



House of Commons

Business, Innovation and Skills
Committee

Government Reform of Higher Education: Follow-up

Oral and written evidence

*Tuesday 12 June 2012 and
Wednesday 4 July 2012*

*Rt Hon David Willetts MP, Minister for
Universities and Science*

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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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Mr Brian Binley MP (*Conservative, Northampton South*)
Paul Blomfield MP (*Labour, Sheffield Central*)
Katy Clark MP (*Labour, North Ayrshire and Arran*)
Mike Crockart MP (*Liberal Democrat, Edinburgh South*)
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Ann McKechin MP (*Labour, Glasgow North*)
Mr Robin Walker MP (*Conservative, Worcester*)
Nadhim Zahawi MP (*Conservative, Stratford-upon-Avon*)

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Mr David Ward MP (*Liberal Democrat, Bradford East*)

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Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are James Davies (Clerk), Amelia Aspden (Second Clerk), Josephine Willows (Inquiry Manager), Peter Stam (Inquiry Manager), Ian Hook (Senior Committee Assistant), Pam Morris (Committee Assistant), and Henry Ayi-Hyde (Committee Support Assistant).

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Oral evidence

Taken before the Business, Innovation and Skills Committee on Tuesday 12 June 2012

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Paul Blomfield
Katy Clark
Rebecca Harris

Ann McKechin
Mr David Ward
Nadhim Zahawi

Examination of Witness

Witness: **Rt Hon David Willetts MP**, Minister for Universities and Science, Department for Business, Innovation and Skills, gave evidence.

Q1 Chair: Good morning, Minister, and thank you for agreeing to come before the Committee. Just for voice transcription purposes, could you introduce yourself?

Mr Willetts: David Willetts, Minister for Universities and Science.

Q2 Chair: Thank you very much. Earlier in the year you wrote to me saying that the response to the November Committee report would be provided “immediately after the Queen’s Speech”. What stopped you giving the report then?

Mr Willetts: I should apologise to the Committee for the series of delays in responding to this Committee’s report, which, of course, was published last year and which we have been considering very carefully. We had, first of all, of course, the need to wait to see what the collective decision would be on whether there would be legislation in the Queen’s Speech. After the Queen’s Speech we needed to finalise our response to the Committee’s report, and then our advice was also that it would have been bad practice to have produced the report during the recess. So there have been a series of reasons for the delay, but I do unreservedly apologise to the Committee because I know it has meant that it has been both a long time since this Committee’s report and it has also meant that, sadly, this Committee has had not enough time to consider our response, which we produced the day the Commons was back after the recess.

Q3 Chair: I find your response amazing: that you consider it would be bad practice to publish the response during recess. If that is bad practice, I cannot think what practice would be any better. You published the report the afternoon prior to this Session with you, when there is a key piece of BIS legislation going through the Commons and inevitably members would be involved in that. Why did you not send it through during the recess?

Mr Willetts: Our advice was that in the past we had been criticised and advised not to publish material for the Commons during the recess, but I fully realise it has meant this Committee is now facing this inquiry with limited time to have seen our response.

Q4 Chair: The fact is that we received it at a time when it was too late for us to adequately consider that response in the questions that we put to you today. I find that quite astonishing. It does convey the impression—and I think this is how members of the Committee have perceived it—of playing games with the Committee.

Mr Willetts: I have accepted the responsibility for the delays, and I have tried to explain to the Committee the reasons for the delays, but I do not accept that charge because we in BIS greatly respect the views of this Committee and we consider them very carefully. I suppose the question is the timing—and I do not claim any expertise on the parliamentary proprieties—but our advice was that publishing during the recess would not be the correct way to proceed.

Of course, as soon as this Committee summoned me, I was very happy to come along, but once there was the recess and then this session on Tuesday, inevitably there was going to be a squeeze. I have tried to explain to the Committee the reasons for these continued delays, but I do not accept that we would play games with this Committee.

Q5 Chair: You wrote to me on 22 May, saying—and I quote—that, “I look forward to explaining how we intend to move forward on the vision for the sector when I appear before the Select Committee in June.” What was to stop you in that letter saying exactly when it would be published?

Mr Willetts: I am not sure that at that point we had an agreed publication date. The process was that there was a set of decisions about the contents of the Queen’s Speech. The Queen’s Speech was then published, and in the light of the decisions on the Queen’s Speech we then took the decision—which I am sure some of the Committee will wish to question me on—that now our aim is to move steadily forward with our reforms, working without new primary legislation. That approach I then, obviously, needed to clear collectively with colleagues in Government, which takes time. Then, at the end of that clearance procedure, there was a recess, and our understanding was that releasing documents to Commons Select Committees during the recess was frowned upon. I am not sure if I could find a text of “Erskine

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May”, but that was our understanding. Then we released it on the first day back.

You are quite correct—that, sadly, also overlapped with the Second Reading of a BIS Bill, but that is the chronology of events that has brought us here. The one thing I would absolutely assure the Committee of—and I understand the Committee’s frustration—is that at no point have I or any of my colleagues in any way wished to play games with this Committee. That is the narrative of what happened, when and why.

Chair: You have explained the chronology of it, but what I do not think you have given is an adequate reason why the difficulties the Department was in and the potential ways of addressing them could not have been communicated to me and this Committee beforehand.

Now, I am going to deal with some of the details of your response in a moment, but I do feel it appropriate at this point to bring in the lead Conservative member, Brian Binley, on this, because I know that he shares my strong feelings and I think they are reflected in all members of the Committee.

Q6 Mr Binley: Thank you very much, Chairman. Good morning, Minister. You will know there has been a history between your Department and this Committee with regard to what might be considered an undervaluation of the role of Select Committees, and it is in that light—rather than just in one incident of a report being much too late for consideration—that this Committee has viewed this matter. Can I ask why you did not understand that this Committee could not possibly do its job of holding the Government to account, bearing in mind the late arrival of this report?

Mr Willetts: There are clearly lessons from this episode that we need to reflect on. First of all, I would like to assure you that BIS—and all of the Ministers in BIS—do take this Committee’s deliberations seriously, and that is reflected in the substance of the response that we are making to the Committee’s report. If I were taking steps back, and I am very happy to reflect further on this and discuss it with the Committee, we either had a mistaken understanding about the recess—and, as I said, our advice was that publishing in recess was not something that Parliamentary Committees particularly welcome—or, in coming here on the Tuesday, the day after the end of the recess, we could have perhaps given the Committee more time to consider. I am sure there are lessons here for improving communications between BIS and the secretariat of this Committee to ensure that misunderstandings like this do not happen again. I will take delivery of ensuring we try to avoid such misunderstandings in future.

Q7 Mr Binley: Can you understand, Minister, that when you say that all Ministers in your Department do take the Select Committee seriously, this episode, when conjoined with what appeared to be a decision having been made over an appointment—and I do not want to go into the Les Ebdon matter again; that is dealt with and done; the man is there; he has an important job to do; and we will scrutinise him in that role. You will know that there were very serious concerns that a decision had been made before a

matter was put to this Committee. Do you understand, in the light of those serious concerns, that this adds to the view that there is a feeling amongst the BIS Ministry that this particular scrutiny role does not matter anywhere near as much as it should and is nowhere near as important as it should be considered—and, indeed, it might even be considered, when collectively put together, to be a contempt of Parliament in that respect?

Mr Willetts: There are two very different issues there. First of all, of course, when it came to the OFFA appointment process, we did explain in our response to the Committee that it has not been the position of this Government—or the previous Government—that the process in which appointments like the OFFA appointment are brought to the Committee was intended to be binding. What we did do was pause and reflect on this Committee’s advice. I have to say that one of the advances the coalition has made is that this Government brings more appointments before Select Committees for them to give their views on than has ever happened in the past.

Today we are dealing with something very different, which is an unfortunate series of accidents of timing that I have tried to explain to the Committee. I think we do need to reflect on how we can improve the liaison between the secretariat and my Department to ensure we avoid this happening ever again, but I hope when it comes to the substance the Committee will see we have reflected and tried to address very thoroughly the points of substance in the Committee’s report of last autumn.

Q8 Mr Binley: Then can I suggest one final point? There is a view in this Committee that this Committee’s work is not taken anywhere near seriously enough by Ministers. From the findings I can conclude from this Committee, that is the case, and we need good relationships together, which means more discipline from your Department. Would you take that message back?

Mr Willetts: I certainly understand. We do absolutely need to show and behave in such a way as to ensure the Committee understands that the views of this Committee are always taken into account and are taken very seriously by BIS. We are very happy to work with this Committee to remove any misunderstandings.

Q9 Mr Binley: My question was a little more than that: will you take it back to the team of Ministers in BIS and make the point forcefully on our behalf?

Mr Willetts: I will certainly report this and discuss this with my ministerial colleagues.

Mr Binley: I am grateful, Minister.

Q10 Chair: There are two further issues that I want to tease out to establish clarity on. First of all, regarding the documents published yesterday, there are basically two: there was the Government Response to the White Paper consultation; and, secondly, the Government response to us. The response to this Committee was not being published by the Department. That is, if you like, our responsibility—indeed, we have done that—and I think it is perfectly

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reasonable to argue that the response to the Committee as a private response, which we could then decide to publish or not, could have come to us during the recess, separate from any issues about the Government response to the White Paper. Had you sent that response to the Committee, it would have enabled us to research and further our pre-Select Committee deliberations today. I can see no reason at all why it is bad practice to send a Government response to a Committee for members to consider during the recess, prior to a questioning session on their return.

Mr Willetts: Mr Chairman—and this could be in whatever form the Committee wishes; perhaps you and I can have a separate direct discussion—what I take away from this is that I am committed, as are all my colleagues in BIS, to making sure that our relationship with this Committee works properly. There are lessons we need to learn from this incident about what is explained when, what documents are sent over when and how timings of hearings are set in relation to timetables for the publication of documents. I am very happy to do everything I can to ensure that we work together in future in a way that enables this Committee to carry out properly its scrutiny role, because we do respect and value the work this Committee does.

Q11 Chair: Affirmations about your good faith do not actually answer the question. Why was the Government response not sent to the Committee beforehand for our consideration?

Mr Willetts: We saw the set of documents as a single package, but, as I say, we are getting into deep waters here about what exactly is to be sent to Committees when, and I think the best thing is for us to take delivery of the challenge set by this Committee—that we should try to ensure that incidents like this do not happen again. I absolutely undertake to do that.

Q12 Chair: The other issue is, quite honestly, of the 46 recommendations and conclusions we set out in our report, which were you unable to respond to before yesterday?

Mr Willetts: One of the questions that we had to address was the implementation of our reforms with or without a Bill in this Session, so there are questions—and I do not want to pre-empt lines of inquiry the Committee might have—on how, for example, one approaches the regulation of alternative providers. You need to wait for the collective decision about whether or not there is going to be a place in the parliamentary timetable for legislation. In the light of the decision of colleagues—and I fully understand that—about how we proceed, what we then needed to do was respond to the Committee's challenge and set out, as I personally think we can, a way forward that achieves many of the objectives that the Committee set out in their report last autumn without primary legislation. That, in turn, then requires collective clearance and that, then, in turn, can be published for the Committee.

That, as I say, was the timetable, and that is a very good example of how we have absolutely shown a commitment to achieve some of the objectives the

Committee has laid out without requiring primary legislation. If there had been a slot in the parliamentary programme, it would have been a rather different approach, but I think we can achieve the same objectives without primary legislation.

Q13 Chair: In your response I still have not been able to identify any concrete reasons or any concrete conclusions that could not have been put to us before yesterday.

Mr Willetts: As I say, I tried to offer the Committee one example of an area where the way forward could only be finally set out in the light of the Queen's Speech, so I am not sure I can add much to that. That was the constraint that we faced. There were several issues—and I am very happy to go through them—where we thought that how we proceed without legislation is something we should explain to the Committee fully, and we could only finalise our response in that way and clear it with colleagues post the Queen's Speech.

Q14 Chair: Yes, post the Queen's Speech is one thing; the day before we have this session—three weeks, maybe four weeks after the Queen's Speech—is another. The substantive point about why your response did not come prior to yesterday has not been addressed.

Mr Willetts: As I say, I thought I had tried to address that to the Committee, because we first of all needed collective clearance within Government after the decision was taken to make as much progress as possible without legislation and then—and perhaps there was a misunderstanding here, and I apologise if there was—the view within the Department was that the document should then be provided after the recess was over.

Again, as I said earlier, Mr Chairman, it seems to me that there is a case for both our officials in BIS and your secretariat—and perhaps you, me and the Secretary of State—getting together just to try to iron out any misunderstandings so as to avoid anything like this happening in future.

Q15 Chair: Given the fact that there are a number of policies that have not been determined anyway, I really cannot see any reason why your response to our Committee report could not have been sent at least during the recess at the latest and, quite frankly, the impression that is given is that the Department at best has been shambolic in its approach and, quite frankly, at worst is playing games with the Committee. You have denied it, and I accept your responses in good faith.

What we want to do with this particular session is ask a number of questions that we feel are appropriate to ask at this time. Obviously, embedded within your response to the Committee's report are a whole range of issues that we will wish to explore in greater detail but have not had the time to do at this point, and we will therefore be inviting you back to discuss those in greater detail in the very near future.

Mr Willetts: I am sure it is something we can all look forward to, Mr Chairman, and I will be at the Committee's disposal.

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Mr Binley: Mr Chairman, may I just take up a point with you? That is the offer made by the Minister for you to meet with the Secretary of State and the Minister in order to create a more amicable interchange and relationship, because it is important to both our jobs. Can I ask that we might pursue that?

Chair: Yes. Certainly, from my perspective, I am very willing to do that, as indeed I have always been. It is just that, shall we say, the departmental response has not always been as helpful as both I—as Chair of the Committee—and the Committee would wish. Can we now move on to bring in Paul Blomfield.

Q16 Paul Blomfield: Thank you, Chair. If I could, I will move us on from the specifics of the timeline of your response to the Committee—but only a little—to talk about the timeline in terms of the Department's response to the consultations. The consultation on the regulatory framework closed last October and the consultation on the White Paper a month earlier. Why did it take until yesterday to respond to those consultations?

Mr Willetts: The main reason is the one I gave earlier—that how we move forward depends crucially on the decision on whether or not there is legislation in this Session, which affects issues in the consultation document as well. We were only able to finalise our approach post the Queen's Speech. Obviously, we had been doing contingency work, but we were only able to finalise our approach and go for collective clearance on that after the final outcome of the Queen's Speech. As I said, I think what we have been trying to do—with all of the documents taken as a whole—is show how it really is possible to make progress in tackling a lot of the issues that this Committee has identified in its report without primary legislation in this Session.

Q17 Paul Blomfield: I am a little bit puzzled. The consultation that you had on early repayment penalties had a comparable number of responses and was similarly integral to your overall strategy, but you were able to respond to that consultation four months earlier. Why was that?

Mr Willetts: That was a specific decision.

Q18 Paul Blomfield: There were a number of other specific decisions you could have responded to earlier, weren't there?

Mr Willetts: Yes, but it was one that was also particularly relevant for universities that wanted to finalise prospectuses, have all of the information and be available for prospective students as they started applying to universities.

Q19 Paul Blomfield: Minister, with respect, there were other issues on which universities were also seeking clarity earlier.

Mr Willetts: This was one that was specifically identified by several universities and others as an area where prospective students would like to know what the regime would be as they went round the application process.

Q20 Paul Blomfield: Were there no other issues that universities were seeking earlier clarification on?

Mr Willetts: I do recall that, in particular, being raised in several conversations as a particular area of concern.

Q21 Paul Blomfield: You mentioned in your response to us that, because you are not introducing changes to primary legislation at this stage, you will now be seeking to move your reform agenda, which is a very substantial agenda, forward through non-legislative means. Are you not concerned that this raises questions in terms of transparency, accountability and the role of Parliament in overseeing what you yourself have described as a very significant change to our higher education system?

Mr Willetts: I accept that it is very important to have scrutiny, and that is why the one part of the discussion we just had that I objected to was the claim we were playing games with the Committee, because I actually think this Committee has a crucial role in scrutinising something of considerable public concern, but one cannot bring forward primary legislation in order to have scrutiny over policy. The fact is there are lots of other ways Parliament can scrutinise policies; detailed interrogations by Select Committees are a crucial part of that. We believe we can make a lot of progress in delivering our reforms without primary legislation.

Q22 Paul Blomfield: It was your original intention to introduce primary legislation. That was your ambition, wasn't it?

Mr Willetts: I think that, in the long run, at some point we will need to embed these changes in primary legislation, yes, but in fact one of the points the Committee made in the report last autumn was the proposal of a more incremental approach. We think we can make a lot of progress with the legal framework we already have. We think there are powers left by previous Governments that have not been used the way they could: for example, the power to designate courses in alternative providers, where, when you look at the legal framework we have already got, I have to say that in the past that was always a very passive process. I think we could be much more activist in the designation of providers. You can use existing legislation; you do not always need new legislation.

Q23 Paul Blomfield: You are not necessarily intending to move more incrementally, are you? You are simply aiming to do what you were otherwise going to do through primary legislation without it.

Mr Willetts: Well, we have the challenges that we are rising to. We have got the regulatory framework of the QAA and HEFCE, and we think that can be used very effectively. We do not measure progress in this Government by the amount of laws that we pass. If there are existing laws that can deliver objectives—and indeed sometimes you find powers that have not been used as actively as they could have been—it is not of itself a good thing to create new laws.

As I said, I do accept that down the track, at the right point, when we have seen how this is playing out, there will be a need for primary legislation to embed

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some features of this new structure in law, but I do not think anything is being lost by not having a Bill this Session. It gives us time for further reflection and it also means, as I said, that we can use existing powers provided by existing legislation perhaps more effectively than they have been in the past.

Q24 Paul Blomfield: Thank you. You also said in your response to us that it would be inappropriate to legislate now because you do not know the full effect of the new funding arrangements. When do you anticipate that you will know the full effect of the new funding arrangements?

Mr Willetts: Obviously, 2012–13 will be the first year in which we see new students go through the system, so some of the particular challenges that this Committee has put to us at various points can then be answered. For example, the Committee has said in the past that you wanted to see a kind of modal distribution of fees faced by students. That was a perfectly understandable request, which, again, we in BIS have reflected on because we respect the views of this Committee. The fact is that for that, you need to know how many students are paying which fees. We will not know that until they have arrived at university; through the Student Loans Company and other data sets, we will actually know what has happened.

A second example would be the volume of student loans. I have shared our estimate with this Committee before. It is no more than an estimate. The way we have done the calculation is to assume that 90% of students will take out an average loan of £7,500. That is not a fee assumption; it is a loan assumption. It will be in the course of 2012–13 that we find out whether the kind of total for loans implied by that calculation is roughly there or a bit higher or a bit lower. That kind of information will become available and, going back to our previous discussion, I absolutely undertake to share that information with the Committee promptly and to be very willing to come back to this Committee and be re-scrutinised about it when those points of information that the Committee have asked about become available.

Q25 Paul Blomfield: Just one final question from me: what other outstanding issues, variables or information stop you bringing forward legislation at this stage that you might not have mentioned so far?

Mr Willetts: It is the eternal debate about allocation of parliamentary time: we are always trying to squeeze a quart into a pint pot. There was also the very fair challenge, which is not just for BIS, that the Prime Minister has set for lots of Departments: before you rush to legislate, be clear whether you cannot achieve some of your objectives using the powers of existing legislation. He does not measure the success of this coalition by how many laws we pass. That was a challenge we were set and I think it is a challenge we have risen to.

Q26 Chair: Could I just, shall we say, record that you quoted our report as saying that reform should be introduced in an incremental way. Could I just read you the appropriate recommendation? It says,

“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.” I would not necessarily interpret that conclusion as justifying an incremental approach.

Mr Willetts: That is a fair point, Chairman. Looking back to some of our previous exchanges, I guess my point was—as I think I have explained to this Committee before—that through the public expenditure decisions we took in the CSR in 2010 we had to move ahead rapidly with the decision on fees and grants and the implementation of that, which has meant, inevitably, the finance decision got detached from some of the other decisions that we are still working through.

Q27 Mr Ward: There has been a discussion about the inferences for the future regarding primary legislation or existing legislation. There have been a number of measures built in to ameliorate the effect of increased tuition fees, in terms of nothing up front, £21,000 and so on. If I sign up for a 25-year mortgage, I know—even if it is variable rate, I know what the variable rate will be based upon—what I am signing up to for 25 years. We have a change in the system and there is some uncertainty in the system; on an individual graduate basis, does a student know what they are signing up for in 20 years’ time in terms of their commitments and responsibilities?

Mr Willetts: We have tried to set out clearly the coalition’s approach here and the framework of fees and loans. Of course, under successive Governments, in the letter that every student gets there are some words to the effect that Governments reserve the right to change the terms of the loans. That is a text that has always been there for students, but we have no plans to change the framework we have explained to the House of Commons and set before this Committee.

Q28 Mr Ward: Does that mean no?

Mr Willetts: I read lots of accounts of how, for example, the RAB charge, which we have estimated at 30%, is going to be very different, and therefore that is going to create a fiscal crisis that requires changes. Our view remains—although nobody can know—that the RAB charge is going to be at about 30% and, indeed, we have had those estimates checked by the OBR and the IFS have done their estimates. Some of the things I read suggest that we are going to have to make some sudden change of course because it is a problem; I do not think it is a problem. We have set out our plans, but there is always that health warning that successive Governments have put on the letter the prospective

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student gets, and I would be irresponsible if I did not say that statement is there and always has been there.

Q29 Ann McKechin: Mr Willetts, I wonder if you could clarify some further points regarding these issues around legislation. Are all of the regulatory changes dependent on the funding arrangements? For example, are the statutory changes to OFFA and HEFCE subject to these restraints, or are you able to continue with some regulatory changes that will not be?

Mr Willetts: I think that is another example of what we can do without legislation and what would require legislation. What we can do without legislation is increase the staffing of OFFA. We can shift from a model in which universities were sending in their access proposals on, I think, a five-year basis to annual scrutiny, because we realise there is public concern about whether students from poorer backgrounds might be put off from applying or whatever. They go together, so you have more frequent interaction of OFFA with universities, with an annual process of access proposals going forward and more staff in OFFA to assess those proposals because there is a greater volume of work. We can do all that.

There was a thought that the penalties available to OFFA should change and there could be other penalties, which at the moment are either to refuse universities permission to have fees higher than £6,000—described vividly to this Committee in a previous session with words I may or may not repeat—or a fining power. I think the current legislation has a fine of up to £500,000. In the White Paper we did discuss whether there should be other penalties. You could not add other penalties without primary legislation, so that part of it would require primary legislation and with no primary legislation we are not, therefore, envisaging any big change in the penalty regime for OFFA, but we can make the scrutiny more effective.

Q30 Ann McKechin: You are saying, in effect, that some of the regulatory changes are not dependent on funding arrangements.

Mr Willetts: Correct.

Q31 Ann McKechin: I think it would be helpful to the Committee if your Department clarified to us which of the regulatory changes are not dependent on the funding arrangements and which are, because obviously when we next meet with you it would be helpful if we could have that distinction. Is the regulatory framework to incorporate for-profit providers dependent on funding arrangements?

Mr Willetts: By the way, I prefer to call them alternative providers because they come in all sorts and sizes. There are charities and social enterprises and there are some that are commercial entities, but they are newcomers to the system. For them, when it comes to quality control, which is very important—and I understand the lively debate about that—the current structure, which we inherited from the previous Government, was that any organisation seeking to have courses designated for public support

for students has to be validated by a university. You cannot just set up a course; it has to have a parent university that is validating it. Part of the role of the QAA is to make sure that those validation arrangements are effective.

I have read of, and there is a lot of debate about, the case of the University of Wales, and whether its validation arrangements were satisfactory. One thing that we can do is say, there is this framework in place—and to be fair to the previous Government, they left this framework behind—let's be absolutely sure that the QAA is checking that the validation of courses by alternative providers is properly being done by HEIs.

Secondly, there is, as I said, this power to designate courses. Hitherto, the designation task, as we see it, was done pretty passively. We have, over time—and we are going to go further—become much more activist about whether or not courses should be designated. We can say, before we designate a course, “We need this information about the financial strength of your institution.” We are proposing to say in future that as part of course designation you have to accept that you come within the framework of number controls. That goes back to a designation power that is already in the legislation, which we believe we can use more actively than has been done hitherto.

Q32 Ann McKechin: In effect, certain of the interactions between your Department and the non-university sector—and we have described it as for-profit providers but, as you said, it may incorporate a wider range—will be subject to regulations, which you can go ahead with just now rather than relying on the funding. Is that what you are saying?

Mr Willetts: I am sure this is something the Committee will want to scrutinise further, but we actually think we have got a designation power that does not even, we believe, necessarily require more regulations that have to be brought before this House. The way the legislation is written is that the Secretary of State designates courses. We believe the Secretary of State can publicly say, as we come to take a decision on the designation of courses, “We need know from you the following information: x, y and z,” which, I have to say, was not previously being requested or collected.

Q33 Ann McKechin: I understand, obviously, the change in attitude in your Department, but clearly, when the Committee prepared its report, it was on the basis that a substantial piece of primary legislation was coming before this House at some point this year. That is no longer going to be the case, so I think the Committee, in order for us to do our proper job of scrutiny, needs to know the areas in which you think you already have the legislative powers and you do not need to do anything further; the areas in which you think you need to amend the secondary legislation; and the areas covered simply by agreements between your Department and institutions, or in policy. Yes, you can do it by this alternative way but, as you will be aware, Mr Willetts, from your experience as a Minister—and as I recall from being

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a Minister as well—it is also much more complicated and more difficult for the public and for this Parliament to follow the train of thought and to make sure it is joined up.

Mr Willetts: I would, of course, be very happy to share that kind of assessment with this Committee. The only health warning I put in is—going back to the example I gave of quality and validating—that is an area where we have asked HEFCE and the QAA to make sure that this validation power is properly being used. They can come back to us. They may come back to us and the QAA simply say, “Yes, we have the legal powers we need; we do check that universities are properly validating alternative providers and we are going to be more energetic as whistleblowers if there is a concern about validation.” They could come back and say that. They might come back and say, “We actually think that we need some further powers,” in which case we would obviously consider it very carefully and that might be secondary legislation or something in a putative future Bill. As I say, these are matters where we are advancing forward incrementally and so some of this is still open for consultation.

Q34 Ann McKechin: It is still a work in progress. My final question is really on that point. What do you think the timescale is in terms of bringing forward legislation for the regulatory system? Clearly, your Department must have some idea, if you are out in consultation with these bodies such as HEFCE and OFFA, about what additional powers you might need. You are waiting for them to come back with evidence. I am sure that you have some sort of provisional timetable to which you are working to say, “Well, we are going to give them three months and then we will consider and make a decision.” I think the Committee would appreciate some idea, given that we are no longer going to have primary legislation, of what sort of timetable your Department is now working to.

Mr Willetts: I am very wary of setting a timetable. I would not like to make a commitment to this Committee that I then fail to honour. I am going to be particularly cautious, therefore, but obviously we have got several areas out for consultation. There are not quite as many as I have read in some of the blogs over the past 24 hours, but we are asking HEFCE and the QAA, particularly, to advise us on various things, and I will, again, happily keep in touch with this Committee regarding our progress.

Chair: Could I make it clear, Minister, that the Committee is quite understanding when the Department can give us a good reason why a timetable has had to be extended or cannot give a response? It is when we do not get an explanation that it is not very tolerant.

Q35 Ann McKechin: I think an indicative timeline rather than—if I could put it this way—a binding timetable would be helpful in terms of transparency, because it is not just this Committee but, very importantly, the many students and higher education institutions that are dependent on the operation of your Government and the decisions your Department makes. I think we have a level of transparency on the

public record, and an idea of the cohesive plan that your Department is working to would assist everyone.

Mr Willetts: We will try to provide the Committee with that sort of note.

Q36 Nadhim Zahawi: Minister, your response states, “We have asked OFFA and HEFCE to work together to develop a shared strategy on higher education access and student success and examine how total investment might be best targeted to deliver most effectively.” It goes on to say that the Government is committed to reviewing the introduction of the National Scholarship Programme from 2012 to 2013 in advance of the full programme being in place for 2014. The White Paper was subject to a consultation exercise and the National Scholarship Programme will be reviewed over the next year. Why have OFFA and HEFCE only now been asked to develop a shared strategy on access? Should this not have been commissioned last year?

Mr Willetts: For the National Scholarship Programme there is a group in existence, which I chair, that has been involved in designing it, and we have said all along that we will want to consider how it works in the first year. On the access budget, the fact is that for the first year OFFA—very tightly staffed and very busy—was focusing on the immediate task in hand: it had over 100 detailed access proposals sent in from universities. OFFA went back and asked quite a few universities for further information. That process was simply working through the 100 individual proposals from universities; it absorbed all of the time and energy of OFFA. Now that first round is over. I understand your point very much; we simply did not have the capability. The access agreements all had to be agreed first.

Now I think it is the right moment to take a step back. We are talking about a significant amount of funding. We are talking about £150 million by the end of three years for the National Scholarship Programme. We are talking about access funding; HEIs have estimated that they will be spending £620 million on access by 2015–16. Then, of course, there is HEFCE’s own widening of participation—part of the teaching grant of £140 million. If you put all of that together, now is absolutely the right time and that is one of the reasons for the modest increase in staff at OFFA. Of course, overall, BIS is reducing staff.

We now think that if you add this up you are talking about £900 million, and now that we have got all of these initiatives in place, as the evidence comes in about what works and what does not, I think it will be very useful. We may find summer schools are incredibly effective; we may find summer schools are incredibly expensive and ineffective, but I hope, over time, OFFA will have more and more evidence about what works and what does not, and can draw on that evidence when advising universities about how they should use these very large sums of money.

Q37 Mr Ward: Have you identified any likely substantive differences between Aimhigher and what may result from these proposals coming forward?

Mr Willetts: I think it is a bit early to say. Another challenge, incidentally, where I think we do need to

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do more and to do better—although I think some of the Aimhigher work was not always effective—is this: if the University of Sheffield puts in an enormous effort to communicate with students and comprehensive schools in Yorkshire, as a result of which more people apply to the University of Birmingham, that is good work by the University of Sheffield. We are very keen for universities as a whole to see this as a shared enterprise, and there are some initiatives in which universities do come together on access agreements. There are different access agreements but they come together by spending some money on those types of transnational initiatives, and that is another area where I would hate to see fragmentation and where we may be able to learn some lessons and improve for the future, always respecting universities' power ultimately to decide whom they admit to their university.

Q38 Mr Ward: First of all, can you give me a bit of information, please, on the Student Finance Tour? Who was responsible for delivering that? Maybe you could also give us some information or details on how the 2,000-odd schools and colleges were identified and selected.

Mr Willetts: I think we approached all schools and colleges with people who would be applying for university, and I think some of them, for whatever reason, did not want to participate but most did. I am trying to find the figures for the Committee, but I think we reached approximately 2,000 schools and colleges.

Q39 Mr Ward: Some 150,000 young people were identified. We have seen the survey data, which are impressive. The number of parents was actually averaging around about four per institution, which was really quite low, I would have thought.

Mr Willetts: Yes. One of the areas in which we want to do better next time is with parents. I think we focus so much on reaching 18-year-olds, and although I say it myself, I take some comfort from the UCAS figures. They were not perfect but, if you allow for the slight shrinkage in that cohort, we had a decline in applications of about one percentage point. I think that was quite encouraging. Yesterday, we started the Student Finance Tour for the new round. It started on 11 June over a six-week period, finishing on 26 July. We aim to get to 12,000 parents this time around on the Student Finance Tour, which I think is a significant improvement on the number we managed to reach last year.

Q40 Mr Ward: Who delivered the programme?

Mr Willetts: Sorry, I have now got the exact figures. Last year we reached 1,956 schools and colleges, 152,000 students and 8,400 parents. What we aim to do this year is to get to 12,000 parents. We hope to get to significantly more students—they may not physically be in the session; but schools and colleges with 360,000 students—and for the first time we are going to try to reach students in Year 9, who are just taking the crucial decision about GCSEs, not just in Years 12 and 13. As to the exact name of the organisation that ran the Student Finance Tour, I am not sure I can recall it. I will happily write to the

Committee. I have met the excellent group of recent graduates that were deployed last year and they were fantastic. They were recent graduates and were able, in a very straightforward way, to tell teenagers what it was like to go to university. They were also armed with factual information about how the Student Finance system would work. I have not yet met this year's recruits.

Q41 Mr Ward: There is some evidence that if the information is provided by someone other than the Government it is more accepted or acceptable. Is it seen as being impartial and independent?

Mr Willetts: Yes. That, sadly, is something that all of us in politics have to be aware of, and it is better if it is independent; and, as I said, these are recent graduates who give an unvarnished, direct account. We have also had excellent advice and support from Martin Lewis and his group, who, again, have operated independently of Government. They have not cleared text with Government. They have been operating independently, and our view is that these initiatives—the Martin Lewis initiative and the Student Finance Tour—combined with a modest spend on advertising are part of the reason why we have ended up with a very modest fall in applications to university this autumn compared with the previous year. I think young people realised they do not have to pay up front to go to university.

Q42 Mr Ward: There is obviously a big effort that has gone into this in terms of the necessity of a new scheme and people understanding that. Is that to be sustained? I know there is a tour planned for this summer; is the intention that that will be an annual tour?

Mr Willetts: I think that is our hope. One would hope eventually that this would just become part of the normal functioning of a school or college, and the understanding of the system would be widespread. When we evaluated the last year's tour, we received incredibly good feedback. That is why we are running it again, and I would envisage we should run it for a third year. Perhaps I can report some of the responses from the evaluation of the first year's tour: 95% had a greater understanding of Student Finance after the presentation; a shift from 82% to 86% in the number of tour participants reporting they were intending to go to university. We fielded recent graduates who are local to the schools and colleges in which they presented, so they felt a connection with the presenter. We have tried to make this work; we have got a more ambitious one for year two, and I would expect we would have one in year three.

Q43 Mr Ward: You could say that is a sad reflection of the lack of information they had before this point.

Mr Willetts: I think it is frustrating for all of us—and I have to say that the previous, Labour Government must have gone through this—because no student has to pay up front and, in many ways, we have a graduate payment scheme that is quite close to a graduate tax. Obviously the payments are linked to the actual cost of higher education and the payments go to a director in the individual university. If there is one thing that I

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hope all of us from all the different political parties represented around this table agree on, it is that it would be a tragedy if any young person was put off from going to university by the belief they have to pay up front when they do not have to.

Q44 Mr Ward: Lastly, within that tour, is there any special effort made to make contact directly with those from socially deprived backgrounds?

Mr Willetts: I do not know about that. I am not aware of that as a feature. I think we did actually aim it at all schools and colleges, although some of those decided not to participate. We intended it as a general offer.

Q45 Mr Binley: Can I turn to financial statements on student loans, Minister? We acknowledged, as you know, in our report to you that some form of annual statement of student loans was essential for graduates, but we recommended that the government and the Student Loans Company give serious consideration to the form of the statement and the supporting information. In other words, we wanted that statement to be as clear and understandable as possible, bearing in mind some of the nonsense that comes from this place, Minister, that you will well know of. Given that particular fact, we are concerned that your response intimated that the Student Loans Company is currently working on the design of the statement of accompanying information. Why has it taken so long to design? It really is not the most difficult form of statement to decide upon, is it?

Mr Willetts: No. I think it is important that students have that kind of information. There are some issues about exactly how it should be presented, but yes, I rather agree with you.

Q46 Mr Binley: Can you kick them?

Mr Willetts: I have a good working relationship with the Student Loans Company.

Q47 Mr Binley: So you can kick them.

Mr Willetts: I do regularly hold them to account for their performance. I have to say that, compared with the situation three years ago, their performance has been transformed for the better, but I will certainly undertake to put that item on the agenda for my next review meeting with the SLC.

Q48 Mr Binley: I am very grateful. Could you, then, tell us when that statement might be finalised, having already had some communications and conversations with the Student Loans Company?

Mr Willetts: I think I had better report back to the Committee after I have had my meeting with the Student Loans Company on that, but I very much take to heart the point and we will try to expedite that.

Mr Binley: I am most grateful, Minister.

Chair: I am sure the comments from my Committee colleague will, shall we say, help you accelerate that progress.

Q49 Mr Binley: I am not going to apologise for business language; it is the world I worked in for most of my time and I would never have been a diplomat,

Minister. Can we now go on to the Government's long-term aspiration for Student Finance? The Committee recommended that the Government set out its long-term aspiration, but the response we got was a bit weak, in truth, and I am sure not the response you would ideally want to give. It seemed to suggest that you were taking some cover behind the 2015 Spending Review. Can you provide us with any more detail than you have in your response with regard to your long-term aspirations for higher education funding in the context of improving public finances?

Mr Willetts: I see the White Paper that we produced last year as our strategy for higher education, and it is, I think, already achieving a lot. It has enabled us both to save public spending, which was necessary, but to do it in a way that is fair and progressive through graduates paying more. We have set out a financial framework within that White Paper. I do not believe we need a further White Paper; the White Paper is the vision. I sense I am not helping. Is there a specific set of questions you think we need to answer?

Q50 Mr Binley: I think one of the problems with higher and further education has been the lack of ability to consolidate, to settle down, to give people a real understanding on an ongoing basis of where they are going to be, so that parents, when they look at the child's education when the child is eight, nine and 10, can have some understanding. That is the angle I am coming from. I wonder whether you can give more comfort to those parents.

Mr Willetts: I think that is fair. One of the things I slightly regret, looking back on the White Paper, is because we had to tackle a set of financing issues, wider reforms about information and empower the students, we probably did not do as much on the vision of what universities offer to the country, what universities offer the individuals who go there, why they are, as people quite rightly say, of public value, and why the experience of going to university is transformational for many individuals. We could rise to the challenge of setting out that vision more explicitly, perhaps in a speech or some other document, because I believe that and the coalition believes that. I hope that would also include some sense of what students can expect in the future. However, we think we have a financial framework, as set out in the White Paper, that will be sustainable for the long term and we think can deliver that.

Q51 Paul Blomfield: Very specifically, on that last point, thinking of businesses and other organisations, wouldn't it have been more sensible to sort out the vision first?

Mr Willetts: I have always been clear in my own mind, as have my employees, that universities are of great value to the nation, but, as we have discussed in this Committee before, that value comes in many forms. When the coalition took office, the immediate issues we faced were about public spending and finance. We had to set out public expenditure plans in short order, and that in turn involved a set of financing decisions. Therefore, the White Paper focused on those financing decisions. Because we had to focus on

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those finances, it does not mean we are reductionist and think that a university is no more than a kind of elaborate finance mechanism with a graduate contribution at the end of it. A university is a much more worthwhile experience than that.

Q52 Paul Blomfield: I do seem to recall, in the debate we had in 2010, you were at pains to point out that your reforms were not simply driven by a response to the financial crisis but were an attempt to develop a new model for higher education. Wouldn't it have been helpful, just thinking about how other organisations go about strategic planning, for Government to learn some fairly fundamental lessons: get your vision right first, get all the stakeholders to buy into it, and then put the strategy in place?

Mr Willetts: There were, indeed, other aspects to the reform. Using the change in finance to drive a set of reforms in higher education that essentially give far greater power and more information to students and prospective students, with more money going to the university the student chooses, is all right. I have tried in successive speeches and on other occasions to make it clear that this is part of a wider vision of university. The fact that so much of the White Paper was about the plumbing does not mean that we do not understand the architecture. But, inevitably, the White Paper was largely about the financial planning, because those were decisions we had to take that autumn.

Q53 Katy Clark: When was the Higher Education Public Information Steering Group tasked with looking at information on the relationship between fees and the cost of courses?

Mr Willetts: That was one of the decisions we took in the White Paper. This is the idea of a kind of council tax-type breakdown of where your money goes, which I think they are still working on. But that is something we put into the White Paper.

Q54 Katy Clark: I understand that organisation is due to report back by September of this year. What is the timetable for you to publish your response and act on any recommendations?

Mr Willetts: The sooner that information can be available to students, the better. I undertake to report promptly to this Committee after we have received their report.

Q55 Rebecca Harris: Last November, this Committee recommended the use of private sector organisations to provide comparison websites for key information sets. Your aim, I know, is to ensure that all information data are available for prospective students and private sector organisations from this September. The question really is, why is this taking so long?

Mr Willetts: I would rather that data had been available earlier. A lot of useful work has been done. The fact is, however, these key information sets and the information that is being requested is a radical transformation of the information available to students. Not all of it was already being collected. Universities had to agree a kind of harmonised standard for this information. It is a big change, is

what I would say, but an excellent group has been working on it. I regularly press for progress. We are trying to get more information, for example for employability, on professional bodies that recognise courses. We are getting more information about different assessments used by year of study. So there is a lot of extra information. It would have been great had it been available a year ago, but I think we are on track for September this year.

Q56 Rebecca Harris: That was my follow-up: do you think we will make September?

Mr Willetts: I believe we are. Of course, as soon as it is out, we can have a range of alternatives. I want to see innovation in how the information is presented and analysed, and I believe there will be social enterprises and perhaps commercial groups that want to provide a mobile phone app to help analyse the data in a way that is user-friendly.

Q57 Rebecca Harris: Your response to the Committee also goes some way to accepting our recommendation on the introduction of kitemarking of courses. When do you expect the industry group on that to report?

Mr Willetts: I would have to confirm to the Committee. I believe that is also in the autumn, as part of this exercise, but perhaps I can send the Committee reliable advice on that.

Q58 Rebecca Harris: Depending on that forecast, what would be the likely timetable, do you think, on the introduction of kitemarking?

Mr Willetts: That should be happening in the course of the academic year 2012–13. Some institutions are already doing it. There is a subtle distinction between accreditation and kitemarking, but we have already had events here, in the House of Commons. There was an excellent event when the Society of Biology accredited a first set of university courses, broadly in biological sciences. I have not completed the process of working through all of them, but what I particularly valued was that some of the universities that had applied to have the accreditation from the Society of Biology had not secured it. They had done the thing properly: they had gone round to individual courses to ask, "Is this biological science course one that will pass muster so you can get a job in a lab or a pharmaceutical company?" Not all of them had passed muster. As we want it to be a serious exercise where a group of genuine experts from a learned society or perhaps a company go round and look at what happens on the individual courses, it will take time, but I know there are already examples of it happening, and I believe there will be more in the course of the academic year 2012–13.

Q59 Rebecca Harris: Does that imply that you do not envisage that it will require legislation to enforce?

Mr Willetts: No, I do not believe that will require legislation.

Q60 Chair: Earlier on, in your response to Nadhim Zahawi, you said—and I think it is a fair summary—that in effect OFFA did not have the capacity to carry

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out the National Scholarship Programme consultation exercise until relatively recently. I think that raises the issue of capacity with OFFA. Are you actually proposing to strengthen it, both with additional resources and possibly complementary changes to its statutory responsibility?

Mr Willetts: I apologise if I have misled the Committee, but what I was particularly thinking of with OFFA was the access agreements—where they were so busy going through the individual access streams with individual universities and agreeing their particular programmes. The time has now come for them to step back.

Q61 Chair: I understand that fully. The implication is that they did not have enough staff to do both.

Mr Willetts: It is true that organisation has been very busy. I cannot remember the exact timescale, but we envisage that the number of staff in OFFA should increase threefold or fourfold. I think some of this has already happened, but it has got a significant amount of extra work. It is looking, as I say, at these access agreements annually. We have asked OFFA and HEFCE together to assess overall what is most effective in the wide range of initiatives that are now happening. That does require extra staff. Within an overall reduction in staffing in BIS, we are shifting resources into OFFA.

Q62 Chair: Broadly I would welcome the comments you make, but would prefer a greater definition of them in future, and if you could enlighten the Committee, that would be helpful. With regard to consultation—or further consultation—we all accept that in principle it is a good thing; what is not so good is when you implement the policy before having done the consultation. In your response, you list a number of consultations and reviews. I will just go through them. HEFCE is supporting a review of voluntary giving; the Government has initiated a feasibility study to assess a potential monetisation of the older-style, mortgage-style loan book; HEFCE has commissioned two research studies on postgraduate needs; there will be a review of the key information sets in late 2012; the Student Loans Company and UCAS will be establishing a working group on a single application portal and integrated application process; there is to be a reconvening of the Student Charter Group to review student charters; the review of the National Scholarship Programme and other forms of student support will be undertaken in relation to the strategy on social mobility; HEFCE is reviewing the transparent approach to costings; there is to be a review of the existing student support and a course designation scheme for alternative providers. The Department will be consulting, later this year, on the process of applying student number controls to alternative providers who have courses designated for student support purposes; it will also review, update and improve the full suite of application guidance for degree-awarding powers and university title; and it will be looking at options for giving HEFCE greater responsibility in some regulatory processes. That is a hell of a lot of reviews and consultations. When do

you estimate that all this evidence-gathering will be concluded?

Mr Willetts: If I may say so, that is a list of higher education policy issues. Higher education policy is not simply determined by me and a small group of civil servants in BIS. It is an area where there are important executive responsibilities with our education funding council, the Student Loans Company and others. Essentially, that is just a list of ongoing policy work. I started noting down key information sets, which I was just asked about by Rebecca Harris: we have the first 17 key information sets. I do not want that to be the last word. There may be other crucial bits of information that should be added and some things that prove to be more useful than others. What that says is the key information sets, as they appear in September of this year, will continue, we hope, to be improved. Regarding SLC/UCAS, we are sharing publicly that one of the challenges we have laid down is: a lot of prospective students complain about the fact that they work all the way through UCAS in an application process, and then have to start over again with the finances with the Student Loans Company. The Student Loans Company is under the Government; UCAS is an independent body. We have asked the two organisations to work together to see if there cannot be a rather easier transition, so they share some of the data. The National Scholarship Programme has not yet been implemented; we have always said that it will come in in 2012, and then we have to look at what works and what does not. Regarding the information sets and tracking data, there is a feeling amongst universities that this is onerous data collection. So I have asked HEFCE to work with the universities to see if they can slim down the data they request. So, I am unapologetic about that. That is a list of serious higher education policy work that carries on under this Department and is worth while, and we share it in public. It can be dressed up as a review or consultation, but essentially I think the more that people know these are the issues we are addressing, and this is what I have tasked the different external bodies to work with us on, the better for public policy.

Q63 Chair: Are you concerned that a lot of the issues you spoke about, particularly around the National Scholarship Programme and so on, are actually part of a package that should have been introduced when the changes in tuition fees were implemented, and in effect the core driver has been the tuition fees, and the packages that should be in place to mitigate any potential problems arising from them have not been put in place?

Mr Willetts: The National Scholarship Programme will be available from this autumn, at the same time as the new fee regime comes in.

Q64 Chair: There are whole issues—and this relates also to other means of support for students—that have not yet been decided on. Would it not have been sensible to do that consultation before you introduced that particular element of change?

Mr Willetts: I do not know quite where the Committee is coming from. We try to consult; we try to be explicit about that. I do not know whether we are

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being criticised for not consulting enough or for consulting too much, but we try to share publicly; we try not to be secretive. If there are areas I have asked the Student Loans Company or HEFCE—which have a direct relationship with Ministers—or outside bodies like UCAS to look at, we share that information with this Committee and more widely, and quite rightly so. **Chair:** The key problem is that, of course, students have to make a decision well in anticipation of the introduction of them, and that information was not actually readily available. I suppose I welcome the review of that, because at least we will be able to

measure some of the consequences of that particular policy.

On that note, Minister, I think we will conclude the current round of questioning. Obviously, there are more detailed areas of questioning we would wish to enter into after we have had a chance to examine the responses you have given to our report. We will take that up in the very near future, at a time to be agreed. I thank you for coming before us today. This is the end of the first half, if you like, and the second half will commence in due course. Thank you very much.

Wednesday 4 July 2012

Members present:

Mr Adrian Bailey (Chair)

Mr Brian Binley
Paul Blomfield
Katy Clark

Julie Elliott
Simon Kirby
Nadhim Zahawi

Examination of Witness

Witness: **Rt Hon David Willetts MP**, Minister for Universities and Science, Department for Business, Innovation and Skills, gave evidence.

Q65 Chair: Thank you, Minister, for agreeing to come before us again. For voice transcription purposes, could you introduce yourself?

Mr Willetts: I am David Willetts, Minister for Universities and Science. Once again, I regret that the Committee did not have enough time before we last met properly to study all the documents we have published. So I am very happy to be here to go through them in more detail. I am also pleased that that is something we have already pursued since the last session; Vince Cable has written to you, suggesting a rather closer level of interaction in the future. I hope that is helpful.

Q66 Chair: Yes, it is worth saying on behalf of the Committee that we do recognise that the attendance from Ministers in the Department has been very good indeed. I am quite happy for that to be put on the record. When you came before us last month we were commenting on the absence of a Bill. You said that, had there been a slot in the parliamentary programme, it would have been different. Can you tell us: was the absence of the Bill due to lack of parliamentary time or was it that you did not have agreement on the Bill?

Mr Willetts: The White Paper is agreed Government policy. We are very keen to implement the White Paper. There is obviously a lively discussion about slots in the legislative programme, as that tends to be oversubscribed, with more people trying to get legislation in than there is room. There are a whole host of considerations but one of the main ones was that we were challenged to be ingenious and smart in making sure we really needed legislation and on the extent to which we could achieve the objectives of the White Paper without new primary legislation. In the exchanges with the Committee last time it became clear that we can secure a lot in the White Paper, although not everything, without legislation at this stage. Down the track, I believe legislation will be necessary at some stage.

Q67 Chair: We will go into that in a moment. From my reading of the Queen's Speech and the programme there is not an excessive number of Bills, certainly compared with previous parliamentary programmes, so it seems a little odd. Did you actually have a Bill that could have been put forward, had a slot been found?

Mr Willetts: There had been some drafting by the parliamentary draftsmen but it had not reached the stage of a full draft Bill before they downed quills.

Some work had started but, if and when there is a decision to go for a Bill in a subsequent session, there would still be a lot more drafting work to do. Of course, meanwhile, we can be learning. The higher education system is going through a big programme of change and there is still a lot we can learn from the experience of the next 12 months.

Q68 Chair: So what it amounts to is that there was not a Bill ready anyway.

Mr Willetts: There was not a full draft of a Bill, no. Only some work had been done.

Q69 Paul Blomfield: I would like to ask about this issue of the reasons for the Bill not being brought forward, which have been many. One of the ones you said in your response to us was that, because you cannot yet know the full effect of the new funding arrangements, you cannot yet be clear what form of regulatory framework is appropriate, therefore you are not going to legislate. Presumably, if it is not appropriate to legislate it will not be appropriate to bring in changes by any other measure because you will still not know.

Mr Willetts: As I said a moment ago, it is a rapidly changing situation. We can achieve a lot without legislation, but having the extra flexibility of seeing how the situation pans out is an advantage. It does not mean you do not do anything. What we are endlessly trying to judge, and something I feel responsible for, is how much change the sector can take. We want to see reforms in higher education, we want to advance an agenda and we do not want to sit on our hands and do nothing. On the other hand, the level of change expected has to be reasonable. I think we have the balance about right. We have to be regulating and using our existing powers during that process of change. We cannot just do nothing.

Q70 Paul Blomfield: The reason for not legislating was that you were uncertain what change was appropriate. Isn't bringing forward non-legislative change covered by the same logic?

Mr Willetts: There were lots of reasons in this collective discussion. There was a whole host of considerations within Government. One was the pressure of parliamentary time in any given session. One was how much we all thought we could do without legislation. Another was whether, if you wait to see how the system pans out it might help you construct legislation in the future. They are all

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legitimate arguments and they are all weighed in the balance.

Q71 Chair: You did say, “In the long run, at some point we will need to embed these changes in primary legislation”. Can you tell us what changes will need to be embedded in primary legislation?

Mr Willetts: Although there is quite a lot we can do without legislation, there are some specifics that require legislation such as, but not only, more flexibility on the legal framework for governance, especially of the post-1992 institutions, which I think inherited in legislation an excessively prescriptive set of rules about the exact structure of their governing bodies. I would have quite liked to have liberalised that, but there are other examples as well. So there are some specifics that clearly require legislation. More widely, as we move to a model in which the money goes with the student and there is less power of the purse in the hands of HEFCE, I would envisage that, down the track—and it does need to be done in the next 12 or even 24 months—we would be more explicit about HEFCE becoming a regulatory body, rather than a spending quango. My view is that, in the future, it has to be clear that it is a regulator. It can do a lot of regulating already using the powers it has but down the track that should be set out in primary legislation. I cannot say it is essential that we have that new model this year or next year. We can do a lot without it.

Q72 Chair: It seems rather odd to me that here you have policies being implemented that will require legislation, yet you are implementing them without legislation. Are you saying that they are only short-term measures, or what?

Mr Willetts: You say “require legislation”. If a policy requires legislation to be implemented and cannot be implemented without legislation then we follow the law. We would only do it if we needed primary legislation. However, there are lots of things we can do that do not require legislation. There are a small number of things that do require legislation and we cannot do without legislation. I gave some examples: governance is one; a full level playing field with alternative providers is another. Meanwhile we can do a lot. Throughout I have accepted, and I have been very frank with this Committee, that this exercise began with the public expenditure round in the summer of 2010. Although the rationale for what we are doing goes way beyond saving public money, the origins were in a public expenditure exercise. Decisions had to be taken on public expenditure and I think people, by and large, have understood that. That is why there were some financing decisions before we had the White Paper. You could argue that in an ideal world, the order there would have been different but we are inheriting the realities of the most important challenge we faced.

Chair: I think we have argued that.

Mr Willetts: I am operating in the real world and we have always had to take these things in. My view is that we have, by and large, got the balance right. We are continuing to deliver reforms; we are not imposing

unacceptable strains on the sector, but there is momentum and we are maintaining momentum.

Q73 Chair: Is there going to be a Bill in the 2013 session?

Mr Willetts: Who knows; I simply cannot say at this stage.

Q74 Chair: You have just said that some of the measures will need to be embedded in legislation and yet you cannot say that there will be a Bill in the 2013 session, which will take us into 2014 and very near the next general election. Does that mean there will never be a Bill?

Mr Willetts: These decisions are taken a year at a time. I am confident that we can deliver a lot of reform using the powers we have. The areas where you would need primary legislation are not such priorities that the reforms are unworkable without them. My view is that we can make this reform system work.

Q75 Mr Binley: I just want to press you a little further on this. I genuinely am grateful that you have given us so much time; that says a lot about your interest and concern for this Committee. We are grateful for that. We all know that bidding for Bills is the name of the game that you play with your colleagues. Can I ask if you will be thinking about bidding for a Bill in 2013, which puts the onus on your wish, rather than what other people might think who are slightly above your pay grade?

Mr Willetts: The advantage we will have in the next bidding round is that we will have a bit more evidence about how the system is working and how effective the powers we can deploy from previous legislation are proving. Our case will depend on the experience of the next six to 12 months.

Q76 Chair: You said before this Committee that you will “use existing powers provided by existing legislation perhaps more effectively than they have been in the past.” You have also talked about a “time for further reflection”. If this is possible and the whole process started in 2010, why did you not implement them earlier?

Mr Willetts: We have already done some things. To take one example, when it comes to the designation of alternative providers—and of course that had been going on under the previous Government; it wasn’t some new thing—when we arrived in office, the designation process involved providing a copy of the prospectus, a document from the validation body that shows they are validated and a course timetable. That was it. I was surprised at how little information was being requested, so last year we already asked for a lot of extra information, such as details of governance arrangements, details of any legal actions involving the organisation in the past three years, copies of the last three years of annual accounts and details of policies and procedures relating to student complaints. We have already done all that. As I said to this Committee the other week, in the future we will be going further. We are looking at how we can have stronger requirements on quality assurance. So we have already been using these powers; we are not

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suddenly looking at them now; but there is even more we can do.

Q77 Chair: Do you think this model of implementing legislation before you pass it could be used in other areas?

Mr Willetts: We have produced a White Paper. Of course, Government in Britain is bound by the law. We are not implementing policies for which there is not a legal base. We will only do things for which there is a legal base either through votes in Parliament, such as over the change in fee levels, or in existing legislation. It would be completely unacceptable to try and do things where there is not a legal power. The question is where you actually need extra legal powers to do things. That is what we are discussing.

Q78 Chair: Are loans for FE going to be implemented, or regulation for them be brought before the House?

Mr Willetts: That is a matter for my colleague but I believe the intention is to provide a further statement to the House on that before the House rises.

Q79 Chair: So you are going to do it before the House rises?

Mr Willetts: I think the intention is to provide a statement to the House with the Government's intentions before the House rises.

Chair: That is interesting. I appreciate that it is not your area, but I shall say that we will watch the timing of that with interest.

Q80 Simon Kirby: You have said that areas that might need legislation are a moving feast and it is difficult to be entirely accurate at this early stage. Can you give us some idea of which areas of both primary and secondary legislation might be appropriate?

Mr Willetts: There are some examples. One example I refer to is that, especially for universities that became universities in 1992 or afterwards, the Education Reform Act 1988, as amended by the Further and Higher Education Act 1992, does actually set out quite a restrictive regime for higher education corporations and how they should be governed. We discussed this in the White Paper¹ and we think there are arguments for increasing their freedoms in key areas such as governance and dissolution. That would require legislation. Secondly, if you were to go to a full-blown level playing field, with alternative providers, they are not fully under the ambit of a single regulatory body in the way I would envisage they will be when HEFCE becomes that regulator. You can use the designation power to achieve a lot of that by other means, but it would be a lot tidier if you had a single regulatory power. That would be a second example.

Q81 Simon Kirby: That is interesting. If there are elements that are quite restrictive, that is somewhat at odds with your previous assertion that it was possible to bring about these changes without legislation. It is a conflicting message, Minister.

Mr Willetts: Let me try again. There is a lot that we can do without legislation; there are some things for which we do require legislation; I recognise we cannot do everything. I have given you two examples of that but I have a third example: OFFA. There are some things we can do with OFFA without legislation. I know this is very delicate territory for this Committee and I am going to walk very carefully.

Mr Binley: It is in the past, Minister.

Mr Willetts: We are increasing the staffing of OFFA very significantly so that it can properly scrutinise and review the access agreements being submitted by all these higher education institutions on an annual basis. What we cannot do is change the range of penalties that OFFA can impose. That would require primary legislation and there may be some Members who are relieved we cannot change those powers. So there is the fining regime and this rather draconian power of taking away the ability to charge fees above £6,000. We floated ideas in the White Paper about whether there could be a wider range of penalties available for OFFA. That would require legislation. So I am being frank with the Committee. You can identify some areas where primary legislation would be necessary but those are not so profoundly significant that we are giving up on higher education reform in the interim. Meanwhile, we are getting on with an ambitious programme, increasing the number of places that are contestable every year, giving more information for students and proper powers over alternative providers.

Chair: We will be covering those in a minute, Minister.

Q82 Simon Kirby: Thank you; that is reasonably clear now. Can I ask you what feedback you have received from HEFCE, OFFA and the QAA, specifically on the need for further regulatory work to enhance their remit?

Mr Willetts: They are all thoroughly professional bodies. I have communicated with them and they understand what we expect them to do within the framework of existing law. They are absolutely up for that challenge.

Q83 Simon Kirby: Does that mean they have given you no feedback? Have they not suggested ways their challenge can either be made easier or harder?

Mr Willetts: They are perfectly able to work within the framework of legislation. In fact, something else that is happening, which does not require legislation, is that we are trying to create a more coherent group of regulatory public bodies. There was an idea in the Browne Report, which we have not implemented, of legally making them all one. But you can get a bit more sharing of information through OFFA, QAA and HEFCE working more closely together. I think they are working more closely together and that is a good thing.

Q84 Chair: You said in your earlier remarks that some elements of OFFA's potential sanctions would have to be legislated for. Since you are undergoing a period of further reflection with HEFCE, QAA and OFFA, is this the sort of thing you have had feedback on?

¹ Response to the White Paper technical consultation

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Mr Willetts: There has certainly been a very lively debate about what OFFA does and how it should do it. I cannot recall a particularly high volume of responses to the White Paper on the kind of penalty regime. As I said, that is the main reason we require primary legislation. I do not recall a large number of proposals in that area.

Q85 Chair: Have you had any feedback from the others on any other issues?

Mr Willetts: The main feedback has been that OFFA was very busy trying to handle that first round of access agreements last year. That is why we have taken the decision to increase the staffing. There is a view now that the time has come to step back and start assessing what works and what does not, which I understand. That is why, in our most recent letter, Vince Cable and I have asked HEFCE and OFFA to start evidence-gathering on what works and what does not. Remember that this is still early days. The first set of new students have not yet secured admission under the new regime; they will arrive in the autumn of 2012. I am very keen to discover some further evidence on this endless debate about fee waivers versus bursaries; how valuable summer schools are; and how much social mobility you secure in a meritocratic way with an extra foundation year for some students. These are all ideas being trialled in access agreements and I really think it is a fantastic opportunity to improve the quality and have more evidence-based policy to see how these play out, which work and which do not.

Q86 Chair: Could you give the Committee the information once you have acquired it from the consultations?

Mr Willetts: I am always happy to share that kind of information with the Committee.

Q87 Katy Clark: You set yourself a target of September this year to introduce what you call a fair and sustainable higher education funding system. Will all aspects of these reforms be in place by that deadline?

Mr Willetts: The financing funding changes will be in place by then, yes.

Q88 Katy Clark: One of the things you have particularly focused on is providing a more generous package of financial support for low-income students who wish to attend university in 2012–13. Can you talk us through that and what the main elements of that package will be?

Mr Willetts: I see that, first, as the increase in the maintenance grant for them. Secondly, of course, like all students they will benefit from the fact that the repayment threshold is higher; it has gone up from £15,000 to £21,000. Thirdly, there is a National Scholarship Programme, which provides extra resource that can go into bursaries and other support mechanisms.

Q89 Katy Clark: And all of that is in place now or will be in place by September.

Mr Willetts: The National Scholarship Programme starts then. It will take time to build up. The higher maintenance grant starts in the autumn of this year. The higher repayment threshold applies for students arriving from this year.

Q90 Katy Clark: Is all the funding for that now in place?

Mr Willetts: Yes, it is all being delivered as part of the CSR.

Q91 Chair: What level of information do students who will be starting their university career in September this year have about this?

Mr Willetts: The students starting this year were beneficiaries of our first student finance tour, which provided a lot of information on finance for students. We are working on providing further information in the future for prospective students. Already, we have been seeing improvements in the quality of information available.

Q92 Chair: My concern is that you will have a cohort of students starting in September who may have made decisions on their choice of university on the basis of certain levels of financial support, but which may be amended for the following year. So you could have two successive cohorts of students at a university based on different financial support mechanisms.

Mr Willetts: I suppose you are thinking of a university that decides they want to spend the National Scholarship Programme in a different way in year two. To some extent universities do have that freedom. The main thing is that students have to be provided with accurate information in advance. What a university cannot do is change the regime and have people not informed. In general I think the quality of information is getting better. Today we heard an excellent initiative, which is exactly what I wanted to see happening, of a new website being launched by Which?, in which the NUS is also playing a role, to provide free, independent information and high quality advice to help prospective students choose the right course and university. That is exactly the kind of transformation of information we wanted to see.

Chair: I actually agree with you. I think the quality of information is getting better. The problem is that the slowness of the Government's delivering on certain support programmes means students are still not able to make such informed decisions. Indeed, as time goes on, the next cohort of students may take a totally different set of decisions because of changes to the regime. We do not know about the Student Premium and so on yet.

Q93 Paul Blomfield: I have a related but slightly different question. In the absence of embedding the key conditions of the student funding system in legislation, what guarantees do we have for the future that a government might not fundamentally change the regime without parliamentary scrutiny?

Mr Willetts: The structure within which we are operating is the structure of the previous Labour Government's changes of 2005–06. We have kept that

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basic structure of a loan to a student that they do not pay up-front but they repay after graduation when they are above an earnings threshold at a rate of 9%. We kept that structure and the Commons voted on it. It was one of the more dramatic votes of this Parliament but the Commons voted to change the figures in that structure and it was done by a parliamentary vote. In some ways we have kept that model. One of my arguments is that the best guarantee against radical change is that all three political parties, when faced with the question of how to finance higher education in tough times, have ended up with a rather similar conclusion: that you can reasonably expect graduates to make a larger contribution, but it has to be done on a fair and progressive basis. I think we are ahead of the debate in many other countries and they are beginning to have precisely this debate themselves. For all three parties it has been a rather painful process, but after all three parties have ended up with this type of conclusion I think it is now pretty well embedded.

Q94 Paul Blomfield: This is not the place to have this discussion, but we would probably have some disagreements about what was progressive in what we might propose compared with what you have come forward with. Taking one particular point, the 30 year write-off, as I understand it, at the moment, could be removed by the Government at some point without requiring any parliamentary decision, yet that is a key selling point of your proposal.

Mr Willetts: I would not like to give the Committee an authoritative statement on that. I thought 30 years was in the Labour legislation but I would like to check that and give you an authoritative answer.

Q95 Paul Blomfield: What discussions are going on about the sale of the loan book and what guarantees there are to retain the essential characteristics of the system if that occurs? If that does occur, would any benefits be reinvested in higher education?

Mr Willetts: I am grateful for the opportunity to bring the Committee up to date on this. What we are looking at now, and what has priority, is that the remaining mortgage-style loans could be sold. Of course, that would be on the basis of no change in the terms for borrowers. Those are essentially loans outstanding from the 1990s, which come with quite high operational cost for the Student Loans Company. They are quite complicated and difficult to administer. As well as getting some receipts it would be good for the Student Loans Company not to have that responsibility and pass it on to someone else. The more recent income-contingent loan book is looking like much less of a priority at the moment.

Q96 Paul Blomfield: So if the portion you are talking about selling off were sold off, would the proceeds be reinvested in higher education?

Mr Willetts: They all count as assets of the Government and if they are disposed of they are used to reduce the liabilities of the Government. So, I do not think there is any particular claim that BIS as a Department would have on them.

Q97 Paul Blomfield: Would you be making the case for it?

Mr Willetts: Who knows what happens in the privacy of the ministerial Committees?

Q98 Chair: I want to move us on to the Student Premium and the National Scholarship Programme, but before I do so, can I get something totally clear? This is in the context of the argument I had earlier about implementing some policies sooner. That cohort of students starting in September 2012 will have a certain level of financial support: bursaries, fee waivers and so on. Would they have had that information when they applied to go to the university they eventually go to?

Mr Willetts: Yes, they would have done. One of the reasons we have had to move fast is that we have been trying to get the information out in sufficient time for prospective students. The cycle does start very early. I know from previous Committee meetings that we have sometimes been criticised for this, but one of the reasons we had to make specific announcements on whether there would be early repayment penalties or whether we would move from AAB to ABB was that universities had to know that so they could properly explain the regime and get the prospectuses out for people who would be visiting universities from now, with a view to applying over the next few months to go in 2013. So we needed to announce in early 2012 the regime that would affect students arriving in autumn 2013. That is a key part; that is why we have very long lead-in times here. It is right; people do need to know.

Q99 Chair: So would they have known what fee waivers and bursaries would be available?

Mr Willetts: Universities have some discretion in areas like the National Scholarship Programme, but we tried to get out the framework for the National Scholarship Programme so universities knew where they were and what they could do. I don't know whether universities were able to take all their decisions in time for the printing of the prospectus; I cannot guarantee that in every case. We are very aware of the need, as there is an 18-month time scale, for these decisions to be out early in the year before students arrive at the university. It is an 18 month forward roll-out.

Q100 Chair: Could I just summarise, and if this is not a fair reflection no doubt you will tell me? You have provided a framework for support but the details may not have been available for every student going to every university at the time they made the application.

Mr Willetts: Some of those decisions would have been at the discretion of universities and I don't know at exactly what point they would have made those discretionary decisions.

Q101 Julie Elliott: A number of press reports have highlighted proposals for a Student Premium for higher education, along similar lines to the Pupil Premium. Under what criteria will the Student Premium be allocated to students?

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Mr Willetts: What we have asked HEFCE and OFFA to do is look at the wide range of schemes developed as part of access agreements, to check that money is well spent. There are always ideas around for how we can simplify the system. We have not yet had the first year where students have been in receipt of a National Scholarship Programme. We have just reconvened our NSP working group to start getting views on all this. So it is too early to say exactly whether and how this would be changed. After 1,000 flowers are blooming, we need to discover the flowers that are blooming most beautifully and then to favour them. Work is ongoing but no final decisions have been taken yet.

Q102 Julie Elliott: What are your thoughts on the kinds of criteria? You must have an idea of what you are looking at.

Mr Willetts: I can share with the Committee some of the trade-offs we face. One argument, which I understand, is that prospective students aged 15 or 16, especially those coming from families without a history of going to university, need to have as much information as possible and a clear line of sight about the financial support that will be available for university. If we make that clearer and starker, that would be a great gain. On the other hand, when you look at UCAS figures, if anything, the place where there has been more of a fall in applications has been amongst mature and part-time students. Maybe that is where you should put more of your effort. I can just draw the Committee's attention to the considerations because none of us has yet reached any firm view about the correct way forward. We are spending a lot of money on this, and that is a good thing, and we want to make sure we spend it most effectively.

Q103 Julie Elliott: Have you been looking at whether it will provide funding for a reduction in tuition fees or whether it would provide more money for living costs? Has that come into the equation?

Mr Willetts: That is endlessly discussed. The fact is that all previous assessments I am aware of from OFFA and others have failed to reach a conclusion about the balance between fee waivers and bursaries. They have not conclusively shown that one is a better use of public funding than the other. I notice that the NUS, who have complained in the past about fees, now seem to be less worried about fees and prefer money to be in students' pockets in bursaries rather than fee waivers. There are different views and, as I said, there are good examples where the evidence is not conclusive yet as far as I know.

Q104 Julie Elliott: Have you considered how this change in funding will affect universities' funding of their own outreach and access programmes?

Mr Willetts: That is a very fair point. We need to make sure some of this money is spent by universities on programmes like that, and we need to maintain that commitment. Although this argument is often looked at through the prism of social background, there are other aspects we must not lose sight of—for example, disabled students. Disabled students need extra support: for example, with a blind student the amount of resource you need to put behind them to ensure

they properly benefit from the student experience is clearly greater. Some of these programmes help with services like that. I always try to say we should not just think of this through the social class and background prism; we should make sure we have proper resource to help students in those circumstances. That requires funding to reach them or the university responsible for them.

Q105 Paul Blomfield: I would like to frame the question I asked you in the Chamber a couple of weeks ago in a slightly different way. Will any funding for a Student Premium be additional funding, or will it come out of existing grants?

Mr Willetts: The origins of this debate are that the total amount of funding is substantial. The question is whether you can communicate it more vividly to give people greater assurance of what it means for them. This goes back to the Chairman's line of questioning on whether prospective students know where they are. So, in 2012–13—and there is some overlap here; it is not a completely additive list—we have the widening participation premium from HEFCE of £140 million, we have retention and other funding from HEFCE of £224 million, we have the National Scholarship Programme at £50 million, and we have estimated access agreement spending in 2012–13 of about £520 million. It is too crude just to put that together, there is some overlap, but there you have about £900 million. The issue we are looking at is: this £900 million is in all different ways supposed to be helping people with access to university, lowering drop-out rates, helping people who, for whatever reason, have a disadvantage, such as disabled students or students from tougher backgrounds. We have to absolutely be sure that this £900 million is money effectively spent and communicated. That is the challenge, and I am completely up for tackling that. The question is: are we getting the best from the £900 million we are spending in 2012–13.

Q106 Paul Blomfield: So if the Deputy Prime Minister's Student Premium is introduced, it will be coming from one of those budgets you have just listed.

Mr Willetts: This is an analysis of how those packets of money are being spent.

Q107 Paul Blomfield: I think I understand that answer. So you would recognise that there will be widespread concern within higher education if this headline policy was funded by diminishing the widening participation programmes, wouldn't you?

Mr Willetts: The question is how you best have an impact on widening participation. The DPM is absolutely committed to widening participation. What we all want to do is have the maximum impact on participation. I fully understand that, when you dig into the detail of this £900 million, you discover there are lots of distinctive and useful things that it does.

Q108 Julie Elliott: How will the Student Premium and the National Scholarship Programme work together? Will they be complementary, with one offering lower tuition fees and the other grants for cost

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of living, or will there be overlap between the two? How do you envisage them working?

Mr Willetts: These are all issues that people are looking at at the moment. As I say, we have recently written to HEFCE and OFFA, and I am pretty sure I released the letter at the time, asking them to start looking at the effectiveness of these different elements. No decisions have been taken, though; this is an exercise to review the spend. No final decisions have been taken on how, in what way and if it is necessary they are changed.

Q109 Chair: You say the scholarship programme will basically be completed in October 2012. Will students going to university in September be able to access that?

Mr Willetts: Yes. The funding starts in 2012–13. Again, I cannot speak for individual universities' exact arrangements but the funding is available for students starting at university for the academic year 2012–13.

Q110 Chair: So students would have known there was going to be a National Scholarship Programme but they would not have known, when they applied, how that applied to them personally.

Mr Willetts: I am trying to remember the exact chronology. The size of the National Scholarship Programme was announced well before those students were having to make their decisions. As I was saying a few minutes ago, the exact process whereby an individual university then had £2 million of NSP funding, which they had to decide how to spend, and when that was all available for a prospective student to see, I could not vouch for because time was tight. The overall announcement on the National Scholarship Programme was made in good time.

Q111 Chair: I understand that, but the announcement that there is so much money nationally spent on a programme does not help an individual when they want to know exactly how much it is going to affect them. The point I am getting to is that there will be a cohort of students going to university in September who may or may not receive support, but they will have had to make decisions on their higher education choices without full knowledge of exactly what support they would qualify for.

Mr Willetts: They will have known all the key facts about the fee regime. We put a big effort into trying to explain all that. I fully accept that, in a range of ways, I would like prospective students in the future to have more information. They will not have known the exact employability outcomes from individual courses, which is exactly the kind of information students are entitled to expect, and we are making real progress in having all that available this autumn. I would love for it to have been available two years ago, but it has required a lot of hard pounding and practical work to get all this information available. We committed to it in opposition and are delivering it now; the more rapidly the better. So there is a permanent process of improvement. It will always be possible to look back and say that it is a pity that previous generations of students did not have this

information, but we are absolutely working flat out so that every year there should be better information, better presented and in more detail than ever before.

Chair: All that is understood, but the whole basis of the changes in funding was that this was part of a package. You had one part of the package implemented very quickly and another part implemented very slowly.

Q112 Paul Blomfield: I think we are on common ground here, Minister, in having concerns about the impacts of changes in undergraduate funding on access to postgraduate study. Could you update us on what progress you and HEFCE have been making on reviewing funding for postgraduate study and when you plan to publish any findings?

Mr Willetts: The most important progress we have made, which I very much welcome, is that HEFCE have now made it clear that their funding allocation for taught postgraduate provision in 2012–13 is going to be maintained at very similar levels to 2011–12. So, despite all the other changes in the grant regime, they have been able to maintain that. Of course, support for doctoral students has also been maintained, and HEFCE have provided an additional £35 million of postgraduate research degree supervision support. So we have been able to maintain, or even in some cases improve, the funding for postgraduates. There is a concern, which I understand and hear a lot, for students who have built up “debts”, although we all know it is a kind of graduate contribution scheme: will that affect their willingness to take on postgraduate courses? It will take several years for the evidence to build up on that, but we are monitoring it and HEFCE has commissioned specific research on areas such as the kind of information that postgraduate taught students need. We confirmed in our 2012 grant letter that we wanted HEFCE to continue to monitor that.

Q113 Paul Blomfield: In your response to our report on this issue you said, “We recognise that some uncertainty around postgraduate provision remains. BIS will continue to work closely with HEFCE to better understand the underlying evidence. HEFCE has considered the Committee's recommendation and has confirmed that it will publish reports as this work progresses.” When will the first report be?

Mr Willetts: I cannot give the Committee any dates on that, but as soon as they are available of course we will share them with the Committee.²

Q114 Paul Blomfield: Could you share, in advance, when we might expect them?

Mr Willetts: Yes. If there is any more information about the time scale for any reports becoming available I will happily write to the Committee if there is any extra information I can share with you.

Q115 Paul Blomfield: Have you made any further assessment of the impact of undergraduate fee increases on postgraduate applications? We share a concern that, in the increasingly competitive graduate

² Supplementary written evidence submitted by the Department for Business, Innovation and Skills

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marketplace, people are distinguishing themselves in different ways but one of the critical ways is taught postgraduate programmes. It would have a significant negative impact on social mobility if, in the new terrain, those only became available to those who could afford them through personal means. We are already seeing some of the career development loans available commercially diminishing in number.

Mr Willetts: I do hear that anxiety and I never dismiss the messages I get from the sector, but I would point out that graduates, after our reforms, will face lower monthly repayments than graduates do currently. So the starting point is that your repayment threshold is higher and your repayment obligations monthly are longer; you will be paying back for longer. So when you think about a postgraduate balancing the PAYE deductions from their earnings or income and whether they can afford to stay on, once you understand the way the reforms work, if anything, we are lowering repayment obligations. Then there was the anxiety that HEFCE's grants would be reduced. In 2012–13 HEFCE are able to show that they can maintain them, and I commend them for this. I know there is this anxiety but we need to monitor it carefully and need to see exactly what happens and what the problem is, if anything. At the moment there is anxiety and anticipation. HEFCE knows we need to monitor it; we had Adrian Smith doing an exercise on it and the Browne Review said we need to look at it, but we have not yet seen any evidence that these effects are feeding through in any way.

Q116 Paul Blomfield: Do you understand the basis for the anxiety? If you take into account the potential debt from FE loans, for people who follow that route into higher education, you are talking about people mounting up very considerable debts. If you take FE loans and HE loans those would be two different monthly payments, wouldn't they?

Mr Willetts: No, and this is a very important point. I always say: think of the flow, not the stock. The formula for the FE loan—the 9% of earnings above £21,000—is the same. We are not trying to pile up higher and higher repayments. Your repayment is 9% of your earnings above £21,000. I had better write to the Committee to absolutely confirm that. So although you can theoretically add to the stock, in certain circumstances, it is the repayments that I think are what matters and why I see these reforms as much fairer on people in their 20s. Instead of the front-end loading of the burden, when you are paying back more monthly in the early years of your adulthood when you have all those extra costs, we are spreading it across the life cycle. So for most, if not all, graduates, the monthly repayments will be lower not higher, including with FE loans.

I will double check that, but it is my understanding. So you are not going to have two separate deductions running at 9% of your earnings above £21,000 with one in respect of your FE loan and one in respect of your HE loan; you put it all together and then deduct 9% of your earnings above £21,000. That is a very important point.

Q117 Paul Blomfield: But, putting together your HE and FE loans means you are talking about a considerable amount of debt that one would reasonably anticipate would disincentivise those people going on to postgraduate taught courses.

Mr Willetts: All three parties have gone through this process. Thinking about it as a pile of debt is the wrong way. If a child of ours left university with £25,000 on his or her credit card we would all be absolutely terrified. If a child of ours leaves university and people say they will pay £500,000 of income tax during their working life then, by and large, we accept that. We might have a view about the exact income tax rate, but by and large we accept that they are going to be in work so are going to be paying income tax. The graduate repayment is closer to paying income tax in your working life. It is an addition to PAYE rather than some separate debt. We have lowered the monthly repayments.

Q118 Paul Blomfield: But it does remain a debt on an income-contingent loan. It is not graduate tax, is it?

Mr Willetts: It is not a pure graduate tax because it is linked to the cost of your education and you can finish paying it. Unlike a pure graduate tax we can collect it from foreigners, when we cannot impose income tax on foreigners. So it has many advantages over a pure graduate tax.

Chair: I would love to have a wide-ranging debate on this but not at this meeting. I am conscious of the fact that Brian needs to go to another meeting very shortly and I know he has two questions that are very close to his heart. I will come back to you Paul if you would like to finish off.

Q119 Mr Binley: You are very kind and I apologise, Paul. I apologise for having to leave, Minister; I really do. The first two questions are really simple; I think we need some information from you on the last one, though. Your implementation plan states that the consultation on early repayment will “allow those who wish to pay off their loans early or make voluntary contributions to do so without undermining the progressiveness of the system”. That pleases many of your supporters who sit behind you on the Back Benches. Are you satisfied that you have achieved this balance?

Mr Willetts: Yes, I think we have and it is fair. When we did the consultation on that it was clear that there was widespread unhappiness about the idea of early repayment penalty. I very much understood that concern and, as a coalition, I think we took the right decision.

Q120 Mr Binley: I am going to be slightly more controversial now. On university entrance, whilst the appointment of the gentleman in question is in the past, there are none the less one or two small points hanging over. The first is in relation to early repayment penalties for tuition fees. That became public at the time of the controversy surrounding the appointment of Mr Ebdon—whom I wish well.

Mr Willetts: Good, excellent to hear it.

Mr Binley: We shall be watching his progress. A Downing street source implied that his appointment

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and the dropping of early repayment penalties were interlinked. Do you want to disabuse us of that thought, or might there be some truth in it?

Mr Willetts: I regret some of the controversy on the appointment of Les Ebdon, and we did of course carefully consider the Committee's views on that. The appointment of Les Ebdon was made during the absolutely proper processes that are now scrutinised rigorously from outside. We had separately launched a consultation on early repayment. This is a good example of the concern the Chairman was expressing earlier about the fact that people should know where they were before they started the application process for that year.

Q121 Mr Binley: So you are telling me that there was no agreement with Mr Ebdon in relation to his appointment on this question?

Mr Willetts: Les Ebdon was appointed to operate within the framework of OFFA. The early repayment issue was not something for Les Ebdon and was separate from him.

Q122 Mr Binley: So he had no input into that whatsoever?

Mr Willetts: No.

Q123 Mr Binley: I rather wished he would have done actually, but he did not.

Mr Willetts: It would have been impossible to have had a better decision than we did. It was the right decision.

Q124 Mr Binley: It is in the past, Minister. Can I go on to ask you the question that caused me so much concern when we last met in this Committee? It is the question about financial statements. I wanted to know what discussions you and your Department have had with the Student Loans Company since we met last month. This whole business of people understanding what they are taking on is one that I know you would agree with. I know you would want those statements to be finalised as quickly as possible. Can you update us on where we are in this respect?

Mr Willetts: We are working with the Student Loans Company on this. I know this is something that specifically concerns you. Students only start getting statements about their "debts" after they have graduated. This is available for them as graduates, so current students are not getting statements.

Q125 Mr Binley: You are arguing that they work that information out themselves and the statement simply confirms that information.

Mr Willetts: My understanding is that students do not normally receive statements until they are liable to repay, which is the April after they leave their course. That is when they get a first communication from the Student Loans Company. As part of quite a wide-ranging change of and improvement to the IT systems, ready for the cohort of students that will be graduating under our new scheme with new and better IT, one thing we are looking at is making those statements that graduates receive as informative and user-friendly as possible. I checked this because you were asking

about it before, and my understanding is that the current system does not involve current undergraduates and current students at university getting those statements. We are not proposing to change that.

Q126 Mr Binley: Could you clarify the purpose of the statement? I thought the statement was about making students aware of the liability they are taking on. I know you are arguing it is not a liability but simply another way of paying income tax, but I am not quite sure I see it that way. Are you telling me that it is not about informing people of the liability they might be taking on, but it is about giving them an account book when they start repaying?

Mr Willetts: There are two things here. My understanding of the way the system currently works is that it is aimed at, once they start repaying, explaining their repayment obligations. It is a Student Loans Company repayment calculation. The reason why I referred to this wider reform of IT is that the official, overall Government approach to this is that the delivery of all public services should be digital by default. In other words, there is an assumption that, wherever possible, it should be online. I don't want absolutely to guarantee it to the Committee but I could well envisage that as soon as you are talking about an online system, rather than a letter going out as we currently have, it might well be possible for the undergraduate to start accessing their account online earlier, before there is any question of repayment. This is part of the design of a new system that will come in in 2016.

Q127 Mr Binley: Can I urge you to do that? I am sure that all students are the most responsible of people, but there are some people who lose a little on the way and they need to know, pretty much throughout their university career, what they might be stacking up and in what way that might be working. I think there is a real case for ensuring that they have that information earlier and I think there is a case for ensuring their parents are aware of that information too. I am pleased to hear about the website. Can you do your very best to ensure that it will be available as early as possible in the cycle?

Mr Willetts: As I say, I will undertake to do that. I understand your concern, it is a very fair point, and we will happily keep you in touch with the work that goes on and the redesign of the system.

Q128 Mr Binley: I am very grateful. Will you come back to us with what information would be contained in that statement so we can monitor that? There are a lot of young people out there who are fearful they might be getting into trouble. I know one or two who have been put off going to university on that basis, which is why I am so keen to press this point.

Mr Willetts: We are absolutely keen to get the information out so they understand it is a PAYE deduction; it is not something they have to pay if they are unemployed. Something else we refer to in the White Paper, which I personally am very keen on, is a statement of financial information like where your council tax goes. I do think it is very important, for

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the consumerist aspect of our reforms—and students are not simply consumers but I remain a believer that they do have some of the expectations of consumers—that they are entitled to know how their money is being spent. A breakdown of the £8,000 or whatever should show how much is going on access agreements, how much is going on teaching costs and so on. A breakdown of that information is exactly the type of information I think students will be entitled to see.

Mr Binley: I am reassured by your remarks and would be grateful if you kept us updated in the way I have requested.³

Q129 Chair: You have anticipated most of my questions on access to information but I would like to clarify one thing. We understand that comparisons of key information sets will be of value to prospective students. Do you have a timetable when this will be available? Will it be available before the next round of applications in 2012–13?

Mr Willetts: Yes, we want to get this out in the autumn, in September or October. The target was by the end of September. By that time we expect all the information to be available through key information sets.

Q130 Paul Blomfield: I want to ask about the for-profit sector. In your response to the White Paper consultation you said you would be introducing measures to bring alternative providers into the formal student number controls and you will consult later this year on the process for applying these changes. When will that consultation close?

Mr Willetts: We have asked HEFCE to carry out that consultation; I don't think they have yet produced a consultation document with a time scale. You refer to them as for-profits. These are alternative providers that come in many shapes and sizes. Some of them are social enterprises, some of them are charities and some of them are indeed for-profit. They are basically the new kids on the block; it doesn't follow that they are all for-profits.

Q131 Paul Blomfield: I accept that point; I will be coming on to a specific question about for-profits. Will any aspect of the reform in this area require legislation?

Mr Willetts: A complete, perfectly level playing field would require legislation. There is a lot that we can do without legislation and the most important example is being very active in our use of the designation power—the power to designate courses. We have already significantly expanded and I have already listed some of the extra checks we have introduced. There are more that we will be introducing in future, both on number controls and on quality assurance.

Q132 Paul Blomfield: Which parts of the playing field will remain un-level without legislation?

Mr Willetts: It cuts both ways. For example, participating in the OIA, which they can voluntarily do but there is no legal obligation to, would be one

example. There is another example that cuts the other way, because it works in both directions. New, alternative providers getting degree-awarding powers get them for six years, after which they are reviewed. Existing providers get them indefinitely with no power to remove them. One of the other proposals we had in the legislation was that, if there was a real concern, we should have the power to remove those powers. So there are various untidinesses, I accept that, but we can do a lot with the power of designation.

Q133 Paul Blomfield: Do you think there is an opportunity on the OIA—this would be quite a significant omission—to have discussions with providers and get voluntary consent before using powers to designate?

Mr Willetts: Compared with the patterns of behaviour we inherited, when a large number of designations already happened, my view is that we have been far more energetic in the use of designation power. We can advance on the power to designate and use it more energetically. The evidence is that we have already been more energetic and will continue to look at other ways we can use those powers.

Q134 Paul Blomfield: Will alternative providers be required to comply with the wider participation provisions, as with the existing providers?

Mr Willetts: The students at those providers are not eligible for loans of more than £6,000. So the OFFA access regime does not apply in their case.

Q135 Paul Blomfield: What measures would you expect them to provide to guarantee widening participation or seek to meet those objectives?

Mr Willetts: We will see what is possible, but there is a need to try to get information from them about their students. That is a fair place to start. As I said, when we arrived, no such information was being collected. There may be more information we can seek from them. HESA is like OIA, so it is not something where they would be under a legal obligation but, as HEFCE advances, these are the kind of areas where many may wish voluntarily to participate. As I said, most of the alternative providers of any scale are already in OIA. There may be further things we could require as part of designation.

Q136 Paul Blomfield: Obviously you are quite enthusiastic about alternative providers entering the sector. What discussions have you had with what providers to encourage them?

Mr Willetts: You say “enthusiastic”; I do think the history of the growth of higher education in Britain is of new providers coming in. The challenge to the original Oxbridge monopoly in the 19th century was from local authorities, and there was UCL as a secular institution. Often people were rather sniffy about some of those when they were first created, and they are now well established parts of the sector. In opposition I did some work on schools and that is now being carried on so excellently by my colleague Michael Gove. I am a believer in opening up the supply side but I do not want to tilt the playing field. I just think that, if you are providing a reasonable quality higher

³ Supplementary written evidence submitted by the Department for Business, Innovation and Skills

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education and if a student is choosing it, providing basic standards are being met, at that point the student is entitled to get some financial support.

Q137 Paul Blomfield: You have had active discussions with alternative providers, though.

Mr Willetts: I have had meetings with alternative providers, yes.

Q138 Paul Blomfield: Not necessarily now, but would it be possible to share the meetings you have had with the Committee?

Mr Willetts: I can do it now. Something the coalition has done, to our credit, is that we now produce much more detailed information than ever used to be available before on the meetings Ministers have had and whom they have met. I try to make myself as open as possible to everyone in the higher education sector.

Q139 Paul Blomfield: On this widening participation issue, what would be required of alternative providers, both in terms of access agreements on widening participation, but also key information sets, before designation of courses?

Mr Willetts: We inherited a system where the information requirements were very modest. We are looking at what kind of information requirements we can have as part of this power to designate, but we are not in a position to give details on that at the moment. These are the kind of areas that HEFCE needs to think about. We have already advanced a lot on financial information. We expect them to participate in number controls. We are looking at how the QAA and the validation regime work. Information is another thing.

Q140 Paul Blomfield: So you are not expecting to designate significant additional courses until you have resolved those issues.

Mr Willetts: We are continuing to designate some courses but we have made it clear to providers—and these are important opportunities—that we are increasingly ambitious in what we expect of them in return for designation, and quite rightly so.

Q141 Paul Blomfield: When do you think you will be in a position to share the conclusions of your thoughts on that?

Mr Willetts: The next stage is a HEFCE consultation. These are ultimately HEFCE powers we are talking about. HEFCE will be conducting a consultation on what extra information they can require, and the aim is to have the new regime sorted out and in place by the end of the year.

Q142 Paul Blomfield: Do you anticipate how many of the additional courses will be designated by the end of this Parliament? What is your vision of that?

Mr Willetts: I would not be able to say on that. The initiative is with the alternative providers, who, as I say, come in many shapes and forms.

Q143 Paul Blomfield: Can I concentrate on one shape and form: the commercial providers? Are you

considering exempting for-profit higher education providers from VAT?

Mr Willetts: I am not aware of that specifically. What is the specific VAT angle?

Q144 Chair: Buried in the Red Book at 2.186 it says, “VAT: providers of education—The Government will review the VAT exemption for providers of education, in particular at university degree level, to ensure that commercial universities are treated fairly.” Whilst I quite understand that you are not a Treasury Minister, given the impact on your Department it is not unreasonable to expect you to know of it and have a view.

Mr Willetts: I think the safest thing is to send the Committee a note on that point, rather than getting into it today.⁴

Chair: We would welcome that.

Q145 Julie Elliott: You originally estimated that the number of AAB+ places would be 65,000. That has now been reviewed and has gone up to 85,000 places. What is your estimate of the effects of lowering the grades to ABB+ on these figures?

Mr Willetts: That adds, approximately, another 35,000. This year it is 85,000 covered by AAB, and next year it is 120,000 covered by ABB. To some extent it may be a process of “grade inflation” coming to an end but there are two things there. If there are slightly more students getting AAB next year than this year, which I am sure would be entirely because of improvements in the excellence of their teaching, then that would be a modest effect. Most of the extra 35,000 comes from going from AAB to ABB.

Q146 Julie Elliott: On what evidence have you based that figure?

Mr Willetts: On information from UCAS and the examining boards about the number of people getting A-levels with those grades. One of the complicating governing factors is that it also includes some equivalent qualifications.

Q147 Julie Elliott: What assessment have you made of the social mix of the students achieving those grades?

Mr Willetts: I do not have any figures to hand. I read some lurid accounts implying these are all people who must have been to independent schools. I do not think that is correct. One of the advantages of moving to ABB means the majority will have had a mainstream state education.

Q148 Julie Elliott: Is any evaluation being done on the social mix of these students?

Mr Willetts: There is some information available and I will happily share whatever information there is with the Committee.

Q149 Julie Elliott: So you will send that to us?

Mr Willetts: Yes.⁵

⁴ Supplementary written evidence submitted by the Department for Business, Innovation and Skills

⁵ Supplementary written evidence submitted by the Department for Business, Innovation and Skills

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Q150 Julie Elliott: Thank you. What safeguards are there that increasing the numbers of students in this way will not dilute the quality of education the students receive?

Mr Willetts: I see it in completely the opposite way. In my view, this is absolutely a liberalisation. This means that we are empowering students with that level of qualification to take their funding to the university of their choice, subject to the university wanting and having the capacity to admit them. Where before, HEFCE would tell UCL they had 2,000 places and no more, in future if I choose UCL—and I suspect a lot of their applicants are in this range—they can take on as many suitably qualified students as they think they have the capacity to educate and wish to educate. That is in the interest of the student; it is a good thing. It is a very strong example of how these proposals deliver genuine reform of HE.

Q151 Julie Elliott: Do you not see any impact on other students and other universities with the movement of money into some of the more elite universities, which will inevitably happen as a result that?

Mr Willetts: This is not a conventional market; there is a large public interest; I have to be very careful. It is opening up higher education to create a choice for students, rather like a market. Higher education is not a market; I am not claiming it is simply a market. This is basically saying to all young people that, with more information than they have ever had before, they can choose where they want to study, if they have good grades, and the money will go with them to the place they choose, instead of being allocated by a quango that determines how many people all our universities are allowed to take on. I regard this as clearly and manifestly an improvement.

Q152 Julie Elliott: You did not actually answer what I asked, which was about the impact on other universities and other students.

Mr Willetts: The only way I can understand what you are saying is, if a student really wanted to go to university A and university A really wanted to educate him or her but had a numbers control we had enforced, so instead that student had to go to university B, which was lower down their preferences, in future that student is going to be able to go to university A, so university B loses. Well, the answer is that university B is now competing against university A for that student. My impression, which is mainly anecdotal at the moment, is that that process of competition for the student is entirely beneficial. They have to improve the quality of the teaching experience on offer. They will be offering information about how crowded the seminars are, how rapidly your academic work gets returned, the quality of the teaching experience, and whoever wants that student has to make that offer to the student. That is exactly how the reforms are supposed to work.

Q153 Chair: Is not the logic of that policy that students who do not get ABB+, as it now is, actually have less choice than those that have the qualification?

Mr Willetts: I do not see that there are losers in this policy. There are some who clearly gain and there are others for whom it is neutral. Insofar as this competition gets universities in general to focus on the quality of the teaching experience, I hope it would be a benefit that feeds through more widely. There are indeed limits to how far we can go on the tariff policy; I recognise this issue. There are some students in places outside the tariff policy but they do not lose, they just do not participate fully in the benefits.

Q154 Chair: Do you not think that those universities that can attract the ABB+ students are going to clean up on that market and expand their provision, thereby both reducing the capacity of other universities to provide for them and indeed reducing the opportunity for those that do not have that level of qualification?

Mr Willetts: We are encountering a fundamental philosophical difference. I think universities should get students by the quality of their offer, not by students not being able to get to somewhere else and having to settle for an alternative. One has to be so careful in this respect; this is not like a normal commercial market, but this is one of the good features of competition and choice.

Q155 Chair: If you are a university vice chancellor planning capacity for the future, this introduces an element of uncertainty that really makes life very difficult.

Mr Willetts: I accept that it is an element of uncertainty. That is correct. It is why we had very careful discussion. This goes right back to where we were at the beginning on how much change the sector can take and how we manage through this process of very significant reform. That is why we have gone from AAB to ABB: we are moving at it steadily. I am very conscious that there is a limit to how much change the system can take. Equally, we want to maintain momentum. These are serious reforms. These are interests of students and we have to get on with it. We are trying to get the balance right.

Q156 Julie Elliott: I want to come back on what you are saying. You clearly view this as benefiting students at the higher academic level. My concern is for the students who are not achieving that level but are perfectly able to go to university and complete degree courses at the other universities. As the Chair said, there is an impact on vice chancellors planning their offer, the broadening of the curriculum, and the education offered to other people. You were unclear whether you had done any evaluation of the social mix of the more able students. Have you done any academic work on the social mix of the lower grade students and the impact this policy, of opening up the higher end, is having on the lower end? In my view that is just as important.

Mr Willetts: One of the reasons we have kept it quite high up the tariff level, at AAB or ABB, is that these are students who are already going to university. We are simply empowering a group of students who in almost all circumstances were going to university anyway. There was an argument about access arrangements. Again, I salute HEFCE for their

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initiative: they set aside 20% of places—even at universities where almost everyone who was going was getting AAB—they set aside a student number limit of at least 20% of their limit for 2011. So there would still be a margin for contextual, data-based offers. So that specific angle, which is the only one I can identify where you can argue there would be a risk, has been specifically addressed in the HEFCE arrangements for student admissions through reserving places.

Q157 Nadhim Zahawi: There was a fairly even split between universities and further education colleges in the take-up of the 20,000 margin places. Is that what you had expected?

Mr Willetts: It was a decision by HEFCE. From memory there were about 35,000,⁶ places proposed. I trust their judgment. I think there were slightly more in FE. I will find the figures but if I remember correctly it was about 9,000 to 11,000. That seemed to be reasonable to me.

The exact figure actually is that 143⁷ further education colleges received allocations of at least 9,547⁸ places. So there were a lot of FE colleges.

Q158 Nadhim Zahawi: Do you have details on how many institutions charged the maximum sum of £7,500 for courses?

Mr Willetts: I do not have that information to hand. If we have it, I will send it to the Committee.⁹

Q159 Nadhim Zahawi: Our report recommended that you monitor the social mix of higher education institutions to guard against polarisation within the sector. Is this something you will be willing to do or would do?

Mr Willetts: I see this as the kind of thing that OFFA can do. We will have this information as part of the Government's wider work on social mobility. Access to university does matter. One of the reasons for the 20% reserve core was to make it clear there was scope for access arrangements, even at the most competitive universities that were having lots of applications from AAB students.

Q160 Nadhim Zahawi: Your response was a bit light on detail about your proposals for off quota places. What details can you give us on this policy?

Mr Willetts: I am afraid that I cannot share much more information on that with the Committee at the moment. As soon as there is further information or analysis I happily will share it. With so much else going on I don't think there is much more I can add to what I have said before on off quota.

Q161 Nadhim Zahawi: Do you think you can introduce this through non-legislative means or does it need primary legislation?

Mr Willetts: There is currently an arrangement where there are so-called closed courses, usually linked to an

employer, and I don't believe you would require primary legislation for more universities to set up such closed courses. That does not require legislation. If you wanted to go beyond that you might require legislation.

Q162 Paul Blomfield: We had a very positive discussion with Lord Green about our visit to Brazil and talking about the opportunities for trade. In the course of that, one of the issues we discussed was student visas. In the course of his reflections on where we are as a country now was the recognition that there is work to be done on rebuilding a brand and rebuilding the message about our openness for international students and the opportunities for them to study here in the light of the Government changes on visas. Would you agree with Lord Green?

Mr Willetts: I always agree with Lord Green. He is an excellent man who is an asset to the Government. We do accept, going around the world, that there are some places where, partly due to briefing from some of our competitors, people have the idea that there is a cap on the number of students. There is no cap on the number of legitimate students who are properly qualified and want to come to Britain and study. We are very proud of the fact that there is no cap and I take the opportunity, whenever I am on an overseas trade mission, to get that message across.

Q163 Paul Blomfield: I anticipate that you might share our concerns on this. There is a problem that, if you include students in the net migration figures, if we as a country were successfully able to grow our share of a growing international student market, it would conflict with the Government's other objectives in relation to the immigration cap. Therefore, it would seem to be more sensible to take students out of the net migration figures.

Mr Willetts: Whenever we have looked at this we have always been absolutely clear that there is not and should not be a cap on the number of overseas students.

Q164 Paul Blomfield: Is it not true that you are effectively capping them? If you have a total migration cap and you include students in those numbers, then there must be a cap on students.

Mr Willetts: Where we have made progress is through the problem of bogus colleges, bogus courses and inadequate skills. I have found universities themselves accepting that it would be very bad for the reputation of British universities if you could turn up at a class and find some of the people participating in class did not have sufficient English.

Q165 Chair: Minister, we understand that, but the basic question is about figures. If you have no cap on student numbers, including on student migrants, but you have a cap on the overall level of migrants, then one policy objective conflicts with another and they seem to be incompatible.

Mr Willetts: We have always made it clear that there is no cap on student numbers. It is very important both for Britain's position in the world and for the success of this dynamic export that we maintain that position.

⁶ Revised by witness: 36,000

⁷ Revised by witness: 155

⁸ Revised by witness: 10,354

⁹ Supplementary written evidence submitted by the Department for Business, Innovation and Skills

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The coalition as a whole is committed to maintaining that.

Q166 Chair: I would not wish to put words in others' mouths but I think, on a consensus basis, this Committee would be fully supportive of that. Do you have any other points you wish to make on this issue Paul?

Paul Blomfield: I understand the Minister's predicament in answering the question as fully as I might like him to.

Chair: Thank you for your contribution, Minister. We obviously will be publishing a report in due course and we look forward to seeing you again in the very near future. Thank you.

Mr Willetts: Thank you very much.

Written evidence

Supplementary written evidence submitted by the Department for Business, Innovation and Skills

19 July 2012

HIGHER EDUCATION

Following my appearance before the committee on 4 July, I undertook to write with some further clarifications to some of the points raised by your members.

On Postgraduates—our January 2012 Grant Letter asked HEFCE to provide a first report on the impact of the HE reforms in December 2012, and they expect that this will include early advice on the situation of the postgraduate economy.

Paul Blomfield asked whether consideration was being given to exempting for-profit higher education providers from VAT. BIS, Treasury and HMRC officials have been considering this issue over the past few months with a view to identifying potential options that achieve the policy objective of creating a more level playing field in the HE sector and which meet EU VAT rules without creating any unintended consequences. Subject to Treasury Ministers' views, HMRC intends to consult on emerging options later this year.

In my evidence I mentioned that some alternative providers had signed up to scrutiny from the Office for the Independent Adjudicator. The current position is that two alternative providers have volunteered to join OIA (IFS and the College of Law). OIA have also been approached by a number of other alternative providers to obtain further information.

I can confirm that if a borrower has both a Further Education (FE) loan and Higher Education (HE) loan, employers will deduct only 9% (never 18%) of earnings above the appropriate threshold. Where the threshold for the FE and HE loan is the same, then repayments will be split proportionately across the loans. In certain cases, where the HE loan was taken out before September 2012, the threshold for the HE loan (currently £15,795) will be lower than FE loan repayment threshold (£21,000).

In those cases, employers will deduct 9% of earnings above the lower HE repayment threshold, and it is our intention that repayments taken between £15,795 and £21,000 will be credited to the HE loan, and the remainder of the repayments credited to the FE loan.

BIS and HMRC officials have been working closely over the past few months to identify a way forward that achieves the policy objective of creating a more level playing field in the HE sector and which meet EU VAT rules without creating any unintended consequences. Subject to Treasury Ministers' views, HMRC intends to consult on emerging options later this year.

Brian Binley asked me about statements from the Student Loan Company on loan balances. Students would not normally receive statements until they are liable to repay—the April after they leave their course. However, they can access their outstanding student loan balance on-line at any time during their studies. Those who are liable to repay, receive annual statements. We are asking the SLC to review their approach to statements—including providing more detailed information online.

The Committee asked for information on the socio economic background of students attaining AAB or ABB. I should point out that the liberalisation process will also take into account A level equivalencies. HEFCE analysis shows that AAB accounts for 24% of entrants with known entry grades to full-time undergraduate courses in 2009–10 and 66% attended state schools. Our policy does mean that those attaining AAB+ will have a better chance of going to the university of their choice, but the consequences for the number of students coming from state or private school should be neutral.

Nadim Zahawi asked about the number of institutions charging £7,500 tuition fees that attracted margin places. Margin places were allocated based on average fee levels as specified to HEFCE by the institutions themselves in the application process. Four institutions average fee levels were exactly £7,500 in the process HEFCE used to allocate places, the remaining 187 institutions had average fees less than £7,500 per year.

As you know, the Secretary of State and I are keen to ensure that the committee has the opportunity to engage on a regular basis with BIS Ministers and we have asked our Parliamentary Clerk to liaise with the Clerk to the Committee to arrange a suitable date for a meeting between Committee members and BIS Ministers and Directors later in the Autumn.

The Rt Hon David Willetts MP

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