told me, “Look, so-and-so is getting EMA and actually they don’t need it at all.” Clearly, there were some flaws in the system. Secondly, however, I am very clear that you need a system that can get the message across that if you go to college and you are from a poor family, you will be assisted. That is really important. Thirdly, we need to ensure that we see what the effect is this autumn. The best test will be this autumn and if we see a significant downturn in the numbers of youngsters—not only youngsters, but particularly youngsters—going into FE, the Government have said they will review the system and that it is up for annual review. All of us have an obligation to see how the system works.

So I am still concerned about the system. For me, it is the largest gateway to get people to do further study when they leave school. Therefore, if you are put off at that point, it may be that you will never get back again. There are ways of dealing with that issue, which I deal with in my report; giving someone an account that they keep open after they leave school, where they can perpetually be reminded of apprenticeships, FE courses or part-time study opportunities that are on offer. But it is crucial.

Lastly, will it put people off? I say to colleagues in what I hope is the most respectful way possible that all of us, including myself in my political position, now have an obligation to send out the messages that do not put young people off. We have had the political fight and we have had the decision; some people agreed with it and some people did not. But because everybody—the three major parties and the NUS—wanted a graduate contribution system, I hope that we can all stop talking about fees and debts and loans in the next few months, and that we can encourage youngsters by talking about the costs and the benefits, because if we do that we will all help to get kids from the sort of constituencies that we have discussed.

Q633 Chair: Can I just pick up on one point? Earlier you said that the majority of our youngsters will not go into higher education. Doesn’t that imply that built

into the system is an assumption that, in effect, the majority of people will still not enjoy this, despite the fact that they may be potentially good enough, the opportunities may be there or whatever? Would you like to clarify that point?

Simon Hughes: I will. I am working on the basis of other people’s assessments rather than just giving my own subjective view. All the analyses I’ve seen suggest that we are likely in the foreseeable future to have under 50% of our school leavers going on to higher education. They will go on to other things. What I think is as important is to get the message across that school leaving isn’t a choice between higher education and nothing. There is a range of options. We must big-up apprenticeships, training, NVQs, diplomas, and all the technical and non-academic courses as much as academic courses.

People will want different skills. They may go to university later, and they may get a degree later, but everybody’s working on the basis that ideally we need everybody to be skilled, but not everybody to be skilled by going to university. It’s a great experience, but many people want to get an apprenticeship and to go to work, or to go to FE college to obtain skills. I am working on the basis of other people’s analysis that we won’t be having more than 50% going to university. I haven’t seen anything to suggest that such a figure is likely in the near future.

Q634 Chair: You’re not working on the basis that those countries that seem to generate the highest economic growth have the highest number of graduates?

Simon Hughes: Of course it’s true that other people have hugely increased their graduate numbers, and in theory we could do that, but I don’t sense that that’s what everybody wants. I think they want other opportunities to get their qualifications, and that they needn’t do them at universities, but can do them elsewhere. Apprenticeships are the most significant thing we need to add back, and that’s why I think the Government have been good to prioritise apprenticeships. We need many, many more, and the cry round the country, particularly in the less advantaged places, is “Please, we need more chances to have apprenticeships and link them into work.”

May I say as a PS that the more courses that universities have—I know that Mr Zahawi has been talking about this—that link to work afterwards so that you tie in people who might want to be engineers, chemists and so on into the local industry and economy, the better. You have made the case often in your part of the world, Chairman. We must make sure that FE, apprenticeships and HE link people to the opportunities of the work that goes with it, as well as learning for its own sake.

Q635 Chair: It’s perhaps a bigger issue, but of course that link is, unfortunately, quite weak at the moment.

Simon Hughes: It is weak.

Q636 Paul Blomfield: Given the concern that you’ve shared with us about the abolition of Aimhigher and EMA, and your concern on the record about the

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tripling of tuition fees, and given the impact of all those decisions on access, do you think it would have been better to commission your report before the decisions were made?

Simon Hughes: I was surprised that the decision on EMA was made without a better public assessment of its implications. The decision was made and the analysis came later, which was the wrong way round. Of course, on higher education funding, the Browne report, to be fair, was a thorough piece of work, and came to conclusions that the Government didn't entirely accept. I think the assessment of the impact on FE wasn't adequately prepared for, and I think the decisions on FE had had plenty of preparation, so the Government were well equipped to make the decision.

Some of the advice that the Government were given wasn't of the best in terms of likely fee levels and so on, but I know you have been asking other people about that, and you have the Minister coming to see you soon.

Q637 Chair: Yes, he is outside at the moment, so I will terminate our proceedings now, but thank you for your contribution, which was very helpful. I am sure it will be embodied in our recommendations. Thank you very much.

Simon Hughes: Thank you for all your important work.

Examination of Witness

Witness: Rt Hon David Willetts MP, Minister for Universities and Science, Department for Business, Innovation and Skills, gave evidence.

Q638 Chair: Welcome, Minister. I am sorry for the slight delay but, as you can imagine, there were an awful lot of questions to ask the previous speaker. Thank you for agreeing to speak to us; it is a reflection of the quality of this Committee that you chose a member of it as your PPS. Obviously, you need no introduction to the Committee, but for transcription purposes, perhaps you could introduce yourself.

Mr Willetts: Yes. David Willetts; Member of Parliament for Havant and the Minister for Universities and Science.

Q639 Chair: Thank you. I will start the questions. You originally proposed a White Paper in winter 2010. Why was it six months late?

Mr Willetts: We had a wide range of discussions with stakeholder groups that we needed to consult, and meanwhile, of course, we were putting out the operation information that universities needed. We can still move ahead under the timetable that we had originally envisaged, which was that there should be further reaction to the White Paper, and then we very much hope to secure parliamentary time for legislation in the second Session, beginning next spring.

Q640 Chair: What assessment have you made of the impact of the delay on higher education institutions?

Mr Willetts: I hope that the main consequence of the delay has been that the White Paper is better informed and has been able to draw on a wider range of views in the higher education sector. I think that universities got the information that they needed when they needed it.

Q641 Chair: But all the discussions that I have had with representatives of higher education institutions, including would-be students and their families, suggest that the delay and, if you like, the piecemeal introduction of some of the measures in the White Paper has caused confusion, doubt and, in some cases, dismay.

Mr Willetts: I am surprised by that. I recognise that in a perfect world we might have published the White

Paper and then made the specific decision on fees. The reality, however, was that the priority for the incoming coalition was to sort out the public finances. That meant that we had to agree a budget for higher education as part of our public expenditure settlement that was announced last year. We therefore thought that universities needed to know the implications of the public spending settlement as soon as possible, and that we needed to get on with the specific vote in the Commons and then the Lords on fees. After that, we produced in the White Paper our wider proposals for a new, more liberal regime for higher education, and a new regulatory regime for higher education, which will require legislation. We are in good time for that because the legislation was only ever going to be possible in the second Session at the earliest. The financial decisions came first because of the national priority of sorting out the public finances. The wider changes will be in the second Session, provided that we secure agreement for that. The White Paper provides time for people to respond to the thoughts in it, and then for us to draft the legislation.

Q642 Chair: Can I give an example of the difficulties? Whether they are perceived difficulties or not—you may have a view on that—it was put to me that universities already had a level of financial commitment according to the university population that they had at the time. As a result of the reduction in the teaching funding, and the uncertainty about the level of tuition fee funding that will substitute for that in the long run, universities did not know how the proposals were going to impact on their finances. What have the Government done to get round that and provide that reassurance?

Mr Willetts: Both the Secretary of State and I have tried to make it clear at every stage that the increase in fees and the extension of loans would enable universities to replace the money that they lost as the teaching grant was cut back. Part of the Government's aim as we went through this process, even when we were having to take very tough decisions to bring down public spending, was that we still wanted our

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universities to be properly resourced. Resources come in a rather different way, through fees and loans, but I think universities could always have been confident that there was going to be this alternative source of finance for them, and that is indeed what the Commons and Lords vote secured for them last year.

Q643 Chair: Yes, I understand that, but the crucial issue is the timing of it—the cuts in teaching grant before the implementation of the tuition fees. How has that problem been overcome?

Mr Willetts: When we announced in the public expenditure settlement what we were doing on grant, at the same time we made it clear what we were doing on fees and loans. We did indeed inherit some reductions in teaching grant, which, if I may say so, actually began in the final days of the previous Government, and we then moved to replace the reduction in teaching grant with fees and loans as quickly as we could. That is actually one of the reasons why we have ended up with this timetable. We wanted the higher fees and loans to be available to universities as quickly as possible, and that drove the requirement for the early vote in order to give them time to plan through for the autumn 2012 new regime; but we have got a bit more time for the wider changes in the HE sector, because those will require primary legislation. That primary legislation could only be in the second Session at the earliest.

Q644 Chair: The problem is, of course, that as tuition fees have not yet been introduced, there is, if you like, a rush to get to university this year, which has actually aggravated this particular problem.

Mr Willetts: Well, there is some of that. It looks actually as if the 2011 applications are not running now that much ahead of 2010, although they are a bit ahead. It is true; there probably have been at the margin some people who are not taking a gap year, who are applying for 2011, but universities have always known the regime for 2011, as I said, and we tried to set out the key features of the financial framework for 2012 as early as possible. That meant that universities had the information they needed. It also meant that we had the time to consult properly and prepare a proper White Paper that is in turn a prelude to legislation, which we hope to bring forward in the spring of next year.

Q645 Chair: Can you guarantee that no university will run into financial problems arising from these changes this year?

Mr Willetts: Well, no Government have ever been able to guarantee universities' continuing right to carry on in the way that you imply. All I can say is that HEFCE keeps a very close eye on the finances of universities, and it believes that the changes that we are putting through are changes that do not jeopardise universities' finances. Indeed, we estimate in the White Paper that by the end of this process, when the full fees and loans system is in place—although these things are always a bit unsure—if anything, there could be more cash going into universities than there is now. One of the things that we have been able to do is save money for the Exchequer by lowering the

expenditure on teaching grant but, because it is replaced by the fees and loans system, ensure that at least as much cash continues to go into universities. There are also other changes, which we think will improve the focus on the teaching experience. So we think that this is, overall, in aggregate, a very effective set of reforms.

Q646 Chair: When I asked you that question on a previous occasion, you were not prepared to commit yourself. Have things improved that much, that you feel that you now can?

Mr Willetts: All I can say is that HEFCE has not drawn to my attention a serious financial crisis affecting specific institutions in England.

Q647 Chair: Okay. Can we just go on to a different issue? BIS has seen one of the largest reductions in headcount in Whitehall, arising from the cuts. What proportion of officials involved in developing higher education funding policy and the White Paper have been in the same post since November 2010?

Mr Willetts: I am afraid I could not give you the figures. I do know that overall, indeed, it is true that within BIS we have already made a reduction in our headcount of over 10%, and there has therefore been a reduction in officials in the Department, in the headquarters in Victoria street. I would have to send you and the Committee a note about what exactly that means for HE officials.

Q648 Nadhim Zahawi: Thank you for coming today. Why did the Government modify Lord Browne's proposals? Did you disagree with them?

Mr Willetts: I thought Lord Browne's report was an excellent report. The review had, of course, been set up on a cross-party basis and had taken evidence for a year. Many of the ideas, and their thrust, we have accepted, but we have not accepted everything.

If the Committee wishes, I am happy to go through a bit more detail. We did not agree with Lord Browne's suggestion of combining the four different bodies involved in HE into a single body. We did not agree with his proposal that there should be no upper limit on fees, and quite an aggressive levy to offset the effect. So there were specific proposals that we did not agree with, but overall I thought it was an excellent report. We have drawn on it in the central proposal to shift funding for universities away from grants and more towards fees and loans.

Q649 Nadhim Zahawi: Did you not agree about the uncapped fees because of your fear of what would happen in the court of public opinion?

Mr Willetts: There was quite widespread opposition to the idea of the levy. We could not simply have had no cap on fees, because the Government are lending students the money to pay the fees and, therefore, if we had no cap on fees, we would have had no cap on that public expenditure—cash, however defined. Lord Browne, who is a very astute man, recognised that issue and therefore proposed this very steep levy.

I got quite a bit of lobbying from universities, which said that they thought the levy was unfair on them—I cannot remember the exact formulations, and I do not

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have the report with me, but by the time we were on fees of £9,000 or £10,000, it was running at about 75% or 80%, I think, of the extra £1,000 of fees paid in the levy. The universities' complaint was that this was grossly disproportionate to the Exchequer risk of those loans not being repaid. So there was quite a lot of feeling that the levy was a rather aggressive device, but we needed the levy if we were not going to have a fees cap of some sort. We therefore thought that the alternative model of simply setting the fees cap at £9,000 was a better way forward.

Q650 Nadhim Zahawi: We heard from Lord Browne that his proposals were like a very fine Swiss watch, and that any modifications would mean serious danger of malfunction. Did you check the effects of the modification against the Browne or even IFS models before announcing the package of measures in December?

Mr Willetts: Oh yes, we were able to do quite a lot of modelling, not only internally within BIS—I am sure we placed the basis of our internal ready reckoner in the Library of the House of Commons on the day of our response to Browne—but of course also in the IFS, with which we were doing cross-checks. The IFS system was rather different from the other, which is a good thing, and meant that we had two rather different models that were not perfectly aligned. The IFS was also able to assess what we were doing. So the combination of our internal work and the IFS work meant that we were able to be quite detailed.

Q651 Nadhim Zahawi: Do you think that you could have done with a bit more time, since this is such a sweeping reform, rather than doing it in two years?

Mr Willetts: In an ideal world, people always want more time at every stage, but the fact is that—provided we keep to the timetable, and I am optimistic that we can—what we will just be able to do is deliver the entire reform in the life of a Parliament, which I think was a reasonable objective to set. Remember, we needed the decisions before Christmas, because this would affect students going to university in 2012—it was already too late for 2011—and then, of course, it is three years for the new regime to feed through. My view is that taking a process that began before the last election—there was cross-party agreement to set up Lord Browne—to full implementation in the final year before the next election is a reasonable timetable for change.

Q652 Nadhim Zahawi: Speaking on BBC's "Newsnight", on 28 June I think, you described the White Paper as a long-term strategy. Does it really represent a stable picture of the shape of things to come, or can we expect you to make further changes in the future, perhaps when the economy is doing better?

Mr Willetts: We are shifting to a more open system, which will not be completely micro-managed from Whitehall—and a good thing too. What we have done is put our universities on a secure long-term financial footing with, as I have said, if anything, more cash going into the end of the period than at the beginning. That ensures that they have good finances. At the

same time, we are trying to improve the incentives for them to focus on the teaching experience, and there is a transformation in the amount of information available to prospective students. I think that all those will be permanent features of the higher education landscape.

Nadhim Zahawi: Thank you.

Q653 Margot James: Given that the changes to student finance were agreed by Parliament last November, what was the reason for the delay in the communications programme for them and the promotion of better information?

Mr Willetts: We started from the very beginning with some basic information. We got this leaflet out very early on and, for example, every MP who wrote to me with questions about the regime got it. We tried some other communication, but the focus of our communication was always going to be the people, particularly young people, applying to university and starting university in autumn 2012. For them, the crucial decision periods are immediately after they finish their AS's before the summer break in May and June of this year, and then after they—we hope—visit some universities on open days over the summer vac, come back to school to start the second year of their A-levels and, in September, October and November, put in their UCAS application forms. In terms of the communication message to the crucial audience, those were the two periods that really mattered and we have used our communication budget to focus on communicating with that age group in those crucial months.

Q654 Margot James: Do you not fear that the volume of misinformation that appeared in the media at the end of the year and in the new year has embedded perceptions to such an extent that it is now very difficult to overhaul them?

Mr Willetts: It has been very frustrating. I tried in every interview and every letter to make it clear that nobody pays up front, for example, and that monthly repayments are actually lower than under the current system, because we have put up the threshold from £15,000 to £21,000. I hope that the sustained effort focusing particularly on the young people taking these decisions and the media effort will help. Also, assisted by the Department for Education, we e-mailed head teachers and principals of colleges that had people who would be applying for university, giving them the basics of the scheme and links to the websites that had reliable information. We really have tried to get through to the core group and I very much hope that they understand the truth of the scheme.

Q655 Chair: Can I just pick that up? Coming back to my opening question, do you not think that the piecemeal way in which the different announcements were made, rather than publishing everything together in a White Paper that could have demonstrated the bigger picture, is part of the reason why there is now a prevailing perception that this is a huge amount of debt that calls into question potential benefits and that it, in effect, skewed the debate from the start?

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Mr Willetts: The reality was that the Government's incoming priority was a radical set of proposals for sorting out the public finances. That involved, obviously, a significant contribution to the savings from BIS and, within that, from HE. We simply did not have the capacity or the time to produce a White Paper at the same time as we were releasing the figures on the public expenditure settlement. Had we tried to rush that White Paper, I simply do not think that we would have had the departmental capacity to do it. Even if we had done it, it would have involved doing it within weeks of the Browne report being available and there would have been a serious danger that we would not have been able to consult the sector properly. So the financial decisions had to come first—that was just the reality of the situation. Then, as I said, because we have legislation coming up in the second Session, we hope, that gives us time for a more reflective process, drawing on consultation, for the wider changes in the regime. I do not know if these historical parallels give you any comfort, Mr Bailey, but oddly enough the Robbins report, which is seen as the great—

Chair: I am old enough to remember it.

Mr Willetts: Right, well, the Robbins report actually came a year or two after changes in the financing of universities proposed by Anderson. The Robbins report was a follow-up to a previous set of financial changes, so this is not the first time that the financial decision has been followed by a wider consideration of the implications for the sector.

Q656 Chair: It would be fascinating to follow that particular red herring, but I am not going to do so. I accept the need to make budgetary announcements, but the original timetable for the White Paper was January. Now that would have at least closed down the amount of time that has subsequently been available for this different media agenda to be promoted. Do you not agree that, had you managed to stick to your original timetable, some of the problems that we have now would not have arisen?

Mr Willetts: But the financial decisions were already clear and the communication had already begun. We were able to produce this leaflet within weeks of the decisions.¹

Q657 Chair: With great respect, I have no doubt that that is a very good leaflet, but it is nothing to massive media and newspaper coverage.

Mr Willetts: I accept that. The point I was trying to make though was that the key messages that had to be communicated about finance—such as, you do not pay up front, your monthly repayments are lower—were those that we were trying to get across. They did not depend on publishing the White Paper. Those were just the core financial decisions that had been taken and voted on by both Houses of Parliament by Christmas. So that communication, that key information that was necessary for communication, did not depend on the White Paper. The White Paper is much more about the wider consequences for the regulatory regime, for example, which will require legislation. The White Paper is a prelude to legislation

and we wanted to consult as we prepared it, and we have the time because the legislation is likely to be brought before the House in spring or summer next year.

Chair: I could pursue this more, but I want to bring in—*[Interruption.]* I am sorry, Margot, you wanted to come back in. Margot, and then Paul.

Q658 Margot James: Two more questions. Are you monitoring the effectiveness of the communications and information campaign?

Mr Willetts: Yes, it is being monitored. The aim, of course, is to reach that target audience effectively. I know that the advertising agency has a very strong sense of what percentage of the audience are reached by the different media we are using.

Q659 Margot James: Do you agree that the communication and the information should go beyond talk about the costs and the no up-front increase in fees to embrace other benefits, such as the fact that the Government anticipate overall education funding increasing by up to 10% by 2014? There is likely to be a lot more competition between universities on quality, choice of courses, students in the driving seat and so forth. There are all these other benefits. Are you sure that your campaign is getting everything across, as well as the essentials, about the loan system?

Mr Willetts: I have to say that, just from talking to vice-chancellors, students and people at universities, I think that the central message that the academic experience of the student matters, and that universities are going to be judged—not just by the Government, but more importantly by prospective students—on the quality of that experience is getting across. Even the, admittedly anecdotal, evidence from open days is that there are a lot more requests for hard-edged information: how many seminars will I get to? What work experience programmes are there? How crowded will the lectures be? When will I get my academic work back? What level of academic input will there be? All those are key aspects of the teaching experience. They had sometimes been lost from sight because there were such strong incentives for research, and relatively weak incentives focused on the quality of teaching. I think that message is getting through to universities loud and clear.

Q660 Paul Blomfield: I wonder whether the Government have added to the confusion. On the one hand, when you have been trying to offset students' very understandable concerns about the high level of fees, you have said, "Don't look at the fees, look at the repayments", but on the other hand, when you have been trying to extol the virtues of a market system to drive change, you have said to students, "You should look very carefully at the fees you'll be paying", and they have.

Mr Willetts: You could argue that the only thing that matters is the repayment terms. Especially as we are trying to get more of the money to go with the choice of the student, which is the logic of our shift to more contestable places, they can also ask about what they are getting for their money—to put it very crudely.

¹ Note by the witness: On 18 March 2011.

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Even there, competition is at least as much about quality as it is about price. Students are of course entitled to ask how much it will cost down the track, but they are also clearly asking a lot about things such as employment outcomes. Over the next 12 months or more, we will ensure that there is far more information available to prospective students about such outcomes—

Chair: We will cover this in a minute.

Q661 Paul Blomfield: As the Chair says, we are clearly going to explore that further. On the very specific issue of price, particularly in the lead-up to the vote in December, but also subsequently, the Government made a great deal of the fact that it was your firm expectation that fees of £9,000 would be—it was quoted many times by many different Ministers—the exception. Clearly, that was spectacularly wrong. On what evidence did you base that expectation?

Mr Willetts: More universities than we expected went for a headline figure of £9,000, but if you look behind the headline at the fee waivers and go even further behind to look at bursaries and other forms of financial support, you see that the average fee is, I think, about £8,180 and the majority of students will not pay £9,000. Again, talking about frustrations and sometimes misunderstandings of what we are proposing, I read in the press about a fee of £9,000 being set by a university, but now that the OFFA access agreements are out, it is perfectly clear that that might have been £9,000 for some students doing some courses, but behind that headline there is quite a wide diversity. The average fee is significantly less.

Q662 Paul Blomfield: I can recall one debate in the House in which the expectation that £9,000 would be exceptional was complemented by a comment from the Secretary of State that most fees would be closer to £6,000. Clearly, that is not the case. If I can push you further, what was the evidence on which you based the statement that you thought £9,000 would be exceptional?

Mr Willetts: Well, we had a belief that £9,000 would be exceptional and what turned out was that, indeed, universities were—You had to look behind the headline fee, and my view is that when you look at what has actually happened—namely, the majority of students not paying £9,000, an average fee after waivers of about £8,180 and fees of below £8,000 once you allow for bursaries and other financial support—you can see that the outcome is very different from the scares we had about everybody having to pay £9,000. I accept that what has happened is that the diversity of fees is more by individual and less by institution than we expected. In other words, behind that headline of £9,000 there are special arrangements between courses or between students depending on their families' financial circumstances. We have ended up with quite a lot of diversity, but the diversity is by individual and not so much by institution.

To be honest, this is a big change in the system. It is a very large reform, and as I said, we will not be able to micro-manage it or predict every step of the way in

detail. That is clearly how it has played out. In the end, I think it has worked out so that students from low-income backgrounds have actually got—what is it?—£600 million of access to reach out to them;² there are bursaries and fee waivers, even before you include the Government's contribution to the national scholarship programme. It is quite a lot.

Chair: Again, we will go into those in a moment.

Q663 Paul Blomfield: To clarify one point, Minister, there have been a lot of figures floating around, as you have said—the mean average in excess of £8,700. You mentioned £8,100. Is that what you anticipate the modal average to be?

Mr Willetts: The mean is £8,161, and including waivers and bursaries, that falls to £7,793. Those figures are themselves imperfect, because they were calculated before the 20,000 places under the core and margin policy—with figures at under £7,500—and I believe they also assume that all institutions that are coming in at below £6,000 are at £6,000. There will be further iterations yet. We are dealing with a changing situation. As I say, we know that the majority of students will be paying less than £9,000. It will only really be in the autumn of 2012—when actual students are at actual courses, and the fees for a course, the fee waivers and bursaries are in place—that we will know exactly what the outcome will be. This is still a fluid situation, but I have to say that I think that OFFA has done a good job in securing a very good deal on access.

Q664 Mr Ward: We spoke earlier about perceptions and reality, but if we were to do a proof-of-the-pudding test on this using your top three indicators of success or failure, what would they be and when would we be able to judge you on it?

Mr Willetts: This process will take the lifetime of this Parliament. What I want to see at the end are strong universities—we can be proud of our universities, because they are fantastic institutions that change people's lives for the better—that are well financed.

Secondly, I want to see students' academic experience centre stage—so, a sense that the quality of the teaching experience is rising. We have to be careful, because that may mean that students become more demanding and will not put up with and are dissatisfied with things that they were satisfied with in the past. However, I want more demanding students, who get a higher quality academic experience.

Thirdly, on access—there is that deterioration of access to our research-intensive universities, where the gap between kids from the less advantaged backgrounds and those from more advantaged backgrounds actually widened from six-fold to seven-fold, as we know from Martin Harris's report last year. I want to see improvements in access, especially to our research-intensive universities for people from a wider range of backgrounds. So, strong universities, a high quality student experience and improvements in access would be my three indicators.

² Note by the Witness: The agreements could lead to investment in access measures of £602 million a year by 2015–16, up from an estimated £408 million in 2011–12.

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Q665 Mr Ward: We could achieve all those with a much smaller HE sector, could we not?

Mr Willetts: There is a great debate about how many people should go to university. In a way, I would love to move away from a system in which Ministers had to fix a total—I think it should emerge from the decisions of young people. I have to say, however, that when you look around the world, there is a pretty strong trend in advanced countries for more people to go to university. Of course, if they go, they should get a good deal from it. It should be good for them and probably also good for their job prospects.

Q666 Chair: And good for the country.

Mr Willetts: Quite right, Mr Chairman—good for the country. I am not one of those who thinks that we have a problem that too many people are going to university. There may be some people going to university who, on better advice and with more information, might instead choose an apprenticeship, for example. We have had a fantastic success already, with 100,000 extra apprenticeships. Those other options have to be available to them. In Britain decades ahead, we will probably see an underlying trend of more people going to university.

Q667 Ian Murray: I want to unpack some of the financial aspects that Mr Blomfield mentioned. At the start of an answer to a question about the pace of this, you mentioned that part of the financial drivers was the deficit reduction plan. If that plan is to be completely concluded by 2015, and students would be paying this back only in 2015–16 as a minimum, what effect will the policy have on the deficit? If the average, or modal or mean average, of the fees is higher than the Treasury had assumed, there would seem to be a black hole somewhere in the funding. Who would pick up that particular tab?

Mr Willetts: As we reduce the teaching grant—that will not completely go—by 2015–16, there will be a saving in teaching and related grant expenditure of approaching £3 billion. That is a public expenditure saving, which is part of the coalition's wider objectives on saving public expenditure. We replaced the grant—a system we inherited from the previous Government—with fees and loans, which are accounted for differently. Quite rightly, if you are lending people money, you are going to get quite a bit of it back. That is a different type of transaction than just an unconditional grant.

I know that there has been anxiety about the black hole. Let me share with the Committee the mental arithmetic, which I think I even risked in the Chamber the other week. No one can be certain. This is a set of big changes. I am not claiming that we can be absolutely certain, but the estimate is that in 2012, 350,000 students will be eligible for loans, of whom 90% would take one out. That is a slight increase on the current number; no one is obliged to take out a loan. They would take out an average loan of £7,500, which is not the same as saying that the fee would be £7,500, because the loan need not be the same as the fee, though it often is. We stand by that as a broad ballpark estimate. It adds up to about £2.4 billion of loans. The RAB charge, which is the amount that you

think you will not get back, at a rate of 30%, is about £720 million. We think that we are broadly there. But again, we will know for sure only when those students have arrived at university next autumn and have decided how much they want to borrow and on what terms. I cannot give a 100% guarantee, but we still think that that is a reasonable estimate.

Q668 Chair: Before we develop this slightly, can I ask this? Earlier, in response to a question on average tuition fees from, I think, Paul Blomfield, you gave us the mean average. Could you give us the modal average? If not, could you write to us with it?

Mr Willetts: Yes. I will happily write to the Committee with whatever information we have. We may have to obtain it from OFFA.

Q669 Margot James: Going back to the economic model that you were outlining earlier, what sort of tolerances are there within that? How much leeway do you have in the fee levels, repayment rates and interest rates before you have to go back to the drawing board?

Mr Willetts: I will happily write to the Committee if this incorrect. A rough rule of thumb is that a £500 change in loans either way—if the average loan were £8,000 or £7,000—ends up as a change in the RAB charge, which is the amount of money you lend that you are not going to get back, of about £50 million. We have a budget of billions—£10 billion or more. Although there are uncertainties, we believe that they are manageable, especially as we have already taken a deliberate decision on the 20,000 core and margin policy. There are other arguments in favour of it as well. The 20,000 core and margin policy, looking at high-value places at less than £7,500, was introduced partly in response to this. Of course, it arrived after the access agreements for OFFA, so the estimates that I gave to the Committee precede the impact of the 20,000 core and margin. We think that we are broadly on track.

Q670 Katy Clark: The White Paper speaks of monitoring fees and the size of loans. It says that, if necessary, you will take action to ensure that the system remains sustainable in the long term. What would trigger changes to what you are putting in place, and what form might such changes take?

Mr Willetts: As I said, the 20,000 core and margin policy was a kind of response to this issue, but it has other arguments for it as well. It is another attempt to free up the system, but the fact that we are nudging it, freeing it up for places with a high value that are well regarded but under £7,500, was a response to this. We will take stock after the first year of our two main measures to improve contestability—the 65,000 AAB places and the 20,000 core and margin coming in at under £7,500—to see how they are working. Obviously, we have to look at overall spending and the pattern of students' choices.

The direction for the coalition as a whole is that we want to reduce the significance of quotas and open up more places in this way. As I say, it is a right kind of start that one in four—85,000—will be contestable. We do not want to inflict unnecessary uncertainty on

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institutions, but we want to push that further in subsequent years.

Q671 Rebecca Harris: Coming back to practicalities, I am sure that many of us in this room have constituents who have had trouble with their student loans. The Public Accounts Committee strongly criticised their delivery in 2010. How confident are you that the company will be up to the challenge of this change in time for 2011, so that we do not let down students or institutions?

Mr Willetts: All of us, with our constituency case load, will remember the crisis of 2009. One of the first decisions that I took—it was a tough one—was to ask the then chairman of the Student Loans Company and, through him, the chief executive of the company to stand down. I took that decision in the first weeks of the new Government, as I was not confident that the company would be able to deliver the quality of service that students were entitled to expect.

The whole Department, including me, recognises that we need to monitor this closely. I have regular meetings with the Student Loans Company. Officials have even more frequent meetings with it. I always ask, “Can you deliver this? Is there anything more you need by way of staff or IT support, to deliver these changes?” Indeed, we put more resource into the Student Loans Company and, so far, its performance is improving. However, there are still levels of dissatisfaction. For example, too many people who start off by trying to deal with it on the website, but at some point become exasperated or cannot resolve an issue on the website and phone up. That problem needs to be tackled, but the company assures us that it can handle these changes, although I know it is operating under pressure.

Q672 Rebecca Harris: It is learning from its mistakes?

Mr Willetts: We all know that there was a very unhappy episode in 2009–10, and the organisation has raised its game enormously since then under transformed leadership.

Q673 Rebecca Harris: I want some clarity about how the changes will affect the current ability of universities to take the HEFCE grant and cross-subsidise that money between courses and whether we will still have that flexibility under the new regime.

Mr Willetts: Universities will still have that flexibility—there is not an instruction from Government or HEFCE. However, students will be entitled to ask, “What am I getting for the fee?” If they are told, “What you are getting is a generous cross-subsidy out of your discipline to a completely different discipline,” they may have questions about that. On the other hand, when they are paying back as graduates, they are partly paying for a total university experience. If they are told, “This helps to secure us a really good library, wi-fi across the entire campus or investment in better sports facilities”—or whatever—they may be happy with that. Universities accountable to students is the moral.

Q674 Rebecca Harris: Right. You do not foresee any operating problems for universities—not being quite sure what the student fee numbers for a certain course will be or how many fee waivers they will have right until the eleventh hour.

Mr Willetts: I recognise that we are asking universities to go through a big set of changes with big uncertainties. I fully understand that. I am always trying to balance on the one side the fact that we have to deliver savings and reforms—there will be a better system at the end of the day—against the amount of uncertainty that universities can reasonably be expected to take. That was why, with the Secretary of State, the PM and the DPM, we took a view that having one in four places contestable in 2012 was about right. Some people would have argued that we should have gone even further, but I thought that then universities would just be handling too much uncertainty; with less, it would not have been a big reform. One is endlessly trying to get that balance right, and I hope that we have got it about right, but it will be very valuable to have the Committee’s assessment.

Q675 Rebecca Harris: My final question is about the appropriateness or not of the Government specifying to universities that they may use the teaching grant money they receive only for STEM subjects, and whether that is interference with the academic autonomy of universities.

Mr Willetts: The surviving teaching grant for bands A and B is intended to reflect the objectively higher costs of those disciplines. Of course, HEFCE will carry out a consultation about the teaching grant in 2013–14 and beyond, and that is something that it could look at as part of that consultation.

Q676 Chair: Picking up that theme, do you not think there is a danger that some university courses are subsidised and are subsequently almost demonised, particularly in the red-top media, as not justifying that subsidy from other courses to the detriment of both the range of courses and possibly the student experience for some people?

Mr Willetts: I agree. It is a great pity that courses sometimes get demonised in the way you suggest, Mr Bailey. I rather agree with you on that.

Q677 Chair: To be consistent, it is not only the red tops; I have heard that done by politicians as well.

Mr Willetts: We are straying into rather different scrutiny that may be taking place in a different Select Committee. The best solution to all this is information and transparency. Let us go straight for the caricature subject: media studies. There is quite a wide variety in outcomes from media studies. I believe that 55 of the people working on “Avatar”, a fantastic and technically very accomplished movie, did media studies at the University of Bournemouth, because the university of Bournemouth has a fantastic reputation in that discipline. There may be other media studies courses that do not necessarily perform quite so well. Instead of going for a kind of caricature picture of media studies—media is a very successful British industry—prospective students should be able to see

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what the outcomes are from such a course at such a university. That should be much more micro and grounded than it has ever been before.

I have also said to the industry—this applies to the media industry as well as to others—that it should kitemark courses. People should know whether a course is rated. NESTA has done a fascinating study of computer games. Some universities have a really good course in computer games, and if you do it well, you basically walk into a well-paid job, again in a very successful British industry. Other courses have perhaps come along more recently and have not got the quality. The solution is information and kitemarking by employers, so that people know whether a particular course at a particular university is worth while. It is much more specific than general demonisation of a certain course across all universities.

Q678 Katy Clark: What you have just said might relate quite well to this. Lord Browne's report said that we found no work that gave us any comfort that you could actually measure quality in advance of taking a degree. Do you think that there is any evidence that prospective or current students are in a position at the moment, no matter how much information is available to them, to judge the value for money offered by a course at any particular institution?

Mr Willetts: There is always going to be something intangible about quality, but the crucial point of your question is "at the moment." I do not think that at the moment they have the kind of information they need, but I hope that over the next 12 months or so there will be far more information available. The key information set, for example, has assessments of student satisfaction, some objective measures of employment outcomes and some input measures on the kinds of teaching engagement with the students. If you put all that together, I think you will have the basis for an assessment, and I very much hope that as the raw data come out, we will have lots of websites and social enterprises, such as bestcourse4me.com, or organisations such as the Student Room and, of course, Which?—it has told us that it now really wants to get engaged with the HE sector—running their assessments.

The assessments will include everything from anecdotal evidence from individual students through to the kind of data that we want to publish much more on employment outcomes. Of course the information will be imperfect, but I hope that we will then be a lot further towards what you want. We will probably never get to the ideal, but I think we can make a lot of progress.

Q679 Margot James: On the early repayment of loans, I think that an adviser, Martin Lewis of moneysavingexpert.com, made the point that a few years ago commercial lenders were banned from levying redemption penalties because they kept people locked into loans. Are you at all concerned that this proposal might be at odds with the law in that sense, or certainly with the spirit of it?

Mr Willetts: Our student loans are not, of course, commercial loans. In fact, this goes right back to your question, Mr Chairman, at the beginning. Our loans are in many ways far more flexible and forgiving than the usual commercial loans. We are now consulting on the early repayment issue. There are people who are strong advocates for penalties for early repayment, and there are others, such as Martin Lewis, who do not believe that there should be penalties. The coalition wants an open consultation on this, and we will see the reactions that we get and then reach a judgment. This is absolutely something on which we will welcome feedback, including from, if it has a view, this Committee.

Q680 Margot James: As the Government estimate that about 30% of the total loan will not be repaid, do you not think it irresponsible to turn down someone who is willing to pay early? You never know; in the fullness of time, they might go downhill with their earnings, and you might end up not getting the payment at all.

Mr Willetts: You are right. You are absolutely getting to a crucial point here. I hear these confident assertions about who gains and who loses, but you will only know at the end of the day. One of the flexibilities of these things is that people do not know how their circumstances are going to play out, but they know the rules of the loan. That is an argument that will be put, I am sure, as part of the consultation, and there will be arguments on the other side as well. As I say, we are waiting now. We made a commitment to consult, we are now consulting, and we will assess the reactions that we get.

Q681 Margot James: If a system of penalties was brought in, would that apply to employers who chose to clear loans as an incentive for obtaining graduates?

Mr Willetts: That is another consideration that we would have to look at very carefully. If there were repayment penalties, we would need to consider whether they extended to employers in those circumstances. Again, we will see how the consultation goes, and then consider the outcome from the consultation.

Q682 Chair: Earlier, we touched on the issue of information to students. I want to ask a couple of questions to develop that. I understand you are going to have a website called "Key Information Set", with the beautiful acronym KIS. What progress is being made on providing the information? We have less than a year before students start applying for courses that charge fees of £9,000. Do you think there is sufficient information for them to start making these judgments now?

Mr Willetts: It is getting better all the time. Already this year, we are seeing on websites much better information than in the past. I have already asked HEFCE, for example, to ask universities to put information about employability on their websites. They are already expected to do that. You will have noticed only this week the attention paid to it—for example, to the HESA statistics on employment outcomes after six months. So we are making progress

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and there will be more information in the months ahead, but I do not claim that we will have got as far as I would have liked in year 1. We have to make further progress beyond that, but we are already moving. It is already shifting, and I know that organisations such as *bestcourse4me* are already very keen to analyse the type of data that we are making available to them.

Q683 Chair: In general, I would have said the information is welcome, but do you not think there is a very real problem with putting details of graduate earnings on there? Do you not think that you are potentially creating a perverse incentive for universities to push their graduates towards high-paying jobs, so as to encourage recruitment to their university? I can give an example of this; I can assure you it is a real-life example. I was at Rolls-Royce recently, where I met a female graduate from Oxbridge working in engineering. She said that she was the only one of her cohort who went into engineering; the rest went into the City because of the higher earnings. Do you not think that you are potentially going to reinforce that particular problem?

Mr Willetts: Ultimately, individuals have to take those decisions. I think the incentives are going to be the other way. More than half of the people who go to university are going in order to get some kind of qualification that they think will help them with their job. There is more to university than that; I always have to make that clear. It is a fundamentally worthwhile experience in its own right, but when you are at levels of participation of 40% or more, a lot of people are going to get a qualification that they hope will help them into work, and they are entitled to know what the prospects are from individual courses at individual universities.

I still think of a constituency case brought to me by a Member of this House; I cannot remember who it was. The case concerned someone who had done biological sciences at a university, hoping to work in public health, only to discover at the end of her course that her biological sciences course at that university was not recognised by the public health profession as a step towards public health. The NHS did not accept it as a basis for working in public health; she needed to get further qualifications. That really is to let people down, and I think people are entitled to know far more clearly what routes into employment they can expect as a result of doing a particular course at a particular university. I know there is more to life than that; there is more to university than that, but as a minimum, the information has to be available.

Chair: Can I come to off-quota, or core and margin, places? David Ward?

Q684 Mr Ward: We touched on this a little earlier, but I want to ask specifically about the 20,000 contestable places. For these places, you propose that institutions will offer good-quality courses for less than £7,500. Is a lower cap level, in effect, being set for these places?

Mr Willetts: We had to pick some kind of sum, and £7,500 was the one we picked. There is no right answer, but it seemed a reasonable way forward. The

thinking was this. There is an alternative model of delivering higher education, which could cost significantly less than the classic go-away-from-home, three-year campus experience. If you like, it is a more transactional type of higher education. It may not be what every person wants, but it is part of the repertoire and a legitimate part of higher education. It may be more for mature students than for younger people. It may be more for people who are staying at home. It could be HE delivered in further education colleges. It could be vocational courses delivered by new providers coming in and saying, "We're going to get you the qualification you need to work as an accountant or a lawyer." They may well be able to come in lower even than £6,000, but we thought under £7,500 gave an opportunity for rather more.

We will see what becomes available. I know, for example, that the Open university is keen to link up with more FE colleges and to deliver HE in them, with an OU degree at the end. There will also be further education colleges, and perhaps some alternative providers as well. However, I am pretty sure that all those providers will be trying to do things differently; there may be more use of IT and distance learning. That is not the full story, and it will never be anything like the full story, but it is important that people have that option available. This is an attempt to nudge things that way and to encourage a bit of expansion.

Q685 Mr Ward: Would you expect this to be the exception?

Mr Willetts: After the first year, we will have to take stock of how both our steps towards contestability—the 65,000 AAB places and the 20,000 core-margin places—work. Then, we will have to take stock, and we will have to be careful about how things go, but I very much hope we will be able to go further. We will have to take a judgment on the balance between going further on the tariff, so that you go from AAB to ABB or something, and going further on core-margin, so that you go beyond 20,000; or you could have some combination of the two. However, that is not a decision we need to take now. We will take that decision in the light of our experience over the next 12 months.

Q686 Mr Ward: The argument made against the £9,000 was that it would become the figure that people would specify, and we discussed that earlier. We seem to have done the same thing with the £7,500. You say it is to encourage flexibility in provision; people are being asked to come forward with a flexible alternative provision offer at a figure lower than £9,000.

Mr Willetts: That is a fair point. If everyone congregates at £7,400, that would be rather frustrating, but HEFCE will have to take a decision about value, which will be partly about cost-effectiveness and partly about patterns of student demand. There is already some evidence that there may, for example, be further education colleges that can deliver higher education at less than £6,000, so I hope we will get a range, but it will ultimately be

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HEFCE's decision as to what it thinks is in the best interests of students, and what is best value.

Q687 Mr Ward: Would you expect this £7,500 to move with inflation at RPI?

Mr Willetts: Yes, I do not think we have, as yet, specified on that, but I can see the logic of what you are saying. That was a slightly guarded answer; I did not want to make up policy on the hoof, but I can see the logic of what you are suggesting.

Q688 Mr Ward: It was a question, not a suggestion. You have touched on college places. There will be many offers below £9,000 from colleges. I understand that they are to have 160,000 HEFCE-funded students on HE courses. Do you expect the 20,000 low-cost places to be additional to those existing HE offers?

Mr Willetts: They are additional. I think that there is scope there. We will see how it plays out. We think that there is scope for rather more HE provision in different ways, as I have said, but FE colleges are certainly part of that.

Q689 Chair: Before I bring in Paul Blomfield, may I ask a question? If the number of places at fees below £7,500 is set to increase each year, does that mean more and more people will be pushed towards, if you like, a low-cost-base education?

Mr Willetts: As I have said, we will take stock about the balance between advancing in these two forms of greater choice and openness. A lot will depend on what alternative provision develops and what level of demand for it there is. If we find that there are some FE colleges and new providers that can deliver cost-effectively a significant amount of provision that people are choosing and that comes in at under £7,500—perhaps even at under £6,000—and that gets them the vocational qualifications that they want in an efficient, brisk way, with a high-quality teaching experience, and if people are happy to choose it, then, yes, we would want to see that expand. However, we will take a view when we have seen how we do on the cost-effectiveness and what patterns of student demand emerge.

I want to stress, as I have stressed at several points already, that this is a big change in the system; it is a big reform. It is quite important that we have the flexibility year on year to take further decisions in the light of how the system is developing.

Q690 Chair: Do you not agree that if you have a limit on the total numbers, but you expand year by year the numbers on the sub-£7,500 level, you are effectively pushing people in that direction?

Mr Willetts: To some extent, you are talking arithmetic. The issue, though, is whether “pushing” is the right way to describe it. One of the key factors will be what people are choosing. Clearly, if people are finding that there are courses that they want to do—

Q691 Chair: Yes, but if there are only courses available at sub-£7,500, it is not much of a choice.

Mr Willetts: There will be a wide range of courses. As we know, for individuals there will be a wide range of fees, with fee waivers and bursaries as well.

Q692 Chair: If you have a set number, and there is an increase in proportion of the sub-£7,500 courses, the choice will become more limited at one level and greater at another. Now, whether you call that “pushing” or whatever, that is the reality of the situation. In effect, the total choice is limited, or more limited.

Mr Willetts: That is something that we will look at in the light of the experience of the first year, as we decide how to develop both of the initiatives that we have put in the White Paper.

Chair: I will bring in Katy Clark.

Q693 Katy Clark: What do you say to those who say that this kind of model has not been tried anywhere in the world and that it could have a destabilising effect on the sector? You know that people are saying that—what is your response?

Mr Willetts: Our system of quotas is a pretty unusual model. What we are trying to do is to break free from a system in which we literally state for each university, “You can recruit 1,797 students, and we will fine you if you recruit 1,798,” which is also quite an unusual way of delivering higher education. What we are trying to do is to move away from that and to bring a bit more flexibility into the system.

Remember that the main feature—the 65,000 places at AAB—was a proposal in Lord Browne's report. I was asked at the beginning about our view of Lord Browne and whether we have properly drawn on his report. He proposed this tariff-type model. This is not something that we have plucked out of thin air. It is something that the review, which was set up on a cross-party basis, itself proposed.

Q694 Paul Blomfield: Can I focus specifically on the question of employer and charity sponsors of quota places? The White Paper has said that the places must be genuinely additional. Can you explain exactly what you mean by that? I have got it in mind that universities gear up to cater for a number of students with resources such as IT and library facilities, which are part of the key information set on which people have been making their decision. If, then, there are large numbers of additional students, surely they are not really genuinely additional.

Mr Willetts: My answer to this is similar to my answer to Katy Clark. Much though I would love to tear up the quota system and be free, we cannot do that because of the public expenditure implications, so there are going to be controls on student numbers, even with our new, more flexible system. “Additional” means outside those controls. The paradox is that one thing that we will be able to do as a result of the controls is be clear that these are additional and will be extra to whatever the allocation of places is.

Universities will have to take their decision about what resource they have got to deliver, and of course there will be lots of other crucial tests. I appreciated the opportunity of being summoned before the House the other week to make it clear what some of those

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criteria would have to be. You can't have just rich kids buying themselves into university. It would be extra on top of the publicly financed places that were allocated through the conventional quotas, core margin or tariff system.

Q695 Paul Blomfield: What did you have in mind when you chose the words "genuinely additional"? There was clearly a thought somewhere that there might be an attempt to create places which were not genuinely additional.

Mr Willetts: Yes, I suppose you could get into a model where universities tried to reduce their publicly financed offering. We will have to see where this goes, but I think that would be unwelcome.

Q696 Paul Blomfield: On the same point, the White Paper also talks about equity in terms of access through this route. Who is going to decide who could be admitted through one of these sponsored places?

Mr Willetts: We are going to have to do a lot more work on this. Clearly, we are envisaging the employer or charity identifying people, but the university must not sacrifice its academic standards for entry. It is early days, but I am very aware of the sensitivities around this subject, so it is very important that anything that does happen meets all the criteria that I put before the House the other week. As I have said, there cannot be a sacrifice of academic standards by universities, and it cannot be a matter of people simply buying themselves in. We think that those criteria for employers and charities will help to ensure that that happens.

Q697 Paul Blomfield: So within those broad criteria, an employer would have full control over an employer-sponsored place in terms of admissions?

Mr Willetts: Well, the university would have to agree that these people had the capacity to benefit from that course and met the academic standards on the course, but that is the kind of thing that we're talking about—as you know, this is available at the moment in theory. There are currently about 6,000 closed places, as they're called, sponsored by employers, of which only about 1,500 are full-time and about 4,500 are part-time.

In the past month or two, KPMG has got together with Durham university and said that instead of simply recruiting graduates, KPMG wants to recruit at 18 and then sponsor those recruits to do a course in business finance at Durham. KPMG will pay, so those people will not be a claim on the Exchequer. We are keen to encourage such initiatives. That goes back to the earlier line of questioning on my view on the appetite to go to university. We are keen to encourage such initiatives. We are in tough times, and the number of publicly financed places, certainly for the next few years, will be broadly flat. There is an underlying aspiration for more people to go to university, and people being sponsored by willing employers and charities is another way of bridging that gap. That is one way of getting genuine extra opportunities in HE.

Q698 Paul Blomfield: How will you ensure that the financial support package for students going through

that route is at least as good as that for mainstream places? We need to ensure that there is a means-blind admissions process.

Mr Willetts: That is something for the employer or the charity to agree. I want to avoid mirroring all features of the current publicly financed places and saying that we can only support something that looks identical to the package already available from the Exchequer. Clearly it is very important—I made this clear to the House the other week, and I have always made it clear privately and in other discussions—that admissions have to be means blind. It cannot be rich people buying places at university for their kids.

Q699 Paul Blomfield: I accept that that may be your intent, but if you engage in a light-touch way, as you are implying, how will you ensure that it actually happens?

Mr Willetts: These are very early days. At the moment, the issue is one of trying to encourage employers to do more. As I have said, none of the examples that have come across our desks so far have presented such problems. I am aware that people have such concerns, but when you move from the theory to the practice, you see that, by and large, these are ways of improving access to university.

These are people who did not go to university at 18. They have taken a different route, but their employer now wishes to sponsor them through university. That seems to me to be a good thing. The obvious way that many of those people will be financially supported is as an employee in receipt of the minimum wage, but with their employer paying their fees. That looks like a reasonable package.

Q700 Paul Blomfield: So it will be for people who are already in employment with a particular employer, rather than, say, a graduate training scheme? Are you ruling that out? Is it not what you envisage for such places?

Mr Willetts: You say "graduate training scheme", but in the White Paper we made it clear that it has to be an employer or charity sponsor.

Q701 Paul Blomfield: "Graduate training scheme" was not a good choice of words. I am thinking of employers that recruit at 18, linked to a job offer, and sponsor students through this route. Are you implying that you would rule that out?

Mr Willetts: No. Provided that they meet the criteria of means-blind admissions, and so on, what you are describing is, as I understand it, the KPMG-Durham scheme. So I certainly would not want to rule that out.

Q702 Ian Murray: The impact assessment that was published alongside the White Paper is unclear on participation in and access to higher education. What is the Government's intention on access and widening participation?

Mr Willetts: We want to make more progress on that. Under the previous Government, although there was progress on participation, which is people from a range of social backgrounds going to university, there was not so much progress on access. Access tends to mean people getting through to the research-intensive

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universities, which, for example, tend to staff the professions, although not exclusively. We attach a lot of importance to access to the research-intensive universities, which is what the access agreements are about.

Even those universities that do well on participation tend to have an alternative problem; they tend to suffer from quite high drop-out rates. Again, for them—this has been a flexibility in the access agreements, and this is where there has been good news in the access agreements—even if they are doing well at recruiting from a wide range of social backgrounds, we want them to put more resource into retention and making sure that people do not drop out. That is another sort of progress that we would like to see.

Q703 Ian Murray: If universities demonstrate improvements in both participation and access, but—I have scribbled down here that you just mentioned this in response to Mr Blomfield's question—numbers are broadly flat, particularly over the next few years given the funding constraints, does it not automatically follow that there may be places for students at universities, on the basis of that being broadly flat, at the expense of people who would be considered less disadvantaged?

Mr Willetts: I hope that it is not that kind of zero-sum game; you can improve the total number of people graduating by a reduction in drop-out rates. Individual universities will have to decide whether they wish to expand or not and how they expand and recruit more people. The AAB option, and the flexibility there, makes it easier for these more research-intensive universities, which tend to recruit the AABs, to expand. It need not be a zero-sum game for access to those universities.

Q704 Chair: If I can just interrupt you for a second, Ian, before you go on with your questions; in the context of this, Minister, will you require universities to give you figures on drop-out rates with a view to working with them to introduce policies that might reduce those rates?

Mr Willetts: Data on drop-out rates are already collected. In the letter that the Secretary of State and I wrote to OFFA at the beginning of the year giving guidance on how to conduct this exercise, we particularly drew attention to drop-out rates as one of the things that could be a feature of access agreements. A significant number of the access agreements have got initiatives in that area.

Q705 Mr Ward: Are you comfortable with the decision to bring Aimhigher to an end?

Mr Willetts: Aimhigher was mixed, although there were some excellent initiatives in it. What I hope is that the extra resource that is now going into access via the OFFA exercise—it is up from £400 million to £600 million, even before you include some of the public spending on the national scholarship programme—will enable universities to draw on the best features of Aimhigher as they design their access programmes. We have not been privy to this; it has quite rightly been between OFFA and universities. We

are still analysing the access agreements, and we will be happy when we have done this analysis to share it with the Committee if that would help. It looks, however, as though there will be summer schools and outreach programmes as well as bursaries and initiatives to support retention. Some of the best features of Aimhigher will carry on in this new form.

Q706 Mr Ward: The head of our local Aimhigher project, which is one of the most successful ones I have come across, is taking this opportunity to retire. It is perhaps an indication of how others feel. At a time when we are dealing with this perception/reality issue, would it not have been wise to review Aimhigher and maybe in a year or two look at alternatives—in other words, to help us through this really difficult period with something where there is proven success?

Mr Willetts: The evaluations of Aimhigher were mixed, but I accept that some of them were better than others. The aim was that we would put a clear responsibility on universities to do that sort of work and to pay for it. I think that is where responsibility lies. As I say, extra resources will go into it through the access agreements. This year we have tried to communicate effectively with national and regional advertising, as well as information to individual schools and colleges sent via DFE.

Q707 Ian Murray: I should like to move on to the national careers service. I believe that it won't be up and running fully until April 2012. Have the Government put any transitional arrangements in place for the cohort of students who will require the service before that date?

Mr Willetts: In the current Education Bill, there is a clear obligation on schools to provide access to independent information, advice and guidance. I believe that will be effective in ensuring that young people get the assistance they need. I accept, and we get the message loud and clear, that information, advice and guidance are crucial. The starting point has to be information. We are moving as fast as we can to get the raw data and the information out there so that it can be used in lots of innovative ways.

Q708 Ian Murray: The national careers service will be provided through a website and telephone support initially, but what about provisions for the hardest to reach? Essentially the best advice will be about getting the hardest to reach into further or higher education. Will schools provide that service directly or will there be another way for people to access it? It is a very proactive thing, isn't it, a telephone and a website for careers service?

Mr Willetts: Obviously my Department does not have responsibility for the under-18s. My understanding of the proposal in the Education Bill—here I am speaking on behalf of the Ministers in the DFE—is that schools will be required to get independent advice and guidance. There is separately the all-age careers service, post 18, where we are working very closely with the DWP and hope that, not least through jobcentres, hard-to-reach groups, such as people who are on benefits, will have access to that type of

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information, advice and guidance, as well as its being available on websites.

Q709 Ian Murray: One of the key pieces of information at the moment is that access to the internet is becoming more difficult for the hardest-to-reach groups, particularly through public services, library provision and so on. There has to be a key strategy from the Government to ensure that the hardest-to-reach groups, and this is all about access and participation, can be reached.

Mr Willetts: That is a fair challenge. We recognise—and this comes across loud and clear—that making sure there is proper access to information, advice and guidance, including for hard-to-reach groups, is important. Martha Lane Fox is leading for the Government on trying to secure wider access to web-based information. I cannot immediately update the Committee on how she is doing, but she and her group are intent on tackling the problem that you rightly identify.

Q710 Chair: Before we move off this, may I pick up a couple of points from the previous witness, Simon Hughes? First, he told us that the most significant way of changing prospective students' attitude towards higher education was through the outreach service, including Aimhigher. Given that students will have to make decisions fairly soon at the start of the new term, will you ensure that adequate resources are put in place so that there is a level of outreach service that makes sure that students from disadvantaged backgrounds try to access higher education next year?

Mr Willetts: The anecdotal evidence we get is that interest at open days and summer schools is, if anything, as great as ever, and the questions are in some ways more penetrating than in the past. We did write, via the DFE, to all schools and colleges with people in the crucial age group, drawing the head teachers' and principals' attention to all the resource that was available online.

The new legal obligation is being put into one of the first items of legislation of the coalition Government. We are trying to move as rapidly as possible. I hope that young people get access to the information that they need. When I look at the level of activity on the web and the excellent independent initiatives, such as Martin Lewis's, I think we are beginning to get the message through about the basics of financing and of the kind of opportunities that open up for you if you go to university.

Q711 Chair: To pursue that, one recommendation that Simon Hughes made is that OFFA, as a condition of accepting fees above £6,000, should stipulate that universities within a region provide a collective fund for an outreach programme—effectively a successor to Aimhigher—for the schools within their region. What is your view of that proposal?

Mr Willetts: We will look at it carefully. Obviously, I have been in touch with Simon a lot over the past six months, and have really appreciated his contribution, which has been very helpful. He is now going to bring forward his final report. We will consider that and respond properly to his proposals. If we analyse the

access agreements, via OFFA or the Department—we would be happy to share any analysis—many of them are about this type of outreach activity. A lot of universities are setting themselves targets for outreach to schools that are not sending many people to higher education, with descriptions of the kind of activities they are going to engage in. It is happening already, and we are hoping more will happen as a result of the access agreements.

Q712 Chair: Do you not agree that, without some sort of collective initiative, there is a real danger of having a hotch-potch of unco-ordinated outreach activity, based on individual universities, which may well be to the detriment of making the sort of impact that is necessary, and could be done on a more collective basis?

Mr Willetts: Universities have put to me the following point, which I very much understand. They say that they are going to try to reach the schools and colleges in a 25-mile or 50-mile radius of the university. Then the University of Sheffield says, "If as a result of our engagement, we really raise the level of HE participation by a school or college in Yorkshire that we have been visiting, what do they do? More of them apply to go to the University of Birmingham. Will you recognise that we, the University of Sheffield, have made an effort, rather than our having to get in touch with comprehensive schools in Cornwall", and rather than Birmingham having to go to Sheffield. We understand that. That is why some of the measures of performance are inputs not just outputs. They are perfectly entitled to focus on their geographical area. That is the best way to excite a 15, 16 or 17-year-old.

Q713 Chair: That is incorporated in Simon's proposal, I think.

Mr Willetts: We will look carefully at what he is proposing. We will look at all his proposals with great respect. I cannot give an immediate response to the Committee. It may be a problem that is rather greater in theory than in practice. We will look at it and if there is more that needs to be done to co-ordinate, I will not rule that out.

Q714 Chair: That sounds a bit like "Yes, Minister".

Mr Willetts: Oh, does it? I am sorry about that. I am trying to be respectful to Simon, whose report is due in its final form on our desks only in the next few days. Then we will have to look at it properly.

Q715 Mr Ward: What is your gut feeling? Do you think that increased tuition fees will deter people from applying to university?

Mr Willetts: I hope not, once people recognise that nobody has to pay up front. It should not do. Of course, we are very aware that if you look at the experience of the introduction of the fees and loans system in 2006 there was that dip, and then the recovery; but I hope people are not put off. We are absolutely putting all our efforts into communicating as effectively as we can, so that people are not put off.

Q716 Mr Ward: Are you not in a Catch-22, whereby the more you talk up the measures taken to help

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people from deprived backgrounds—the national scholarship programme is a good example—the more you are in fact admitting that they are necessary, because people will be deterred?

Mr Willetts: I fully recognise that there is a kind of purist position that says, “All that matters is the monthly repayments”, and that once people recognise that their monthly repayments are lower, because the threshold has increased from £15,000 to £21,000, that is the most important single feature of these reforms for someone worried about the cost of going to university. There is that sort of purist argument; but in the real world, I have to accept that there are people for whom the level of that fee will be an issue, and the connection would be how long they have to make the repayments for. So the use of the national scholarship scheme and bursaries to help with the up-front fee in a world where people have multiple concerns—having that as well—does, I think, help strengthen the case.

Q717 Mr Ward: We had a debate before on the relative merits of funding NSP, as opposed to additional funding for the widening participation agenda, so maybe we should comment on that, for the record, as well. The other issue is to do with the NSP and the fact that it is for the institutions themselves to look at the criteria for that. If that is the case, there is a lack of transparency and consistency in the adoption of that across the sector.

Mr Willetts: Well, we have got several trade-offs here. One is, of course, between the clarity of a nationwide scheme on the one hand, and on the other hand the belief that institutions should be able to innovate and do what is best for their prospective students. Of course, we inherited a system where there was just a requirement to put 10% of the money into bursaries, and the evaluation, which Martin Harris produced last year, showed that that was not particularly effective. That is why we have deliberately decentralised, or localised—one of the things that we believe in, in the coalition—to give a little bit more discretion to universities on that.

There are different ways in which you can help people. You can help them with fee waivers and bursaries; and we, of course, are helping them with a general increase in maintenance support. For many students there will be an increase in their total maintenance package. One can be purist, but it is to some extent horses for courses, and I think especially when we are making such a big shift to a new system it is right to have a bit of flexibility and different ways of helping; then, over the years, we will be able to see which ones are most effective.

Q718 Mr Ward: Do you think it is right for admissions tutors to take into account contextual data when looking at applications?

Mr Willetts: Provided that it is done on a transparent evidence basis, yes, I think that universities are entitled to reach that decision. We are not instructing them, but I do believe, as a meritocrat, that you want universities to fish in as deep and wide a pool of talent as possible, and they may wish to use contextual data if they think that helps them do so.

Q719 Mr Ward: And is that compatible with ending contextual value added tables?

Mr Willetts: The data on backgrounds, performance indicators and benchmarks will still be collected, so that universities will still be able to see how they are doing, given the background of their students. As I say—I know that this is a sensitive issue—we are trying to do our best for social mobility and meritocracy without dictating to universities how they should run their individual admissions. From the previous Government we inherited a clear legal framework, in which Ministers do not determine individual universities’ admissions decisions. We respect that and do not wish to change it.

Q720 Mr Ward: Is it not a problem, in terms of the wider participation agenda, that the total focus on attainment as opposed to achievement will disadvantage those who made more progress during their secondary education?

Mr Willetts: I do think that if you solely focus on attainment, and simply say that going to university is a reward for good A-level grades, you would be in danger of missing out the talented people who have been let down by the school system, or, for whatever reason, had A-level grades that did not reflect their underlying abilities. That is why most higher education systems in the world try somehow to look at potential. It must not be about sacrificing standards; it should be about the recognition that there is more to standards than what A-level grades people have. How universities do that is for them. If they do it, it has to be rigorous and it has to be evidence-based. We are not insisting that they do it, but if they wish to do it and have clear criteria for doing it, it is one thing they can do.

Q721 Mr Ward: The A-level result measures a level of performance at a particular point in time, but if the race had been 100 yards longer, the horse may have won the race. That is the difficulty in focusing entirely on attainment.

Mr Willetts: I am going to use that image in future. That is a very good way of putting it. I accept that.

Q722 Chair: Just before we go on, may I clarify something? It has been put to me that some universities already have a high proportion of students from disadvantaged backgrounds. What guarantees are there that they will not be discriminated against in the allocation of the national scholarship programme? It will be rather more difficult for them to demonstrate improvement on procedures that they already have.

Mr Willetts: That is why we have a range of measures. There is retention as well for precisely that reason—you are quite right. We did not want to put an unfair burden on the universities that are doing best. It is also why we have been a bit flexible in year one, because we did not want to impose too heavy a burden on universities in those circumstances. The criteria are a bit more flexible in year one as well, I believe.

Chair: Right. We will monitor that. A question from Ian Murray.

Ian Murray: You asked the question I was about to.

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Chair: Right. We will come on to alternative providers.

Q723 Katy Clark: You will be aware of the concerns about alternative providers, particularly from the for-profit sector. We understand that the new regulatory framework for institutions receiving public money, including requirements for information, provision and quality, will not be in place until 2013. If so, why are you none the less increasing the student loans available to students studying at designated institutions from 2012? Why is there the difference?

Mr Willetts: I fully realise that in 2012–13 there will be an interim regime. In an ideal world, we would have the whole regulatory regime in place for 2012, but that is simply not practical given the parliamentary timetable. The decision was on what we should do in 2012. Of course, we inherited a system from the previous Government where a student can have access to student loans at an independent provider, without having to comply with the full regulatory requirements. That is what currently happens. We will have to wait until 2012–13, parliamentary business permitting, before we can have a single regulatory regime. We are getting on with it as best we can.

Q724 Katy Clark: A number of witnesses who have given evidence to us have described the Government as “withdrawing” from higher education by reducing the teaching grant. Without financial control over institutions, how do you propose to incentivise the higher education sector to deliver against national strategic priorities?

Mr Willetts: I would like to challenge this picture of us delivering a kind of Americanisation of English higher education. First, there is a continuing Exchequer commitment through the Exchequer subsidy in the loan scheme, which is quite right. If people have low-income jobs or they are out of the job market for a time for whatever reason, we do not expect them to repay the loans. That is the 30% RAB charge—it is about 30% of the loans that we do not get paid back.

There will continue to be some teaching grant for the more expensive-to-teach subjects in bands A and B and, we hope, for strategically important and vulnerable subjects. Unlike in the US, there will also be a proper system of regulation—the QAA. As I said, we are going to extend the QAA regime to private providers that are currently within it. We have to make it more flexible, but we are going to extend it.

I fully realise that the national interest—the public interest—is closely involved with HE. We are not trying to disengage. I am a realist; I am trying to deliver more cash to universities even when public money is tight and reform the system so that the student is empowered. But we are not disengaging; there will still be a range of legitimate public policy objectives that you should rightly hold Ministers and any Government of whatever political colour accountable for.

Q725 Katy Clark: So what are you going to do if institutions or individuals do not react in the way that you hope? For example, what about if individuals

decide not to choose to study the strategically important subjects?

Mr Willetts: In the long run, we in Britain do not have direction of labour. Ultimately, we cannot say to someone, “Well, you might wish to study psychology, but we are going to tell you that you have to study physics.” That is not our way of doing things—and a good thing too.

However, we can provide information about employment outcomes and reflect the higher costs—the continuing provision—for bands A and B. But I don’t think our problem is that large numbers of people are uninterested in studying STEM subjects; it is that they do not always get the information and advice that they need about the A-levels they should study to get in to do the STEM subjects. No one necessarily sits them down and says, “All right, if you want to be an engineer, you really need to do maths at A-level.” There is a real challenge to get that information out, which is why, for the first time, we are saying to universities, “We expect you to release publicly the information about the actual A-levels people have done on a specific course.” So there is an information problem.

When we talk to employers, they have a problem about the type of education people get on a STEM subject course. Sometimes they say, “Well, they’ve spent all their time sitting in seminars; they haven’t had enough time in the lab—they’re not lab-ready.” Again, that is where we think kitemarking and employers signalling is important. In the life sciences industry, the biological sciences courses that employers value are ones that enable students to be ready to come and work. They might say, “You’re ready to come and work for GSK if you have done this course, but not necessarily if you’ve done it at a different university.” Those are the types of problems, rather than a general aversion to STEM, which, fortunately, I do not think is a problem in our country.

Q726 Katy Clark: That did not quite answer the question.

Chair: I will come back to you, Katy.

Q727 Ian Murray: I want to go back to the Government withdrawing from the sector question. Is it not the case that the level of fees set was determined by the deficit reduction programme, in terms of money going to universities from the state, rather than what was best for the students and for the sector?

Mr Willetts: I must not be disingenuous. Of course, saving money was part of it, but it was only part of it. We are saving public expenditure—perfectly legitimately. That is a clear aim of the coalition. But we are also ending up with a system that actually gets more cash to universities and puts more power in the hands of students, so there is also a genuine reform.

The other point that I would make is that many of the key features of this were put forward by Lord Browne and commissioned by the previous Labour Government—in consultation with us, of course, when I was the Opposition spokesman—so this is something that has deep roots back into a decision by the previous Government. This is a reform

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programme, but part of it is to save public expenditure, and it delivers that.

Q728 Paul Blomfield: Still on the issue of the role of the for-profit sector within higher education, when Carl Ligo met the Committee, he told us that BPP university college expected to serve ABC1s—high-quality students who are going on to high-quality jobs. Professor Kealey, who you all know, from the university of Buckingham said it would take 50 years before they could offer needs-blind admissions. Could you give us an absolute assurance that for-profit higher education institutions receiving public money will be open to all students with the ability to benefit, regardless of background, wealth or employment aspirations?

Mr Willetts: It is very important that they should be, and if—

Q729 Paul Blomfield: It is important that they should be, so can you give us that guarantee?

Mr Willetts: I can, because the structure of access agreements will apply to them in the same way that it does to all other universities. The position that we have inherited is one in which they are exempt from any such requirements. They are not participating in the QAA. They do not have to participate in the OFFA process. I want the QAA to be more flexible, but, in future, we envisage, through legislation, achieving a single system where as soon you as wish your students to be in receipt of Exchequer loans, with the subsidy that is implicit in that, then you have to accept, as your side of the bargain, that you participate in the access regime and the QAA regime.

Q730 Paul Blomfield: So BPP will have to revisit their business model.

Mr Willetts: They will have a decision to make—I fully respect their decision—whether they wish to participate in the system or not. It is up to them.

Q731 Paul Blomfield: Okay. Can I ask one more question? In the context of the various things that have been happening with News International over the past week, I wonder whether you thought that, when awarding degree-awarding powers and university titles to for-profit companies, there ought to be an additional fit-and-proper-person test.

Mr Willetts: We are entitled to look at the track record of the institution, and that can include whether there is any relevant experience abroad. British higher education is valued around the world. If you are to pass the QAA requirements or to have the title of university, you do have to be rather a special institution. So exactly how we measure that and whether you have to go through an individual being fit and proper I am not sure, but the institution certainly must have a credible track record or other evidence that it is going to give a high-quality university experience. I do not wish the international reputation of British higher education to be diminished. All that I want to do is to see that we have another generation of innovative new entrants. The history of the growth of higher education in our country has been successive waves of new entrants

coming in, and some of them were treated rather suspiciously at first.

Q732 Chair: May I just finish off by saying that, as was said earlier, the White Paper was six months delayed, but in response to several questions you have replied along the lines of there still being areas where more work needs to be done? That seems surprising given the fact that the White Paper was six months delayed, and you would reasonably expect any problem areas to be resolved during that six-month period. Could you summarise the areas where there is still more work that needs to be done?

Mr Willetts: The next stage of the White Paper is to get responses to it and draft the legislation. We hope that the legislation will appear, with the consent of colleagues and everyone, in the next parliamentary Session. At the end of the White Paper on page 76, we set out very clearly the areas where we have specific consultations on early repayment, on the regulatory framework, on the teaching grant in 2012–13, which is particularly time sensitive, and more widely for '13, '14 and beyond. I hope—I do not claim to have got this absolutely right—that, by in large, the areas where I have indicated there is more work to be done are areas where we have shown in the White Paper that there will be further specific consultations. We welcome, more generally, reactions to the White Paper, which takes us a significant step beyond the financial decisions that were taken last year, and it is a significant step toward the legislation that will be brought forward next year.

Q733 Chair: Given the widespread opposition to at least some elements of the White Paper, particularly the higher than expected levels of tuition fees and the areas of uncertainty that I suspect reflect a certain intractability of the problem, would you consider delaying any of the proposals if there is no satisfactory resolution of them or if, on the basis of what we see over the next few months, there are very real problems with the implementation of some aspects of the White Paper?

Mr Willetts: I would be very reluctant to do that, Mr Chairman, not least for the reason that you hinted at earlier. Universities need to know where they stand. At each stage of the process, we have tried to give them the information that they needed. I realise that it is asking a lot of them. These are big changes in the system. The White Paper sets out the Government's proposals. It is the direction in which the coalition wants to travel. We do identify some specific areas where we are consulting and, more widely, there will be reactions to the White Paper, but the timetable and the direction of travel is pretty well set.

Q734 Chair: So, you will continue to go forward with them, even though evidence shows that there are still huge problems in their implementation?

Mr Willetts: We have drawn on the evidence in our economics paper, in our research paper on arrangements in other countries, and in the excellent report from John Browne that the previous Government commissioned. We tried to set out evidence in the White Paper. Of course you cannot

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satisfy everyone all the time. There are trade-offs, and there will always be legitimate disagreements about them, but I think that we will achieve a properly funded university system with more power and information in the hands of students, and a real impetus for further improvements on access. That is the coalition's view. Of course we will listen to any points that are made in response to the White Paper, but the direction is set out. I very much hope that it will be possible to bring forward legislation next year .

Q735 Chair: But there are a whole number of unknowns, as you have acknowledged yourself, that could present very real problems, and you are saying that you won't—shall we say?—deviate from your course .

Mr Willetts: The big strategic decisions have been taken. Of course, we will monitor closely what

happens—on access, for example—and we will consult on the specifics that we set out, as well as more generally encouraging reaction to the White Paper. However, if you follow the timetable, which begins with the establishing of the Browne committee in 2009, through to the changes here, which are only being fully enforced in 2015–16, that is a pretty generous time scale. At each stage of the way, we have been trying to respond to the evidence that comes in.

Chair: Thank you, Minister. We will be doing our report in due course, as you are aware. Obviously, if you feel any further information might be appropriate, we would be happy to receive it.

Mr Willetts: Right.

Chair: Thank you very much.

Written evidence

Written evidence submitted by the Department for Business, Innovation and Skills

1. Introduction

1.1 Our universities are recognised internationally for excellence. UK universities are in the top flight—and to remain competitive they need sustainable funding. Our higher education system has seen student numbers increase over 200% in the space of three decades but we need to maintain the supply of people with high level skills to be able to compete internationally with those nations who are rapidly increasing their skill levels.

1.2 The economic context for HE funding has never been tougher—the Government has had no choice but to deliver a huge deficit reduction programme. Over the longer term, this means that the present HE funding system is unsustainable and unaffordable. The Government has sought to develop proposals that maintained the high standards of our universities, were fair for students, that put more power in the hands of students and that were affordable for the nation.

1.3 Lord Browne's Independent Review recommended that graduates should contribute more to the costs of their higher education. This is because graduates gain a range of benefits from going to university—notably the higher salaries they earn. This increase in contributions has to be balanced against the need to ensure that students get a fair deal. We agreed with the broad thrust of Lord Browne's recommendations, and developed our proposals to rebalance the costs of HE.

1.4 Funding is not the only issue affecting HE. Institutional and structural issues also need to be considered. A higher education White Paper will be published later this year to address the wider issues raised by Lord Browne's report.

1.5 The White Paper will set out major reform of the English HE system. The Government is taking the time to engage comprehensively with stakeholders and to test proposals more thoroughly among higher education institutions, students, employers and other experts; and also to learn from how universities' price setting works this spring.

1.6 The White Paper should, parliamentary time permitting, be followed by a Higher Education Bill in the 2012–13 parliamentary session. These reforms will build on the reforms to HE funding that we have already announced, which will be examined in the paragraphs below.

2. A Sustainable Funding System

2.1 Lord Browne produced a range of proposals to change the way HE is funded. Inter alia, he proposed that there should be no upfront payment of tuition charges for students; that the cap on tuition charges should be removed altogether; and that a tuition charge levy should be put in place to fund activities to widen participation. He also recommended that access to student finance should be extended to part-time students.

2.2 The Government endorsed Lord Browne's rejection of a graduate tax. Several factors prompted this rejection. This includes the lack of connection between what students pay, what they study, and where they study. A graduate tax gives universities no incentive to improve teaching quality and could not be collected from EU residents, who would therefore be entitled to come to the UK and be educated for free. Universities would also see their dependence on the state increased, thereby reducing their responsiveness to students.

2.3 On other important points, however, the Government's proposals differed from Lord Browne's. He recommended that the cap on tuition charges should be removed, creating an effective cap of £15,000. Having considered this carefully, the Government decided to retain the caps, and allow universities to increase their charges to £6,000, with an upper limit of £9,000 in exceptional circumstances. This was because of the concern that uncapped costs would deter some applicants, particularly those from low income families.

2.4 The Government believe that the two caps achieve the right balance and make up the right package to support our HE system and students. It was felt that a single flat rate would be too restrictive on some institutions and courses. The basic threshold of £6,000 per annum is the amount above which institutions will have to commit to much tougher action to promote fair access and widening participation as designated by the Director of Fair Access.

2.5 Some universities and colleges may charge less than £6,000. Given that these institutions will need to make substantial efficiencies to do so, we do not believe in imposing additional requirements on them. An upper limit of £9,000 will allow those that offer excellent undergraduate teaching to increase overall income to improve quality by investing more in their teaching and courses. But we expect charges of £9,000 to be exceptional.

2.6 It is not for Government to determine what each university charges. But we do expect universities to work as efficiently as possible. If universities cluster around £9,000 and the Government funds these tuition costs upfront, savings will need to be made in the HE budget.

2.7 The Government has not yet responded to Lord Browne's proposals on student number controls. This is a critical issue, with the student population growing to 2.1 million in 2009–10. Universities must be allowed

the freedom to expand if they are capable of adequately meeting extra student demand. Ideally perhaps number controls would be left to universities and students without undue Government interference. But we must think carefully about the difficulties of balancing institutional expansion with the need to ensure stability in the student finance system. We will consider this in the White Paper, but we expect our reforms to allow student numbers to be broadly maintained.

2.8 It is also necessary to consider changing the way that HEFCE allocates grant money between universities given the new funding framework. This will be the subject of future discussion and consultation with the sector. The Government expects that the funding system will continue to take account of the different costs of teaching different subjects. It may also need to incentivise universities and colleges with competitive charge levels. But the precise details of how funding will be allocated is and will remain a matter for HEFCE.

2.9 HEFCE's current system to smooth grant funding flows will necessarily need to change as the balance of funding shifts towards student fees and away from the Teaching Grant. We are working with HEFCE and the SLC to agree on a system of regular and timely payments so that HEIs do not experience problems during the transition towards a steady state, and will set out more details of our plans in the White Paper.

2.10 Universities will, as a result of our changes, have a future of sustainable funding. But in return for allowing them to increase their charges to students, we will expect more. We want to encourage excellence in areas like quality, the information provided to students and widening participation. But we do also expect universities to operate as efficiently as possible and to focus their extra revenue on improving the student experience.

3. Efficient and Effective Institutions

3.1 The sector will continue to receive substantial direct public funding via HEFCE, both for teaching and research. Putting together HEFCE teaching and research funding and the BIS upfront costs of graduate contributions (but excluding capital funding), it could be that total BIS investment in HEIs in England will rise from around £9 billion in 2010–11 to around £10 billion in 2014–15. This is an increase of nearly 10% in cash terms and broadly maintains existing levels of participation.

3.2 We are seeking out ways that we can continue to diversify funding streams for universities. At present for every £5 of university revenue, £3 comes from various public sector sources. In particular, the Government is keen to encourage business sponsorship and several companies are now putting forward imaginative schemes. We also want to think about how philanthropic giving could make up a larger share of income. The importance of philanthropic giving was recognised in Lord Browne's review—as was the idea of supporting a more widespread culture of giving in HE. The Government wants to reflect on his ideas and respond in the White Paper. The Cabinet Office's Giving White Paper to be published this Spring will set out our proposals to encourage philanthropic giving across charitable sectors.

3.3 The Government has welcomed the fact that voluntary giving has reached record levels in HE. Donor numbers increased by 12% in one year to 163,000 in 2008–09. Overall cash giving to universities reached a record level of £0.5 billion in 2008–09, with universities receiving more gifts in excess of £1 million in 2008–09 than any other sector in the UK (overtaking charitable trusts and foundations for the first time).

3.4 At the present time, public money remains the main funding stream for our universities. But we expect lower levels of predictable public funding to promote a greater interest in, and reliance on, income that follows student choice. This will mean much better outcomes for students. But to ensure value for money for students, we also expect universities to become more efficient. We are encouraging universities and professional bodies to consider the optimal length of course required.

3.5 Lord Browne felt that £6,000 was a manageable charge which would instil a focus on efficiency throughout the system. Any charge above £6,000 would not all be additional income—universities would need to charge around £7,000 on average to recoup lost teaching grant. So alongside the requirement to invest a proportion of additional income in access measures, there are strong incentives for efficiency in the system. We do expect universities to bear down on all of their costs—including on pay and pensions.

3.6 Over time, HEIs will adapt their business models and focus on the areas that they do well. This may include a concentration on high quality teaching. High quality and popular institutions will be able to expand, as students make informed choices about the learning that meets their needs. Where possible, we will look to reduce regulatory burdens on the sector so that they have more freedom to do this.

3.7 The Government expects that there will be much stronger competitive pressures and efficiencies for universities due to variability in course costs. We also expect these pressures because we will make it easier for alternative providers, including FE colleges, to compete on a level playing field, thus introducing greater competition into the system.

4. Supply Side Reform

4.1 Diversity is one of the strengths of the current HE system and one which has made it successful and relatively efficient. In the future, we expect there to be more choice available. Students will become more

discerning customers and universities will need to convince students of the long-term benefits of the courses they offer.

4.2 Each university makes a unique contribution. Universities will need to play to their strengths and focus on what they do well: for some this may mean focusing more on high-quality teaching; for others it may mean concentrating on employment-based learning. Ministers have also said that they want to see more flexible modes of learning, with more part-time courses, more two-year degrees and more distance learning. Our increased support for part-time students shows our commitment to the fastest growing cohort of students. Part-time student participation has increased by 108% in ten years.

4.3 To ensure a vibrant sector, the Government wants to make it easier for new providers, including local FE colleges and alternative providers, to enter the system on a fair basis. We believe that competition is a great driver of improvement and more providers in the system will mean more and better choice for students and better value for money through new and potentially innovative and lower cost approaches to teaching.

4.4 Ministers believe that opening up the system will improve teaching quality in higher education. All providers that access public funding or student support will have to meet certain conditions around quality, access, information and financial reporting to protect the interests of students and the public. However, we will look to make this framework as deregulatory as possible and will publish details in the forthcoming White Paper.

5. Students at the Heart of the System

5.1 We want to ensure that all students have a high quality experience. In the future more university funding will be in the hands of students, so their choices will shape HE. Universities will be much more reliant on attracting students to maintain their income.

5.2 It will therefore be in every university's interest to persuade prospective students that its teaching arrangements, facilities and undergraduate support are worth the investment. They will need to be more responsive to students and focus on improving teaching quality.

5.3 The HE sector is working on measures to improve existing quality assurance systems. It will be introducing from 2011–12 a revised institutional review system which will be more transparent and student-centred.

5.4 All universities and colleges, whatever contribution they decide to charge, will be expected to publish a standard set of information about their courses. This should include the information that prospective students say they want, for example about contact hours, teaching patterns and employment outcomes. HEFCE are working with the sector on proposals for all HEIs to publish, on a course by course basis, a standard set of 17 key information items for prospective students.

5.5 We also want them to publish student charters which set out clear expectations of the support that the HEI will provide; what is expected of students in return; and what to do if these expectations are not met. This will help to ensure value for money and real choice for learners.

5.6 It will, of course, also be important that universities set out clearly any financial help available to its students. This is an important part of our strategy to widen access.

6. Widening Participation

6.1 This Government is committed to social mobility. Ministers have been clear that they will focus on helping those from disadvantaged backgrounds. No eligible student will be asked to pay upfront costs. There will be more generous maintenance support for poorer students. We have ended the systematic exclusion of part-time students from student support, and have extended loans to part-time students studying at 25% intensity or more. And after graduation there will be a progressive, income-related graduate repayment system.

6.2 In exchange for universities being able to charge more than £6,000, the Government has issued new and strengthened guidance to the Director of Fair Access on access agreements. Universities and colleges that want to charge above £6,000 for any of their courses will first have to agree tough access commitments with OFFA. Agreements will be renewed annually, rather than every five years.

6.3 Access agreements will include a requirement for universities to invest some of their additional income in access. They will have to show progress against appropriate benchmarks to demonstrate that they are taking their obligations to widening participation seriously. These benchmarks could be those published by HESA or an institution's own, dependent on what that has been agreed with OFFA. However, participation in the new National Scholarship Programme is mandatory for universities wishing to charge over £6,000.

6.4 We are reserving the right in the future to allow OFFA to specify how much of a university's additional tuition fee income should be invested in access. We will consider using this right if universities are not making sufficient progress. But we are not introducing quotas. They would be not only undesirable, but also illegal.

6.5 Separately, details of the new £150 million National Scholarship Programme (NSP) were also published. Available for students entering higher education from autumn 2012, the NSP is designed to help students from

families with low incomes (below £25,000 a year). It will, however, be for HE institutions to decide who to help from this broad group according to their own priorities. HE institutions will also be responsible for making individual awards to students and will publicise their NSP awards schemes on their websites.

6.6 The Government will contribute £50 million to the NSP in the financial year 2012–13, with a £100 million contribution in 2013–14, and £150 million in 2014–15. Institutions charging above £6,000 will have to match fund any Government contribution at a rate of at least 1:1. Those charging less than £6,000 will match fund at a minimum of 50% of this level. In the first year, we have agreed that the Director of Fair Access can apply discretion in the level of match funding required where the match funding pressures would be very high and the effect would be that the institution would be unable to invest effectively in outreach activities.

6.7 We have also appointed Simon Hughes MP as the Government's Advocate for Access to Education. He will work with the Government to ensure that its goal of increasing participation in further and higher education by those from the most disadvantaged backgrounds is met.

7. Sustaining Excellence in Research

7.1 Alongside the teaching-focused reforms set out above, we have also considered carefully how best to sustain and strengthen the excellence of our research base.

7.2 An effective science and research base is vital to the UK's international competitiveness and economic recovery. Despite growing international competition, the UK research base is second in the world to the USA for excellence and the UK is the most productive country for research in the G8. The UK remains first or second in the world at research in most disciplines overall.

7.3 In December 2010, alongside the publication of the funding allocations to the Research Councils, David Willetts made a Written Ministerial Statement confirming the Government's commitment to the Haldane Principle. The Haldane Principle means that decisions on individual research proposals are best taken by researchers themselves through peer review. Ministers need to take a strategic view on the overall level of funding to science and research, and have a legitimate role in decisions that involve long term and large scale commitments of national significance, but prioritisation of an individual Research Council's spending, or of HEFCE's detailed research funding decisions, are not for Ministers. The Coalition Government supports this principle as vital for the protection of academic independence and excellence.

7.4 The Spending Review explicitly recognised the critical contribution of the research base to UK economic development. As a result of the Government's desire to maximise the economic impact of the research base, science and research programme spending has been protected at £4.6 billion pa with a flat-cash, ring-fenced settlement for 2011–15.

7.5 To ensure the UK maintains an internationally competitive research base, funding allocations will support the very best research by further concentrating resources on research centres of proven excellence and with the critical mass and multi-disciplinary capacity to address national challenges and compete internationally.

7.6 Research Councils and Funding Councils will focus their contribution on promoting impact through excellent research, supporting the growth agenda. They will provide strong incentives and rewards for universities to improve further their relationships with business and deliver even more impact to the economy and society. Incentives will include—20% of the assessment in the new Research Excellence Framework (REF) will be based on the social, economic or cultural impacts from excellent university research. Reforms to Higher Education Innovation Funding (HEIF) allocations will incentivise HEIs to increase their interaction with business and other users of research.

8. Conclusion

8.1 In the future, it is clear that public funding will still have a prominent role in our university sector. Whether it is to fund teaching, student support, research, measures to widen access, or to promote quality—an important role will remain for Government. That said, the current success of the UK higher education system owes much to the historic ability of institutions to determine their own mission, free from interference from the state. We will consult on the reforms our White Paper will aim to introduce, to ensure that the sector has an opportunity to comment on them.

8.2 We believe that public accountability for quality and standards is essential but that requirement needs to be balanced by a simple regulatory framework which does not infringe autonomy and an institution's governance arrangements. These considerations will continue to be central to our thinking as we develop our White Paper, and as we implement its conclusions. We believe that this is the best way to ensure a future of sustainable funding for our world-class sector, to ensure fair access for students, and to ensure a fair deal for the nation.

Letter to the Chair of the Committee from the Rt Hon David Willetts MP, Minister for Universities and Science, Business, Innovation and Skills

Higher Education

I am writing to provide details of the student finance arrangements for higher education students undertaking a course of study in England in the academic year beginning September 2012. I intend to lay regulations implementing the 2012–13 support packages for new and continuing students before Parliament later this year, and we will also set out further details of our planned regulatory reform in the forthcoming Higher Education White paper.

Support for New Students in 2012–13

As part of our support package for new students attending higher education institutions full-time from September 2012, we announced a loan of up to £5,500 to help meet the costs of students living away from home and studying outside London. I can confirm that the equivalent maintenance loan rates for students living away from home and studying in London will be up to £7,675; for those living in the parental home during their studies up to £4,375; and for those studying at an overseas higher education institution as part of their UK course, up to £6,535. Students whose courses demand a longer study period than is standard in an academic year may also qualify for an additional amount of loan to reflect this.

I can confirm that new students starting full-time distance learning courses from September 2012 onwards which are offered by publicly-funded higher education providers and designated for support purposes will be subject to the tuition caps regulated by the Basic and Higher amounts regulations passed by Parliament in December. Students on these courses will not qualify for the maintenance support elements of the full-time package, with the exception of Disabled Students Allowances mentioned below, but they will, like other full-time students, be able to access loans to cover tuition costs up to £6,000 or, in certain circumstances, up to the £9,000 maximum their institutions can charge.

I can also confirm that we will maintain the current levels of targeted support for both new and continuing students in 2012–13. This additional non-repayable support is available to those students who face additional costs in studying because of disabilities or caring responsibilities. Levels of Disabled Students' Allowances, Adult Dependants' Grant, Childcare Grant and Parents' Learning Allowance will be held at 2011–12 amounts.

Support for Continuing Students

I can also confirm the student support package we plan to offer in 2012–13 to those students to whom the new arrangements will not apply. This group of students includes all those whose courses begin before 1 September 2012, as well as students who start courses after 1 September 2012 in two specific sets of circumstances.

Firstly, it includes students who have begun a course before 1 September 2012 but then transfer after that date (in 2012–13 or subsequent academic years) to a different course at the same or a different institution, as long as their mode of study remains the same. Secondly, it includes students who begin an Honours Degree course on or after 1 September 2012 that they are taking “end on”—that is, immediately (disregarding any vacation) after completing a lower level course such as an HND or Foundation Degree that started before 1 September 2012. Like transferring students, end-on students will only stay on the existing student support package if their mode of study remains the same.

Those who change their mode of study in 2012–13 and subsequent years, for example from full-time to part-time, are not included in this group and will become eligible for the new student support package on the course they have moved to.

For continuing full-time students, we propose to increase the maximum non-repayable maintenance grant level from £2,906 to £2,984, to provide an uplift in support to students from the lowest income households. We will hold maintenance loan support for 2012–13 at the cash amounts announced for 2011–12. We will maintain 2011–12 cash amounts of non-repayable grant support for students continuing on designated distance learning courses in 2012–13. We will also maintain 2011–12 grant support amounts for continuing part-time students, whose fees will remain unregulated in 2012–13.

We also intend to adjust by inflation the maximum tuition loan for 2012–13 to £3,465, to cover corresponding maximum charges institutions may make to these students.

Alternative Providers

We plan to encourage a more open, dynamic and diverse higher education (HE) system with a level playing field for providers of all types. This is an important part of the overall approach to higher education funding as students gain from a wider choice, including new providers and new forms of Higher Education provision.

Providers not receiving direct HEFCE grant funding can already apply to have individual courses designated for student support purposes, subject to them meeting certain criteria. Students on these courses can access the same package of student support as other students, including the maximum loan for tuition.

We plan to increase to £6000 the maximum loan for tuition available to new students on full time courses wholly provided by these alternative providers for 2012–13. The equivalent maximum for part time courses will be £4,500. This level of limit reflects the fact that these providers are not currently subject to the same regulatory conditions as publicly funded institutions, such as access agreements and student number controls.

This will only apply to new students starting courses at these institutions on or after 1 September 2012 and in all other respects these students will be eligible for the new 2012–13 package. Full-time students will get maintenance support on the same basis as other 2012–13 students and all students whether full-time, part-time or distance learning will repay on the same basis as other 2012–13 students.

This is an interim measure and will apply until we are able to introduce legislation to creating a single regulatory regime for all providers of higher education.

This letter has also gone to Opposition spokespersons John Denham and Lord Young of Norwood Green, and to Simon Hughes. I have also written to Steve Smith, President of Universities UK, and a copy of this letter will be placed in the Library of the House.

13 April 2011

Written evidence submitted by the 1994 Group

The 1994 Group welcomes the invitation from the Business, Innovation and Skills Select Committee to submit evidence to its inquiry on the future of higher education.

Executive Summary

Our vision for the future of the higher education sector is one where universities are able to flourish, delivering social and economic benefits on an individual, national and global scale. Universities will be hubs of knowledge in the most modern sense, working internationally across networks to produce research which has global impact. They will be platforms for innovation, working interactively with businesses and industry to further the economic development of the UK. Importantly, universities will provide the stimulating student experience to produce new generations of innovative thinkers.

Higher education is integral to the UK's intellectual, social and economic prosperity. The current period of intense change for higher education presents an excellent opportunity to shape the future of the sector. This document sets out the detail behind the 1994 Group's vision for higher education and outlines the actions needed in four main areas: Research Excellence, Economic and Social Impact; Student Experience; Internationalisation and Sustainability to ensure that the sector can continue to prosper and return benefits to individuals, society and the economy.

Research Excellence, Economic and Social Impact

- Ensure that the funding system maximises opportunities for progression onto masters' degrees and doctoral study and provides support for the development of new researchers.
- Maintain research concentration based on excellence by funding the very best research but not spreading resources so thinly that we risk damaging our world-class work within our research intensive universities.
- Direct research funding to ensure maximum economic and social impact both now and long term.
- Continue investment in world-leading research in arts, humanities and social sciences, alongside investment in STEM subjects. All disciplines are needed to address global challenges and ensure the UK's future prosperity.

Enhancing the Student Experience

- Increase flexibility in terms of student numbers and provision to allow the sector to respond to demand, functioning as a true marketplace.
- Continue the autonomy of institutions to respond to their own individual profile in selecting the best widening participation provision and setting their own benchmarks. Targets and benchmarking should be broad based—including student retention as well as admissions.
- Place enhancing the student experience at the heart of strategy for Higher Education and work with universities to enhance graduate employability, especially by encouraging the involvement of employers.
- Strengthen the information available to all prospective students about the student experience and employability prospects at all universities, including the development of Student Charters.
- Ensure admissions processes are appropriate, efficient and applicant centered.
- Prioritize maintaining the academic quality of UK universities, extending this to new providers
- Increase the role of schools in engaging pupils with outreach activities and measuring the impact of these.

Supporting Internationalisation

- Support internationalisation and maintain the UK's global reputation so that the UK can be at the forefront of research and teaching and so UK students benefit from engaging in an internationally rich learning environment.
- Limit the damage of any changes to the student migration system by ensuring other opportunities for international students to study with UK institutions are supported.

Sustainable funding issues

- Continue to provide incentives to boost private income streams such as the matched funding scheme for voluntary giving to universities.
- Maintain an appropriate provision of capital funding recognising the importance of reinvestment in the sector.
- Ensure the sector is supported in achieving environmental sustainability.

1994 Group Vision for Higher Education

1. Background

1.1 Our vision for the future of the higher education sector is one where universities are able to flourish, delivering benefits at all levels: economically; socially; nationally; globally; and to individuals. Universities will be hubs of knowledge in the most modern sense, with worldwide connections disseminating research which has global impact. They will be platforms for innovation, working interactively with businesses and industry to further the economic development of the UK. Importantly, universities will provide the stimulating student experience to produce new generations of innovative thinkers.

1.2 Higher education is integral to the UK's intellectual, social and economic prosperity. The current period of intense change for higher education presents an excellent opportunity to shape the future of the sector. This document sets out the 1994 Group's vision for higher education in four main areas: Research Excellence, Economic and Social Impact; Student Experience; Internationalisation and Sustainability. Universities occupy a pivotal role in our societies and we must not take this for granted. Higher education can and should continue to prosper, outlined here are some of the catalysts required for this.

2. Research Excellence, Economic and Social Impact

2.1 It cannot be denied that the contribution universities make to the economy is hugely significant. In 2008 this was estimated by Universities UK to be £59 billion, representing 2.3% of gross domestic product. Universities directly spent £23 billion and fuelled an additional £32 billion through their knock on effects on other industries. It should not be forgotten that universities are major employers, accounting for 315,000 full time jobs nationwide and generate a further 325,000 in connected sectors.

2.2 As centres of excellence for research, universities give British industry the cutting edge. Innovative research generates new ideas that boost business. Many of the fastest growing industries such as green energies and healthcare services are closely linked to current research. Universities provide the innovation which allows business to flourish and compete in a global marketplace and by generating a talented, forward-thinking workforce.

2.3 The Government has already outlined its commitment for research over the Comprehensive Spending Review (CSR) period. Announcements have been made regarding the further concentration of research funding on internationally excellent work. Research concentration on the basis of excellence is welcomed and should continue provided this does not spread resources so thinly to risk damaging our world-class research. Initiatives such as the Higher Education Innovation Fund (HEIF) are vital in stimulating interaction between universities and industry. The continuation of this fund is most welcome and there may be additional initiatives needed in future to promote links further. As is commonly recognised, the breadth and depth of research carried out in the sector means industry needs easy routes to research expertise.

2.4 The economic importance of higher education is clear, the sector has provided an excellent return on public investment. The wider intellectual and social benefits of education are of equal importance. Universities drive positive social change that benefits individuals, the nation and the world. By investing in research we can make great strides towards solutions to global and national challenges such as combating climate change, improving health and wellbeing and building global security. Although typically harder to quantify, it is right that there is now an increased focus on evidencing social benefits including the use of impact assessments in the Research Excellence Framework (REF).

3. Supporting Internationalisation

3.1 Universities and the academy are international in nature, reflecting their fundamental purpose in advancing and disseminating knowledge without restriction to the origins of ideas. Internationalisation is embedded within all aspects of a university; the research undertaken, recruitment of the most talented staff from around the world, a diverse multi-cultural student body and teaching which is globally informed and

made available to students around the world. Internationalisation to this degree brings great benefits at all levels and should be promoted at every opportunity. For example, international research partnerships link expertise across the globe to generate new knowledge. The UK's participation in international research and partnerships ensures we can be at the forefront of innovation bringing the associated advantages for the economy and society. The whole is greater than the sum of its parts and to reach new heights of understanding we need to be part of the global academic community.

3.2 The catalysts for internationalisation are varied and interlinked. Recruitment of the brightest and best staff globally is vital for world leading research and ensures international perspectives in teaching. Attracting leading staff to the UK starts with being able to recruit the best international students who choose to continue their career in, or connected to, the UK. The UK's global reputation underpins both of the above. A stimulating internationalised curriculum and international student community on campus equips students with the knowledge and skills to function in a global market place. Without this future students would turn elsewhere. This is an oversimplified model but the significance is clear, damage any of the matrix of elements which make an institution international and the effects could be critical.

3.3 UK universities are world renowned for their academic excellence and we have been able to contribute to university education overseas. UK higher education has been extended overseas with innovations in distance learning, though learning partnerships and by welcoming international students. To try to quantify the value of this provision, it has been estimated that higher education generated approximately £5.3 billion in 2008 through both tuition fee income and the additional spending of international students. By way of comparison this is greater than the export sales of alcoholic drinks, the cultural and media industries and others making higher education one of the UK's most successful export industries. There are currently 340,000 overseas students registered at UK universities and with the right investment this could double over the next two decades as demand grows.

3.4 Higher education is an increasingly global marketplace. Given the rising quality of HE provision from new domestic and overseas HE providers the international market is set to be increasingly challenging. Whilst currently the UK attracts many of the world's brightest and best international students this could easily be jeopardised by visa restrictions. As indicated above the potential implications of this for the international nature of universities could be huge. New ways must be sought to maintain the international dimension and competitiveness of the sector and new commitments made by the Government to support this.

4. *Enhancing the Student Experience*

4.1 Higher education is one of the leading ways of promoting social mobility and the sector embraces this role. Universities offer an experience which delivers enhanced life opportunities and earning prospects. Universities are committed to widening opportunities for students from all backgrounds and at all levels of study. Higher education institutions already engage in outreach and widening participation work and this will be strengthened with the introduction of variable graduate contributions. Finance should never present a barrier to able students attending university. Our vision for higher education is a sector which represents the full diversity of society, this requires a flexible higher education system.

4.2 Though barriers have been broken down between full time and part time study with the introduction of student loans for part-time students, more needs to be done to allow a diverse and accessible HE system. We propose that students should be able to change from full to part-time mode of studying, or change course or university, or take time out from their studies. Institutions should determine how flexible they wish to enable their programmes to become. The example of the US Higher Education system teaches us that incentives will need to be put in place for institutions to push students to graduate rather than focusing on obtaining modules only. These measures would make an important contribution to the UK HE sector and the widening participation agenda.

4.3 Higher education institutions (HEIs) must have the autonomy to respond and develop according to student need and their own unique student profiles. Regulation should be kept to a minimum. The requirements placed upon universities charging above £6,000 in terms of Widening Participation through OFFA Access Agreements have been indicated. It is good that these are not blanket requirements and that institutions will have the autonomy to be involved in developing their own targets in accordance with their own unique position and have choice over the best form of widening participation provision to suit their own profile. The National Scholarship Programme (NSP) likewise gives institutions some choices over the direction of the scheme. Being newly introduced it is understood that OFFA Access Agreements and the NSP will be subject to review, it is essential that these schemes allow institutions the autonomy to make the best choices for them and that a wide range of widening participation measures are taken into account. Any move to impose sector wide regulations would be strongly opposed.

4.4 With the introduction of variable graduate contributions higher education will function as a marketplace to a greater extent. The competitive market place relies on prospective students being able to make informed decisions based on accurate data on the student experience and graduate prospects. There are concerns that the Key Information Set (KIS) which HEFCE is currently consulting on will not fulfil this need. Commitments will need to be made to students in additional ways including through student charters, as advocated by the Group. Research has shown that graduate prospects rely on the overall student experience not on academic

experience alone. Co-curricular activities and awards as offered by 1994 Group members have been found to be extremely valuable in developing the employability of graduates. The involvement of employers in the development of these awards is particularly valuable and incentives need to be provided by the Government to encourage employers to play a more active role and work in collaboration with universities to ensure graduates are well equipped for the employment.

4.5 There should be no barrier to able students progressing to postgraduate level qualifications. Given the increase in undergraduate contributions the effect upon postgraduate study is potentially grave. Post graduate provision has become embedded in the development of staff in both the public and private sectors and post graduate researchers are vital for the future prosperity of UK research. With increased graduate contributions, measures should be proactively taken to prevent any negative impact upon continuation to post graduate study. As acknowledged by the Smith Report "One Step Beyond" there are already access issues at postgraduate level. It would be unwise to postpone the development of measures to mitigate any effect on post graduate study as the threat posed by a loss of capacity at this level would be severe. We therefore welcome the reconvening of the Smith Review panel ensuring the continued focus on postgraduate level study.

4.6 The original Smith Review called for more targeted approaches to postgraduate provision, and the provision of doctoral training centres funded by ESRC, EPSRC and HEFCE has duly come about. This approach should be maintained to provide the best support for our postgraduate researchers. Postgraduate taught provision has thus far been a mass market activity and should be treated separately to postgraduate research provision which as research has shown is better provided by research intensive institutions.

4.7 The intention of the Coalition Government has been to create a marketplace, however it is essential that the Government fulfil their commitments to a market led sector by removing regulations which will otherwise impede development. The regulations on student numbers must be lifted, whilst maintaining an overall cap on student numbers greater flexibility should be introduced to allow providers to respond nimbly to the market. Flexibility in student numbers should be on the basis of demonstrable and consistent quality and demand for places rather than any arbitrarily imposed formula.

4.8 In the higher education marketplace new providers can be expected to emerge. It is paramount that the world-class quality of the UK higher education system is preserved. Therefore the same quality assurance requirements of existing higher education institutions (HEIs) should be extended to all new providers. In future, as now, there is likely to be a finite number of student places due to the restraints of the student finance system. Therefore there will be opportunities for traditional and private HE providers to work in partnership; these opportunities should be harnessed to produce great efficiency and competitiveness in the sector.

5. Sustainable Funding

5.1 The case for investing in the academy is compelling; economic growth is driven by investment in research and development. We recognise the fiscally challenging environment but investment is needed to boost fast growing industries and to maintain quality whilst meeting greater student demand. It is therefore more important than ever for universities to boost their income streams through voluntary giving and industry connected activities. Incentives are vital to successful fundraising which is why the continuation of the match funding scheme is much welcomed and should be secured for future.

5.2 World class universities and research units require the best facilities. The reduction in capital funding from 2011–12 means universities are likely to look to graduate contributions to replace lost teaching capital. Whilst this is logical, funding for research capital is in a much more vulnerable position. High specification research facilities are needed for the continuation of world leading resources and a strong case must be made for reinvestment in research assets.

5.3 Highly ambitious carbon reduction targets have been set for the sector. Universities are committed to reducing emissions and environmental sustainability issues and have already taken large steps in improving facilities and reducing energy consumption. Universities should be supported in achieving their environment targets set rather than being required to purchase carbon credits under the Carbon Reduction Commitment (CRC). There are currently many financial pressures upon the HE sector and the purchase of carbon credits represent a punitive approach rather than empowering universities.

6. Conclusion

6.1 Our vision for the future of the higher education sector is one where universities are able to flourish and contribute further to the economic development of the UK, to new research developments which make a global contribution, to the individual experience of university and to society as a whole. To do this universities need the freedom to operate in the newly created marketplace, the best and brightest researchers, continued investment and the ability to connect globally.

11 March 2011

APPENDIX 1

The 1994 Group represents 19 of UK's leading student-focused research-intensive universities. It was established in 1994 to promote excellence in University research and teaching.

12 of the top 20 universities in the Guardian University Guide 2011 league tables published on the 8th June 2010 are 1994 Group members. In 17 major subject areas 1994 Group universities are the UK leaders achieving 1st place in their field (THE RAE subject rankings 2008). 57% of the 1994 Group's research is rated 4* "world-leading" or 3* "internationally excellent" (RAE 2008, HEFCE). 10 of the top 200 universities in the 2010–11 THE World University Rankings are 1994 Group members.

The 1994 Group represents: University of Bath, Birkbeck University of London, Durham University, University of East Anglia, University of Essex, University of Exeter, Goldsmiths University of London, Institute of Education University of London, Royal Holloway University of London, Lancaster University, University of Leicester, Loughborough University, Queen Mary University of London, University of Reading, University of St Andrews, School of Oriental and African Studies, University of Surrey, University of Sussex, University of York.

Written evidence submitted by the Association of Colleges

1. The Association of Colleges (AoC) represents Further Education, Sixth Form and Tertiary Colleges and their students. Colleges provide a rich mix of academic and vocational education at all levels. As independent, autonomous institutions established, under the Further and Higher Education Act 1992, they have the freedom to innovate and respond flexibly to the needs of individuals, businesses and communities.

The Key Facts About Higher Education Provided in Colleges

2. AoC welcomes the opportunity to provide evidence to the Select Committee to inform its inquiry into higher education (HE). As the UK continues to emerge from the recession, our future economic prosperity will partly depend on our ability to develop a HE system that is responsive to demand from individuals and employers, and can develop the higher level technician skills needed to re-balance and grow the economy.

3. Colleges play an important role in providing higher education. Over 150,000 students study HE in a College on degree courses funded by the Higher Education Funding Council for England (HEFCE) or 'non-prescribed' HE programmes funded by the Skills Funding Agency, employers or by the students themselves, usually on a part-time basis around work or family commitments.

4. The following table illustrates the mechanisms through which College higher education is funded¹:

<i>Funding mechanism</i>	<i>Number of HE students in Colleges</i>
Funding given direct to the College (primarily by HEFCE)	57,000
Funding given to a College via a university (primarily by HEFCE)	56,000
Funding from the Skills Funding Agency (or other source)	38,000

5. 262 Colleges provide HE courses across all areas and regions of England, enrolling around 10% of all HE students in England.

6. Of the 65 Colleges that were examined in the latest review undertaken by the Quality Assurance Agency, all were given a judgement of confidence in academic standards and the quality of the learning opportunities offered. 65 examples of good practice were identified².

7. College income from HE provision is presently £500 million and the majority of Colleges charge between £1,700 to £2,200 tuition fee to their degree students, except in a few exceptional circumstances. This level of fee has offered an important alternative to courses offered at universities and other HEIs.

8. As explained above, currently Colleges are able to offer HE through funding received directly from HEFCE; indirectly via a university or from the Skills Funding Agency. Some students are self funded. The latter two routes are mainly used for professional qualifications such as accountancy, marketing, purchasing and supply and construction management.

9. Colleges are committed to widening participation to HE, and often provide HE in areas that traditionally have lower HE participation rates, and to students with lower eligibility qualifications than many HEIs.

10. In the near future, several Colleges may have Foundation Degree³ Awarding Powers (FDAP), and in a few cases Taught Degree Awarding Powers (TDAP).

¹ House of Commons Written Answer given to Kelvin Hopkins MP, 9 June 2010, Col:193W.

² Integrated Quality and Enhancement Review: Findings from the 2009–10 summative reviews QAA 2011.

³ Foundation Degrees are higher education qualifications that combine academic study with work-based learning. Designed jointly by universities, Colleges and employers, they are available in a range of work-related subjects.

The Distinctiveness of HE Provided by Further Education Colleges

11. HE in FE provides distinctive, diverse and efficient higher education:

- HE students in FE Colleges are generally older than university students⁴ and often have vocational, rather than academic, qualifications. They usually study around their work and/or family commitments.
- Evidence shows that HE students in Colleges, particularly those on foundation degrees, are more likely to come from low-participation neighbourhoods⁵.
- FE Colleges which provide a significant number of HE places are often located in “higher education cold spots”, where there was historically little HE offered locally, such as the London Borough of Havering, Blackburn, Blackpool and Peterborough or in areas where a university may have been historically focused on national recruitment such as Durham where the University recruits only 8.4% of its students from Tyne and Wear and County Durham⁶.
- FE Colleges with significant HE numbers are often also in areas with historically low HE participation rates such as the north east of England where FE Colleges in Durham, Newcastle, South Tyneside and Sunderland between them educate over 7,600 HE students.
- FE Colleges provide specialist higher level vocational courses such as Higher National Diplomas and Foundation Degrees, across a range of occupational sectors that promote the development of technician skills. For example, 20 colleges deliver foundation degrees in the biosciences and over 80 in engineering. Examples of “niche” national courses include Worcester College of Technology’s payroll courses and make-up artistry for the media at Craven College in Skipton and Somerset College.
- FE Colleges also provide higher technician level skills courses related to their particular locality, for example Cornwall College has HE courses in marine studies and rural business management.

The Present System

12. At present some Colleges—about 50%—are funded directly by HEFCE for the HE courses they offer. Others are funded indirectly through one or several HEIs or through a consortium of an HEI and several Colleges. In a one-to-one or consortia the HEI controls student numbers and can increase or decrease the numbers from the partner Colleges as they see fit. All HE undergraduate awards have to be validated and awarded by an HEI.

13. Lord Browne’s vision of a managed market will not become a reality unless the system, which currently places FE Colleges under the control of universities, is modified. For example, at present:

- When funded via a university, a College can have its student numbers withdrawn by their partner university even if the College demonstrates clear demand for courses and potential students.
- Colleges are unable to develop new courses without the consent of their partner university, as only universities have the legal power to award degrees.

14. Indirect funding of HE in Colleges, via a university, means Colleges are denied control over their own student numbers and although some consortia work successfully, in the last two years there have been several examples of universities withdrawing student numbers in FE Colleges. This is clearly detrimental to those students who wish to study in a College setting and the local businesses who want to help their employees gain higher level skills. We believe that maintaining indirect funding will inhibit Colleges’ freedom to innovate and identify new markets and to develop the specialist higher technician level courses needed to help ensure the country returns to higher growth and future prosperity.

15. In this situation, except in the case of very popular areas such as business or early childhood studies, Colleges in regionally based consortia can only develop courses that are not in direct competition with their partner awarding HEI. This relationship means that in some cases Colleges are unable to develop courses that meet local or, indeed national, need. Colleges could approach another HEI for validating purposes but that is not straightforward, not always possible and can lead to significant additional quality assurance (QA) processes as each HEI has different systems, despite the fact that there are national codes of practice published by the Quality Assurance Agency (QAA). This leads to extra expenditure for Colleges.

16. Further, there is no consistency in the administrative fees that HEIs charge for their validation and awarding services, or indeed in the services related to the fees charged. In the better managed consortia these fees will cover administrative support, staff development, curriculum advice and liaison with international scholars. In most cases though, the service only relates to the provision of a validation service, and fees can vary between 20%–80% per student.

⁴ HEFCE analysis 2007–08

⁵ Source: Foundation degrees: key statistics 2001–02 to 2009–10, HEFCE April 2010.

⁶ <http://www.dur.ac.uk/spa/statistics/college/4.4domicile/>

The future

17. As set out above, HE in FE provides a public good, as it brings advantages to communities and individuals who often missed out on higher level learning earlier in life, and to those from lower socio-economic backgrounds. If gaining an HE qualification brings the individual significant financial advantages it seems appropriate that they should pay a contribution towards that advantage and the Government should promote this potential gain. Therefore AoC supports a system based on tuition fees and income contingent loans.

18. AoC also fully supports the opening up of the HE market to more competition and is particularly pleased to see the distinction between full-time and part-time HE students removed. However, we are concerned that a trebling of tuition fees by some universities could have an adverse effect on access to the most prestigious universities from students from lower income backgrounds, and possibly reverse the widening participation gains made in the last ten years. It may be significant that there seems to be a reduction in applicants through UCAS for 2011 entry.

19. The Browne Report effectively recommended the establishment of a managed market in HE, moving from a mainly grant-based system paid for from general taxation to a consumer-based price system. AoC is not opposed to this in principle although we have several concerns about how the market could operate in practice—see below.

20. AoC is not advocating that all Colleges should gain Taught or Foundation Degree Awarding Powers (T/FDAP), but that for the market proposed by Lord Browne to operate as efficiently as possible, Colleges with large numbers of HE students should be able to compete on a level playing field with HEIs. T/FDAP would mean that Colleges are not tied to HEI for their course development, could fairly compete with HEIs and what we believe amounts to restrictive practice is ended.

21. AoC is supportive of different types of awarding bodies entering the market as we believe a managed market is the most efficient way of ensuring course and qualification development meets student demand, the development of higher level technician skills and the economic needs of the country. It will also break the present monopoly of HEIs.

22. However, AoC is not convinced that a complete “free for all” is appropriate and would argue for a role for employers and agencies such as the UK Commission on Employment and Skills (UKCES) in informing course development. AoC welcomes the fact that QAA are developing revised guidelines for Colleges with polygamous awarding body relationships, to minimise over-complicated external review and associated costs.

23. In summary, it is AoC’s view that to address the anti-competition issues inherent in the present system the system of indirect funding needs to be reformed, more Colleges need to have the power to validate and award their own degree titles and that other non-teaching awarding bodies are able to enter the market.

24. Although indirect funding may disappear in a “money follows the student” system envisaged by the Browne Review and the Government, it is still likely in the present squeeze on public spending that some form of student number control could remain. AoC would be deeply concerned if such a system maintained present indirect funding arrangements, and allowed HEIs to retain the power to effectively control the market. We would argue that if any student control system is introduced it is based on 2008 enrolment figures before recent decisions taken by universities to withdraw College HE student numbers took effect.

Part-Time Students

25. At least half of HE students studying in FE Colleges are part-time⁷ therefore AoC welcomes the proposed improvement in support for part-time students although we have some reservations about the administration of loans to support their learning. The new system must be flexible and take into account the fact that some part-time students, who are usually older, may not wish to take out a loan, that some may want to pay back the loan quickly and that employers, in particular, may not want a long pay back time.

Access to Higher Education

26. FE and Sixth Form Colleges provide 35%⁸ of entrants to higher education and therefore we have a significant interest in HE from the perspective of access and progression. The actual infrastructure needed to develop a transitional or managed market in HE is only now being developed. For example, the following are being introduced: a National Scholarship Programme (NSP), tougher Access Agreements, back loaded loans, relatively progressive repayment, loans for part-time students and tidying up the external quality assurance system.

27. Overall, AoC is supportive of these developments with certain caveats. First, we are unsure if the proposed NSP is fit for purpose as a scholarship scheme to help bright people from poor backgrounds enter higher education. In the first year of operation it is effectively a scheme that will not deter applicants, rather than one to incentivise applications, particularly to those universities with high eligibility requirements for its courses. We welcome the Government’s decision to treat the first year as a pilot because we would support

⁷ HEFCE analysis, 2007–08.

⁸ http://www.ucas.ac.uk/about_us/stat_services/stats_online/annual_datasets_to_download/

exploration of a scheme that involved schools and Colleges identifying students who would benefit from additional support. We are concerned that possibly over one hundred institutionally based schemes could lead to unnecessary complexity and confusion for applicants.

28. AoC, in the main, supports the guidelines for the administration and monitoring of access agreements recently published by the Office for Fair Access, in particular the decision to await the publication of the White Paper and subsequent legislation to address the complex issues related to part-time student loans. It is supportive of a more robust approach to universities who systematically fail to hit benchmarks related to widening participation.

29. The Browne Review identified that College students had to achieve an average of one grade better to get into certain universities. The withdrawal of the Education Maintenance Allowance, cuts to transport provision for 16–18 year olds and to overall College budgets could also impact on supply. We hope that the proposed access agreements, the introduction of better information, advice and guidance through the proposed all-age careers service and an enhanced Learner Support Fund will tackle these issues.

30. AoC is also concerned with the ability of adults to progress into HE, and is anxious that the proposed partial removal of financial support for Level 3 students aged over 25 on inactive⁹ benefits, could reduce applications from this group. Early analysis of the Skills Funding Agency individual learner record indicates that about 9% of College students aged 25 and over are on income based benefits similar to the definition of inactive benefits. This group of students are amongst the poorest in our communities, most adverse to debt and least able to pay up front fees or payback loans.

Qualification and Credit Framework

31. AoC believes that one mechanism to create a more flexible HE system is the creation of a lifelong learning credit accumulation and transfer system (CATS) which could include the Qualifications and Credit Framework (QCF) and cover some HE courses.¹⁰

32. AoC accepts that it would not be appropriate for some HEI courses to be part of such a scheme, and of course some HEIs with a more traditional portfolio of courses may not view participation as relevant or necessary. However, the introduction of a lifelong learning CATS would facilitate the acquisition of HE knowledge and skills on a modular credit basis allowing the individual to study at their own pace and in line with the skills needed by their occupational sector. It would create a more efficient HE system as individuals would have a record indicating the HE learning credits they had achieved. This would be accepted by all participating Colleges and HEIs, thus supporting portability, addressing duplication of learning and fostering a lifelong learning culture. We believe that the Government should explore the possibility of establishing a regional or sub regional CATS pilot, possibly involving the NHS where there is a significant amount of un-credited learning.

10 March 2011

Supplementary written evidence submitted by the Association of Colleges

“Students at the Heart of the System”—The Higher Education White Paper

1. The Association of Colleges (AoC) represents Further Education, Sixth Form and Tertiary Colleges and their students. Colleges provide a rich mix of academic and vocational education at all levels. As independent, autonomous institutions established, under the Further and Higher Education Act 1992, they have the freedom to innovate and respond flexibly to the needs of individuals, businesses and communities.

2. This submission should be read alongside our original submission to the Select Committee’s inquiry into higher education and the oral evidence given by AoC Chief Executive, Martin Doel, on 3 May 2011.

Executive Summary

3. AoC welcomes the Government’s decision to re-allocate 20,000 higher education places to students who wish to pay less than £7,500 per year. We look forward to significant input into discussions about the criteria which HEFCE use to distribute the additional places.

4. The Government’s stated desire to see more higher education in FE Colleges¹¹ may be threatened by universities withdrawing student numbers in the forthcoming academic year and/or universities dropping validation arrangements. It is essential that Colleges are able to operate effectively and fairly in the higher education “market”.

⁹ Inactive benefits are all those not including Jobseekers Allowance and Employment and Support Allowance.

¹⁰ Credit accumulation and transfer systems credit ‘chunks’ of learning based on time and complexity, and assign that chunk a value. This value specifies the number of credits gained by learners who complete that unit. The flexibility of the system allows learners to gain qualifications at their own pace along routes that suit them best. There is already a credit transfer and qualification framework for vocational education and training (VET) and FE, including higher VET, but at present the university sector has only introduced a credit system

¹¹ Ministerial Foreword to the Higher Education White Paper, page 3

5. We welcome proposals to ensure the higher education system is more responsive to students and employers through improved information. We remain broadly supportive of the new fees regime, which places greater power in the hands of students, but regret the decision to reduce the teaching grant by 80%. We think this cut is too large and has been introduced too quickly.

6. We are concerned that the decision to require students aged over 24 to take on a loan to finance an Access to HE Diploma may threaten the success of this qualification in helping non-traditional students start higher education.

Comments on each Chapter of the White Paper

Chapter 1: *Sustainable and Fair Funding*

7. AoC remains broadly supportive of the new fees regime, although we are concerned that the very high fees set by many universities could have a detrimental impact on applications from sections of the community which Government and others wish to seek to increase.

8. We also regret the decision to reduce the teaching grant by 80%. We think this cut is too large and has been introduced too quickly.

Chapter 2: *Well-informed students driving teaching excellence*

9. AoC fully supports the Government's aim to improve the information available to potential higher education students in order to create a more informed "consumer". We welcome efforts to make the higher education system more responsive to students and employers.

10. We are, however, concerned about the resourcing and statutory basis for careers information, advice and guidance provided in schools. The Education Bill, currently being considered by Parliament, removes the statutory duty on schools to provide careers advice and says they must secure independent advice for their 14 and 15 year old pupils. Although this is the right decision in principle, we fear it will not lead to an improvement in the advice provided. Ofsted will not assess the success, quality or nature of the advice the school secures and a school may, if it wishes, solely refer their pupils to a website rather than ensure they receive face-to-face guidance. It is extremely important that the decisions taken at 16 are based on good advice because they can have a considerable effect on students' ability to enter higher education at 18.

11. We think that consideration should be given to including weekly student contact hours for different courses in the new Key Information Set. It is common practice in schools and further education to delineate class contact hours per week for subjects and courses, and we see no fundamental pedagogic issues why this cannot also be achieved in the higher education sector. Indeed, it seems difficult to see how applicants can compare the quality of the subject courses at different institutions without a clear idea of the amount of teaching they will receive.

Chapter 3: *A better student experience and better qualified graduates*

12. AoC welcomes measures in the White Paper to improve the student experience although we believe that the biggest driver for change will be greater competition between institutions.

13. The sections on employer engagement are sensible and AoC looks forward to taking part in the Wilson Review on university-industry collaboration, an area in which FE Colleges' specialise and are rightly proud. Employer sponsorship is also a feature of many higher education courses provided in FE Colleges and we support the continued expansion in this area as set out in Chapter 4.

14. AoC notes the sections on initial teacher training (ITT) and healthcare courses but is concerned about the future funding of ITT for the learning and skills sector.

15. The majority of teachers in Further Education train through an in-service route. They are often working part time and teaching in their vocational expertise. They will have to take out a loan to finance their initial teacher training from 2012 whether through an in-service or pre-service route. Higher tuition fees will also impact on their employers (the Colleges) ability to pay fees for all of their staff. AoC would like Government to create similar support and incentives for College teacher trainees as are in place for school teacher trainees.

16. We would emphasise that the majority of 16–18 year olds are taught in Colleges rather than schools. The Government's Skills Strategy is dependent on a supply of high quality vocational teachers.

Chapter 4: *A diverse and responsive sector*

17. This chapter proposes a system through which popular courses and institutions can expand to meet student demand. As it makes clear, not all students enter higher education through the traditional A-level route. This is especially the case for those studying higher education in an FE College.

18. 128,000 students study HEFCE-funded higher education in a College.¹² There are also "non-prescribed" HE programmes, funded by the Skills Funding Agency, employers or by the students themselves, usually on a part-time basis around work or family commitments.

¹² HEFCE analysis of HESA student record and The Data Service Individualised Learner Record 2009–10

19. Higher Education has changed dramatically in the past twenty years in England with a variety of modes of study and less reliance on full-time residential bachelor degrees:

- 17% of Bachelor degree students now study part-time;
- 28% of higher education students below postgraduate level study short cycle courses such as foundation degrees, HNC/D and Diploma in HE; and
- 45% of all higher education students below postgraduate level are aged 21 and over and 32% are aged 25 and over.¹³

20. Between 1994 and 2008 there was a 106% increase in part-time degree level students.¹⁴

21. Therefore the Government's aspirations to enhance and expand opportunities for part-time students, particularly adults, are being built on a solid foundation. Similar trends can be observed in the USA, Australia and Canada and, to a lesser extent, countries in the EU.

22. The following statistics, which refer to higher education below postgraduate level in FE Colleges, demonstrate that College provision is focused, to a large extent, on different potential students to those interested in studying at traditional university:

- 46% are part-time;
- 64% are aged 21 and over; and
- 46% are aged 25 and over.¹⁵

23. In addition, Colleges are proud that they provide opportunities for local people to study higher education and that that choice of destination is often their first, and only, choice:

- Over half of HE in FE applicants only apply to a single choice (compared to only 15% of all applicants).
- Over 70% of those accepted to HE in FE live within 25 miles of their chosen College (compared to fewer than 40% of all HE acceptances).¹⁶

24. To illustrate that FE Colleges are not competing with traditional universities it should be noted that over 80% of those accepted to study higher education have qualifications other than A Levels (compared to fewer than 50% of all HE acceptances).¹⁷

25. The White Paper proposes freeing up around 85,000 student numbers in 2012–13. This system, known as “core and margin” will be administered by HEFCE. There will be an additional 65,000 places, allowing for unrestrained recruitment of high-achieving students, scoring the equivalent of AAB or above at A level. Colleges will play a relatively minor role in recruiting these students at higher education level. However, 19% of students achieving three or more A* or A grades do so at College¹⁸ and therefore 18-year olds leaving College should benefit from these expanded opportunities. AoC is also pleased that high achieving students with vocational qualifications will be included under this proposal.

26. More significantly for higher education provision in FE Colleges is the decision to create a flexible margin of about 20,000 places to support expansion by providers who combine good quality with value for money and whose average fee is at or below £7,500.

27. The vast majority of FE Colleges teaching higher education will be charging fees of £6,000 or below next year. We agree with the Minister for Universities that “perhaps one of the biggest beneficiaries of the 20,000 places that will be more flexible will be higher education delivered in further education colleges”.¹⁹ AoC is pleased therefore that the White Paper proposes that this margin will grow in subsequent years, dependent on HEFCE monitoring and review.

28. We would expect significant input into the criteria through which the additional places will be allocated. The membership of the assessment panel is absolutely crucial in this regard. The criteria will need to address the issue of price drift and possible informal cartels where bids move to a point close to the threshold of £7,500. This will be an important test for HEFCE in its emerging role as protector of the student interest.

29. During the Commons debate which followed the Minister's statement on 28 June, there was some concern from MPs that the fees of less than £7,500 were in some way an indication of lower quality. It is important to note, as we do in this submission, that the higher education provided in FE Colleges is distinct from traditional university education and operates on a different cost basis.

¹³ AoC analysis of aggregated HESA student record and The Data Service Individualised Learner Record data 2009–10

¹⁴ HESA (2010) Students in Higher Education Institutions, various years

¹⁵ AoC analysis of aggregated HESA student record and The Data Service Individualised Learner Record data 2009–10

¹⁶ UCAS data

¹⁷ UCAS data

¹⁸ DfE Statistical First Release GCE/Applied GCE A/AS and Equivalent Examination Results in England, 2009–10 (Revised) Table 1a

¹⁹ House of Commons, Hansard, 28 June 2011 : Column 776

30. For example, Colleges don't have the cost overheads associated with research, as this is not a core part of their HE offer, nor did they ever receive non-mainstream HEFCE funding which universities are seeking to replace as part of their £9,000 fee.

31. FE Colleges are not choosing to offer HE courses at a lower price because they want to take hundreds of potential students from universities, they are doing so because they want more people, particularly adult students who want to study around work or family commitments, to have the opportunity to study a higher education qualification.

32. The Government's stated clear wish to increase the number of higher education students in FE Colleges remains dependent on the willingness of universities to allocate student numbers to a local FE College and/or to validate College higher education provision.

33. AoC will be asking HEFCE, as a matter of urgency, to take a firm grip of the behaviour of some universities in withdrawing student numbers and validation services from FE Colleges as described in paragraphs 4.7–4.8 of the White Paper both in the interests of students and fair competition.

34. The threat of university withdrawal is now acute because HEFCE will be reducing student number quotas by 8%. Unfortunately the quota stays with the university which holds the contract with HEFCE rather than with an FE College which teaches the student.

35. The White Paper confirms the Government plan to review foundation degree awarding powers (FDAP) in 2012. We are concerned that the system for FDAP does not reflect the different nature of the qualification nor the institution seeking awarding powers and therefore hope that the review takes these factors into account.

Chapter 5: *Improved social mobility through fairer access*

36. AoC is fully supportive of measures to improve access and widen participation in HE and notes in the White Paper more generous maintenance support for full and part-time students, improved use of contextual data and work on developing alternative routes to the professions.

37. We believe that the evaluation of the first year's allocation of funds through the National Scholarship Programme (NSP) should be thorough, and depending on the results, consideration should be given to linking the 16–18 Bursary fund (the replacement for EMA) to receipt of NSP funds. This would give individuals requiring the most support some certainty and encourage them to remain in education.

38. AoC believes this is a powerful set of initiatives, backed up by a strengthened OFFA which will be monitoring access agreements with appropriate outreach initiatives, and a commitment from HEFCE to maintain widening participation monies in the new funding system. AoC will want to discuss how the proposed "access" measures can interact to ensure that higher education benefits as many individuals as possible, whatever their background.

39. One major concern however is the demise of Aim Higher and Action on Access and the fact that some of the very successful previous partnerships will be lost. This may impact on those communities and schools who benefit from such activities the most.

40. We are concerned that students aged 24 and over will be asked to take on a loan to support themselves through an Access to HE Diploma. These students have few, if any, qualifications and are under-represented in higher education. Asking them to take on a loan to access higher education and before any subsequent loan for the higher education itself, may act as a disincentive.

41. AoC has always believed that part-time higher education students should have access to loans. It is noteworthy that in the HEFCE consultation paper²⁰ that there will be no student number controls for part-time students in 2012–13. AoC support this stance but asks the Committee to note that many part-time HE students have different financial needs from full-time students, and may not, for example, want to take out a loan. AoC will seek clarification on the regulations relating to part-time student support.

Chapter 6: *A new fit-for-purpose regulatory framework*

42. AoC is supportive of the regulatory proposals outlined in the White Paper, in particular a more risk based quality assurance system for successful providers and, initially, a more in-depth process for new entrants. Universities UK, GuildHE and AoC have agreed to discuss how quality assurance and other systems can change to support higher education provided in FE Colleges.

43. AoC supports the new clearer remit for HEFCE relating to lead regulation, oversight over competition issues and promoting the interests of students. We believe there should be a "level regulatory playing field" for those organisations with taught degree awarding powers and institutions designated to receive financial support for their students. We support the principle that application of the new regulatory framework should be appropriate and proportionate to the circumstances of the institution.

²⁰ HEFCE Consultation: Teaching funding and student number controls (July 2011)

44. The White Paper refers to the fact that some in the further education sector have called for the distinctive mission of FE Colleges to be recognised through a distinctive title. Following a speech²¹ given by the Minister for Universities where he suggested that Colleges with significant HE numbers could be renamed “institutes”, AoC asked its members whether they supported such a change. The response from College principals was mixed and therefore we would support retention of the current system whereby an FE College which meets the criteria can apply to become a College of Further and Higher Education.

7 July 2011

Written evidence submitted by the Association of Teachers and Lecturers

The Association of Teachers and Lecturers (ATL)—“the education union” has 160,000 members across England, Northern Ireland, Scotland and Wales, including teachers, supply teachers, heads, lecturers, managers and support staff in maintained and independent sector schools, colleges and universities. ATL uses the experiences of their members to influence education policy, in all sectors, throughout the UK.

Response to Browne Report

1. Participation

Recommend a 10% Increase in the Number of Places

While ATL welcomes the recommendation for a 10% increase in the number of student places in higher education, it is not more than was planned for by previous government. Therefore we would argue for a greater increase if the government is to meet its aspirations to widen participation. Higher education has a vital role to play in addressing the UK’s skills shortage, the very high unemployment rates currently experienced by the country’s young people, and to aid the UK in its economic recovery from the financial crisis.

New Support for the Costs of Learning for Part Time Students

The proposal to provide new support for the costs of living for part time students by eliminating upfront costs is progressive. It will impact on a large proportion of students, as 40% of those studying at higher education institutions in England are enrolled on part time courses. We agree with the points put forward in the Browne Report “that students may choose full time study even though part time study may better suit their circumstances”; and that “the lack of support for part time study makes it much more difficult for this country to catch up with other countries on the skill levels of the existing workforce”. “As economic growth relies more on people with high level skills, it is likely to be through part time rather than full time study that people already in the workforce will be able to retrain and prepare themselves for work in new industries”.

Proposed increase in the Support for Living Costs for Students from Low Income Backgrounds

ATL agrees that the current system of student support for living costs needs improving. As the Browne Report states: “we have received evidence that the level of support for students from low income households in particular is insufficient and that students need to rely on part time work or family contributions to make ends meet”. Whilst we welcome the increase in the maximum grant available to £3,250, up from £2,906 for students who have a household income of £25,000, and a partial loan for those whose household income is £60,000 or less, we do not believe this is enough given the substantial increase in the cost of living since the economic downturn. Although this increase is above the rate of inflation, the cost of living, including food, basic materials and housing, have risen at a substantially higher rate. We do not, therefore, believe that these proposals will realise the Browne Report’s aspiration that no person should be discouraged from “studying in higher education because they cannot afford the costs of living while they are learning”.

The Browne Report states: “Institutions will of course be free to offer financial aid on top of the support provided by Government. They may choose to do so in order to support their ambitions for attracting students from a wide ranger of backgrounds; and ensuring that they stay on in study until they complete their degrees. On the basis of the evidence we have received, we would expect the most selective institutions in particular to offer generous bursaries to students from low income households”. We strongly believe that this crucial assistance provided to students from low income backgrounds by institutions in the form of bursaries should not be optional but compulsory.

We are concerned that the cost of living support will “not be available to part time students”. The Brown Report argues that “these students are able to combine study with work; and they have access to other Government benefits in a way that full time students do not”. As 40% of students in English HEIs study part time a very large proportion will be excluded from receiving cost of living support. In terms of students being able to support themselves through work, some employers have had to reduce the working hours for their employees due to the recession, have had to freeze or reduce wages, and the cost of living is increasing due to rising inflation. Welfare benefits are also being reduced or cut and in particular housing benefit, which will have a detrimental impact on part time student claimants.

²¹ Speech given by Rt Hon David Willetts MP to AoC HE in FE Conference, 31 March 2011

We believe this combination of no support for living costs and benefit cuts for part time students will be a significant disincentive to students from lower socio-economic backgrounds and/or those who are studying to take the lower paid graduate jobs, such as teaching and nursing. For example, data from The Sutton Trust's "Increasing University Income from Home and Overseas students: what Impact for Social Mobility?" report shows that students from lower socio-economic groups more likely to apply/enrol for an education degree course than those from higher socio-economic groups: 26.7% of students from lower socio-economic groups compared to 17.4% from higher socio-economic groups. Only Computer Science attracts a higher proportion of students from lower socio-economic groups, at 27.6%. Education attracts the lowest proportion of students from the higher socio-economic groups.

Any disincentive could prove to be very detrimental and damaging to schools as they would find it increasingly difficult to recruit Newly Qualified Teachers (NQTs), especially for shortage subjects such as science and maths. Earlier this year the government announced that it would axe bursaries and golden hellos for trainee teachers in some subjects (including religious studies, music, PE, art, business studies, citizenship, history, dance and drama) worth £4,000–£6,000; universities reacted by saying they were "very worried". Between 2006 and 2009, the number of teacher trainees decreased by almost 9,000, after the government decided to close the scheme to pay off NQT's student loans to all new applicants in 2005, introduce top up fees in 2006 and reduce cash sums paid as "golden hello" to NQTs teaching shortage subjects.

Another big drop off is now expected. For example, the government is not meeting its target to double the number of graduates training to be physics teachers (increased from 518 to 925). There are shortages of chemistry teacher trainees: the target 1,070 with 877 trainees in this academic year. In addition, research has shown that debt level for NQTs has been increasing. It was £4,800 in 2001, rising to £8,000 in 2005, and to £10,500 in 2007.

The decision to use increased fees to replace funds government has cut from the university teaching budget will create a much more direct link between the number of students choosing a course and how much money the university has to run it. We believe this will severely reduce funding for teaching in some institutions; and if there are cuts to teacher training budgets, we would and anticipate a reduction in the number of places on these courses.

ATL is also concerned that with the policy direction of the government's proposals for the future of teacher training and the subsequent implications for teacher professionalism. We believe that the proposed weakening of the role of HEIs in initial teacher education in terms of an over-heavy emphasis on on-the-job craft-like training will de-professionalise teachers and stifle reflection and innovation in the profession. Trainee teachers are being asked to pay more to study for a career which is in effect being devalued.

2. Quality

Create genuine competition for students between institutions

ATL is extremely concerned about the proposal to create genuine competition for students between institutions, as we believe this will widen the gap between successful and less successful universities. We believe it is highly probable that only a handful of universities will be winners while the rest experience far more difficulties in recruiting students.

In March 2011, the NAO reported that "the number of universities at risk of going bust is likely to rise over the next few years". It claims that currently 5% of "institutions are considered to be at a higher financial risk" and a further "9% had run a deficit for at least three years"; and the rise in tuition fees, "cuts to higher education and an influx of companies providing degree courses would raise the risk of universities going bankrupt". Consequently, students studying at failing/at risk universities would be in a very difficult position, as they would have to find an alternative institution while studying for their degree. The very likely outcome of this policy is a lessening of choice for students as the number of HEIs would be substantially reduced.

Given the current economic circumstances, combined with increase in tuition fees, students are much more likely to choose courses that would maximise their opportunities of gaining higher paid and secure graduate employment in order to pay off their debt, rather than courses that they have an interest/passion in pursuing. Consequently some degree courses, or those which have had their teaching budget completely arts, humanities and social sciences), may not survive; conversely universities may be under-prepared to cope with significantly increased demand for some degree courses. We believe the decision to allocate public resources to "priority" STEM (science, technology, engineering and maths) subjects has not been properly assessed: research undertaken by Paul Whiteley, professor of politics at the University of Essex, concludes, that in general, there is no link between a successful economy and subjects studied at higher education level.

Therefore, ATL strongly believes competition for students between institutions is a very risky and irresponsible experiment, as ultimately it weakens stability and security for students, staff, HEIs and the British economy.

Sustainability

Seeking higher contributions from those that can afford to make them

ATL believes it is wrong to seek higher contributions from graduates earning higher wages, as it means that some graduates would have to pay more for their degrees than others; wide discrepancies in remuneration should be addressed through the fiscal system. The Browne Report states: “students with higher earnings after graduation will pay a real interest rate on the outstanding balance for the costs of learning and living. The interest for graduates earning below the repayment threshold will pay no real interest rate; their loan balance will increase only in line with inflation. For those earning between £21,000 and £41,000 will be applied between RPI and RPI and 3% on a gradual scale depending on income; and for those earning above £41,000, interest will be applied at RPI + 3%.” We believe this is unfair as higher earning graduates are being penalised twice.

We have serious questions about linking the interest rate to RPI: why is it linked to RPI when teachers’ pensions and welfare benefits are linked to CPI? Student loan cost has fluctuated substantially over the past five years: it was at its highest rate in 2008/09 at 4.8%; and at its lowest in February 2009 at 1.5%. In addition, inflation has risen sharply since September 2009, and it is possible that it could rise further. Rising inflation would disproportionately affect those graduates earning lower or average wages in comparison to those on higher wages, as the latter group would be far more likely to have a higher disposable income with which they could absorb the increased cost.

Removing the blanket subsidy for all courses—without losing vital public investment in priority courses

We believe this is a highly regressive move. While we accept that there are certain subjects that are important to the UK economy which need to attract increased participation, such as sciences, technology and “strategically important” languages, this should not be at the expense of subsidies for arts, humanities and social science subjects. Without funding it is highly likely that the quality of these courses will be severely diminished; consequently students may be discouraged from choosing them and universities may be reluctant to run them. We are extremely concerned at the future prospects for and survival of these courses within higher education: the ability to recruit teachers with these subjects as specialisms to meet future demand could be drastically reduced as a result.

Role and Future of State Funding in Higher Education

ATL is very supportive of the role that the state plays in both higher education and higher education funding. We have a keen interest in the future of higher education, funding and student finance, as we are concerned about how the proposed changes outlined in the Browne Report would impact upon the number of trainee teachers in the future. We believe that as higher education is an inherently public good, the public should remain heavily involved in its funding and governance. Prior to the Browne Report, our members strongly supported ATL’s view that students in higher education should not have to make any further financial contributions to their degree courses; this remains their view. Therefore, we strongly disagree with the decision to increase tuition fees from students to make up for the severely reduced funding for the teaching from government.

We believe our argument to maintain a strong state role within higher education funding has been strengthened by some universities (including Cambridge, Oxford, Exeter and Imperial College London) to charge the full tuition fee of £9,000 per year. Charging the full tuition fee was only supposed to happen in “exceptional circumstances” but current trends suggest this could be the norm. While it is encouraging that the government has recently announced that “England’s most prestigious universities will have to double the amount they spend on widening access to poorer students if they charge the maximum tuition fees”, we are concerned that non-prestigious universities will not have to. Also of concern is the government’s statement that “universities will be free to choose how best to increase diversity, but they will be encouraged to pour money into outreach work in schools and colleges, rather than into bursaries and scholarships”, but the Office for Fair Access claims “these incentives have been found to have little effect”.

ATL also fears that the increase in tuition fees would reverse recent progress in widening participation, thereby further decreasing social mobility and increasing already high levels of socio-economic inequality. The *Trends in Young Participation in Higher Education: Core Results for England* Report, published by the HEFCE in January 2010, shows that teenagers from poorest homes in England 50% are now more likely to go to university than 15 years ago (mid 1990’s = 12.7%; 2010 = 19.2%). It claims this rise is due to the previous government both increasing funding for schools and widening access to degree courses. Even if proportion of these of students remains relatively high after their tuition fee increase, we anticipate that the quality of students’ work will be affected, as they are more likely to increase the amount of paid work undertaken to avoid increasing accumulation of debt.

The current situation in the UK labour market is a vital consideration in the context of higher fees when potential students are considering undertaking higher education study. As a result of the economic crisis, there has been an increase in unemployment and a decrease in the number of full-time employment vacancies; analysts remain unsure of whether or not the UK will recover and to what extent. The cost of living has risen

steeply: VAT increased to 20% in January 2011 and inflation has risen sharply since September 2009; in addition, the trend of wage flexibility has been downwards.

Young people already face significant financial pressures as they currently suffer from disproportionately high levels of unemployment, a situation that has worsened during the economic downturn. The recession has substantially increased competition within the labour market which has resulted in graduates taking lower skilled, lower paid jobs. Given this context, ATL is very concerned that the increase in fees will discourage potential students from entering higher education; and that younger graduates in particular will find it increasingly difficult to secure employment.

England's universities will be even more reliant on overseas students for funding as they pay higher fees; this contributed to a record drop in the number of British students accepted onto courses in 2010. In 2008–09, UK universities received a total of £2.2 billion from non-EEA students, a figure that makes up 8.7% of the sector's income. This source of funding is under threat however, as the government intends to reduce net immigration to fewer than 100,000 per year by the end of this parliament. University leaders have stated their objection to efforts to cut foreign student numbers. The chief executive of Universities UK, Nicola Dandridge, has called the proposals damaging and dangerous. Universities are also worried about the abolition of a post-study work visa scheme, which allows recent graduates to remain in the UK to work. A survey of London School of Economics students found that the post-study work scheme was a strong factor in encouraging international students to come to the UK rather than the US or Australia.

We are extremely concerned that a decreasing role for the state in higher education and its funding will mean that HEIs will be forced to look to alternative sources of income, such as businesses and foreign governments whose regulations and / or human rights considerations are considerably weaker than those in the UK. The recent case of the London School of Economics having close links to the Libyan regime and having accepted a £1.5 million donation from Libya will have significantly damaged the reputation of this prestigious institution, as well as the reputation of English higher education in general.

10 March 2011

Written evidence submitted by Professor Nicholas Barr, London School of Economics

Objectives

1. There is wide agreement about three major objectives of higher education policy: quality, access and size.
2. A major distortion in the existing system is the interest subsidy, which makes student loans expensive in fiscal terms, with ill-effects that include the cap on student numbers.

What the reform proposals get right

3. I have argued elsewhere (Barr, 2010a; Barr and Shephard, 2010; Barr and Johnston, 2011) that, in pursuing those objectives, the reforms are right in two important respects:

- 1) **Increasing the fees cap** over time brings more resources into higher education and strengthens competitive incentives.
- 2) **Raising the interest rate on student loans** reduces the fiscal cost of the loan system, facilitating expansion of student numbers and rectifying a highly regressive element in the current system.

4. These reform directions are both essential elements in a strategy to liberalise student numbers, which in turn is essential to achieving the core objectives. Relaxing the numbers constraint:

- Directly facilitates the size objective;
- Contributes to access: if places are scarce, it is likely to be students from disadvantaged backgrounds who are crowded out; and
- Contributes to quality, since excess demand mutes the beneficial effects of competition on quality.

What is wrong with the reform proposals

5. Three further elements in the reform proposals largely or wholly negate these potential benefits.
 - 3) **Abolishing taxpayer support (T grant)** for most subjects ignores the fact that higher education has social benefits in addition to private benefits (Barr and Shephard, 2010, paras 6–19); the resulting risks are that too few students will apply to university, that quality will suffer, or both.
 - 4) **Substantially increasing the repayment threshold.** Specifically, the proposal is to raise the threshold at which loan repayments start from £15,000 per year to £21,000, and to index the threshold to earnings. These changes significantly erode the repayment performance of loans (Barr and Johnston, 2011). The resulting high cost creates a fundamental problem. In the current system the interest subsidy makes loans fiscally expensive, hence the numbers cap. Under the proposed reforms the interest subsidy problem is rectified but loans continue to be fiscally expensive because of the large

increase in the repayment threshold. Thus the new system creates the same problem—the numbers cap—for the same reason—the high cost of loans.

- 5) **Abolishing Education Maintenance Allowances and AimHigher.** Though it is intuitively obvious that “free” higher education widens participation, the view is mistaken. The evidence is now very strong that the main impediment to participation is the lack of prior attainment: people do not go to university because they do not even get to the starting gate. The English record on participation was shameful before fees were introduced, and participation has improved sharply in recent years precisely because policy focused on improving school results (HEFCE 2010). Abolishing Education Maintenance Allowances and AimHigher is therefore profoundly mistaken since both policies directly address problems of participation at their source.

What solutions

6. The current proposals will not stand the test of time. Barr and Shephard (2010) set out arrangements that put things back onto a sound strategic basis, in particular:
- Restoring some T grant as a block grant for each university, possibly tapered so that institutions which charge lower fees receive more grant; and
 - Arranging student loans so that (a) most graduates repay in full and (b) the cost of the remaining loss falls on the taxpayer as little as possible.

If these arrangements cannot be put into place during the present round of reforms, they should form the basis of the next round.

7. The bare minimum that should be done now is to freeze the repayment threshold. Another short-run option which is compatible with a longer-term strategy is to introduce university-specific insurance premiums to cover at least part of the loss on loans.

8. **Freeze the repayment threshold at £21,000 in nominal terms for the time being.** Note that raising the threshold reduces monthly repayments most for graduates earning £21,000 or more, less for graduates earning between £15,000 and £21,000, and not at all for graduates earning less than £15,000. Thus there is a trade-off between indexing the repayment threshold, which gives the smallest benefit to low earners, or freezing the threshold, thus reducing the cost of loans and making it possible to allow more people into the system. Put another way, the high threshold benefits insiders whereas a lower threshold, facilitating expansion, benefits outsiders. A threshold of £21,000 (or less) contributes more to access and expansion than indexing the threshold to prices, let alone to earnings.

9. **Introduce a university-specific insurance premium,** at least for students in excess of the HEFCE quota. In this arrangement, universities would be allowed to increase student numbers on the basis that each university pays an insurance premium that covers the non-repayment of loans by its graduates. The previous paragraph noted that a high threshold makes loans expensive; this is equally true for universities. Thus lowering the repayment threshold is relevant not only to the exchequer but also to Vice-Chancellors—the choice of loan threshold and the ability to have off-quota students at low or zero cost to the Treasury are linked.

10. Why, in conclusion, does fixing an incontinent loan system matter? This is not a matter of ideology, but deeply practical. Fixing the loan scheme is essential to relax numbers constraints, which in turn is necessary to achieve the three core objectives. Doing so would also make it possible to liberalise the availability of loans to part-time students (on which a commendable start is being made) and to offer loans to postgraduates (an inexplicable and mistaken omission in the reform proposals).

Breaking the logjam²²

1. This submission responds to the proposals of the Browne Review (Independent Review of Higher Education Funding and Student Finance, 2010) and the government’s response. It argues (Section 2) that the reform proposals are right in that they:

- 1) Raise the fees cap, and
- 2) Raise the interest rate on student loans, but wrong (Section 3) in in that they:
- 3) Abolish taxpayer support for teaching (the T grant) for most subjects;
- 4) Make the loan repayment terms too generous; and
- 5) Abolish Education Maintenance Allowances and AimHigher.

The latter three elements largely negate the gains from the first two. Section 4 summarises recommendations.

²² Parts of this note draw on Barr and Shephard (2010).

1. The Backdrop

1.1 Objectives

2. The analysis that follows is based on a series of arguments:

- Human capital matters, to meet the technologically-driven increase in the demand for skills (Appendix 1);
- Competition is beneficial in helping higher education to meet the needs of students and employers (Appendix 2).

3. Higher education matters because knowledge for its own sake is important, as is the transmission of core values. To that extent, nothing has changed. In contrast with earlier years, however, higher education now matters also for national economic performance and for individual life chances.

4. More specifically, the major objectives policy for higher education are taken to be:

- Quality (improving);
- Access (widening);
- Size, to eliminate excess demand for university places.

5. The third objective is often overlooked. Achieving the objective is important, first, to ensure that Britain invests sufficiently in skills. Size also assists access: if there is a shortage of places, the likelihood is that the most disadvantaged will be crowded out. Size is relevant also to achieving the quality objective. The strategy for improving quality has three elements: competition, robust quality assurance, *and* eliminating the shortage of places. The last is central. In a competitive market, if the quality of university X declines, the effect is to reduce demand, creating downward pressure on quantity and price (ie fewer students, paying lower fees). Excess demand for places largely negates those pressures.

6. If competition is to have beneficial effects on quality, excess demand for university places has to be eliminated. In principle this could be done by (a) allowing fees to rise enough to choke off excess demand, or (b) allowing the supply of places to increase. Given the centrality of human capital to national economic performance, option (a) is a thoroughly bad one. What is needed is an increase in supply. I am not recommending completely liberalising student numbers, but that any control of numbers should be considerably more muted than at present.

7. All political parties agree with the objectives in paragraph 4; so do virtually all commentators. My twofold criticism of the proposed reforms is very simple:

- They will fail to achieve those objectives;
- With the modifications described in Section 3, they could achieve those objectives.

1.2 The 2006 reforms: a genuine strategy

8. **Economic theory** points to three lessons (discussed more fully in Barr, 2004; 2010a) which should shape the finance of higher education:

- Competition is beneficial (Appendix 2);
- Graduates (not students) should contribute to the cost of their degrees for the reasons discussed more fully in section 3.1; and
- Well-designed loans have core characteristics: in particular, loans should have income-contingent repayments, should be large enough to cover fees and living costs, so that higher education is free, or largely free, to the student, and should charge an interest rate related to the government's cost of borrowing. The ill-effects of violating the last point are discussed in section 2.2.

9. These lessons suggest a strategy with three elements.

- Variable fees: universities are financed from a mix of taxation and tuition fees. Each institution sets its own fees. Fees give institutions more resources to improve quality and, through competition, help to improve the efficiency with which those resources are used. Students, however, generally cannot afford to pay fees, hence the second element.
- A good loan system: student support is through loans with income-contingent repayments and large enough to make higher education largely free at the point of use.
- Active measures to widen participation: if the world comprised only middle-class students, the first two elements would suffice. Since that is very far from the case, the third element, discussed more fully in section 3.3, addresses participation.

10. **The 2006 strategy** was based on the analysis in the previous two paragraphs.

- *Fees*. The 2004 Higher Education Act replaced the previous upfront, centrally-set flat fee by variable fees. In contrast with the earlier regime, fees are covered by a loan, and so can be deferred until the borrower starts to earn.

- *Loans.* The previous system provided a maintenance loan, with income-contingent repayments of 9% of income above £10,000. There was no loan to cover fees, and the maintenance loan was too small. The reforms introduced a loan to cover fees, increased the size of the maintenance loan, and raised the threshold at which repayments start to £15,000 per year. Any loan that remains unpaid after 25 years is forgiven. The maintenance loan and fees loan charged a zero real interest rate.²³
- *Policies to widen participation.* The reforms restored maintenance grants, required universities to provide bursaries, and established an Office for Fair Access. Importantly, other reforms tackled inequalities earlier in the system.

2. What's Right

2.1 Why it is right to raise the fees cap

11. Why fees? The argument for fees is threefold.

- *Affordability:* fiscal constraints make it impossible for the taxpayer to finance a large, high-quality system of higher education. Fees bring in additional resources for the university system.
- *Efficiency:* variable fees, by strengthening competition, help to create incentives to use those additional resources efficiently.
- *Equity:* since it is disproportionately students from better-off backgrounds who go to university, undue reliance on taxpayer finance is regressive.

12. **Why have a fees cap.** Though the case for variable fees is strong, there are reasons for establishing a maximum level of fees, ie some form of price control. In the short term, the cap needs to be high enough to bring in extra resources and, by strengthening competition, to improve the incentives to use those resources efficiently, but low enough to maintain long-term political support for the strategy and to allow institutions less used to competition the time to develop the necessary management capacity.

13. There is an additional, longer-term argument. Though universities compete in terms of teaching, some universities are also selling access to the student's network of peers and, in this latter respect, have an element of monopoly power. Such monopoly power, it can be argued, is part of the explanation for the very high level of fees at some US universities. The resulting monopoly rent is not distributed to shareholders but ploughed back into facilities, a distortionary upward bias on spending which, it can be argued, leads to quality which is inefficiently high.²⁴

14. **Why it is right to raise the fees cap.** The cap of £3,000 was too low: it brought in useful additional resources, but not enough, and led to a situation where there was no variation in price, muting competitive incentives. Thus the increase in the fees cap is right, though, as argued below, the abolition of taxpayer support for teaching in most subjects (section 3.1) and faulty loan design (section 3.2) call into question whether the extent of the increase was right.

2.2 Why it is right to raise the interest rate on student loans

15. **Why loans?** The argument for income-contingent loans is set out in evidence to the Education and Skills Committee (Barr, 2002) and the Browne Review (Barr, 2010a). They bring in private resources on a substantial scale, but in a way that provides automatic protection for low earners. There are good reasons for having a loan rather than a graduate tax, discussed more fully in Barr (2010b), including:

- *Public money:* a tax is irredeemably public finance, ruling out net private finance until the present value of cumulative repayments by graduates outweighs the relevant cumulative upfront outgoings by government.
- *Closed-ended finance:* with a graduate tax, the Treasury continues to control the funding envelope; thus institutions compete for resources in a zero-sum game.
- *Fails to foster quality* because competitive pressures are muted.
- *A closed-economy model:* it is not possible to collect repayments from EU students who subsequently work outside the UK, nor from UK graduates working abroad.

16. **What is wrong with interest subsidies?** The intuition of interest subsidies is clear but mistaken. With conventional loans an interest subsidy would, for example, help first-time house buyers by reducing monthly repayments. Income-contingent repayments turn the argument upside down: if a person's repayment is $x\%$ of her earnings, a lower interest rate has no effect on monthly repayments, but instead shortens the repayment period. Consider a person who repays his or her loan after 10 years with a zero real rate, but takes 12 years with an interest rate equal to the government's cost of borrowing. The higher interest rate has no effect on monthly repayments until the later years of the loan (in this example years 11 and 12), when repayments continue when otherwise they would have stopped.

²³ The intention of the reforms was to charge an interest rate related to the government's cost of borrowing, but it was decided at a late stage that that was politically a step too far. Given the Second Reading majority of 5, this reading was accurate.

²⁴ The problem is recognised. As the President of a private US university has put it, "It's time to call an end to the amenities arms race."

The efficient interest rate should be related to the cost of finance, for example, the government's borrowing rate. Charging an interest rate below the government's cost of borrowing creates a blanket interest subsidy. For the reasons set out in Box 1, that subsidy is inimical to all the core objectives.²⁵

Box 1: What is wrong with interest subsidies

When loans have income-contingent repayments and forgiveness of any loan balance that remains outstanding after (say) 25 years, interest subsidies have not a single virtue and many vices.

Cost. The interest subsidy is expensive in fiscal terms. There are at least three reasons why the high cost should not be surprising:

- The subsidy applies to all borrowers for the whole loan and for the entire duration of the loan. Thus not even the best-paid graduates repay their loans in full.
- The duration of repayments is long; this is desirable, since it is efficient if the length of a loan is related to the life of the asset, hence three-year car loans but 25-year home loans. But with an interest subsidy, the longer the loan, the more costly the subsidy.
- Borrowers face an incentive to arbitrage: students who do not need the money borrow as much as they can and save the money, making a profit on the interest rate. These high costs lead to further ill effects.

Impediments to quality and size. Student support is often politically more sensitive than direct spending on universities. Within a given budget, the cost of the interest subsidy crowds out finance for teaching and research, putting quality at risk. More dramatically, the cost of the interest subsidy is one of the direct causes of the current shortage of places.

Impediments to access. Because loans are expensive, they are rationed in size or number. They may not cover tuition fees; or they cover only part of living costs; or they may exclude some groups, for example, part-time and postgraduate students, and students in non-university tertiary education. The effect is most likely to harm students from poor backgrounds, who are less likely to have access to family support.

Regressive. Interest subsidies do not help students (graduates make repayments, not students). They help low-earning graduates only slightly: people with low earnings make low or no repayments; and if earnings remain low over the long term, unpaid debt is forgiven. Interest subsidies do not help high-earning graduates with low earnings early in their career, since with income-contingent loans, their monthly repayments will be low; the interest rate affects only the duration of the loan. Thus the major beneficiaries are successful professionals in mid-career, whose loan repayments are switched off (say) after 10 years rather than after (say) 12 years with a higher interest rate. This is not the group that the policy was intended to help.

18. **Empirical evidence.** Figure 1 shows estimates of non-repayment of loans by decile of the lifetime earnings distribution,²⁶ and illustrates the important distinction between two sources of redistribution.

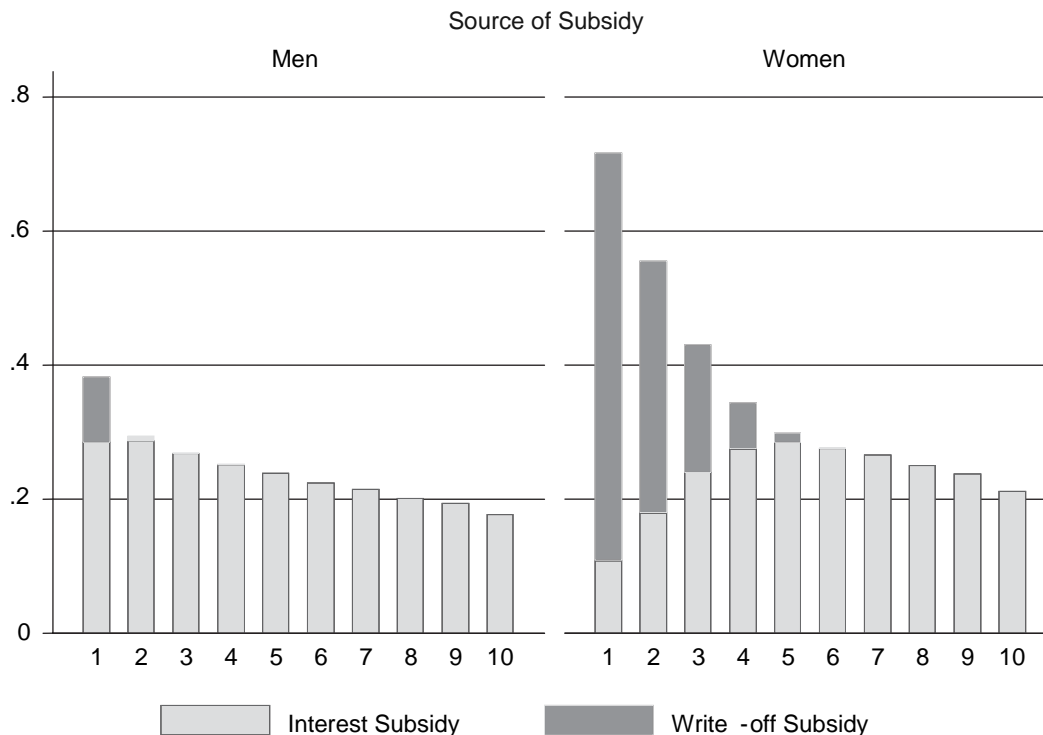
- Forgiveness after 25 years (the darker shading): this part of the system, which benefits people with low lifetime earnings, is well-targeted social policy spending and a deliberate feature of the system.
- The interest subsidy (the lighter shading): this part of the system benefits people who repay their loan within 25 years. This subsidy, *given 25 year forgiveness*, has all the disadvantages outlined above and no offsetting advantages.

19. The figure shows how forgiveness after 25 years (the darker shading) mainly benefits the lowest earners. Since women on average have lower lifetime earnings than men, forgiveness after 25 years mainly benefits female graduates. In contrast, the zero real interest rate (the lighter shading) benefits graduates in medium and higher deciles of male earners almost as much as those in lower deciles. There are gains also for earners in the upper deciles of the female earnings distribution. The results show clearly that not even the highest graduate earners repay in full in present value terms.

²⁵ These arguments are well known—see, for example, my evidence to the Education and Skills Committee (Barr, 2002, paras 29–42).

²⁶ The figures are for graduates who took out the maximum loan for a 3-year course living outside London and away from home

Figure 1
CURRENT SYSTEM: SUBSIDY AS PER CENT OF TOTAL LOAN, ACROSS DECILE OF LIFETIME EARNINGS DISTRIBUTION



Source: Barr and Johnston (2010, Figure 1), using data on salary paths from the Institute for Fiscal Studies.

3. What is Wrong—and what should be done to Fix it?

20. Raising the fees cap and increasing the interest rate on student loans reduces the taxpayer cost of higher education, contributes to efficiency, and is progressive, and thus facilitates quality, access and size.

21. Other elements in the reform package, however, largely negate these potential gains. This section points to three sets of problems:

- Insufficient taxpayer support for teaching, with potential harmful effects on numbers of students applying and/or on quality (section 3.1);
- An expensive loan system, with harmful effects on student numbers (section 3.2); and
- A continuing focus on the wrong policy mix to widen participation (section 3.3)

3.1 Why it is mistaken to abolish taxpayer support for teaching

22. The reforms propose that taxpayer support for teaching the arts and humanities and the social sciences (the “chalk and talk” subjects) should be largely abolished. This is mistaken because it ignores the external benefits of higher education.

23. Economic theory argues that where an activity generates benefits to society over and above those to the individual, a pure market will lead to too little of that activity taking place. A person who pays to be vaccinated against measles benefits personally because he will not get measles (the private benefit) but also confers a benefit on others because they will not catch measles from him (the external benefit). In the absence of a subsidy, too few people will choose to be vaccinated. The same argument applies to higher education, which creates external benefits in the ways set out in Box 2.

Box 2: The external benefits of higher education

Education creates external benefits in a range of ways.

Future tax payments. If education increases a person’s future earnings, it increases her future tax payments. Her investment in education thus confers a “dividend” on future taxpayers. In the presence of such an externality, the resulting flow of investment will be inefficiently small. A standard solution is an appropriately designed subsidy. For precisely that reason, most countries offer tax advantages for a firm’s investment in physical capital.

Production benefits arise if education makes someone more productive, and also makes others more productive. Individuals may become more adaptable and better able to keep up with technological change. The economic spin-offs of an occupationally mobile population are relevant in this context.

It is not surprising that much high-tech industry occurs in clusters near leading universities, like Silicon Valley, Cambridge (Massachusetts), and Cambridge (England), and education lies at the heart of endogenous growth theory.

Cultural benefits. Education can create cultural benefits in the form of better parenting, through increased civic engagement and, though harder to document, by strengthening tolerance of diverse views.

24. That some of these externalities are hard to measure does not make them unreal. The first is unambiguous. As regards growth effects, the case for widening and deepening human capital is not simply as investment, but also as insurance (the risk of under-investing is that of being overtaken by South Korea).

The problem

25. When deciding whether or not to go to university people consider only their private benefit. As a result, in the absence of a subsidy, demand will be below its efficient level. Abolishing taxpayer support for teaching (the T grant) in the arts and humanities, and the social sciences risks precisely that effect. Specifically, the absence of any subsidy risks either or both of two outcomes:

- If universities increase fees by the full amount of the withdrawn subsidy, the risk is that too few students will apply;
- If universities do not increase fees to cover the lost subsidy, the risk is an inefficient reduction in quality.

26. Why was this policy adopted? There are good grounds for arguing that a major reason for replacing T grant by loans is that, for technical reasons, the change reduces PSBR. The reasoning (Box 4) is explained most easily as part of the discussion of student loans, in section 3.2.

What should be done

27. The simple solution is to restore T grant at a level between zero and the current level but, to control public spending, to award it as a block grant to each university.

28. A more sophisticated approach (Barr and Shephard, 2010) notes that though the externality argument for subsidies is generally correct, it does not hold where demand is price inelastic, ie where the number of people applying to Oxbridge would change little, if at all, if fees increased by, say, £1,000, whereas a fee increase of that size would have a major impact on the demand for places at Balls Pond Road University. In that case, the absence of a subsidy for Oxbridge does not reduce demand, hence there is no efficiency loss, hence no case for a subsidy. This does not imply that there is no social benefit, merely that there is no efficiency reason for subsidising its production.

29. Building on that logic, Barr and Shephard (2010) propose a tapered T grant, awarded as block grant, such that universities charging a low fee receive the maximum T grant and universities that charge high fees receive no T grant, with a taper for intermediate fee levels.

30. The idea behind this arrangement is that that price elasticity at a university charging high fees is likely to be low, while that at a university charging low fees is likely to be higher. Thus far the argument is an efficiency one. In addition, for equity reasons, there should be a pupil premium payable for each disadvantaged student, independent of university. The premium could be paid to the university as additional income, creating an incentive to recruit students from disadvantaged backgrounds, or to the student, acting as a scholarship by paying a fraction of fees upfront.

31. In the resulting system:

- Oxbridge, charging £9,000, receives no T grant, but receives a pupil premium for each disadvantaged student (at Oxbridge such students would be the minority).
- Balls Pond Road University, charging a low fee, receives the maximum T grant plus a pupil premium for each disadvantaged student (at Balls Pond Road University, the majority).

32. **Bottom line.** Some T grant, awarded as block grant, should be restored. If this is not possible immediately, the policy should be a priority for spending on higher education as soon as the fiscal situation permits.

3.2 Why the changes to student loans are mistaken

33. The reforms propose that the threshold at which loan repayments start should be increased from £15,000 to £21,000 and that that threshold should be indexed to earnings. The reforms also propose that any loan that has not been repaid after 30 years (rather than 25 currently) should be forgiven.

The problem

34. The high repayment threshold has three strategic ill-effects: the high fiscal cost of loans, the incentives to universities to charge higher fees, and the fact that the distributional effects are not as progressive as presented.

35. **The high fiscal cost of loans.** Raising the repayment threshold from £15,000 to £21,000 is expensive because the change reduces monthly repayments not only for someone earning £20,000, but also for someone earning £100,000. Someone earning £21,000 repays £540 less per year (ie 9% of £6,000) under the proposed system than under the current system, and anyone above £21,000, however high their earnings, also repays £540 less per year. Thus monthly repayments are lower for most graduates, including the highest earners, which is expensive. Box 3 explains how that cost is measured.

36.

Box 3: The RAB charge: student loans in the accounts

Suppose that total lending to students this year is £3 billion, and that it is estimated that 30% of total lending to students will not be repaid. Student loans are off budget. Thus the 70% of lending that will be repaid, ie £2.1 billion, is not included in public spending as measured by PSBR. However, the estimated non-repayment, £900 million, appears in the BIS budget as current spending—the Resource Accounting Budget (RAB) adjustment. In short, the RAB adjustment represents the cost of loans that the government estimates will not be repaid, ie the loss on the loan system. For fuller discussion, see Barr and Johnston (2010, Annex 1).

37. Thompson and Bekhradnia (2010) (see also Chowdry et al., 2010b) point out that the government's estimates of the RAB charge under the proposed new arrangements are very sensitive to assumptions about the average level of fees (and hence the size of the average loan), and to the growth of real earnings (and hence repayment performance), and conclude that the underlying assumptions are optimistic.

38. The high cost of loans creates a fundamental problem. In the current system the interest subsidy makes loans fiscally expensive, distorting higher education policy in various ways, in particular the numbers cap. Under the reform proposals the interest subsidy problem is rectified but loans continue to be fiscally expensive because of the large increase in the repayment threshold, plus indexing that threshold to earnings. Thus the new system creates the same problem—the numbers cap—for the same reason—the high cost of loans.

Box 4: The effect on measured public spending of replacing T grant by loans

Suppose that the T grant is £4,000, and that 30% of student lending is not repaid (ie a RAB charge of 30%).

The T grant is unambiguously public spending. A million students each attracting a T grant of £4,000 increases PSBR by £4 billion.

A loan of £4,000 increases PSBR by £1,200 (the RAB charge). One million students taking out the extra loan increases PSBR by £1.2 billion.

Thus replacing T grant by an equal increase in loan entitlement reduces PSBR by £4 billion—£1.2 billion = £2.8 billion.

Bluntly, what is going on is an accounting trick. There is an apparent decline in public spending (though even that might be an over-estimate), but at the cost of distorting higher education policy.

39. **The incentive to universities to charge higher fees.** As well as being expensive, the higher threshold creates an upward bias in fees. Graduates of Balls Pond Road University tend to be at the lower end of the graduate earnings spectrum, those of Oxbridge at the higher end. Under the proposed arrangements, the non-repayment of loans by Balls Pond Road University's graduates does not fall on Balls Pond Road University but on taxpayers generally. Thus all universities have an incentive to charge £9,000, since the costs of non-repayment fall on others (Smith and Smith, 2010 illustrate the point by considering a degree with £9,000 fees targeted at old-age pensioners).

40. **Distributional effects.** The restriction in student numbers tends to harm students from less well-off backgrounds. As discussed, the increase in the repayment threshold reduces loan repayments by £540 per year for all graduates earning above £21,000. Those earning below £21,000 (presumably the intended beneficiaries of the change) benefit least: someone earning £17,000 repays £180 less per year (ie 9% of £2,000); someone earning £15,500 repays £45 less per year; and anyone earning below £15,000 does not benefit at all. Thus increasing the repayment threshold is (a) expensive and (b) gives the least benefit to low earners; and indexing the threshold to earnings retains this regressive pattern.

What should be done

41. Barr and Shephard (2010, paras. 23–29) discuss improving the design of the loan system in three ways, which can be used together or separately.

- Element 1: reduce the total loss on loans by reducing the repayment threshold, at a minimum keeping the threshold of £21,000 constant in nominal terms.
- Element 2: reduce or eliminate the taxpayer cost of loans by sharing the cost of remaining non-repayment between:
 - The national cohort of graduates, eg charging an interest rate 1% above the government's cost of borrowing, thus extending the duration of repayments, and/or

- The university: the charge could be levied in respect of borrowing by all of the university's students in a given year, or only for students above the institutional quota. Thus if Oxbridge charges fees of £9,000, the SLC would pay Oxbridge a fee for such students of $\pounds(9,000 - X)$, where $\pounds X$ is an estimate of non-repayment of loans by Oxbridge graduates for fees of £9,000, ie the Oxbridge RAB charge (see Box 3) for fees of £9,000.

The following discussion looks at each of these approaches in turn.

42. **Making loans less leaky.** Barr and Johnston (2011) estimate of the potential magnitude of the savings from keeping the £21,000 threshold constant in nominal terms. Our benchmark is the current system with a repayment threshold of £15,000 and a zero real interest rate, and assuming a total loan per student over three years of about £26,000. Our starting point (updated from Barr and Johnston, 2010) is an estimate that, averaged across all borrowers, non-repayment is 25.8% of borrowing in present value terms, ie about £6,800 per student. This cost is the source of the current numbers cap.

43. The reforms (a) lead to larger loans, (b) have a higher repayment threshold indexed to earnings and (c) a higher interest rate. Elements (a) and (b) add to the fiscal cost of loans, element (c) reduces the fiscal cost. The government's estimates suggest that these effects roughly offset each other so that the cost of the system remains broadly constant (though note the earlier caveat about optimistic assumptions). Barr and Johnston (2010) assume an average fee of £8,000, and consider a system with a repayment threshold of £21,000 fixed in nominal terms and a real interest rate of 3%, but with a safeguard for low earners such that real debt is allowed to rise during university years but not thereafter. We estimate that, compared with the present system, the savings from freezing the £21,000 threshold in nominal terms would be 15.7% of lending, or £2,218 per student, and larger if fees on average are higher than our assumption of £8,000. It is important to note that these are the savings for the cohort of students starting in 2012. The savings for later cohorts would be larger. The overall distribution of the change is progressive (Barr and Johnston, 2011, Figure 1a).

44. The reform proposals give an interest subsidy to graduates with low current income, even if they have high lifetime income. This feature adds to the cost of loans and reduces the progressivity of the system. As a more radical option for the future, it would be both desirable in policy terms and feasible administratively to award interest subsidies only to people with low lifetime income.²⁷

45. In sum, there is a trade-off between indexing the repayment threshold, which gives the smallest benefit to low earners, or retaining a constant nominal threshold, thus reducing the cost of loans, hence making it possible to allow more people into the system.²⁸ Keeping the threshold of £21,000 contributes more to access and expansion than indexing the threshold to prices, let alone to earnings.

46. With the right repayment threshold and interest rate, most graduates would repay their loans in full. However, the combination of income-contingent repayments (to protect graduate with low current earnings) and forgiveness after 30 years (to protect graduates with low lifetime earnings) makes a loss by design. To relax the numbers constraint, that inherent loss should fall on the taxpayer as little as possible. As noted, the costs could be imposed on graduates and/or on universities.

47. **A national cohort risk premium.** Under this approach, higher-earning graduates who have taken out a student loan pay at least part of the loss on the loans of low earning graduates. This is done on a national basis so that on average there is a cross-subsidy from Oxbridge graduates to Balls Pond Road University graduates. The idea is explored in more detail in Barr (2010c).

48. This arrangement, however, gives all universities an incentive to charge £9,000, since neither the university nor its low-earning graduates face the resulting costs. Thus a cohort risk premium is only part of the story. What is needed in addition is:

49. **University-specific insurance.** In this approach each university pays an insurance premium calculated actuarially to match the predicted loss on the borrowing of its students, thus removing the incentive for all universities to raise fees to £9,000.

50. The idea of university-specific insurance could be part of a reform of the entire loan system, or it could be used only on the margin. One option would be to allow universities to accept students beyond their HEFCE allocation at no cost to the taxpayer, on the basis of a university-specific RAB charge. Thus some (all) universities could take more than their quota, provided that each university pays the government $\pounds X$, where X = that university's RAB charge for the loans taken up by that year's off-quota students.

51. Note that (a) an increase in fees leads to an increase in the size of loans taken out and (b) the percentage loss on loans rises with the size of the loans. Thus higher fees lead to a disproportionate increase in the loss on loans. University-specific insurance has the advantage of providing a countervailing incentive to raising fees.

52. A loan with a high repayment threshold is expensive in fiscal terms. But, for precisely the same reason, it would be expensive also for Oxbridge. Thus lowering the repayment threshold is relevant not only to the

²⁷ The mechanism would be to award conditional interest subsidies on the basis of current earnings; those subsidies could be clawed back if the graduate went on to have high earnings in later years.

²⁸ Put another way, the high threshold mainly benefits insiders, whereas a lower threshold, facilitating expansion, benefits outsiders.

exchequer but also to universities—the choice of loan threshold and the ability to have off-quota students at zero cost to the Treasury are linked.

53. The approach of off-quota students eligible for a loan works best for universities whose university-specific RAB charge is fairly low. The RAB charge is the result of (a) graduate earnings and (b) the size of loan. Thus the approach works best:

- For Oxbridge, whose graduates have high employment rates and high earnings; and
- For small loans, eg for some part-time students an offer to pay fees loans only.

54. **Bottom line.** Why does fixing an incontinent loan system matter? This is not a matter of ideology, but deeply practical. Fixing the loan scheme is essential to expand undergraduate numbers, which in turn is necessary to achieving the core policy objectives. Cheaper loans also make it possible to continue to trend to offering loans to part-time students, and to extend loans to postgraduate students (given the pressures of international competition, failure to offer loans to this latter group is a serious error).

55. To those ends, at the very minimum, the threshold of £21,000 should be kept constant in nominal terms for the time being.

3.3 *The real policies to widen participation*

56. **Barriers to participation.** It is often argued that it is obvious that “free” higher education widens participation. But the evidence suggests something very different. The central causes of failure to participate are twofold: the prior-attainment constraint and the liquidity constraint. For most students a good system of loans and grants addresses the latter. Beyond that, to anyone who is serious about the evidence, one message stands out—*it’s school attainment, stupid*. As a researcher into early child development tragically put it, “By the time they are 18, all the damage has been done”.²⁹ In 2002 (when students from poor backgrounds paid no fees), 81% of children from professional backgrounds went to university; the comparable figure for children from manual backgrounds was 15%³⁰—a shameful record. Yet restricting the sample to young people with good A levels, the figure was roughly 90% for both groups.

57. **The right policies to widen participation.** What does this imply for policy that really starts to improve participation (for fuller discussion, see Chowdry et al. 2010a)?

- Policies to improve attainment in school: access fails when someone leaves school at 16, usually for reasons that started much earlier. There is ample evidence of the huge importance of early child development. A central element in widening participation is to strengthen pre-university education, from nursery school onwards.
- Policies to increase information and raise aspirations: such policies include AimHigher. They should also include better advice of subject choice both for GCSE and A levels—advice both for pupils and for teachers. A further element is better explanation of how higher education finance works for the student, an area which for many years has been woeful. It is important to get across to prospective students and their parents that higher education is largely free to the student—it is graduates who repay, and that student loan repayments are a payroll deduction, not credit card debt. Saying much the same thing, from the viewpoint of the individual graduate, loan repayments are identical to a graduate tax, but one that is eventually switched off.
- More money: policies include the current system of Education Maintenance Allowances, to encourage people to stay on at school, and grants and bursaries. I am not opposed to grants and bursaries, but deeply opposed to policy that assumes that they are *all* that is necessary. Grants and bursaries, though important, are the tail; it is attainment in school that is the dog.

58. Many activities cover more than one of these elements. And many are already happening but should be increased: mentoring of schoolchildren by university students, visit days, Saturday schools, summer schools, winter schools, and the like. The major purpose of such activities is to demystify university, to give schoolchildren sources of information that are authoritative (university teachers) and with street cred (student mentors).

59. The focus on tackling participation by action earlier in the system is already bearing fruit.

“Substantial, sustained and materially significant participation increases for the most disadvantaged areas across the 04:05 to 09:10 cohorts are found regardless of whether educational, occupational or income disadvantage is considered. Typically, young people from the 09:10 cohort living in the most disadvantaged areas are around +30% more likely to enter higher education than they were five years previously (04:05 cohort), and around +50% more likely to enter higher education than 15 years previously (94:95 cohort)” (HEFCE, 2010, para. 28, emphasis added).

“Trends in social statistics—such as HE participation rates—that are associated with deeply rooted differences in advantage do not usually show rapid change. A set of robustness and credibility checks give confidence that the analysis in this report is faithfully describing HE participation trends. In particular, *the unusually rapid increases in HE participation recorded since the mid-2000s for young people living*

²⁹ Leon Feinstein at a conference.

³⁰ UK Education and Skills Select Committee (2002, p. 19)

in disadvantaged areas are supported by changes in the GCSE attainment of the matching cohorts of young people” (ibid., para. 31, emphasis added).

60. The wrong policies.

- Abolishing Education Maintenance Allowances and AimHigher—the policies which directly address problems of participation at their source—is the most egregious error.
- Excessive focus on grants and bursaries: since impediments to participation arise long before someone starts at university, undue focus on grants targets resources at the wrong part of the problem. The error is not just an exercise in academic logic chopping. It makes the wrong diagnosis and therefore leads to the wrong prescription. It spends money on “free” higher education rather than improving earlier education, and thus spends money on a policy that does not work. “Free” higher education—the system in Britain for 40+ years—produced the shameful participation figures already mentioned.
- Excessive focus on loan repayments, leading to the counter-productive increase in the loan repayment threshold.

4. Conclusion

61. The advances discussed in section 2—a higher fees cap and a real interest rate on student loans—are both essential elements in a strategy to liberalise student numbers, which itself is an essential element in achieving the three objectives—quality, access and size—set out at the start of this submission. Unfortunately, the proposals discussed in section 3 mean that the reforms will not achieve those objectives. The continuing high cost of loans has two strategic ill effects.

- Student numbers will continue to be capped, so that significant excess demand for university places will remain. That excess demand is bad not only for direct reasons, but also because it mutes the competitive incentives which contribute to the quality objective.
- Loans will gobble up resources that should be used—mainly earlier in the system—to widen participation, thus accentuating the ill-effects arising from the abolition of Education Maintenance Allowances and AimHigher.

Thus the reforms will not achieve the objectives of quality, access and size. It can be argued that overall little will change: on the one hand, higher headline tuition fees may have a small negative effect; on the other, unless the numbers cap is significantly relaxed, excess demand for places will continue.

62. What needs to be done, if not now then in the next round of reform.

- Restore at least some T grant, arranged as a block grant, perhaps tapered, so that universities that charge lower fees receive a larger T grant, as discussed in section 3.1; for fuller discussion, see Barr and Shephard (2010, paras. 6–19).
- Reform the loan system so that its fiscal costs are as small as possible:
 - Over time reduce the real threshold at which loan repayments start (Barr and Johnston, 2011);
 - As far as possible, relieve the taxpayer of the remaining loss on loans, which should be shared between the cohort of graduates (through a national cohort risk premium) and universities (via a university-specific RAB charge), as discussed in section 3.2 (for fuller discussion, see Barr and Shephard, 2010, paras 20–29).

These reforms to the loan system make it possible to liberalise student numbers, to extend the availability of loans to part-time students, and to offer loans to postgraduates.

- Divert resources to address the real impediments to participation. Rather than require universities to pay large bursaries, encourage them to contribute to the finance of remedial reading in inner-city primary schools.

63. What is the bare minimum that should be done now

- Freeze the £21,000 threshold in nominal terms for the time being (Barr and Johnston, 2011).
- Consider introducing a university-specific insurance premium, at least for students in excess of the HEFCE quota.

22 May 2011

APPENDIX 1

HUMAN CAPITAL MATTERS

There are at least two strategic sets of arguments emphasising the importance of investment in skills.

Technological advance is a key driver. First, though it can reduce the need for skills—for example, computers have become more user-friendly—technological advance mostly increases the demand for skilled workers and

reduces the demand for unskilled workers. The evidence points to skill-biased technical change (ie new technologies that favour more skilled workers) being an important part of the explanation.

Secondly, change is increasingly rapid, so that knowledge has a shorter half-life: thus skills need to be updated, and need to be flexible enough to adapt to changing technology. Put another way, investment in broad, flexible skills offers a hedge against technological dynamism. Specific skills may become redundant, but education and training should give people general skills, saving the resources that would otherwise have to be devoted to retraining labour whose skills had become outdated or, at worst, to supporting workers socially excluded as a result of technological advance.

A separate argument is that widening and deepening human capital should be seen not only as investment, but also as insurance against being overtaken by countries with greater investment in skills.

These changes explain the movement into the “information age”, meaning a need for education and training that is (a) larger than previously, (b) more diverse, and (c) repeated, in the sense that people will require periodic retraining.

Demographic change creates a second argument. The rising proportion of older people in many countries presages high spending on pensions and other age-related activities such as medical and long-term care. The solution is to increase output sufficiently to meet the combined expectations of workers and pensioners. If the problem is that workers are becoming relatively more scarce, the efficient response is to increase labour productivity. Demographic change is thus an argument for additional spending on investment both in technology and human capital.

APPENDIX 2

COMPETITION IN HIGHER EDUCATION IS BENEFICIAL

In most countries, higher education has, in essence, been centrally planned. The case against this approach is not ideological, but rooted in the economics of information. The core of the argument is that students (in sharp contrast with school children or people with complex medical problems) are well-informed, or potentially well-informed, consumers, and hence better able than planners to make choices which conform with their interests and those of the economy. Though that proposition is robust for many students, there is an important exception: people from poorer backgrounds might not be fully-informed, with major implications for access, discussed below.

On the supply side, central planning, whether or not it was ever desirable, is no longer feasible. Technological change has led to more universities, more students, and much greater diversity of subject matter. The myth that all universities are the same and should be funded equally is no longer credible. In principle, differential funding could be implemented by an all-knowing central planner, but the problem is too complex for complete reliance on that mechanism: mass higher education needs a funding method in which institutions can charge differential prices to reflect their different costs and objectives.

In contrast with central planning, a competitive environment creates incentives for universities to be more responsive to demand from student and employers. Such competition needs to be supported by an effective system of quality control.

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Supplementary written evidence submitted by Professor Nicholas Barr

ASSESSING THE WHITE PAPER ON HIGHER EDUCATION³¹

NICHOLAS BARR³²

Executive Summary

The proposed new system creates the same strategic problem—the cap on student numbers—for the same reason as current arrangements—the high cost to the taxpayer of extra students. The White Paper proposes mechanisms to improve quality via competition, but with the number of students fixed, the reforms are more likely to reduce price (and hence public spending on loans) than to improve quality. Thus the strategy is flawed, and the White Paper mechanisms will not (because they cannot) sidestep the problem. The only solution is to fix the strategy by improving the design of loans so that the numbers cap can be relaxed, giving the market more influence on price, quantity and quality.

This submission starts with a brief summary of previously-announced reforms which establish the context of the White Paper. Section 2 summarises the White Paper mechanisms, and section 3 discusses their likely effects on quality, access and size. The concluding section suggests what should happen next.

1. Earlier Decisions that Shape the White Paper

1. The shape of the White Paper is largely determined by previous changes. My earlier evidence to the BIS Committee (Barr 2011) argued that the objectives of policy are improved quality, wider participation, and larger size, and highlighted two strategic problems with the proposed reforms in pursuing these objectives. First, they replace taxpayer support for teaching in the Arts and Humanities and the social sciences (the T grant) by a loan. The main driver for that policy is that T grant is part of public spending whereas most spending on loans is off-budget; thus the move reduces public spending as measured by the PSBR. Second, in an attempt to make the resulting larger loans politically more palatable, the reforms raise the threshold at which graduates start to repay from £15,000 to £21,000 and index that threshold to changes in earnings.

2. The results are two-fold. Though little has changed in cash terms (since the government has to finance the upfront cost of loans), there is an apparent reduction in the BIS budget; it is not unfair to say that an accounting trick is driving deleterious policy change. Secondly, the combination of larger loans (to replace T grant) and the higher repayment threshold means that, notwithstanding the increase in the interest rate on loans, the fiscal cost of each additional student continues to be high.

3. The central argument of this submission is that the new system creates the same strategic problem—the numbers cap—for the same reason—the high cost of extra students. The White Paper proposes mechanisms to improve quality via competition, but with the number of students fixed, the effects of competition are more likely to reduce price (and hence public spending on loans) than to improve quality. Thus the strategy is flawed,

³¹ I am grateful for helpful conversations with Claire Callender, Howard Glennerster, Helen Perkins and Graeme Wise, none of whom should be implicated in the views expressed.

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and no amount of clever tinkering can sidestep the problem. The only solution is to fix the strategy by improving the design of loans so that the numbers cap can be relaxed, giving the market more influence on price and quantity and hence also on quality (for detailed discussion, see Barr and Shephard 2010).

2. The White Paper Proposals

4. The requirements announced in the White Paper that universities publish timely, accurate and relevant information are unambiguously good.

5. The effects on competition are shaped by the inescapable implications of having a fixed number of students:

- Admissions are a zero-sum game. If some universities expand others must contract.
- If the number of institutions increases (eg because of new private entrants), the average size of each must fall.

6. On competition, the White Paper says (Executive summary, p. 10):

“We will free around 85,000 student numbers from current controls in 2012–13 by allowing unrestrained recruitment of the roughly 65,000 high-achieving students, scoring the equivalent of AAB or above at A-Level and creating a flexible margin of 20,000 places to reward universities and colleges who combine good quality with value for money and whose average charge (including waivers) is at or below £7,500.”

7. Thus, the White Paper creates a market with three parts:

- (a) “Top” universities accept mainly AAB students and can expand. Competition within the group is a zero-sum game. For the group as a whole, expansion is by bidding AAB students away from “middle” universities.
- (b) Middle’ universities: for the group as a whole, student numbers are reduced by the size of the margin and, because they charge more than £7,500, these universities cannot bid for margin students.
- (c) “Low price” universities have an average net fee of less than £7,500, so the group as a whole can expand by the size of the margin. An institution can combine a fee of £9,000, if it has a top department, with lower fees in other subjects, together with fee waivers calibrated to bring the average to below £7,500. The group includes three types of institution: new private providers, further education colleges, and access universities.

The Financial Times refers to these groups as the “new elite”, the “squeezed middle”, and the “insurgents”, respectively (<http://www.ft.com/cms/s/0/cc088644-a416-11e0-8b4f-00144feabdc0.html>).

3. Assessment

8. Successive sections discuss likely effects on quality, access and size. Section 3.4 discusses some additional worries.

3.1 *Quality*

9. **Group (a) universities.** The White Paper argument is that, by liberalising numbers, universities in this group can expand, and that the option to do so creates competitive incentives to improve quality. That argument is weak for the best universities for two reasons. First, they are unlikely to want to expand much (it is implausible to imagine significant expansion by Oxford, Cambridge, LSE, or Imperial College; and University College London has already made an announcement to that effect). Second, and more fundamental, any increase in domestic competition facing those institutions is completely dominated by the international competitive pressures they have faced for many years. To imagine otherwise is to argue that those universities teach well enough to attract foreign students, but need domestic competition to encourage them to teach UK students well.

10. If increased domestic competition through liberalised student numbers is to have any effect, it would be on the second tier of group (a) universities.

11. **Group (b) universities.** The average university in group (b) can avoid a reduction in student numbers only by reducing price enough to join group (c), allowing it to bid for margin. There is no mechanism for the average university in group (b) to increase student numbers by improving quality (ie shifting its demand curve to the right); its only lever is to reduce price (ie moving down the demand curve). To the extent that there is competition in group (b), it is within a zero-sum game.

12. Thus the quality of universities in group (b) is at risk for two reasons: they lose money because they lose quota; and they risk losing their best (AAB) students to group (a), not least because savvy parents will recognise the unhappy position of universities in group (b).

13. Over time, the risk is that these effects will “hollow out” group (b)—universities which in many ways are the core of English higher education, but also enormously attractive worldwide. Hollowing out puts at risk the export performance of the sector.

14. **Group (c) universities.** The ability of a university in group (c) to expand is by bidding for students from the margin on the basis of price and quality, competing for places with new private providers and further education colleges. Places are allocated by HEFCE, not the market. Thus the system is one with a shortage of places and a central-planning approach. Even a rudimentary knowledge of the communist experience suggests scepticism.

3.2 Access and participation

15. **Fair access.** The use of AAB or equivalent as the metric in group (a) militates against the use of contextual data (eg the fraction of pupils at an applicant's school achieving five good GCSE passes). The effect might not be acute in a handful of top universities, but otherwise risks potential adverse effects on fair access

16. **Widening participation.** Group (c) contains different types of institution. Private providers might offer good teaching at a lower price. Universities in group (c) face incentives to bring down their average net fee either directly or through fee waivers. The evidence suggests that fee waivers do little to widen participation. The most powerful policies for doing so are twofold: interventions earlier in the system (hence the decision to abolish Education Maintenance Allowances and AimHigher is profoundly mistaken);³³ and expansion of university places, on which the White Paper does nothing.

3.3 Size

17. **Underinvestment in human capital.** The White Paper takes the cap on student numbers as given. Within a given funding envelope, numbers could be increased if the White Paper has the effect of reducing fees, hence reducing total public spending on fee loans. That approach, however, is problematical in two ways.

- The increase in student numbers is unlikely to be large. To under-invest in human capital in today's world is mistaken for the reasons set out in my earlier evidence (Barr, 2011, Appendix 1). In South Korea in 2008, the participation rate in tertiary education was 71% (OECD 2010, Table A2.4).
- Any such expansion is based on reduced fees. As noted earlier, the mechanisms in the White Paper are more likely to reduce prices than to increase quality. The title of the White Paper puts students at the heart of the system. It is not clear how a structure designed to reduce price will lead to improved student experience. Quality matters for the same reason as size—the country's international competitiveness—as well as for the student experience.

3.4 Other worries

18. **A segmented sector.** A vibrant system of higher education has a spectrum of institutions like the colours of the rainbow. The proposed market structure drives a wedge between universities in group (a) and group (c). More specifically:

- Group (a) universities face a slightly relaxed numbers constraint to the extent that they choose to attract AAB students from group (b) institutions.
- Group (b) universities face declining income, both because of lower student numbers (quantity) and from pressures to reduce fees (price) in order to join group (c).
- Group (c) will expand by the size of the margin. But within that higher numbers total, if new private providers and further education expand, access universities face contractionary pressures.

19. Such segmentation is inefficient. In the extreme, the system will move towards what has been called "soft binarism".

20. **Stability of the sector.** At a practical level, there is no detail about how the margin will work, for example, when universities will be told what their numbers quota will be. This may not be a problem when, as at present, changes in quota are small, but if the size of the margin increases changes might be larger; but expansion or contraction needs advance notice.

21. More generally, HEFCE will be doing a juggling act: rapid change may cause some institutions to fail because the numbers cap denies them an important degree of freedom. If there is significant instability, HEFCE will stabilise the system by keeping changes small. But in that case, competition is limited—the system is complex, but to no useful effect.

4. Conclusion

22. **The current reforms do little or nothing for quality, access or size.** They fail on size, since the high cost of loans constrains student numbers. The White Paper does little, if anything, to widen participation, and the AAB metric could harm fair access. The effects on quality are likely to be divergent, with little effect for the top universities in group (a), which already face intense international competition, possible benefits for the rest of group (a), and potentially deleterious effects for the other groups.

23. **What next?** The bare minimum action now is to put indexation of the £21,000 repayment threshold in abeyance for the time being. Barr and Johnston (2011, Fig 1a) estimate that this change, with a slightly higher

³³ Whether or not there was a case for reforming these policies, abolition was a mistake.

interest rate, would save around 15% of the total cost of loans (ie would roughly halve the total loss on loans) for the 2012 cohort of students, even taking account of the larger loans necessitated by higher fees, with larger savings for later cohorts.

24. If these problems are not addressed now, it will have to be left to the next White Paper to tackle the root problem—the high fiscal cost of expansion. As argued in Barr and Shephard (2010), policy should (a) restore an element of T grant as a block grant, thus reducing the size of loans and hence the cost of loans, and (b) increase the fraction of loans that is repaid. If loans are smaller and less leaky, the remaining loss from non-repayment is smaller, making it more feasible to share those costs between the cohort of graduates on the one hand, and universities, on the other. These changes, as a package, greatly reduce the taxpayer cost of expansion. Relaxing the numbers constraint has benefits for quality (through genuine competition), for participation (since expansion per se has a significant beneficial impact), and for size.

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7 July 2011

Written evidence submitted by the British Accreditation Council (BAC)

The role of the British Accreditation Council (BAC) in the quality assurance of independent education in the UK:

- BAC inspects and accredits 556 educational institutions as of 18 May 2011, 29 of which are outside the UK.
- During the course of the academic year 2009–10, around **230,000 students** were enrolled at BAC-accredited institutions.

BAC is a registered charity established in 1984 to be the national accreditation body for independent further and higher education, after the Department of Education and Science withdrew from its central role in regulating this sector. Over the next 27 years BAC’s inspectors, many drawn from the ranks of Her Majesty’s Inspectorate, Ofsted and related agencies, have carried out thousands of inspections of educational institutions at no cost to the taxpayer, and BAC accreditation has represented the sole public assurance of quality in an otherwise unregulated sector. In this task BAC was joined by the British Council, which offered the English in Britain accreditation scheme (now Accreditation UK) for English language schools (both privately owned and those attached to public institutions).

BAC’s inspection process has been developed and refined over many years, and is specifically designed to ensure that independent education providers meet the necessary standards in order to provide a quality education experience for their students. Independent providers often differ significantly from universities: they may have limited resources compared to a large publicly funded university, they may offer programmes of study in a particular specialist subject or training for specialist industries, or they may provide a tailored programme of study for a limited number of students. BAC has therefore developed its inspection and accreditation process so that it can encompass the wide range of education provision in the independent sector, whilst ensuring that certain minimum standards are met in order to ensure educational quality across the board. Our team of inspectors, many of whom have years of experience of the independent sector, are adept at assessing independent education providers and ensuring that BAC’s minimum standards are met. In order to meet the demands of a growing and diverse sector, BAC has expanded its inspectorate to include experts in a variety of fields, from aviation to performing arts.

The following information provides an overview of BAC’s accreditation process, and the attached appendix, “Independent Further and Higher Education in the UK”, provides further detail on the sector.

BAC’s Accreditation Process

BAC’s accreditation process involves a rigorous on-site inspection focusing on five areas:

- Premises and Health and Safety

- Management, Staffing and Administration
- Student Welfare
- Teaching, Learning and Assessment
- Management of Quality

Applicant institutions must demonstrate that they have met required standards in these areas and will only be awarded accreditation once the independent Accreditation Committee agrees that, following the consideration of the inspection report, these standards have been met. Once accredited, institutions submit to a regular monitoring process involving annual data returns, financial analysis, and interim, supplementary and spot check inspections.

The first stage of the accreditation process requires the submission of a comprehensive application form with supporting documents including corporate information, financial records, professional referees for the Principal, a health and safety policy and student and staff handbooks describing policies. The application is reviewed by the BAC office and signed off by BAC's Chief Inspector. If an institution is successful at this stage an inspection will then be arranged. During the academic year 2009–10 BAC received **136 applications** and of these **106 proceeded to inspection**.

New institutions which are not yet fully operational can apply to be an “approved candidate for BAC accreditation” for six months; this involves an inspection of the first three areas mentioned above which establishes the academic rationale and checks that the premises, governance, policies and administrative capacity are ready for the first student intake. The institution will then be expected to undergo a second inspection covering the remaining two areas and confirming the implementation of the first three before the “approved candidate” status expires in order to gain full accreditation. Established institutions, however, with students already enrolled, must undergo a full accreditation inspection focusing on all five areas. All accredited institutions are fully re-inspected every four years and are also subject to an interim inspection halfway through this period.

BAC's Accreditation Committee and Inspectorate

The Accreditation Committee lies at the heart of BAC's approach to independent judgment and decision making on all matters relating to the accreditation of institutions. It is composed entirely of volunteer members who have extensive experience of further and higher education and are, or have been, senior officers of organisations whose role is to oversee the quality and standards of provision in a wide range of education and training settings (including QAA, the Independent Schools Inspectorate, the Council of Validating Universities and the Open University Validation Services).

During the academic year 2009–10 the Accreditation Committee met seven times and considered reports on **452 UK institutions**. The Committee makes decisions both on new applications for accreditation and the reaccreditation of existing institutions; as part of this process the Committee can choose to award accreditation, to defer a decision on accreditation (pending additional documentary evidence from the institution or a further inspection), or to refuse or withdraw accreditation. In 2009–10, the Committee considered **237 inspection reports** which required a decision on the accreditation of an institution. **Accreditation was granted in 67.1%** of these cases, while in the remaining 32.9% of cases, either accreditation was refused/withdrawn or the decision on accreditation was deferred.

BAC has a team of **77 experienced inspectors** engaged under contract, encompassing a wide range of specialist subject areas. In the academic year 2009–10 BAC inspectors were used a total of 771 times and carried out **616 inspections**.

As part of the ongoing monitoring of accredited institutions, **24 spot checks** were carried out in 2009–10, compared to eight in the previous year and reflecting a commitment by BAC to increase the number of unannounced inspections it conducts.

18 May 2011

APPENDIX

INDEPENDENT FURTHER AND HIGHER EDUCATION IN THE UK

This paper is intended to provide an overview of independent further and higher education in the UK and to highlight the particular areas of education catered for by independent providers. The independent sector has grown significantly over the past few decades to become an attractive alternative to the publicly funded sector for many students, by offering value for money, flexible modes of learning, intensive tuition, bespoke training and highly specialist subjects and qualifications. The summary below looks at some of the main types of education provider accredited by the British Accreditation Council (BAC), highlighting individual institutions to provide a flavour of the sector as well as exploring some further characteristics of the sector through statistical estimates. Not included within this paper is the UK's thriving English language sector whose centres mostly are accredited by the British Council in partnership with English UK.

Unless otherwise stated, the statistical estimates referred to throughout this paper have been compiled from data submitted by BAC-accredited institutions in their Annual Return for the last academic year. The estimates reflect provision in the sector for the period 1 September 2009 to 31 August 2010. Analysis was carried out on the Annual Returns of 366 institutions, with the results extrapolated to estimate total figures for 488 institutions, the number with BAC accreditation as of 31 August 2010.

There are around **1,300 independent providers of post-school age education in the UK**, including around 400 English Language schools accredited by the British Council and around 500 further and higher education institutions accredited by BAC. Some of these latter institutions are world leaders in their field, or offer highly specialised qualifications which are not available in the public sector and do not attract central funding. Many provide professional development for particular sectors, for example Non-Destructive Testing (the branch of engineering concerned with all methods of detecting and evaluating flaws in materials), training key personnel for industries such as energy, construction and manufacturing. There are also substantial numbers of study abroad programmes in the UK, often run by independent institutions in partnership with overseas universities. These programmes provide students with an invaluable opportunity to immerse themselves in life in the UK, and benefit from a cross-cultural dialogue with other students. Further detail of the range and types of independent institutions in the UK is given below, divided into broad categories reflecting the make-up of the sector.

Higher Education

Higher Education (HE) in the UK is dominated by a publicly funded university sector whose reputation is amongst the best in the world. While there are only a few examples of non-publicly funded institutions with their own degree-awarding powers (including BPP University College, a BAC-accredited institution until its recent change in status), an increasing number of UK and overseas universities have formed partnerships with independent institutions in the UK in order to widen access to their degree and non-degree programmes, allowing domestic and international students to study at a nearby private college often at a substantially lower cost. In addition, many independent institutions offer courses leading to a non-degree HE award (QCF levels 4–7) from a national, Ofqual-recognised awarding body or chartered institute. Both types of HE course form part or all of the provision at a significant number of BAC-accredited institutions.

Our analysis of 2009–10 annual returns and external sources suggest that as of April 2011:

- 217 institutions offered some HE provision, comprising:
 - **691 degree courses** (577 UK degree courses);
 - 514 other university-validated courses (314 UK university-validated);
- These institutions had links with 78 UK universities and 73 overseas universities (the latter includes universities linked to around 30 UK-based providers of study abroad placements).
- 36,462 students enrolled on degree courses at BAC-accredited institutions (31,614 for UK degrees) 17,663 students were enrolled on non-degree but university-validated awards (11,946 for UK university-validated awards).
- 70 BAC-accredited institutions were also Listed Bodies, as included in the Listed Bodies Order maintained by BIS.
- In 2010–11, students at 46 BAC-accredited institutions received loans from the publicly funded student loans system.

Regent's College is one of the largest and most successful independent higher education institutions in the country. It incorporates seven schools including the Webster Graduate School and the European Business School in London. Across the schools there are a wide range of programmes on offer up to doctorate level; degree programmes are validated by the Open University but Regent's College is also applying for its own degree awarding powers.

Access to Higher Education

Many students at BAC-accredited institutions are studying with the aim of progressing to a higher education course (usually a UK university degree). Many have achieved good academic results in their own country but are unable to meet the entry requirements for UK degree courses without further study. International Foundation Year (IFY) programmes have flourished to fill this need and provide students with targeted study so that they are prepared for the demands of a degree programme. Independent tutorial colleges also continue their long tradition of providing intensive, tailored tuition at GCSE or A level, which paired with close pastoral support and careers advice helps students to secure the qualifications they need for higher education or the jobs market.

Kings Oxford, the first college to be accredited by BAC in 1985, has a long tradition of providing extensive support for students. Currently this includes a “10 part promise” which pledges to support students from application through to completion of studies; this involves the provision of an individual Study Action Plan and a university placement service for those aspiring to progress to a UK university.

Creative and Performing Arts

Independent creative and performing arts schools have thrived in recent years and enjoy a high reputation across the world, encompassing drama, dance, music, fashion, flower arranging and much more. Many of these schools can be found in the creative hub of London, providing the best access for students to experience their chosen profession first hand.

The Academy of the Science of Acting and Directing offers courses for a range of abilities, from industry novices to established actors and directors, applying a methodical approach to both disciplines which equips students with the knowledge and skills needed to perfect their art. The Academy hosts three public showcases of student work every year, as well taking several shows to the Edinburgh Festival and the Podium Theatre Festival in Moscow. Recent graduates have achieved roles in Steven Spielberg films, and won awards such as Best Supporting Actress at the Kiev International Film Festival.

Specialist Vocational

Many independent institutions offer specialised vocational courses aiming to equip students with a very refined set of skills, making them highly employable on graduation. **Alchemea College of Audio Engineering** is a specialist audio training college which prepares students for careers in music production and film sound. The College enjoys state-of-the-art facilities and runs courses designed by industry professionals to ensure that graduates are equipped with the skills which really matter when seeking employment in this highly competitive industry.

In an entirely different field, **the Gemmological Association of Great Britain** (Gem-A) first introduced a gemmology qualification in 1908, and today offers Certificates and Diplomas in Gemmology and related subjects. Students often join a programme at Gem-A for further study as graduates, but the qualifications also count towards a degree in Geology from Kingston University. The Gem-A Diploma has worldwide recognition and graduates of Gem-A run the foremost government and private gem organisations and laboratories in China, India, Pakistan, Thailand and elsewhere.

Business and Professional

A large proportion of independent institutions in the UK offer courses in areas such as business, law, and accountancy. Some of these institutions, such as **Kaplan Financial**, are part of a worldwide brand and many are applying for their own degree awarding powers; **BPP Professional Education** has already achieved this with its University College. Amongst the more traditional qualifications, such as the MBA and the ACCA, some institutions offer more specialised courses which specifically train the future professionals in particular sectors.

Religious Education

Religious education is an area in which independent educational institutions have proliferated in the UK, offering both general religious studies programmes and specific training for individuals aiming to become ministers of their faith. Many different faiths are represented by these institutions which often provide other services alongside their academic courses, such as community work and public resources including library collections or youth centres. Many institutions offer Bachelor's degrees validated by UK universities and a significant number also run programmes leading to doctorates. One such institution is **Spurgeon's College** which runs Bachelor's and Master's programmes, and a Doctor of Philosophy (all awarded by the University of Wales). Undergraduate courses can be undertaken in various modes of study: the church-based course is a more vocational method focusing on the improvement of communication and leadership skills, whilst the college-based course has a stronger emphasis on theological understanding and analytical skills.

Short Courses

Short course providers also make up a significant proportion of independent education providers in the UK. These include continuing professional development and short courses such as the Research Scholars Programme run by the **Hansard Society**. This is a 12 week, full-time, intensive research programme split equally between an internship in an area such as the Houses of Parliament, a Government department or political party headquarters, and academic study. The Hansard Society enjoys a high-profile reputation in the political world, and Hansard Scholars are recognised as invaluable contributors to political research.

The Economic Impact of Independent Further and Higher Education

While we have not yet completed a full financial analysis of the sector based on the accounts supplied as part of the Annual Return, our preliminary findings suggest that BAC-accredited institutions reported a total **income from student fees of around £1 billion** in 2009–10.

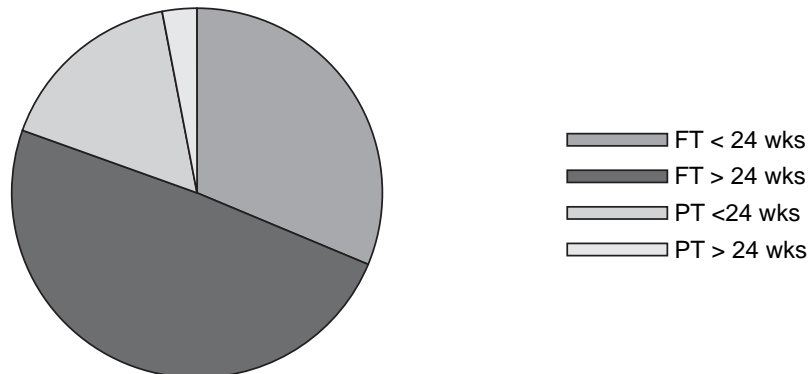
Extrapolating from the financial reports of BAC-accredited institutions leads to an estimated student fee income for the 1300 independent FE/HE institutions in the UK of around **£2.5 billion**.

Student Profile

Our analysis of the students at BAC-accredited institutions in 2009–10 suggest that:

- Around 230,000 students were enrolled at a BAC-accredited institution during the course of the year
- Students ranged in age from 6 to 92, with most institutions enrolling students in the 16 to 70 age bracket
- The number of teaching staff employed was around 14,000 giving a **teacher:student ratio of 1:16**
- Around 26,000 students progressed to courses at higher education institutions
- The following chart show a breakdown of the length of course and mode of study (full time or part time) for students in this academic year:

Modes of study at BAC-accredited institutions



Students at BAC-accredited institutions are studying for a wide range of qualifications, from short professional development courses, to Master’s degrees and Doctorates in a wide range of subjects, to specialist vocational courses in preparation for a highly skilled trade. Many are studying with the aim of progressing to a UK university whether this is via an International Foundation Year programme, or by taking GCSEs and A levels at an independent tutorial college. The breadth and depth of independent further and higher education in the UK is reflected in the wide range of provision at BAC-accredited institutions, and in the talented and diverse student population they support.

Conclusion

The institutions mentioned above are a just a small sample of the hundreds of specialist colleges, schools and academies which make up the independent further and higher education sector. Significant numbers of these institutions are world leaders in their field, or offer specialist qualifications which are only available in a handful of locations in the UK and worldwide. Many more independent institutions offer international students the opportunity to study to a level which they cannot achieve in their own country, and thus dramatically improve their employability in their home nation. Recent changes to Tier 4 of the Points-Based Immigration System are having a very significant impact on the viability of many of these institutions, without which the breadth and depth of educational provision in the UK would be severely diminished.

Supplementary written evidence submitted by the British Accreditation Council for Independent Further and Higher Education

The impact of recent changes to the student visa system on the Government’s plans for private higher education as set out in the White Paper, *Higher Education: Students at the Heart of the System*, June 2011.

In reply to Katy Clark, MP on 24 May 2011, I supported the notion of a “level playing field” for higher education quality assurance regardless of the ownership status of particular institutions. I said, on behalf of BAC, that:

“we hope that whatever the common level playing field for quality assurance is, it should be inclusive. It should not damage the access that students have, through private colleges, to higher education of all sorts, in a range of fields.”

(Question 609)

I should like to amplify this comment in the light of more recent developments.

In their Foreword to the Higher Education White Paper *Students at the Heart of the System*, the Secretary of State for Business, Innovation and Skills and the Minister for Universities and Science argued that:

“Responding to student demand also means enabling a greater diversity of provision. We expect this to mean more higher education in further education colleges, more variety in modes of learning and wholly new providers delivering innovative forms of higher education”. (Cm 8122 p. 3)

The White Paper recognises and celebrates diversity of provision:

“Over 1,600 bodies, public and private, at home and overseas, offer some form of UK higher education provision, around 250 of which are further education colleges.” (Cm 8122 p. 46)

Apart from this reference, the Paper is curiously silent on the issue of UK-domiciled private higher education institutions. Yet BAC estimates that these teach at least 36,000 students on degree courses and a further 11,000 on UK University-validated non-degree courses.³⁴ 70 of the 86 Listed Bodies are BAC-accredited private institutions whilst a further 52 offer substantial elements of UK university-validated provision.

The Paper then goes on to argue that:

“Many private providers run successful higher education courses in England without wanting to enter the English higher education sector and will probably go on doing so. As with other providers, the regulatory regime will depend on what alternative providers wish to access. If they wish to hold degree-awarding powers they will have to sign up to a quality assurance regime.” (Cm 8122 p. 73)

Whilst this may continue to be true for those recruiting UK and EU-domiciled students, it fails to recognise the mandatory nature of the new arrangements for “Educational Oversight” which the Home Office has imposed on Tier 4 Student Visa Sponsors with effect from 4 July 2011.

Private institutions have undergone a long period of uncertainty regarding their ability to recruit international students. In particular the following three points are of concern following the most recent raft of changes:

- Students at private institutions will have no work rights, compared to their peers at public institutions (including those on the same course, such as university-registered degree students) who can work part time. This is seen as particularly inequitable and potentially open to legal challenge.
- Private institutions now have to apply for a new system of Educational Oversight, incurring significant additional costs, despite having already undergone demanding accreditation processes; this system is not yet fully in place and institutions are not yet able to apply to the relevant bodies.
- In the interim, private institutions have had the number of offers they can make to international students frozen, leading for most to a significant real-terms cut in number of enrolments. For many institutions, some of which were experiencing rapid growth, this represents a significant shortfall in revenue which may threaten the viability of their business.

Taken together, these changes are likely to cause a significant number of reputable, high-quality educational institutions to close because of the negative effect on international student recruitment. The UK education sector is highly interlinked and interdependent; any negative publicity arising from the closure of private institutions will damage the UK brand and is likely to impact significantly on other institutions by steering international students towards other countries which are perceived as a safer bet. The rules surrounding the student immigration route have become extremely complex over the last few years and there is already considerable confusion and some wariness amongst international students.

In light of these difficulties, BAC has proposed the following measures to alleviate some of the potential damage to the education sector:

- The expansion of the 11-month extended student visitor visa to include academic and vocational courses. This would mitigate some of the damage to the private sector and save some institutions from closure, without adding to net migration figures; this concession has already been provided for the English language sector.
- Equality in work entitlements for students registered with a UK university, but studying at a partner college; the disparity between working rights for international students is unfair and unnecessary in all cases, but this would go some way to rectifying the problem for a proportion of these students.
- That the newly designated Educational Oversight Bodies make full use of existing and proven inspection procedures and monitoring strategies in developing the new quality assurance system for the private sector, so that it is fair and fit for purpose.

The Select Committee is asked to consider the consequences of these differences in treatment between public and private sector institutions (which appear to have had the tacit support of the Education Ministries) for the principle of greater diversity of provision envisioned by the Higher Education White Paper and the access that students have, through private colleges, to higher education of all sorts, in a range of fields.

Professor Steve Bristow
Senior Advisor (Quality Assurance and Governance)

July 2011

³⁴ Briefing note for Select Committee prior to Oral Evidence, May 2011

Supplementary written evidence submitted by Lord Browne of Madingley

THE WHITE PAPER HIGHER EDUCATION: STUDENTS AT THE HEART OF THE SYSTEM

Introduction

I am grateful to the Committee for inviting me to submit supplementary written evidence on the Government's proposals for Higher Education.

My role in leading the Independent Review of Higher Education Funding and Student Finance expired on 12 October 2010 when our review was published. Consequently, I submit this evidence only as an interested citizen.

Support

I am pleased to note that the Government has accepted the vast majority of specific measures recommended in our review. Where it has deviated from our recommendations or added to them, the proposals are generally sensible.

I applaud in particular four proposals made in the White Paper:

- The changes to the repayment system, especially the increase in the income threshold to £21,000 and the increase in the maximum payment period to 30 years. These measures will ensure that no graduate is required to pay more than they can afford and will create a truly progressive repayment system.
- The extension of support for the costs of learning to part-time students and distance learners. Higher education will be free at the point of entry for all students, regardless of the mode of study—a vital step in widening participation.
- The provision of better information for students, through Key Information Sets and improved careers guidance. Properly informed students will be able to effectively exercise choice: improving their own prospects, and driving up quality through competition.
- The extension of degree-awarding powers, student support and the title “university” to a broader range of institutions. Traditional universities, further education colleges and private providers each have a vital role to play in our higher education system.

Principles

Many of the proposals in the White Paper remain unclear. As the Government refines its proposals and develops the detail, there are some general principles that should be kept in mind.

First, the Government should retain a focus on the three overarching policy goals, which were set out in our review and supported by the Government:

- **Quality:** institutions should grow and adapt to meet students' demands.
- **Participation:** no student should have to forego higher education for financial reasons.
- **Sustainability:** the system should have the funding and flexibility to survive in the long-term.

Any proposals should be judged against these three objectives.

Second, as I emphasised last time I spoke to this Committee, Higher Education requires *systemic* reform. Changes to any particular aspect (for example fee levels, repayment mechanisms, number controls, access requirements or information provision) have consequences for the operation of the system as a whole. Reform will only be successful if designed with an appreciation of these complex interrelations.

Third, simplicity is a virtue. One of the greatest threats to participation by students, particularly those from disadvantaged backgrounds, is misconceptions about the higher education system, especially about the availability of student loans, the nature of the debt incurred and the arrangements for repayment. Ensuring that the system remains as simple as possible reduces the likelihood of damaging misconceptions among students.

Concerns

To my mind, there are four specific proposals in the White Paper which require refinement or clarification:

- *Control of student numbers (4.18–4.21)*

As the title of the White Paper suggests, the Government aims to place students at the heart of the higher education system.

In my view, that ambition should be applauded. As we set out in our review, a higher education system in which institutions respond to the demands of students will be one that delivers a high-quality education. The review saw competition in a controlled market as the only way to deliver consistent improvements in the quality of higher education.

Competition of this kind depends on liberalising number controls. Institutions that provide a good

service must be able to grow to welcome more students and institutions that provide a bad service must face the prospect of improving their offering or potentially closing.

The Government recognises this but faces a countervailing pressure to retain control on numbers in order to limit costs. Given this pressure, the opening up of places for those getting AAB or higher at A-level is a reasonable starting point for liberalisation.

But in the long-run, it cannot be satisfactory to exclude 80% of students from the benefits of competition. Those who do not get AAB should not be consigned to a separate system in which successful universities cannot expand to accommodate them, and in which the pressures of competition are absent.

The goal must be to liberalise the vast majority of places by bringing down the AAB threshold as quickly as possible. The White Paper articulates an intention to move in this direction, but gives no commitment. The Government should make a firmer statement of its ambition in this regard, and detail by what criteria HEFCE will determine the speed of liberalisation.

The margin of places for institutions charging less than £7,500 does not strike me as a meaningful liberalisation of number controls. The White Paper is not clear but suggests these places will be “competed for on the basis of agreed criteria”: ie centrally distributed rather than responding to student demand.

— *Fee cap (1.8)*

In our review we proposed that there be no cap on fees, but instead a levy on fees above £6,000 to cover the cost to Government of providing finance. This seemed the best mechanism to incentivise institutions to provide good value for money courses, keep control on costs, and dynamically respond to changes in student demand.

The Government’s last year announced that it would not be removing the cap or instituting a levy, but would instead increase the cap to £9,000.

This is a system with no inherent flexibility and it will not deliver sustainability. Costs in higher education will continue to rise and the spend on higher education by our international competitors will continue to increase. If we want to provide world-class education on the best courses then more money will have to be found.

The Government will inevitably have to revisit this issue, perhaps within the next five years. It would be helpful at this stage—for both students and universities—if the Government were to outline its thinking in this regard.

— *Indexation of earnings threshold (1.15)*

The White Paper does not state how the earnings threshold above which graduates are required to make repayments will rise over time.

In our review we noted that the 2006 reforms had not included a mechanism for increasing the earnings threshold. As a result, the threshold has remained constant at £15,000, even though earnings and prices have increased. This has had three damaging consequences:

- Graduates earning the lowest wages, who were originally not required to make payments (because they could not afford to do so) are now required to make payments;
- The contributions of graduates earning lower wages have increased more rapidly than the contributions of graduates earning higher wages;
- All graduates are required to contribute more as a proportion of their salary than when the system was introduced.

In sum, the failure of the last reforms to index the earnings threshold steadily eroded the progressive nature of the repayment system. In order to avoid a repetition of this situation our report recommended the earnings threshold be linked to average earnings.

On 8 December 2010 the Secretary of State for Business Innovation and Skills put a written statement to the House in which he endorsed this recommendation. I do not know whether the absence of this detail from the White Paper is an omission or a change in policy, but in my view the success of these reforms depends on its inclusion.

— *HEFCE (6.10)*

The White Paper is right to recognise that HEFCE must undergo a “major change of emphasis as the reforms take hold, requiring different power and appropriate remodelling as it evolves from being primarily a funding council to also being the lead regulator for one of our most important sectors.”

HEFCE will have a new purpose, and it must be fit for that purpose. The effective functioning of the higher education market depends on having a strong and independent regulator. HEFCE should be established as such, along the lines of Ofcom or Ofgem.

In particular it must be set up to have:

- Purpose: HEFCE’s central mission must be to serve the interests of students.
- Independence: The Board should be composed of independent members, not (as presently) senior employees of the higher education industry that HEFCE is established to regulate.

- Bite: HEFCE must be equipped with adequate powers to address failings in quality or competition.

7 July 2011

Written evidence submitted by GuildHE

Summary of Key Issues

- UK Higher Education (HE) enjoys a world class reputation amidst rising domestic and global demand for higher education.
- Higher education delivers social as well as economic goods and the broader economy and society should be more clearly factored into a co-payment approach for tuition funding. Graduates should pay their part, but so too should employers and wider society.
- Browne bases his views on a particular type of student making choices in a single national system free of constraints. We don't believe that either students or the sector can sensibly be considered in such a way.
- No one can really predict the effects of the new regime on student demand and participation—especially among the most disadvantaged groups. Ambitions to widen participation and boost access and social mobility through the role of OFFA and the National Scholarship Programme are untested and unproven.
- Specialist higher education is a key part of the sector and of sectoral ecologies—higher education reforms underplay their role and threaten their contribution to the economy, as well as the choice and diversity they offer to students.
- Higher education is essential to both national and local economic growth and this role is significantly underplayed in both Browne and the Government's response thus far. The reforms have unpredictable effects and potentially place this role in jeopardy.

Introduction

GuildHE, one of the two formal representative bodies for higher education, has 32 members across a diverse spectrum, including universities, university colleges, specialist vocational institutions, and further education colleges with significant proportions of HE. Our members also include public, as well as private “for profit” and “not for profit” institutions. GuildHE's membership is varied in size and institutional character, and covers many perspectives—small and larger, private and public, with varied specialisms and research interests. They include institutions as varied as the Royal Agricultural College, the Universities of Worcester and Winchester, University College Birmingham, the University for the Creative Arts and Bishop Grosseteste University College Lincoln and Norwich University Colleges of the Arts.

GuildHE members and the HE sector as a whole has benefitted from many years of popularity and expansion in domestic and global higher education. It is clear from OECD evidence, that there is a strong international trend for more people to go to university. Average OECD net entry rates into higher education increased from 40% in 2000 to 57% in 2008, with the UK rate increasing from 48% to 57% in the same period. Every single OECD country has been increasing net entry rates over this period.

Part of the incentives to gain a degree in England have been the well publicised wage returns to graduates. On average a graduate will earn comfortably over £100,000 more in today's valuation, net of tax, than a similar individual who achieved university entrance qualifications but did not go into higher education—this premium has held up in spite of the recession. There is also a continuing strong employment premium. Returns to higher education participation are not just economic—graduates are in general more healthy, more active in their community and more likely to pass on generational benefits to their children.

The reputation of UK universities is a continuing economic strength and the value of a UK degree in the global education market remains high. In institutional terms, Eversheds have recently valued UK degree awarding powers at between £175 and £250 million.

The Browne Report and Government Response

The Browne Report contained some welcome progressive proposals, including higher repayment thresholds on student loans and more support for part-time students, which Government has acted upon. It also recommended more places on higher education courses in the reiteration of the belief that the UK requires a mass higher education system. However, it also rests clearly on a vision where all students should have the opportunity to follow a traditional three-year student experience. In terms of the cost to both the state and the individual, this represents an expensive model—one that simply and ultimately may be unaffordable over the longer term.

GuildHE takes the view that HE seeks to deliver significant public benefits as well as major economic impacts for the individual, employers and local economies, as well as for UK society as a whole. From this a principle of co-payment for tuition should be in place, namely that graduates should pay their part, employers

should pay (through the understanding that they contribute through general taxation) and the wider public good should also be reflected in contributions by the state (and also funded through general taxation).

Substituting state income with graduate income is not therefore appropriate or ideologically fair. The principles of co-beneficiaries and co-payment should continue to underline the government's approach to any new system. Anything with too much weight on one beneficiary may be better affordable in the current climate but 'unfair' over the longer term.

Economic growth

Instead, the emphasis should be on how we sustain a world class HE system for the UK and how institutions are maintained as key economic and social assets. When the HE Framework was launched in 2008, the overarching question was how to create and sustain a world class system over the next 10–15 years. This must still be a question in our minds as we collectively consider how to implement Browne's recommendations and how we fund the system that develops from it.

The direct relationship between higher education and economic growth is well and widely made. The possibilities of reduced participation and resources could dangerously weaken the ability of the sector to drive economic growth in the short, medium and longer term. This is a part of public policy that should not be left to chance. Higher education as a sector should play its part in reducing the deficit, but it must also play its fundamental part in spearheading the recovery.

Funding world class research is clearly a major part of both our world standing and our ambitions to develop an innovative, knowledge based economy across the UK. The financing of capital expenditure that will support the best facilities for both teaching and research is also in doubt. Both will be crucial to the broader HE package and significant cuts will have a detrimental impact on our current world standing. We currently punch well above our weight and stand only second to the US in our scientific output. Deep cuts will erode the UK's chances of attracting the best students, scientists and businesses looking to take advantage of our position.

*“Over the past decade the British economy has become deeply unbalanced...We need a new approach. One that empowers local leadership, generates local economic growth, and promotes job creation in all parts of the country.”*³⁵

The themes of a rebalanced economy—both sectorally and geographically—and a private sector led growth model—all less dependent on debt also underpinned David Cameron's first major speech as Prime Minister³⁶ as well as George Osborne's first Emergency Budget.

Economic growth is not just a generic, national story but is also relevant in specific areas throughout the country too. GuildHE members, whether in High Wycombe, Carlisle, Bradford or Birmingham are experts at generating human capital, supporting local businesses and the highest quality public services in their areas. Using the unadjusted principles of “market” to drive choice and competition, runs the risk of driving HE out of places where its benefits can make a real impact.

Growth is also likely to be driven through key sectors of the economy, also represented by GuildHE members such as specialist institutions supporting the creative industries, land-based industries and advanced manufacturing and environmental industries. The private sector may indeed be able to take some of the strain in replacing some of the jobs that could be lost. However, they will not be able to easily replicate the value and impact of a local or specialist university.

A flawed and outdated conception of student choice?

Browne's vision of student choice depends critically on a one dimensional view of students in England and their geographical mobility. Browne is based on the view of a student as a school leaver planning to move away to university, fully informed of his or her choices and prepared to take on the commitments and repayments of a lengthy loan. GuildHE simply do not believe that students or their choices are quite like that. The reality for some time in higher education has been that the school leaver embarking on a traditional three year degree is in an increasing minority.

- HESA data shows 47.4% of all undergraduate students enrolled in public HEIs are aged 21 or over.
- Exactly one third (33.3%) of all Undergraduate students were studying part-time in 2008–09 and 32.4% of UK-domiciled Undergraduates studying for their first degree in 2008–09 were 21 years or over.
- These mature students made up 92.8% of all part-time first degree enrolments. 58% of part-time first degree entrants were aged 30 or over.³⁷

So we should be very wary of using an outdated stereotype as the defining principle of a new system. Many students have homes, jobs and families who cannot easily be uprooted. GuildHE institutions educate higher than average proportions of such “non-traditional” students. For part-time students and employers local provision is vital. Though this is the only real choice that many have, we rarely admit it openly.

³⁵ George Osborne, Emergency Budget Speech 22 June 2010.

³⁶ David Cameron's first key economic speech (and first major speech as PM) Friday 28 May 2010.

³⁷ HESA, Students in Higher Education Institutions, 2008–09.

New providers

Flagged up in opposition and in the early days of the Coalition's time in government, both Vince Cable and David Willetts (Secretary of State and Minister of State at the Department for Business, Innovation and Skills) have repeatedly looked to FE colleges as well as to other new providers as a way of bringing choice and competition to England's higher education sector.³⁸ But Government will still need to look at the needs of students in a new choice-driven market. It should reflect on what students want—and where provision of proven quality is meeting these demands—before throwing open the doors to providers. And because the key kitemark for recognition in HE is quality, policy must avoid perverse typologies of institutions based on cost.

As the 157 Mixed Economy Groups have pointed out: “HE in FECs is already a distinctive part of the HE system. While it is dangerous to over-generalise about a diverse system, HE students in FECs are more likely to be over 25, more likely to study part-time, and more likely to come from areas with low rates of participation than other students in HE. They are more likely to be studying foundation degrees and sub-degree programmes such as HNCs and HNDs.”³⁹

Supporting student choice means recognising the routes into HE, the diversity of applicants and the choices they make. The largest proportional growth in applicants for 2010–11 entry was those progressing from FE colleges (7.3%), from foundation degrees and through independent applications and other, less “traditional” routes (18%). The GuildHE group of institutions, which saw a 9.3% increase in acceptances compared to the sector's overall growth of 0.4%, and which includes small and specialist providers, has accepted larger than average proportions of students progressing into HE through these routes. And with the continued rise in mature students, and over 40% of UK students accepted to local institutions, enhancing student choice must be about maintaining a diverse ecology of HE provision.

Alongside, Further Education Colleges, ministers are also keen to encourage private providers into the UK market. In both cases, we welcome a commitment to new providers in the market as long as they are able to meet the rigorous and exacting standards that have underpinned the sector up to now. In this, as well as in all matters of funding and quality, we support the continued existence and enhanced roles for both HEFCE and the Quality Assurance Agency. Both roles should develop and change as the sector evolves not least into more regulatory functions ensuring continued quality, fair competition and market functioning.

Government's plans for Widening Participation and Access

We wholeheartedly endorse the Government's aim to further improve participation, access and outcomes for students from under-represented groups through more rigorous powers for OFFA. We hope, over time, that the measures are successful and that access and participation are improved at all universities and across the sector as a whole.

For GuildHE institutions and many others, this will build on the considerable achievements that have been made in widening participation and improving access to date. Taking into account existing performance and how far institutions have to travel against benchmarks is the right approach and if allowed to address challenges in their own ways and free of other constraints, then we should be confident of further progress. A focus on progression and effective working with schools and colleges is crucial to widening participation and access and collaboration with the pre-HE sector is a two-way process.

The National Scholarship Programme is part of this approach and while it is to be welcomed for the additional support it will bring to individuals from poorer backgrounds, it is important to be clear that is a competitive fund where relatively small numbers will benefit rather than an entitlement for all students with certain levels of household income. Many students from equally poor backgrounds will not be able to get support because the NSP is of limited size and reach. Although the greatest uncertainties on participation are likely to be nearer to 2012, Government funding for NSP will take three years to reach its full £150 million size.

Ministers must now make sure that they avoid both intended and unintended consequences of their access and participation proposals. It is a concern that the letter to OFFA brings together the imperative of improving access with the need to keep the cost of government funded loans down. Threats of Government intervention to avoid the clustering of tuition fees at high levels and the enforcement of price competition is likely to cause problems in the short and longer term. Conflating Access Agreements and price control mechanisms is likely to create perverse incentives and outcomes and could impede the worthy policy intentions of improving fairness and social mobility.

We simply cannot know the impact of higher graduate contributions on participation levels among students from poorer backgrounds, so we do not know who will be applying for study in future. We also, therefore, cannot yet know whether the proposed system is fairer than the current system. In a few years we could need a further review to assess the impact on widening access and on the world standing of our higher education sector

³⁸ David Willetts speech to Universities UK Spring Conference, 25 February 2011.

³⁹ 157 and MEG report: “Rising to the Challenge: How FE Colleges are Key to the Future of HE”, October 2010.

Reducing loan book costs

To satisfy ambitions for reduced costs and increased (or at least) maintained participation levels from less well off groups, it is important that Government looks at how more flexible number control and institutional innovation might be encouraged. “Off quota” students on “low or no fee” provision, with no loan book commitment, will allow for a more dynamic system with better choice.

This might mean domestic students paying fees of some form without taking up loans or reducing their loan levels to a minimum. The White Paper should explore opportunities for additional numbers and income from those locally based students who are likely to be risk averse and potentially deterred by a large, thirty year loan commitment. In practice the “off quota” ideas involve developing some models whereby institutions could develop low fee options when they consider what to do with marginal cost capacity. Such models might include:

- Intensive part time programmes—spread out over 4+ years where study/contact comes under the 25% intensity threshold.
- Partnered programmes (2 + 2 or 2 + 1 or similar) where some study is part time and some is full (thereby keeping loan commitments away from all or part of the programme apart from the final year/phase)
- Modular courses combined with employment (brokered by HEI and partners—especially relevant in specialist sectors)
- Employer sponsored programmes (fully or partly) where employers pick up all or some of fee costs (not practical in new loans system) and combine with paid work phases (may work with public as well as private sector employers)

Recognising the cost of provision and the real value of providers

Browne suggested removing funding from the two lower cost bands (bands C & D). Cost of provision is a significant consideration in setting fees for courses (although not the only consideration). However, if the fee/student contribution package does not encourage participation, the impact on specialists, or generalists with a large WP student orientation, may be particularly severe. Lord Browne—and in a statement to the Commons in October 2010 Vince Cable—stated that £7,000 a year is roughly what institutions will have to charge to maintain investment at current levels, based on assumptions about the reduction in HEFCE funding.

However, more recent statements by the Minister for HE and Science that have been revised down to £6,000 for Band D and just over £7,000 for Band C based on HEFCE’s existing funding model. HEFCE currently uses price bands to determine the level of funding needed to meet the cost of different subjects. Basing estimates on broad sector averages taken from existing data does not bear relation to the costs of provision in different subjects, or at specialist providers with varying opportunity for subsidy—either now or in future. Simultaneous reductions in funds for widening participation (including the abolition of Aim Higher), specialist funding, capital investment and Higher Education Innovation Funding (HEIF) all impact more severely on price calculations of small and specialist institutions. This should be valued and recognised in broader considerations of price calculation and future funding decisions.

Specialist institutions, alongside all universities, have a powerful role to play in the economy at both a local and a national level. The Browne report and the Government’s response seriously underplays this role as well as the effects that the planned reforms may have on it. Worse, by focusing on unconstrained market choices and general pricing levels, this may undermine this role further as well as reducing choice in the sector as a whole.

The Government continues to develop its policies for supporting economic growth including at the local, regional and sectoral levels. This work is being developed in other parts of BIS as well as in other Government departments including Communities and Local Government and the Treasury. The future of higher education will be critical to these ambitions. However, as in other areas of emerging policy such as in schools, health and immigration control, the effects are unexplored, the joining up between departments unclear and the overall consequences unknown.

We believe that the contribution of higher education is vital but we are prepared to work with Government to further improve its role and value in all of the aspects of society and the economy that it touches. However, we worry that in the race to develop and introduce new policies, to make savings to address the deficit and to introduce reforms while the public and political appetite is clear, that we will reduce the role and impact of higher education in the future.

10 March 2011

Written evidence submitted by the Independent Adjudicator for Higher Education in England and Wales (OIA)

As Independent Adjudicator and Chief Executive of the OIA, I welcome this opportunity to submit evidence to the House of Commons Business Innovation and Skills Select Committee's Inquiry into the Future of Higher Education.

OIA Mandates and Accountabilities

1. The mandates of the OIA derive from legislation, Judicial Review, and the OIA Scheme Rules. A copy of the Rules is attached at Annex A. The OIA Scheme was designated under the Higher Education Act 2004 which established an independent Scheme to adjudicate on student complaints against universities in England and Wales without charge to complainants. The OIA, which had run a voluntary Scheme from March 2004, began operating under statute in January 2005.

2. Qualifying Institutions under the Act include all HEIs in England and Wales, and each is required to join the OIA Scheme. (Scotland and Northern Ireland both have their own separate arrangements). Qualifying complaints include "an act or omission" by an HEI, brought by a student or former student, once internal procedures have been exhausted. Complaints must not relate to "matters of academic judgment", although the Courts have drawn a tight boundary around what constitutes an academic judgment. Admissions issues and employment-related issues are also outside the remit. The tests of the merits of a complaint are whether the HEI has abided by its own procedures and/or acted reasonably "in all the circumstances." Governing Bodies of Universities have a statutory obligation to comply with the Scheme Rules.

3. The Scheme is funded by annual member subscriptions based on the number of enrolled students they have.

4. The OIA has the duties of Designated Operator under the 2004 Act to publish the Scheme and supply relevant information to the appropriate UK and Welsh Assembly Government Ministers. It has also recently become a Registered Charity, under the supervision of the Charities Commission.

5. The OIA is a not-for-profit, company limited by guarantee, governed by its Memorandum and Articles of Association as amended. This means that the OIA is neither part of a Ministry, nor has access to state funding.

6. The Rules of the Scheme make clear that the Independent Adjudicator (who is appointed by and responsible to the Board) acts independently of the Board, HEIs and complainants in determining complaints. The Board, which has oversight of the performance and effectiveness of the Independent Adjudicator and the Scheme, has a specific responsibility under the Rules to preserve the independence of the Independent Adjudicator.

7. The Board has a majority of independent members (including the Chair) who are appointed under Nolan Rules of fair and open competition. A minority of members are Nominated Directors, nominated by sector stakeholders including the Association of Heads of University Administration, the Committee of University Chairs, GuildHE, Higher Education Wales, the National Union of Students and Universities UK. Nominated Directors are also (formally) members of the Company.

8. The decisions of the Independent Adjudicator are subject to Judicial Review following the landmark *Siborurema* case⁴⁰ heard in the Court of Appeal in December 2007. In the first five years of operating the Scheme the OIA has had 22 student challenges to its Formal Decisions under Judicial Review. None of these challenges has been successful, but in the process the OIA has received repeated endorsement for its approach to case handling.

Operations

9. The OIA operates from headquarters in Reading. There are 31.6 FTE (full time equivalent) members of staff 24 (75 %) of whom handle complaints. The Chief Executive and Independent Adjudicator is appointed under Nolan Rules of fair and open competition and is supported by a small Senior Management Team, including two Deputy Adjudicators and a Chief Operating Officer.

10. Since 2005, the OIA has reviewed and closed more than 5,000 student complaints. Last year (2010) just over a quarter of all complaints were found Justified or Partly Justified.

11. Although the Scheme has no regulatory powers over universities, under the Scheme Rules, a failure to comply with a Formal Decision or Recommendation of the OIA can lead to the publication of the non-compliance in the OIA Annual Report. This is an important incentive to universities and historically universities have had an excellent record of complying with OIA Formal Decisions and Recommendations. (A case of non-compliance will be published in my 2010 Annual Report).

⁴⁰ **R(Siborurema) v OIA [2007] EWCA Civ 1365**. Lord Justice Moore-Bick noted that "It is for the OIA in each case to decide the nature and extent of the investigation required having regard to the nature of the particular complaint and on any application for judicial review the court should recognise the expertise of the OIA and is likely to be slow to accept that its choice of procedure was improper. Similarly, I should not expect the court to be easily persuaded that its decision and any consequent recommendation was unsustainable in law."

12. Paradoxically, notwithstanding this good record, student complainants are sceptical about whether or not Universities really do comply with OIA Decisions, and this subjective view erodes the confidence of some complainants in the independence of the Scheme.⁴¹ I am clear that this is an issue which will be successfully addressed by the forthcoming change in Rules about publication of summaries of OIA Formal Decisions (see below, paragraph 30).

Strategic Review and Benchmarking

13. In autumn 2008 the OIA launched the Pathway consultation exercise, a wide-ranging strategic and consultative review of mandates and operations based on both quantitative and qualitative evidence. The culminating **Pathway Report**, published in February 2010, showed there was widespread endorsement of the OIA's mandate and approach to handling student complaints amongst students unions, complainants and universities, but plenty of opportunity for development. There was acknowledgement of the OIA Scheme's independence and effectiveness and of the high quality of its formal decisions.

14. Complainants were also asked about their first impressions of the OIA. The most commonly held view was that the OIA was seen as approachable (46%).⁴²

15. The vast majority of complaints refer to academic-related issues in which the student complains that in reaching a decision about a degree the university has not abided by its own regulations or has behaved unreasonably in (for example) not taking into account legitimate mitigating circumstances or imposing disproportionate sanctions for academic misconduct. Plagiarism and the appropriate handling of it continues to be a sensitive issue. Other areas of complaint include alleged failure of service delivery (such as accommodation), fees-related issues and alleged discrimination. See Table 1 below.

Table 1

THE ISSUES STUDENTS COMPLAIN ABOUT⁴³

Accommodation	1%
Professional recognition of course	2%
Plagiarism	4%
Work placement	5%
Fees	5%
Fitness to practise	5%
Disciplinary proceedings	7%
Delay	8%
An individual	10%
Thesis or dissertation supervision	12%
Other	12%
Unfair penalty imposed	13%
Disability	14%
Course content or delivery	16%
Discrimination	19%
Degree classification	19%
Departmental conduct	27%
Mitigating circumstances	27%
Marking (assignment/exam/thesis/dissertation)	34%
Unfair procedure	46%

16. The Pathway Report set out 28 Recommendations and 10 "Quick Wins" for enhancing and developing the Scheme. The OIA Board unanimously adopted the Report and its Recommendations and the Implementation Strategy set out below was begun immediately.

Table 2

PATHWAY RECOMMENDATIONS IMPLEMENTATION

<i>Theme</i>	<i>Key Actions</i>	<i>Implementation</i>
Mandates and Clarity of Purpose	1. Extend Scheme to Non-Qualifying Institutions	Implemented
	2. Consult on extending Scheme to FECs running Foundation Degrees	In progress
Independence	3. More effective dissemination of mandates and Rules	Implemented
	4. New procedure for service complaints	Implemented
	5. Change of Quorum Rules	Implemented

⁴¹ **The Pathway Report: Recommendations for the development of the OIA Scheme**, 2010, Chapter 5

⁴² All respondents were asked about their first impressions of the OIA. The results are shown in Figure 5 on page 44 of the **Pathway Report**. The most commonly held view was that the OIA was seen as approachable (46%). The Pathway Report p44 para 5.22

⁴³ **Report of the OIA Student Survey 2009**, Table 7

<i>Theme</i>	<i>Key Actions</i>	<i>Implementation</i>
User Perspective, Access and Flexibility	6. Additional Student Board member 7. Revision of Scheme Application Form, OIA literature, and Guidance on Completion of Procedures and Eligibility 8. Review of Disability Policy and Practice	In progress Implemented Completed. To be implemented
Proportionality, Efficient and Effective Approaches	9. Development of electronic transactions 10. Review of “first contact” engagement with complainants and use of Fast Track procedure 11. Review Funding model	Implemented Completed and implementing In progress
Transparency	12. Consult further on how to publish Formal Decisions. 13. Publish core information about individual HEI record on complaints.	Consultation completed To be implemented
Quality Outcomes	14. Publish indicative guidance on Remedies 15. Review compliance arrangements 16. Develop written good practice guidance	Completed & implementing In progress In progress

Emerging Issues—Safeguarding the Student Experience

17. The OIA Scheme provides important safeguards to the student experience at university, clearly not present under the old arrangements in which university-appointed Visitors (or their nominees) handled complaints. These safeguards, acknowledged by the Courts in a number of Judicial Review challenges to OIA Formal Decisions, include independence, impartiality, transparency, consistency of approach across all HEIs and operational expertise capable of handling significant annual increases in complaints received.

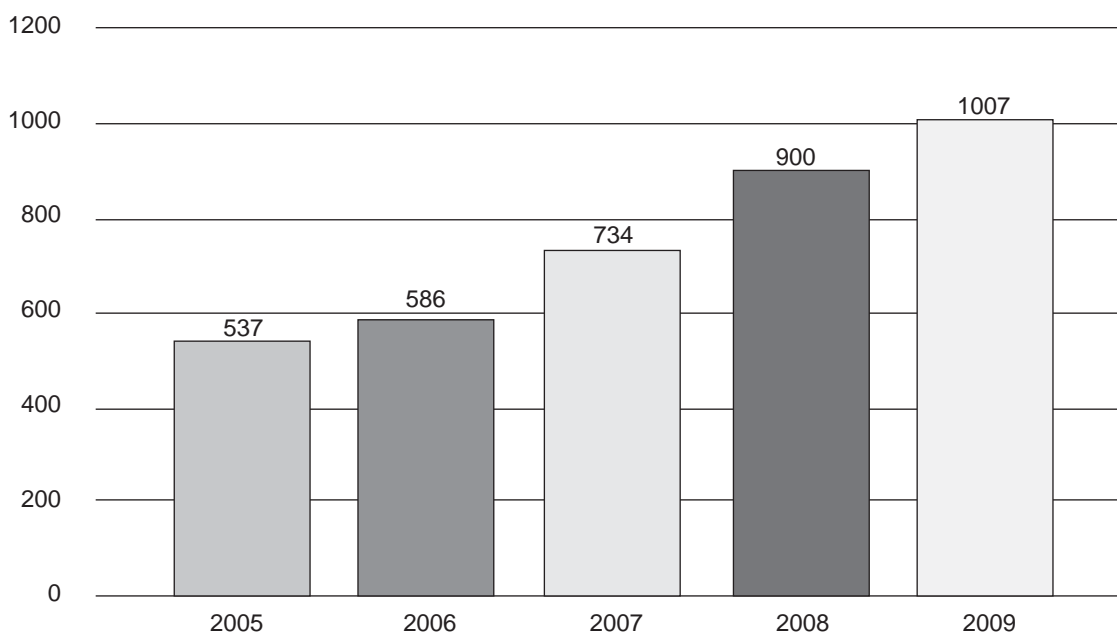
18. In addition the OIA has an important role in working with universities and students unions to ensure there is effective learning from complaints and appeals experience. The dissemination of information about Formal Decisions, cases studies, workshops and good practice guides is central to the development of good practice and enhanced student experience.

Rising Numbers of Complaints: The Context

19. As documented by the annual National Student Surveys, the vast majority of students have a highly satisfactory experience of university and the number who end up bringing a complaint to the OIA represent a very small proportion of the overall number of students (0.05% of students enrolled in higher education in England and Wales in 2009⁴⁴). Further, and importantly, in successive years, more than two-thirds of eligible complaints to the OIA are found to be Not Justified. However as Figure 1 (below) shows the number of students who complain is increasing year on year. My 2010 Annual Report will show that this trend continued in 2010. There are a number of reasons for this:

- A developing awareness of the OIA Scheme amongst students and Student Unions as the OIA becomes a more established feature of the higher education landscape;
- A general appreciation that in increasingly competitive job markets, higher education qualifications have an impact on chosen career paths; and
- The growing importance of Fitness-to-Practise issues in universities. Here students studying, for example, medicine, nursing and law must satisfactorily pass placements as part of their course in addition to academic hurdles. Failure to do so jeopardizes directly the possibility of professional practice in the future, and therefore increases the likelihood of complaints and appeals where placements are failed.

Figure 1
NUMBER OF COMPLAINTS RECEIVED BY THE OIA PER YEAR⁴⁵



20. A breakdown of complaints received by the OIA shows that post-graduate students, students over the age of 25, and international students from outside the European Union, are disproportionately represented in the number of complaints brought to the OIA. The OIA has not only seen a steadily increasing volume of complaints but also an increase in the complexity of the cases it handles as universities become better experienced at resolving “simple” cases.

A Rise in Tuition Fees, Greater Use and Capacity

21. It seems reasonable to plan on the basis that a significant rise in tuition fees will lead to a significant rise in the number of student complaints, on top of the increases experienced so far. There are several reasons for this including:

- Prompted by the analysis of Lord Browne and others, there is already an increasing appreciation by students that they have the status of active, participating “consumers” in higher education with the right to complain. This appreciation is likely to grow with the doubling and trebling of tuition fees from 2012; and
- The increasing emphasis put on the service entitlements associated with the excellent Student Charter Group initiative⁴⁶ to develop a template for Student Charters in every university will (rightly) make more explicit where service provision falls short of what has been promised by a university.

22. The OIA Scheme operates without cost to students (a core principle set out in the 2004 legislation) and is funded by universities who pay an annual subscription based on the number of enrolled students they have. There are 143 HEI members and the average subscription for 2011 is £16,400. This works out at an average cost to each HEI of around £1.06 per student per year. The unit cost for handling a student complaint (together with any associated Judicial Review of a Formal OIA Decision) is less than £3,000. This is broadly equivalent to the unit costs of other Ombudsman-type schemes.⁴⁷ It constitutes excellent value when compared to the costs for a university in defending a case in a court of law. The Law Commission has recently indicated that the average cost of a day in the High Court supported by junior counsel is £16,242 (at 2009–10 prices).⁴⁸

23. Judges have also acknowledged that the OIA resolves disputes more quickly than through the Courts,⁴⁹ but given that the number of complaints received has doubled in the last five years, there are real pressures on OIA case-handlers and average handling times have extended (in 2009 it took, on average, 159 days to issue a Formal Decision). In the context of the increases to come, action under the Pathway initiative has been taken to pilot more streamlined approaches to decision-making, but ones which do not impair the Office’s outstanding record in withstanding legal challenges to its decisions.

⁴⁵ OIA Annual Report 2009 p54

⁴⁶ Student Charter Group Final Report <http://www.bis.gov.uk/assets/biscore/higher-education/docs/s/11-736-student-charter-group.pdf>

⁴⁷ Public Services Ombudsmen: A Consultation Paper, The Law Commission Consultation Paper No 196, September 2010, Appendix A, paras A 11–20

⁴⁸ Ibid, paras A 21–25.

⁴⁹ Mitting J, R(Peng Hu Shi v KCL (QBD) [2008]

24. As set out in Table 2 above, and after careful consultation in the Pathway process, we are also reviewing our funding model and exploring the utility of introducing case fees which may be a more equitable basis for allocating the costs of continually rising volumes.

Developing a More Transparent and Joined-up Regulatory Framework

25. Quantitative and qualitative evidence gathered throughout the Pathway consultation process (2008–11) shows there is widespread support for, and confidence in, the OIA as an impartial, independent, and consistent complaints adjudicator, across the higher education sector. The National Union of Students and Universities UK both share the view that the OIA Scheme is an important guarantor of the student experience.

26. The proposal in chapter six of the Browne Report⁵⁰ to amalgamate the regulation of higher education with the adjudication of student complaints against universities in one (uncooled) super-quango (the Higher Education Council) has attracted little or no support, and is not supported by any evidence that such a move would be productive. For example:

- No consideration was given to how regulation and complaints are handled in other sectors (or other countries). Evidence from the Financial Services and Legal sector reforms illustrates the importance of separating regulatory activity from complaints resolution so that the independence and impartiality of complaints handling can contribute to building the trust of complainants.
- Lord Browne appears to make the false assumption that institutional merger is the only way to join-up the regulatory and complaints handling processes and ignores the potential of cross-sector Protocols to ensure an integrated approach.
- There would, in any event, be a significant risk of conflict of interest in merging complaints handling with a Higher Education Council dealing with investment to manage market failure in universities.

27. Removing the Office of the Independent Adjudicator at the very moment when student complaints are likely to rise steeply seems a move bordering on recklessness.

28. This is not an argument for the *status quo*. The OIA will work constructively with Government, regulators and sector bodies to ensure that in the new landscape there is a joined-up approach, including the removal of any ambiguity about roles and the important sharing of information about trends and causes for concern in the sector.

29. One key element of this approach is the adoption of proposals set out in the Pathway consultation exercise to give greater transparency to the performance and record of named, individual universities in handling complaints.

30. There is now extensive recognition in the sector that practice on the publication of summaries of Formal Decisions is out of line with good practice in Scotland and with other sector schemes. Having consulted the sector twice on this issue⁵¹ I can state that new, more transparent, arrangement for publication of summaries of Formal Decisions will be operational from 1 January 2012.

Opening the Higher Education Market to Private Sector and Further Education Providers

31. Under the Higher Education Act 2004, privately funded higher education providers are not classified as “Qualifying Institutions” and are therefore not obliged to become members of the OIA’s Scheme. However, the OIA is able to extend the Scheme it operates to “Non-Qualifying Institutions” (NQI’s). Following careful consultation with the higher education sector in the Pathway exercise, the OIA established a protocol for the admission of NQIs at the end of 2010. This sets out how NQIs may apply for membership of the Scheme and the terms and conditions applicable. So far, two private providers have applied for membership of the Scheme and *ifs School of Finance* is now a member. Other private providers are expected to become members of the Scheme in due course.

32. Where the higher education “market” is being further opened up to enable private providers and further education providers to participate, students studying for degrees at such institutions should enjoy the same safeguards enjoyed by students in Qualifying Institutions. The principle of a level playing field points to the need for all providers of higher education to become members of the OIA Scheme.

20 April 2011

⁵⁰ **Securing a Sustainable Future for Higher Education** - an independent review of higher education funding and student finance. <http://www.bis.gov.uk/assets/biscore/corporate/docs/s/10-1208-securing-sustainable-higher-education-browne-report.pdf>

⁵¹ **The Pathway Consultation Second Round** http://www.oiahe.org.uk/downloads/oia_pathway_consultation_2nd_round.pdf

Written evidence submitted by London Economics

Executive Summary

London Economics have undertaken extensive modelling of the current and proposed tuition fee and student support regime facing first time undergraduates in entering English higher education institutions. The quantitative analyses assess the impact of the proposed changes in funding on students/graduates, higher education institutions and the Exchequer. Our analysis of the outcomes following the Browne Report and the content of the Government's proposed White Paper suggests that compared to 2010–11, under a £7,500 average tuition fee:

Students

- Students/graduates will be **£1.489 billion** per annum worse off.
- The average student will pay approximately **£4,500** more for their degree course.
- Approximately **84%** of male and **67%** of female graduates will pay more than is currently the case.
- Individuals from **middle-income households going on to achieve average or above average earnings will see the greatest increase in costs** (more than £15,000).
- On average, graduates will take **10 years** more to repay their loans than is currently the case (14–15 years).
- **70–80%** of women will never repay their student loan (currently 20–30%).
- **30–40%** of men will never repay their student loan (currently less than 10%).

Higher Education Institutions

- HEIs will be approximately **£156 million**⁵² per annum better off—though probably much less.

Exchequer

- In the short term, the Exchequer is estimated to be approximately **£1.332 billion** per cohort better off.
- The greatest cost to the Exchequer will now be the cost associated with student loans (**£3.591 billion** p.a.).
- If tuition fees are £7,500 p.a. or more, Exchequer recovery of these loans is predicted to be less than **35%**.
- The net Exchequer benefit from funding a degree level qualification stands at approximately **£82,000**.
- Although relatively unresponsive, the demand for HE will fall following tuition fee increases.
- The number of students entering higher education may fall by approximately **45,000** per annum.
- The loss in enhanced taxation to the Exchequer of these graduates is c. **£3.72 billion** per annum.
- The Exchequer rate of return (**11–12%**) on investment in HE exceeds the long term cost of borrowing implying that “*public investments in education, particularly at the tertiary level, are rational even in the face of running a deficit in public finances*” (OECD, 2010).

Wider impacts

- Raising undergraduate fees is likely to have a **negative effect** on educational exports.
- Raising undergraduate fees is likely to have a **negative effect** on postgraduate qualification attainment.
- The system of student support has become **more complex** rather than less complex.
- More straightforward and efficient approaches were not given appropriate consideration.

The fundamental changes in Hefce funding, tuition fees and student support appears to be driven by the treatment of the various items within BIS Departmental accounts rather than a consistent or long term approach to the rebalancing the public and private funding of higher education.

Aggregate Impact of Proposed Changes to Tuition Fees and Student Support

1. Based on information from the Labour Force Survey, Hefce, and HESA, and assuming a £7,500 annual tuition fee⁵³, London Economics’ analysis estimates that first time undergraduates entering English higher education institutions will be approximately **£1.489 billion** per cohort worse off than is currently the case. The

⁵² There are a number of changes to Exchequer support to higher education institutions that have not been incorporated into the analysis, such as capital allowances and student premiums associated with part time provision

⁵³ Although the maximum fee cap stands at £9,000, we have assumed that not all universities charge this rate. In particular, we have assumed that universities charge the same fee as Home students and that this fee covers the 80% reduction in Hefce teaching funding. The average fee charged by English higher education institutions is assumed to be £7,500 per annum for an undergraduate degree.

additional subsidies that may potentially be available from the increased volume of loans and marginally increased grants will be dwarfed by the increase in tuition fee costs.

2. Under a £7,500 tuition fee, higher education institutions *may* be at most **£156 million** per annum better off. However, this estimate does not incorporate scholarships provided to students (National Scholarship Fund), some of the other sources of Exchequer funding that are subject to cuts (such as part time premiums and capital allowances) and assumes that there are no institution-level caps on student numbers. These items could significantly reduce this estimate. A £7,500 fee will raise approximately £3.41 billion in loan income from full-time and part-time students and offset the £3.26 billion loss of Hefce teaching funding.

		To			
		Students/ Graduates	Institutions	Exchequer	Total
From	Students/Graduates	NA	£6,452m	(£4,581m)	£1,871m
	Institutions	(£6,452m)	NA	(£751m)	(£7,203m)
	Exchequer	£4,581m	£751m	NA	£5,332m
	Total	(£1,871m)	£7,203m	(£5,332m)	£0m
	Difference from 2010/11	(£1,489m)	£156m	£1,332m	

Source: *London Economics*. Maximum government fee: £7,500; Real rate of interest: Increasing linearly from 0% at £21,000 to 3.0% at £42,000 (2016 prices discounted to 2013–14); Repayment threshold: £21,000 escalating (2016 prices discounted to 2013–14); Interest rate rebate: Yes; Period of repayment: 30 years; Rate of repayment over threshold: 9%; Total Maintenance Loan: £3,875 per annum increasing to £5,500 at £42,600 (Household Income (HHI)) subsequently decreasing to £3,565 per annum at £62,000 (HHI); Total government backed fee Loan: £7,500 per annum. We have modelled the Offa WP levy as being a subsidy to students which is 22½% of any tuition fee income in excess of £6,000. We have not incorporated any information in relation to the other sources of Exchequer funding that may be removed from universities (such as the part time premium or capital allowances) We have assumed that the elasticity of demand is -0.087.

3. The Exchequer will be approximately £1.332 billion per cohort better off overall if the government's changes are finally implemented. The increased subsidies on full time student fee and maintenance loans will cost approximately £1.79 billion per annum more than is currently the case, while part time loan subsidies are estimated to be approximately £192 million per annum; however, the primary cost saving achieved by the Exchequer results from the £3.26 billion per annum reduction of Hefce teaching funding. The Exchequer will also be better off as a result of the reduction in the number of students that are likely to enter higher education following the increase in tuition fees.

The biggest Cost to the Exchequer will now be the increasing RAB Charge

4. The size of the Exchequer maintenance and fee loan subsidy is measured by the Resource Accounting and Budgeting charge (**RAB**), which estimates the proportion of the nominal loan value that would not be expected to be repaid (in present value terms). Under the current student support regime, non-repayment occurs as a result of the zero real rate of interest subsidy and debt forgiveness after 25 years or in the case of permanent disability or death. Based on graduate earnings profiles (from the LFS) and the administrative information relating to repayment criteria, estimates of the RAB Charge stand at approximately **26.1%**. However, despite the extension of the period of repayment and the introduction of a positive real interest rate, the increase in the threshold for repayment and the introduction of an interest rate "rebate" will result in a significantly increased RAB charge (**37.0%**).

5. The total volume of government loans that will be provided under a £7,500 tuition fee are estimated to be approximately **£3.33 billion** per annum higher than in 2010–11. The steep increase in the RAB charge as the volume of loans issued increases is of particular concern. For every £500 increase in average fee above this £7,500 fee level, the RAB charge is estimated to increase by 0.8 percentage points (between 66% and 73% at the margin), which will result in a worsening of the Exchequer position by more than £180 million per cohort. If a £9,000 tuition fee is charged, the Exchequer will only ever expect to recover 27% of the final £500 in tuition fee loans (see Table 1).

Table 1
ESTIMATES OF RAB CHARGE

	<i>Aggregate RAB Charge</i>	<i>Marginal RAB charge on incremental £500</i>	<i>Additional cost to Exchequer</i>
2010–11 system (£3,290 fee)	26.1%		
2012–13 system (£7,500 tuition fee)	37.0%		
2012–13 system (£8,000 tuition fee)	37.8%	66.1%	£181.2m
2012–13 system (£8,500 tuition fee)	38.6%	69.1%	£180.8m
2012–13 system (£9,000 tuition fee)	39.4%	72.3%	£180.0m

Source: London Economics Maximum government fee: £7,500; Real rate of interest: Increasing linearly from 0% at £21,000 to 3.0% at £42,000 (2016 prices discounted to 2013–14); Repayment threshold: £21,000 escalating (2016 prices discounted to 2013–14); Interest rate rebate: Yes; Period of repayment: 30 years; Rate of repayment over threshold: 9%; Total Maintenance Loan: £3,875 per annum increasing to £5,500 at £42,600 (HHI) subsequently decreasing to £3,565 per annum at £62,000 (HHI); Total government backed fee Loan: £7,500 per annum. We have assumed that the elasticity of demand is -0.087. All values expressed in constant 2010–11 prices.

6. Although simplifying the student support system was one of the core objectives of the Browne Review, reducing Hefce teaching funding and increasing tuition fees and associated loans (alongside the very many other changes to the system of student support) has made the system even more complex than it is now. There were other options available that could have achieved the many aims set out in the Browne Review; however, the accounting treatment of student loans appears to have been one of the primary drivers for the course of action eventually decided upon.

There are other ways of making students pay more—why adopt this approach?

7. One of the primary reasons for settling on the approach to student finance reform finally adopted was to reduce departmental spending (ie planned Departmental Expenditure Limit (known as Resource DEL)). This is achieved because Hefce grants are counted directly within the Resource DEL, while *only* the estimated RAB charge associated with student loans is counted within the Resource DEL⁵⁴. Substituting tuition fee loans for Hefce teaching funding reduces departmental expenditure by approximately 74%. For example, assuming that the RAB charge is 26.1% and £1.0 billion of new fee loans are issued to replace a £1.0 billion reduction in Hefce teaching grant, the Department's Resource DEL falls by £739 million per annum compared to the current DEL. In *accountancy* terms, there has been a reduction in departmental spending; however, in *economic* terms, this has simply been replaced by borrowing, which has a significantly higher economic cost (RAB charge) to the Exchequer than is currently the case given the changes to student repayment mechanisms⁵⁵.

Distributional Impacts

8. In aggregate, students will pay more for their higher education than is currently the case. Once all tuition fees and student support has been incorporated, we have estimated that the average student will be approximately **£4,500** worse off over the course of a three year degree. However, averages can sometimes be misleading. It is also important to consider the costs based on household income and graduate earnings.

9. The cost of attending higher education for students depends on a number of factors. Firstly, **household income** determines the level of grant potentially received, as well as the volume of maintenance loan available (which increases for middle income households as the grant is withdrawn⁵⁶ and then falls back as household income further increases). However, the cost of attending higher education will also depend on the level of **subsidy** associated with fee and maintenance loans, which is only determined post-graduation. The subsidy results from any non-payment due to income contingent repayments, eventual write off after 30 years and interest rate rebate for those just above the repayment threshold (£21,000 in 2015–16 prices).

10. To assess the distributional impact, London Economics has estimated the total difference in cost between the 2010–11 current and 2012–13 system of fees and student support for individuals with household incomes

⁵⁴ for the actual volume of new student loans issued is included within the Capital Annually Managed Expenditure (AME) item of the Departmental accounts (termed a financial asset)

⁵⁵ The value of the financial asset will be significantly lower than might currently be estimated when adopting the historic value of the RAB charge (approx 26.1%). The Department is committed to reviewing the estimate of the RAB charge if the estimate appears no longer to be accurate in estimating the level of interest rate subsidy or loan write off. Unless there is a fundamental shift up in either the earnings or employment outcomes of graduates in the future, it is probably the case that this financial asset will start to be significantly eroded at some point in the future. However, it may require several years to assess whether new borrowers do in fact require higher subsidies/write offs than the current cohorts of student loan recipients.

⁵⁶ between £25,000 and £42,600

ranging between zero and £100,000 per annum combined with different earnings across the income distribution after graduation.

11. The analysis suggests that approximately **16%** of men will pay less than for their degree than is currently the case as a result of the increased repayment threshold in operation; however, approximately **84%** of male graduates will pay more than is currently the case, **with those individuals from middle income households going on to achieve average or above average earnings paying between £16,000 and £18,000 more for their three year degree than is currently the case.** Approximately **33%** of female graduates will pay less under the current proposals, with the greatest benefits being captured by those women in the 3rd income decile whose earnings currently lie just above the threshold for repayment. Approximately **67%** of women will pay more for their three year degree than is currently the case. 30% of female graduates are expected to pay between £10,000 and £15,000 more than is currently the case; while 13% of females are expected to pay between £15,000 and £20,000 more for their degree compared to the present time.

How long will graduates repay and how much will be outstanding after 30 years?

12. Graduates will repay their loans for a significantly longer period than under the current system. Even after 30 years, between **70%** and **80%** of women will never fully repay their student loan, while between **30%** and **40%** of men will never repay. Across non-repayers, the average outstanding loan for women after 30 years is estimated to be approximately **£26,500** (almost **£17,000** for men). Graduates will repay their student loans for approximately **10 years** longer than is currently the case. High earners repay for an additional 6 years while middle income earners will repay for 12 years longer than currently the case.

Table 2

STUDENT REPAYMENT PROFILES BY INCOME DECILE—£7,500 FEE LOAN

Income Decile	RAB Charge by Decile		Outstanding Amount after 30 years		Age at which loan paid off	
	Male	Female	Male	Female	Male	Female
1st decile	88.1%	100.0%	£34,340	£35,016	Never	Never
2nd decile	51.0%	100.0%	£24,922	£35,016	Never	Never
3rd decile	23.1%	92.1%	£8,460	£35,016	Never	Never
4th decile	8.5%	71.6%	£2	£34,045	50	Never
5th decile	7.7%	50.2%	£0	£27,300	47	Never
6th decile	5.1%	29.4%	£0	£15,930	44	Never
7th decile	4.0%	6.7%	£0	£2,803	42	Never
8th decile	1.4%	0.9%	£0	£0	39	48
9th decile	0.0%	1.4%	£0	£0	36	42

Source: London Economics

Wider Economic Impacts

13. So far, very little has been mentioned about the impact of fee increases (albeit part mitigated by subsidised fee loans) on the wider economy. All other things being equal, **tuition fee increases will result in a reduction in the quantity of higher education demanded.** This is a fundamental law of economics, and the extent to which demand will fall is the most important issue here.

Price elasticity of demand

14. The impact of tuition fees on participation in higher education in the UK was recently assessed by the IFS (Dearden, Fitzsimons and Wyness (2010)⁵⁷). Using cross sectional information from the LFS between 1992 and 2008, the authors assess the impact of various HE student reforms that have taken place including the introduction of upfront fees in 1998–99; deferred fees and loans in 2006–07; the reduction and abolition of student grants in 1999 and the re-introduction of student grants in 2004 (and extension in 2006). The IFS find that an increase in tuition fees by £1,000 per annum—holding all other factors constant—would be expected to lead to a **4.4 percentage point** decline in participation. The authors also find that a £1,000 per annum increase in loans increases participation by **3.2 percentage points**. The authors state that the “*results indicate that a £1,000 increase in loans or grants is not sufficient to counteract the impact of a £1,000 increase in fees—the coefficient on fees being significantly higher than both loans and grants*”. All results were statistically significant. Thus, increasing fees without increasing loans by the same value (or more) will result in a negative impact on participation.

⁵⁷ Dearden, L., Fitzsimons E., and Wyness, G. (2010), “The impact of the 2006–07 HE Finance reforms on HE participation”, Department for Business innovation and Skills Research Paper Number 13, September 2010

15. Based on this analysis, for every £1,000 increase in tuition fees and matching fee loans, it is estimated that there would be a 1.2 percentage point reduction in participation⁵⁸. Consequently, increasing tuition fee levels by 128% from £3,290 per annum to £7,500 per annum with a corresponding increase in tuition fee loans, might be expected to reduce participation by **11.2%** in percentage terms (or **5 percentage points** from 45% of the cohort entering higher education to 40% (SLC SFR 07/2010⁵⁹)). This equates to an elasticity of demand of **-0.087** and corresponds to approximately **32,000** full time students and **13,000** part time students no longer attending higher education.

What is a degree worth to the economy?

16. Based on research commissioned by the Royal Society of Chemistry⁶⁰, the **net Exchequer benefit**⁶¹ associated with undergraduate degree level provision stands at approximately **£81,875** overall in 2010 constant prices (see Table 3).

Table 3

INDIVIDUAL NET BENEFIT AND RATES OF RETURN TO UNDERGRADUATE AND POSTGRADUATE DEGREE LEVEL QUALIFICATIONS

		<i>Individual</i>	<i>Exchequer</i>
Undergraduate degree	NPV	£117,342	£81,875
	IRR	12.1%	12.1%

Note: All monetary values expressed in 2010 constant prices. IRR—The **internal rate of return** is defined as the discount rate (or rate of interest) such that the present value of a future stream of benefits equals the present value of a future stream of costs

Source: London Economics' analysis based on Royal Society of Chemistry and Institute of Physics (2005)

17. These estimates are generally in line with other research in the field. Assuming that the impact of tuition fee increases is as suggested by the IFS (the elasticity of demand is -0.087), the total economic loss to the economy from the reduction in the number of graduates is estimated to be **£3.72 billion** per annum in present value terms.

18. Incorporating these wider economic impacts into the analysis implies that rather than the 2012–13 tuition fee and student support changes making the Exchequer better off, once the wider future taxation effects are considered, the Exchequer will be approximately **£2.39 billion** per annum worse off.

Should the Exchequer fund undergraduate degrees?

19. The **Exchequer rate of return** is defined as the discount rate at which the present value of the Exchequer benefits exactly equals the present value of the Exchequer costs associated with qualification provision. The rate of return provides an indication of whether the Exchequer investment is worthwhile relative to the next best option (generally considered to be the cost associated with long term borrowing). If the rate of return exceeds the cost of borrowing (30 year UK Gilt currently trading between 4.25% and 4.75%), then the investment might be considered to be worthwhile. The Exchequer rate of return resulting from the funding of undergraduate degrees stands at between **11.0% and 12.1%** overall⁶².

20. Given the fact that the **net Exchequer benefit** associated with undergraduate degree level provision stands at approximately **£82,000** and the rate of return on the investment is more than twice the long term borrowing cost, there are strong economic arguments in favour of the continued funding of undergraduate degrees. According to the OECD (2010)⁶³ “*Public investments in education, particularly at the tertiary level, are rational even in the face of running a deficit in public finances. Issuing government bonds to finance these investments will yield significant returns and improve public finances in the longer term*”.

⁵⁸ £1,000 increase in fees leads to a 4.4 percentage point decline in participation whereas a £1,000 increase in fee loans leads to a 3.2 percentage point increase in participation. Therefore, with both a £1,000 increase in fees AND fee loans, there will be a 1.2 percentage point reduction in participation.

⁵⁹ Student Loans Company Statistical First Release (2010) Student Support for Higher Education in England Academic Year 2010–11 (provisional) available here: <http://www.slc.co.uk/pdf/slcsfr072010.pdf>

⁶⁰ Royal Society of Chemistry and Institute of Physics (2005), “The economic benefits of higher education qualifications”, a report produced by PricewaterhouseCoopers LLP, January 2005

⁶¹ The **gross Exchequer benefit** represents the present value of the benefits to the Exchequer associated with the provision of an undergraduate degree relative to an individual in possession of 2 or more GCE ‘A’ Levels. The present value of the Exchequer benefits associated with a degree are characterised by the enhanced tax, National Insurance and VAT paid by an individual over their lifetime relative to possession of 2 or more GCE ‘A’ Levels. The **net Exchequer benefit** is the gross Exchequer benefit minus the present value of the Exchequer costs associated with funding a degree. These costs include the direct costs (such as HEFCE funding and student support) and indirect costs (foregone taxation receipts during qualification attainment).

⁶² The RSC (2005) analysis modelled the impact of the introduction of differential tuition fees on the individual and Exchequer rate of return. The analysis indicated that the introduction of differential tuition fees in 2006 would increase the individual rate of return by 1.1 percentage points (to 13.2%) and reduce the Exchequer rate of return by 1.1 percentage points (to 11.0%)

⁶³ OECD *Education at a Glance 2010*

Educational exports

21. Based on research work commissioned by the British Council (Lenton, 2007)⁶⁴, the estimated value of UK education exports was estimated to be approximately **£14.086 billion** in 2003–04 (expressed in 2008–09 prices excluding consultancy)⁶⁵. Higher education accounts approximately **£6.484 billion** of this amount (in 2008–09 prices), which is approximately 46% of the total value of educational exports (see Table 4).

Table 4

VALUE OF EDUCATION AND TRAINING EXPORTS TO THE UK ECONOMY, 2008–09

<i>Sector</i>	<i>2008–09 (£m) and proportion of HE</i>
<i>Higher Education</i>	
Tuition fees	2,344.0 (36%)
Other spending of overseas HE students in the UK	2,939.0 (45%)
Transnational education (HE)	218.0 (4%)
Other higher education exports	983.0 (15%)
Total value of UK education and training exports	6,484.0 (100%)

Source: Lenton (2007). Values for 2003–04 expressed in 2008–09 prices

22. According to Lenton, the higher education contribution, tuition fees only make up **36%** with other direct expenditure from overseas students making up approximately **45%** of export income. Any increase in tuition fees, even assuming that a large proportion of students from the European Union continue to attend and will pay significantly higher fees than is currently the case, may actually result in a reduction in educational exports from the United Kingdom. In addition, it may be unreasonable to assume that the demand for UK higher education from overseas is as unresponsive to changes in price as estimated by the IFS. Given the larger number of potential substitutes available to students from the European Union, it is probable that demand for higher education is more responsive to price changes than for UK domiciled students. As such there is a strong likelihood that the value of educational exports will decrease following an increase in tuition fees.

Spillover effects

23. The impact of increasing tuition fees at undergraduate level is likely to have a negative effect on completion rates at undergraduate level and entry into postgraduate degrees. Generally, there are strong Exchequer benefits associated with postgraduate qualifications—especially at Master’s level—where there is relatively low Exchequer support, but relatively strong enhanced earnings and employment outcomes (and subsequent tax receipts). This will reduce any short term Exchequer benefits that might be expected from the changes in undergraduate tuition fees and student support.

24. Finally, we have taken no account of the potential spillover effects that may result from a more highly qualified workforce (ie workers in possession of lower levels of qualification gaining from exposure to more highly productive workers and achieving higher earnings than would otherwise be the case). In addition, there are other significant effects that have not been considered that may have an impact on Exchequer spending—such as the effect of qualification attainment on the likelihood of committing crime, achieving better health outcomes or intergenerational effects. These should not be underestimated.

Conclusions

25. London Economics’ analysis of the outcomes following the Browne Report and the content of the Government’s proposed White Paper suggests that first time undergraduates attending English HEIs will be significantly worse off, while higher education institutions *may* be marginally better off. Despite the £2 billion increase in the annual cost of student loans, the Exchequer will be better off in the short term; however, the lost taxation receipts resulting from fewer graduates and the impact on educational exports will have a long term negative impact on the Exchequer. The piecemeal changes to the system of student support have also made it more complex than was previously the case.

26. There are varying impacts on students depending on household income and graduate earnings. Approximately 84% of male graduates and 67% of female graduates will pay more for their degree than under the existing system; they will repay their loans for approximately 10 years longer; and will owe substantially more upon reaching the end of the 30 year repayment period. These effects will be concentrated amongst graduates from middle income households that go on to achieve higher than average earnings.

⁶⁴ Lenton, P (2007), “Global Value”, a report undertaken for the British Council

⁶⁵ Note that the Department for Business Innovation and Skills has commissioned research work to update these estimates, although the work is continuing and not in the public domain.

27. The changes in Hefce funding, tuition fees and student support appears to be driven by the treatment of the various items within BIS Departmental accounts rather than a consistent or long term approach to the rebalancing the public and private funding of higher education.

9 March 2010

Written evidence submitted by the London School of Business & Finance

Introduction

1. The London School of Business and Finance (LSBF) is a privately financed, global leader in high performance learning solutions. We are the fastest-growing business school in Europe, with 20,000 students and over 20 offices worldwide. Students come from over 150 countries to study at our campuses in Manchester, Birmingham, and London.

2. LSBF is a market leader in developing learning solutions that meet the needs of students and employers. LSBF takes a problem-solving approach to education, identifying skills shortages and gaps in the market and developing the most up-to-date and relevant courses for students and trainees. We provide a unique bridge between the formal education system and the ever-changing financial industry, working with three of the “Big Four” accountancy firms and some of the world’s top ten banks to develop bespoke training solutions. LSBF’s educational programmes range from professional qualifications to undergraduate and postgraduate degrees. More information about LSBF’s offerings is available here: <http://www.lsbf.org.uk/>

3. We hope that the pending White Paper will shed further light on the government’s plans for widening participation in and access to higher education. While we do not wish to prejudge it, we feel that the White Paper must address—and indeed *embrace*—the role that private providers can play in the future, in both bolstering the UK’s globally recognised excellence in higher education, and meeting the economy’s needs for a higher education system that will enhance UK competitiveness.

4. In this short submission, we focus on two ways that the government can meet its objectives:

- Showcasing and encouraging innovation.
- Developing a level playing field through simplified regulation.

Innovation

5. Although the UK has some of the finest institutions of higher education in the world, it cannot take for granted that its excellent reputation will endure. One aspect of global leadership is innovation—developing new ways of ensuring that academic content is delivered in a way that is appropriate to a rapidly changing world.

6. Innovation does not happen merely for innovation’s sake. It is driven by the need (in the UK and globally) for a higher education system that meets the needs of tomorrow’s workforce—developing the necessary skills for the economy and being delivered in a way that is accessible to all.

7. It is particularly vital for private institutions such as LSBF to be at the front edge of innovation. Driven by the competitive requirement to meet the needs of students and their future employers, indeed in order to stay competitive in a global market, private institutions must innovate and respond rapidly to a changing world. Importantly, the very best often migrate to serve the needs of the student, the learning environment and the requirement of the future employer faster and more efficiently because they are unencumbered by legacy, history and slow moving academic and operations systems.

8. In October 2010, LSBF launched the ground breaking LSBF Global MBA™, which gives people anywhere in the world access to high-quality academic material at no cost, via a Facebook portal.

9. The future of higher education is typified in the LSBF Global MBA™—

- Providing truly universal **access** to quality academic material across geographies and socio-economic spectrums. Anybody who has access to the internet can view all of LSBF’s MBA material (quality assured by the University of Wales) for free.
- Building on the **social networking** platforms that are the channels through which people really communicate and live their lives.
- Providing individuals with the opportunity to study all course content **for free**. Students do not have to pay any fees until they register for exams.

10. The entire ethos of the LSBF Global MBA is centred on breaking down the old barriers of a stagnant higher education system and providing the UK educational experience to all regardless of age, “class”, status, gender location or religion.

11. While funding issues will no doubt play a predominant role in the Committee’s inquiry, LSBF encourages the Committee to keep in mind the ultimate objective—to ensure a robust, high quality and sustainable higher education system that meets the needs of the UK economy. Such an end cannot be guaranteed with old perspectives on higher education. The system must embrace and reward innovation in a fast moving global sector.

Regulation

12. Despite indications from the Minister of State for Universities and Science that the government wishes to see an increased role for the private sector in higher education generally, recent proposals from the UK Border Agency will effectively hinder the ability of private providers to compete, placing greater regulatory burdens on them than are placed on publicly funded universities when it comes to prospective students obtaining student visas. LSBF finds that such a bias is inappropriate and actively works against claims made in opposition and more recently while in government that a “level playing field” for all quality providers should be the government’s ambition.

13. As Rt Hon David Willetts MP said in his speech on 9 September 2010, “The acid test for HE providers is whether they offer excellent teaching and a high-quality experience for students. If they can do that, at a fair price, then it doesn’t matter whether they are old universities or new ones; for profit or not for profit. They have something to contribute and should have the chance to do so. That is the case for a more open market.”

14. As a number of organisations have highlighted in response to the UKBA’s consultation on the student visa system, the government’s proposed changes could have significant adverse implications for the British higher education industry and UK plc more generally. LSBF has recommended to the UKBA that an economic impact assessment and further consultation with the Department for Business, Innovation and Skills must be conducted before proceeding. We would encourage the committee to consider the UKBA’s proposals in its current inquiry.

15. With on-going issues with regard to student visas, combined with changes to the university funding system, now is the time to introduce a single regulatory body to govern both public and private institutions of higher education, focusing on establishing and maintaining high academic standards. The new higher education funding environment has significantly reduced real differences between public and private organisations, so the previous rationale for maintaining two different regulatory schemes is no longer valid.

16. A valuable paper by Universities UK⁶⁶ notes that there is already substantial agreement by publicly funded universities as well as private institutions around convergence of the existing regulatory schemes. This entails improving the sharing of information across regulators, consultation between government and the private sector, conducting a strategic overview of developments, and monitoring national and international trends.

17. A new regulatory system would (perhaps ironically) be one-size fits all, bringing together regional institutions with those with a global spread. It would cover FE as well as HE realms, recognising Secretary of State Vince Cable MP’s plea to “ditch the anachronistic distinctions of status and value between further and higher education”.⁶⁷

18. The regulatory system should have standards as paramount and should be the policy arm to inform and deliver Britain’s higher education competitiveness. It is not just about good regulation; it is about the needs of the UK.

19. The system should ensure a level playing field for private providers. This includes allowing students of private institutions to have access to the same funding mechanisms—eg, the student loan system—that are available to students of publicly funded universities. It must eliminate numerous other regulatory inequalities, such as VAT exemptions, which place the private sector at a financial disadvantage. It must even address seemingly minor “auxiliary perks” such as the use of “.ac.uk” website domains.

20. This is not just “special interest pleading” from a private institution. One body, accommodating both regional and global higher education policy **and** standards setting, avoids a fragmented system and facilitates a clearer, fairer and competitive higher education strategy. Significantly, this enables the government to not just influence the private sector’s development but to harness the full power of the private sector’s offerings and localities.

21. Ultimately, the beneficiary is the UK economy, which needs a well-educated, well trained workforce.

14 March 2011

Written evidence submitted by million+

About million+

1. million+ is a university think-tank which provides evidence and analysis on policy and funding regimes that impact on universities, students and the services that universities and other higher education institutions provide for business, the NHS, education and the not-for-profit sectors.

2. The landscape for higher education in the United Kingdom is changing rapidly with significant implications for universities, students and the higher education sector as a whole. million+ therefore welcomes the opportunity afforded by this BIS Select Committee Inquiry to submit evidence in relation to the conclusions

⁶⁶ “The growth of private and for-profit higher education providers in the UK”, Universities UK, 2010.

⁶⁷ Speech on Higher Education, 15 July 2010

of the Browne Report, the contents of the forthcoming White Paper, the Government's proposals for widening participation and access, and the role and future of state funding in higher education.

The Role of State Funding for Higher Education

3. The Browne Review entered new territory in describing the public funding of university teaching activities as a “subsidy” rather than an investment. This represents a step-change to the “partnership approach” advocated in the Robbins and the Dearing Reports and the system introduced by the 2004 Higher Education Act which was based on the principle of “additionality”, whereby the extra income provided through tuition fees and graduate contributions was additional to the public funding provided by the Government.

4. million+ believes that state funding is an essential component of the globally recognised success of the UK higher education sector and should be regarded as an investment rather than a subsidy. There is a role for private and business investment too but state funding for higher education teaching and research enables the UK's universities to play multiple roles in social, economic and cultural life that produce significant benefits for the UK.

5. **Social:** Supported by state funding, the expansion of higher education in the United Kingdom has reaped both individual and societal benefits. The graduate premium—the additional wage which a graduate can command as a result of their degree during their working life—has held steady over the past decade,⁶⁸ producing benefits for both individuals and the Treasury.⁶⁹ Based on research commissioned by the Royal Society of Chemistry, London Economics estimate that the lifetime net benefit associated with an undergraduate degree is approximately £117,342 for the individual and £81,875 for the Exchequer in 2010 constant prices. Modern universities in particular have also succeeded in increasing the participation of older students, those from ethnic minority backgrounds, students with disabilities and care leavers, groups that have traditionally been underrepresented in higher education.⁷⁰ More broadly the expansion of higher education teaching and research activities has improved levels of innovation and productivity in the UK and helped to sustain comparative advantage in the global economy.⁷¹

6. **Economic:** At national level universities generated more than £59 billion of output through direct and multiplier effects in 2007–8 and at least £5.3 billion in export earnings, supporting 668,500 full time equivalent jobs throughout the economy (2.6% of the UK's workforce).⁷² Moreover public investment in universities generates significant spillovers in other sectors: for every £1 million of output from the UK higher education sector, a further £1.38 million of output was generated in other sectors of the economy in 2007–8.⁷³ Universities also play a critical role in local economies as employers, purchasers and educators, acting as centres of knowledge and expertise around which regeneration and local economic growth strategies can be built.⁷⁴

7. **Cultural:** Universities have always played a vital role in public intellectual and cultural life. State funding enables universities to teach undergraduate and postgraduate students, carry out basic and applied research that expands the frontiers of knowledge, undertake knowledge transfer activities with businesses and not-for-profit organisations that ensure that the benefits of academic research are realised more widely. Universities also engage with local communities and work with local partners to raise aspirations and promote civic and cultural engagement.

8. million+ is concerned by the direction of travel set out in the Browne Review and subsequently adopted by the Government. As the OECD have highlighted, state funding for higher education is a rational investment in the future of individuals, society and the economy because it yields significant and stable returns.⁷⁵ Public funding for higher education should therefore be treated as an investment rather than a subsidy.

The Browne Review and the Government's Response

9. Following the final report of the Browne Review, the Government developed proposals to reform the funding of higher education for new entrants in 2012–13 and beyond. Effectively, from 2012 public investment will be removed from most undergraduate courses and responsibility for the future funding of university teaching will be transferred to the individual. The cap on tuition fees in England will rise to between £6,000 and £9,000 to allow universities to offset the reduction in funding that will result from the reduction of the annual teaching grant from £3.5 billion to just £700 million, and the student finance and student loan repayment systems will alter concurrently.

⁶⁸ Levy, C & Hopkins, L (2010) *Shaping Up For Innovation: Are we delivering the right skills for the 2020 knowledge economy?* The Work Foundation

⁶⁹ See Royal Society of Chemistry and Institute of Physics (2005) “The economic benefits of higher education qualifications”, a report produced by PricewaterhouseCoopers LLP

⁷⁰ million+ (2009) *Social Mobility: Universities Changing Lives*.

⁷¹ Brinkley, I (2008) *Knowledge Economy: How Knowledge is Reshaping the Economic Life of Nations*. The Work Foundation

⁷² Universities UK (2010) *The impact of universities on the UK economy*. Fourth report

⁷³ *ibid*

⁷⁴ Morris, K and Jones, A (2010) *Anchoring growth: The role of “anchor Institutions” in the regeneration of UK cities*. The Work Foundation for the Northern Way's Regeneration Momentum Consortium

⁷⁵ OECD (2010) *Education at a Glance*

10. Treasury accounting mechanisms mean that fee loans to students are accounted for differently to the direct funding of universities through the provision of teaching grants. The transfer of funding from the state to the student was therefore positioned as a means of reducing the deficit whilst continuing to invest in higher education and enhancing student choice. million+ was critical of the Government's proposals to withdraw direct state funding for the majority of university teaching activities and increase the cap on tuition fees to between £6,000 and £9,000 on a number of grounds.⁷⁶

11. First, the new funding system may impact adversely on social mobility and participation irrespective of the specifics of student finance arrangements and graduate repayment structures. In economic terms, an increase in price would normally be assumed to weaken demand. An Ipsos MORI survey of 2,700 11–16 year olds in the first half of 2010 found that the prospect of even low level increases in tuition fees had significant deterrent effect on participation amongst young people, particularly amongst those from the most disadvantaged backgrounds.⁷⁷ Amongst those who said they were likely to go to university under the current fee system, one in six (17%) said they were unlikely to go if tuition fees increased to £5,000 and almost half (46%) if fees increased to £10,000 a year.⁷⁸ These findings were reinforced by an unpublished survey commissioned by the Browne Review which found that students and parents viewed tuition fees of £6,000 as “the highest reasonable amount” that should be charged.⁷⁹ The risk also extends to older prospective undergraduates as mature students have been shown to be highly price sensitive⁸⁰ and more debt adverse than young students,⁸¹ and to participation in postgraduate level education. The impact of the uncertain economic climate of family finances and debt adversity must also be taken into account. Any reduction in demand will have consequences for individuals, universities, businesses and the Exchequer due to “lost returns from lost graduates”.

12. Second, the new funding system will lead to most graduates being worse off. The higher repayment income threshold means that graduates will pay less per month towards their student loan than under the present system but overall student debt levels will be much greater and these loans will accrue interest at a significantly higher rate. Depending on their household income, the overall rate of inflation and whether tuition fees and maintenance loans are uprated in line with inflation, students on a three year course at a university charging £9,000 a year could graduate with more than £53,000 worth of debt (see Tables 1–4, Annex). Graduates will also repay loans for longer. When the earnings repayment threshold, male and female participation and the “all-in” costs of the proposals are taken into account, million+ and London Economics have concluded approximately 60–65% of graduates will be worse off than under the current system, with those on middle incomes hit particularly hard.⁸²

13. Third, the new funding system is unlikely to provide good value for taxpayers. The Government will have to borrow significantly more to fund student loans for the higher fees which universities will be forced to levy under the new funding system. The independent Office for Budget Responsibility have estimated that increasing tuition fees will require the Government to borrow £10.7 billion to fund student loans in 2015–16 compared to the £4.1 billion it borrowed in 2010–11, and that the higher cash requirements will cumulatively add £13 billion to public sector net debt by 2015–16.⁸³ Repayment rates and the resource accounting and budgeting (RAB) charge on these student loans are therefore of great significance but the Government's estimates rely on a series of assumptions. The Government has yet to publish an updated Equality Impact Assessment that takes account of the late amendments to extend fee loans to more part-time undergraduates and to uprate the repayment threshold in line with inflation.

14. million+ welcomes the extension of fee loans to part-time undergraduates studying at the rate of at least 25% of a full time degree course as this rectifies a historic imbalance in the provision of financial support for part-time students. The extension of fee loans must however be balanced against the much higher pro-rata fee levels that part-time students will be charged and the fact that part-time students earning more than £21,000 will be liable to repay fee loans from the April three years after they commence study, even if they are still studying.⁸⁴

15. The premise of the Browne Review was to secure a sustainable future for higher education in England. million+ has doubts about the financial sustainability of the funding regime that will be in place from 2012–13 onwards and is concerned that the Government's plans have not been subject to sufficient scrutiny. It is estimated that just 30% of students who graduate under the new system will repay the full amount of the tuition and maintenance loans they borrow to fund their studies, which means that much of the additional cost of the new system will be borne by the taxpayer. Research by the House of Commons Library indicates that

⁷⁶ million+ (2010) *Fair, Progressive and Good Value? An assessment of the impact of the Coalition Government's proposals for the reform of Higher Education funding in England on graduates, the taxpayer and social mobility*

⁷⁷ Ipsos MORI (2010) *Young People's Omnibus 2010: A research study among 11–16 year olds on behalf of the Sutton Trust*

⁷⁸ *ibid*

⁷⁹ Morgan, J (2011) £6,000 must be ceiling, survey told Browne, *Times Higher Education*, 3 March

⁸⁰ Foskett, N, Roberts, D and Maringe, F (2006) *Changing Fee Regimes and their Impact on Student Attitudes to Higher Education. Report of a Higher Education Academy Funded Research Project 2005–2006*

⁸¹ Connor, H, Burton, R, Pearson, R, Pollard, E, and Regan, J (1999) *Making the Right Choice: How students choose Universities and Colleges*. London: CVCP

⁸² million+ (2010) *Fair, Progressive and Good Value? An assessment of the impact of the Coalition Government's proposals for the reform of Higher Education funding in England on graduates, the taxpayer and social mobility*

⁸³ Office for Budget Responsibility (2010) *Economic and fiscal outlook—November 2010*

⁸⁴ BIS (2011) *Details of new part-time package announced*, <http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=417812&NewsAreaID=2>

the taxpayer would have been better off if university teaching funding had been cut by less than 80% and the fee cap was commensurably lower.⁸⁵

16. As Sir Alan Langlands, Chief Executive of HEFCE, has highlighted, the reductions in public funding for university teaching activities are the consequence of the financial crisis and the budget deficit and the post-Browne review settlement should not be viewed as permanent.⁸⁶ At the very least, the Government should seek to restore teaching funding at the earliest opportunity as the economy recovers.

The Higher Education White Paper

17. The funding regime is not the only aspect of higher education that is subject to change. Universities also face uncertainty around Tier 4 visa regulations for international students, the future of the Widening Participation Premium and the institutional London Allowance, the costs of Access Agreements and the National Scholarship Programme, and the future of the Department for Education's Initial Teacher Training and the Department of Health's Multi-Professional Education and Training (MPET) funding streams. In combination with the changing funding structure, these issues and the delayed publication of the Higher Education White Paper means that universities face considerable uncertainty.

18. Ministers have nonetheless hinted at the intended direction of travel within the White Paper. It is proposed that private providers of higher education will be allowed to access additional government funding through the provision of larger government-subsidised tuition fee and maintenance loans to students at private institutions.⁸⁷ It is also proposed that degree awarding powers will in future be available to organisations that do not teach. These measures have been portrayed as a means of increasing competition, regulating tuition fee prices and enhancing the student experience⁸⁸ but they lack a real understanding of the nature and purpose of higher education, a form of education that is at the cutting edge of an academic subject and which demands high levels of research-informed scholarship from staff and students. These measures also raise a number of important questions about the regulatory environment and the quality of the UK higher education brand.

19. First the Government must realise that pressure on the student loan book is the result of its creation of an economically inefficient funding system. BIS have estimated that English universities will charge average fees of £7,500 in order to make-up for the loss of teaching funding⁸⁹ but there are a significant number of additional uncertainties that universities will have to take into account when determining tuition fees. The greater the uncertainty around additional funding streams such as the London Allowance and the Widening Participation Premium, the higher the fees that universities are likely to charge as a means of managing the associated risk. Universities need to be able to set fees that protect and promote both the quality of the student experience and the long-term financial sustainability and success of institutions.

20. Second, UK higher education has a very strong national and international reputation for quality that must be maintained. If private providers are able to access public money through the provision of state loans and maintenance grants to eligible students at these institutions then private institutions should be subject to the same quality assurance standards and requirements as public universities to ensure that high standards are maintained throughout the sector.

21. Similarly there are significant risks associated with the plans to grant degree awarding powers to institutions that do not teach as a means of increasing competition in the sector and regulating tuition fee prices. For centuries institutions have had to earn the right to the university title, a title which denotes adherence to the highest possible standards and commitment to rigorous academic governance. Any move towards lowering the criteria for new entrants risks damaging both the quality of the student experience and the strength of the UK higher education brand.

22. The Government must also address the complex issue of student number controls. Student numbers have already been reduced by 10,000 for the academic year 2012 and if numbers are further reduced in response to fee levels then there is a risk that the progress that has been made towards widening participation will be reversed. The other proposal that has been mooted, of a move to a "core and periphery" model whereby universities and other providers bid for additional student numbers on the basis of provision at a lower price, also carries risks. It is not clear how this system would work given that funding will in future follow the student and the inequity that would be associated with charging students on the same course different fees. The creation of an expectation of delivery at low cost also risks damaging the student experience and the UK higher education brand.

23. The White Paper must also resist calls for further concentration of public funding for university research. Research funding in the United Kingdom is already very highly concentrated in a small number of traditional institutions: in 2008–9 more than half (50.4%) of all funding council (QR) and research council funding was awarded to just 12 universities and more than three quarters (75.4%) was awarded to just 28 higher education

⁸⁵ House of Commons Library (2011)

⁸⁶ Speech by Sir Alan Langlands to the HEFCE annual conference 2010

⁸⁷ In the new indirect funding system whereby government funding for higher education teaching will follow the student, private institutions could gain access to significantly more public funding than at present.

⁸⁸ <http://www.bis.gov.uk/news/speeches/david-willetts-uuk-spring-conference-2011>

⁸⁹ Office for Budget Responsibility (2010) Economic and fiscal outlook—November 2010

institutions.⁹⁰ Modern universities receive very modest quantities of public research funding but use it to undertake high quality research in specialist areas and to leverage comparatively more investment from alternative sources than so-called “research intensive” universities.⁹¹ The 2008 Research Assessment Exercise (RAE) showed that research prowess is widely dispersed across the sector with pockets of research excellence existing in virtually all universities. A diverse array of subject groups at a diverse array of institutions produce world-leading and internationally excellent research that informs teaching at undergraduate and postgraduate level and enables all students to benefit from research-informed curricula. million+ believes that excellent research should be funded wherever it is found.

Social Mobility and Opportunity

24. million+ welcomes the emphasis that the Government has placed on improving levels of social mobility but is concerned that the Government has only a partial understanding of social mobility in relation to universities. To date Ministers have focussed primarily on increasing the number of high achievers from disadvantaged backgrounds who progress to a small number of traditional universities rather than on ensuring that more disadvantaged students are able to participate in higher education.⁹²

25. Fair access is important but ensuring that a few more students from disadvantaged backgrounds are able to attend particular universities is unlikely to lead to a step change in levels of social mobility in England. Social mobility is more properly understood as the extent to which participation in higher education enables graduates to enter employment and professions that are associated with higher socio-economic occupations and earnings, when compared to their socio-economic backgrounds when they first entered university.

26. Widening participation is about transforming the lives of large numbers of students who otherwise would not have gone to university, ensuring that they are able to fulfill their potential and access high skill employment opportunities. Modern universities make an outstanding contribution to widening participation and transforming lives on a scale that that should be both valued and promoted by the Government.⁹³

27. To ensure that progress on widening participation is maintained, the Government should commit to protecting the “Widening Participation” premium that is currently paid to institutions in recognition of the higher costs associated with teaching students from disadvantaged backgrounds. The Government should also re-think its plans for the National Scholarship Programme (NSP). Whilst the Government’s commitment to assist students from disadvantaged backgrounds with the cost of attending university is welcome, million+ has a number of concerns about the workings of the NSP as outlined in February 2011.⁹⁴

28. First, the NSP bears little relation to the scheme that was originally discussed by Ministers⁹⁵ or the national scheme with national eligibility criteria that million+ advocated.⁹⁶ Instead, institutions will set their own eligibility criteria for students from disadvantaged backgrounds and determine the nature of the scholarship award that eligible students from disadvantaged backgrounds receive. This level of variation between universities and the high degree of complexity that it entails will create a muddled “postcode lottery” whereby students from identical socio-economic backgrounds receive different types and levels of benefit depending on where they study. This is unlikely to encourage more students from disadvantaged background to apply to university.

29. Second, the requirement to match-fund allocations from the NSP pot may be particularly onerous for modern universities which currently teach a very high proportion of all university students who come from disadvantaged backgrounds⁹⁷ and do not have substantial endowment incomes.⁹⁸ OFFA will have discretion over match funding levels in 2012–13 but there are no allowances after 2012–13 and the starting assumption is match funding at a 1:1 ratio. Universities with the most socially inclusive profiles may have to raise fees for all students in order to ensure that they can provide match-funding under the NSP.

30. Third, whilst the HEFCE guidance clearly states that the NSP will provide students with a one-year benefit only, the Government’s contribution to the NSP is set to increase over the three year period. No explanation has been given as to why National Scholarship Programme funds—and hence university match-funding liabilities—will increase from £50 million in 2012–13 to £150 million by 2014–15. Variable funding over the three year period will lead to significant alterations in institutional NSP eligibility criteria between academic years which may create perverse incentives for prospective students to delay applying to university.

31. The National Scholarship Programme has laudable aims but is unlikely to encourage participation by students from low income backgrounds in its current form. It will also be financially burdensome and

⁹⁰ HESA Resources of HEIs 2008–09

⁹¹ million+ (forthcoming) Research that Matters

⁹² BIS (2011) Ensuring higher education is open to all, <http://nds.coi.gov.uk/content/detail.aspx?NewsAreaId=2&ReleaseID=417909&SubjectId=2>

⁹³ million+ (2009) Social Mobility: Universities Changing Lives.

⁹⁴ HEFCE (2011) The National Scholarship Programme—Year One

⁹⁵ BIS (2010) Poor kids could get two free years at university—<http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=416934&NewsAreaID=2>

⁹⁶ million+ (2011) The National Scholarship Programme: A national scheme or a postcode lottery? million+ Policy Paper

⁹⁷ million+ (2009) Social Mobility: Universities Changing Lives

⁹⁸ See Table 5, Annex

administratively complex for modern universities. The Government should go back to the drawing board at the earliest opportunity to devise a national scheme with national eligibility criteria.

Conclusion

32. The landscape for higher education in the United Kingdom is changing rapidly. million+ is concerned by the direction of travel that was set out in the Browne Review and subsequently adopted by the Government. State funding is an essential component of the globally recognised success of the UK higher education sector and there is a clear role for state funding for the sector both now and in the future. It is vital that state funding is treated as an investment in the future of individuals, universities and the nation, rather than as a subsidy.

33. million+ has doubts about the efficiency and financial sustainability of the funding regime that will be in place from 2012–13 onwards and is concerned that the Government's plans have not been subject to sufficient scrutiny. Care must be taken to ensure that neither the UK's strong reputation for higher education nor the quality of the student experience at UK universities are damaged by belated attempts to regulate tuition fees.

34. Above all, there is a real risk that the new funding system may impact adversely on social mobility and participation, undoing the progress that has been made over the past decade. The Government must, in partnership with the higher education sector, work swiftly to develop a clear and effective communications strategy that ensures that students from all walks of life continue to see higher education as a worthwhile investment with significant and long-lasting rewards.

10 March 2011

Annex

TABLES 1–4: IMPACT OF RPI AND A REAL RATE OF INTEREST ON STUDENT DEBT ACCUMULATION WHILST STUDYING

The modelling assumes that fees and maintenance loans are uprated annually in line with inflation. In January 2011 the Retail Price Index stood at 5.1% and inflation is set to remain high in the immediate future so million+ have modelled student debt levels on this basis. In reality student debt levels will vary according to RPI which has been as low as -1.6 (June 2009) and as high as 5.4% (April 2010) in the last five years.

Table 1

FEES OF £6,000

	<i>Fee</i>	<i>Maint</i>	<i>Subtotal</i>	<i>Total</i>	<i>RPI @ 5.1%</i>	<i>Interest @ 3%</i>	<i>TOTAL</i>
Y1	£6,000	£3,575	£9,575	£9,575	£488	£287	£10,351
Y2	£6,306	£3,757	£10,351	£20,414	£1,041	£612	£22,067
Y3	£6,628	£3,949	£22,067	£32,644	£1,665	£979	£35,288

Table 2

FEES OF £7,500

	<i>Fee</i>	<i>Maint</i>	<i>Subtotal</i>	<i>Total</i>	<i>RPI @ 5.1%</i>	<i>Interest @ 3%</i>	<i>TOTAL</i>
Y1	£7,500	£3,575	£11,075	£11,075	£565	£332	£11,972
Y2	£7,883	£3,757	£11,972	£23,612	£1,204	£708	£25,524
Y3	£8,285	£3,949	£25,524	£37,758	£1,926	£1,133	£40,816

Table 3

FEES OF £9,000

	<i>Fee</i>	<i>Maint</i>	<i>Subtotal</i>	<i>Total</i>	<i>RPI @ 5.1%</i>	<i>Interest @ 3%</i>	<i>TOTAL</i>
Y1	£9,000	£3,575	£12,575	£12,575	£641	£377	£13,594
Y2	£9,459	£3,757	£13,594	£26,810	£1,367	£804	£28,982
Y3	£9,941	£3,949	£28,982	£42,872	£2,186	£1,286	£46,344

Student debt levels have been modelled using the universal maintenance loan of £3,575 per year which all students will be eligible for irrespective of household income. Students from households earning up to £42,600 will be eligible to borrow between £3,875 and £5,500⁹⁹ annually and their overall debt levels will be

⁹⁹ BIS (2010) Government Student and Graduate Finance Proposals

concurrently higher if they take out the full loan they are entitled to. A student studying on a £9,000 course who is eligible for the maximum £5,500 annual maintenance loan could graduate with a debt of £53,439.

Table 4
FEES OF £9,000 WITH MAXIMUM MAINTENANCE LOAN

	<i>Fee</i>	<i>Maint</i>	<i>Subtotal</i>	<i>Total</i>	<i>RPI @ 5.1%</i>	<i>Interest @ 3%</i>	<i>TOTAL</i>
1	£9,000	£5,500	£14,500	£14,500	£740	£435	£15,675
2	£9,459	£5,781	£15,675	£30,914	£1,577	£927	£33,418
3	£9,941	£6,075	£33,418	£49,435	£2,521	£1,483	£53,439

Table 5
ENDOWMENT AND INVESTMENT INCOME 2008–09

	<i>Endowment & Investment Income</i>	<i>% Total</i>
Russell Group	203,333,000	56.97
1994 Group	44,830,000	12.56
Alliance	30,189,000	8.46
Million+	27,988,000	7.84
Guild HE	2,624,000	0.74
Non Aligned	33,427,000	9.36
Specialist	14,446,000	4.05
Private	105,000	0.03
ALL UNIVERSITIES	356,942,000	100.00

Source: HESA Resources of HEIs 2008–09

Table 6
UK-DOMICILED STUDENTS WITH KNOWN ETHNICITY 2008–09

	<i>TOTAL</i>		<i>Million+ Institutions</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
White	1,600,630	100.0	291,140	18.2
Non White	348,795	100.0	117,600	33.7
Black	112,770	100.0	52,620	46.7
Chinese	17,710	100.0	2,975	16.8
Asian	149,980	100.0	43,770	29.2
Other	68,335	100.0	18,235	26.7
TOTAL	1,949,435	100.0	408,740	21.0

Source: Equality Challenge Unit (2010)

Supplementary written evidence submitted by million+

About million+

1. million+ is a university think-tank which provides evidence and analysis on policy and funding regimes that impact on universities, students and the services that universities and other higher education institutions provide for business, the NHS, education and the not-for-profit sectors.

Introduction

2. Our previous oral and written evidence to the BIS Committee on The Future of Higher Education raised concerns about the impact on students of the removal of the vast majority of teaching funding from universities in England. This evidence suggests that the Government's HE reforms risk social mobility, that overall most graduates will pay more for their higher education than they do currently and that the reforms represent poor value for taxpayers.¹⁰⁰ In other analysis, million+ has highlighted the wider economic implications of the decision to withdraw the majority of direct public investment from higher education.¹⁰¹

3. Following the publication of the Higher Education White Paper, *Higher Education: Students at the Heart of the System* on 28 June 2011, we welcome the opportunity to submit supplementary evidence to the BIS Committee. In spite of the emphasis on students in the title of the White Paper, our analysis suggests that a

¹⁰⁰ million+ (2011) Evidence to BIS Committee Inquiry—The Future of Higher Education.

¹⁰¹ million+ (2011) Has the Treasury done the sums? The economic implications of the coalition government's withdrawal from the public funding of higher education.

number of the proposals set out could undermine the investment available in universities to promote the quality of the student experience. Other proposals risk undermining the excellent national and the international reputation of England's universities. This reputation has been hard won and is dependent on the maintenance of standards and the delivery of a quality student experience.

4. The Government now proposes to introduce more competition between universities from 2012–13 through three measures: the creation of a price-based “flexible margin” of places, unrestricted recruitment of “high achieving” students, and opening up the market to new providers of higher education. These market-based mechanisms are variously posited as a means of regulating the costs of the new system to the Treasury (“*As the balance of public investment shifts from grants to loans, the government must maintain control of its financial exposure*”)¹⁰² and enhancing student choice (“*We want to ensure that the new student finance regime supports student choice*”).¹⁰³

5. The decision to remove student numbers from higher-charging universities and to re-offer them at lower prices raises questions about the Government's commitment to quality but also runs counter to the communications strategy of Ministers who have sought to emphasise (correctly) that no matter how much students borrow in fee and maintenance loans, graduate repayments above the earnings threshold will be based on actual earnings rather than the size of the loan. These payments will therefore be the same each month whether or not students have borrowed fee loans for a £9,000 a year course or a course priced at £7,500 or less.

Timetable for Implementation of Student Numbers Market: Impact on Students

6. The timeline of the White Paper and various consultation processes associated with it raise a number of issues for students. The proposals to create a “market” for students commencing in the academic year 2012–13 through unrestricted recruitment of students achieving grades of AAB and above at A-Level (or equivalent)—estimated to be 65,000 student places—and the transfer of up to 20,000 places to providers with average fees of or below £7,500, are of particular concern.

7. Following the parliamentary votes on full-time tuition fees caps in December 2010 and the publication of guidance about Access Agreements, university Governing Boards and Councils set fees for 2012–13 which they considered would promote a high quality student experience and safeguard institutional financial sustainability. Universities were required to submit Access Agreements for 2012 full-time students to the Office for Fair Access (OFFA) by 19 April. Many of these Access Agreements were the subject of discussion with student unions prior to their submission to OFFA which published outcomes on 12 July 2011.

8. Recruitment for the 2012–13 admissions year began in April 2011. In addition to other outreach activities, universities have been engaged in activities in schools and colleges focused on students interested in applying to study at university in 2012. University open days for the 2012 admissions year commenced in June 2011 and will continue in through the autumn. In advance of the OFFA announcement, universities published their fee levels and have been providing information to prospective students about courses and the new loan system. For its part, BIS launched its own communications campaign “*Make Your Future Happen*” on 6 May 2011 to promote interest in universities for the 2012 academic year and to allay concerns about the reforms to student finance.

9. Several months down the road the publication of the White Paper on 28 June 2011 effectively changes the rules for 2012 after decisions have been made by universities. It would appear that Ministers waited until universities published their fees and then sought to inject additional elements of competition in order to reduce fees. As a result, one in four university places will be contestable in 2012–13. This will have variable impacts on universities but it will also have an impact on student choice and the investment available in institutions to deliver a high quality student experience in the short and the long term.

10. Alongside the HE White Paper, Ministers published a letter inviting consultation responses (Appendix 1).¹⁰⁴ The consultation on the White Paper commenced on 28 June 2011 and is set to close on 20 September 2011. For this consultation to be meaningful, universities, students and other stakeholders would reasonably expect that BIS would give full and proper consideration to the responses received by 20 September and then publish its own response and any decisions or proposals for implementation eg through primary legislation, amendments to the student finance regulations or through further consultation by Hefce.

11. However, on the same day (28 June 2011) Ministers wrote to Hefce requiring the Funding Council to implement a market in student numbers from 2012–13—the proposals for which had only appeared in the public domain via the publication of the White Paper on the same day (Appendix 2).¹⁰⁵ On 30 June 2011, Hefce issued a consultation on teaching funding priorities and the market in student number controls in 2012–13 which will close on 2 September 2011. The consultation is restricted to the detail of implementation and not on the principle of the decision announced by Ministers. It appears to be designed to ensure that the market in student numbers will operate from the 2012–13 academic year. It is difficult to see how the decision of Ministers to require Hefce to implement this market in 2012–13 while at the same time inviting consultation

¹⁰² BIS (28 June 2011) Higher Education White Paper—Students at the Heart of the System. Page 67.

¹⁰³ BIS (28 June 2011) Higher Education White Paper—Students at the Heart of the System. Page 19.

¹⁰⁴ Ev not printed

¹⁰⁵ Ev not printed

on the BIS White Paper, provides for proper consideration and full and meaningful consultation of the impact of the student number market on students and universities.

Impact of Student Number Market

12. The student number market will require universities to compete on grade for approximately 65,000 younger full-time students who achieve AAB (or above) A-level grades (or their equivalent) and on courses which will be priced primarily at £9,000 per year. Other universities, with a strong track record of creating opportunities for students from a wide-range of backgrounds and ages, enabling these students to progress to professional careers, have fewer students with AAB grades at the point of entry and are unlikely to be able to compete in this market in the same way.

13. Once AAB students are removed from the core numbers allocated to universities, a further 20,000 student numbers will be removed. Universities can compete for these places only if they can demonstrate that their average tuition fee in 2012 will be £7,500 or less. Based on fee levels announced and Access Agreements now in place, a small number of universities could provide places at this level, especially through links with local colleges. However, there are a variety of operational and financial reasons why most universities may not wish to bid for these places and OFFA has estimated that the average tuition fee in universities is likely to be much higher. Fee levels set by universities will have taken into account:-

- predicted student numbers;
- future strategy and the investment required to maintain and improve the student experience for current and future students;
- requirements in respect of Access Agreements including bursary support, outreach activities (bearing in mind the end of the Aim Higher programme worth £78 million per annum); improving retention and the match-funding for the NSP that is a requirement laid down by Ministers; and
- the 80% reduction in teaching grant.

The removal of core numbers and/or price restrictions will reduce the unit of resource in those universities with strong track records in widening participation. This will impact not only on the number of places available for students from more diverse backgrounds but also on the income that institutions had anticipated would be available to invest in the quality of the student experience for their students.

Impact on Social Mobility and Investment in the Student Experience

14. million+ welcomes the White Paper's recognition of higher education as a powerful engine of social mobility. The commitment to fund elements of the Widening Participation Premium for universities which teach students from non-traditional and disadvantaged backgrounds is also welcome.

15. However, million+ remains concerned by the Government's narrow and partial understanding of social mobility. The market in student number is likely to undermine efforts to widen access and take account of the full potential of each applicant. There is significant tension between the Government's professed commitment to increase social mobility and the proposals to allow unrestricted recruitment of the approximately 65,000 students who achieve AAB or above at A-Level or in equivalent qualifications. A wealth of research has shown that students from more prosperous backgrounds and at private schools tend to perform better in standard examinations. Out of the 54,600 students in England aged 16–18 who achieved AAB or better in A-Levels and AVCEs in 2010, 16,100 (29%) were from private schools even though only around 6% of all pupils study at private schools. A further 5,420 (10%) of those achieving AAB were at selective state schools.¹⁰⁶ The White Paper states that unrestricted recruitment of AAB students "*will create the opportunity for more students to go to their first choice institution*" but it is clear that this will advantage younger students from more prosperous backgrounds relatively more than students from more disadvantaged backgrounds.

16. Furthermore, whilst privately educated pupils tend to outperform their state educated counterparts at school this situation is reversed at university. Students with lower A-level grades from state schools are known to equal or out-perform students from private schools with high A-level grades once they are at university. A five-year study co-funded by BIS, the Sutton Trust, the National Foundation for Educational Research and the College Board that tracked 8,000 A-level candidates found that a comprehensive pupil with the grades BBB is likely to perform as well at university as an independent or grammar school pupil with grades ABB or AAB.¹⁰⁷ High achievement in school exams is not necessarily a good predictor of achievement at university.

17. Given the emphasis that Ministers have previously placed on the use of contextual data in university admissions,¹⁰⁸ the White Paper is strangely quiet on the subject. The creation of incentives for universities to focus recruitment on students gaining AAB at A-Level risks undermining the progress that has been made in the sector towards the use of contextual data to assess an applicant's full potential.

¹⁰⁶ House of Common Library (2011)

¹⁰⁷ Kirkup et al (2010) Use of an aptitude test in university entrance: a validity study: Final Report. National Foundation for Educational Research.

¹⁰⁸ BBC News (9 February 2011) 'Nick Clegg attacks Oxbridge £9,000 tuition fees plans' <http://www.bbc.co.uk/news/uk-politics-12409419>.

18. Once AAB numbers are removed from the core allocations of universities, 20,000 further numbers will be removed on a pro-rata basis in 2012. An example of how this is intended to work is outlined using two “case-studies”:

University Case-studies (2012)

University A has 2,000 students with AAB grades removed from its core numbers and has set its full-time fee at £9,000. University A is allowed to compete for these 2,000 places at the full-time fee and can also compete for additional AAB students. University A is left with 200 numbers in its core allocation i.e. students admitted without high A-level grades or their equivalent. This core allocation of 200 numbers is reduced by 8% as a pro-rata contribution towards the 20,000 numbers which the Government wishes to remove and offer to lower cost providers. As a result University A loses 16 students from the core—a potential loss of £144,000 in year one (2012) rising to £432,000 by 2014–15. It is unlikely to lower its average fee price but can seek to recruit an additional 16 AAB grade students (or more) at full price.

University B has 100 students with AAB grades or their equivalent and has set a full-time tuition fee of £9,000. Once these students are removed it has a core allocation of 2,000. This number is reduced by 8% as a pro-rata contribution to the 20,000 numbers for lower cost providers. As a result University B loses 160 students. Unless it reduces its average tuition fee to £7,500 or less, University B cannot compete for any of the 20,000 student numbers. Unless it also chases AAB students, University B stands to lose £1.44 million in year one (2012) rising to £4.32 million per annum by 2014–15. If Ministers remove even more numbers by price from the core in future years ie in 2013 and beyond, University B will incur a significant reduction in income from UK domiciled students. This is in spite of University B’s long tradition of creating opportunities for older students and students from non-traditional backgrounds as well as investing in a high quality student experience.

19. The new student market “conditions” applied by Ministers have implications for financial sustainability and planning and will have an impact on current and future students. As illustrated in the university case-studies, the reduction in core numbers, combined with a limitation on price, raises the prospect that universities will have no means of recovering this income from other sources over a short timescale (bearing in mind that Ministers want the changes to operate from 2012–13).

20. Instability will be made worse by the detail of the timetable for 2012–13 flexible margin proposals. The Hefce consultation suggests that universities will not know how many students they will lose into the “flexible margin” at the point at which they would be required to submit bids for this pool. Moreover, universities will only receive confirmation of their core allocation for 2012–13 in March 2012 when the admissions process for 2012–13 is well-advanced. This is likely to lead to delays and uncertainties for students or, in the alternative, universities being cautious about the number of offers and conditional offers that they make.

21. The proposal to allow unrestricted recruitment of AAB students and to re-allocate 20,000 places to lower costs providers also has implications for the range of subjects offered by universities. It is well known that pupils studying arts and humanities subjects at A-Level or equivalent tend to achieve higher grades than those studying science subjects and mathematics in preparation for degrees in STEM subjects. As a result, STEM courses tend to have lower grade or tariff requirements. Funding drivers which incentivise the recruitment of arts and humanities students may lead to a reduction in the provision of strategically important STEM subjects.

22. Ministers have also indicated that they want to increase the number of places re-allocated to providers charging less than £7,500 in future years. The primary objective seems to be to cut the costs of the student loan book for the Government. This is only likely to increase instability in the early years of the new funding arrangements.

23. Above all, the decision by Ministers reveals a lack of understanding about quality and what students really want. As repayments of tuition and maintenance loans are based on the earnings of graduates rather than the sum of their debt, there is no immediate financial advantage to students in studying at a provider that charges £6,000 vis-à-vis one that charges £9,000. A graduate with a debt of £35,000 who is earning an annual salary of £24,000 will repay at the same rate as a graduate with a debt of £50,000 who is also earning £24,000. The assumption that low cost courses are the priority for prospective 2012–13 students is misplaced and belies the fact that many institutions set fees in consultation with their student unions.

Access Agreements and OFFA’s “Average” Fee

24. On 12 July OFFA published its estimate of the average tuition fee in 2012–13 once fee waivers have been taken into account. This is the figure which is of interest to Government Ministers because it gives a very clear indication of how much more students will have to borrow from the Government to pay their fees. BIS has consistently estimated that the average tuition fee for the sector would be £7,500. According to OFFA’s calculations, 106 out of 129 universities and colleges are likely to have an average tuition fee above £7,500 in 2012. The average tuition fee across all of these institutions once estimates about fee waivers are taken into account is £8,161. These fees reflect the impact of the policy of cutting the public investment in teaching by 80%.

25. The OFFA estimates throw up some interesting differences in approach and a number of universities have chosen not to use fee waivers at all. For example, the average estimated fee for the University of Bradford

and the University of Durham is £9,000. Similarly, the University of the Creative Arts appears not to be offering any fee waivers because its maximum fee and estimated average fee remains a constant £8,500. Meanwhile, the estimated average fee at Cambridge and Oxford are £8,748 and £8,355 respectively. These universities have deployed fee waivers as part of their access strategies but they can also draw on very large endowment funds to help fund large fee waivers for a relatively small number of students from disadvantaged backgrounds. In spite of these large endowment funds, Cambridge and Oxford will also benefit from government funding for the National Scholarship Programme.

26. The actual average fee across the sector and for individual universities will not be known until December 2012 at the earliest. The “estimates” published by OFFA are just that—they are based on assumptions about how many students from different household incomes will be recruited to each institution. Universities recruit students on a needs-blind basis and pay no regard to household income. Neither universities nor OFFA will know what the average tuition fee is until students have enrolled on courses and confirmed their household income. Only then will universities be able to calculate how many students are actually entitled to fee waivers and / or bursary support. Some universities also recruit students on more than one semester i.e. some students may commence courses in January. This will further delay calculations of an average fee in some institutions.

27. OFFA has also published figures on what it says will be the estimated average “costs” to students once bursary support is taken into account. This is potentially misleading. Bursary support covers a wide range of support for students, often to cover living costs and other costs associated with studying at university. The provision of bursaries will not reduce the fees charged and it is very unlikely to reduce what students borrow from the Government in terms of fee loans and maintenance loans and grants. (Maintenance is means-tested according to household income).

28. Bursaries are known to be highly valued by students and universities provide bursaries to try and ensure that students have the support they need while they are studying. This is a particular concern for universities which provide opportunities for students from lower income backgrounds whose families are simply unable to provide additional financial support however much they might like to do so. The OFFA figures confirm that universities which teach the majority of students from lower income backgrounds have sought to ensure that their students are supported with bursaries in addition to any maintenance loans and grants to which they may be entitled. These universities are investing in university bursaries precisely because they understand that support for students while they are studying is much more crucial than a fee waiver because graduates can pay back fee loans over 30 years.

29. There is a further reason why universities have not offered significant numbers of the fee waivers which bring down the average tuition fee price. EU students studying at English universities are entitled to access fee loans on the same basis as UK students ie they are not means-tested. Maintenance loans and grants are different as they are considered a “benefit” and are subject to the conditions laid down by the Member State. EU students have to demonstrate three years residency in the UK before they can apply for means-tested maintenance loans and grants. It is more than likely that EU students will be entitled to fee waivers on the same means-tested basis as UK students. The Government’s policy of promoting fee waivers, including in the National Scholarship Programme, therefore creates an additional financial liability for EU students which universities would have to meet.

Private and Low-cost Providers

30. Encouraging the entry of low-cost providers into the higher education sector may be in the interests of the Treasury but it is not necessarily in the interest of students. The creation of a flexible margin of contestable places, based primarily on price, will inevitably result in the removal of places from universities with a strong record of quality. Given the price constraints it seems likely that the flexible margin places will tend to support the provision of subjects that can be run at lower cost rather than higher cost subjects that are in greater demand. Far from enhancing student choice, the Government’s proposals may well lead to less choice for students.

University Title and Degree Awarding Powers: Impact on Students

31. The White Paper sets out the Government’s intention to relax the criteria for obtaining university status and to decouple the link between degree awarding powers and teaching students. At present, the right to use the prestigious university title is conditional on prior obtainment of taught degree-awarding powers, the presence of at least 4,000 full-time students and being able to demonstrate robust systems of governance. An organisation which does not meet the numbers threshold for “university” title may be eligible for “university college” title via the same process. BIS will now consult on changes to the criteria and process for university or university college status with the intention of relaxing the existing criteria.

32. BIS will also consult on relaxing the criteria and process for granting and renewing degree-awarding powers at undergraduate level. This includes reviewing the need for institutions to demonstrate a track record of delivering quality higher education programmes for at least four consecutive years and whether an overseas track record and reputation should be taken into account by the QAA. BIS will also propose legislation to allow institutions that do not teach, to award degrees.

33. The current system for granting university title and degree awarding powers has, as BIS acknowledges, been effective in maintaining standards within universities and delivering confidence in the quality of UK

higher education and graduates of British universities. The primary reason why the UK remains second only to the United States in terms of the provision of higher education to foreign nationals—despite growing levels of international competition for international students—is that UK universities and graduates of UK universities are highly regarded within the international community.¹⁰⁹

34. In the UK, university title is a mark of quality and reputation which denotes adherence to the highest possible standards and commitment to rigorous academic governance to students and employers. Any move to relax the criteria for university title and degree awarding powers risks damaging both the quality of the student experience and the strength of the UK higher education brand. Once lost or diluted, this reputation may never be regained and graduates of UK universities will lose currency in the international market.

35. The proposal to grant degree awarding powers to institutions that neither teach nor carry out research indicates a lack of understanding of the nature and purpose of higher education—a form of education that is at the cutting edge of an academic subject and which demands high levels of research-informed scholarship from staff and students. It also puts the UK seriously at odds with the Bologna Process which clearly defines universities in terms of teaching and research.

Students Studying Part-time

36. million+ has previously welcomed the extension of fee loans to part-time undergraduates studying at the rate of at least 25% of a full time degree course. Part-time students are not confined to “part-time” institutions such as the Open University and Birkbeck. In many modern universities more than a third of students study on a part-time and flexible basis and it is right and proper that part-time students should have access to fee loans. million+ also believes that part-time students should be subject to the same repayment regime as their full-time counterparts rather than being forced, if their earnings rise above £21,000 whilst studying, to start repaying loans three years after they start studying.

37. The Education Bill includes a clause that will enable Ministers to table statutory regulations to introduce fee loans for part-time students. The explanation provided by BIS in respect of this clause suggests that maximum fee caps of £6,750 and £4,500 will operate, reflecting 75% of a £9,000 full-time fee and 75% of a £6,000 full-time fee respectively. This proposal is predicated on the assumption that part-time students do not study at more than 75% intensity. This represents a fundamental misunderstanding of how part-time students study. In practice there is a good deal of flexibility which reflects the differing circumstances of part-time students (for instance in terms of work and family commitments) and the number of modules that students have been able to study in previous years.

38. Part-time and full-time study alike is based on modules and credits rather than on percentage “intensity”. Accordingly it would be greatly to the benefit of part-time students if part-time fees operated on a pro-rata basis linked to the credits undertaken and the full-time fee set by the university for the course in question (with an eligibility floor of 25% intensity). This would provide much more flexibility for part-time students and would be no more costly overall in respect of tuition fee loans.

Students Studying on Accelerated Degree Programmes

39. The Government is keen to foster the provision of more flexible forms of undergraduate study including two-year accelerated honours degrees. However, BIS has not yet resolved issues around the funding of accelerated degrees from 2012–13. The full-time fee regulations limit the fees that universities can charge even though students have to be taught proportionately more each year than a “standard” full-time student. If a university offers a three year degree course at £9,000 per annum, the university will receive £27,000 in fee income. However, if the three year course is taught under an accelerated programme in two years, the university will only be able to charge £9,000 pa ie £18,000 for the whole course. This idiosyncrasy of the funding system belies the fact that the Exchequer benefits because accelerated degree students would only be eligible to claim two rather than three years of maintenance loans and grants.

Initial Teacher Training, MPET Funding and Student Visa Changes

40. The future of the Department for Education’s Initial Teacher Training (ITT) and the Department of Health’s Multi-Professional Education and Training (MPET) funding streams, coupled with the changes to Student Visa Regulations have all added to financial uncertainty as universities make preparations for 2012–13. This has been acknowledged by BIS and Ministers.¹¹⁰

41. Overall there has been a 14% reduction in ITT places for 2011–12 and there is evidence that some ITT student numbers have been transferred to lower quality non-university providers. In addition, the abolition of the Training and Development Agency for Schools (TDA) appears to be linked with the *Teaching Quality* White Paper published in November 2010 and signal a move from university-based ITT to “Teaching Schools”. The DfE’s response to the *Teaching Quality* White Paper consultation (27 June 2011) recognises that university-school partnerships have value, but DfE still appears to regard teaching as a “craft” to be learnt on the job ie

¹⁰⁹ The presence of international students is vital to the United Kingdom for social, cultural and economic reasons. See Middlehurst, Woodfield and Hjerde ‘International Higher Education Missing an Opportunity’ (million+ 2011).

¹¹⁰ Guardian (14 March 2011) <http://www.guardian.co.uk/education/2011/mar/14/high-tuition-fees-university-fine>.

teaching is about the acquisition of skills and not also about the acquisition and development of knowledge. The DfE's response also fails to pay proper regard to the fact that students overwhelmingly value ITT which is university-led and to the evidence available from Ofsted inspections of ITT provision. This direction of travel will have consequences not just for the future training of teachers and the future supply of teachers, but will also inevitably impact on universities and student choice.

42. Funding for nursing, midwifery and allied health professional education (NMET) is one component of the "Multi-Professional Education and Training" (MPET) budget which is included in DoH funding of the SHAs. Other components provide funding for postgraduate medical and dental education (MADEL) and support for the practice teaching of medical students (SIFT). The current budget is around £4.5 billion. The DoH in England has signalled that the MPET budget will be cut by up to 15% over three years commencing in 2011–12. Universities in England have confirmed that the number of commissions is likely to decrease by around 10–15%. Some universities receive approximately 25% of their total income from NHS-funded health professional courses. Uncertainty about the arrangements for the commissioning and award of these contracts from 2012–13 is creating a financial risk which will coincide with the introduction of the new fees and funding regime. It could result in universities having no option but to consider making well-qualified and experienced staff redundant. This poses an obvious risk to future NHS education and training provision and again to universities and student choice.

Conclusion

43. million+ welcomes the emphasis on the student experience in the Higher Education White Paper, *Students at the Heart of the System*. However in spite of the proposals to provide more information to students, as it stands the White Paper is unlikely to improve student choice or investment in the student experience and has the potential to create significant risks for the domestic and international reputation of England's universities.

14 July 2011

Written evidence submitted by the Mixed Economy Group

1. Summary

This submission is from the Mixed Economy Group of FE Colleges (MEG). It focuses on our view of the future shape of HE in England and thus our thinking on the content of the HE White Paper. We see a distinctive role for FE colleges in the delivery of HE and we set out our thinking in the form of a Summary statement and accompanying evidence.

1.1 *About the Mixed Economy Group*

The Mixed Economy Group of colleges represents those Further Education Colleges which have a significant, established, strategic and developmental role in the provision of Higher Education. Member colleges focus on the complementary aims of widening participation amongst groups and individuals currently under-represented in Higher Education and working with employers to ensure that higher level skills are developed and recognised in the workplace. There are currently 39 colleges in MEG membership.

2. Our Overall Response to the Terms of Reference for the Inquiry

(a) The conclusions of the Browne Report and the content of the Government's proposed White Paper on Higher Education (including the Government's proposals for widening participation and access)

2.1 The Mixed Economy Group welcomes many aspects of the Browne Report, in particular the opportunities for a more diverse HE landscape which can respond to the needs of learners with differing aspirations and expectations. We believe it is essential that the systems and structures for the design and delivery of HE are made more open and accessible and not simply derived from the traditional model based on three year full time honours provision. As FE Colleges, MEG members enroll students from their local communities who might not otherwise be able or willing to study. They provide higher level skills qualifications in a range of vocational disciplines to support local employers. Colleges also offer value for money by focusing on teaching and learning, with smaller class sizes and longer student contact hours. Colleges also understand the needs of students for support in their learning and offer a real alternative to a "traditional" HE experience. Part time and mature students feature strongly in the college offer.

2.2 In terms of promoting student progression to HE, colleges play a major role in the social mobility agenda shared by all political parties. Some colleges have progression rates of 33% for students moving from the college's own Level 3 provision (including a high proportion in Vocational disciplines) to college-based HE. Given that the majority of these students do not come from families with a tradition of University or Higher Level education, this is a major contribution to local social and economic development.

2.3 MEG supported many of the original conclusions of the Browne Review. We have always sought a level playing field with other providers of HE and many of the proposals could have brought that closer. The removal

of Student Number Controls would allow those of our members who cannot, under current constraints, meet a growing demand for local HE courses to do so in a cost effective manner. It also did away with the concept of direct and indirect funding and thus many of the limitations imposed on us by the Further and Higher Education Act 1992. For example, indirect funding or “franchising” leaves Colleges reliant on Universities not only for the validation of their higher level courses but also for determining the proportion of HEFCE funding which will pass to the point of delivery at the college and hence to the student. Whilst we disagreed with the concept of a tariff for those seeking admission to HE without UCAS points as we believed this could discriminate against mature students, those in employment and those with vocational qualifications, we understood the need for a levy on fees above £6,000 and the contribution that this would make to the funding of HE.

2.4 However, we do see a role for continued state funding of HE, across the board, perhaps at a reduced level. We accept the economic realities facing Government but would prefer to see these addressed by greater acknowledgement of what HE in FE can offer when compared with other providers of HE. We also see state funding as a valuable means of stimulating economic development.

The HE White Paper could do this, by recognising our strengths and freeing us from the present controls. These reflect the existing HE landscape: in order to meet the needs of 21st century students, Government needs to look at different delivery models. Colleges are well able to deliver HE, but need to do so unfettered by current limitations and constraints. These are no longer relevant.

2.5 At the heart of many of these limitations is a perception that the quality of HE in FE is somehow in doubt. This is not the case. The quality of the HE delivered in colleges is not in question—our QAA IQER judgments are good and we deliver in a cost-effective way.

2.6 MEG therefore anticipates a greater role for colleges of FE in providing higher education, building on these strengths. Our reasons are set out in more detail in our Supporting Commentary.

(b) *The role and future of state funding in Higher Education.*

2.7 MEG has concerns that the new fees regime could act as a disincentive to students drawn from backgrounds historically underrepresented in Higher Education. Although the impact of new Access Agreements and National Scholarship Funds cannot yet be judged, there are concerns that the inevitable bureaucracy which surrounds all such schemes will act as a further disincentive for such students. We believe that there continues to be a role for the state in supporting disadvantaged students with the ability to benefit from HE. 1.31 There are also issues around arrangements for part time students. It is proposed that students are able to access support when studying at “25% intensity” (it is assumed this will be defined by the pro rata number of credits studied i.e. 30 credits per annum.) This is a relatively low level and as such is likely to include much of the provision which is currently delivered part time. The financial implications of this are unknown. In addition, removal of the HEFCE Teaching Grant is likely to result in significant increases in the fees charged to students. The relatively high level of fee support under the current fees regime means that the price to students (and their employers) can be maintained at lower levels.

2.8 It is also uncertain as to how employers will be able to pay the fees of their employees without incurring a penalty for early repayment. Such a penalty would be perverse, given the drive to encourage employers to assume financial responsibility for their employees’ training.

2.9 MEG understands the pressures on public funding. However, some of the implications of the new funding approach carry significant risk that students from widening participation backgrounds will be more reluctant to participate.

3. Supporting Commentary

3.1 MEG colleges offer high quality HE provision and also a rapid-response to employer needs for higher-level skills. They do this as a result of the particular nature of their staff structures, the varied backgrounds of their staff, their approach to teaching and learning and their culture of employer engagement at L2—L4. All of these factors combine to enable them to offer value for money to both learners and employers.

3.2 *The Student Experience*

3.2.1 The level and quality of support for non-traditional HE learners is much more intensive and specialised than that found in conventional HEIs. The support structures continue through from FE and can remain in place for the duration of each student’s higher-level study. The emphasis on retention and achievement is much more pronounced than in HEIs.

3.2.2 Student retention and success has a much higher profile with course management teams that deliver HE in FE, due to the degree of internal and external scrutiny driven by Ofsted Inspections in all other aspects of their work. The same approach is carried through to HE provision.

3.2.3 Lower staff costs allow the delivery of more contact hours. Teaching and learning is the core purpose of most HE in FE and not Research, as in many HEIs.

3.2.4 With regards to learner progression into employment or up skilling, FECs and the students who choose to study there place a distinct emphasis on jobs and employability for graduates, usually aligned to local job markets. Promotion and career progression are regarded as important for those already in work but studying part-time

3.2.5 Only HE in FE will provide the capacity and expertise to ensure the increased progression from the massive expansion in the Apprentices programmes from 14+.

3.3 *Approaches to learning and teaching*

3.3.1 Responsive, dynamic timetabling and access to skilled staff employed on flexible terms and conditions enables FECs to address market needs rapidly.

3.3.2 Like some HEIs, FECs also work closely with Chartered Institutes and other professional bodies, thereby ensuring that course content is always up-to date and acting as a bridge between employees and relevant bodies in terms of CPD. In many cases colleges prepare students for the professional exams of these bodies via courses of Non Prescribed HE. The industry-active status of many PT FE staff enhances the impact of this delivery.

3.3.3 In certain institutions the higher skills offer clearly helps to fill regional skills gaps that HEIs are unable or unwilling to address. The currency of the HE in FE offer in the form of Foundation degrees is strong: it is subject to annual review and regular updates, ensuring that it meets the needs of a changing job market.

3.3.4 In the North East, as in the South West, it is the FE sector which is addressing HE cold spots, through the provision of a range of vocational courses which can be pursued on a full time, part-time or distance learning basis.

3.4 *Employer Engagement*

3.4.1 FE Colleges work with employers: this is part of their identity and comes from a long tradition dating back in many cases to the early years of the last century or earlier. For much of their history they have worked with part-time as well as full time adults, and are aware of the particular needs of those who are learning whilst earning.

3.4.2 Crucial to this is the degree of confidence that employers have in their local colleges. This is hard-won, and reflects a heavy investment in time by business support staff, tutors and assessors, who all nurture the HE/employer relationship. The proven ability of FECs to re-tool to meet new demands rapidly and to a high standard maintains this crucial factor.

3.4.3 Finally, Apprenticeship numbers are set to increase significantly. A key role for colleges will come in ensuring that routes exist to higher level technical qualifications for the young people and adults who are recruited to this scheme. It is unlikely that HEIs will have the staff expertise to rise to this challenge, particularly in areas where there is not a tradition of higher-level skills based qualifications.

3.5 *Staff Structures*

3.5.1 A high level of staff-student contact time is a feature of HE in FE:

Incorporation in 1992 enabled colleges to employ staff on a range of contracts, and thus tailor teaching and learning arrangements to meet student needs. Part-time staff who are current practitioners in their field provide a significant proportion of the teaching staff and many teach at HE level. All full-time teaching staff are employed on FE terms and conditions, which require (on average) 22 hours per week of timetabled teaching. Few are recruited solely to teach at HE level, with the result that most work across the college in their subject area and facilitate the progression of learners from lower to higher levels of study.

3.5.2 FECs teach year round and outside of normal working hours. Despite their varied backgrounds, staff have a shared commitment to teaching and learning, which is viewed as the prime activity of all college staff at both FE and HE level.

3.6 *Staff Backgrounds*

3.6.1 HE in FE staff do not always enter teaching directly from an academic background. Most have relevant industrial experience, giving them immediate credibility with employers working within the same sector. They are able to contextualise the more academic learning undertaken by students, helping them to see the point of theoretical components in largely vocational courses.

3.6.2 FECs are able to recruit experts in their field when needed. The focus is on recruiting staff with current and credible skills rather than using a large component of the college budget to fund staff to undertake academic research. College teaching staff are recruited primarily as teachers and almost all have teaching qualifications, this being a requirement for employment as a teacher within the FE sector. Discussions with the NUS have demonstrated that HE in FE students value teaching skills.

3.6.3 An HE in FE professional is emerging, who is at the cutting edge of his/her profession and has expectations in terms of CPD but wishes to teach rather than focus on traditional academic research.

3.7 Value for money

3.7.1 Colleges have a lower cost base. All of their resources are devoted to teaching and student support. College staff are teachers (trained as such as a condition of service), not researchers, and they develop their skills accordingly. College resources are directed towards the success of their students, without the distraction of primary research or the need to publish papers. Because of the greater number of hours of student class contact time, the flexible approaches taken to staffing by colleges and lower salary and facility costs, college-delivered HE provision offers better value for money for all concerned.

4. Conclusions

The role of Colleges in the delivery of HE can be summarised as:

- Working locally with communities and employers.
- Providing progression routes for students from FE level 3 Vocational programmes to higher technician levels, for both full-time students and part-time students in employment.
- Employing tutors and other professional staff who are often actively employed elsewhere, undertaking relevant professional/higher technical skills and activities which can be contextualised into the teaching/learning process.
- A student experience which values good teaching and tutor support.
- Delivering the majority of apprenticeship programmes across the country. They are therefore best-positioned to develop and deliver progression routes to higher-skills development locally.
- Responding rapidly to the needs of employers and government when resourced to do so.

5. Recommendations

In order to develop this established position, the HE White Paper needs to address the following:

- More flexible approaches to funding, recognising that one size does not fit all for HE study and that local study, without the burden of debt, will be an attractive proposition for some non-traditional HE learners.
- More direct funding for Colleges, as suggested by the Browne Review, so that the amount of resources spent on unnecessary inter-institutional bureaucracy can be minimised and funds devoted to where they are best used to support learning.
- Changes in the rules preventing Colleges working in consortium or franchise arrangements with other Colleges. Economies of scale can then be increased and partnership working developed without the need to engage closely with HEIs over provision and students with which the HEIs are often unfamiliar.
- A similar approach to consortium working for the powers afforded under the Further Education and Training Act, 2007.
- Amending existing legislation in order to enable colleges to respond to employer needs more rapidly by offering funded modules or units of provision, as HEIs are currently able to do.
- Building a strong College HE offer which adds to the diversity of the new HE sector.

21 March 2011

Supplementary written evidence submitted by the Mixed Economy Group and 157 Group

MEG and the 157 Group are pleased to present further comments to the Select Committee in the light of the publication of the recent White Paper “Students at the heart of the system”. We are able, perhaps uniquely, to comment from two perspectives: FE colleges are major providers of HE delivering around one in eight of all undergraduate programmes. Colleges are also the major source of initial entrants to HE providing a majority of “A” level or equivalent entrants and significant numbers of adult students. Each of our member organisations balances these two roles.

Summary

1. We welcome the government’s acknowledgement that FE colleges have a distinctive role to play in a more diverse Higher Education landscape.

2. We welcome recognition of the two key barriers preventing us from achieving the full potential of the FE sector in delivering Higher Education—validation and the vulnerability of franchised provision—but need more information on how it is proposed these are addressed.

3. We are pleased that the government recognises the importance of the wider availability of degree awarding powers but would encourage a greater commitment towards accelerating the ability of colleges to offer foundation and first taught degrees.

4. We welcome the increased range of providers and consequent move towards more responsive and cost effective provision this will stimulate. However, we also support the need for appropriate safeguards to ensure that the quality and reputation of English higher level qualifications are maintained.

5. We are concerned that competitive bidding for the existing share of students will not by itself protect the distinctive FE contribution to HE or enable it to grow. Some earmarking of funding for different types of HE may be a better solution.

6. We welcome the moves to make more course information available to prospective students enabling them to make informed choices. However, student destination information has proved difficult to determine and we would urge caution in determining the metrics to support this.

7. We welcome the Whitepaper's caution about setting a minimum tariff for access to student support as this could damage efforts to widen participation.

FE Colleges as HE Providers

Our members find much to welcome in the White Paper in relation to the development of the role of FE colleges as providers of HE. It clearly recognises the distinctive contribution that FE colleges can and do make to Higher Education; it recognises some of the barriers that prevent FE institutions doing more; and it clearly signals the potential for the sector to play an enhanced role in the future. We look forward to working with government and other partners to make a reality of this expanded role.

If we are to deliver the full potential of the sector however we need urgent action to overcome two of the barriers that the White Paper highlights—the difficulty of competing with universities when colleges depend on them for validating their degrees; and the vulnerability of franchised provision to a withdrawal of numbers by franchise partners. It is not clear that the proposals set out so far will tackle these two issues within the timeframe needed.

In respect of validation powers it is good that the White Paper signals a willingness to extend the range of bodies with degree awarding powers. We feel however that it should also give a clearer commitment to accelerating the ability of FE colleges to award foundation and taught first degrees in their own right. The ability to seek validation from private sector organisations will bring a welcome increase in competitive pressure on existing organisations, but we should be very wary of allowing a limited number of such bodies to dominate the field. From our work at level 3 and below we are only too aware of the huge sums of money taken from the education system by a small number of powerful awarding bodies and are anxious that that should not be replicated in the HE sector.

Freeing up the arrangements for validation will be of little use if FE colleges are not able to access a guaranteed stream of funding for their HE work. At the moment franchised provision, which accounts for around 50% of the sector's contribution, can be withdrawn by the university partner without redress. We fear that one immediate consequence of the squeeze in numbers at less popular universities may be to encourage further reductions in franchising to protect the universities' own viability. This could happen even before legislation is enacted and there needs to be a mechanism to freeze franchise numbers to prevent this happening.

In any event seeking to expand HE by competitive bidding for a share of the existing HE numbers does not seem the most appropriate way to develop the distinctive contribution that FE colleges make. The college role should not be seen as doing the same as universities only more cheaply but expanding the numbers of part time students, extending opportunities for those in work and using their links with industry to emphasise local, flexible and work related programmes. In large part this involves bringing in new types of student rather than repackaging the offer to traditional undergraduates.

There is a real danger that if the demand from young undergraduates continues to outstrip the places available there will be a perverse incentive to offer cheaper versions of the traditional university experience rather than develop the flexible work focussed offer that FE is best placed to provide. To preserve this valuable and distinctive role some earmarking of funding for FE style programmes would be more effective than open competition.

FE Colleges as Providers of HE Entrants

MEG and the 157 Group welcome the aspiration to put students at the heart of the HE system and extend their choice and influence. We see the provision of more information to students about the experiences they can expect on their course as desirable; the provision of information about the progression of graduates into employment is also highly desirable though we would caution that it is not a straightforward matter. We welcome confirmation that for full time students there will be no up front fees and that repayment will be linked to a student's income. It is crucial however that sufficient resources are given to explaining the benefits of the system to prospective students

We have reservations about the proposal to allow unrestricted recruitment of students with AAB grades at A level. The (possibly unintended) consequence of this may be a more segregated system and a reduction in social mobility as students with such high grades are less likely to have studied in institutions committed to widening participation, including colleges. As institutions which give a high priority to widening participation and extending aspirations we would see any development which makes our elite institutions appear more exclusive as damaging and undesirable.

Although many of our students progress to the most prestigious universities it is probable that the majority of those entrants with no previous family background in HE come through FE colleges. Many progress to local universities which are the ones most likely to be hit hard by a combination of falling numbers and lower fee income. We feel that the monitoring of efforts to widen participation should not focus disproportionately on access to the most selective institutions but should also take account of the overall numbers of non-traditional entrants securing a higher education place.

FE and a Minimum Tariff

Finally we welcome the fact that the white paper has reservations about Lord Browne's proposal to limit HE entrants (and thereby public spending) by setting a minimum tariff for access to student support. We share those reservations fearing that it would inevitably militate against those with non traditional qualifications who are nevertheless capable of benefitting significantly from higher education. As providers of HE a distinctive aspect of our work is the ability to encourage wider participation through considering a persons achievements in the round—taking into account experience in the workplace for example. As institutions concerned with progression into HE we would be concerned if only those with A levels or a limited set of similar qualifications were able to access higher level study. We would be grateful for urgent clarification of the government's intentions in this area.

11 July 2011

Written evidence submitted by the National Union of Students (NUS)

Introduction and Summary

1. The National Union of Students (NUS) is a voluntary membership organisation which makes a real difference to the lives of students and its member students' unions. We are a confederation of 600 students' unions, amounting to more than 95% of all higher and further education unions in the UK. Through our member students' unions, we represent the interests of more than seven million students. NUS welcomes the opportunity to provide evidence to the Business, Innovation and Skills Select Committee.

The conclusions of the Browne Report and the content of the Government's proposed White Paper on Higher Education (including the Government's proposals for widening participation and access)

Core Funding Issues

2. In our view, the conclusions of the Browne Report were, in the main, totally the wrong approach to the future of higher education funding and regulation. The review commissioned very little original research and was hastily conducted. No evidence was presented so suggest that in the context of higher education courses and institutions, competition improves quality. No evidence was presented to suggest that where strongly market-based systems operate in higher education, price and quality are linked. No evidence was presented to suggest that the quality of provision has improved since top-up fees were introduced in 2006. In short, the Browne Report failed to establish the case necessary to commend the enormous changes that it proposed.

3. The government's response has been to substantially endorse the general thrust of the Browne Report. It has already partly put that endorsement into practice by recommending to Parliament a very large increase in the basic and higher fee caps, more than quadrupling the first, and almost tripling the second. This will mean that students starting higher education in 2012 will make far higher contributions, as graduates. This will offset a reduction in the direct funding of university teaching activity, by the government, of around 80% (and up to 100% in some institutions); this loss of funding will be concentrated on the arts, humanities and social sciences.

4. Much debate has been focused on whether the government's undergraduate scheme is "progressive" or "regressive", including some controversy in the media. The NUS assessment has been clear and consistent throughout. The undergraduate loan repayment structure is progressive because, of those who borrow loans, the estimated repayments of the lowest decile of earners are low (an estimated average of £5,000), rising up the range so those with the highest earnings pay the most back (an estimated average of £30,000 in the top decile). However, we contend that the system as a whole is regressive because: a) those with the highest earnings have their overall contributions limited, and will therefore pay a much smaller proportion of all their lifetime earnings than people in the middle of the range, and b) the variable fee system is intended to distribute money into institutions with a high representation of people from affluent backgrounds, and away from institutions with a high representation of people from poorer backgrounds. When making a judgement on whether the system is progressive or regressive, we should look at the system as a whole.

5. Browne recommended the extension of fee loan coverage to part-time students. Equitable treatment of part-time students was something we had sought for some time, and we strongly welcome it. The government's response to make loans available to people studying at a pace of "one quarter" of the nominal full-time pace of a course (rather than "one third" pace, as proposed by Browne) was a very good decision and will enable many more thousands of people to participate in higher education on a part-time basis.

6. The shift in approach to part-time funding is dramatic, and may allow some institutions to adopt a strategy of specialising in part-time provision; this would be highly desirable, as it would make people's study options far more flexible in the future.

7. The good work done on part-time support has not so far been true of postgraduates. Browne studiously ignored the postgraduate funding question, saying simply that "it works well". It was naïve, however, to imagine that such a radically changed undergraduate funding model would not have an impact on the postgraduate fee landscape. There are growing fears that with undergraduate prices and demand for postgraduate study both rising, institutions will wish to increase their postgraduate fees to keep pace with their undergraduate prices. This could cause a rapidly developing fair access to postgraduate study, as many people would find themselves priced out of the market without the kind of loan support available to undergraduates.

8. We welcome the government's recent announcement that Sir Adrian Smith will look again at the issue of postgraduate finance, and we will work with BIS on that process. We hope that the solution may involve the extension of some kind of loan support to postgraduates, possibly with limitations in place to make the policy affordable.

Participation and Mobility

9. We have not been enthusiastic in the past about the approach taken by the Office for Fair Access (OFFA), which in our view has been insufficiently proactive and reluctant to use its powers to give guidance to the sector. We think the new expectations, focusing on outcomes and progress against targets (set by institutions themselves) is right and always should have been the approach. It is also right for government and OFFA to endorse, though not compel, the use of contextual data in making admissions decisions, which has been an important and rather brave step beyond the policy of the previous government. However, OFFA is under pressure to stretch its powers in the quest to achieve a differentiated pricing landscape: this should be resisted and OFFA must remain focused on its access remit and not become a price manipulator. We are concerned that with a new story in the press every week about more another institutions' fee levels emerging, the landscape will quickly become confusing for students and we welcome OFFA's decision to publish all new access agreements in a "gathered field" this July.

10. The planned National Scholarship Programme (NSP) has been very poorly thought through. Firstly, because the allocation of NSP awards will be based on institutional size, institutions with high numbers of students from disadvantaged backgrounds will be able to support a much smaller percentage of those students compared to institutions with an under-representation of poorer students; this is unfair and counter-intuitive. Secondly, applicants will not know at the point of application whether or not they have been awarded a scholarship, which means that it will have little if any impact on applicants' behaviour (in fact, the scheme may have a higher "deadweight" cost than the abolished Education Maintenance Allowance). Finally, the scheme will only support people for one year and it will not be permitted to offer students "cash in hand" of more than £1000, to ensure an emphasis on fee waivers, motivated by a desire to keep down the size of the student loan book, even though the amounts involved are quite marginal. It is a very bad policy indeed.

11. In a dynamic higher education market, students should be mobile between institutions, and not confined to just one choice. Higher education institutions (HEIs) should therefore be required to accept direct application by existing HE students into the first or second year for all undergraduate programmes. Providers would maintain their independent control of admissions decisions, and they would have the sole power to decide whether applicants are suitably qualified and should or should not be offered a place. This scheme would enhance student power by allowing them to move if they are dissatisfied after the first year of study. The system would also enable people who do very well in the first year on a programme with a low entry tariff to seek admission to an provider or programme with a higher entry tariff, breaking down the cliff-face culture of the A-level route and giving people a second chance to obtain entry to a more selective programme. UCAS should be asked to devise a central portal to administer this new mobility scheme, making things easier and more transparent for students.

12. The way that people participate in higher education must become more flexible in the future to meet the needs of an ever more rapidly changing workforce and economy. More people will need to have advanced education, but it is unaffordable and inappropriate for this to be provided in the traditional university model. Many HEIs agree with this, and are already pursuing flexible and innovative types and modes of provision, but the white paper should set out how this could develop and how the government will support it. We welcome, for example, ministers' support for greater use of franchising and programmes taught in local providers but examined in major universities.

13. Too much provision in the sector is designed to be full-time, with part-time pathways added only as an afterthought, and support services are too orientated to full-time students; this should be investigated. There should be more provision of two years' duration, though we are concerned about "compressed" degrees offering

poor quality and poor value: instead, funding should be restored to stimulate the further growth of Foundation degrees and the potential value of “Associate” degrees should be considered (many other HE systems benefit from a strong tradition of two-year Associate degrees as a terminal or staging qualification).

Sector Regulation and Accountability

14. Browne recommended the merger of higher education sector bodies to form a single “Higher Education Council”. We do not agree with this approach because it would leave too many potential conflicts of interest inside a single body, and we hope the government does not pursue it in the white paper. We recommend that the Office of the Independent Adjudicator should remain essentially as it is, and that the Quality Assurance Agency (QAA) be reconstituted along similar lines—that is, an independent corporate body with statutory functions assigned to it. Both should report directly to Parliament, through an appropriate committee. OFFA should either be kept independent but given a proper board and more resources to take over participation and access activities from HEFCE, or it should be merged with HEFCE. Either approach could deliver a more coherent approach to access and participation that is much needed for the future.

15. Improving the provision of information for prospective students has been a central feature of both the Browne report and the government’s approach, which we welcome. Core information programmes like the National Student Survey (NSS) and Unistats are crucial and should continue. We are working with partners in the sector to develop a Key Information Set, which will offer a common, comparable digest of information for every programme offered by universities. This is very important work that is going well. We hope that institutions will go further by providing provisional timetables and/or learning schedules much further in advance, ideally at the application point, as this would be of great help to many students who have busy working and family lives. We would like to see more accurate data on employment rates and earnings made available, possibly by deriving data from student loans company records. The government should give seed funding for voluntary and private sector providers of information to develop new services.

16. We are working with colleagues in the higher education sector to develop an improved structure for managing quality and standards of provision. In our view, this should involve changes to the remit and constitution of the QAA so that student interests are at the centre of its work and student representatives are more involved in its governance. The institutional review process could become more risk-based and flexible. New technology should be used to speed up student feedback about their courses and improve responsiveness. To improve the complaints regime, we recommend that the judgements of the OIA should become binding and enforceable, and that institutions should have to deal with complaints internally within a strict time limit (sixty days, for example) before students can take complaints directly to the OIA. Both the QAA and OIA should be funded via a single account derived from a small percentage of all student fees, instead of by subscription as at present.

17. New guidance on the preparation, design and use of Student Charters has been developed by a joint NUS and Universities UK (UUK) working group. This guidance sets out the foundations for the development of good charters over the next two years. In the future, these Charters should have a more important and central role, becoming the principal statement of each provider’s quality improvement aims in a given year. Charters should be negotiated between student representatives and the governing body of each organisation, and reviewed annually, to keep them “alive” within the organisation.

18. We are concerned about the extent of hidden and additional costs and charges that students face. Every HEI should be required to set out a full schedule of charges that it makes upon students and an estimate of the additional costs they are likely to face, at the programme level. Clear and comprehensive regulations should be issued to HEIs on what charges additional to the main fee are permissible and impermissible. For example, it may specify that increases to accommodation costs be held to a certain level, or that bench fees in science subjects be blocked. Failure to comply with these regulations could then give rise to successful complaints by students.

19. An effective student voice will become even more important as the new higher education landscape develops. This means students’ unions will need to be more effective and more accountable. In the recent past, the government has supported quality improvement in students’ unions themselves by providing supplementary funding for the Students’ Union Evaluation Initiative (SUEI), and HEFCE has also funded research into the relationship between SUs and HEIs. We are currently developing an improved model for taking this work forward. We would like to see the funding of students’ unions and the effectiveness of the strategic relationship between students’ unions and institutions become matters for scrutiny by the quality agency. We are also pressing for inclusion of data on students’ unions to be included in the Key Information Sets and possibly for an additional question on students’ unions in the National Student Survey.

The Role and Future of State Funding in Higher Education

20. Under government proposals, the state will continue to fund higher education, but to a lesser extent and in a very different model. We expect the core HEFCE teaching grant to reduce from circa £5 billion per annum to circa £2 billion per annum by 2015. In place of that lost funding, institutions will be allowed to charge fees up to the amounts prescribed by law (or without limit in the case of unregulated fees). The costs of regulated fees will be met with loans from the state, on slightly worse terms than at present. Even so, the cost of financing

those loans will rise significantly: DEL attributed to loans will rise from circa £1.4 billion to circa £3 billion. In annual resource terms, some £3 billion is saved, but around £1.5 billion is added to the loan inefficiency bill. This is before the “capital” costs of making the loans are even considered. The facts are that under the government’s proposals, the state makes barely any savings, but graduates pay up to three times more: something is out of joint here.

21. This is a system based on debts: the debt our graduates owe to the government, and the debt the government owes to the markets as a result of making those loans (ie their part in the national debt). It is quite true that the debts owed by graduates are not in the same category as commercial debts: the income-contingent system provides an essential safety net, reduces the cost of monthly repayments, and makes those payments predictable. The retention of this protective framework (put in place in 2006) is to be welcomed. The salient point though is that the system proposed is not more cost-effective or more sustainable in the long term than a system based on maximising core public funding delivered through HEFCE. It seems clear that the real reason for adopting a system based almost wholly on loaned vouchers was to ensure money is distributed according to institutional brand and prestige rather than quality, in a “pseudo market”.

22. This approach has now backfired. There is growing clarity that many more institutions than expected will charge above £7,500pa (the figure the government has estimated as the average fee level) than expected. This will cause the cost of loan finance to increase dramatically and become unaffordable. Threats to further reduce HEFCE funding to compensate will do no good—institutions that might be expected to charge lower fees are not those institutions standing to lose from such a penalty. Threats to introduce new fee limits where “drop out rates” are high, or student satisfaction indicators are low would cause chaos, probably be open to legal challenge, and in any case confound the whole idea of a market based on student choice and free movement between providers. Ministers opted for a system based on market rationalism, and now appear surprised and nonplussed that Vice-Chancellors are seeking to maximise their utility in that market, acting in accordance with its rules. It is very hard to predict that the government’s policy will be successful, even within its own terms.

23. We do not, of course, support the government’s approach. We would recommend restoring the majority of the HEFCE teaching grant (accepting the need to make efficiency savings and use resources more effectively), and revisiting the entire question of graduate contributions to pursue a non-market, non-loan based system such as a form of graduate tax. In the longer term, following the hoped-for return to economic growth, contributions from graduates and funding from the state should steadily rise in parallel, ensuring that their overall value is broadly equal. This would achieve increased funding for our higher education sector, while reflecting the first two-thirds of the “Dearing Compact” of balanced contributions between the state, individuals, and employers. This approach would be more stable, more sustainable, and far more equitable than the government’s policy.

11 March 2011

Supplementary written evidence submitted by the National Union of Students (NUS)

1. Access to Higher Education for Disabled People

The NUS “Life, Not Numbers” report (2010) into the experiences of disabled students in higher education using personal care packages found a number of issues of real concern:

- Institution and course choices are too frequently based on the relative level of care students are able to receive, rather than on what otherwise best suits the applicant.
- Information, advice and guidance (IAG) about support and equipment is sorely inadequate, and where it does exist, information given in one area often does not apply in another.
- Disabled students are too often caught in disputes between local authorities and higher education institutions (HEIs) about who should be responsible for funding certain types of support. This has a serious impact on aspirations, and can cause people to doubt their decision to attend university altogether.
- Ambiguity about the funding responsibilities of health authorities, universities and social services is a real problem, and needs to be clearly defined in relation to personal care and support of disabled students in higher education.

The report highlighted a palpable need for improved information, advice and guidance (IAG) for prospective disabled students, setting out their rights and the levels of support that they can expect, according to their needs; and for accessible advocacy and practical support for prospective disabled students when problems are encountered.

The report therefore recommends the establishment of a National Advocacy Service which would:

- Provide information, advice and guidance (IAG) as to the care disabled students are entitled to—both via a website and otherwise through direct contact with an adviser;
- Help to address practical issues surrounding the provision of care; and
- Provide support when this care is not forthcoming.

We would envisage that the National Advocacy Service would be run prominently by disabled graduates.

In addition to the very significant benefits a National Advocacy Service would offer both in encouraging participation in higher education and in supporting disabled students through the university application process, it is likely that the provision of a national service such as this would allow for some efficiencies and savings in the medium-term, given that some of the support that would be offered by the National Advocacy Service is currently offered in a largely “ad hoc” manner by individual HEIs and local authorities. As it stands, support varies dramatically across the country and across different institutions, making it less accessible and less efficient.

13 June 2011

Supplementary written evidence submitted by the National Union of Students (NUS)

RESPONSE TO SECOND CALL FOR WRITTEN EVIDENCE (HIGHER EDUCATION WHITE PAPER)
JULY 2011

Sustainable and Fair Funding

1. NUS’ views on the new higher education funding and student finance system have been widely publicised and were detailed in our initial submission to the Committee’s “Future of Higher Education” inquiry and through oral evidence.

Efficiency

2. Many students’ unions are looking at cost sharing and in principle we are not opposed to this practice being in the higher education sector, assuming any such efficiency process does not impact negatively on the student experience.

3. The concept of shared services should mean that back office efficiencies deliver cash for a better access and student experience, not worse or the status quo. We will look at the Diamond review into efficiency and modernisation more closely when it is published, and will respond in depth at that time.

HEFCE Funding

4. HEFCE has been given a number of priorities, including considering the higher costs of certain laboratory and engineering-based courses, support for strategic and vulnerable subjects, support for certain groups of students such as disabled students, and supporting certain services for the sector such as the QAA.

5. Supporting all these priorities will be challenging, even with a budget that runs into the billions, and it will be critical that HEFCE funding does not simply flow into a minority of research-based institutions. We will participate in the HEFCE consultation and publicise further work on this in due course.

Postgraduate Funding

6. It is hugely disappointing that the white paper has provided next to nothing in the way of proposals that would help bolster postgraduate study even whilst acknowledging the potential impact of higher fees for undergraduates on participation in postgraduate study.

7. Whilst greater HEFCE monitoring of the profile of postgraduates is welcome, the government must do much more to tackle the barriers to postgraduate study if the UK is to remain competitive. The Postgraduate experience is not divorced from learning and teaching or skills development, so the absence of proposals here is disappointing.

Philanthropic Giving

8. Despite the white paper’s warm words on philanthropic donations there is relatively little content on exactly how this will be achieved, except a previously announced scheme the Cabinet Office is launching to encourage charitable giving via payroll, and the possibility that especially generous philanthropists may be considered for honours.

9. The match funding scheme is coming to an end (not that this is made explicit in the text) and this leaves little concrete activity to encourage further donation, especially as the huge increase in fees may serve to depress such giving in the future.

The Student Loan Book

10. The student loan “book”—ie the total amount students and graduates are liable to repay—is expected to rise to £70 billion by 2017–18. The previous government had hoped to “monetise” some or all of the book—in other words, convert the debt owed by students to cash receipts for the government quicker than would be the case purely through normal repayment, via sale to a private interest. The legal powers for this were made by the passage of the Sale of Student Loans Act 2008.

11. The present government shares this aim, and in the white paper outlines that it has asked the investment bank, Rothchild, to undertake a feasibility study into the different options. What seems to be different to previous proposals is the aim for the solution to cover all loans “on an ongoing basis” as opposed to one-off sales of tranches of loans (as occurred under previous student loan arrangements in the late 1990s). The report will be published later this year.

12. Our principal concern is of course that any sale would not result in a change in terms and conditions for borrowers. The government itself reiterates that this is their intention in the white paper and we will continue to hold them to this pledge.

13. More broadly, there is the question of whether monetisation would result in value for money for the taxpayer, as a certain level of profit for the purchaser would have to be built into any sale. We will examine the report from Rothchild and comment when it is published.

Well-informed Students Driving Teaching Excellence

14. NUS welcome the introduction of some of our suggestions on the Key Information Set and better information for potential postgraduate applicants. However, we are critical of the government’s lack of consideration for how prospective students will be guided through this information.

15. Information cannot be seen as an end to itself. In chapter five of the white paper, plans for a new careers website and telephone service are outlined, but we are concerned that this will not go far enough to replace Connexions, even with the requirement for schools to provide some independent advice.

16. We welcome the government’s recommendation on the release of contact hours information, although warn that the amount of hours spent in the classroom does not necessarily reflect the complete learning experience for students and we believe that unless more information is provided to contextualise this data, higher levels of contact hours may be seen as better value for money when this is not necessarily the case.

A Better Student Experience And Better-Qualified Graduates

17. The white paper outlines its vision for quality assurance and encourages the greater use of students as part of the QAA institutional review process. The chapter specifically welcomes the work of the NUS/HEA Student Engagement Project as a positive move for institutions and students to be working more closely together, and launches a new NUS/HEA initiative on encouraging more Student Led Teaching Awards. It also highlights that institutions should be doing more to support students through welfare services and recognises that students’ unions also have an important role to play in this.

18. It also welcomes the work of NUS in developing union capacity, and asks to see more work undertaken by NUS and individual SUs to strengthen course representation.

19. NUS welcomes the Government’s support for our mission to strengthen the voice of students through our varying projects and is delighted by the White Paper’s recognition of the student movement as a vital part of achieving a high quality education provision. We especially welcome the support in strengthening the student voice in both developing course representation, as well as specific measures to close the feedback loop where students are currently informing enhancement activity. We also welcome the suggested changes to the OIA which NUS have been asking for, such as setting time targets for the resolution of cases, introducing standards for how institution deals with complaints and increasing the membership on the OIA board.

20. The Government suggests the introduction of a 23rd question in the NSS, as a way for SU’s to monitor their impact and help them to keep developing in line with their members’ needs. We will monitor closely the impact of including this measurement on students’ unions themselves and consider our position during the review next academic year.

21. Although we welcome the encouragement from the government for employers to put more money into the HE system, through sponsorship of individuals and courses, we would be concerned if employers had the final say in what should be taught on courses. We must also be careful not to create a two tier funding scheme where non-traditional students must seek out sponsorship and shoehorn their own ambitions into what business and charities are willing to offer, where as students from more affluent backgrounds retain greater choice.

A Diverse and Responsive Sector

22. NUS is opposed to the continuing development of a market-driven system in higher education, and the following comments do not preclude our fundamental opposition to the current fees regime and withdrawal of public funding. However within this new system it is necessary to look again at the issue of numbers control and the limit on places. The Government has planned very badly and got into a position where there is widespread concern about whether the HE budget can be balanced, as a result of institutions charging much higher fees than expected.

23. The numbers control measures proposed are relatively moderate compared to some other models. It is to be welcomed that a substantial core allocation to all currently funded institutions will remain in place and that HEFCE will be responsible for managing the allocation of the margin over time. We understand that

HEFCE will now consult on the detail of this mechanism and how it will work, and we will respond to that consultation.

24. We have serious concerns over the use of an attainment threshold for creating new opportunities. By allowing unrestricted expansion of recruitment at AAB level, there is a risk that institutions will dedicate large amounts of time and resource to chasing highly-qualified applicants rather than concentrating on teaching and quality improvement. We will be looking for cast-iron assurances on the suitability of alternative qualifications to A-levels at the same tariff-point level for entry into this unrestricted band, and also for institutions to declare an applicant as an AAB applicant if they have lower grades but are admitted under a contextual data policy.

25. We welcome further exploration of new routes to qualification, including the possibility of creating national degree awarding bodies to give alternative options to HE in FE providers and individual students as to where they gain their qualifications, but we are concerned about the possibility of these structures being driven for profit at the expense of creating new qualification options of equal esteem. We would be very concerned at the prospect of institutions established as charities and supported with public money for many years being allowed to become profit-earning companies.

Aspiration Raising & Admissions

26. We welcome Government support for contextual data and aspiration raising schemes, of which we have campaigned for a long time to see implemented. The loss of AimHigher will be a significant blow to widening participation agenda, and we urge the Government to rethink its decision to cut all AimHigher funding instead of implementing transitional arrangements and supporting knowledge transfer from the AimHigher Partnerships. Without any form of transitional support, all the work of AimHigher risks being lost.

27. We also welcome, and have been involved in UCAS' review of its admissions processes. We support the idea of implementing Post Qualification Application (PQA), and look forward to being involved in the development of this.

Widening Participation, Fair Access & OFFA

28. We welcome the potential strengthening of the powers of OFFA, and have called on many occasions for OFFA to have greater capacity to increase fair access. We are also very interested to see more details regarding the proposed widening participation framework.

29. The monitoring of postgraduate participation is also welcomed, although we are concerned that by the time there is enough data to see a trend, it will be too little too late.

National Scholarship Programme

30. By requiring institutions to pay into the fund (in addition to other commitments in their Access Agreements) and expecting them also to look for charitable donations, the Government is masking the fact that the £150 million National Scholarship Programme is not nearly enough to cover the access needs of the student population.

31. As bursary awards under the NSP will only be made once a confirmed student has applied, this will do nothing to influence the application behaviours of the students it is designed to target.

Regulatory Bodies—A Revised Role for HEFCE

32. NUS welcomes a new regulatory focus for HEFCE, having repeatedly called for better student rights and protections.

33. The Government has made much in the press of HEFCE's new role of "consumer champion". We are not at all convinced that this concept is in the best interests of students, and even if we did, there is little detail on how this will give more protection or power to individual students in the white paper. In fact there appears to be a lazy assumption that merely having a regulator, giving it mysterious "reserve powers" (which would only apply in the case of widespread poor treatment) somehow will improve quality or student power.

34. There is welcome text on HEFCE's role in ensuring financial sustainability, but giving HEFCE the role of "orderly wind down" of institutions that fail or become non-viable will do little to comfort the students involved.

Regulatory Bodies—A More Transparent Framework

35. NUS has repeatedly called for private providers to be brought into the regulatory system, although we remain fundamentally against the concept of private providers benefiting from public finance.

36. We believe that any institution offering a degree should have to participate in the OIA—not just those using the student loans and grants scheme. We called for only non-profit providers being able to access limited teaching grants, and welcome this news.

8 July 2011

Written evidence submitted by the Open University

Executive Summary

1. The Open University¹¹¹ (OU) advocates a system of higher education funding which:

- Ensures equality of access,
- Provides parity to full-time and part-time students,
- Enables flexibility of study, and
- Sustains and promotes quality.

2. We welcomed Lord Browne's commitment that "higher education will be free at the point of entry for all students, regardless of mode of study." Furthermore, the Government's subsequent change—supported by all major parties—that support should be extended to part-time students studying at 25% intensity (rather than the original 33%) is constructive, not least because it extends support to a further 19,000 students at the OU alone.

3. Nevertheless, in order to meet the four principles listed above, we argue that three important areas need to be addressed—and considered in the BIS Select Committee's enquiry—in order to avoid unintended consequences:

- To ensure equality of access and support social mobility the Higher Education Funding Council for England's (HEFCE's) annual £372m **widening participation allocation** to institutions, which creates opportunity for students from the most disadvantaged backgrounds, must be retained.
- To enable flexibility of study the "**in-attendance**" rule (in the 1962 Education Act) which prevents full-time students who study at a distance from receiving support, simply because they are not "in-attendance" at an institution, should be rescinded.
- To ensure a system which does not discriminate on the grounds of modes of study, the additional costs of delivering part-time higher education should be offset through the **part-time allocation**.

4. If the remaining policy issues—in particular the three above—are addressed positively in a spirit of delivering a mode-blind funding system, we are confident that English higher education will move significantly towards greater flexibility, more dynamism and higher quality.

Key Arguments

The value of part-time higher education

5. Part-time higher education makes a substantial contribution to the UK economy. It provides the following benefits to students, employers, Government and the nation:

- 39% of students in England study part-time (500,000 undergraduates per year).
- 89% of part-time students study to further their career aims.
- 64% study vocational or professional courses.
- Almost 30% belong to routine or manual socio-economic groups.
- 81% of part-time undergraduate students remain in work while studying and are net contributors to the Exchequer through income tax and national insurance.

The distinctive contribution of The Open University

6. When the Prime Minister visited The Open University in June 2010 he described the University as having "a huge, huge role to play." He continued: "It is a great British innovation and invention." On a visit to The Open University in April 2010, the former Prime Minister stated that: "What the OU has achieved in 40 years is remarkable. It has become the greatest force for opportunity in Higher Education in this country."

7. These endorsements reflect the exceptional contribution of The OU to British society:

- The Open University is the UK's largest university, with over 260,000 students, teaching 35% of all part-time undergraduate students in the UK each year.
- 25% of our new undergraduates are under 25 years old (fastest growing age group).
- 20% of our new undergraduates come from the 25% most deprived areas of the UK; 49% of our new undergraduates have 1 'A' level or lower at entry.

¹¹¹ For more information about The Open University please contact Director of Government Relations, Rajay Naik on 01908 653211 or at r.d.naik@open.ac.uk.

- The typical total cost for an OU degree is between £4,200 and £5,860 compared with £10,125 elsewhere (2011–12).
- Four out of five FTSE 100 companies have sponsored staff on OU courses.
- The OU's presence on iTunes University is huge with 31 million downloads in just two years—the most of any university globally.
- The OU is consistently one of the highest ranked UK universities in the National Student Survey—in the top three with a 93% satisfaction rating in 2009–10.
- In the latest Research Assessment Exercise (RAE 2008) the Open University climbed 23 places to 43rd—the most improved institution in the country

Higher Education reform—progress to date

8. We are grateful to the wide range of supporters from across the higher education sector, the political spectrum and public life more broadly who have supported the campaign to establish parity between the four in ten students who study part-time and the full-time sector; and to sustain the contribution of the part-time sector to widening participation.

9. Over the past six months, together, we have achieved the following progress:

12th Oct	Lord Browne states that: “higher education will be free at the point of entry for all students, regardless of mode of study.”
12th Oct	All three major parties state their unequivocal support for the principle of parity between full-time and part-time higher education.
9th Dec	Government reduces the intensity level at which part time students receive support to 25% (30 credits) which will help a further 19,000 students at the OU alone.
20th Dec	BIS letter to HEFCE reads: “for 2011–12 the top policy priorities for targeted funding should be supporting widening participation and fair access”.
2nd Feb	The £372 allocation for widening participation—of which the OU receives £36 million—is one of the only allocations not to be drastically cut in HEFCE's letter to institutions.
4th Feb	David Willetts announces that part-time students earning more than £21,000 per year will be expected to begin repaying their fees three years after they start their course.
10th Feb	National Scholarship Programme is confirmed as being open to part-time and mature learners, and institutions charging below £6,000 having preferential match-funding arrangements (50% expectation rather than 100%).

10. We have achieved this, not only through the strength of our argument and a widely held conviction that part-time higher education is integral to the future success of our national economy, but also because we are committed to engaging positively with all stakeholders. We intend to continue this throughout the legislative process and the Select Committee's inquiry.

11. This positive approach also requires honesty regarding the areas where we have concerns that the promise of a mode-blind system may not be implemented in reality. Some of these areas are outlined in the following section.

Avoiding unintended consequences—key issues to be resolved

12. In order to develop the flexible, innovative higher education sector that a high-skills global economy demands, we must level the playing field between full-time and part-time higher education and address the outstanding issues listed below.

Widening Participation Allocation

13. HEFCE currently provides £372 million to institutions to support them with the additional costs of attracting and retaining students from the most deprived areas and those in receipt of disabled student allowances.

14. We welcome the fact that:

- (a) Lord Browne proposed that this should continue through an Access and Success Fund.
- (b) BIS stated in the grant letter to HEFCE on 20th December that: “for 2011–12 the top policy priorities for targeted funding should be supporting widening participation and fair access.”

15. Encouragingly, this led HEFCE to state in its grant letter to institutions on 2 February that: “We have protected widening participation and improving retention to recognise the priority given to social mobility, fair access and widening participation in the BIS grant letter.”

16. The OU's £37 million allocation from this fund has provided opportunity to (in 2009–10): 15,387 new OU undergraduates and 21,512 continuing undergraduates from the 25% most disadvantaged communities in the UK and the 12,000 of our students with disabilities.

17. This record has been achieved through, amongst other initiatives, our: Community Partnerships Programme which operates in deprived areas to increase participation amongst adults from low socio-economic groups; and Access courses (Openings and Taster courses) to equip those with little or no recent educational experience with the knowledge, skills and confidence to begin HE level study. These courses attract 18,000 students a year.

18. However, this allocation and the vital outcomes it produces, remain vulnerable beyond 2011/12 if the Select Committee is not unequivocal in its report and Government is not explicit in the White Paper about its importance.

19. We would welcome the Select Committee's consideration of the impact this allocation makes to social mobility and are urging Government to endorse this as a priority in the White Paper.

The "In-Attendance" Rule

20. Lord Browne recommended that all full-time students should be eligible for loans for fees and living costs; and those on low incomes should be eligible for maintenance grants—this includes students living at home.

21. Perversely, distance learning students studying at a full-time rate are not eligible for help with living costs because they are not deemed to be "in-attendance" at a university.

22. This is due to a clause in the 1962 Education Act. This ruling may have been pertinent in a pre-internet age, but it is not relevant to our lives and society today. It is an Act for a former age.

23. Almost 6,000 OU students study at a full-time rate and we expect this number to increase. To leave the "in-attendance" rule unresolved however would create an unnecessary artificial barrier to those universities offering full-time distance learning courses.

24. We would encourage the Select Committee to make a judgement on the relevance of the archaic "in-attendance" rule and are currently exploring with Government whether it could be rescinded in the White Paper.

Part-Time Allocation

25. According to a report commissioned by HEFCE, and carried out by J M Consulting, the costs of supporting part-time students are 15–44% higher than full-time students.

26. HEFCE recognises these extra costs through an annual earmarked allocation, of which the OU currently receives £21m per annum.

27. Correctly, BIS stated in their grant letter to HEFCE on 20 December that there continues to be a need "to recognise that efficient part-time provision may have some additional costs".

28. If a truly mode-blind system is to be realised, the additional costs that are driven by headcount rather than Full-time Equivalents (FTEs) should be offset or there will continue to be a disincentive to provide part-time and flexible learning

29. In considering the future shape of higher education funding, we would recommend that the Select Committee analyses the additional costs of head count on part-time higher education; and are hopeful that the Committee and Government recognise the importance of ensuring that educational providers are not dissuaded from offering flexible learning on the grounds of cost.

Implementing effective student number controls

30. The Select Committee will naturally want to consider the options for controlling student numbers in the future higher education funding system.

31. In his report, Lord Browne suggested that each year Government should set a qualifying threshold for loans expressed in terms of UCAS points and that a separate arrangement should be introduced to allocate loans to "non-traditional" applicants.

32. We appreciate Lord Browne's recognition that separate arrangements would be required for students from "non-traditional" backgrounds, but are concerned that this would introduce further operational problems and issues of parity between institutions and modes of study.

33. There is also widespread concern that this model would prohibit institutional autonomy and lead to students without a traditional academic background being excluded from participation in higher education (for example the 85,000 OU students with 1 A-level or less).

34. The strength of our future workforce and economy depends on people from the broadest range of backgrounds having access to higher qualifications, and institutions being able to innovate with a degree of independence.

35. We would be keen for the Select Committee to advocate, and Government to implement, a model for student numbers control which: is consistent for all students, regardless of their academic history; enhances institutional autonomy and promotes quality.

Conclusion

36. More than ever before, the nation needs a strong and vibrant part-time higher education sector to provide the diversity and flexibility of provision that students necessitate to re-skill; the economy needs for growth and our society demands for social mobility.

37. If we build on the encouraging recent reforms in paragraph nine and positively address the issues in paragraphs 12 to 35, we are confident that students, the higher education sector and the nation will be stronger, fairer and better educated.

38. The Open University is committed to engaging constructively with the widest range of partners to establish a flexible, innovative and mode-blind higher education sector which enhances quality and widens participation. We look forward to working with the BIS Select Committee in this endeavour.

10 March 2011

Further written evidence submitted by the Open University

During the hearing, the panel asked for any research that was quoted to be submitted. I attach a copy of research prepared by JM Consulting Ltd on behalf of Hefce.

In addition please find some background to information provided by Martin Bean during the hearing.

- 49% of our new undergraduates have 1 “A” level or lower at entry.
- Cost of OU degree, between £4,200 and £5,860.
- £372 million is the current Widening Participation Allocation funding. This is made up of the total widening participation allocation of £143.5 million plus the funding for improving retention of £229.2 million, allocated by HEFCE as part of their teaching enhancement and student success (TESS) allocation.

Widening participation allocations for 2010–11 (October 2010 announcement).

<i>Funding element</i>	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>
Funding for widening access	£61.6M	£68.7M	£130.3M
Funding for students with disabilities			£13.2M
Overall total			£143.5M

<http://www.hefce.ac.uk/widen/fund/>

Teaching enhancement and student success allocations for 2010–11 (October 2010)

<i>Funding element</i>	<i>Full-time</i>	<i>Part-time</i>	<i>Total</i>
Funding for improving retention	£175.0M	£54.2M	£229.2M
Research-informed teaching			£10.1M
Institutional learning and teaching strategies			£30.5M
Overall total			£269.8M

<http://www.hefce.ac.uk/learning/funding/support/>

4 May 2011

Written evidence submitted by the Quality Assurance Agency for Higher Education (QAA)

1. This response to the Select Committee’s call for submissions is in five parts:

- An introduction to the Quality Assurance Agency for Higher Education (QAA);
- QAA’s vision for the future of quality assurance in UK higher education with reference to Lord Browne’s review;
- the Access to HE Diploma and its role in widening participation;
- changes to the method of Institutional review in England and Northern Ireland, to be in place from August 2011; and
- QAA’s scheme for investigating concerns about quality and standards

About QAA

2. QAA's mission is to safeguard the public interest in sound standards of higher education qualifications, and to inform and encourage continuous improvement in the management of the quality of higher education.

3. The primary responsibility for academic standards and quality rests with individual institutions. QAA reviews all UK Higher Education Institutions and reports on how well they meet those responsibilities, identifies good practice and makes recommendations for improvement.

4. QAA works with the higher education sector across the UK to produce the essential reference materials and key guidelines on how academic standards should be set and maintained, and on the quality and improvement of learning opportunities.

5. QAA offers confidential advice on applications for degree awarding powers and university title to the devolved administrations, the Westminster government and the Privy Council.

6. QAA assures the standards of the Access to HE Diploma, a qualification designed to facilitate entry to higher education for adults with few or no traditional entry qualifications. The Access to HE Diploma helps to widen participation to higher education, with many holders of the qualification coming from underrepresented groups. QAA also regulates the national recognition of Access to HE in England, Wales and Northern Ireland, advising higher education institutions on making offers to Access to HE Diploma students.

The Future of Quality Assurance in UK Higher Education

7. Lord Browne argued in his *Independent Review of Higher Education Funding and Finance* that "the regulation of quality is central to the higher education system". Although the report is focussed on English higher education, it has UK-wide impact. Assuring the quality of higher education is critical not only for protecting the interests of students, but also for maintaining the excellent international reputation of UK higher education.

8. The Browne review argues that if funding follows students rather than being directly allocated to institutions, market forces will drive up quality. Autonomous universities and colleges, responding to student choice, are central to this model. QAA fully supports and values the autonomy of academic institutions.

9. However, Browne believes regulation is still necessary to safeguard the interests of students and the continuing public funding for HE, whether in the form of HEFCE grant or student finance. External quality assurance is a key component of effective regulation.

10. It is QAA's view that the most successful system of quality assurance for the future of higher education would be based on the following principles:

- Independent quality assurance: A quality assurance agency which is independent of the sector and independent of Government, safeguarding the public interest.
- A UK-wide framework: A framework of quality assurance that is UK-wide but adapted in its application in the different parts of the UK. The UK higher education brand is of enormous value internationally and should be protected.
- A diverse but quality assured market: The creation of a level playing field for all providers, offering quality assurance within a common framework. A clear common framework is needed for the entry of new providers, whether privately or publicly funded, including those seeking degree awarding powers and university title.
- Student-centred quality assurance: A system that engages students and protects their interests, within a higher education system that has students at its heart.

11. An independent quality assurance agency would be the most effective way to safeguard quality and standards in a way which not only respects institutional autonomy but also reflects and works with diversity and difference in the UK. Independence enables a quality assurance agency to protect students' interests, to develop an authoritative and objective voice, and to respond quickly and flexibly to public concerns.

12. All methods of external quality assurance of higher education in the UK are based on the Academic Infrastructure; a UK-wide framework that gives all institutions a shared starting point for setting, describing and assuring the quality and standards of their higher education courses.

13. During 2009–10, QAA evaluated the Academic Infrastructure. The results of the evaluation show that it has served the higher education sector well, with much evidence of its positive impact on assuring the standards and quality of higher education provision across the UK.

14. Further development of the Academic Infrastructure is underway to ensure that it remains fit for purpose, clarifies the expectations placed on autonomous institutions and supports the maintenance of comparable threshold standards of all UK higher education provision.

15. UK higher education is a recognised brand; trusted and respected around the world. Universities and colleges across the UK are financially dependent on the reputation of UK higher education to recruit international students both in the UK and in partnership with colleges abroad. The UK brand may suffer if

different quality assurance arrangements emerge in the separate countries. This would be to the disadvantage of institutions in all countries of the UK.

16. A diverse but quality assured market is necessary to ensure the widely differing needs of students are met, and should be actively encouraged through removing barriers to new providers and by taking a flexible approach to regulation. To protect every individual student, wherever and however they study, and from wherever their funding comes, the market needs some form of fair regulation. A key component of this is independent, external quality assurance.

17. QAA already works with private providers; some subscribe to us and with others we have more informal relationships.

18. Higher education delivered by further education providers (HE in FE) contributes greatly to the flexibility of the higher education system, and to its capacity to attract students from disadvantaged backgrounds who might need to study closer to home. In these circumstances consistent quality assurance comes into its own—students need to be confident that the programmes offered by local colleges meet the same standards as those offered in universities.

19. As we move towards student-centred quality assurance, it will be necessary to use sound evidence and a thorough understanding of students' views, as well as direct engagement with them and their direct involvement in quality assurance activities. QAA already has a student Board member, a student consultative board, student members of our review teams, and in all our reviews across the UK our teams meet with students to hear their views. Central to our reviews in England, Wales and Northern Ireland is the student written submission that tells us what students think of their institutions. In Wales, students now produce an annual statement on their institution. We continually seek to improve the ways in which we engage students in our work.

20. As funding for institutions in England will soon come principally with students, there is an opportunity to rebalance the funding and governance of external quality assurance. This rebalancing could strengthen both its independence and the role of students in its ownership and governance. The focus will be primarily on protecting the student interest in higher education.

21. However, it is in their institutions that students experience the quality of the education and opportunities available to them. If an institution can engage its students at all levels then students are more committed and benefit more fully from their academic experience. QAA will take an active part in encouraging and facilitating that engagement process.

Access to HE and Widening Participation

22. QAA has been responsible for the national recognition of Access to HE courses in England, Wales and Northern Ireland and assuring the quality of recognised Access to HE courses since 1997.

23. The Access to HE Diploma is a level three qualification for adults with few or no traditional qualifications who would like to return to education. It is designed to equip applicants with the knowledge and skills needed to progress to higher education. Many people who progress from the Access to HE Diploma to higher education come from disadvantaged backgrounds and may otherwise have not had the opportunity to enter higher education.

24. Provisional figures for 2010 show that almost 20,000 Access to HE students successfully applied through UCAS for a higher education course. From 2008–10, 64,830 Access to HE Diplomas were awarded to students from a variety of backgrounds. 2010 alone saw 26,030 Diplomas awarded—a rise of 30% on the previous year.

25. Of the successful applicants with an Access to HE Diploma to higher education courses in 2009, 18.5% came from the most deprived areas in England. This is more than double the proportion of successful applicants holding other qualifications, where 8.4% came from the most deprived areas.

26. In a recent survey of HE admissions staff, 90% of respondents indicated that it was “very important” for an access qualification to have QAA recognition.

The Future of Institutional Review

27. In August 2011, QAA will launch Institutional review, a new method of assessing how well higher education institutions in England and Northern Ireland meet their responsibilities for managing academic standards, as well as their success in improving quality.

28. Changes to the way in which institutions are reviewed reflect calls for student-centred quality assurance, a flexible approach to review, and a desire for accessible public information about higher education institutions.

29. The process is designed with the interests of current and prospective students at the forefront. The student experience will be central in review judgments, and students will have more opportunities than ever before to participate in the review process.

30. The highest category of judgment can only be achieved in an institution can clearly demonstrate that meeting the needs of students is a prime and clear focus of the institution's strategies and policies. Judgments

will consider the views of a greater and more diverse number of students. Review teams will look at primary evidence, including student assessment and student evaluation forms. Institutional responses to the National Student Survey will also form a standard part of the review.

31. The report summary will be written particularly with prospective students and their advisers in mind, with clear and concise judgments presented in a way that makes comparison simple. Review will also look specifically at the public information that institutions will soon be required to produce, including the information produced to inform applicants and students. The new review method seeks to provide public reassurance that threshold academic standards are being met, and that UK-wide expectations concerning quality, enhancement and public information are being achieved.

32. The ways in which students can participate in reviews of their institutions has increased. Every team will have a student reviewer, building on the successful introduction of student reviewers in England, Wales and Northern Ireland in 2009 and long-standing practice in Scotland. We expect a far greater emphasis on and use of the Student Written Submission, a key piece of evidence for review teams submitted by students independently of the institutions. For the new method, we are introducing a formal lead student representative role. He or she will represent the student body in the review process, liaising with students, the institution and the review team to ensure a smooth and consistent engagement with the review. The process will also encourage institutions to make post-review action planning a joint activity with students.

33. Greater flexibility and responsiveness will be achieved in a number of ways. A significant development is the introduction of themes as part of institutional review. Changing annually, thematic investigation will enable issues of concern and importance to be examined over a number of individual institutional visits (typically 30 in a year), providing greater focus on issues that have wider implications for quality and standards.

Investigating Concerns about Quality and Standards

34. Potential concerns and problems identified outside Institutional review require more immediate investigation. In these cases, QAA's improved procedure for investigating Concerns about Standards and Quality in Higher Education will be used, with investigations leading to published reports. It links with the work of the Office of the Independent Adjudicator, with sharing of information where appropriate.

35. Concerns may be raised by staff, students or organisations affected by or witness to potential risks to academic quality and standards, or raised when identified through normal QAA activity.

36. Where concerns are raised during the Institutional review timetable, the Concerns team can make evidence known to the review team for immediate investigation.

37. The Concerns scheme is flexible, responsive and targeted. It supports Institutional review, and reassures the public that potential risks to quality and standards in higher education can be investigated at any time.

Conclusion

38. Protecting the student interest in higher education has never been more important. QAA's expertise is in balancing this with a respect for the autonomy of institutions, and a recognition that the value of higher education lies in its diversity. Our role in protecting the international reputation of UK higher education has developed over the years, and we take it very seriously. It is essential that a UK-wide approach to quality assurance and enhancement is maintained. We will take every opportunity over the coming months to rise to new challenges and to continue to ensure that every student working to a UK higher education qualification can be confident in its high standards and in the quality of education they will receive.

10 March 2011

Supplementary written evidence submitted by the Quality Assurance Agency for Higher Education (QAA)

Introduction

1. The Higher Education White Paper, *Students at the Heart of the System*, highlighted what is good about the quality assurance system, and proposed some development of the way in which it operates. We welcome this opportunity to respond to those comments and proposals, and would be happy to answer further questions from the Committee if required.

2. Independent, external quality assurance will continue to play a critical role in the regulation of higher education in England and the safeguarding of its reputation internationally, and we welcome this vote of confidence in our work.

3. The White Paper described UK quality assurance as "highly regarded and influential around the world". It highlighted the way QAA has adapted so far, involving students in all aspects of our work, strengthening our system for investigating concerns about higher education, and working closely with private providers. In addition, the Paper draws attention to our work on strengthening external examining arrangements, saying it will lead to "greater transparency, increased consistency of practice and confidence in those arrangements."

4. We also welcome the Paper's positive references to other aspects of QAA's work. For example, our key role in assuring the quality of public information provided by universities and colleges; our regulation of the highly successful Access to Higher Education Diploma for adults with few qualifications from school, and projects such as our coordination of a group developing guidance on how universities can foster entrepreneurship among students.

New Regulatory Framework

5. To ensure a level playing field, quality assurance will be extended to cover all UK higher education, including that delivered in private colleges, but it will be proportionate and targeted to where the greatest risk lies. We believe the new regulatory framework can and will work in the interests of students and will also serve the public interest in a high quality higher education system.

A Risk-Based Approach to Quality Assurance

6. We welcome the prospect of a more diverse and potentially larger sector, open to new providers delivering education in new ways. In such a sector, it is right that quality assurance effort should focus on areas of greater risk to standards and quality.

7. Our way of working is flexible enough to accommodate new priorities in higher education, while ensuring the application of a common framework of quality and standards. Our work across the UK has already begun to incorporate risk-based approaches. For example, in Wales, the frequency of our reviews is determined by risk; and in other review methods the scope and nature of reviews differ according to factors that could be described as risk. Our Concerns scheme supports our reviews, allowing us to quickly investigate concerns that are reported directly to us at any time.

8. However, we believe that every institution offering UK higher education qualifications should be part of a common quality assurance framework. This means they should work to the same UK Quality Code for Higher Education, within the same qualifications framework, and be subject to external reviews by QAA. How frequently those reviews happen, and the intensity of the form they take, is something that we look forward to discussing further as part of the consultation process.

9. It is also important not to lose sight of the key role that external quality assurance plays in identifying and communicating excellence and supporting improvements to students' experiences, as well as identifying problems and evaluating risk. The challenges to consider as part of the consultation on this approach include:

- the need to develop a set of criteria to measure risk—this is critical in any risk-based system to avoid it being perceived as arbitrary;
- the importance institutions will place on being identified as “low risk” and the need to respond to their challenges to any other assessment and categorisation of risk;
- the need for risk to be monitored as institutions' circumstances change; and
- the importance of quick responses when risk triggers occur.

The Principle of Deregulation

10. Of course the demands of quality assurance should not be disproportionate. QAA works through the Higher Education Better Regulation Group to reduce the requirements on institutions, and also works closely with professional, statutory and regulatory bodies (PSRBs) to minimise duplication. This work will be further developed and accelerated. However, quality assurance does need to be rigorous, to protect students and the integrity of higher education in the UK. The quality of the education offered by UK institutions is its strength and the basis of its strong reputation. QAA's role in maintaining consistency of quality and comparability of standards underpins this reputation.

Private Providers and Changes to Degree Awarding Powers

11. The White Paper proposes changes to the criteria for degree awarding powers. QAA has long been trusted to assess and advise on degree awarding powers, based on principles and guidelines set by the Government. We believe that a diversity of provision could benefit many people and could help widen access to higher education. However, new providers, including those with degree awarding powers, must be within the same quality assurance framework as existing providers.

Public Information

12. We welcome the clear recognition of the importance of public information in the White Paper. Good student choice must be informed by good information from institutions. Institutions in England will be required to publish information in the Key Information Set from next year, but this should not be the extent of institutions' response to the need for clear information. Across the UK, institutions are finding new and helpful ways to engage with the public and with future students, and this work should also be encouraged.

13. QAA will, in our reviews, be making a formal judgement on the quality of information that an institution provides about itself from 2012 (in England and Northern Ireland). This will reassure prospective students that they can trust the information on which they are basing their decision and that their chosen institution is making appropriate use of the information it gathers and publishes to improve the quality of the student experience.

14. A key element of the information that the Key Information Set will require institutions to publish relates to contact hours. Contact hours are not a simple measure of the quality of a course; a university education is about learning, not just teaching, and different courses demand different levels of contact. However, students should know what they can expect, and it should be delivered. Not only should students have appropriate contact time with their tutors, they should also receive sufficient feedback on their work, and their independent learning should be supported. QAA will be publishing draft guidance for institutions on effectively communicating practice about contact hours to students later in the summer.

Access to Higher Education

15. The White Paper recognises the importance of the QAA-regulated Access to HE Diploma, the qualification for adults returning to education, in widening participation among low-participation groups. It suggests that the reasons for the success of the Diploma should be researched and perhaps similar, or even more flexible, routes into higher education should be developed. QAA strongly welcomes this proposal and looks forward to contributing to the research.

- This year has seen a 40% jump in the number of adult Access to HE Diploma students accepted onto UK higher education programmes. 19,165 Access to HE students—69% of applicants—successfully gained places on higher education courses for 2010–11 entry; up from 13,265 acceptances the previous year.
- Access to HE applicants were more than twice as likely to come from the most deprived areas of England and Wales than applicants to higher education from other routes in 2010.
- In 2009–10, 15% of Access to HE students were Black or Black British; 6% were mixed or other; 5.7% were Asian or Asian British; and 0.4% were Chinese.
- Thirty-eight per cent of accepted applicants with an Access to HE Diploma were aged 30+, compared with 5.5% without an Access to HE Diploma.

Conclusion

16. The proposals in the White Paper have been characterised as leading to a consumerist model of higher education. As fees increase, students' expectations may also increase, and institutions will have to respond. However, QAA has a track record of independently safeguarding standards and improving quality through external quality assurance. We will continue to play this role in a rapidly changing sector, protecting the interests of students wherever and however they study, and maintaining the value of their qualifications.

17. Sir Steve Smith, President of Universities UK, said the following in response to the White Paper: "The UK has one of the best higher education systems in the world. Our rigorous quality assurance system has been vital to this success. It's encouraging that government is seeking to strengthen this system while lightening the bureaucratic burden on universities. It is crucial that this tough quality assurance system applies in the same way to any new providers of higher education." We fully endorse this view.

7 July 2011

Written evidence submitted by the Research Councils UK (RCUK)

1. Research Councils UK (RCUK) is a strategic partnership set up to champion research supported by the seven UK Research Councils. RCUK was established in 2002 to enable the Councils to work together more effectively to enhance the overall impact and effectiveness of their research, training and innovation activities, contributing to the delivery of the Government's objectives for science and innovation. Further details are available at www.rcuk.ac.uk

2. This evidence is submitted by RCUK on behalf of the Research Councils listed below and represents their independent views. It does not include, or necessarily reflect the views of the Knowledge and Innovation Group in the Department for Business, Innovation and Skills (BIS). The submission is made on behalf of the following Councils:

Arts and Humanities Research Council (AHRC)

Biotechnology and Biological Sciences Research Council (BBSRC)

Engineering and Physical Sciences Research Council (EPSRC)

Economic and Social Research Council (ESRC)

Medical Research Council (MRC)

Natural Environment Research Council (NERC)

Science and Technology Facilities Council (STFC)

3. RCUK considers that investment in attracting, training and managing the next generation of world-class researchers makes a major contribution to the impact of research and benefits the economic and social wellbeing of the UK.

4. RCUK considers that supporting excellent graduates and encouraging them to move into research training and careers develops the next generation of academic and non-academic researchers and helps maintain the capacity and quality of the UK research base. Our vision is:

- to ensure that the best potential researchers from a diverse population are attracted into research careers;
- to enhance the quality of research training and the employability of early stage researchers; and
- to enhance the impact of UK researchers by promoting improved career development and management of research staff by research organisations.

5. The Research Councils fund 25% of all PhD graduates in the UK (44% of UK domiciled Doctoral graduates and 35% of UK/EU domiciled PhD graduates).

6. In our published response to the Browne Review¹¹² we identified concerns that should be taken into account when implementing the recommendations:

- The ability to continue to achieve widening participation and attract the best people into higher education.
- The impact on funding provision and supply of graduates across all academic disciplines.
- The balance between teaching and research to consider the impact of pressures on both sides as many academics are active researchers and teachers.

7. RCUK has a further concern about the potential impact of the Browne Review and changes to tuition fees on the whole system, and particularly on research PhDs. We will ensure that this concern is input to Professor Sir Adrian Smith to reconvene his review panel and consider the issue in the light of the new funding environment.

8. RCUK also provided a significant input to “One Step Beyond—Making the most of postgraduate education” by Professor Adrian Smith. We published a short response to the report on 31 March 2010.¹¹³ Our input to “One Step Beyond” described important areas of RCUK activity which influence HE provision and outcomes from postgraduate research training. These include:

8.1 *Funding and structures for postgraduate training*

Research Councils have progressively introduced training- or block-grant models for postgraduate funding that allow flexibility to higher education institutions (HEIs) to offer longer postgraduate courses including four-year courses in certain strategic and interdisciplinary areas. Recent developments also include a strong focus on doctoral training centres which may support cohorts of doctoral students in strategic areas or critical mass in selected disciplines and institutions. These and other approaches deliver greater concentration of resources in centres of excellence.

8.2 *Destinations of postgraduate researchers*

Over half of doctoral graduates take employment outside HEIs. RCUK is helping to build better understanding of career destinations of postgraduate researchers, their career progression and the various economic and social impacts they achieve by undertaking a major longitudinal analysis of doctoral graduates across all disciplines. The results are published in “What do Researchers Do?—doctoral graduate destinations and impact three years on”.¹¹⁴ RCUK funds the Vitae Programme which provides careers advice to postgraduate researchers and helps drive HEIs to provide their postgraduates with the employability skills they need to succeed.

8.3 *Employability of postgraduate researchers*

RCUK have addressed the employability of postgraduate researchers by stimulating a step-change in the provision of a broad range of transferable skills training for postgraduate researchers to ensure that HEI’s embrace transferable skills fully in their training programmes. We remain committed to this agenda.

9. RCUK is able to provide the Committee with further information if requested including its input to “One Step Beyond” and welcomes the decision by BIS to reconvene Professor Adrian Smith’s Postgraduate Review in the light of the new funding environment.

10 March 2011

¹¹² <http://www.rcuk.ac.uk/media/news/2010news/Pages/101011.aspx>

¹¹³ <http://www.rcuk.ac.uk/media/news/2010news/Pages/310310.aspx>

¹¹⁴ http://www.vitae.ac.uk/CMS/files/upload/WDRD_3_%20years_%20on_soft%20copy.pdf

Written evidence submitted by the Russell Group of Universities

1. Introduction

1.1 The Russell Group¹¹⁵ is pleased to contribute evidence to the Select Committee's inquiry. Given the remit of BIS and the Committee, we have focussed our response primarily on evidence relating to higher education in England. Whilst there are many similarities, the history and context of higher education in Scotland, Wales and Northern Ireland differ from that in England in some important respects. Therefore, the evidence provided in this document does not necessarily reflect in whole or in part the Russell Group's views on the future of higher education in the Devolved Administrations.

1.2 This is a challenging time for universities in England, with a large number of key elements of future Government policy as yet unknown. In particular:

- the Government's White Paper on the future of higher education has not yet been published;
- the process of submitting proposals for fee levels and access agreements to OFFA is ongoing;
- the HEFCE teaching funding method from 2012–13 has yet to be developed, and HEFCE has advised that any area of teaching or special funding could potentially be reviewed (and the institutional allocations for 2011–12 will only be announced on 17 March 2011); and
- there are significant questions to be addressed in the areas of immigration, NHS funded-provision, and teacher training, which are all of direct concern to Russell Group universities.

1.3 This level of uncertainty makes it difficult to comment in some areas at the present time. However, in this context it is as important as ever to identify the vital contribution that is made by the UK's research-intensive universities, and the challenges faced during a period of reform.

1.4 This document draws on previous Russell Group publications on the future of higher education. Specifically, it is important that this evidence is read in the context of the more extensive evidence that we have set out in the following publications:

- The Russell Group's two submissions to the Browne Review (January and May 2010).¹¹⁶
- Our report *Staying on top: The challenge of sustaining world-class higher education in the UK* (May 2010).
- Our report *The economic impact of research conducted in Russell Group universities* (March 2010).

2. The Need to Sustain World-Class Higher Education in the UK

2.1 The UK enjoys one of the most outstanding higher education sectors in the world. A key strength of this high-performing sector is the quality of its leading research-intensive universities. Securing the financial sustainability of these institutions, and their long-term ability to compete with other global research universities, remains a key challenge.

2.2 It is clear that students, employers and the national economy currently benefit enormously from the UK's research-intensive universities. They provide an outstanding quality of learning and student experience, resulting in highly employable graduates in great demand with leading employers. They play a vital role in the nation's economy and society, training the next generation of researchers and innovators and producing high quality skilled graduates and postgraduates who will be indispensable to the future success of UK business and industry. Such universities conduct pioneering research which underpins innovation by industry, leads to new technologies and products, and enhances the efficiency and competitiveness of British business. They also draw in investment from major international companies, and contribute to a vibrant local community and culture which attracts businesses from both the UK and overseas. Attracting large numbers of international staff and students, they bring to this country some of the brightest minds from around the world, as well as significant export income.

3. Background to the Browne Review

3.1 The package of reforms to higher education funding in England implemented in 2006 had clear strengths:

- The introduction of variable fees helped universities to put their learning and teaching provision on a more sustainable platform, following a long period of under-investment. It enabled Russell Group universities to invest more in a world-class student experience. Examples included investment in high quality staff, improvements to staff-student ratios, enhanced infrastructure for learning and teaching, changes in curriculum and assessment and new systems to support a changing student population.

¹¹⁵ Russell Group member institutions are: University of Birmingham, University of Bristol, University of Cambridge, Cardiff University, University of Edinburgh, University of Glasgow, Imperial College London, King's College London, University of Leeds, University of Liverpool, London School of Economics and Political Science, University of Manchester, Newcastle University, University of Nottingham, Queen's University Belfast, University of Oxford, University of Sheffield, University of Southampton, University College London and University of Warwick.

¹¹⁶ The Russell Group's two submissions to the Browne Review are available from: <http://www.russellgroup.ac.uk/russell-groups-policies/>

- The introduction of variable fees in England was accompanied by an improvement in access, with application rates increasing from all socio-economic backgrounds, and with particularly marked improvements in applications and admissions of those from the lowest socio-economic backgrounds. This trend was reflected in applications and admissions to Russell Group universities, with the number of accepted applicants from the bottom three socio-economic groups rising by over 20% in the period between 2005/06 and 2008/09. Experience from other countries which have implemented graduate contribution schemes also demonstrates that tuition fees coupled with income-contingent loans protect access to higher education.
- Universities have invested millions of pounds into bursaries and outreach work with schools. The real barriers to university entry are underachievement at school, misinformation, lack of confidence and low aspirations. Universities have contributed to addressing these challenges.

3.2 Despite the package of higher education reforms implemented in 2006 significant challenges remained, which the Russell Group highlighted in our submissions to the Browne Review:¹¹⁷

- Other countries invest far more in their universities, and this threatens the long-term ability of the UK's leading universities to compete with the best institutions elsewhere.
- Past under-investment has left Russell Group universities with a significant backlog in capital investment. Income from variable fees and dedicated capital funding has helped to redress this to a certain extent, but sustained investment is required if research-intensive universities are to maintain and build on recent improvements and continue to provide an internationally excellent learning environment.

3.3 The Russell Group's submissions to the Browne Review showed there was a pressing need to increase funding for the UK's research-intensive universities if they are to secure a sustainable future and continue to compete alongside leading universities around the world.

3.4 In preparing its submissions to the Browne Review, the Russell Group reviewed all the options for increasing investment. It became clear that public funding would be constrained, and opportunities to increase income from business contributions and to reduce costs through efficiency savings would in themselves be insufficient to ensure sustainability. In this context the Russell Group proposed that an increase in graduate tuition contributions from full-time home and EU undergraduates at institutions in England represented the only viable option for ensuring sufficient funding for a world-class higher education system, in a manner that would be fair, sustainable, and protect access.

4. The Browne Report

4.1 The Browne Report set out urgent and necessary reforms to higher education funding, recognising the concerns raised by the Russell Group and others during the course of the review. Some of the most important aspects of the proposals were:

- The UK's leading institutions compete with generously-funded universities in other countries. Our international competitors are fuelled with huge cash injections from their Governments and have the freedom to ask for higher graduate contributions. The report recognised that giving our universities access to additional investment is vital in this internationally competitive environment.
- The proposals offered a good deal for students and a fair and progressive way forward which protected low-earners. Unless graduates make a bigger contribution, they—as well as society as a whole—will be short-changed. Our graduates need to compete with the best in the world, and we would be letting them down if we didn't ensure they get the very best education.
- The Browne Review recommended a continuation of income-contingent student loans. The loans proposed by the Browne Review are a world away from conventional "debt": there is no upfront payment for any student, and graduates are only asked to start making repayments when their earnings reach £21,000. Even then they would only contribute a fixed proportion of their income (9% of income above £21,000) so their payments should never become unmanageable.

5. The Government's Response to Browne and the CSR Settlement

5.1 Given that the Government are committed to far-reaching cuts to the funding of teaching in higher education, lifting the fee cap to £9,000 is a welcome and necessary reform. It should help our universities maintain and enhance their world-class status, in the internationally competitive environment noted above. Meanwhile Government is adopting key elements of Browne's proposals on graduate contributions, has proposed a fair system of interest rates protecting low earners, and has committed to annually uplifting the repayment threshold. Graduates will benefit from these measures.

5.2 Teaching in Russell Group universities takes place in a research-led environment. Therefore we were pleased that the Government appeared to have listened to our arguments about the vital importance of research, and committed to maintaining science spending in cash terms over the CSR period. The Chancellor was right

¹¹⁷ The Russell Group's two submissions to the Browne Review are available from: <http://www.russellgroup.ac.uk/russell-groups-policies/>

to say that our universities are the jewels in our economic crown. The UK's world-class universities perform a vital role as the engine room of economic recovery.

5.3 We recognise that during this period of ongoing economic stringency universities should bear their fair share of cuts. However, we remain concerned about the size of the cuts to the rest of the higher education budget, outside the research ring-fence. We are particularly concerned that the cuts will mean it will be tough to maintain the high quality teaching, learning and research environment our universities currently offer, even with larger contributions from graduates.

5.4 Cuts in teaching funding in 2011–12, confirmed in HEFCE's recurrent grant announcement, come ahead of increased fees in autumn 2012. This is only the latest in a series of cuts to university funding which have already required us to seek all available opportunities to make savings.

5.5 We are also concerned that cuts to capital spend will prove particularly detrimental, creating real and long-term difficulties for UK universities. World-class infrastructure, particularly buildings and equipment, is needed to facilitate the very best environment for research and teaching.

6. Protecting Fair Access to Higher Education

6.1 The Russell Group shares the Government's commitment that every student with the qualifications, potential and determination whatever their background has the opportunity to gain a place at a leading university. It is therefore essential that policies aiming to promote fair access are designed and implemented with regard to the evidence available on the reasons why there are a range of under-represented groups among applicants to higher education.

6.2 Although this point was made repeatedly during the course of the Browne Review, it is important not to lose sight of the evidence that the introduction of variable fees in England has not harmed access to higher education, but has coincided with an increase in applications and participation by all groups, including lower socio-economic groups. As already noted, the number of accepted applicants at Russell Group universities from the bottom three socio-economic groups rose by over 20% in the period between 2005–06 and 2008–09. This is consistent with a strong body of evidence from other countries—including Australia, New Zealand and Canada—which demonstrates that tuition fees, if coupled with income-contingent loan repayments, do not have a negative impact on access to higher education.¹¹⁸

Prior academic attainment

6.3 The most important reason why too few poorer students even apply to leading universities is that they are not achieving the required grades at school.¹¹⁹ By far the most effective way of increasing the number of students from low income backgrounds at leading universities is to help them improve their academic performance and give them better advice and guidance. Universities can and do help but we simply cannot solve these problems alone.

6.4 The main problem is that students who come from low-income backgrounds and/or who have attended comprehensive schools are much less likely to achieve the highest grades than those who are from more advantaged backgrounds and who have been to independent or grammar schools.¹²⁰ Worryingly, this gap in achievement according to socio-economic background is getting wider. Too many students don't choose the subjects at A-level which will give them the best chance of winning a place on the competitive courses at leading universities. This is why the Russell Group recently published *Informed Choices*, our guide to post-16 study options, which should help improve information about how subject choices at school can impact on university applications.¹²¹

6.5 Even those students from disadvantaged backgrounds with the necessary qualifications are less likely to apply to the most selective universities than students from better-off backgrounds; pupils from top independent schools make twice as many applications to the most selective universities as their equally well-qualified peers from the best comprehensives.¹²² School attainment, advice and aspirations must all be dramatically improved if we are to remove the real barriers to fair access.

¹¹⁸ See Russell Group first submission to the Browne Review for further information, pp.18–19.

¹¹⁹ In the last 15 years the proportion of A-level students at comprehensive schools achieving 3As or more at A-level has risen from 4.2% to 8.2%, while the proportion at independent schools has risen from 15.1% to 32.3% (source DfE).

¹²⁰ 29.92% of all students who got 3A*-As at A-level in 2009–10 were at comprehensive schools. This was 10,237 students, which is 8.2% of the total taking A-levels at comprehensives. Comprehensives accounted for 46.7% of all A-level students. By comparison, 11,386 candidates got 3A*-As at independent schools, which is 33.27% of all 3A candidates in all schools, and 32.3% of those taking A-levels at independent schools. Independent schools accounted for only 13.2% of all A-level candidates. In 2009, only 232 (or 4.1%) of students in maintained mainstream schools and known to be eligible for free school meals achieved 3 or more A grades at A-level. (See: <http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100407/text/100407w0020.htm>).

¹²¹ See <http://www.russellgroup.ac.uk/russell-group-latest-news/137-2011/4746-new-guidance-on-post16-study-choices/>

¹²² See The Sutton Trust and BIS, *Applications, Offers and Admissions to Research Led Universities*, August 2009.

Investing in access measures

6.6 Russell Group universities already invest over £75 million per year in initiatives designed to help the least advantaged students win a place at our universities.¹²³ Universities will continue to invest in a wide range of outreach activities. We offer numerous summer schools, open days, special entry routes and access programmes to give students from lower socio-economic groups the best possible chance of winning a place and work closely with schools.

6.7 As OFFA has set out, universities charging the highest fees will be expected to spend a considerable proportion of their fee income on measures to widen access and improve retention. But it's important to keep in mind that fee income is also urgently needed to maintain the quality of teaching and the student experience, especially given the significant cuts we are experiencing in funding from HEFCE.

Measuring success in improving access

6.8 Any measurement of universities' progress in improving access must be undertaken with great care. The investment of Russell Group institutions into outreach activities benefits the sector as a whole, with many students being inspired to study at other institutions as a result of our widely targeted work with potential candidates of many ages and backgrounds. We believe our universities have a role in helping all students to fulfil their potential, not simply widening access to our own institutions.

6.9 Any measurement of universities' progress in improving access must be undertaken with great care. We welcome the fact that OFFA will be allowing universities some scope to set their own targets and milestones for access work, noting that "there is no single perfect measure of access performance". The HESA Benchmarks for widening participation should not be used as the main way of assessing progress as they provide unsuitable, insufficient and flawed targets against which universities' progress cannot be meaningfully measured. As Lord Browne found, the benchmarks do not provide a sophisticated enough picture of the student population actually qualified to meet the entry requirements of many courses. For example, they take no account of the fact that someone with 4 A*s at A-level might have a high tariff score but would not have a strong chance of being accepted on a Medicine course if these A-levels are in the wrong subjects.¹²⁴ Moreover, financial penalties for not meeting these targets would be unfair and unhelpful to our aim of investing in ways to help poorer students win a place at our universities.

6.10 It is essential that the OFFA approval and monitoring processes fully recognise the challenges of setting targets for achievements in outreach work, where success in terms of changes to attitudes and aspirations can be very difficult to measure.

National Scholarship Programme

6.11 We welcome the flexibility that institutions will have within the programme, to tailor scholarships to the individual circumstances at their own institution. Russell Group institutions already invest over £66million in bursaries and scholarships for students from lower-income families, and the NSP should become an integrated part of their wider institutional financial aid offer.

Contextual information

6.12 Although A-level and equivalent qualifications are a key source of information about academic ability, Russell Group universities already take a range of factors and information into account to ensure that we can identify the candidates with the most potential to excel on our courses, whatever their social or educational background. The vast majority of Russell Group universities, for example, use personal statements and references when assessing candidates, while some interview candidates or ask them to sit additional tests. Our universities often take into account any particular barriers the candidate may have faced during their education such as spending time in care; academic qualifications are considered in a broader context. But admission to university is and should be based on merit, and any decisions about admissions must also respect the autonomy of institutions and maintain high academic standards.

7. Fee Levels at Russell Group Universities from 2012–13

7.1 Proposals on the level of fees that universities wish to charge are a matter for each individual university to consider. Those wishing to charge more than £6,000 will also need to seek approval their Access Agreement by OFFA. At the time of writing, most individual Russell Group universities have not yet finalised their plans for fees in 2012–13.

7.2 In setting their fees for 2012–13, Russell Group universities will have to consider:

- The likely reduction to their HEFCE funding for teaching from 2012–13.

¹²³ Source: OFFA. The figure of £75m is the total "OFFA-countable" expenditure on access, funded from additional fee income. Initiatives undertaken in our universities that are funded from other sources, including donation and endowment income, are not included.

¹²⁴ Browne Review, p49.

- The investment they will need to make in future to maintain a world-class student experience, with excellent employment outcomes for graduates, and high levels of student satisfaction.
- The costs of providing a research-led learning experience, with state of the art facilities, world-class academic staff, and low student-staff ratios.
- The investment they will be making in outreach activities, the NSP and other financial support aimed at increasing access to the university from students from under-represented groups.

8. Increasing Efficiency

8.1 In recent years, Russell Group universities have continued to perform extremely well in the international sphere despite a disparity in resources between them and many of their global competitors. They are extremely efficient in international terms. With 3% of global R&D investment, the UK publishes 14.4% of the world's highly-cited publications, and it is the most efficient country in the G8 in terms of the ratio of citations to public funding for research.¹²⁵ Russell Group universities graduate students in much shorter time than the OECD average, whilst maintaining some of the highest graduate earnings premiums.¹²⁶ They also demonstrate high levels of student satisfaction.

8.2 Universities have a strong track record in increasing cost-effectiveness and Russell Group universities are actively pursuing innovative ways in which to deliver greater efficiency and higher levels of productivity. For example, our universities have been examining all their business processes including procurement, and overhead expenditure, to identify further opportunities to reduce costs and improve efficiency.

8.3 In research, Russell Group universities are continuing to make significant progress towards financial sustainability, and recognise efficiency savings are crucial in a tough financial climate. However, the Wakeham Review's recommendations on indirect cost rates will be very challenging for universities to achieve, with real reductions of 5% proposed and institutions with indirect rates at the higher end to reduce their costs at an even faster rate. While Russell Group universities are committed to continuing to drive forward efforts in efficiency savings and cost-effectiveness, it is absolutely essential that the full economic cost of our research is appropriately covered.

8.4 Russell Group universities have been engaged in negotiations with staff about changes to the USS pension scheme. At the current time, in order for universities to be able to minimise the impact of cost reductions on their staff whilst delivering a high quality experience to their students, it is essential that USS pension costs can be controlled and the level of risk greatly reduced. Negotiations over this important issue have been difficult and protracted, but we remain committed to creating an attractive defined benefit pension scheme which is affordable and sustainable into the future.

8.5 The Government has said that it is considering the benefits of moving to a system of post-qualification admissions (PQA) for undergraduate courses. Universities are always keen to engage in any initiative that has the potential to improve the system of applications and admissions, to make it more efficient and responsive to students' needs. However, the costs of PQA significantly outweigh any potential benefits. Moreover, it is unclear which problem a PQA system is trying to solve.

9. Raising Income from Other Sources

9.1 Russell Group institutions have also been both proactive and successful in diversifying their sources of income and in attracting investment through philanthropy and from the private sector.

9.2 Endowment funds, and the annual investment returns which they generate, can be an important source of additional income to universities. Russell Group universities have been growing their income from this source, and a recent report showed that they are attaching increasing importance to engaging with their alumni in an effort to raise the level of charitable donations and increase their endowments.¹²⁷ However, the report also highlighted that income from all philanthropic sources still represents an extremely small proportion of income (less than 2% of total income, on average) for Russell Group universities. In consequence, though endowments may become more significant in the future, they are far from being a solution to the immediate and substantial funding difficulties which universities now face.

9.3 Figures from the higher education business community interaction survey demonstrate the success which Russell Group universities have enjoyed in expanding their engagement with and income from business in recent years. However, it is important to note that in the aftermath of a recession, funding from this source is likely to be constrained, in parallel with that from the public purse. Despite recent success, funding from the private sector in many areas remains a relatively small proportion of university income.¹²⁸ Moreover, commercially-funded research in many cases continues to be funded at less than the full economic costs¹²⁹, contributing to an overall shortfall and backlog of investment in research.

¹²⁵ Evidence Ltd, *International Benchmarking Study of UK Research Performance 2009*

¹²⁶ OECD, *Education at a Glance*, 2010

¹²⁷ Ross-Case Survey 2008–09 (May 2010)

¹²⁸ Funding from the private sector constitutes an average of 2.8% of total income within Russell Group universities (Source: HESA Finance 2007–08; Finance Returns—Income Analysed by Source)

¹²⁹ See RCUK/UUK *Review of the Impact of Full Economic Costing on the UK HE Sector* (April 2009), section 8.2

9.4 Income from the sale or licensing of intellectual property does represent a source of genuine additional and non-hypothecated income for universities. Yet it currently constitutes only a very small proportion of total income (on average just a quarter of 1%).¹³⁰ Successful commercialisation of research can take many years, is unpredictable, and cannot be relied upon to provide regular income to universities.¹³¹ More importantly there is a danger that undue focus on income from this source could jeopardise the sector's wider mission to generate and disseminate new knowledge. Engagement with business will clearly become more and more important to universities as they seek to secure a more sustainable balance of public and private income sources in the future, but it is by no means a panacea to their current funding shortfall.

9.5 Income from fees paid by overseas students has become an increasingly important revenue source in recent years, making up, on average, 8% of total income to Russell Group institutions. Universities have also sought to internationalise their educational activities by expanding international provision and engaging in trans-national education, with some establishing international campuses. Although the recruitment of international students has provided an important income stream for Russell Group institutions, it by no means represents an inexhaustible source of future revenue. While income from this source may grow in the short term, overall growth in international students is unlikely to be sustained in the longer term, as other countries such as India and China invest in developing their own higher education sectors rather than in educating their students abroad. Growth in overseas student numbers therefore cannot be relied upon as a sustainable solution to the future funding of universities.

10. The Future of Government Funding for HEIs

10.1 The Coalition Government's future policies for the funding of higher education must take full account of the enormous benefits that universities generate for students, employers and the national economy.

Research and innovation funding

10.2 To ensure that the country benefits from sustained, long-term investment in curiosity-driven research, it is essential that universities receive adequate public funding to support such research.¹³²

10.3 It is also essential that research funding is concentrated to support world-class universities. Both QR and Research Council funding need to be focused on rewarding excellence, and to support of a multidisciplinary approach to research, to enable the critical mass of expertise across disciplines to be efficiently mobilised. Funding should ensure that the next generation of researchers receives world-class training and support. Resources should be directed towards those institutions most capable of delivering excellent provision, to maximise the UK's competitiveness in the global market. This view was shared by the 2010 review of postgraduate education, where Professor Adrian Smith recommended that to get best value from public investment in postgraduate research degrees, funding should be targeted in areas of excellence.

10.4 It far more efficient and effective to build the capacity of major centres of both research and knowledge transfer activity. Smaller and less research-intensive institutions should be encouraged to access the expertise within the larger universities, rather than building their own capacity and expertise with few economies of scale. Therefore funding for knowledge transfer and exchange should be concentrated to support world-class universities collaborate with industry and the public sector, both domestically as well as internationally.

Funding to support undergraduate teaching

10.5 As set out in our submission to Lord Browne's review, a fair system of funding for higher education should involve a balance between public investment, contributions by graduates and some support from business.

10.6 In addition to increased contributions from graduates, there remains a strong case for direct public funding for teaching in universities, to ensure that higher education delivers maximum benefits to the wider economy and society, as well as to individual students themselves.

10.7 Given the very significant reduction in public funding directly to universities, the Government will need to make sure remaining funding from HEFCE is targeted towards the most important priorities, for example:

- Given the upper fee cap of £9,000 for full-time Home/EU undergraduates, it will be essential for universities to be able to access public funding to cover the costs of higher-cost provision STEM provision where the maximum fee will not cover the full costs of teaching.

10.8 Given the relatively high level of public subsidy available to students through the new student support system, it is very likely that the Government will want to continue to limit the total number of Home/EU students in the sector (including all students with access to Government student loans). The only alternative—reducing the amount of fee income and/or HEFCE funding available to universities would pose a serious threat to the quality of teaching at our leading universities. Maintaining the quality of the student experience and the reputation of UK degrees must be a greater priority than expanding the number of places.

¹³⁰ Source: HESA Finance 2007–08; Finance Returns—Income Analysed by Source

¹³¹ For more information about universities' collaborations with business, and the commercialisation of research, see: The Russell Group, *The economic impact of research conducted in Russell Group universities* (March 2010).

¹³² The Russell Group, *The economic impact of research conducted in Russell Group universities* (March 2010).

10.9 The Government has said that it wishes to increase competition between institutions within the higher education sector, and to increase the influence of student choice. We would support this aspiration. However, it will be important that any policies designed to achieve this support the expansion of degree programmes which are best able to demonstrate high quality teaching, and high levels of student demand from well-qualified applicants. Government policy should not simply encourage the growth of courses likely to charge the lowest fees.

Funding for postgraduate study

10.10 We welcome the decision by the Coalition to ask Sir Adrian Smith to revisit his report on postgraduate education, in the light of recent developments. We are concerned that the new fees regime for undergraduate study may have a negative impact on the propensity for Home/EU students to pursue postgraduate study in the future, particularly given that most postgraduate students are required to pay tuition fees upfront, and do not have access to the student support system. Moreover, if HEFCE funding to universities for high-cost postgraduate taught courses cannot be maintained from 2012, there will be serious questions about the financial sustainability of some of these very valuable courses in STEM subjects.

11. Conclusion

11.1 The UK can be justly proud of its higher education sector which, at the current time, comes second only to the US. There are major challenges ahead for UK higher education, with significant questions of policy still to be resolved, in Westminster, and in the devolved administrations. But concluding this period of reform successfully is important not just for universities themselves: perhaps more importantly these debates are crucial for students, for employers, and for the future growth of our national economy, which all depend upon the success of UK higher education to realise their full potential. A key strength of UK higher education is the quality of its leading research-intensive universities. Securing their financial sustainability is vital to secure their international competitiveness.

16 March 2011

Written evidence submitted by the Sutton Trust

Introduction

The Sutton Trust is an independent charity, founded and chaired by Sir Peter Lampl, that aims to improve social mobility and address educational disadvantage. Since 1997 the Trust has funded over 100 research studies, and has profoundly influenced the national agenda on social mobility and education. The Trust has spent over £35 million on a wide range of projects to improve opportunities for non-privileged children, from the early years, through primary and secondary schooling and access to higher education and the professions.

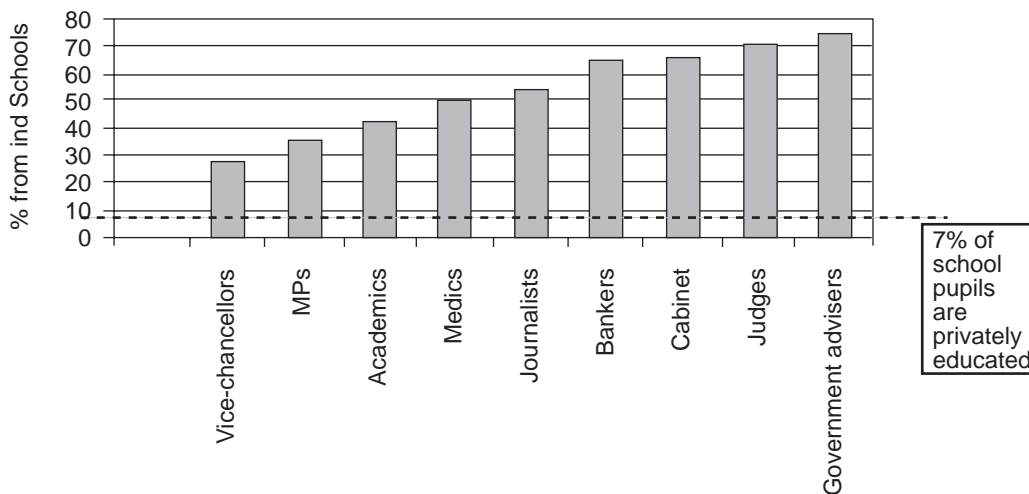
These initiatives have been thoroughly evaluated and those that have been shown to be cost effective, for example the Trust's university summer schools, have been taken up by others, notably Government. In April 2011 the Government awarded £125 million to the Sutton Trust as the lead charity supported by the Impetus Trust to establish a new major programme to boost the attainment of poor children in underperforming schools.

In this short briefing we summarise the main evidence and policy issues that relate to access and widening participation in higher education, and the Trust's access work, focusing in particular on access of non-privileged pupils to leading research universities.

Social mobility and access to elite universities

Over and above access to higher education more generally, entry to selective universities matters because the graduates of these institutions go on to dominate the most sought-after and influential careers and, in general, earn significantly more over their lifetimes. Social mobility at the top is an important barometer of equality of opportunity in wider society.

The following table, based on Sutton Trust studies, shows the continuing dominance of the privately educated across a range of professions.

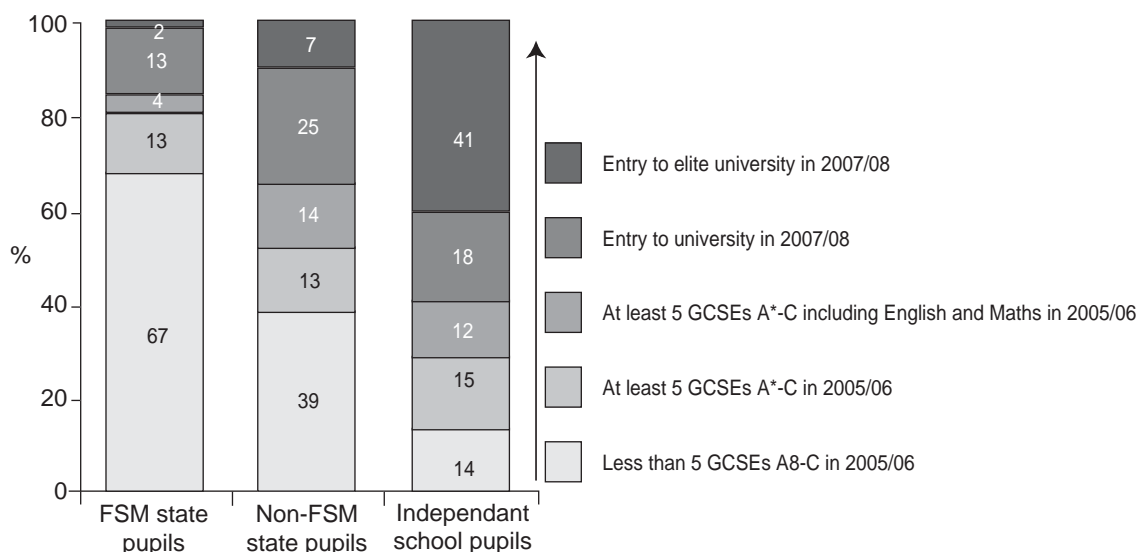


The proportion of non-privileged students at the UK’s most academically selective universities remains depressingly low. While there may have been progress in widening access to higher education more broadly, Government Performance Indicators in 2002–03, for example, showed that one in five young degree entrants to Russell Group institutions were from the four lower class groups, and one in two of the wider population. These proportions were essentially unchanged in 2007–08.

Our research also shows that entrants to selective universities come from a relatively small number of schools and colleges. There are approximately 3,500 providers of post-16 education in the UK, but in the period 2002 to 2006, just 200 schools accounted for nearly 30% of admissions to the 13 elite Sutton Trust universities, and 48% of entry to Oxbridge.

Earlier educational gaps

While the focus of this briefing is on access to higher education specifically, these admission trends are driven largely by earlier gaps in attainment, as the graph below shows for one “cohort” of pupils who undertook GCSEs in 2005/06 and entered university in 2007–08. Independent school pupils are over 22 times more likely to enter a highly selective university than state school children entitled to Free School Meals, and 55 times more likely than FSM pupils to gain a place at Oxford or Cambridge.



The Trust has compiled evidence on the drivers of these earlier education gaps, finding for example:

Advice and guidance regarding higher education is too often poor and ill-timed at school—at least half is judged by young people to be inadequate, not objective or unrealistic.

Almost half of state school teachers said they would not encourage their brightest students to apply to Oxbridge, while three fifths thought less that 30% of the entry to Oxbridge was from state schools (when it stood at 54%).

University admissions

Even when armed with the right A-level grades, students from non-privileged backgrounds are less likely to apply to the most selective universities. Sutton Trust research has found:

High achieving independent school pupils on average make twice as many applications to leading research universities than similarly high achieving pupils from comprehensive schools.

If pupils in the state sector in England had the same participation rates as pupils from independent schools with similar “academic” A level results, over 4,500 extra students could enter the 500 courses with the highest average entry qualifications by age 19.

University degree results

At the same time, students from comprehensive schools are likely to achieve higher class degrees at university than independent and grammar school students with similar A-levels and GCSE results, a study commissioned by the Sutton Trust and the Government showed

A comprehensive school student with A-level grades BBB for example is likely to perform as well in their university degree as an independent or grammar school student with A-level grades ABB or AAB—ie one to two grades higher. Comprehensive school pupils also performed better than their similarly qualified independent and grammar school counterparts in degrees from the most academically selective universities and across all degree classes, awarded to graduates in 2009.

Student finances

The Trust has a number of major concerns about the Government’s decision to allow universities in England to charge fees of up to £9,000 a year from 2012.

A recent poll commissioned by the Sutton Trust found that less than half of school pupils said they would apply to university if fees rose to £7,000 a year.

Only 45% of the pupils aged 11–16 at schools in England and Wales said they would be likely to continue to university if fees were raised to £7,000—and this percentage falls to 26% with a major hike up to £10,000.

Graduate debt in England is set to reach the highest levels in the world. According to a national survey by the Project on Student Debt charity, US students graduating in 2009 from four year bachelor programmes in public and private colleges left with an average of \$24,000 (£15,000) in student loan debt. The College Board meanwhile has estimated similar levels of debt: in 2007–08 for graduates at state colleges it was \$17,700 (£11,000); while at private institutions, it was \$22,400 (£14,000).

Depending on the assumptions made, taking into account for example maintenance grants to the poorest students, graduate debts are likely to range between £40,000 and £50,000 for a three year programme. In other words, English graduates will face two to three times the debt of graduates in the US.

The Trust is at present undertaking a research study on the likely impact of fees over the lifetimes of graduates.

Trust project work

Given the rise in fees, the Trust believes that university outreach work will need to be bolstered in coming years. The Trust currently supports the following schemes:

Summer schools

During the last 12 years, over 10,000 students have attended one week Sutton Trust summer schools at Bristol, Cambridge, Nottingham, Oxford and St. Andrews’ Universities. Students attending these one-week tasters of university life are considerably more likely to apply to, and to take up undergraduate places, at one of the host universities compared with similar students.

Pathways to Law

The Pathways to Law programme—a £1.5 million initiative developed by the Sutton Trust and the College of Law, with support from major law firms, inspires and supports academically-able students from non-privileged backgrounds interested in a career in law. The scheme is delivered by five universities—Leeds, London School of Economics, Manchester, Southampton and Warwick.

Reach for Excellence

The Reach for Excellence (RfE) programme at Leeds University is an extended outreach scheme that provides support for a group of local highly-able 16 year olds from disadvantaged backgrounds with the aim of raising their chances of enrolling at a research intensive university.

Academic Enrichment Programme

The Academic Enrichment Programme, which runs at Manchester, Birmingham and Nottingham Universities, is a year-long programme offering Year 12 the opportunity to explore the university experience in depth. It aims to develop the skills that will lead to success at A-level and beyond and also provides on-going guidance and support.

STEP Easter scheme at Cambridge

An example of a highly focussed programme, this scheme targets state school pupils who already have a conditional offer from Cambridge in maths.

Sutton Trust Academic Routes (STAR) programme at Exeter and Leeds

The scheme—which is a modification of a US% scheme, attached to a comprehensive access programme—aims to support a number of academically able students from local schools serving disadvantaged areas on a clear pathway to a research-led university. These are the first access schemes in the UK to be evaluated using a randomised control trial.

Policy areas

Apart from more outreach work, the Trust also believes a number of policies could help university access:

Universities are right to take into account the educational context of students when deciding whom to admit—alongside other information on their achievements and potential.

The Office for Fair Access (OFFA) should remain independent and be strengthened to include figures from outside the higher education sector.

25% or more of extra fee income to universities should be spent on proven outreach work such as summer schools and mentoring.

The Trust plans to publish Higher Education destination statistics for each individual school in the country, showing the numbers of pupils entering higher education, and selective universities in particular.

In addition to concerns about the increase in fee levels in England, the Trust also has concerns about the demise of the national Aimhigher programme and the reduction in funding for the Educational Maintenance Allowance.

27 April 2011

Written evidence submitted by UNISON

Summary

- The Browne report proposed radical changes that could undermine the current world class HE system, but produced little hard evidence to support them.
- The Government has not fully accepted the Browne report and has put on some welcome limits, but concerns still exist about over reliance on a market model, levels of debts to students and the possibility of Higher Education Institutions (HEIs) failing financially.
- Measures to widen access and participation are welcome, but may be counteracted by levels of debt and rapidly disappearing careers services.
- The threats to arts and humanities courses caused by cuts in teaching grant funding.
- There are alternative funding models. Suggestions that the UK should mirror the US have major risks.
- Recognition of the role of business, but also the risks and importance of blue skies research and the role of HE in FE.

Background

1. UNISON is the largest education union in the UK with over 300,000 members from early years through schools and including tertiary settings. Of these around 50,000 work in Higher Education Institutions (HEIs), representing all grades of staff from manual staff to senior managers.

2. We welcome the chance to give evidence on the future of higher education. However before we consider the proposed changes it is important to acknowledge how well HE is delivered in the UK. The THE world rankings, which were revised last year to take a wider world view, still showed that the UK was the second ranked country for higher education in the world. The THE has also just released another set of rankings based on reputations across the world and this also shows the UK in second place. This is a remarkable achievement for a comparatively small nation. It is in this context that we should look at the government's proposals. This does not mean that we should be complacent, but neither should we undersell or potentially damage our successes.

The Browne Report

3. UNISON was extremely disappointed with the Browne report. Its recommendations represented a fundamental shift to a market based system, yet there was little evidence in the report to justify their proposals or any detailed cost calculations.

4. UNISON agrees with much of the analysis by Stefan Collini, Professor of English at Cambridge University, in his article for the London Review of Books in November 2010. This dissected the ideology and exposed the weaknesses within the Browne report. He described the proposals as moving HE from "...the provision of a public good, articulated through educational judgment..." to a "lightly regulated market in which consumer demand is sovereign"; accompanied by the retreat of state funding. He accepted weaknesses in the current system but queried whether students would act as rational customers in a new market. He also challenged the premise that the only relevant measure of teaching quality is "student satisfaction"—indeed he argued for certain kinds of student dissatisfaction "as a satisfied student is nigh on ineducable".

5. Recently David Willets disputed Collini's analysis—saying that consumerism "should not jeopardise the relationship between teacher and student". Yet we can see from a number of HEIs in the United States that some fee paying students are using their role as "customers" in unintended ways; including seeking legal address when they do not receive the grades they believe they should have got. This is not to argue that students should not be more engaged—but the transference of education and resultant qualifications should not be a guaranteed financial transaction.

6. David Willets also argued that "some students go to university as a route to the job". True—but to build a system around "some" is no better than the argument that HE should take no account of society or the taxpayers (currently) contributing towards it.

7. UNISON agrees that students are not a homogenous group and what they want from HE Institutions will vary depending on their age, their life experience and their reason for choosing their particular institution. So those studying for a chosen vocation will differ from those studying to get a qualification in a subject that interests them, but have not yet decided on a career. Nonetheless we can surmise that all want a high quality education and will want it in a "safe" and supportive environment. The so called "student experience".

8. It is important to note that the "student experience" covers more than just teaching. Some international students may want English language support and those with disabilities will require particular support mechanisms to assist them. Not all of these are the remit of academics but are vital to students achieving their potential. In particular support staff provide students with the necessary environmental context to feel safe. We have seen innovative models such as cleaners trained in counseling as they can be the first point of contact for new and lonely students when they clean student dwellings. In other institutions our security guards make sure that students are protected from outsiders who would seek to steal or abuse them and often are called to make sure they are safe.

9. The dangers of focusing on cost alone could well impact on quality and the "student experience". A UNISON sponsored report "*The business case for the living wage: the story of the cleaning service at Queen Mary, University of London*" showed that a previous decision to outsource cleaning services at this HEI had led to problems with quality. When services were brought back in house the management, other staff and students acknowledged that the quality of services improved. Staff were also paid the London Living Wage, which gave them increased financial security and led to productivity increases and meant the staff were happier to take on a broader range of tasks. The overall increases of costs were marginal and the Chief Administrative Officer declared himself to be "perfectly happy" with the rises. UNISON is negotiating with other HEIs in London to introduce the London Living Wage—a concept that the Mayor of London Boris Johnson also supports. So far 10 HEIs have signed up to the concept.

10. The Browne report recommended a complete lifting of the cap on fees. UNISON responded to a previous Select Committee consultation (when HE was under the province of the Department for Education) that "Lifting of the cap will extend the divisions and differences between the wealthy and poorer institutions". We have seen no convincing evidence to change our mind. When fees were first introduced all but one moved to charge the maximum as to charge less than a competitor was to indicate that their degree was worth less than others. Already under the new scheme we have seen the first HE institutions raising their fees to the maximum. It may be that this time that there will be some greater differential. However we would be surprised if any HEIs pitch their fees at £6,000. Those that undersell themselves could send a message out to students that they are second best.

11. UNISON believes that the government's funding policy will dissuade many students from pursuing HE, particularly those from poor backgrounds. The wealthy will not have a problem with paying the increased fees and the proposals will support some at the very bottom. However others will be saddled with massive debts with many in the "squeezed middle" trying to tighten their belts to cover the costs. It is therefore likely that those who will suffer most are some in the middle classes and the group sometimes referred to as the "aspiring working classes". These groups, courted by the previous conservative government and who were a focus of Alan Milburn's report "Fair Access to the Professions will have limited resources and may well be discouraged by high levels of debt".

12. It also seems odd that at a time when the government is seeking to reduce national it seems happy to encourage young people to start their working career with huge debts, even before they look to add to it with mortgages etc. Students may also be forced to stay at home by the debt; counteracting the “student choice” they are supposed to be taking advantage of.

Government’s Response to the Browne Report

13. We are pleased that the government has rejected significant parts of the Browne report. Whilst we would have preferred no increase to fees at least the government has introduced some caps and is seeking a more interventionist role in the market than the report proposed. However the government’s introduction of greater competition could mean that some HEIs might be left to fail. Unfortunately it is likely to be those that have been more successful in widening access that will struggle—undermining the government’s stated aim of widening access and participation in HE.

14. There have been three recent reports on the finances of the Sector. UNISON has been most closely involved in the recently issued Joint National Committee for Higher Education Staff (JNCHES) interim report on “The Financial Health and Sustainability of the HE sector”. JNCHES is the national negotiating body which includes both HE employers and (for this report most) HE unions. The interim report which takes a UK wide view of funding was drawn up by Jim Port, a respected HE financial analyst. It recognises that financial health of the sector was good in 2007–08 and 2008–09 with improved operating surpluses. Nonetheless problems lie ahead and that for HEIs “maintaining financial health and sustainability is significantly more challenging than in the last decade”; that financial health is “now more problematic than it was in 2008, because of the significantly higher financial risks and threats it faces”; and that “this level of financial strength may prove inadequate for the more demanding and unstable future conditions.” Finally “we conclude that the sustainability of the sector, which was assessed as problematic in the 2008 report, would now have to be assessed as in a worse position in 2010, despite the partial relief of two to three years of relatively good financial performance.”

15. A report by the National Audit Office report concurs with this. It recognises improvements in the finances of most HEIs, however it also suggests that some universities could be put at risk of bankruptcy as a result of cuts and changes to funding. It notes that many HEIs have improved their finances but that there will be an increase in the level of risk, noting that 7 HEIs were classified as “higher risk” in December 2010. Such institutions tend to be newer universities who are at the forefront of widening access. Again this raises the question: will the government allow HEIs to fail especially if it knocks a hole in its access plans? The third report; by the HE Funding Council for England (HEFCE) unsurprisingly tries to paint a somewhat rosier picture suggesting that the “projected performance in 2010–11 is sound overall, but not as strong as 2009–10”. However they state that although the overall financial results showed a healthy position, the sector-wide picture encompasses a wide range of results. “Of the 129 universities and higher education colleges in the English HE sector, 20 institutions recorded real-terms reductions in income compared to 2008–09...” And Sir Alan Langlands Chief Executive of HEFCE states: “the outlook for 2010–11 (despite further in-year reductions to recurrent funding) is manageable” he also adds “*for the vast majority of institutions*”.

16. In another report “The Independent Review Of HE Funding: An Analysis” published in October 2010, the Higher Education Policy Institute (HEPI) stated that the government appeared “strangely unconcerned with the effect of its proposals on universities whose market position may not be strong...the reason they may not be strong in the market place may have nothing to do with the quality or their standards...the apparent absence of any recognition of public interest in the health and well being of those universities that may not thrive in the marketplace is to be regretted”.

17. Unsurprisingly the Government accepted Browne’s recommendations to increase links to business, with a view to improving the economy. This is important but needs to be handled carefully as too close links could be a double edged sword. Current businesses are likely to be focused on the market as it is rather than the future. Many new ideas come out of wider research and “blue skies thinking” which could challenge current business models. UNISON’s campaign to introduce “safer needle devices” into the NHS saw significant initial resistance from larger manufacturers, who saw a threat to their business model. This disappeared as these manufacturers got their products ready for the market.

18. We welcome moves to widen access and participation, although we worry that OFFA will not have the resources to monitor the agreements it is being asked to police. We also feel that to blame HE institutions for access problems that are mainly a result of disadvantages introduced at a much earlier age, is highly unfair. Significantly strengthened careers services for state schools could help to address lack of knowledge and expectation. Unfortunately the current funding cuts by local authorities that are decimating the Careers and Connexions workforce and the lack of identified funding for careers advice in schools does not bode well.

19. If we do widen participation further then students may need additional support and appropriate specialist staffing and resources to deliver this. As well as academics to lead the learning and research, specialist support staff with back up welfare, IT, library and information services. This needs significant investment to ensure that hardware, books and web based services are up to date to allow students to work at the forefront of technology.

The Role and Future of State Funding of Higher Education

20. UNISON believes that the state has a vital role in funding HE and not just as a prop for the most expensive science and technology courses. An unfettered market will not necessarily provide the skilled workforce that we need. The removal of the requirement to teach modern languages in schools had a disastrous impact on the numbers learning foreign languages and we would not want to see similar gaps open up at tertiary level. Handing over complete control to students might also mean that we have an overabundance in some areas—would another series of the BBC TV programme “Silent Witness” mean another increase in demand for courses to become criminal psychologists?

21. We also have grave concerns around the withdrawal of teaching grant funding for arts and humanities courses. David Willets made a spirited defence of the proposals in a recent speech at the British Academy arguing that the cuts in funding was across the board and was a “scrupulously neutral policy”. Unfortunately HEIs are already looking at long term plans to deal with current funding cuts and so planning will inevitably take into account the potential viability of courses. Thus courses without some guaranteed income could be seen to be more risky compared to STEM subjects which continue to receive a subsidy. Additionally whether it likes it or not the government is sending a clear message to potential students by taking teaching grants away from arts and humanities courses; allied to a call for employer focussed HE.

22. UNISON opposed the introduction of fees for students and continues to believe in the provision of free education. There are alternative financial models on view across Europe where governments’ are increasing state funding, recognising the need to compete in global markets. The Scottish National Party has re-stated that it will not introduce fees for students from Scotland if it gets into power, and whilst students from the EU would also be exempt it is possible that they will charge students living in England. Plans for Wales feature strong commitments to widening access and increased regional co-operation as opposed to isolated competition.

23. The US, although often portrayed as a full blown champion of the HE free market has a major and recently increased commitment to state funding, notably in California. Those calling for a similar mixed market in the UK, who suggest privatisation of the Russell Group Universities, fail to acknowledge the huge differences in funding models. For instance there are significant cultural differences in their alumni willingly making contributions and their huge investments which underpin their funding regime, which our HEIs would not start off with. These investments are also open to risk, with recent stock market crashes wiping millions off the reserves of the Ivy League Universities leading to huge job cuts and course closures, notably at Harvard.

24. We have concerns at the open language around student finance in the education bill. The 1998 Teaching and HE Act introduced “income-contingent repayment loans”, linked to inflation. The new act says that loans will be “lower than those prevailing on the market *or* no higher than those prevailing on the market, where the other terms on which such loans are provided are more favourable to borrowers than those prevailing on the market”. This means at least commercial rates of interest and possibly higher if associated conditions are preferable. Under the 2008 Sale of Student Loans Act, the government has the power to sell post-1998 loans to third party, private providers without the borrower’s consent and without notice to the borrower. In 2007, outstanding debt was already over £18 billion. This could now be handed over to others in the future

25. We are pleased that the government has protected research funding, but as we have pointed out above there needs to be a significant amount of money allocated for “blue skies” thinking, the spin offs of which are the life blood of innovation. We believe that the UK has not taken full advantage of EU research funding and that work needs to be on the forthcoming 8th EU Research Framework. UNISON, working with sister unions from Ireland and Denmark, has had a series of meetings with MEPs and the EU commission to highlight difficulties that administrative, technical and other support staff have with the current procedures.

26. The government also sees expanding the provision of HE in the FE sector as a way of saving money. We welcome it if it promotes foundation degrees which provide opportunities for young people who might not otherwise have them, providing them with gateways to honours degrees. However we have concerns around resources available to FE colleges, especially with tightening budgets and their need to raise additional funding from students—who are often from the poorer parts of society. Particularly in libraries, where there are issues over stock and staffing and restricted opening hours. We have had reports that some FE colleges currently have access to their local HE institution library for students on courses that are validated by them and concerns have been expressed that if colleges validate their own degrees these might not be withdrawn. Staff in FE also report concerns around staff training and unsustainable increased demands.

27. The government has seen fit to call for pay restraint in HE. We would remind them that the welcome increases over the last decade were in response to the Bett report. This acknowledged that pay in the sector had fallen well behind other sectors and needed addressing to ensure quality staff remained in the sector. Increases also reflected the need to update old grading structures that did not meet equal pay requirements. However it is also important to note that last year’s national pay award was 0.5% and this year 0.4% is being implemented. This is hardly profligate and linked to the proposed cuts to pensions we could see the return of the brain drain.

28. The government is taking a reckless and unnecessary gamble with Higher Education funding. It risks undermining the world class service we provide and does so based on ideology and lacking an evidence base.

29. We would be happy to give oral evidence if required.

14 March 2011

Written evidence submitted by Unite the Union

This response is submitted by Unite the Union. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, not for profit sectors, local government, education, the NHS and other health services, prisons and Royal Mail.

Unite is the main trade union representing scientific technicians and many academic related staff in Higher Education in the UK and welcomes this opportunity to submit evidence to this inquiry.

Executive Summary

- The Government's proposals are hugely significant, will introduce greater volatility to the higher education sector, and could cause long-term damage. The assumptions on which they have been based have been strongly questioned and the consequences of getting this wrong will be severe and difficult to retrieve.
- Unite wants to see a fairer, shared funding system between students, government and employers. Unite believes that the "Browne Review" and the Government's proposals represent "a lost opportunity" to strike a different funding balance.
- There is an important inter-relationship between academic and technical roles in higher education. The loss of academic jobs affects key skills and roles such as university technicians.
- Real terms cuts in resources for scientific research could damage the UK's growth potential if they lead to less innovation and reduced investment in skills and training in the future.
- The potential trebling of fees to up to £9,000 a year is going to further deter bright school-leavers from poor families from going to university by the fear of debt.
- The Government has explicitly drawn a link between changes to higher education and reducing the budget deficit. However, a report by the Higher Education Policy Institute (Hepi) finds that *"the savings that will accrue to the government will in reality be much lower than expected, and that far from saving, there may well be a cost to the government"*
- Unite has concerns about how fee setting will work in practice and believes the Select Committee should come back to this issue once institutions have set their fee regimes to ensure that there has been transparency and an absence of improper co-ordination.
- Access to higher education is not just about what happens to people at aged 18 or above. It is also about what happens before then, which is why the Government should not abolish the Education Maintenance Allowance (EMA).
- The proposals by the Government to limit the numbers on immigration will have a disproportionate effect within higher education and will seriously undermine efforts to maintain the UK as a world class education provider.
- The stakes are high and the dangers and threats to higher education are very real. Unite believes such dramatic proposals on fees, funding, world class reputation and access to higher education have either not been thought through or have been considered but discarded because of ideological preferences.

Introduction

1. Unite's first national policy conference held last year passed a motion on higher education and student fees which affirmed the union's commitment to access for all, asserted that abolishing the student fee cap would disadvantage the poorest families, and called on the Browne Review to look at alternative methods of higher education funding.

2. Unite made a submission to Lord Browne's independent Review of Higher Education Funding and Student Finance¹³³. This submission develops some of the key points contained in that paper in the light of the Government's response to Browne.

Huge Changes that put Higher Education at Risk

3. The Government's proposals are hugely significant, will introduce greater volatility to the higher education sector, and could cause long-term damage. The assumptions on which they have been based have been strongly

¹³³ Available at http://www.epolitix.com/fileadmin/epolitix/stakeholders/Response_to_the_Independent_Review_of_Higher_Education_Funding_and_Student_Finance.pdf

questioned (see paragraphs 21–25 below) and the consequences of getting this wrong will be severe and difficult to retrieve.

4. The Government’s plans for higher education can not be separated from its severe and rapid cuts to public spending which will have critical consequences for public service users and workers, particularly the most vulnerable.

5. The National Audit Office has recently warned that “*The new funding framework, coupled with the squeeze in public funding, is likely to increase the level of risk within the sector*”¹³⁴. This raises the prospect of some universities facing serious financial difficulties and students being placed in the precarious position of not knowing if the place they choose is at risk.¹³⁵

6. The NAO also finds that: “*In the new environment, the Funding Council’s capacity to provide support to the sector may become stretched*” and “*The Funding Council is unlikely to be able to support a more substantial caseload without either stronger powers to intervene effectively or more regulatory resources*”.¹³⁶

7. Higher Education Institutions (HEIs) are also important to regional economies and create jobs beyond the campus. Their closure would have significant impact on local economies, particularly small businesses.¹³⁷

8. There have also been reports that the Government’s plans to triple UK university tuition fees will lead to an exodus of students to study in other European cities where fees are kept low because of subsidies¹³⁸. Whilst there are benefits to international education, this needs to be on the basis of strategic planning and support rather than forced through cost. The benefits of international education also require student flows to be two-way¹³⁹, but the numbers of foreign students taking up places in UK Higher Education Institutions will be dramatically affected by the capping of immigration levels (see paragraphs 34–36 below).

9. Unite is also concerned about the implications for fairness and student choice in respect of the different treatment of fee arrangements for English, Scottish, Welsh and other EU students attending HEIs in the different devolved administrations.

A Fairer, Shared Funding System

10. Unite wants to see a fairer, shared funding system between students, government and employers, who benefit from a high achieving intellectual workforce. The Government’s plans shift the burden almost exclusively onto the student.

11. The 1997 Dearing Report into Higher Education spoke of a “new compact involving institutions and their staff, students, government, employers and society in general”¹⁴⁰. The Government’s proposals abandon any idea of such a compact.

12. Unite wants to see a funding system that better recognises the fact that employers benefit from higher education and the provision of graduates into the labour market. Employers more generally need to contribute to the funding of higher education. At present the best employers provide undergraduate support whilst the worst do little or nothing. A shared input from employers would spread the contribution and acknowledge the benefits that employers more generally receive from a better educated workforce and population.

13. Unite’s submission to Browne recommended a couple of options for employer funding, namely:

- A graduate tax or NI premium payable by employers who take on graduates; or
- A transfer of the outstanding student loan to employers with a 25 year repayment period.

14. Securing a structured contribution from business is also supported by the National Union of Students who have described Browne’s view that if there is to be an enhanced contribution by business it would be through “the higher salaries paid to graduates” as complacent and unfair.¹⁴¹

15. Unite believes that the “Browne Review” and the Government’s proposals represent “a lost opportunity” to properly fund higher education by striking a different funding balance between students, government and employers.¹⁴²

¹³⁴ *Regulating Financial Sustainability in Higher Education*, page 6, National Audit Office (2011)—http://www.nao.org.uk/publications/1011/financial_sustainability_in_he.aspx

¹³⁵ *More universities could go bust as fees rise, says audit office*, The Guardian, 4th March 2011—<http://www.guardian.co.uk/education/2011/mar/04/higher-education-further-education?INTCMP=SRCH>

¹³⁶ *Regulating Financial Sustainability in Higher Education*, page 6, National Audit Office (2011)—http://www.nao.org.uk/publications/1011/financial_sustainability_in_he.aspx

¹³⁷ *Universities at risk: the impact of cuts in higher education spending on local economies*, UCU (2010)—http://www.ucu.org.uk/media/pdf/t/a/ucu_universitiesatrisk_dec10.pdf

¹³⁸ *British students are learning that it pays to take their degree abroad*—<http://www.guardian.co.uk/education/2011/mar/06/university-europe-no-debt>

¹³⁹ *The future sustainability of the higher education sector: international aspects*, House of Commons Education and Skills Committee (2007)—<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmmeduski/285/285i.pdf>

¹⁴⁰ The National Committee of Inquiry into Higher Education (1997) -<https://bei.leeds.ac.uk/Partners/NCIHE/>

¹⁴¹ *Initial Response to the Report of the Independent Review of Higher Education Funding and Student Finance (the Browne Review)*, NUS (2010)—http://www.nusconnect.org.uk/asset/news/6001/Browne_Response_FINALFFF.pdf

¹⁴² http://www.uniteunion.org/news_events/latest_news/student_market_rate_interest.aspx

The link between Academic and Technical Roles and the Importance of Supporting Research

16. There is an important inter-relationship between academic and technical roles in higher education. The loss of academic jobs affects key skills and roles such as university technicians. A research report for the Higher Education Funding Council for England (HEFCE) found that the non-replacement of technical jobs was hampering courses especially in science and engineering¹⁴³. It noted that: “*HEIs’ fears about imminent skills shortages and resulting recruitment difficulties are linked to a general problem of an ageing technician population (typically 45–60 range) and steady decline in the numbers of young people who choose to study mathematics and sciences as a step towards progression in a technically related career*”.¹⁴⁴

17. Although it might be argued that the science budget in Business, Innovation and Skills (BIS) fared relatively well compared to higher and further education in respect of the Government’s budget cuts, real terms cuts in the resources for scientific research could damage the UK’s medium term growth potential if they lead to less innovation and reduced overall investment in skills and training in the future.¹⁴⁵

18. The House of Commons Education and Skills Committee in its report on the international aspects of the future sustainability of the higher education sector also drew attention to the importance of guarding against the risk that recruitment of international students would be seen as driven by short term gains in fee income by ensuring that the teaching and research offered are of a high quality.¹⁴⁶

Increase in Fees

19. The brightest school-leavers from the poorest families are already deterred from going to university by the fear of debt and the potential trebling of fees to up to £9,000 a year is going to make the situation worse.¹⁴⁷

20. Students will be picking courses and universities on the basis of their expected ability to pay back fee loans, rather than their talents or aspirations. This not only limits opportunities for people, particularly the poorest, but damages the economy in the longer-term as talent is effectively excluded from the workforce.¹⁴⁸

21. The proposals on fee increases are also based on some questionable assumptions. Firstly, the Government has explicitly drawn a link between changes to higher education and reducing the budget deficit. In a statement responding to the publication of the Browne Review, the Business Secretary said: “*My own party consistently opposed graduate contributions, but in the current economic climate we accept that the policy is simply no longer feasible*”.¹⁴⁹

22. However, a report by the Higher Education Policy Institute (HEPI) which looks at the Browne model with the revisions proposed by government concludes that “*the savings that will accrue to the government will in reality be much lower than expected, and that far from saving, there may well be a cost to the government*”.¹⁵⁰

23. The HEPI report argues that contrary to the Government’s belief that most universities will charge about £6,000 a year, almost all will charge the top rate of £9,000 a year, placing a larger than expected burden on the Treasury as it will have to fund much larger student loans. In addition, HEPI argues that the Government’s assumptions concerning average graduate earnings are over-optimistic as there are many more graduates in the jobs market now than over the past 30 years.¹⁵¹

24. The HEPI report describes the shift from borrowing to give grants to borrowing to make loans to students as “*smoke and mirrors*” and “*an extraordinary reason for changing the whole basis for the financing and organisation of the university system*”.

25. It finds that the idea of withdrawal of the state from the direct funding of universities is “*deeply ideological*” and “*driven by a belief that the market, and in particular student choice...is the best way of ordering things*”. However, such a belief “*is in many respects misleading and even simplistic. The fact is that higher education is a most imperfect market...Even if such a belief in market mechanisms were well founded...the public expenditure constraints will make it very difficult for student choice to be exercised in an unfettered way*”.

26. The report concludes that the Government’s reforms cannot be expected to save money in the long term and that future changes may be demanded by the Treasury including raising loan interest rates, reducing student numbers or a further increase in fees.

¹⁴³ *Highly skilled technicians in higher education: a report to HEFCE by Evidence Ltd (2004)*—http://www.hefce.ac.uk/pubs/rdreports/2004/rd07_04/rd07_04.pdf

¹⁴⁴ *Ibid.* page 11.

¹⁴⁵ <http://www.ippr.org.uk/articles/?id=4264>

¹⁴⁶ *The future sustainability of the higher education sector: international aspects*, House of Commons Education and Skills Committee (2007)—<http://www.publications.parliament.uk/pa/cm200607/cmselect/cmmeduski/285/285i.pdf>

¹⁴⁷ <http://www.guardian.co.uk/education/2010/aug/13/school-leavers-apply-to-graduate-employers>

¹⁴⁸ <http://www.compassyouth.org/2010/10/12/compass-youth-condemns-unmitigated-disaster-of-browne-fees-review/>

¹⁴⁹ <http://www.bis.gov.uk/news/topstories/2010/Oct/Browne-report-response>

¹⁵⁰ John Thompson and Bahram Bekhradnia, *The government’s proposals for higher education funding and student finance—an analysis*, paragraph 11 (HEPI, 2010)—<http://www.hepi.ac.uk/466-1875/The-government’s-proposals-for-higher-education-funding-and-student-finance-%E2%80%93-an-analysis.html>

¹⁵¹ <http://www.bbc.co.uk/news/education-11735254>

Fixing the Student Fee Rate?

27. It is well known within the higher education sector that various pressure groups of higher education institutions exist; for example, the Russell Group, University Alliance and Million +.

28. There is a mentality amongst some University Vice Chancellors to see their own higher education institution's reputation as a status symbol. In some cases this is rightly deserved. However, student fee levels are becoming part of that status and cachet driven environment, with VCs not wanting to be out done by their counterparts.

29. At the moment institutions are fixing their own student rates. Clearly if institutions were to act in concert in fixing a rate this would run counter to the Government's objectives for the marketisation of higher education. This is an issue that appears to have been troubling the Higher Education Minister.¹⁵²

30. Unite has concerns about how fee setting will work in practice and believes the Select Committee should come back to this issue once institutions have set their fee regimes to ensure that there has been transparency and absence of improper co-ordination.

Improving Access

31. Analysis of the Government's proposals by the Institute for Fiscal Studies finds that when examined according to parents' income, graduates from the poorest 30 per cent of households would pay back more, on average, than under the current system¹⁵³. Furthermore, IFS find that the new system is less transparent than the current system or that proposed by Lord Browne and that it also generates perverse incentives: for example, the proposed National Scholarship fund provides a financial incentive for universities charging over £6,000 a year to turn away students from poorer backgrounds.

32. Universities who want to charge more than £6,000 will have to draw up an access agreement with the Office for Fair Access (OFFA). However, the Director of OFFA has already warned that there was a "real risk" that when fees rose that teenagers from low-income homes would believe they could not afford university and that progress in improving access to the most selective universities had remained "virtually flat".¹⁵⁴

33. Access to higher education is not just about what happens to people at aged 18 or above. It is also about what happens before then, which is why the Government should not abolish the Education Maintenance Allowance (EMA), a means-tested allowance paid to 16–19 year olds who stay on in education and helps many young people from poorer backgrounds to go to college.

Immigration Cap Harmful to Higher Education

34. The proposals by the Government to limit the numbers on immigration will have a disproportionate effect within higher education and will seriously undermine efforts to maintain the UK as a world class education provider.

35. A report from the All Party Parliamentary Group on Migration¹⁵⁵ published in March 2011 highlights UUK research showing education export earnings across English regions for 2007/8 including international student fee revenue and estimated off-campus expenditure per region as follows:

East Midlands	£327m
East of England	£414m
London	£1,379m
North East	£234m
North West	£445m
South East	£642m
South West	£238m
West Midlands	£381m
Yorkshire and Humberside	£397m

Source: Universities UK, 2010, reported in ippr, 2011

36. With such significant contributions to local economies the Government policy in respect of immigration caps for students and other changes for fee funding regimes and budgetary cuts will have an unpredictable and dramatic effect on higher education delivery in the UK.

¹⁵² Government announces delay to higher education plans, BBC, 25th February 2011—<http://www.bbc.co.uk/news/education-12577227>

¹⁵³ Higher Education Reforms: Progressive but Complicated with an Unwelcome Incentive, IFS (2010)—<http://www.ifs.org.uk/bns/bn113.pdf>

¹⁵⁴ <http://www.guardian.co.uk/education/2011/mar/08/widening-access-tuition-fees-offa>

¹⁵⁵ http://www.appmigration.org.uk/sites/default/files/APPG_migration-international%20students-briefing_paper.pdf

Long Term Effects

37. The far reaching changes proposed by Government should have been carefully evaluated in advance. The simple drive to cut expenditure will have significant unexpected consequences to the provision of higher education in the UK. The UK's place for world class higher education delivery is at risk.

38. The short, medium and long term effects may have significant consequences for established institutions. Prestigious UK universities and higher education colleges could suffer unexpected difficulties.

39. Unite's concern, voiced earlier, is that access to higher education for poorer families will be affected. Burdening a generation of young people with unaffordable debt levels will impact not only on higher education funding but will affect many other facets of UK life. Future generations of students will find it difficult to obtain mortgages and other loans as finance companies and building societies take into account student fee debt in calculating disposable income.

40. The underlying risk to public expenditure will remain because if student fee loans remain unpaid by large proportions of graduates either because they cannot obtain employment at sufficiently high levels of remuneration to service their debt or because mounting debt problems result in more defaulters then the public purse is the lender and guarantor of last resort.

41. In Unite's view the mess caused will be left for future governments to sort out but any incoming government will face a severely weakened higher education sector and a world class international reputation will be in the balance.

42. The stakes are high and the dangers and threats to higher education are very real. Unite believes such dramatic proposals on fees, funding, world class reputation and access to higher education have either not been thought through or have been considered but discarded because of ideological preferences. In our view warnings are being ignored and a cavalier attitude to higher education provision in the UK is being applied.

10 March 2011

Supplementary written evidence submitted by Unite the Union

Comments on "Higher Education—Students at the Heart of the System"

This response is submitted by Unite the Union. Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, not for profit sectors, local government, education, the NHS and other health services, prisons and Royal Mail.

Unite is the main trade union representing scientific technicians and many academic related staff in Higher Education in the UK and welcomes this opportunity to submit evidence to this inquiry.

Executive Summary

- The Government's proposals will introduce greater volatility and funding cuts to the higher education sector, and will cause long-term damage.
- The increase in student fees, and shift of the financial burden of education to the individual, ignores the wider societal and economic benefits of education and will detrimentally affect access to education.
- Unite wants to see a fairer, shared funding system between students, government and employers.
- Real terms cuts in resources for scientific research could damage the UK's growth potential if they lead to less innovation and reduced investment in skills and training in the future.
- The stakes are high and the dangers and threats to higher education are very real. Unite believes such dramatic proposals on fees, funding, world class reputation and access to higher education have either not been thought through or have been considered but discarded because of ideological preferences.

University Investment and Funding Model

1.1 Unite continue to believe that the changes to the funding model, and the effective cuts in the funding that Higher Education Institutions (HEIs) will receive over the coming years, will be extremely detrimental to the university sector in this country and the economy more widely.

1.2 The Government continues to maintain that its assault on Higher Education is because of the national deficit, and they have therefore been forced to place even more of the financial burden of attending higher education upon the individual student. This flows from a mindset that sees higher education as primarily having a financial benefit for the individual and does not see the wider economic benefits. High levels of participation in education is not only desirable, it is an economic necessity. Unite does not believe the White Paper rhetoric that the Government's plans will secure a long term place for the UK as the most productive of the G8.

1.3 In 2010 the level of annual spending on higher education in Britain was approximately £23 billion each year. Economic modelling by the previous Government show that this produces a return of £60 billion for the economy. In other words for every £1 invested in higher education, the economy expands by £2.60.¹⁵⁶ Investment in our education system should increase; to savagely cut it is economic folly.

1.4 Additionally, the essentially competitive business funding model that the Government wants to implement will create volatility in the funding of institutions and undermine the country's higher education sector. Unite are deeply concerned that disaster waits around the corner for the sector, the Government has no Plan B to support the sector when their policies create chaos and the victims will be our members and a generation of people who miss out on the opportunities that higher education brings.

Student Debt and Access to University

2.1 Unite does not support the Government's drive to load increasing amounts of debt onto students. Unite does not believe that it is a coincidence that since the fees for higher education were first introduced, as the Government notes, "*since 1998 the UK participation rate for higher education has slipped from 7th in the OECD to 15th*". Currently students are graduating with record levels of debt, which now average over £23,000. This is set to rocket further as universities raise their fees. The long standing and modest target of 50% participation in tertiary education has been dropped. Unite believe that the increase in student debt driven through by this Government will build an even taller barrier to higher education than currently exists. We should be trying to increase access and participation, not make it harder. Unite believe that under Government proposals only the wealthy will be able to afford to continue to study; many young people from households of low to middle range incomes will be cut off from higher education.

2.2 It is hard not to believe that the Government's support for "Fair Access" is tokenistic—the Office for Fair Access currently has a staff of seven. It does not have sufficient resources or powers to fulfil the role Government states it should perform.

2.3 As previously stated in the written submission to the Business, Innovation and Skills Select Committee Inquiry, Unite wants to see a funding system that better recognises the fact that employers benefit from higher education and the provision of graduates into the labour market. Employers more generally need to contribute to the funding of higher education. At present the best employers provide undergraduate support whilst the worst do little or nothing. A shared input from employers would spread the contribution and acknowledge the benefits that employers more generally receive from a better educated workforce and population.

2.4 Unite's submission to Browne recommended a couple of options for employer funding, namely:

- A graduate tax or NI premium payable by employers who take on graduates; or
- A transfer of the outstanding student loan to employers with a 25 year repayment period.

2.5. Securing a structured contribution from business is also supported by the National Union of Students who have described Browne's view that if there is to be an enhanced contribution by business it would be through "the higher salaries paid to graduates" as complacent and unfair.¹⁵⁷

2.6. Unite believes that the "Browne Review" and the Government's proposals represent "a lost opportunity" to properly fund higher education by striking a different funding balance between students, government and employers.¹⁵⁸

"Diversity Of Providers" and Regulation

3.1 Unite does not support the Government plans to encourage a "diversity of providers"—code for a privatisation of our higher education sector. This will worsen, not improve, barriers to study. Unite also believes that an unchecked proliferation of university providers may also threaten and cheapen the label of "university" in this country and internationally.

3.2 As well as fundamentally disagreeing with the principle of the Government's plans in this area Unite believe that the Government plans are made even worse by their seemingly "light touch" approach to regulation of HEIs and the funding regime. Unite believe that at the very least there must be Parliamentary scrutiny of HEFCE to question the regulator over its role and actions and that it is delivering for students and the country as a whole.

3.3 Unite have long campaigned for greater investment in research and science areas that can benefit the British manufacturing sector, as part of developing a more balanced economy. As Unite previously noted, although it might be argued that the science budget in Business, Innovation and Skills (BIS) fared relatively well compared to higher and further education in respect of the Government's budget cuts, real terms cuts in the resources for scientific research could damage the UK's medium term growth potential if they lead to less innovation and reduced overall investment in skills and training in the future.¹⁵⁹

¹⁵⁶ Lord Mandelson's speech, February 2010: www.bis.gov.uk/News/Speeches/mandelson-dearing-lecture

¹⁵⁷ *Initial Response to the Report of the Independent Review of Higher Education Funding and Student Finance (the Browne Review)*, NUS (2010)—http://www.nusconnect.org.uk/asset/news/6001/Browne_Response_FINALFFF.pdf

¹⁵⁸ http://www.unitedtheunion.org/news_events/latest_news/student_market_rate_interest.aspx

¹⁵⁹ <http://www.ippr.org.uk/articles/?id=4264>

3.4 Unite, as mentioned in the oral evidence presented to the Business, Innovation and Skills Committee, believe there should be a balance struck in the sector between courses that are shaped by employers and business and courses that may be considered “purely academic”. As stated at the oral evidence, Unite do not support a situation where people from low incomes are simply funneled into more vocational education as they need to rely on sponsorship to get through higher education, with wealthier individuals being able to pick the course they have a passion for. For example, the Government White Paper states that there will be 65,000 places to be competed for by students achieving AAB grades; but this cuts off many university places from students who are streamed into BTEC qualifications.

Conclusion

4.1. Within the White Paper there is no wider debate on the future of Higher Education and the benefits it brings. Instead, as Professor Wellings of Lancaster University has stated, “The thing I’m most concerned about is how we’ve moved from a White Paper on higher education to a White Paper on student numbers control for English undergraduates”.¹⁶⁰ Lord Dearing said in 1997 that “We express here our concern that the long term well being of HE should not be damaged by the needs of the short term”.¹⁶¹ It is Unite’s view that the Government is damaging the long term future of Higher Education for short term political ideology.

7 July 2011

Written evidence submitted by the Universities and Colleges Admissions Service (UCAS)

1. Summary

1.1 As the UK’s higher education admissions service, UCAS welcomes the opportunity to submit evidence to the inquiry. Our evidence focuses on a number of issues related to admissions, particularly issues raised by the Browne Review and subsequent announcements regarding higher education finance and student support. Specifically this submission focuses on:

- admissions to higher education: proposals in the Browne Review for controlling access to student finance;
- provision of information, advice and guidance to prospective students;
- demographic changes, cross-border issues and impacts;
- UCAS Qualifications Information Review (QIR); and
- UCAS Admissions Process Review (APR).

2. UCAS

2.1 UCAS is the UK’s provider of shared admissions services for higher education. Our mission is to help applicants to HE make the right choices for the right reasons with the right outcomes, and to benefit our members through the provision of shared services.

2.2 As a charity UCAS provides information, advice and guidance; course information; entry requirements; and application services to over 688,000 applicants to 305 universities and colleges each year. Although this service primarily covers admissions to full-time undergraduate programmes, UCAS also provides some services for part-time provision, post-graduate courses, initial teacher training and a specialist conservatoires admissions service. Other UCAS activities include:

- publication of regular data and reports on each application cycle;
- subscriptions to a variety of analytical services which provide higher education institutions, schools and colleges with the ability to track applications effectively in real time, and to understand applicant behaviour and the HE market;
- contract and collaborative research, and licensing of data for research and analysis;
- support for the introduction of new qualifications;
- training for schools, colleges and advisers on HE admissions; and
- supplier of management tools to local authorities to support 14–19 education.

2.3 UCAS works closely with HEIs, schools and colleges, governments, funding bodies, regulators, qualification awarding bodies, and others to provide the products and services needed for effective admissions to higher education across the UK.

3. Admissions to Higher Education: Proposals in the Browne Review for Using the UCAS Tariff to Control Access to Student Finance

3.1 The Browne Review proposed the expansion of HE provision in England, with this expansion being driven by student choice. To enable the Government to maintain control over numbers of entrants to HE—and

¹⁶⁰ Times Higher Education, 30 June 2011

¹⁶¹ Times Higher Education, Leader, 30 June 2011

hence student finance—the Review proposed that the UCAS Tariff should be used to set a minimum entry standard to determine entitlement to student finance for learning and living costs at English institutions.

3.2 UCAS has undertaken analysis work to evaluate the likely impact on applicants and HE institutions using the current Tariff as a proxy attainment hurdle. This indicates that the Browne Review model could disproportionately affect:

- older applicants;
- those from areas with lowest HE;
- international;
- applicants who hold qualifications not currently covered by the applicants who hold qualifications which attract low Tariff points—ultimately impacting on WP;
- applicants whose suitability is determined by additional selection mechanisms alongside qualification achievements, such as interviews or admissions tests;
- certain subject areas that tend to have lower average Tariff entry qualifications eg creative arts and design, technologies, veterinary science and related subjects; and
- institutions that attract applicants with low or no Tariff points. This is of particular importance given that non-traditional qualifications are less likely to have been awarded Tariff points.

3.3 The proposal to set a minimum entry Tariff in January each year would inevitably lead to uncertainties because many applicants have Tariff-eligible qualification results pending at that time. For instance, amongst young UK applicants offering A-levels for entry the large majority (over 80%) are recorded as having at least one A-level where the result is predicted rather than known at the January closing date.

3.4 UCAS has briefed BIS on this analysis and the potential risks associated with adopting this approach.

3.5 Any proposal to use the UCAS Tariff or a sub-set of qualifications held by applicants in order to manage student numbers or access to student finance will necessarily face similar difficulties. It should also be noted that the current Tariff methodology was designed over a decade ago to meet the needs of a much simpler qualifications environment. As such, UCAS is currently undertaking a review to understand better the needs that HE providers and learners have for qualifications information and how these needs can be addressed in an effective and efficient manner (see section on the Qualifications Information Review below).

4. Provision of Information, Advice and Guidance to Prospective Students

4.1 Providing prospective students with clear, effective, and timely information, advice and guidance (IAG) is at the heart of UCAS's mission to help those applying to higher education to make appropriate choices about what, where and how to study ie making the right choices, for the right reasons with the right outcomes.

4.2 As such UCAS provides IAG to learners through its web services, publications and training for schools, colleges and advisers on HE admissions eg UCAS Course Search, providing data for Unistats, and schools conventions. We are working with HEFCE host the new Key Information Set of data which all HE providers will need to make available to applicants, and we are developing a range of improved IAG services, including a "Preparing the Professional" scheme, which aim to give many more school liaison officers and outreach officers access to accurate, up-to-date information on HE entry. UCAS is also working with a number of partners to explore how more data and information, particularly about qualifications, can be made available to potential applicants.

4.3 UCAS believes that it is desirable that learners applying to UK universities and colleges should have access to the full range of study options when considering which courses and institutions best meet their needs. Financial considerations are important part of this decision-making process and it essential that all applicants understand the financial commitments they are making before submitting their UCAS applications.

4.4 For entry in 2012 the picture is complicated by changes in HE funding and student support arrangements in England, Scotland, Wales and Northern Ireland. This is discussed below.

4.5 For the vast majority of prospective students UCAS is a first point of call for information about higher education courses and fees. We are conscious that young learners typically start discussing their HE choices with teachers and advisers towards the end of Year 12 and would like to be able to provide young learners with information about course fees they break up for the summer. The 2011 end of term dates are 1 July in Scotland and Northern Ireland and 22 July in England and Wales.

4.6 We are therefore working closely with schools, advisers, institutions, and OFFA to manage expectations about when fees information will be available in the UCAS Course Search. It is our aim to release verified fees information on a single day in July. We are plan to do this on the same day that OFFA publishes the approved access agreements, or as close to this date as is feasible. Our decision to publish information on a single day comes in response to advice from the NUS and SPA, and they have welcomed our approach. We are also working closely with the governments and funding bodies in Scotland, Wales and Northern Ireland to ensure that we are also able to provide fees information from institutions across the UK at the same time.

4.7 It will be essential that fees information is available before younger learners return to school or college in August or September. Applicants will be able to submit their applications from September 2011. The UCAS deadline for applications for medicine, dentistry and veterinary science courses, as well as for applications to the Universities of Oxford and Cambridge, is 15 October 2011. The UCAS deadline for the majority of other courses is 15 January 2012.

4.8 UCAS has constructed a comprehensive communications plan in order to ensure that relevant and accurate information is communicated to the relevant individuals and stakeholders at the appropriate time. The purpose of this plan is to ensure that any confusion or mismanagement regarding fee information is avoided.

5. Demographic Changes, Cross Border Issues and Impacts

5.1 The average age of UK domiciled UCAS applicants increased over the last five years from 20.75 in 2006 to 21.30 in 2010 (Appendix 1, Figure 1). Whilst the majority of UCAS applicants are 20 years and under (77.75% in 2010), this is an important trend. Furthermore, given the projected decline of 18–20 year olds within the UK population statistics analysed by UUK¹⁶² suggest that the number of UCAS applicants between the ages of 18 and 20 will decrease to its lowest point in 2020 with a 14.5% change from 2009 to 2020.

5.2 The increasing average age of UCAS applicants and the future decline of the number of 18–20 year olds in the UK population are combining to suggest that the proportion of HE applicants aged 20 years or under will decrease. (See Appendix 1, Tables 1 and 2). UCAS and other parts of the HE sector are therefore increasingly focusing their information, advice and guidance at more mature applicants.

5.3 Applications to HE for entry in 2012 and applicant behaviour are likely to be affected by changes in HE funding and student support arrangements in England, Scotland, Wales and Northern Ireland:

- The Westminster government has decided to enable institutions in England to charge up to £6,000 per annum for their courses and in exceptional circumstances up to £9,000 subject to meeting new criteria on access.
- The Welsh Assembly Government has indicated that Welsh institutions may increase tuition fees in line with English ones, but that the Assembly will pay the difference between the tuition fee charged by institution and the current maximum tuition fee for Welsh-domiciled students studying at English or Welsh institutions (£3,375 at current prices). The same subsidy will also apply to EU students studying at Welsh institutions. Welsh institutions wishing to charge more than £4,000 will need to produce a fee agreement for approval by HEFCW showing a commitment to WP and strategic initiatives in Wales.
- Whilst HE funding and student support provisions are clear for English and Welsh institutions, there remains a lack of clarity in relation to Scotland and Northern Ireland with fee levels likely to be affected by the outcomes of elections on 5 May 2011.

5.4 Any early changes in behaviour detected from UCAS data is a significant decrease in the number of individuals applying to HE in 2011 who are requesting deferred entry to 2012 (Appendix 1, Figure 1). This will in part be due to institutions accepting fewer deferred students in light of uncertainties around funding.

5.5 Table 3 (Appendix 1) shows where accepted applicants from different domiciles have chosen to study in the UK. This shows, for example, that in 2010 34% of Welsh domiciled students, 6% of Scottish domiciled students, and 25% of Northern Irish students chose to study in the England. Increasing differentiation in tuition fees and student support arrangements are likely to impact upon cross-border flows of students, particularly where these arrangements favour home domiciled students over and above those resident in other parts of the UK. It will be important for policy makers to take a holistic view of any changes.

6. Admissions Process Review (APR)

6.1 The admission process for people entering higher education has not changed significantly since its introduction over 50 years ago. At this point the number of applications was much lower and a lower percentage of applicants were successful. Since then, there has been a significant expansion of higher education both in term of volume and diversity, though the operating rules and timescales have remained broadly unchanged over this time period.

6.2 Recent analysis by UCAS has shown that, on average, over 20 transactions are undertaken by an admissions office to result in one successful applicant. There are also indications that applicants are not using their choices wisely or are facing issues associated with the admissions process.

6.3 Higher and further education is now facing a period of major change. The admissions system needs to reflect this and support members going forward by generating improved efficiencies in the admissions process, while retaining fairness of access for applicants. In light of this, UCAS has commenced an admissions process review that will map future models of admissions that could deliver improved efficiencies for members, increase certainty for applicants, better services and outcomes for applicants and an improved student experience. The review will consider synergies with student finance applications and the possibility of extending UCAS members outside of the UK.

¹⁶² Universities UK (2008) Research report: The future size and shape of the HE sector in the UK: Demographic projections.

6.4 The objectives of the review will be to:

- develop a flexible, responsive and cost-effective system that can accommodate a wide range of admissions models;
- design a system that is tailored to institutional requirements in a way which is efficient for UCAS and its members; and
- support choice, fair access, social mobility and widening participation.

6.5 The Admissions Process Review will be given strategic direction by a steering group which will be led by UCAS board member and Deputy Vice-Chancellor of Keele University Rama Thirunamachandran. It is currently scheduled to complete its initial investigation by autumn 2011.

7. Qualifications Information Review (QIR)

7.1 The UCAS Tariff was introduced in 2001 with the purpose of allowing comparison across different kinds of qualifications. Since 2001 the range of qualifications available to learners at Level 3 has increased significantly and the original Tariff mechanism is less effective in supporting comparisons across an increasingly complex qualifications landscape.

7.2 In order to keep pace with the changing nature of the qualifications environment and to ensure that UCAS best supports the needs of its members, a review of Qualifications Information is being undertaken by UCAS. The Qualifications Information Review aims to understand more about current use of the Tariff and the wider qualifications information requirements of HEIs and other stakeholders involved in HEI admissions, including awarding organisations, schools and colleges, regulatory bodies, and HE applicants.

7.3 The Qualifications Information Review is currently gathering evidence from a range of stakeholders through a series of consultation events. This contextual understanding and rich evidence base about the qualifications information needs of the sector will be used to outline a series of proposals for a new or improved system. The review is being led by a steering group chaired by Professor Neil Gorman, the Vice Chancellor of Nottingham Trent University, and will report in June 2011.

10 March 2011

APPENDIX

Table 1

THE LEARNER PROFILE BY AGE OF UK DOMICILED APPLICANTS FOR 2010

	<i>Country of residence</i>							
	<i>England</i>		<i>Wales</i>		<i>Scotland</i>		<i>Northern Ireland</i>	
20 years and under	280,063	77.75%	14,488	77.60%	23,180	71.88%	11,246	83.26%
21 to 24 years	37,862	10.51%	2,013	10.78%	3,942	12.22%	1,368	10.13%
25 years and over	42,283	11.74%	2,170	11.62%	5,126	15.90%	893	6.61%
Total	360,208		18,671		32,248		13,507	

Table 2

ACCEPTED APPLICANTS BY AGE GROUP AND UK COUNTRY OF RESIDENCE (UK DOMICILE ONLY)

		<i>Country of residence</i>				<i>Total</i>
		<i>England</i>	<i>Wales</i>	<i>Scotland</i>	<i>Northern Ireland</i>	
20 years and under	2010	280,063	14,488	23,180	11,246	328,977
	2009	276,907	15,331	22,917	11,619	326,774
21 to 24 years	2010	37,862	2,013	3,942	1,368	45,185
	2009	39,185	2,261	3,863	1,273	46,582
25 years and over	2010	42,283	2,170	5,126	893	50,472
	2009	44,144	2,604	4,250	709	51,707
Total	2010	360,208	18,671	32,248	13,507	424,634
	2009	360,236	20,196	31,030	13,601	425,063

Figure 1

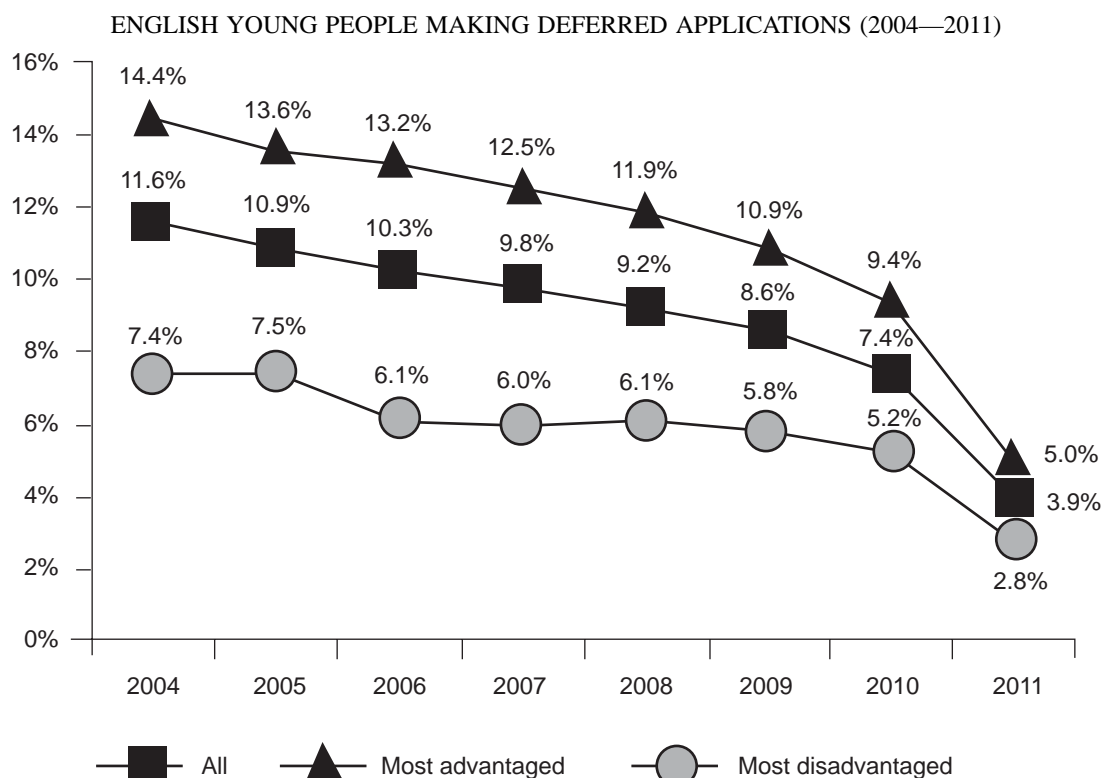


Table 3

ACCEPTED APPLICANTS (ALL DOMICILES) BY AREA OF PERMANENT RESIDENCE AND COUNTRY OF ACCEPTING INSTITUTION

Area of Permanent Residence		Country of institution								
		England	Wales	Scotland	Northern Ireland	Total				
England	2010	345,966	96.1%	10,469	2.9%	3,547	1.0%	226	0.1%	360,208
	2009	345,517	95.9%	9,698	2.7%	4,747	1.3%	274	0.1%	360,236
Wales	2010	6,393	34.2%	12,178	65.2%	92	0.5%	8	0.0%	18,671
	2009	5,679	28.1%	14,373	71.2%	131	0.7%	13	0.1%	20,196
Scotland	2010	1,792	5.6%	55	0.2%	30,379	94.2%	22	0.1%	32,248
	2009	1,716	5.5%	52	0.2%	29,244	94.2%	18	0.1%	31,030
Northern Ireland	2010	3,430	25.4%	169	1.3%	1,076	8.0%	8,832	65.4%	13,507
	2009	3,117	22.9%	117	0.9%	1,071	7.9%	9,296	68.4%	13,601
Ireland	2010	1,591	53.2%	237	7.9%	650	21.7%	514	17.2%	2,992
	2009	1,373	48.6%	250	8.9%	756	26.8%	444	15.7%	2,823
Other EU	2010	18,403	81.4%	807	3.6%	3,365	14.9%	40	0.2%	22,615
	2009	16,391	78.1%	828	4.0%	3,745	17.9%	20	0.1%	20,984
Non EU	2010	32,524	87.7%	1,247	3.4%	3,208	8.7%	109	0.3%	37,088
	2009	28,431	86.2%	1,103	3.3%	3,363	10.2%	87	0.3%	32,984
Total	2010	410,099	84.2%	25,162	5.2%	42,317	8.7%	9,751	2.0%	487,329
	2009	402,224	83.5%	26,421	5.5%	43,057	8.9%	10,152	2.1%	481,854

Written evidence submitted by Universities UK

Introduction

Successive governments have sought to reconcile twin policy objectives: the desire to expand higher education provision and the need to provide sustainable funding for higher education that recognises both the public and private benefits that are derived from a university education. The decisions made by the current government will effect a radical change in the funding model for higher education in England but they should be seen in the context of this longer history. They build on the logic of earlier decisions. Universities UK is broadly supportive of the changes to tuition fees and student support that will take effect in the autumn of 2012, despite the reduction in direct government funding for teaching. We continue to work with government

and other stakeholders to ensure that UK universities retain their place as a world leader in the provision of higher education.

A key objective for Universities UK is ensuring that no one is deterred from applying for university because of misunderstandings about the costs involved, and how these will be met. The scale of the communications challenge here should not be underestimated and we are working with others—including those in schools—to address it. Universities recognise their responsibilities under the new regime and are already working on innovative responses in relation to effective management of costs, for example, and strengthening the provision of information to prospective students. It is right that the political debate around the tuition fee cap was vigorous. It is important now, though, that opinion leaders ensure that the transition to a new system is properly managed, so that the goals of enhanced student choice and wider and fairer access are not damaged. For that reason we welcome the Committee's enquiry and we hope its conclusions will help to reduce the risk of misconceptions about the continued value of a university education.

Universities and the UK Economy

UUK's plea for a sustainable funding package for universities was built squarely on the economic case for higher education. Universities provide the skills that will be needed for the UK to thrive in the future. Universities are major actors in regional economies. They also generate substantial "added value" to the national economy through their research work, export earnings and the increased earning power of graduates. The economic downturn has had a short-term effect but the evidence shows that the UK economy will need more, not fewer, graduates in the medium and long term. Universities remain a driver of economic recovery, not a drain on resources.

Within the OECD, the UK's comparatively strong position as a highly skilled economy is under threat as more and more countries focus on increasing the skills of their populations as a source of competitive advantage. The graduation rate in the UK has remained more or less stable over the last eight years. The improvement of other countries over the same period, however, has meant a downward movement in the UK's relative position as a producer of human capital. In 2008 the UK was ranked 15th amongst OECD countries in graduation rates for tertiary type A qualifications compared to fourth in 2000 (Figure 1). If we want to compete in the world as we have in the past, and ensure the future strength of our economy, we need to increase the proportion of our population with skills at Level 4 or above.

Figure 1

TRENDS IN TERTIARY TYPE A GRADUATION RATES—PLACE OF THE UNITED KINGDOM

Rank	2000	2003	2004	2005	2006	2007	2008
1	New Zealand	Australia	Iceland	Iceland	Iceland	Iceland	Finland
1	Finland	New Zealand	Australia	New Zealand	New Zealand	Poland	Slovak Republic
3	Norway	Finland	New Zealand	Australia	Australia	Australia	Iceland
4	United Kingdom	Iceland	Finland	Finland	Finland	Finland	Poland
5	Denmark	Poland	Norway	Denmark	Poland	New Zealand	New Zealand
6	Australia	Denmark	Poland	Poland	Denmark	Denmark	Denmark
7	Netherlands	Norway	Denmark	Netherlands	Netherlands	Ireland	Ireland
8	Poland	Netherlands	Netherlands	Italy	Norway	Norway	Portugal
9	United States	United Kingdom	United Kingdom	Norway	Sweden	Netherlands	Norway
10	Iceland	Ireland	Ireland	United Kingdom	Italy	Portugal	Netherlands
11	Ireland	Sweden	Sweden	Ireland	Ireland	Sweden	Sweden
12	Spain	Japan	Italy	Sweden	United Kingdom	Slovak Republic	Japan
13	Japan	Portugal	Japan	Hungary	Japan	Japan	United States
14	Sweden	Spain	United States	Japan	United States	United Kingdom	Czech Republic
15	Canada	United States	Spain	United States	Slovak Republic	United States	United Kingdom

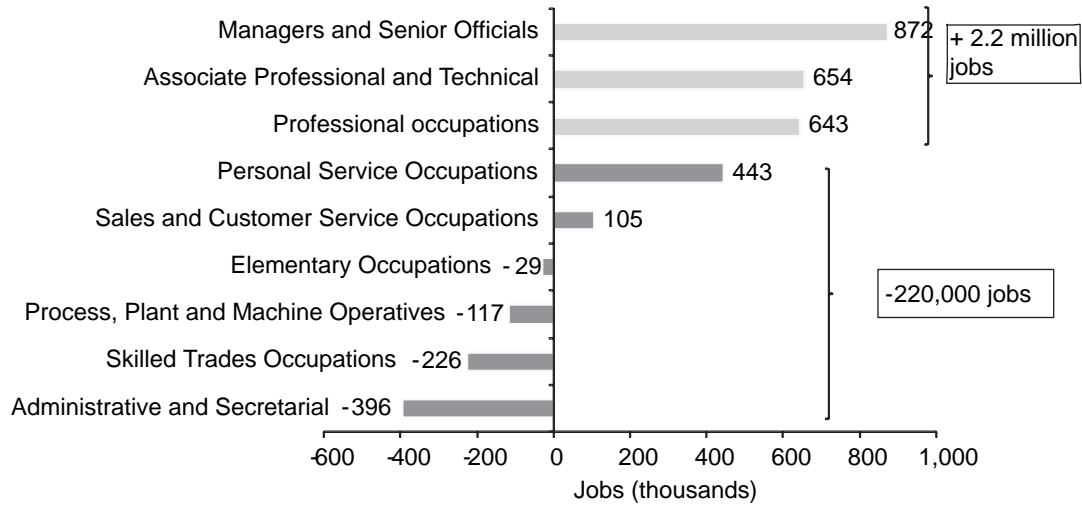
Source: OECD (2010) *Education at a glance*

As we continue to develop as a knowledge economy, access to higher-level skills will be a condition of access to an increasing proportion of jobs. Between 2007 and 2017 the three occupational groups most likely to require graduate-level skills will see the highest level of structural expansion. Just under 2.2 million jobs in

the three occupational groups most likely to require graduate-level skills will be created compared to a net loss of 220,000 jobs in other less skilled groups (see Figure 2).

Figure 2

EXPANSION DEMAND FOR EMPLOYMENT BETWEEN 2007 AND 2017 BY OCCUPATIONAL GROUP



Source: UKCES (2009) *Working futures 2007–17*

As well as higher education's contribution to the nation's skills base, universities make a huge contribution (conservatively estimated at £5.3 billion) to UK export earnings. They also add economic value through their high quality research: data from UK Trade and Investment indicates that they have used the overall strength of the research base to attract more than 200 research and development investments, with a combined estimated value of £330 million, to the UK during 2008–09 alone (Department for Business Innovation and Skills [2009] *Annual Innovation Report*). In terms of gross outputs, UK higher education is larger than the advertising industry. UUK's own research shows that universities employed over 372,400 people in 2007–08 (324,600 full-time equivalents) and for every 100 full-time jobs within universities themselves, more than 100 full-time equivalent jobs were generated through "knock-on effects" in other sectors of the economy (Universities UK [2010] *The impact of universities on the UK economy*).

The Funding of Higher Education

All of this data contributed to our case for sustained public funding in higher education. Because of this, we welcomed the Government's decision to cushion science and research spending from the worst of the cuts (science and research funding will remain fixed in cash terms which means a real-terms cut of around 9% by the end of the Spending Review period).

Financial results from the sector in 2009–10 show that universities are entering uncertain times from a sound financial position. Over this academic year and the next we face in-year cuts to HEFCE grant of £190 million for 2010–11 and further, provisional, cuts of around £750 million for the academic year 2011–12. The BIS capital budget is being cut by 44% over the period of the Spending Review—there will be a 58% cash-terms reduction in HEFCE capital funding for 2011–12. And there will be knock-on effects from spending and policy decisions by the Department for Education and the Department of Health too.

Universities are responding to the challenges of reduced funding by innovating.

UUK has work under way that is looking across the sector at how institutions can proactively manage their costs and secure value for money whilst sustaining support for the delivery of high quality teaching and research. This work will build on the significant experience institutions already have of driving efficiencies (for example outsourcing, procurement and shared services are all widespread within the sector), but examine the scope for further saving through a strategic shift in institutional structures, business processes and practices, and identifying what needs to happen to make this change about. Many individual universities are already looking at pursuing their own initiatives to make these strategic shifts. Nottingham and Birmingham universities recently announced that they are exploring the possibility of sharing teaching staff, for example.

The reforms are likely to contribute to changes in the way universities deliver courses too. For example, improvements in the support package for part-time students are likely to result in increased demand for part-time courses.

Many universities have long-standing partnerships with further education (FE) colleges and they will continue to strongly support and invest in these relationships. These include Staffordshire University Regional Federation (SURF), which supports the development of accessible higher education (HE) provision that is

demand-led and socially inclusive, delivering Foundation Degrees through FE colleges; and the University of Bedfordshire, which has extensive links with FE colleges, which are directly supported by providing their HE staff with free access to the postgraduate certificate in academic practice delivered by the university.

There are signs that increased collaboration with employers will result from the funding changes too. The recent announcement that KPMG is to sponsor a cohort of accountancy students through their degrees at Durham University is just the most high-profile example.

The likely reduction of direct formula funding raises several issues. We do not yet know how the cuts to teaching grant will be managed, and are expecting a wide-ranging consultation from HEFCE after publication of the White Paper, but we know that the Government supports the broad thrust of the Browne proposals in this area. The Browne Review proposed concentrating core funding on meeting the additional costs of subjects (principally high-cost STEM subjects) that could be vulnerable if wholly reliant on students' willingness to meet the cost through a graduate contribution. It will be important to recognise, as government ministers have in recent pronouncements, that there are many forms of high-cost provision which are of broad strategic, social and economic importance. These include ensuring successful participation for under-represented groups, developing business models to support part-time students, and providing appropriate teaching in specialist institutions. Moreover, it will be difficult to predict which subject areas might become vulnerable in a system where a greater proportion of the costs are met through a graduate contribution. This matters because capacity in higher education takes time to build up and, once lost, can be difficult to recover. Any loss of capacity could impact not only on the opportunities for students but also on the strength and diversity of the UK's research base.

Access and Participation

There are understandable concerns about the impact of higher fees on participation, especially from among lower-income families. Universities UK is committed to widening participation and supporting measures to increase access from traditionally low-participation groups. The fee cap will be lifted by a substantial amount from autumn 2012 and we cannot know precisely, in advance, what the impact on applicant behaviour will be. However, we believe that wider access should not be damaged under the new system, for the following reasons:

- The design of the system means that full-time (and an increased number of part-time) students will not pay fees until after they have left university and are earning more than £25,000 per year. The 30-year write-off provision is another element of progressivity in the regime. Universities UK is committed to working with other stakeholders—including schools—to ensure that the progressively of these measures is clearly communicated and well understood.
- Universities UK and other stakeholders are working with the Government on the development of the National Scholarship Programme which will help to fund university places for students from less well-off backgrounds.
- A key element of the new system is the requirement for universities to sign Access Agreements with the Office of Fair Access (OFFA) if they wish to charge more than the new lower fee cap.
- We don't yet know what the precise impact on employer behaviour will be but, as mentioned above, it seems likely that more firms will look to support the brightest students through their degree.
- Improvements to the support package for part-time students should help to encourage more applicants from "non-traditional" backgrounds to take a degree.
- Universities will continue to develop their own schemes, relating to the needs of their own student population, to support fair access and wider participation. This will include outreach into schools, institutional bursaries and other measures deemed appropriate.

Information and Guidance

The changes made by the Government clearly make the higher education system more "market-like" in its operation. An essential part of any successful market is good consumer information. Universities are working with other stakeholders to improve the range and quality of information that is available to students, prospective students and their families. Work already planned or undertaken in this area includes:

- the development of an agreed Key Information Set that will form the standard for future information provision by universities to potential applicants; and
- spreading good practice through the adoption of Student Charters; an outline agreement was published in January 2011.

The Quality Assurance Agency (QAA) will make a judgement in the area of public information at each institution from 2012–13, meaning that any shortfall would be subject to HEFCE policy on unsatisfactory quality (in extreme, this can lead to the withdrawal of funding).

In an increasingly competitive market for recruitment it will be in the best interests of universities to provide consistent, high quality information. Universities UK is committed to the principle that, as far as possible, changes should be driven by sector stakeholders and should not result in increased bureaucratic burdens

imposed by government. At a time of severe financial constraints, it is essential to maximise the resources available for frontline teaching and learning, and student support services. Therefore, we will continue to explore the potential for innovative ways of capturing and disseminating information, in ways that are most valuable to these stakeholders.

Structural Reforms and the Preservation of Quality and Standards

Although we await details in the White Paper, the Government has made it clear that it plans to make “supply-side” reforms in the sector. This may well include an increased role for “private providers” of higher education and for the provision of higher education through further education colleges. This can be seen, for example, with the granting of University College status to BPP College of Professional Studies and in the positive reception by the minister for universities and science to the decision by Kaplan, the US education provider, to offer degrees examined and awarded by the University of London.

UUK does not oppose such changes as long as quality thresholds for a degree are not lowered as a result and as long as government gives existing collaboration the opportunity to grow in preference to top-down changes.

It is important to recognise that universities in receipt of public funding via the funding councils already operate in partnership with a huge range of private and for-profit providers. This collaboration takes a wide range of forms—for example, accreditation of degrees, support for international students, the provision of academic content and the delivery of continuing professional development (Universities UK [2010] *The growth of private and for-profit providers in the UK*). But, all of these partnerships have also evolved from the inherent responsiveness and dynamism in the sector.

If government seeks to further free up the distribution of public funding across providers of higher education, the priority must be to protect the quality of UK higher education and ensure that students in the UK receive the student experience they expect and deserve. This will mean ensuring appropriate and proportionate regulation and accountability. For example, there is a strong argument that any institution in receipt of public funds—which could include any subsidised loans and grants for which their students are eligible—should be required to provide the same key public information, so that students are able to make informed choices. It should be noted that institutions which do not receive direct grants from the funding council or Training and Development Agency for Schools do not have to submit an access agreement to OFFA if they wish to charge fees over the basic amount.

We will of course want to look at new pathways for progression, to improve, for example, the exceptionally small percentage of apprenticeship learners progressing to further or higher education (only 0.2% in 2007–08) (Skills Commission [2009] *Progression through apprenticeships*). We support the Government’s call for a “skills system that supports progression”, and its commitment to “review actions to support progression from further into higher education through vocational as well as academic routes” (House of Lords written answers, 9 August 2010). However, we would reiterate the importance of evolving the existing collaborations and partnerships within the current system where this is possible.

Whatever changes are made to the structure of the HE sector, universities recognise the importance of maintaining confidence in the quality of the UK degree. Expansion in provision has inevitably led to questions about the extent to which quality and standards in higher education have been preserved. UUK, together with other stakeholder bodies and individual universities, are currently engaged in an extensive review of the quality assurance system. It is intended to ensure that the system remains fit for purpose and part of that is to increase the role of students in the evaluation process.

Conclusion

Universities UK has consistently argued that higher education is a national asset, not a drain on resources, especially in view of the trend towards increased integration into a global knowledge economy.

Universities have been at the core of a high quality higher education sector, and will need to continue to be central in the future if we want this quality to be maintained. Part of their strength is derived from the delivery of a wide range of subjects. We need to ensure that breadth of provision is not lost.

Universities themselves are large and diverse institutions with a record of innovation and flexibility. They have well-established records of seeking to broaden access, collaboration in provision and investment in improving the student experience.

We also need to recognise the interconnectedness of decisions in other policy areas: changes to the visa regime, for example, which risk hampering our ability to compete for the best students, staff and researchers around the world. Higher education plays a vital role in supporting quality in schools, too, through teacher education. And changes to the health budget risk a knock-on effect for universities providing training for medical professionals.

Above all, the added value for students must remain at the heart of our higher education system. We must ensure that participation rates are not damaged as a result of the changes to the funding regime. In particular we have a substantial task in promoting accurate information about the continued importance of a university degree as a source of highly valued skills.

About Universities UK

Universities UK (UUK) is the representative organisation for the UK's universities. Together with Higher Education Wales and Universities Scotland, our mission is to be the definitive voice for all universities in the UK, providing high quality leadership and support to our members to promote a successful and diverse higher education sector.

10 March 2011

Written evidence submitted by the University Alliance

1. University Alliance represents 23 major, business-focused universities that are driving economic growth through world-leading research, innovation and enterprise. Alliance universities educate over 25% of all UK students and achieve some of the highest graduate-level employment rates. Incorporating five of the UK's 10 largest universities, Alliance universities offer a research-informed, academic learning environment and a culture of innovation and enterprise, empowering the next generation of graduates who will help deliver growth to the UK economy.

2. Alliance universities are central to the UK's innovation-driven economy¹⁶³, driving growth in new sectors and markets through their delivery of high-quality, graduates, science and research.¹⁶⁴ Alliance universities maintain a revolving door with business to help ensure graduate employers get innovative and thoughtful, professionally accredited graduates with the right skills to help grow their businesses. They play a leading role in regional growth and regeneration, working with partners from local communities, the UK and internationally, to ensure that the benefits of higher education and more specifically their entrepreneurial approach have a direct economic impact.

3. Through evidence-based policy and research, University Alliance and our member universities aim to improve policymaking in higher education to the benefit of the UK economy and society.

4. This submission sets out our vision for the higher education sector based on the current and future needs of the economy and society, framed by nine principles for a sustainable sector.

Principles for a Sustainable Sector

5. In 1997, the Dearing Committee reported back to government with the vision that the country must have higher education which, through excellence in its diverse purposes, could justifiably claim to be world class.¹⁶⁵ Fourteen years later, this vision is still relevant, although the parameters and drivers against which the system operates are changing. This is due to pressures brought on by the economic downturn, by increasing competition from overseas and Lord Browne's review and Government policy shifts since the Coalition took power in May 2010.

6. In this light, we would highlight the following principles for a sustainable higher education sector. These principles should underpin and inform policy-making by Government and others during in their continued development and restructuring of the higher education sector.

- (a) *Driving growth and prosperity across the UK:* Universities are driving growth through innovation and enterprise; they are not just part of a growth strategy, they are central to it. Universities should be central to the government's strategy to rebalance the economy across the regions. This is not just about skills but about the central role universities play in the economy, driving growth and innovation in new sectors and markets.
- (b) *Delivering graduates that will drive our future international competitiveness:* In 2000, the UK was 3rd amongst top industrialised nations in terms of the proportion of young people graduating. In 2008 we had fallen to 15th position because our competitor countries have been investing at a faster rate than us.¹⁶⁶ It is vital that we move towards a system that is flexible enough to educate the number of graduates that will be needed if we are to remain competitive.
- (c) *Supporting a world-class, dynamic and responsive research base:* Innovation was responsible for two-thirds of productivity growth from 2000–07 and was the common defining feature of the fastest growing 6% of businesses between 2002 and 2008. These businesses generated half of all new jobs created during this time.¹⁶⁷ We need a system that is able to support excellence in different universities enabling us to fully utilise both research and innovation.
- (d) *Supporting and enabling genuine partnership with business:* Formal links between universities and business, what we call knowledge exchange, generated £1.94 billion in income in 2007, growing by

¹⁶³ Shanmugalingam S et al, Nesta, *Rebalancing Act*, June 2010, http://www.nesta.org.uk/rebalancing_act

¹⁶⁴ L Aston and L Shutt, *21st Century Universities: engines of an innovation driven economy*, September 2010 <http://tinyurl.com/5tv22js>

¹⁶⁵ R Dearing, *Report of the National Committee of Enquiry into Higher Education*, 1997, <http://www.leeds.ac.uk/educol/ncie/>

¹⁶⁶ OECD, *Education at a Glance* 2010.

¹⁶⁷ Shanmugalingam S et al, Nesta, *Rebalancing Act*, June 2010, http://www.nesta.org.uk/rebalancing_act

approximately 12% per annum over the period 2001–07.¹⁶⁸ We should aim to increase support for these activities with an appropriate funding infrastructure that enables universities to lever additional funding from business, to foster partnerships that generate innovation and to develop the future of the UK economy.

- (e) *Protecting a broad and deep learning experience:* As Dearing highlighted, higher education should demand disciplined thinking, encourage curiosity, challenge existing ideas and generate new ones.¹⁶⁹ Amongst any forthcoming reform, we must not lose sight of the value and importance of a university experience that offer breadth and depth to students, equipping them with the skills, knowledge and tenacity to succeed in the world of work.
- (f) *Providing a quality offer for students:* The UK operates a rigorous quality assurance system that plays a critical role in maintaining one of the best university systems in the world.¹⁷⁰ While regulatory reform is clearly needed, we must ensure that we continue to safeguard the reputation of UK universities.
- (g) *Fostering social mobility and inclusion:* This is important for society and the economy. With 80% of new jobs in high-skill areas¹⁷¹ it is vital that we have a system that enables all those who have the ambition and ability to succeed at university.
- (h) *Shaping a proactive, engaged and democratic society:* Universities were founded as centres of knowledge, learning and enterprise and are powerful instruments of change and social justice. They have always emphasised civic responsibility and community partnership and this ethos has remained integral to Alliance institutions through well over 150 years of civic service.¹⁷²
- (i) *Providing an explicit and clear offer to students, business and society:* Universities have a responsibility to demonstrate their contribution, as described above. Students must know up-front what the offer to them is and we must improve the understanding of our contribution amongst business, industry and wider society.

Driving Growth and Prosperity Across the UK

7. Universities are playing a critical role in driving the UK’s economic future. Our vision for the future of higher education is of a sector driving growth and prosperity across the UK. Through delivering high-level skills and a strong knowledge-base, they are driving growth and renewal of new business. In the UK’s global knowledge-based economy, new and growth industries require a high-tech, high-skill and innovative approach.

8. OECD evidence shows that high-level skills are not only a vital component of our future economic growth but they are also central to the process of innovation and renewal in the key sectors of our economy.¹⁷³ Businesses on the cusp of innovation and expansion then drive our future skills needs. Innovation was responsible for two-thirds of productivity growth between 2000–07 and was the common defining feature of the fastest growing 6% of businesses between 2002–08. These businesses generated half of all new jobs created during this time.¹⁷⁴

9. Those countries not investing in universities and innovation, or decreasing their investment, will fall behind. We are already seeing signs of this in the UK despite relatively high investment in higher education since 1997; between 2000 and 2008 the UK fell from 3rd highest to 15th among top industrialised nations for the proportion of young people graduating,¹⁷⁵ indeed we are now below the OECD average. As a nation “We should seek to compete with emerging economies in a “race to the top” rather than a “race to the bottom”¹⁷⁶.

10. The approach in Alliance universities to business engagement, civic regeneration and local communities means that they work with partners across their region, and indeed the UK, to ensure that the benefits of higher education and more specifically their entrepreneurial approach will play a central role in rebalancing regional economies.¹⁷⁷

¹⁶⁸ HEFCE, *Evaluation of the effectiveness and role of HEFCE / OSI Third Stream funding*, 2009, http://www.hefce.ac.uk/pubs/hefce/2009/09_15/

¹⁶⁹ R Dearing, *Report of the National Committee of Enquiry into Higher Education*, 1997.

¹⁷⁰ Critical Thinking, *Considering the UK Honours Degree Classification Method, International Summary, a report for the QAA/SHEFC Quality Enhancement theme group on Assessment*, 2004, <http://www.enhancementthemes.ac.uk/documents/assessment/JaneDenholmfinalreporthonoursclassificationREVISED200904.pdf>

¹⁷¹ Wilson R and A Green, Department for Education and Employment, *Projections of Occupations and Qualifications: 2000/2001: Research in Support of the National Skills Taskforce*, 2001, <http://www2.warwick.ac.uk/fac/soc/ier/publications/2001/projections2001.zip>

¹⁷² L Aston, University Alliance, *Impact of fees: a review of the evidence*, January 2010, http://www.universityalliance.ac.uk/downloads/Publication_Impact_of_fees_review_of_the_evidence.pdf

¹⁷³ L Aston and L Shutt, *21st Century Universities: engines of an innovation driven economy*, September 2010 <http://tinyurl.com/5tv22js>

¹⁷⁴ *Ibid.*

¹⁷⁵ OECD, *Education at a Glance*, 2010.

¹⁷⁶ Lord Sainsbury of Turville, *The race to the top: a review of government’s science and innovation policies*, October 2007.

¹⁷⁷ Work Foundation, *Cutting the Apron Strings? The clustering of young graduates and the role of the public sector*, February 2011.

Recently celebrating its 10 year anniversary, Nottingham Trent University's enterprise centre, The Hive and its outreach project Hive@Mansfield has helped graduate and local entrepreneurs establish over 240 new businesses generate more than £8 million in revenue. The average age of Hive entrepreneurs is 27 and more than 30 have won or reached the finals of major national enterprise competitions since 2006.

11. The Higher Education Innovation Fund (HEIF) has enabled universities to generate between £5 and £7 in additional income for every £1 spent. Knowledge Transfer Partnerships (KTPs) have enabled critical business engagement that is driving innovation and new industries. Alliance institutions have been leaders in the sector both of breadth and diversity of the KTPs that are set up and the innovative usage of HEIF funding.

12. KTP projects result in an average increase of over £220,000 in annual profits before tax for a participating business. For every £1 million of government investment the average benefit to business is:

- £3.5 million annual increase in profit before tax;
- £1.42 million investment in plant and machinery;
- 34 new jobs; and
- 374 members of staff trained as a direct result of the project.

Recommendation 1:

13. Government should ensure that funding for innovation and collaboration between universities, business and the third sector remains a priority. Schemes proven to deliver substantial economic returns on public investment such as HEIF and KTP are worth investing in as a way of leveraging external funding and driving innovation, enterprise and business engagement across the sector.

Supporting a World-Class, Dynamic and Responsive Research Base

14. Maintaining the UK's position as a world leader in research is crucial to the future health of the sector. In this time of restricted funding it is equally crucial that the principles that have underpinned this success are not abandoned and that the evidence-base surrounding the funding of research is not ignored.

15. HEFCE's Fundamental Review of Research Policy and Funding¹⁷⁸ has shown that it is the peaks of world-leading research excellence that determine the position of the UK as a world leader in research. These peaks of research excellence are more widely distributed across the sector than had previously been recognised before RAE 2008. Indeed, recent analysis by Evidence Ltd, published by HEPI, has shown that the sector as a whole has a higher percentage of "highly cited papers" than the major research-intensive Russell Group universities (excluding "Golden Triangle" institutions).¹⁷⁹

16. Alliance universities have significant areas of strength in delivering innovation based on their close partnership with business and industry both in the UK and internationally. This must continue to ensure the future health of the UK-research base and drive growth in regional and national economies. Withdrawing tight public funding from departments with proven research excellence in areas that have a direct impact on our economy.

The excellent RAE 2008 result at *Nottingham Trent University* includes a major breakthrough in airport security systems which will help identify suspect packages more quickly and efficiently.

Nottingham Trent University

Nottingham Trent University is working on the world's first "scatter-enhanced" 3D x-ray security scanner to identify contraband substances. The hi-tech equipment combines a novel x-ray diffraction technique with high-resolution 3D x-ray imaging capability to create an impression of an object's depth, partially rotate it, and even see around or behind it. The system will speed up security checks and reduce false alarms.

Experts in the University's School of Science and Technology have patented the scanner in conjunction with Cranfield University and are working closely with the Home Office Scientific Development Branch and the US Department of Homeland Security.

Recommendation 2:

17. Excellent research should be funded wherever it exists. Funding quality on this basis will lead to a healthy and diverse research-base in the UK. Moves to concentrate either research funding or PhD provision on an institutional basis is a poor use of limited public funds.

¹⁷⁸ HEFCE Fundamental Review of Research Policy and Funding: Sub-group to consider the role of selectivity and the characteristics of excellence, *Final report*, 2000 <http://www.hefce.ac.uk/Research/review/>

¹⁷⁹ *Oxford and Cambridge—How different are they?* Juliet Chester and Bahram Bekhradnia (HEPI, 2009) p29–31 <http://www.hepi.ac.uk/466-1748/Oxford-and-Cambridge—how-different-are-they.html>

Fostering Social Mobility and Providing a Clear Offer to Students

18. With 80% of new jobs in high-skill areas¹⁸⁰ it is vital that we have a system that enables all those who have the ambition and ability to succeed at university to do so. Students must know up-front what the offer of university means to them, particularly in a time of transition of the fees and funding system.

University of The West of England

The *University of the West of England, Bristol* has put in place a comprehensive advice and guidance programme aimed at young people and adults from under-represented families, groups and communities to seriously consider higher education as an achievable and worthwhile option. The scale and extent of the outreach programme is substantial—in the academic year 2008–09 the University worked with over 37,000 young people and adults in schools, colleges and communities specifically with low HE participation rates.

19. Universities have long been engines of social mobility and Alliance universities have an outstanding track record of widening access to higher education whilst delivering some of the highest rates of graduate-level employment.

20. With the core funding of higher education shifting away from block grants for teaching, and towards a graduate contribution scheme, increasing emphasis will be placed on the “price” of courses which will drive a market in higher education which the Government have expressed a wish to create.

21. It has never been more important for students and prospective students to understand how this system will work in order to ensure that they make the right choices for them.

22. Whilst attainment remains the strongest deterrent of participation in HE, evidence suggests that the net upfront cost or affordability does have an impact on participation rates. This would suggest that upfront affordability, not future cost, is the main financial concern for students.¹⁸¹ Therefore, the proposed changes to the student support system should not pose a barrier to access for individuals from lower social economic groups unless there is a serious failure in articulating the system to prospective students.

23. Universities have a role to play in providing clear and accurate information to prospective students about their offer which extends further than issues of fees and funding. The sector-led Key Information Set initiative will go a long way to ensuring information is of consistently high value and breadth across the sector.

Recommendation 3:

24. Significant investment should be made in communicating the forthcoming Graduate Contribution Scheme in a major new public information campaign. This will ensure that it is not misunderstood by prospective students and will not discourage any qualified student, no matter what their background, from applying.

Providing an Explicit and Clear Offer to Business and Society

25. Universities have a responsibility to demonstrate their contribution to business and society and there will always be a significant public interest in the health and shape of the sector.

26. Any discussion of higher education funding should take place within a shared understanding of the nature of universities as both public and private institutions. The question of appropriate balance between public and private funding should not be driven only by economic pressures on the government but based on a coherent argument about the desirable extent of public support for higher education.

27. Universities already receive income from a wide range of sources and since the introduction of variable fees in 2006, universities have continued a pattern of reducing dependency on public funding, increasing the percentage of private income (not just domestic fees). Alliance universities obtain less than 50% of their income from core public funding¹⁸².

28. The investment of public funding in higher education is important to ensure the sustainability of the sector in the long-term. The UK government invests 1.1% of GDP in its higher education sector and, in return, universities contribute 2.5% of GDP, making them generators of economic growth and wealth creation. Universities generate over £59 billion for the UK economy. The wider social and cultural benefits of universities and the UK research-base to our society are considerable. Therefore, any consideration of the future role and shape of the higher education sector should recognise and aim to reassert the public role of universities and their contribution to the future development of the UK.

¹⁸⁰ Wilson R and A Green, Department for Education and Employment, Projections of Occupations and Qualifications: 2000/2001: Research in Support of the National Skills Taskforce, 2001, <http://www2.warwick.ac.uk/fac/soc/ier/publications/2001/projections2001.zip>

¹⁸¹ IFS submission to the Review of HE Funding and Student Finance, January 2010.

¹⁸² HEFCE T Grant and QR funding

Recommendation 4:

29. As the economy comes out of recession, the Government should consider re-investing in higher education to ensure the future sustainability of the sector and so that UK HE can remain globally competitive.

10 March 2011

Supplementary written evidence submitted by the University Alliance

In our first submission to the Committee's Inquiry into the Future of Higher Education, and during the oral evidence session in which we gave evidence, we focussed on the central role of universities towards driving growth and prosperity in the UK and outlined our principles for a sustainable sector. We also highlighted the importance of clear communication to prospective students about the new finance system.

1. In this, our second submission, following the publication of the White Paper, we highlight significant concerns about the impact of government proposals on the sustainability of a truly diverse and responsive sector that is able to deliver against those principles.¹⁸³

2. This submission examines the "big issue" of the Government's ability to create a real market having been restricted by the public cost of the new student finance system. We go on to examine the possible consequences of the proposals in the White Paper for student choice and social mobility, we consider the longer-term vision that was missing from the White Paper and then we offer some short-term and longer-term solutions.

The Big Issue

3. The fundamental problem the Government faces—which reads through the whole of the White Paper—is that it has replaced a system that was too expensive to the public purse to allow expansion and increased competition, with another system that is equally expensive to the public purse and still does not allow expansion or genuine demand-led competition. Public investment has been re-directed from HEFCE funding for teaching (plus £3,000 deferred fees) to a system almost entirely based on deferred fees of up to £9,000. However, this system has turned out to be equally expensive for Government in terms of both the up-front cost and long-term subsidy.

4. The White Paper was always going to be limited in terms of options. It has had to force supply-side reform through central intervention rather than allowing this to happen through freeing up student numbers and allowing genuine market forces. The high public subsidy of deferred fees meant that Government were never going to be able to achieve their own aim of a demand-led system despite the fact that this was clearly their intention, but, given the restraints that resulted from their previous decisions about the student finance system, genuine marketization was not available to them. It was, quite simply, unaffordable given existing levels of student demand.

5. The question now is whether the Government's determination to drive partial and imperfect forms of marketization and centrally-driven supply-side reform will result in both increased quality and increased student choice or whether the HE market will have been forced into an uncomfortable compromise. As we will go on to describe, it is entirely possible that the proposals in the White Paper—if allowed to play out over a number of years—could actually reduce student choice, reduce the resource and therefore the quality of provision in many institutions as well as having a negative impact on social mobility.

Delivering the Proposals: Unintended Consequences

6. As the White Paper sets out the proposed reforms are intended to "deliver a more responsive HE sector in which funding follows the decisions of learners and successful institutions are freed to thrive."¹⁸⁴

7. This is central to our concerns about the mechanisms that government sets out (AAB and "core and margin") as it seems clear that these will have the impact of restricting rather than expanding the diversity of the sector. It is our contention that these policies, played out together over time, will restrict the choices of students, particularly those from lower socio-economic backgrounds (see section below on social mobility).

A Polarised Sector

8. As the Committee will be aware, the White Paper proposes two mechanisms for freeing one in four places from student number controls in 2012:

- (a) 65,000 places open to competition for students scoring the equivalent of AAB or above at A-Level.
- (b) 20,000 places removed on a pro-rata basis to be re-distributed to providers charging an average graduate contribution level of £7,500 or below—with a likely strong preference to new providers.

¹⁸³ These principles are outlined again in Annex A

¹⁸⁴ BIS, Higher Education: Students at the Heart of the System, June 2011

9. The two systems of student number controls create a unique set of circumstances that will force the sector to polarise between £9,000 universities and £7,500 universities with any provision between this being driven out over time.

- (a) Those institutions who operate in the AAB market can charge £9,000 without concern of having student numbers taken away (although some will feel the effect of market forces at that level). These will benefit from an overall shift in resource towards these institutions as a result.
- (b) For the rest of the sector, any institution operating just below the AAB market wanting to charge over £7,500 in order to deliver the high-quality, high-cost course that their students demand and employers want, faces having 7% of student places taken away, year on year with no means of replacing these lost numbers. At present, a large number of universities fall into this category; effectively meaning that many of our most successful universities could expect to see their provision cut in half over the next six years and that there will be very few highly resourced courses available for students below AAB.
- (c) Low-cost providers—made up of new providers (eg FE College and for-profit private providers) and existing universities that are willing and able to offer their courses at £7,500. It is not clear what these low-cost providers will have to demonstrate in terms of quality of provision, value for money or projected graduate prospects in order to be allocated places. It seems likely that “new” providers will be favoured given the emphasis on supply-side reform.

10. If you roll these proposals forward over a few years, you quite quickly reach a stage where there is no market between £9,000 and £7,500. This separation would mean a gulf in the sector would appear over time as those at £9,000 are able to invest more into the student experience. The two mechanisms effectively impose a false “cliff edge” at each side of the spectrum reducing diversity in the sector and reducing student choice.

Student Demand

11. The White Paper places a strong emphasis on the new system being able to follow student demand, on the basis of government funding now flowing through the student (in the form of government loans rather than direct HEFCE teaching grant). The Government proposes to create more of a market within HE and reduce regulation and yet, because of the need to control Treasury expenditure, the White Paper proposal will actually increase control and regulation of student numbers.

12. While it is right that the new system remains untested and, therefore, we cannot solidly predict what will happen to student demand, we should not forget the considerable research and evidence base available based on student behaviour in the current system as well as in more marketised systems such as the United States. There are a number of factors that lead us to believe that overall demand is both likely to increase over time (with a possible “blip” in year 1 as the market adjusts to new deferred fee levels) and that students will continue to opt for a variety of institutions depending on their requirements and aspirations (as noted below in our discussion of the different HE markets).

13. Demand for HE is determined by a number of factors. The system of student finance is one of these factors but by no means the most significant. Participation trends in the UK and international comparisons have demonstrated the fact that the introduction of increased fees in 2006 had very little effect on participation. We know that for full-time undergraduate entrants (for whom variable fees were introduced) demand can largely be determined by attainment levels and population trends. Indeed, there is a considerable body of evidence and international research that has shown that price elasticity of demand for HE is low.¹⁸⁵

14. Despite the focus in the White Paper on entrance to the most selective universities, we also have considerable evidence about the level of demand for universities in other parts of the sector—particularly those parts of the sector likely to be caught in the middle of new mechanisms for student number control. For example, Manchester Metropolitan University has one of the highest number of applications of any UK university or, in terms of applications per place, Oxford Brookes University has an average of eight applicants per place—again, one of the highest in the UK. As our recent publication “More than just a degree: stories of empowered students”¹⁸⁶ has demonstrated, student choice is affected by a complex mix of factors that include location, career aspirations, the learning environment on offer and previous educational experience. Whatever impact we might expect the new system to have we must surely ensure that an equality of choice remains for all students.

15. In terms of new providers of HE, the White Paper seems to assume strong demand from students (no evidence is presented) as well as equating low cost with value for money without questioning this assumption—clearly there is no necessary correlation. It assumes that “broadening” the supply side is good for student choice without providing evidence of demand for this particular form of “breadth”. Where there is a limited supply of places, taking places out of the sector where there is un-met demand (or proven high demand for places) and moving it to an area of un-tested demand does not necessarily improve student choice and further evidence should have been provided to support this assertion.

¹⁸⁵ Aston and Shutt, The impact of fees: a review of the evidence, January 2010, http://www.university-alliance.ac.uk/wp-content/uploads/2011/05/Publication_Impact_of_fees_review_of_the_evidence.pdf

¹⁸⁶ University Alliance, More than just a degree: stories of empowered students, May 2011 http://www.university-alliance.ac.uk/wp-content/uploads/2011/05/3563_UA_STUDENT_BROCHURE-for-website.pdf

Value for Money

16. We have already questioned the assumption in the White Paper that low price equals high value for money. There is no necessary correlation between price and value for money and we believe that any responsible Government should be more concerned about the latter.

17. This is not just about Alliance universities but to use them as an example, in terms of value for money these universities are delivering:

- Genuine social mobility: this is not just about getting students but about jobs for graduates with exciting and rewarding future prospects.
- Graduates with the skills that employers need: because of the strong focus on business engagement in Alliance universities these universities provide courses that have active business involvement in course design as well as additional employability skills programmes, have a high proportion of student placements embedded across programmes and have a high proportion of professionally accredited courses (up to 70%).
- Massive efficiencies through business-like practices: for example through driving down costs, delivering shared solutions and delivering major programmes of reforms and restructuring.¹⁸⁷
- Market-driven programmes: many review courses and delivery on a yearly basis.

Social Mobility

18. Social mobility is another big focus within the White Paper but it is largely narrowly defined in terms of the access to selective universities by the lowest socio-economic groups.

19. Our concerns about the potentially negative impact on social mobility from these proposals stem from the stubborn correlation between social class and attainment.¹⁸⁸ A quarter of the richest 20% of students get top A-level grades (BBB and above) in comparison to just 3% of the poorest 20% of students.

20. This strong correlation means that the proposed student number controls have the potential to negatively impact on social mobility in two ways:

- (a) The redistribution of public investment towards high achieving, high social class students (because their courses will be publicly resourced at £9,000 per student whilst other universities face having 7% of numbers taken away year on year unless they reduce their average fee level (and average resource) to £7,500).
- (b) The majority of students from lower social classes will not have access to well-resourced courses because they will have less choice available to them

Future Skills Needs

21. As highlighted above, in the UK's global, knowledge-based economy, where 80% of new jobs are in high skill areas and new and growth industries take a high-tech, high-skill and innovative approach, universities are playing a critical role in driving the UK's economic future.

22. With this in mind, another key way we should assess the impact of the White Paper is against whether it will be able to deliver this workforce. There are two areas where the proposals may mean this is not deliverable:

- (a) There will be fewer student places than in previous years.
- (b) Universities delivering valuable skills caught between the two student number control mechanisms will be forced to reduce the number of graduates they educate.

23. The White Paper would seem to signal the end of the Robbins principle that "courses of HE should be available for all those who are qualified by ability and attainment to pursue them and who wish to do so."¹⁸⁹ While the White Paper endorses this principle subject to public expenditure constraints, in reality we are already in a position where there are 10,000 fewer places than in 2012–13.

24. Reducing numbers in the part of the sector that needs to charge above a £7,500 average fee to deliver a broad and deep student learning experience would also impact on the spread of graduates that businesses need.

The White Paper Vision: Students at the Heart of the System

25. The HE White Paper is framed around a vision for the HE sector that:

- seeks to put HE on a sustainable footing by shifting public funding away from teaching grants and towards repayable tuition loans;
- places students (specifically undergraduate students) at the heart of the system, with the intention of their choice about where to study driving a more responsive sector;

¹⁸⁷ For more details see Aston and Shutt

¹⁸⁸ Aston and Shutt, The impact of fees: a review of the evidence, January 2010, http://www.university-alliance.ac.uk/wp-content/uploads/2011/05/Publication_Impact_of_fees_review_of_the_evidence.pdf

¹⁸⁹ Robbins, Report of the Committee on Higher Education, 1963

- aims to “drive more investment, greater diversity and less centralised control”; and
- takes responsibility for delivering social mobility.

26. While we absolutely support the Government’s intention to achieve the above objectives our main concerns with the White Paper are two-fold:

- (a) The paper sets out a limited vision of the role and purpose of HE in the 21st Century, it is more than an extension of the education system.
- (b) We have strong concerns about the mechanisms that the White Paper seeks to introduce. It seems highly likely that these will inhibit rather than aid the delivery of the objectives set out above. We believe they will have significant unintended consequences for the future dynamism and diversity of the sector.

Long-Term Vision: Role and Purpose of Higher Education

27. By situating HE as continuation of the education system¹⁹⁰ the White Paper creates a narrow vision of its role and purpose. It does not effectively set out the vital contribution Universities can make to the future strength and growth of our economy, nor the wider public good role of universities within our society.

28. The paper also demonstrates a limited understanding of the role of different markets within a diverse HE; we believe this means that the regulation Government seeks to introduce does not fully anticipate the consequences in a sector that is already incredibly diverse and responsive to student demand.

Driving an Innovation-Based Economy

29. As we outline in our publication, *21st Century Universities: engines of an innovation driven economy*,¹⁹¹ there is a weight of evidence to demonstrate that universities are not just part of a growth strategy, they are central to it. For example:

- (a) Research undertaken by NESTA¹⁹² has confirmed that innovation and high-tech approaches are the most likely to be successful in driving economic recovery and economic growth in the UK economy. The same research highlights that innovation was responsible for two-thirds of productivity growth from 2000–07 and was the common defining feature of the fastest growing 6% of businesses between 2002–08. These businesses generated half of all new jobs created during this time.
- (b) The hourglass prediction for the future shape of the labour market¹⁹³ means that investing in graduate level skills remains critical. UKCES find that that the most significant increases in employment up until 2017 are likely to be in higher level occupations such as managers & senior officials, professional occupations and associate professional & technical occupations. Conversely, declining employment levels are projected for: skilled trade occupations and machine & transport operatives.¹⁹⁴ This means a polarisation of skills needs, with growth at both the high end (graduates) and the low end, alongside a decline in demand for intermediate-level skills—hence the hourglass shape.
- (c) If we stand still we will fall behind—our global competitors are continuing to invest heavily in universities, despite their own budget deficits. In 2000, the UK was 3rd amongst top industrialised nations in terms of the proportion of young people graduating. In 2008 we had fallen to 15th position because competitor countries have been investing at a faster rate than us.

30. Put simply, it is the quality and scale of our HE (delivering highly skilled graduates), science and research that will determine the future pattern of economic growth in any innovation-driven economy. It is this that should drive our vision of what the future shape and size of the sector should look like.

Delivering a Public Good

31. As the supporting evidence put together by BIS for the White Paper highlights, HE has an important impact on a wider range of social factors.¹⁹⁵ The Government shares many of the economic priorities of universities including: equipping a highly-skilled workforce; driving innovation through partnership with business and world-leading research; providing real-time business solutions through shared expertise; providing

¹⁹⁰ For example, see Paragraph 1–3, Page 4, *Higher Education: Students at the Heart of the System—consider what is missing from these paragraphs.*

¹⁹¹ L Aston and L Shutt, *21st Century Universities: engines of an innovation driven economy*, September 2010 <http://tinyurl.com/5tv22js>

¹⁹² Shanmugalingam S et al, *Nesta, Rebalancing Act*, June 2010, http://www.nesta.org.uk/rebalancing_act

¹⁹³ *Working in the Twenty-First Century*, by Michael Moynagh and Richard Worsley, ESRC 2005 <http://www.flexibility.co.uk/flexwork/general/tomorrow-work.htm>

“Workplaces will be transformed as the British economy moves up the value chain. Knowledge-intensive sectors account for 41% of jobs in Britain, much higher than our EU neighbours, and are the fastest growing sectors of the economy. Higher skilled jobs will increase—but so will lower skill jobs in the service sector, intensifying the ‘hour-glass’ structure of the labour market. It is jobs in the middle most under threat from overseas competition.”

¹⁹⁴ UKCES, *Working Futures 2007–2017*, December 2008, <http://www.ukces.org.uk/upload/pdf/Working%20Futures%203%20FINAL%20090220.pdf>

¹⁹⁵ BIS Economics Paper No 14, *Supporting analysis for the Higher Education White Paper*, June 2011

entrepreneurial leadership in areas such as regeneration and sustainability; and fostering social mobility and inclusion.¹⁹⁶

32. Universities have a long history of working with government in a public-private partnership that is driven by a mutual priority of delivering this public good. This shared public priority means that the partnership goes far deeper than the White Paper's description of it being based on "Government funding and institutional autonomy". This background understanding is key in the light of the White Paper's proposals for new for-profit private providers in the HE ecosystem. New for-profit providers will no doubt add value to the diversity of the sector but it is important to understand that they will have a different purpose and set of drivers. It is not simply a case of replacing one type of provision with another at a lower cost to the public purse—the issue of value for money needs careful consideration in order to protect the interests of students and public investment alike.

What does a Healthy, Diverse Sector Look Like?

33. As noted above, the White Paper sets out to create a diverse and responsive sector. We strongly believe that the mechanisms for achieving this set out in the White Paper cannot be fully understood without first considering the existing size and shape of the sector—which is already incredibly dynamic and diverse.

34. Central to this is recognition that several different markets operate within HE, catering for different students with different requirements and aspirations. University Alliance would suggest that there is no single hierarchy for universities in this country and that different students will be attracted to studying with different types of providers. In many cases HE providers simply aren't competing for the same students whether they are a Further Education College, a private provider, an ancient university, or indeed an Alliance university that has a strong focus on business engagement and employability. As we will go on to highlight, understanding this diversity both in terms of institution and student needs will be critical to creating a system that can be truly demand led.

Short-Term Solutions

35. A one year pause in implementing these proposals: we ask that no additional complexities (eg AAB and core and margin) are introduced in year 1 whilst there is a tectonic shift in student finance system and market settles down.

36. Reduce the "core and margin" to 5,000 places so that the market for new low-cost providers can still be tested but without harming universities with proven, strong demand.

37. Ensure there is no false, single cut-off point at £7,500 for the allocation (or redistribution after initial allocation) of the "margin" places. We would recommend allocating these numbers through a more gradual / tapered mechanism to reflect the different markets in HE (eg 20% allocated to £8,000 fee places, 20% to £7,500, 20% to £7,000, 20% to £6,500, 20% to £6,000). These numbers are illustrative but they would avoid the false "cliff edge" at £7,500 and allow a market to continue to exist between £7,500 and £9,000 whilst averaging out at the same cost for the public purse overall.

38. Move beyond the AAB threshold more quickly. The consequences would have to be modelled to mitigate unintended consequences but the faster we can move towards a more genuine market, the better.

39. A major focus on evidence of student demand, value for money and quality for Year 2 so that the parameters of both proposals can be evaluated / adjusted on the basis of this evidence.

Longer-Term Solutions

40. Consider ways to reduce the Government's long-term costs (subsidy reduced) and short-term cost (up-front sale of loan books / encourage up-front repayment).

41. Seek to re-introduce the Robbins Principle. Can we achieve the separation of some undergraduate numbers from Government subsidy in order to grow the system and achieve a real market in HE?

42. Reconsider priorities. How should public investment be directed in order to achieve value for money?

43. Can a stronger case be made for increasing both public and private investment in HE as a central part of the UK's economic growth strategy rather than an addition to the education system?

44. Do we need to re-consider the balance of private/public investment in HE. Is 70/30 balance the right level?

¹⁹⁶ The wider social benefits of higher education were also well documented in the recent New Economics Foundation (NEF) report, Degrees of value: how universities benefit society, June 2011

PRINCIPLES FOR A SUSTAINABLE SECTOR

1. Driving growth and prosperity across the UK: Universities are driving growth through innovation and enterprise; they are not just part of a growth strategy, they are central to it. Universities should be central to the government's strategy to rebalance the economy across the regions. This is not just about skills but about the central role universities play in the economy, driving growth and innovation in new sectors and markets.

2. Delivering graduates that will drive our future international competitiveness: In 2000, the UK was 3rd amongst top industrialised nations in terms of the proportion of young people graduating. In 2008 we had fallen to 15th position because our competitor countries have been investing at a faster rate than us.¹⁹⁷ It is vital that we move towards a system that is flexible enough to educate the number of graduates that will be needed if we are to remain competitive.

3. Supporting a world-class, dynamic and responsive research base: Innovation was responsible for two-thirds of productivity growth from 2000–07 and was the common defining feature of the fastest growing 6% of businesses between 2002 and 2008. These businesses generated half of all new jobs created during this time.¹⁹⁸ We need a system that is able to support excellence in different universities enabling us to fully utilise both research and innovation.

4. Supporting and enabling genuine partnership with business: Formal links between universities and business, what we call knowledge exchange, generated £1.94 billion in income in 2007, growing by approximately 12% per annum over the period 2001–07.¹⁹⁹ We should aim to increase support for these activities with an appropriate funding infrastructure that enables universities to lever additional funding from business, to foster partnerships that generate innovation and to develop the future of the UK economy.

5. Protecting a broad and deep learning experience: As Dearing highlighted, HE should demand disciplined thinking, encourage curiosity, challenge existing ideas and generate new ones.²⁰⁰ Amongst any forthcoming reform, we must not lose sight of the value and importance of a university experience that offer breadth and depth to students, equipping them with the skills, knowledge and tenacity to succeed in the world of work.

6. Providing a quality offer for students: The UK operates a rigorous quality assurance system that plays a critical role in maintaining one of the best university systems in the world.²⁰¹ While regulatory reform is clearly needed, we must ensure that we continue to safeguard the reputation of UK universities.

7. Fostering social mobility and inclusion: This is important for society and the economy. With 80% of new jobs in high-skill areas²⁰² it is vital that we have a system that enables all those who have the ambition and ability to succeed at university.

8. Shaping a proactive, engaged and democratic society: Universities were founded as centres of knowledge, learning and enterprise and are powerful instruments of change and social justice. They have always emphasised civic responsibility and community partnership and this ethos has remained integral to Alliance institutions through well over 150 years of civic service.²⁰³

9. Providing an explicit and clear offer to students, business and society: Universities have a responsibility to demonstrate their contribution, as described above. Students must know up-front what the offer to them is and we must improve the understanding of our contribution amongst business, industry and wider society.

11 July 2011

¹⁹⁷ OECD, Education at a Glance 2010

¹⁹⁸ Shanmugalingam S et al, Nesta, Rebalancing Act, June 2010, http://www.nesta.org.uk/rebalancing_act

¹⁹⁹ HEFCE, Evaluation of the effectiveness and role of HEFCE / OSI Third Stream funding, 2009, http://www.hefce.ac.uk/pubs/hefce/2009/09_15/

²⁰⁰ R Dearing, Report of the National Committee of Enquiry into Higher Education, 1997

²⁰¹ Critical Thinking, Considering the UK Honours Degree Classification Method, International Summary, a report for the QAA/SHEFC Quality Enhancement theme group on Assessment, 2004, <http://www.enhancementthemes.ac.uk/documents/assessment/JaneDenholmfinalreporthonoursclassificationREVISED200904.pdf>

²⁰² Wilson R and A Green, Department for Education and Employment, Projections of Occupations and Qualifications: 2000/2001: Research in Support of the National Skills Taskforce, 2001, <http://www2.warwick.ac.uk/fac/soc/ier/publications/2001/projections2001.zip>

²⁰³ L Aston, University Alliance, Impact of fees: a review of the evidence, January 2010, http://www.universityalliance.ac.uk/downloads/Publication_Impact_of_fees_review_of_the_evidence.pdf

Written evidence submitted by the University and College Union

Summary

UCU

1. The University and College Union (UCU) is the largest trade union and professional association for academics, lecturers, trainers, researchers and academic-related staff working in further and higher education throughout the UK. We welcome the opportunity to submit evidence to the Select Committee's inquiry into the future of higher education.

2. The Browne review of higher education funding and student finance has generated extensive discussion within UCU. The views expressed in this memorandum reflect those of our members. The starting point for those views is a deeply-held belief in the value of higher education to society as well as to individuals. Our members are strongly opposed to the policies of the current government which seek ultimately to privatise higher education by shifting its funding from the state to individual students and their families. This represents an impoverished view of the purposes of higher education and poses a fundamental threat to its ability to meet the wider social, cultural and economic needs of the country.

Browne Report: ideological not independent

3. Our members question the "independence" of the Browne review. They have commented on its ideological character, in contrast, for example, with the Dearing Review. It is based on a particular view of higher education:

- students as "consumers" purchasing a "product" and seeking to maximise the "return" on their "investment";
- institutions competing in a market driven by variable price and quality;
- the state withdrawing from the funding of teaching for all subjects other than those defined as of strategic importance; and
- the encouragement of private providers.

4. The massive increase in tuition fees, combined with the government's decision to cut teaching funding by 80% over the next three years, places the future of our universities at serious risk. It is a grossly irresponsible gamble which we believe will:

- deter many potential students from aspiring to enter higher education;
- lead to the closure of many courses and perhaps of whole institutions;
- undermine quality of provision as institutions cut costs in the struggle to survive;
- embed more deeply the existing hierarchy of status and resource among our universities and the matching pattern of social class participation; and
- threaten the idea of the university as a community of scholars based on academic freedom and collegiality.

UCU Submission

Access is the issue

5. For us the issue of greatest importance is access. Since Robbins all governments have at least in principle, and for the most part in practice, supported the idea that there should be a place in higher education for all those who want one and have the ability to benefit from it. This is partly a question of social justice (higher education has a critical influence on life chances and should therefore not be denied to people on the basis, for example, of ability to pay); partly a question of sound economics (higher education is a critical—an increasingly critical—determinant of a country's competitiveness); and partly a question of no less than the realisation of our highest nature as human beings (the stimulation of critical thought, the pursuit of new ideas and knowledge and their transmission between generations).

6. The access goal is far from met. Family income and the closely associated factor of geographical location still heavily influence staying on at school and both entry to higher education and choice of institution. The record of the Russell Group universities in encouraging participation by students from low income backgrounds remains disappointing despite valiant efforts by many staff within those institutions.

7. The end of the publicly-funded expansion of higher education was signalled before Browne by the cuts in university funding imposed by the outgoing Labour government. With Browne, it is dead and buried and replaced by a "you get what you pay for" approach.

8. It is inconceivable to us that a near tripling of tuition fees will not deter people from higher education and that it will not have a disproportionate impact on the poorest. Ministers appear to believe that the widespread negative reaction to the fees hike among students and the public is due to a lack of understanding of the detail of the proposed new fee and loans regime: for example, the mistaken belief that fees will have to be paid upfront and an unawareness of the new £21,000 repayment threshold. However, the message that has

hit home to potential students and their parents is that higher education will be even more expensive in the future.

9. Evidence on the influence of cost and debt aversion on the decision to apply for higher education and on the choice of institution is growing.

10. The important Futuretrack study has recently provided data about applicants who do not enter higher education and have no immediate plans to do so: the most frequently cited reason was “Put off by the costs” (39% of applicants who did not enter higher education), followed by ‘Put off by the prospect of incurring debts’ (32%).²⁰⁴

11. The flip side of fee differentiation is social differentiation in student choice, with poorer students opting for cheaper institutions and choosing to study locally, and the higher status, more expensive universities becoming the preserve of the richest with a smattering of “access” students. This restriction of opportunity by social class may be reinforced by an impact on choice of course, with poorer students choosing shorter vocational courses, and humanities, arts and social sciences becoming the preserve of the wealthier students studying at the elite institutions. Evidence from the United States also suggests that poorer students are particularly vulnerable to recruitment by hard-sell, cost-cutting, private sector providers.

12. The very different approach to fees in Scotland, and now in Wales, provides a sharp contrast to England. Increasingly, students in England are the least favourably treated within the UK. The message that is conveyed is that the value of higher education is better understood and more highly appreciated in the devolved nations.

13. The conclusion that we draw from this evidence on access, supported by the experience of our members dealing directly with student admissions and with outreach work in schools, is that the government’s decision to raise tuition fees to the highest levels in the developed world will deny opportunities to hundreds of thousands of potential students, lead to a criminal wastage of their talents and reinforce the social class inequalities that bedevil our society and constrain our economy.

The current chaos

14. It is becoming very clear that the government made a fatal miscalculation of the level of fees that institutions would set under the new regime. There appears to have been no proper risk assessment of the new fees regime or any proper economic modelling of its potential impact on the sector. Ministers are currently engaged in a desperate attempt to find ways of offsetting the impact of high fees on access by threatening universities with various penalties for failing to meet access targets.

15. The current chaos in the system should not have come as a surprise. Following the Comprehensive Spending Review announcement in October 2010 we calculated that most universities would be forced to charge fees of almost £7,000 per year in order to cover their costs, following the government’s decision to cut teaching funding completely for most courses. Some institutions will lose all their government funding and will have to charge around £7,700. There must be serious doubts about the ability of some institutions to attract sufficient students at fee levels of that order.

16. There is a real danger of institutional closures leading to the disappearance of higher education on some regions of the country. In addition to the educational and cultural impact of this, the effects on local and regional economies and employment will be very significant.

17. Our research has identified 49 English institutions at high financial risk from the government’s plans²⁰⁵. A recent report from the National Audit Office concluded that “the new funding framework, coupled with a squeeze in public funding, is likely to increase the level of risk within the sector.”²⁰⁶ It went on to warn that the new system will potentially raise the number of institutions at risk of failing.

18. Using research from Ursula Kelly and Ian McNicoll at the University of Strathclyde, we also looked at the impact higher education institutions have on their regional economy in creating jobs and revenue far beyond the confines of the campus. For example, every £1 million in income lost by Sheffield Hallam University would lead to a combined loss to the regional economy of £2 million.

19. Universities are a vital part of our economic infrastructure, and generate extensive employment, output and GDP. Globalisation, competition with the emerging economies such as China and India (both investing heavily in higher education) and the emergence of the “knowledge economy” all suggest a more important economic role for higher education and the need for increased investment.

20. The £2.9 billion cuts in higher education announced in the CSR buck the international trend. President Obama, for example, has put additional federal investment in higher education and research at the centre of his plan for economic recovery:

I want us to produce eight million more college graduates by 2020, because America has to have the highest share of graduates compared to every other nation... Education is an economic issue when we know beyond a shadow of a doubt that countries that out-educate us today will out-compete us tomorrow...

²⁰⁴ Kate Purcell et al, Futuretrack (2009), HECSU/Warwick IER, p 159.

²⁰⁵ *Higher Education at Risk: the impact of cuts in higher education spending on local economies* (UCU, December 2010).

²⁰⁶ NAO *Regulating Financial Sustainability in Higher Education* (March 2011).

*And that's why I'm absolutely committed to making sure that here in America, nobody is denied a college education, nobody is denied a chance to pursue their dreams, nobody is denied a chance to make the most of their lives just because they can't afford it. We are a better country than that, and we need to act like we're a better country than that*²⁰⁷.

The Government's confusion

21. The Government's attempts to offset the deterrent effects of increased fees on access are replete with contradictions:

- The government wants to “marketise” higher education and set institutions free from the state, yet it insists that most of them should charge fees of no more than £6,000 per year. This at a time when it plans cuts to their funding which make that impossible without unacceptable reductions in the quality of their provision.
- There is no sign of significant fee differentiation emerging, just as the fee differentiation predicted by many when the cap was raised to £3,000 failed to materialise. The main reason why many commentators are predicting a drift upwards to £9,000 over the next few years is the size and speed of the cuts on government funding for teaching. Less widely noted, is the need felt by many institutions to try to protect their research activity, following government cuts to research funding amounting to a 10.1% reduction in real terms over the CSR period. There are also, of course, the serious fears about the impact of the new visa arrangements on overseas student recruitment.
- The government wants a market in higher education in which the money follows student demand, yet it must also find a way to control student numbers to limit the costs to the Exchequer—hence, Mr Willetts' threat in his recent speech to vice-chancellors that if tuition fees across the sector average out above £7,500 the state could make more cuts: “So your own actions further increase your risk”²⁰⁸. (We estimate that Thames Valley University, an institution with an excellent record on access, will have to charge annual fees of £7,598 to maintain its current funding level.)
- The government claims to have found the solution to the problem, central to the Browne review, of how to fund a long-term sustainable system of higher education, yet the speed and extent of its “reforms” has introduced unprecedented levels of uncertainty and instability. As a group of Oxbridge academics put it in a recent letter to the press: “We are being asked to ‘fly blind’ over matters of the utmost importance in respect of our ability to continue to deliver world-class education and research.”
- The government, whatever it may say about its “fairer” loans system, knows that access for poorer students is at serious risk, so it is forced to threaten universities with draconian fines and intervention if they fail to achieve access targets. The new OFFA requirements to be applied to universities charging fees above £6,000 are far too complex—in any case no university has ever failed to satisfy OFFA and there is no evidence to support the notion that the new requirements will have any greater impact on widening access than the previous ones did.
- The government says that it is committed to widening access, but abolishes the Education Maintenance Allowance and the Aim Higher programme; it imposes tuition fees on access courses in further education colleges (from which 40% of university students come); and it introduces a National Scholarship Programme which by its third year of operation will still be less than half the amount that institutions will spend on student bursaries in 2010–11 (£337 million).

Unmet demand: the ticking bomb

22. The main political time bomb waiting to explode is the unprecedented level of unmet demand for higher education that we have seen in the last two years and which is set to increase again next autumn. It is now clear that the government's main “solution” to this problem is privatisation and this is what we expect to form the main thrust of the White Paper in May.

23. In his speech to the UUK spring conference, Mr Willetts referred to radical proposals for de-regulation in higher education in order to pave the way for private providers: “the global higher education providers that operate in many countries from India to Spain to the USA need to know that we will be removing the barriers that stop them operating as universities here as part of our system—provided, of course, that they meet high standards which are a key feature of our higher education system”²⁰⁹.

24. Mr Willetts did not identify in any detail “the barriers” to privatisation to which he referred. We do not accept that the current legislative framework covering, for example, the granting of degree-awarding powers or the title of university are “barriers”. They are reasonable and necessary protections of quality and standards, and, very importantly, of the international reputation of our higher education system. We would be strongly opposed to any relaxation of these provisions. It would expose our future students to some of the nefarious practices that we have seen in recent years in the American private higher education sector, which the US government is now moving more and more to regulate and control. It would also place students at the mercy

²⁰⁷ Speech to the University of Texas at Austin, 9 August 2010.

²⁰⁸ David Willetts speech to UUK spring conference (25 February 2011).

²⁰⁹ *Ibid.*

of institutions run from afar by international companies more interested in their balance sheets than in individual students. In practice, if such students have access, as Mr Willetts seems to intend, to our subsidised system of fees and loans, their education would ultimately have to be underwritten by our government, who would have to step in and rescue them when parent companies “from India to Spain to the US” go bust or decide to invest elsewhere. This is not what we want or need for our students.

25. We also believe very strongly in the continuation of the Quality Assurance Agency as an independent body reporting to the public on how universities maintain quality and standards. We do not believe that this independence would be compatible with any closer relationship with HEFCE, which has become no more than an administrative arm of government, and certainly not with the creation of Browne’s “HE Council”.

26. We do however welcome Mr Willetts’ statement that he has delayed the publication of the White Paper “in part to test proposals more thoroughly”. We would welcome the opportunity to contribute to that process.

Academic freedom and collegiality: the essence of a university

27. The marketisation and privatisation of higher education also raises fundamental issues of academic freedom and of institutional accountability.

28. Our experience of private providers in this country, and our observation of the experience in North America, is that they have scant regard either for the academic freedom of their staff or for open and accountable systems of governance²¹⁰.

29. It is precisely the combination of academic freedom and a collegial approach to academic decision-making and institutional governance that defines the very nature of a university community. These are the distinctive practices and values that protect the university both from the stultifying effects of internal managerialism and the dangers of external political interference. We see little sign of any respect for these values in the world of for-profit higher education. But we are also concerned at their erosion in our own public institutions and fear their further undermining as survival comes to depend on competitive marginal cost-cutting in the scramble for fee-bearing students. We would like to see these wider issues addressed in the White Paper and reflected in statutory safeguards.

Alternative futures: ignored by Browne

30. The UCU’s greatest disappointment in the Browne review was its failure to approach the future funding of higher education with a genuinely open mind. Apart from the graduate tax, it did not seriously consider any alternative funding methods to its favoured neo-liberal approach.

31. UCU has argued for some time that there is a gross imbalance of contributions from the three main beneficiaries of higher education: students; society as a whole represented by the state; and business and industry, which profit directly from the education and training of the graduates that they recruit and rely upon. Now we are faced with an extraordinary situation in which the state is withdrawing from the higher education contract and the students are being asked to bear the whole burden, as if there were no social return on investment in higher education at all, as if it were a purely private good—an unsustainable position in both principle and practice.

32. We believe that the partner who has under-contributed and whose investment in higher education should be increased is business, which is why we have advocated a Business Education Tax (BET)²¹¹. We have shown how a modest increase in corporation tax, which would still leave the UK’s main rate below that of France, the USA and Japan, would enable us to sustain a long-term high quality public higher education system open to all.

10 March 2011

Supplementary written evidence submitted by the University and College Union

The University and College Union (UCU) is the largest trade union and professional association for academics, lecturers, trainers, researchers and academic-related staff working in further and higher education throughout the UK. We welcome the additional opportunity to submit evidence to the select committee’s inquiry into the future of higher education following the publication of the government’s white paper.

Expansion of “For-Profit” Providers

UCU’s principal concerns centre around the opening up of higher education provision to for-profit private providers.

²¹⁰ UCU *Privatising our Universities: a UCU report on the new cross-party consensus and the Americanisation of our universities* (2010); also, UCU *Subprime Education?—A report on the growth of private providers and the crisis of UK higher education* (2010).

²¹¹ UCU and Compass *In Place of Fees: time for a business education tax?* (2010)

The government have backtracked on allowing “any willing provider” to access our world-renowned, publicly-funded National Health Service but now want to unleash a similar policy on higher education.

The economy, students’ futures and our world-class reputation could all be jeopardised by allowing any untested provider to enter the sector. UCU wants to ensure that only “qualified providers” are able to provide higher education.

The government must take a series of measures to ensure that for-profit providers are properly regulated with extra checks put in place to ensure that corporate decision-making is scrutinised and that education and quality are not sacrificed for a company’s responsibility to its shareholders and the bottom line.

The white paper contains proposals to greatly expand the number of people studying higher education courses with for-profit companies.

There is widespread concern about the growth of for-profit provision, not least because it means public money, in the form of student loans, will be diverted from our world-class, public universities.

In the US, for-profit higher education has become a public scandal, consuming 24% of the total federal student aid budget, despite only enrolling 10% of all students. For-profit colleges charge high tuition fees, saddle their students with massive debts and only one in five of them will ever complete a four-year degree.

In 2008–09, the US taxpayer pumped almost \$24 billion into for-profit education. For-profit colleges, on average, rely on federal loans and grants for 86% of their revenue. However, despite this investment, for-profit institutions in the US have much lower graduation rates and students are twice as likely to default on their loan payments.

Senator Tom Harkin, chair of the Senate Health, Education, Labor and Pensions Committee recently published a report saying that in many cases, for “students attending a for-profit school a degree is a possibility, but debt without a diploma is far more likely.”²¹²

So bad has the situation become that the US for-profit industry is now being investigated by the US government. Now US education companies such as Apollo, which owns BPP University College, are looking to move into the UK market. Apollo’s University of Phoenix has been subject to several punitive law suits in the United States for the “mis-selling” of course outcomes.

Apollo is currently vigorously pursuing expansion of its activities in the UK through BPP for both “back office” provision and expansion into the sector generally.

When BPP’s chief executive appeared before the BIS committee recently, events in the United States of its parent company Apollo were deemed “sub judice” and were not open for discussion. UCU believes that this is a dangerous foreclosure of public debate. Apollo’s CEO has stated that the company intends to ambitiously grow BPP’s business using the government’s “encouragement” of private providers. UCU believes that it is absolutely in the public interest for the committee to be able both to explore the record of Apollo’s University of Phoenix, and to properly interrogate the relationship between Apollo and BPP.

HEFCE Concerns

The Higher Education Funding Council of England (HEFCE) and Universities UK have both recently warned that the growth of for-profit providers, able to “cherry-pick” lucrative courses, could destabilise existing universities.

The HEFCE report said that:

For-profits’ short and long-term goals may not match the national interest and could lead, as in the case of Australia, to international reputational damage.

For-profits are subject to much lighter regulation than mainstream universities and provide less public information about the service they provide to students.

For-profits and private providers offer qualifications which may not be widely recognised.

For-profits may cherry-pick profitable courses and put public universities in financial danger.²¹³

Professors’ Poll

85% of senior academics recently polled by UCU said they believed that for-profit providers would offer poorer quality courses, while 81% said they believed that the expansion of for-profit provision would lead to a decline in the UK’s global reputation in higher education.²¹⁴

Degree Awarding Powers and Access to University Title

The white paper also says the government will look at the rules governing degree-awarding powers and university title, which will make it easier for companies and providers from overseas to enter the market and

²¹² US Senate Health, Education, Labor and Pensions Committee report: <http://tinyurl.com/6bm5hu6>

²¹³ HEFCE report: Diverse provision in higher education: options and challenges: <http://tinyurl.com/6kcwy8z>

²¹⁴ http://www.ucu.org.uk/media/pdf/1/f/ucu_forprofited_steptoofar_jun11.pdf

for further education colleges to expand their existing 13% market share of higher education provision. UCU is extremely concerned about a levelling down with regard to quality and standards which will damage the UK's hard-won international reputation.

Higher Education in Further Education Colleges

Higher education is already taught in many further education colleges. Further education institutions teach 73% of Higher National Certificates, 60% of Higher National Diplomas and over half of all Foundation Degrees.

Further education colleges should not be used to create a market and drive down price because the government got its sums wrong over tuition fees. UCU does not have an objection to further education colleges delivering higher education but they should not be used to deliver higher education on the cheap or to destabilise the funding of the sector by forcing them into competition with existing higher education providers.

If more places are created in further education without increased funding and student place numbers, there could be serious financial implications for many universities who have been forced to charge higher fees due to the 80% cut in teaching budgets (and the removal of funding for all but "priority" subjects). Price competition will not work anyway if some providers simply cannot set their fees any lower.

One in Four Student Places Open to Competition

A key proposal in the white paper is, within an overall control on student numbers, to make approximately one in four first-year undergraduate places contestable between institutions in 2012–13. This new policy includes "unconstrained recruitment" of roughly 65,000 students scoring the equivalent of AAB at A-level and a "flexible margin" of around 20,000 places for institutions whose average tuition fee (after waivers) is at, or below, £7,500 per year. The size of the margin will be steadily increased in future years and the grades for top students will also be reduced.

The main purpose of this artificially created "market" is to drive down fees and control public expenditure. It will create instability in the system, undermine quality and threaten the viability of courses, departments and perhaps whole institutions. The biggest losers from the contestable core/margin proposals are likely to be the "squeezed middle" of post-92 universities. As a trade union and professional association we believe that the encouragement of "low-cost" provision will damage the quality of higher education.

As a substantial proportion of the AAB students come from independent schools and relatively affluent backgrounds, the new "mini-market" in AAB students could undermine widening access initiatives in the research-led universities, for example, the growing use of contextual admissions data.

Enhancing the Power of the Consumer

The white paper has a number of proposals designed to enhance the role of students as consumers of higher education. This agenda is summed up by the phrase "*Better informed students will take their custom to the places offering good value for money*" (page 32).

It is important that students have access to reliable information about higher education courses. However, the dangers of a consumerist approach are obvious: information about things like student/staff contact time and graduate salary levels can be extremely misleading unless heavily contextualised and can form the basis for adding another set of columns to the league tables. There are also dangers, in the more competitive environment that the government wants to create, of manipulation of information by institutions in order to attract students.

Conclusion

UCU believes that for-profit provision represents the distillation of all the worst trends and developments of higher education. Its primary obligation is to its shareholders and this overrides any public obligation or educational mission, while course provision is determined purely by student demand and profitability. It also operates a lean and mean business model in which staff have no real pensions, worse terms and conditions, no time for scholarly activity and can expect to be hired and fired at will.

The government's solution to the problems faced by our sector is to increase competition, both between colleges and universities and by encouraging private for-profit providers. This dangerous experiment will, if unchecked, undermine quality, and lead to course, department and even institution closures. UCU members will be at the sharp end of an unprecedented squeeze on costs as many institutions seek to compete with each other on price, while a growing for-profit sector will be a disaster for our education system.

Written evidence submitted by the University of Buckingham

The Proposed Creation of a British Ivy League

Introduction Following the kind invitation of the Committee, the Vice-Chancellor answered questions on Tuesday 24 May at 10am. At the end of the session, the Chairman suggested that any further written submissions would be welcome to complement oral evidence. In this brief submission, the University of Buckingham recommends to the Committee the creation of a British Ivy League

The Background Although Oxford and Cambridge are of course wonderful, Harvard regularly beats them both in international league tables, and the Ivy League generally has a much bigger impact globally than does Oxbridge, even accounting for differences of national population. The University of Buckingham proposes that the Ivy League model is better than any other, and that Britain should adopt it amongst other models.

(It should be noted that the low standing of continental European universities is in marked contrast to the GDP *per capita* of European countries, which shows that university quality correlates with university independence and not with national wealth).

The Ivy League Model The Ivy League is based on financial independence and freedom from government at the level of teaching (ie no Hefce involvement in teaching arrangements) while research is fully funded by government agencies. The advantage of this model is that the taxpayer is not required to subsidise teaching (such subsidies being socially regressive except in the case of bursaries) yet Ivy League research is of stellar quality.

No British university can afford at present to dissociate itself from Hefce because that would mean losing Hefce's QR money administered under the RAE/REF scheme. But if British universities would be allowed to subscribe only to the REF without having to subscribe to the rest of the Hefce package, they would enjoy the same position as the American Ivy League.

Conclusion By tying teaching money to government provisions, universities appear to crowd out private fee funding: the Ivy League example apparently confirms that the government provision of teaching fees impoverishes universities. Some universities should therefore free themselves from government funding, and thus of government restrictions over fees, for teaching. But there can be no substitute for the public funding of science, so those self-same universities should be allowed to be autonomous of Hefce over teaching whilst still having access to Hefce's REF monies, to become our Ivy League.

25 May 2011

Supplementary written evidence submitted by the Department for Business, Innovation and Skills

When I appeared before the committee on 18 July to discuss our Higher Education White Paper and reforms, I agreed to provide you with some additional information.

BIS Officials Working on HE Reforms

You asked me "What proportion of officials involved in developing higher education funding policy and the White Paper have been in the same post since November 2010?" In June 2011 there were 113.8 full time equivalent staff working on Higher Education policy and student finance, 88% of whom had remained in post since November 2010 when there were 121.8 full time equivalents. After the Higher Education White Paper was published in July, BIS implemented a Departmental-wide restructuring programme but we took care not to introduce large scale staffing changes until the Higher Education funding policy had been developed and the White Paper was published and we ensured the continuity of some key posts.

The Modal Average Tuition Fee

I explained that whilst many institutions had indicated they would charge £9,000 for some of their courses, the average fee payable by students is estimated at £8,161 when waivers and bursaries are taken into account. You asked for the modal figure. It is not possible to calculate this figure as we would need to know the headline fee and support figures for every individual. Institutions have only provided OFFA with aggregate information on their fee waiver spend. This provides us with enough to calculate mean fees (the £8,161 figure) because you do not need to know how this spend is allocated across individuals for that calculation. However it is not detailed enough to support mode calculations,

I also agreed to share with the Committee any analysis we and OFFA had done on the Access Agreements—particularly in respect of outreach. Please find some information below.

Analysis of Access Agreements

I promised to let you have any analysis of the Access Agreements which OFFA had approved. OFFA themselves may be able to let you have some further detailed information but I have set out below some overall analysis. I know that the committee were especially interested in outreach activity.

We have aggregated the 45 different types of milestone listed by institutions into 12 larger categories:

The numbers of Institutions using a milestone in each category are as follows:

<i>Category</i>	<i>Number of Institutions</i>
Care-leavers	32
Disability	79
Ethnicity	46
Low income backgrounds	25
Low Participation Neighbourhoods	103
Mature Students	46
NS-SEC and Socio-economic indicators	108
Outreach/WP activity	113
Part-time students	11
Retention and outcome	127
State school indicators	89
Other	24

All Access Agreements for individual institutions are now available on OFFA's website <http://www.offa.org.uk/access-agreements/> and may be of interest to the Committee.

Finally, I want to be clear that we are committed to reviewing our reforms as they bed down and the range of consultations we are undertaking will help us to do that. We will certainly be looking at the National Scholarship Programme and evaluating its operation in its first year so we can make appropriate changes to put students more firmly at the heart of the system as we build towards full implementation in 2014. This will include considering the role of schools and colleges.

I look forward to the committee's final report.

The Rt Hon David Willetts MP

1 August 2011

Supplementary written evidence submitted by the Department for Business, Innovation and Skills

THE FUTURE OF HIGHER EDUCATION INQUIRY: ADDITIONAL QUESTIONS FROM THE SELECT COMMITTEE

Communications

Before launching the awareness campaign, what analysis was done of the 2005–06 campaign to learn what could be done better?

The 2005–06 campaign achieved recognition levels of 60% and 38% respectively for students and parents.

A thorough analysis of the evaluation of all previous student finance campaigns (since 2005) was undertaken prior to the development of the awareness campaign. This analysis was supplemented by focus group testing that indicated a positive response to our proposed campaign approach. These analyses confirmed that, potential higher education students and their parents:

- wanted the reforms to be explained as plainly as possible and without spin. Hence our current campaign on the key elements of the reforms—namely that fees will not be paid up-front, that loans are to be available for both tuition and living costs and that all loans will only be paid back once an individual has left university and is earning over £21,000.
- wanted the information provided in an easily accessible format online as well, hence our current campaign features an innovative campaign website that enhances the information already available on Directgov (www.direct.gov.uk/yourfuture) as well as part of the media partnership with Channel 4.
- Wanted figures regarding loan repayments presented in an easily accessible online format, hence our current campaign website features a repayment calculator which illustrates the weekly repayment rates for a range of professions average starting salaries.

Changes in the media consumption habits of young people have also meant that their take-up of online communications channels has greatly increased since 2006, so our current campaign is biased toward digital communications.

Whom did you consult in designing the communications campaign about the new student finance system?

The Department consulted widely. We met a wide range of external groups on the 13th December 2010 to discuss the communications strategy, including representatives of the University Marketing Forum (UMF), the Universities and Colleges Admissions Service (UCAS), the Higher Education Funding Council for England

(HEFCE), the National Union of Students (NUS), Student Loans Company (SLC), the Association of Colleges (AOC) and the Department for Education.

In developing the campaign we also held fortnightly phone conferences with representatives from Universities UK (UUK), GuildHE, the SLC and the University Marketing Forum.

In December 2010 we also met over 40 representatives of university marketing departments to discuss a shared and consistent approach to developing the 2012 prospectuses issued by universities in January 2011.

We also conducted a series of presentations to communications staff and key stakeholder groups representing the schools and information, advice and guidance (IAG) sector, including the National Association of Student Money Advisers and the Institute of Careers Guidance.

Did you involve the Director of Fair Access?

Yes. The Office For Fair Access (OFFA) Communications Manager joined a meeting which included a presentation on the plans for the campaign. Feedback from OFFA at this meeting was taken on board and wording on the campaign website was modified accordingly.

Was the feedback given by Simon Hughes MP taken on board in designing the Your Future site?

Yes. We met Simon Hughes MP on 19 April to present the proposed creative approach for the campaign. During this presentation he made a number of observations, the majority of which were taken on board. He requested that repayment figures be expressed in monthly rather than weekly amounts. However, our research amongst potential students indicated a preference for weekly figures.

The research we undertook with parents and students told us that we should be careful that using terms other than “tuition fee” did not weaken government’s ability to communicate the facts in a way that were easily understood. Ministers therefore decided that in the short term “tuition fees” could be used sparingly where there was a specific need for clarity.

Did you involve UCAS in discussions about the communications campaign, and did you act on any advice from them?

Yes. UCAS were involved in a meeting on 13 December to discuss the campaign communications strategy. They were also involved in a meeting on 10 May where the campaign materials were presented and discussed.

UCAS also attended meetings with BIS and Martin Lewis (moneysavingexpert.com) to discuss communicating the student finance package. UCAS recommended that the campaign messaging should stress that a graduate would make the same level of repayments regardless of whether they paid £6k or £9k. This was taken on board and this messaging is made clear on the “Calculate Your Repayments” section of the campaign website.

What user-testing and evaluation was done of the Your Future site before launch? Were any changes made as a result?

The *Your Future* site was tested with potential students and their parents. The feedback was positive and confirmed that our target audiences found the site simple and easy to navigate. Some amendments were suggested to help make the information clearer. For example a footnote was added to the repayment calculator to explain the fact that take-home pay included NI and tax deductions. These amendments were made ahead of the campaign launch on 9 May.

Designated Institutions for Student Support

Who designates institutions and courses to receive public support?

Publicly funded institutions UK universities and the University of Buckingham are considered automatically designated for student support purposes. Other publicly funded further and higher education institutions are also designated to receive public support automatically.

Equivalent courses provided by private institutions are specifically designated on an individual course by course basis by the Secretary of State.

On what basis are they designated? What criteria do they have to meet?

To be eligible for student support, eligible courses, provided by UK universities and publicly funded institutions, are automatically designated under The Education (Student Support) Regulations 2009. For undergraduate courses, the course should be:

- mentioned in Schedule 2 of the Education (Student Support) Regulations 2009; and
- of at least one academic year’s duration.

In addition all courses must currently be validated by a body with UK degree awarding powers to ensure consistent quality and academic standards are maintained. The only exceptions to this are Higher National Diplomas or Higher National Certificates which are awarded by Edexcel (formerly the Business and Technician Education Council) or the Scottish Qualifications Authority and Initial Teacher Training Courses which are subject to a separate approval process.

The Secretary of State for Business, Innovation and Skills uses the criteria for automatic course designation that are set out above when specifically designating individual undergraduate courses at private institutions.

We will be reviewing the process and criteria for designation of these courses in light of the proposals for regulatory reform.

Is there a list of designated institutions and courses anywhere?

The Student Loans Company's Higher Education Institution database, records all the courses that are designated for student support and the maximum fee loan that students can apply for.

A list of specifically designated courses can be found on the Student Finance England website. http://practitioners.studentfinanceengland.co.uk/portal/page?_pageid=133,4210374&_dad=portal&_schema=PORTAL

If an institution is designated, does that mean student loans are available for all courses offered by that institution?

For student support purposes it is courses that are designated not institutions. If the course is designated for student support, then loans will be available.

If a student wishes to attend a designated private institution which charges fees above £6,000 in 2012, can they still claim the tuition fee loan to cover part of the cost?

In 2012–13, tuition fee charges at alternative providers will be unregulated and private providers will be free to set their own fees. If an eligible student is enrolled on a specifically designated course then for 2012–13 they will be able to apply for a tuition fee loan up to the £6,000 limit for full time courses. Such providers are not currently part of the OFFA regime and it would have been unfair to those providers that are, had their students been free to take out a tuition fee loan of over £6,000.

We said in the Higher Education White Paper that we intend to introduce a single transparent regulatory framework for all providers of higher education. Subject to Parliamentary Approval we intend to introduce this new regime in 2013–14. Transitional arrangements are therefore being introduced for 2012–13 until all providers can be brought within the same regulatory regime.

Role of Business

Do you see any threat to academic autonomy and independence from a closer relationship between business and higher education?

No. University autonomy is a key principle of our HE system and we value this feature of our academic life. Developing a closer link with business should not be seen as a threat to institutional autonomy. In fact, we view such engagement as having the potential to benefit both; for example, business can provide information on new developments in their specific sectors which institutions can use to enhance the relevance of their provision while institutions can offer / provide business with other forms of help, research, etc as well as seeking work placements for students to gain practical skills. Many institutions have already forged their own deep links with business in such a way that has not affected their autonomy.

Are there any courses or areas of a university's provision which you would consider off-limits to business?

Institutions are independent and autonomous and it is ultimately for them to decide how they best manage their relationships with business on matters such as teaching, graduate employability and research.

2 September 2011