

The Office for Students' response to the Education Committee report on value for money in higher education

This document presents the response of the Office for Students (OfS) to the House of Commons Education Committee's report on value for money in higher education, which was published on 5 November 2018. The response addresses issues covered by the report that are directly related to the work of the OfS. For the full report see <https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/343/34302.htm>

Introduction

The OfS was established by the Higher Education and Research Act 2017 (HERA) to be the new regulator for higher education in England. It began operations on 1 April 2018. The new OfS regulatory framework will come fully into force on 1 August 2019.

The OfS aims to ensure that every student, whatever their background, has a fulfilling experience of higher education that enriches their lives and careers.

We welcome the Education Select Committee report and its focus on the importance of value for money for students, which is central to our regulatory framework. Universities and colleges are required to meet strict conditions when registering with the OfS, without which they cannot be an officially recognised provider of higher education or gain access to tuition fee funding from the student financial support system. Ensuring value for money explicitly underpins those conditions.

We are already addressing a number of areas highlighted in the report:

- We have announced a new approach to significantly reduce gaps in access, success and progression for disadvantaged students.
- Graduate outcomes are one of the conditions on which universities and colleges are assessed in order to register with the OfS.
- Through the Teaching Excellence and Student Outcomes framework (TEF) we promote excellent teaching and improve information for students, including student employment outcomes.
- We strongly support the growth of degree apprenticeships. We are demonstrating this through the £9 million Degree Apprenticeship Development Fund, and will draw on its evaluation to determine how we will support apprenticeships through our access and participation work by spring 2019. Funding in this area will be subject to our grant allocation and guidance from government.
- We have conducted an analysis based on data from UCAS to understand the increase in unconditional offers and the impact this has on students. We will publish our analysis and the actions we will take as a result of it in January 2019.
- We require universities and other registered providers to publish details of vice-chancellors' pay and justify their pay package in their annual accounts. We also require them to publish

the number of staff being paid more than £100,000, and ratios showing how the vice-chancellor's pay compares to that of all other employees. We will be publishing annual reports summarising this information. This goes beyond previous requirements.

This document presents our detailed responses to the recommendations which fall directly within the remit of, or are addressed to, the OfS.

The numbers on the left hand side relate to the section numbering in the list of conclusions and recommendations in the Select Committee's report (beginning on page 37).

Value for money for students and the taxpayer

2 Every higher education institution should publish a breakdown of how tuition fees are spent on their websites. This should take place by the end of 2018, and we recommend that the Office for Students intervenes if this deadline is not met. (paragraph 20)

As noted in the Select Committee's report, the OfS regulatory framework addresses the question of transparency in how tuition fees are being spent. As part of condition E2, registered providers must have in place adequate and effective management and governance arrangements to deliver certain public interest governance principles. One of these principles is that 'the governing body ensures that there are adequate and effective arrangements in place to provide transparency about value for money for all students and (where a provider has access to the student support system or to grant funding) for taxpayers.'

In judging whether a provider meets these requirements, the OfS may consider whether the provider regularly publishes clear information about its arrangements for securing value for money – including, in a value for money statement, data about the sources of its income and the way that its income is used.

The OfS is currently exploring ways to promote transparency on value for money beyond this baseline for registered providers. We note that Universities UK is working in this area and expect to see the sector developing and defining best practice in the presentation of income and expenditure data to students.

The OfS regulatory framework is available at: www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/.

4 The current system of self-regulation for senior management pay is totally unacceptable. We call for the Office for Students to publish strict criteria for universities on acceptable levels of pay that could be linked to average staff pay, performance and other measures that the Office for Students sees fit. The Office for Students should take swift action if this is not the case. (paragraph 28)

The OfS promotes restraint and accountability in senior staff remuneration.

To ensure transparency in senior pay, the OfS's accounts direction requires registered higher education providers to publish information about vice-chancellor and other senior officer

remuneration in their audited financial statements each year. It is a condition of registration with the OfS that providers comply (part of condition E3).

The information required includes a full breakdown of the remuneration of the vice-chancellor or other head of the provider, including benefits, and a justification for the total remuneration package, referring to the context in which the provider operates and linked to the value and performance delivered by the head of the provider. It should explain the process adopted for judging their performance.

The financial statement must also give the relationship between the head of provider's remuneration and that of all other employees, both academic and non-academic staff, expressed as a pay multiple. Providers are also required to state the number of staff earning over £100,000 per year.

To further enhance transparency and scrutiny the OfS intends to publish annually the remuneration of heads of providers and the other information on pay required by the accounts directions.

The OfS has a duty to have regard to the need to protect institutional autonomy. Decisions about the levels of senior staff remuneration are for individual governing bodies to determine: the OfS has no powers to set pay for providers. However, the OfS can intervene if providers fail to be transparent about the level of, or the justification for, senior pay.

Where a provider has breached an ongoing condition of registration the OfS can impose a range of interventions and sanctions, including applying specific conditions, monetary penalties (from 1 August 2019) and ultimately suspension from the OfS Register. Suspension affects a provider's ability to access public funding and the ability of new students to access student tuition fee and maintenance loans.

5 Institutions must routinely publish the total remuneration packages of their Vice-Chancellors in a visible place on their website. Vice-Chancellors must never sit on their remuneration boards and this should be enforced by the Office for Students. (paragraph 29)

The OfS has published its accounts direction, which ensures transparency by requiring higher education providers to publish information on the vice-chancellor or other head of provider's remuneration package (including non-taxable benefits and a justification for the remuneration) in their audited financial statements each year. The accounts direction also requires providers to publish their audited financial statements.

It is a condition of registration with the OfS that providers comply with the accounts direction.

The Higher Education Senior Staff Remuneration Code published by the Committee of University Chairs in June 2018 outlines a range of principles, including that the head of the institution must not be a member of its Remuneration Committee. Compliance with this Code is a factor that the OfS will take into account in determining whether a higher education provider complies with its conditions of registration.

- 8 More flexible approaches to higher education should be supplemented by the option for undergraduates of studying for two-year accelerated degrees alongside the traditional three-year model. The post-18 review should investigate potential funding models to clarify the benefits and costs of accelerated degrees, taking into account fees, living costs and post-study earnings. (paragraph 48)**

The OfS is committed to promoting greater diversity, choice and value for money in higher education. We want to encourage the development of new and alternative high quality provision that responds to students' needs and preferences.

Accelerated degrees could potentially offer students from all backgrounds the possibility of studying at a lower overall cost compared with a standard three-year course.

We are working to remove barriers to the provision of accelerated degrees. We look forward to any findings on this topic from the post-18 review and to working with students, universities and colleges, the government and other partners to support the wider delivery of these degrees.

Skills

- 12 Degree apprenticeships are crucial to boosting the productivity of this country, providing another legitimate route to higher education qualifications and bringing more students from disadvantaged backgrounds into higher education. We believe some of the money which is currently allocated by the Office for Students for widening access could be better spent on the development and promotion of degree apprenticeships and support for degree apprentices to climb the ladder of opportunity. (paragraph 71)**
- 13 All higher education institutions should offer degree apprenticeships, and we encourage students from all backgrounds to undertake them. We recommend that the Office for Students demonstrates its support for them by allocating a significant portion of its widening access funding to the expansion of degree apprenticeships specifically for disadvantaged students. (paragraph 72)**

The OfS strongly supports degree apprenticeships as a route into and through higher education for all. We see that it could particularly benefit disadvantaged students

Our Degree Apprenticeship Development Fund (DADF) has invested over £9 million of funding in 44 projects across England. The higher education providers involved have used their funding to develop new apprenticeships alongside employers; to conduct market research and awareness-raising activity with employers and potential apprentices; and to establish infrastructure that can better support the delivery and growth of high quality apprenticeships.

In October 2018 we published an analysis of degree apprenticeships and called for universities and employers to further improve degree apprenticeship opportunities so they are available to all who could benefit from them.

In the Access and Participation Plan guidance we will publish in spring 2019, we will set out how we plan to encourage higher education providers to use degree apprenticeships as a route to support social mobility.

With regard to the Committee's suggestion on funding, we will explore this further in the light of our forthcoming evaluation report on the DADF programme, which will be published by spring 2019, together with our grant allocation and guidance from government. This will ensure that our support is focused where it will have the greatest impact.

15 We recommend that universities look to include significant periods of work experience within undergraduate degree courses. This could be a year in industry, or shorter placements with local employers. We believe that practical experience of the workplace must become the norm in degrees and an integral part of making students 'work ready'. There should also be a greater focus on the extent to which universities prepare their students for work in the TEF criteria. (paragraph 79)

Graduate outcomes and employability are one of the OfS's four priorities and are recognised in our Regulatory Framework: 'The provider must deliver successful outcomes for all its students, which are recognised and valued by employers'.

There is clear evidence that work experience and work-related learning contribute to better outcomes for students, and we encourage moves to integrate these elements into higher education courses.

Many employers are now offering degree apprenticeships and this is welcome. We know that work placements can have a significant impact on graduate outcomes generally.

Sandwich degrees which include a work placement – typically of a year – are sometimes considered the gold standard, but we recognise that they are not necessarily suitable for all students, courses and universities, or accessible to all students.

Many other students, especially those on courses with little vocational element and those without the right networks, currently have no access to good work placements or holiday internships while they are studying. They are then more likely to face a cycle of internships, often unpaid, after they graduate before they are able to get lasting graduate employment.

We aim to gather evidence on the impact of shorter forms of work experience as part of students' studies and to share information with the sector on what works well. We will be encouraging more employers and universities and other higher education providers to work together to offer suitable placements to undergraduates.

The TEF criteria include aspects of how students are prepared for employment, which incentivises enhancement in this area. Among the elements that go into the TEF assessment are:

- metrics on employment or further study, six months after graduation
- metrics on highly skilled employment or further study, six months after graduation
- supplementary metrics on sustained employment or further study, three years after graduation

- supplementary metrics on graduates earning above the median earnings threshold or in further study, three years after graduation.

The reduction in weighting of the National Student Survey metrics since 2017-18 has increased the relative weighting of these measures.

The TEF award is a holistic judgement based on both metrics and a submission, and many higher education providers explain further in their submissions what they do to prepare students for work, for panels to consider.

Social justice

- 16 Higher education institutions spend a vast amount of public money on access and participation. The results of this expenditure are not always clear to see. There must be transparency on what they are investing in, a greater focus on outcomes for students and a rigorous evaluation process. In response to the Director of Fair Access's new proposals we expect to see institutions focusing their efforts on value for money for the most disadvantaged students and facing penalties if sufficient progress is not made. (paragraph 87)**

The ambition of the OfS is that all students from all backgrounds should have equal opportunities to access and succeed in higher education, and to achieve successful and rewarding careers.

Following consultation on the Director of Fair Access's proposals referred to by the Committee, we have set ourselves ambitious targets to achieve equality of opportunity in higher education, and will now expect universities, colleges and other higher education providers to set their own individual plans and targets to work towards these during the next five years.

We agree with the Committee's comments on transparency, focus and evaluation, which reflect what our reforms to access and participation are designed to achieve.

Through a new cycle of access and participation plans, the OfS will drive providers to implement a more strategic and ambitious approach. This will include a robust assessment of current performance across the student lifecycle, ambitious outcomes-focused targets and credible plans to address gaps, all underpinned by robust evaluation and evidence.

We will require providers to use a self-assessment tool to demonstrate their evaluation practice and the improvements they need to make through their access and participation plans. We are also supporting work in this area through the creation of a national 'what works' centre, the Evidence and Impact Exchange; and by developing evaluation tools and guidance, including a new development tool for providers' outreach work with under-16-year-olds.

In 2019 we will introduce a data dashboard to provide greater transparency on access and participation and show progress.

Where insufficient progress is being made the OfS has the power to apply sanctions, ranging from enhanced monitoring to refusing access and participation plans, imposing specific conditions of registration, and applying financial penalties.

Three universities have already had specific conditions of registration placed on them in relation to this. The University of Oxford and the University of Cambridge have been challenged on their lack of evidence in relation to large amounts of spending on financial support, where robust evaluation was previously committed to but not yet delivered. Oxford Brookes University has been challenged to significantly further its understanding of underrepresentation, without which it will not be able to target groups of students and potential students who have different experiences of higher education at the institution.

More information: www.officeforstudents.org.uk/publications/a-new-approach-to-regulating-access-and-participation-in-english-higher-education-consultation-outcomes/.

17 We recommend a move away from the simple use of entry tariffs as a league table measure towards contextual admissions, foundation courses and other routes to entry. (paragraph 92)

The OfS has no remit for the compilation of league tables but we agree that this would be a welcome move. We aim to use our convening role to raise these issues with league table compilers, and stand ready to play our part in helping to construct better measures.

18 The Office for Students must clamp down on the rise in unconditional offers. Their steep increase is detrimental to the interests of students and undermines the higher education system as a whole. (paragraph 94)

The OfS takes the current growth in unconditional offers very seriously. Lower offers are not appropriate for many students, particularly where they limit a student's other options, and it is important that all offers are made with the student's interests at heart. Students must have both the ability and the support they need to access and succeed on a degree course.

We are currently undertaking an analysis to better understand practice in the making of unconditional offers across the higher education sector. The results of the analysis will influence the actions we intend to take, which we will set out by spring 2019.

It is important for students, and the wider public, to understand patterns of such offer-making and the impact on student performance at different stages of the lifecycle. We will be exploring how the evidence on this can be best communicated, together with regulatory action we may take – while having due regard to the institutional autonomy of universities and colleges on academic matters – if we identify that any individual provider's practice increases the risk that students do not achieve their full potential or do not choose the right course for them.

19 The gap in entry rates between the most and least disadvantaged students remains too wide when it should be closing fast. We support the use of contextualised admissions to bring more students from lower socio-economic backgrounds into higher education. We recognise that this practice should not be used in isolation, and that more effective outreach should be followed by support for disadvantaged students throughout their degree. (paragraph 95)

We agree, and the reforms outlined in our response to recommendation 16 above are set to deliver this.

- 20 Institutions should state their contextualisation policies in their application information. By doing so disadvantaged students and schools in areas with lower rates of participation in higher education will have a better understanding of the entry requirements to different institutions. (paragraph 96)**

We agree and will work through our access and participation good practice duties and guidance to improve practice in this area in the interests of students.

- 21 We are deeply concerned by the fall in both part-time and mature learners, and the impact this has had on those from lower socio-economic groups going into higher education. We recognise that although the number of disadvantaged school leavers going into higher education has increased, the total number of English undergraduate entrants from low participation areas decreased by 15% between 2011/12 and 2015/16. (paragraph 101)**

- 22 The recent decline in part-time and mature learners should be a major focus of the Government's post-18 education and funding review. We support calls for the review to redesign the funding system for these learners. The review should develop a tailored approach which moves away from the one size fits all approach which has driven the dramatic decline in numbers since 2012. (paragraph 102)**

The OfS is equally concerned by the decline in part-time and mature learners in higher education, given the importance of this route for students who do not attain the qualifications or have the ambition to enter higher education when they are young, and given the implications for skills, productivity and growth in the wider economy.

We have identified mature students as a priority for our access and participation work and we will be challenging providers on this through our new approach to be implemented during 2019.

Graduate employability

- 24 We are encouraged by the increase in graduate outcomes information and believe this can both support more informed choices for students and make institutions more accountable for the destinations of their graduates. However, there is still a long way to go before students have access to robust data on graduate employment which will inform their choices. (paragraph 117)**

The Longitudinal Education Outcomes (LEO) dataset, which is now being incorporated into a range of information sources, and data from the new Graduate Outcomes survey have an important role in improving information for students. However it is also important to ensure that students have the support to understand and interpret such data, which can potentially be complex and confusing for applicants.

The OfS is currently developing its strategy for student information, advice and guidance (IAG), to support informed choice by all students, at all levels, through academic and

technical routes, directly from school and later in life. As part of this we will consider how we can ensure that students have the support to make the most of the data available.

The IAG strategy includes developing options for a new resource for students which could replace the higher education course comparison website, Unistats, with a more accessible and personalised resource in 2019. As well as exploring with students how we can best use the data we currently have available, we will be developing a longer-term approach for the presentation and contextualisation of graduate outcomes data on any new resource for 2020, when the Graduate Outcomes survey data will be available for publication.

- 25 Better information on graduate outcomes must lead to a greater focus in higher education on outputs and outcomes. Higher education institutions must be more transparent about the labour market returns of their courses. This is not simply a measure of graduate earnings but of appropriate professional graduate-level and skilled employment destinations. We recommend that the Office for Students instructs all providers to be transparent about levels of graduate employment and secure this through funding agreements. (paragraph 118)**

In addition to earnings information, the OfS, working with UK partners, already publishes data about employment outcomes and job quality. This is currently taken from the Destination of Leavers from Higher Education survey, in which higher education providers are required to participate, and published on the Unistats website, to which they are required to link from their course pages. In future, providers will be required to participate in the Graduate Outcomes survey, the outcomes of which will also be published centrally.

- 27 Students lack sufficient high-quality information to make informed choices about higher education and the career paths which might subsequently be open to them. Decisions to take on a financial burden lasting most of a working lifetime are often made by students without adequate information or advice. The long-term implications of an adverse choice can leave students in a vulnerable position. (paragraph 126)**

Research by the OfS supports the Committee's findings on the provision of information and advice to students. The information landscape is cluttered, and students currently lack sufficient support to make decisions about higher education.

Facilitating the provision of effective information and advice to all students is one of the OfS's priorities, and we are developing a student information, advice and guidance (IAG) strategy for 2019 which will consider how we can improve what information and support is available to students.

Our approach will involve collaborating with a range of partners to improve the advice and information available, as well as developing a new online resource which could replace the Unistats website. We are evaluating tools which allow students to see career paths from different courses and hope that by connecting this information with LEO data and survey responses from graduates on their employment outcomes we can give prospective students better information on outcomes of past graduates. We are also exploring how best to ensure students can access reliable information on funding and finance, including signposting them to sources of support.

28 Student choice is central to the debate over value for money in higher education. Our inquiry found a woeful lack of pre-application and career information, advice and guidance, particularly awareness of degree apprenticeships. The Government's current post-18 review must look at routes into higher education, and the quality of careers advice which students receive. (paragraph 127)

While this recommendation is addressed to the review of post-18 education and funding, the OfS will be working with partners to help improve information about post-16 education and training routes, including apprenticeship routes, as part of its IAG strategy mentioned above.