



House of Commons  
Committee of Public Accounts

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# Alternative Higher Education Providers

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**Twenty-Third Report of Session 2017–19**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 28 February 2018*

## The Committee of Public Accounts

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### Publication

Committee reports are published on the [Committee’s website](#) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee’s website.

### Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Dominic Stockbridge (Second Clerk), Hannah Wentworth (Chair Support), Ruby Radley (Senior Committee Assistant), Carolyn Bowes and Kutumya Kibedi (Committee Assistants), and Tim Bowden (Media Officer).

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## Summary

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Serious allegations of fraudulent practices at alternative providers show that the Department for Education (the Department) has not done enough to close down opportunities to play the system, allowing the sector to become a 'chancer's charter'. Since the Committee previously reported in 2015, the Department has made some progress in strengthening its oversight of alternative providers. Fewer students are dropping out of their courses, and the Department has strengthened controls and committed more resources to tackling fraud. However, one in four students at alternative providers are still not completing their courses, compared to one in ten in the rest of the higher education sector, and a further £10 million has been paid out to students or providers who are not eligible for student loan funding. We expect the new Office for Students to learn the lessons from the Department's experience to date when it takes over responsibility for the alternative provider sector.

## Introduction

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In 2017 there were 112 institutions termed ‘alternative providers’ offering higher education. These institutions do not receive government grants directly, but do access public funding through student loans which are used to pay their fees. In the 2015–16 academic year, around 34,000 students attending alternative providers received student loans, and Government paid out £417 million in tuition fee loans, maintenance loans and grants to alternative providers and their students. In 2016, the Department for Education assumed responsibility for oversight of publicly-funded higher education, taking over from the former Department for Business, Innovation & Skills (BIS). From April 2018, a new Office for Students will be responsible for regulating all English higher education institutions, including alternative higher education providers. The previous Committee reported on weaknesses in BIS’s oversight of alternative providers in 2015. This report follows up on the progress made by the Department to address those concerns.

## Conclusions and recommendations

1. **There are still too many students dropping out of their courses.** High numbers of students dropping out of their courses is a concern, not only because they will not gain the skills they need, but also because they may not repay the public money borrowed to fund their studies. Since the Committee reported in 2015, the Department for Education (the Department) has imposed tougher sanctions on providers, and non-continuation rates (the rate of students who do not return for a second year of study) have reduced from 38% in 2012–13 to 25% in 2014–15. However, rates in the rest of the sector are much lower at 10%. To date, when imposing sanctions the Department has primarily focused on each provider's performance against its individual benchmark, rather than a target non-continuation rate for the sector as a whole. The provider's individual benchmark takes account of the particular characteristics of the provider's student population, such as students' age and entry qualifications. However, in taking this approach, the Department is failing to require providers with high numbers of students from disadvantaged or less traditional academic backgrounds, to tackle the underlying reasons why their students drop out.

**Recommendation:** *The Office for Students should set out what more, beyond the existing approach to imposing sanctions, it will do to ensure that non-continuation rates reduce further year on year, and confirm by when it expects to reduce non-continuation rates for alternative providers to the same level as for the rest of the Higher Education (HE) sector.*

2. **It remains to be seen how, in practice, the Office for Students will put protecting and promoting, students' interests at the centre of its regulatory system.** The new Office for Students states that it aims to put students at the centre of its new framework for regulating the higher education sector. It intends to draw on data such as that provided by the National Student Survey to ensure it is capturing the student perspective. In addition, it intends to have a student representative on the Board but, as at January 2018, Ministers had made only an interim appointment. Students are vulnerable to changes in their providers' circumstances. For example, the Department decided that the London College of Creative Media should continue to be eligible for student loan funding in 2017, even though it knew the College was experiencing financial difficulties. The Department agreed a contingency plan with the College's validating body, designed to protect students, but the College entered administration in January 2018.

**Recommendation:** *As the Office for Students develops, we will be looking to see it demonstrate that protecting student interests is indeed central to its approach, effective representation for students on the Board, mechanisms for consulting students, and raising standards for students across the whole HE sector, irrespective of whether they study at traditional or alternative HE institutions. The Office for Students should set out a clear strategy, with timescales, on how it will promote student interests.*

3. **Despite previous assurances to us, the Department is taking far too long to get sufficiently timely data to allow robust oversight of providers.** It has also failed to recover student loan payments it made to ineligible students. The previous Committee's 2015 report highlighted the lack of adequate performance data. In response, the Department for Business, Innovation & Skills, who were then responsible, committed to improving data collection and analysis. However, effective monitoring systems will now not be in place until 2019–20. The Department's current non-automated approach relies on end-of-year non-continuation data as the basis for sanctions, which means that, depending on when a student stopped attending, data may not be available for more than a year after the student dropped out. In addition, while the Student Loans Company has introduced digital forms to help avoid making payments to ineligible students, it paid out a further £10 million to ineligible students in 2014–15 and 2015–16, and admits that it still lacks robust data to monitor and analyse levels of ineligible payments in real time. Although the Student Loans Company previously committed to recovering all money that had been made to ineligible students, it has only been able to recover £11 million of the £45 million of ineligible payments made in the six years to 2015–16.

**Recommendation:** *By September 2018, the Department, the Student Loans Company and the Office for Students should develop a more ambitious plan for what data they will collect to monitor provider performance and to avoid further ineligible payments. This plan should set out how they will collect data including the development of better data systems akin to those used in other parts of government and in the private sector.*

4. **The Department does not yet have sufficiently effective systems in place to identify promptly where it needs to intervene to address fraud or emerging issues.** Since 2014, the Department has committed additional resources to oversight of the alternative provider sector. The Department has established an intelligence unit and the Student Loans Company has invested in counter-fraud capability. However, the Department is overly-reliant on whistleblowers with 50% of its investigations prompted by informers, including providers' students and employees. A better system would make more use of real-time data and would bring together different datasets to detect patterns, such as a correlation between high non-continuation rates, indicators of poor quality provision and low student satisfaction. The Office for Students has a key role to play in developing more sophisticated indicators for monitoring the sector.

**Recommendation:** *By the end of 2018, the Department and the Office for Students should develop a more systematic and proactive approach to identifying problems emerging in the sector so that it can take prompt action to deal with failing providers and protect the interests of learners.*

5. **The alternative provider sector still presents too many opportunities to fraudsters.** From January 2015 to November 2016, the Department investigated 32 cases of potential wrongdoing at alternative providers. More recently, in November 2017 the BBC's Panorama programme broadcast details of an undercover investigation and reported that agents at a small number of alternative providers were helping students make fraudulent applications, offering coursework for sale, and faking attendance so that they could claim loans they were not entitled to. In addition, the Department

lacks information on the transparency of arrangements between alternative providers and the higher education institutions that validate their degrees, including the level of payments made by alternative providers to their validating institutions and the role played by validating institutions in ensuring quality.

***Recommendation: As one of its first tasks, the Office for Students should set out how it will investigate and clamp down on recruitment malpractice, faking attendance records and coursework, and opaque arrangements for validating degrees, and produce a robust plan for remedying these problems across the sector.***

# 1 Performance and protecting students' interest

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1. On the basis of a Report by the Comptroller and Auditor General, we took evidence from the Department for Education (the Department), the Office for Students and the Student Loans Company on government oversight of alternative higher education providers.<sup>1</sup>

2. Alternative providers are institutions that offer higher education qualifications, but do not receive government grants directly from the Higher Education Funding Council for England (HEFCE). They access public funding through student loans which their students use to pay tuition fees. Only students enrolled on courses approved by the Secretary of State for Education are eligible for student loans. While providers that receive grants from HEFCE are automatically approved for student loan funding, alternative providers must apply to the Department to have their courses approved.<sup>2</sup>

3. In September 2017 there were 112 alternative providers accessing student loan funding. In the 2015–16 academic year, around 34,000 students attending alternative providers received student loans, and Government paid out £417 million in tuition fee loans, maintenance loans and grants to alternative providers and their students.<sup>3</sup>

4. The previous Committee published a report on alternative higher education providers in February 2015, concluding that the Department had allowed a rapid expansion in the alternative providers sector without putting in place a robust legislative framework or adequate oversight to protect public money. There was evidence of inappropriate recruitment practices and high numbers of students dropping out at some alternative providers, significant numbers of students receiving funding for which they were not eligible, and evidence that some students were claiming funding but not attending college.<sup>4</sup>

5. At the time of the previous Committee's report, the Department for Business, Innovation & Skills was responsible for higher education. In July 2016, responsibility transferred to the Department for Education. From April 2018, a new Office for Students will be responsible for regulating all English higher education institutions, including alternative higher education providers.<sup>5</sup>

## Reducing the number of students dropping out

6. The non-continuation rate (the proportion of students who do not return for a second year of study) at alternative providers has fallen from 38% of students in 2012–13 to 25% in 2014–15 (the most recent data available). The Department attributed this improvement to the increased monitoring and interventions that it introduced after the previous Committee's report.<sup>6</sup> The Department told us that it expects the non-continuation rate

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1 Report by the Comptroller and Auditor General, [Follow-up on alternative higher education providers](#), HC 411, 18 October 2017

2 [C&AG's Report](#), para 1.2

3 [C&AG's Report](#), paras 7, 1.1. 1.2

4 Committee of Public Accounts, [Financial support for student at alternative higher education providers](#), Forty-first Report of Session 2014–15, HC 811, 24 February 2015

5 [C&AG's Report](#), paras 1.3, 2.5

6 Q 50; [C&AG's Report](#), para 11

to fall further because it took action against the 11 alternative providers with high non-continuation rates in 2014–15. Three of those providers are no longer eligible for student loan funding for some or all of their higher education provision. However, we noted that non-continuation rates for the rest of the sector, at 10%, are currently much lower than those of alternative providers.<sup>7</sup>

7. To date, when imposing sanctions, the Department has primarily focused on each provider’s performance against its individual benchmark, rather than a target non-continuation rate for the sector as a whole. The provider’s individual benchmark takes account of the particular characteristics of the provider’s student population, such as students’ age and entry qualifications.<sup>8</sup> For 2014–15, 11 providers had non-continuation rates that were 5 to 55 percentage points higher than their individual benchmarks, while ten providers had non-continuation rates that were 4 to 17 percentage points below their individual benchmarks.<sup>9</sup>

8. We asked the Department whether by not setting stringent targets, or by not being stronger about reducing non-continuation rates, it was applying different rules to different parts of the higher education sector, and not doing enough to support individual students from all backgrounds.<sup>10</sup> Both the Department and the Office for Students agreed that they need to reduce non-continuation rates further. They said that they aim to reduce non-continuation rates year-by-year, but neither was willing to state a target or what they would consider an acceptable rate to be.<sup>11</sup> In addition, the Office for Students told us that, although its regulatory framework is under consultation, the current proposition is for it to be based on absolute, not benchmark, non-continuation rates. It said that reducing high non-continuation rates is a priority and that its wider range of regulatory functions and powers should allow it to address the issue of non-continuation in ‘a more rigorous way than has been the case in the past.’<sup>12</sup>

## Putting students’ interests at the centre of the regulatory system

9. The Office for Students told us that when it takes over regulation of all higher education providers, it will focus on the interests of students, ensuring that they are satisfied that they have had good quality experiences in higher education and that they see the teaching provided as good value for money.<sup>13</sup> However, the precise details of how the Office for Students will exercise its regulatory powers and work with other regulatory bodies, such as the new quality assurance body that will be appointed, have yet to be decided.<sup>14</sup>

10. The Office for Students told us that it will follow an “extensive student engagement strategy” to inform how it works. In addition to using sources such as the National Student Survey, it has set up a student panel to provide feedback.<sup>15</sup> The president of the National Union of Students (NUS) is on the student panel, but the NUS has no direct representation

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7 Qq 50, 51; [C&AG’s Report](#), para 2.13, Figure 4

8 Qq 52–53; [C&AG’s Report](#), para 12

9 Q 52; [C&AG’s Report](#), para 13

10 Q 57

11 Qq 53, 54, 57

12 Qq 54–56

13 Qq 36, 111

14 Qq 103, 104

15 Q 38

on the Office for Students' Board. The Office for Students and the Department told us that appointments to the Board are a matter for Ministers, and that one student has been appointed on an interim basis.<sup>16</sup>

11. We asked the Department about the impact on students' education when the London College of Creative Media (LCCM) went into administration in early January 2018. The Department told us that it became aware of LCCM's financial difficulties in late 2016 when it was considering whether it should continue to be eligible for student loan funding in the following academic year. It did decide that LCCM should continue to receive student loans, but agreed a set of actions for the provider to undertake to address its financial risks. The Department also put in place a contingency plan with the Open University, the validator of qualifications awarded by LCCM, which was designed to protect student interests in the event of LCCM going into administration. The Department told us that this contingency plan has been put into action. It accepted that regulation of alternative providers could be better and that the new arrangements based around the Office for Students would allow earlier action to protect students' interests.<sup>17</sup>

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16 Qq 39–42

17 Qq 31–35

## 2 Oversight

### The availability of data to support robust oversight

12. In its 2015 report on alternative providers, the previous Committee highlighted concerns about the lack of data available to assess the performance of private institutions.<sup>18</sup> In its response to the Committee's recommendations, the Department committed to improve data collection and analysis. It said it would use data to decide which providers should be funded, set student number controls and monitor under-performing providers.<sup>19</sup>

13. However, the Department is still not able to impose sanctions promptly on providers with high numbers of students dropping out, because it uses end-of-year non-continuation rates as the basis of sanctions. Depending on when a student stopped attending, this end of year non-continuation data may not be available for more than a year after the student actually dropped out.<sup>20</sup> The Department acknowledged that this level of monitoring is not acceptable and told us that it aims to be using termly data by 2019–20, although its system for collecting the new data is still a work in progress.<sup>21</sup> The Department is not able to automate collection of attendance data because it does not have access to providers' systems. This contrasts with practices in other parts of government, such as HM Revenue & Customs, and the private sector, where data collection is automated so that data is available more quickly.<sup>22</sup>

14. Since the previous Committee's report on alternative providers, the level of student loan payments made to students at alternative providers who are ineligible has fallen, from 4% in 2012–13 to 0.5% in 2014–15, in line with the rest of the higher education sector (0.8%). The Student Loans Company told us that it has learned lessons to ensure that further ineligible payments do not occur in the future and that digitising its forms makes it easier to prevent mistakes when prospective borrowers apply for student loans.<sup>23</sup> However, of £45 million of ineligible payments the Student Loans Company made since 2010–11, it does not know the specific reasons for £19 million it paid out. This includes all ineligible payments it made in 2014–15 and 2015–16, totalling around £10 million.<sup>24</sup> The Student Loans Company accepted that it needs data on the reasons why ineligible payments are made, told the Committee that it is currently deciding on appropriate ineligible payment categories, and said it would have a new system in place by 2019–20.<sup>25</sup>

15. The previous Committee highlighted its concerns about the public money that was at risk of being wasted as a result of the lack of performance data and the Department's weak oversight of the alternative provider sector.<sup>26</sup> In response, the Department committed to recovering all money that has been paid to ineligible students and providers.<sup>27</sup> However,

18 Committee of Public Accounts, [Financial support for students at alternative higher education providers](#), para 4

19 HM Treasury, [Government response on the 41st report from the Committee of Public Accounts](#), Cm 9091, July 2015

20 [C&AG's Report](#), para 2.21

21 Qq 58–63

22 Qq 65–69

23 Q 80; [C&AG's Report](#), para 2.2

24 Q 82; [C&AG's Report](#), paras 2.6, 2.7, Figure 2

25 Qq 81–83

26 Committee of Public Accounts, [Financial support for students at alternative higher education providers](#), paras 1–4

27 HM Treasury, [Government response on the 41st report from the Committee of Public Accounts](#), Cm 9091, July 2015

the Student Loans Company has recovered only £11 million of the £45 million ineligible payments it has made since 2010–11 (up from £9 million when the NAO reported in October 2017). The Department was unable to provide details of how quickly it expects the Student Loans Company to recover these ineligible payments.<sup>28</sup>

## Intervening to address under performance and poor practices

16. Since 2014, the Department has taken steps to strengthen its oversight of alternative providers to help improve the quality of education they offer. In 2015 it established a joint intelligence unit with the Higher Education Funding Council for England.<sup>29</sup> In addition, the Student Loans Company told us that it has more than tripled its investment into anti-fraud measures and that it is getting a return on investment of about 12:1 by making recoveries and preventing losses.<sup>30</sup> The Department now has powers to access providers' premises if it needs to make checks, and the new Office for Students will also be able to enter and search providers' premises.<sup>31</sup>

17. However, more than half of the 32 investigations the Department considered between January 2015 and November 2016 were triggered by whistleblowers.<sup>32</sup> We asked the Department if it depended too much on whistleblowers reporting concerns about alternative providers, and it agreed that it needs to use data earlier and have a better analysis of data, so that it can spot patterns.<sup>33</sup>

18. We suggested that a dashboard approach highlighting any correlation between, for example, high non-continuation rates and poor quality indicators could be part of a more proactive approach for identifying under-performing providers.<sup>34</sup> The Department told us that experts in its investigations unit are working to identify the pieces of data that will be useful for the Office for Students to use as key indicators when it takes on regulation of alternative providers.<sup>35</sup>

19. Issues continue to arise at alternative providers. Between January 2015 and November 2016, the Department investigated 32 cases of potential wrongdoing at alternative providers. Since 2015, the Department has suspended student support payments to 19 providers under investigation, and overall it has taken action in more than 30 cases where its investigations, data, or other engagement, have identified providers who have not performed at expected levels.<sup>36</sup>

20. In November 2017, the BBC Panorama programme reported on its investigation into the Greenwich School of Management and Grafton College. We asked the Department what it was doing in response to allegations about inappropriate recruitment of students claiming student loans, including the provision of fake certificates allowing students to enrol, the faking of attendance records so that students could claim loans they were not entitled to, and the supply of fake coursework assignments.<sup>37</sup> The Department told us that

28 Qq 85, 90, 91; [C&AG's Report](#), para 2.6

29 Q 78; [C&AG's Report](#), para 3.2

30 Q 92

31 Q 76; [C&AG's Report](#), para 1.7

32 [C&AG's Report](#), para 3.5

33 Q 95

34 Qq 55, 79, 99

35 Q 78

36 [C&AG's Report](#), paras 3.4, 3.5

37 Qq 24,101

it began investigations immediately, and that while its investigations are ongoing, neither college is allowed to use recruitment agents, and that it has instructed Grafton College to suspend recruitment of students. It expects to see the results of some of its investigations by early February 2018.<sup>38</sup>

21. We asked the Department how widespread the issue of inappropriate recruitment might be. It told us that alternative providers do use recruitment agents and that the providers are responsible in the first instance for ensuring that agents perform to high standards and with integrity.<sup>39</sup> The Department is not currently considering regulation of recruitment agents because alternative providers are autonomous institutions responsible for their own recruitment and admissions, but it accepted that inappropriate recruitment and fake assignments are both areas that it needs to monitor closely.<sup>40</sup>

22. We also asked the Department about arrangements by which higher education institutions with degree awarding powers validate the degrees of alternative providers, and in particular whether there was information in the public domain on how much those institutions charge alternative providers for validation services. The Department agreed that this is an area that it needs to look at, and told us that the Office for Students will be placing emphasis on greater transparency across the sector.<sup>41</sup>

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38 Qq 24–28; Department for Education ([AHE0001](#))

39 Q 105

40 Q 107

41 Q 112

## Formal minutes

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**Wednesday 28 February 2018**

Members present:

Meg Hillier, in the Chair

Bim Afolami

Anne Marie Morris

Sir Geoffrey Clifton-Brown

Lee Rowley

Gillian Keegan

Draft Report (*Alternative Higher Education Providers*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 22 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

*Resolved*, That the Report be the Twenty-third of the Committee to the House.

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

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

[Adjourned till Monday 5 March 2018 at 3.30pm]

## Witnesses

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

### Monday 15 January 2018

*Question number*

**Nicola Dandridge**, Chief Executive, Office for Students, **Peter Lauener**, Interim Chief Executive, Student Loans Company, **Philippa Lloyd**, Director General, Higher and Further Education, and **Jonathan Slater**, Permanent Secretary, Department for Education

[Q1-112](#)

## Published written evidence

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

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

- 1 Department for Education ([AHE0001](#))

## List of Reports from the Committee during the current session

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All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575)
Twelfth Report	HMRC's Performance in 2016–17	HC 456
Thirteenth Report	NHS continuing healthcare funding	HC 455
Fourteenth Report	Delivering Carrier Strike	HC 394
Fifteenth Report	Offender-monitoring tags	HC 458
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463
Seventeenth Report	Retaining and developing the teaching workforce	HC 460
Eighteenth Report	Exiting the European Union	HC 467

Nineteenth Report	Excess Votes 2016–17	HC 806
Twentieth Report	Update on the Thameslink Programme	HC 466
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347

# Public Accounts Committee

## Oral evidence: Alternative Higher Education Providers HC 736

Monday 15 Jan 2018

Ordered by the House of Commons to be published on 15 Jan 2018.

Watch the meeting

Members present: Meg Hillier (Chair); Bim Afolami; Heidi Allen; Martyn Day; Bridget Phillipson; Gillian Keegan; Nigel Mills; Layla Moran.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Sian Jones, Director, NAO, Simon Helps, Director, NAO, Lee Summerfield, Director Investigations, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-112

### Witnesses

I: Nicola Dandridge, Chief Executive, Office for Students, Peter Lauener, Interim Chief Executive, Student Loans Company, Philippa Lloyd, Director General, Higher and Further Education, Department for Education, and Jonathan Slater, Permanent Secretary, Department for Education.

II: Peter Lauener, former Chief Executive, Education and Skills Funding Agency, Andy Palmer, Chief Executive, Learndirect Ltd, Jonathan Slater, Permanent Secretary, Department for Education, and Amanda Spielman, Chief Inspector, Ofsted.



## Examination of witnesses

Witnesses: Nicola Dandridge, Peter Lauener, Philippa Lloyd, and Jonathan Slater.

**Q1 Chair:** Welcome to the Public Accounts Committee on Monday 15 January 2018. Another year, another visit by Jonathan Slater and his crew—I welcome you to today’s busy session. We are looking at two issues. The first session will be on alternative higher education providers, off the back of the National Audit Office Report. We will look particularly at the rate of student drop-out and the amount of money spent in this sector compared with others—I will introduce that properly in a moment. The second session will look at Learndirect, with a slight change of witnesses.

As you might expect, Mr Slater, there are some questions that we want to ask you at the beginning, but before I do that, I want to introduce all our witnesses. From my left to right, we have: Philippa Lloyd, the director general for higher and further education at the Department for Education—welcome to you. Is it your first visit to us?

**Philippa Lloyd:** It is.

**Chair:** Welcome. Then we have: Jonathan Slater, the Permanent Secretary at the Department for Education; Peter Lauener, who it says here is the interim Chief Executive of the Student Loans Company—I never know which hat you are wearing. Is this your only job now, Mr Lauener?

**Peter Lauener:** Indeed it is, yes—not one I expected to do.

**Q2 Chair:** You had three or four before, and you have not got your knighthood yet, but I am sure it is on its way. Then we have Nicola Dandridge, who is the Chief Executive of the Office for Students, which of course has been greatly in the news this week.

We want to cover off a couple of issues that have been debated. The first issue—I am sure you are prepared to answer this, Mr Slater, but if you are not, tough, because we are going to ask it anyway—is Carillion: a huge failure by a company providing major public services across a number of sectors. Indeed, 38% of its business is in the public sector, but quite a chunk is in the education sphere. The Education and Skills Funding Agency has provided contracts worth up to £4 billion combined, covering projects worth over £12 million. Carillion is among 33 contractors appointed to the £8 billion school building framework. What exposure has your Department got? What will the failure of Carillion do to the education elements of its work?

**Jonathan Slater:** We have been working on contingency plans—

**Q3 Chair:** How long have you been working on contingency plans?

**Jonathan Slater:** Since well before Christmas, in two areas. One is schools and the other is apprenticeships. Carillion provides services to



## HOUSE OF COMMONS

somewhat fewer than 250 schools around the country—cleaning, catering and repairs; that sort of thing—and a much smaller number of school building projects are live. So what we have been doing since before Christmas is working closely with the local authorities involved—two in particular—and with the academy trusts and others to ensure that if Carillion, as has now happened, went down, the appropriate steps and arrangements were in place so that services could continue unaffected, staff could carry on coming into work to do the work and get paid for it and so on.

**Q4 Chair:** What are those contingency arrangements?

**Jonathan Slater:** We have been working closely with the councils just to make sure that staff could get paid and that new providers came in. Obviously, the circumstances vary school by school. You have got a private finance school, then we have got a contract with the parent body, who has to arrange for a new provider to come in with Carillion withdrawing. So there is an arrangement in place with each of those schools to ensure that services can be continued with new providers. That is what we have been working on and that is what has been enacted today

**Q5 Chair:** What about where they are building schools? You say there is a smaller number of school-building programmes, but that is significant work.

**Jonathan Slater:** Yes, it is a small number. To give you one example of the sort of thing we have been dealing with, Carillion were contracted to knock down a dining hall and build a new one, so we have been working on a plan for how that gets taken forward by a new contractor.

**Q6 Chair:** So you are saying it is as simple as Carillion stopping one day and another contractor starting the next.

**Jonathan Slater:** No. The reason we have been working on it for some time is precisely because this is a very complicated task. It is not a task we have to accomplish on our own. As I say, we have been working closely with the two major local authorities involved and we are confident in their contingency plans. We have been going through it school by school. I would expect there to be challenges as we enact this contingency plan, but services have continued today: the schools have opened today and people have come into work. Our job is to ensure that that continues.

**Q7 Chair:** So you make sure that continues, but who will be paying the wages of those staff and covering any of the costs—

**Jonathan Slater:** You will have heard that this work is being co-ordinated by the Cabinet Office, which has announced today that the Government will ensure that funding is provided to keep services going. We have, as I say, contracts in place with the private finance companies for those schools. Instead of the local authority or the school paying Carillion, they will be paying the new provider they have arranged to put in place to take over the cleaning services thereafter, as the staff transfer across.



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Obviously I am more than happy to share more detail with you, but what we have done is agree arrangements in each case.

On the apprenticeships side, we have been working on this for the same length of time, and our plan is to find arrangements for those 1,200 or so apprentices who are with Carillion, to find new—

Q8 **Chair:** Are these in the education sector? Just to be clear: there are 1,200 apprentices in the education sector.

**Jonathan Slater:** No, I am talking about our responsibilities for overseeing apprenticeships.

Q9 **Chair:** Those were on apprenticeship learning with Carillion.

**Jonathan Slater:** Exactly. So our task has been to make sure that we had, to the extent possible, plans to transfer those 1,200 apprentices over to new apprenticeships if that were to happen. We have written to each of the 1,200 apprentices today, to set out what happens next. We have been working closely with the Construction Industry Training Board. We are finalising those arrangements now that the events have happened today, but it looks very encouraging that it will be possible for all those apprentices to carry on, thanks to the work we are doing with the CITB, through new apprenticeships elsewhere.

Q10 **Chair:** I have a couple of quick questions. You said you have been working on this for some time before Christmas. Can you give us a more precise date when you started having to work up these contingency plans?

**Jonathan Slater:** Sorry, I do not have a date to hand, but it has been about three months.

Q11 **Chair:** Okay. There is a lot of debate about when Carillion knew that there was trouble.

Secondly, you talk about extra money coming from the Government. Is the money from the education budget being put in to dealing with these issues in the education sector, so that schools can carry on educating children?

**Jonathan Slater:** We haven't put aside additional money; we are talking about transferring money that we would have provided to Carillion to new providers. I do not really want to speak for the Cabinet Office in the work it is doing, which John Manzoni is leading.

Q12 **Chair:** There may be central Government funding, you are saying.

**Jonathan Slater:** I need to leave the Chief Executive of the Civil Service to talk about that.

Q13 **Chair:** Okay. At the moment, there is no additional money coming from your budget at this point to backfill the failure of Carillion to continue its business.

**Jonathan Slater:** No.



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Q14 **Chair:** We would be very grateful if you could write to us with a bit more detail about the dates that you started looking at this. Obviously, it is a moving picture and we will come back to it at some point.

**Jonathan Slater:** Absolutely. I have given you the best possible account I can today but, as you say, what I have told you might develop over time.

**Chair:** No doubt we will get evidence and information from some of those out there affected. We will look at this and I know across the Select Committee Corridor, the Committees are very concerned.

Nigel Mills will now pick up on another current issue.

Q15 **Nigel Mills:** Mr Slater, the qualification of your accounts for the National College of Teaching and Leadership is quite a serious matter, isn't it?

**Jonathan Slater:** It is very frustrating, because of the work that we did to get the Department's accounts unqualified and in on time, and the work we have done to get the first sector accounts out, which you will be scrutinising at the end of the month. It is very frustrating indeed that a set of accounts that previously had been unqualified were qualified for the first time last year; I am very disappointed and I wish it weren't so. I am doing my very best to make sure that it does not happen again and, obviously, to learn the lessons from what went wrong. I am happy to discuss that with you now or later, as you wish.

Q16 **Nigel Mills:** You said "frustrating" and I said "serious". It is quite an important matter; they were qualified because you said there couldn't be assurance that the funding was being used for the purpose it was intended to be used for. That is a serious issue: it is £318 million. The error rate was really quite high. I suppose the first question is how come you didn't spot this before the NAO found it on its audit?

**Jonathan Slater:** What seems to have happened is that the team at NCTL, which had been producing its accounts in the normal way—with the benefit of hindsight—lost focus on something for which they had been able to get their accounts successfully through unqualified previously. I do not think that anything particularly new happened here. When the NAO started asking perfectly legitimate questions this time around, the team in the NCTL thought that it would be able to satisfy the NAO as it had done previously, but when the NAO kept asking for more detail, quite rightly, it found that some assurances simply were not in place. Specifically, at the heart of it, what happened—it is obviously complicated—was that, when the annual grant reports came in from each of the higher education institutions, the NAO asked, "What degree of checking have you done of those annual reports against individual payments?" and, if there seemed to be some discrepancy with the annual report that summarises those individual payments institution by institution, "What have you done to make sure that that is just an administrative error rather than a real payment?"

The NCTL, which works for me—I am the overall accounting officer, so this rests with me, too—was not able to demonstrate that it had done the



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necessary checking. The NAO therefore said, "Well, we're going to do it, then, for this audit," and it found that 80% of cases were fine but in 20% there was a discrepancy that was worth following up. That is about 40 HEIs, so it was agreed that the NAO would look at 15 of them in a bit more detail. It found six that it was worth going to check. It looked at 165 payments and found nine where there was an overpayment and one where there was an underpayment.

There you are: that demonstrates that the assurance systems are not sufficient. I am sorry about that. I am sitting in front of you saying that a bit of my Department's accounts has been qualified because the assurance systems were not adequate.

- Q17 **Nigel Mills:** That is quite a high error rate. You did testing and found that in 40% of cases you did not get the assurance that you were looking for. It is not like it is one or two cases on a technicality, like a form not being signed; in 40% of cases there was not sufficient evidence. Are you sure that this was not a bigger problem in previous years that just was not spotted by the final audit?

**Jonathan Slater:** I do not want to speak for the NAO's previous audits; they can speak for themselves. To be clear, as I say, there was more than one issue here. Another issue that the NAO raised was the extent to which the NCTL took it as read that, when a higher education institution said someone had got a particular degree, the HEI was telling the truth rather than brandishing a copy of the degree certificate.

There was more than one issue here, but the payments issue was, as I say, that for about 20% of institutions, when you compared the annual grant report with the sum of the actual individual payments that had been made, there was a discrepancy, which they would have expected us to check with that institution. We therefore quite rightly checked a sample of those. That was not a random sample; it was a sample of cases where there was a prima facie case of a discrepancy. We checked 165 cases and we found nine overpayments, which averaged about £1,800, and one underpayment of about £1,400. If we had not found any discrepancies, the accounts would not have been qualified, but we did. We should have been able to pick that up earlier, and we need to pick it up next time.

- Q18 **Nigel Mills:** What will happen next year, then? Or what is happening this year?

**Jonathan Slater:** We have obviously tightened up that process, learning from what happened last time. The year has already begun. These audits obviously happened after the end of the year and after we started making payments for the next year, so we have some catching up to do. We will have to see how well we do it. That is what we are doing for the specific case, but we are also looking at whether we can re-engineer the process altogether. There are other arms of the business that have a lot of experience of making payments and getting them checked properly, like the one Peter used to run. We are making sure we do things as well as we



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possibly can within the current arrangements for this year, and we are looking at what we might do further thereafter.

**Q19 Chair:** Does the NAO want to clarify its perspective?

**Simon Helps:** Yes, the point I would clarify is that, in drilling the numbers down to quite a small sample size, it is important not to understate the fundamental nature of how much was wrong in the system. For example, we talk about the 25% of training providers that, when asked to provide a list of students to support their claim, could not produce a list within £1,000, but there were more that had lower levels of variance. More than 25% could not fully support their claim. It is fundamentally a fairly straightforward request of a grant claim provider to provide an itemised list, and therefore a fairly fundamental thing for so many schools and higher education providers to be failing on.

More broadly, on the 40% of providers who had inaccurate data about trainees, that is not just trainees where it looked like there were discrepancies. There was a similar failure rate on a number of trainees who were picked at random, for which there was no obvious flag or indicator that they should be more or less wrong than any other trainee out there.

In the wider sense, there was an issue for us in that, in going out to the higher education providers and the schools that provide the teacher training, we estimate about 23% do not keep the records that would allow you to know whether the funding was correct or not—for example, evidence of the degree classification that the teacher trainees had. They could have worse administration or, indeed, better error rates. There were a series of fairly fundamental issues in the administration.

**Q20 Chair:** So just as you are sorting out the academy qualification, Mr Slater, you have this. Are you redoubling your efforts to make sure that your Department has a clean bill of health next year? Will you be in front of us discussing the same issue next year?

**Jonathan Slater:** As I said earlier, it is very frustrating that I have had to sit in front of you with a set of accounts that are qualified because there are payments that are wrong and because there is an insufficient degree of assurance elsewhere. It is my job to get that put right as soon as I possibly can.

**Q21 Chair:** So you are committed to sorting it out?

**Jonathan Slater:** I am definitely going to sort it out. For the next audit, the year had already begun by the time the NAO helpfully spotted the error. I cannot go back in time, but I can do whatever I can to get this right as quickly as I possibly can. This should not be that hard. We will get it right.

**Q22 Nigel Mills:** Other money you disburse around the country potentially has the same weaknesses of controls on it.



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**Jonathan Slater:** I have referred to the rather stronger track record and experience of the ESFA here, which disburses £60 billion across the system. Iain King, who we brought in as our operational finance director a year or so ago to strengthen—

Q23 **Chair:** In the DfE?

**Jonathan Slater:** In the DfE, sorry. We brought him in to strengthen our approach to audit, to get the Department's accounts unqualified and to make sure that the sector account is unqualified as soon as possible. On the back of the NCTL experience, I have asked Iain not just to get the NCTL thing sorted out as quickly as possible, but to look across the piece to see whether there are any similar problems elsewhere.

**Chair:** We will move on, but we will keep an eye on this and hopefully we will not be back in the same place next year. Heidi Allen is going to pick up on some other issues of concern in higher education.

Q24 **Heidi Allen:** On a completely different subject, we have a different kind of housekeeping. My question is predominantly to Jonathan and Philippa, but Peter may have a contribution to make as well. It is something that "Panorama" pulled up about two colleges, Greenwich School of Management and Grafton College, and indirectly Plymouth University. In Grafton there was an issue with somebody within the organisation allegedly providing pre-education certificates to allow students to enrol who would not otherwise have been able to do so. At Greenwich, one of the freelance recruiters—the people responsible for finding students—was also allegedly providing assignments for them so the student did not have to do the work. Could we have an update on those organisations, what the DfE has done and whether they are still receiving student loans money?

**Jonathan Slater:** I can give a high-level answer, but Philippa could come in with more detail, if you would find that helpful. In both the cases you mentioned, the use of recruitment agents has been suspended pending the investigations going on at the moment. In the more serious of the two cases, at Grafton, we have stopped recruitment. We have stopped the college recruiting.

**See footnote.**

Q25 **Heidi Allen:** That means no new students at all?

**Jonathan Slater:** No new students and no payments, pending the outcome of the investigation that is going on there. Thorough, intensive investigations are about to report. In the meantime, there is no use of recruitment agents, in the case of Grafton, no payments and no recruitment.

Q26 **Heidi Allen:** So—I am not putting words into your mouth—you see Grafton as a more significant or worrying problem because it was internal? There was somebody allegedly internally providing these fake certificates, as opposed to Greenwich, where it was possibly a rogue third party. Is that a correct assumption or interpretation?



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**Jonathan Slater:** I would not want to get into too much detail, if you don't mind, while the investigation is ongoing. We thought that in the light of the allegations made, that was a proportionate response to what was alleged in the case of Grafton, whereas in the GUS case, suspending the use of agents pending the outcome of the Mishcon de Reya investigation was the appropriate response.

**Philippa Lloyd:** To add a bit more detail, we obviously immediately engaged with the police and our various partners in looking after alternative providers—QAA, SLC, HEFCE and the Government Internal Audit Agency. As Jonathan said, we have suspended Grafton's ability to take on new students, and we have also suspended tuition fee payments while the investigations are ongoing. The awarding bodies are also conducting an investigation, and we are conducting weekly checkpoints and case conferences to make sure that we all know what is going on in the investigation.

Greenwich School of Management have been very co-operative with us, and they appointed an independent auditor, as Jonathan said. The terms of reference of that audit have been agreed with us, and that investigation is also ongoing.

**Jonathan Slater:** One of the downsides of doing two PAC hearings in the same afternoon is that I referred to GUS, rather than GSM. I meant GSM; we may come back to GUS in the next hearing.

**Chair:** I am sure our colleagues at *Hansard* have got that nailed.

Q27 **Heidi Allen:** How swiftly after the "Panorama" allegations did you take action with these two organisations?

**Philippa Lloyd:** Immediately.

Q28 **Heidi Allen:** Give us a feel, timeline-wise, of where you expect to be and how soon, in terms of making decisions on the future of these colleges and these students.

**Philippa Lloyd:** Because the investigation is still ongoing, I do not want to say too much, but certainly we expect to see results from some of the investigations in the next few weeks—by the end of January. I think there is one report that will come through in early February.

Q29 **Heidi Allen:** In the meantime, what happens to the students who are at both these colleges? Is there anything that interrupts their study?

**Philippa Lloyd:** No. We are trying to do our best to protect the students while we are investigating, and then when we have the results of the investigation, we will decide on the appropriate action.

**Heidi Allen:** Is it appropriate, Chair, for us to ask for some kind of update?

Q30 **Chair:** Yes, I think it would be. You have given us some dates, so could you give us an update as soon as you can?



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**Philippa Lloyd:** Absolutely.

**Chair:** We are liaising closely with our sister Committee, the Education Committee. It was a good bit of journalism and covered some very worrying things. We will wait to see where you get with that.

**Peter Lauener:** I just want to make a point about the work we are doing in the Student Loans Company on counter-fraud. Over the last two years, we have put a lot more investment into our anti-fraud teams, and we are delivering some great results.

**Chair:** We will come to that a little later. Unfortunately that did not obviously always work everywhere. I am going to ask Gillian Keegan to pick up on our last concern about an alternative education provider for today.

Q31 **Gillian Keegan:** Perhaps this is one example where there were not such great results. The London College of Contemporary Music—

**Chair:** Also known as the London College of Creative Media. It is the same organisation, but a different name.

**Gillian Keegan:** It seems that you found out the day before they went into administration. Can you explain what happened?

**Jonathan Slater:** I will ask Philippa to give you more detail, if you would find that helpful. In the last audit, at the end of last year, we identified some concerns sufficient for us to require them to set out for our satisfaction a contingency plan as to what would happen if they were not in a position to continue. That is what we required of them, and now they and we are implementing contingency plans accordingly. So you are right about what has just happened, but I would not want you to think that this was the first moment that we had identified a potential problem.

Q32 **Gillian Keegan:** You identified a potential problem and you put an alternative position in place.

**Jonathan Slater:** We required them to set out a contingency plan for dealing with this situation.

Q33 **Gillian Keegan:** So you did not see an urgent or immediate issue.

**Philippa Lloyd:** What happens is that between November and February every year we go through the redesignation of alternative providers. When we were doing that in late 2016, we became aware of some finance issues in relation to LCCM. We redesignated them, but only on the condition that they were taking specific actions to address those risks, and also on the basis of the development and agreement of a contingency plan, should those risks materialise, to ensure that students' interests were protected. That contingency plan was agreed with the Open University, because they are the validator of the awards, and it has now been activated, but at the time, when we looked at their designation last year, we did agree specific actions to address the risks. We obviously thought that there was a reasonable chance that they would be able to take forward those actions



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and that the risks would be managed, but clearly that has not been the case.

- Q34 **Gillian Keegan:** That wasn't the case, so do you think that you have the adequate systems in place? You had quite a close view—it was very recent—and you came to a conclusion, but it turned out that the conclusion was not right.

**Jonathan Slater:** We agreed some conditions. We were not certain that those would work, so we required them to set out a contingency plan for if they did not; they did not, so the contingency plan has been enacted.

- Q35 **Gillian Keegan:** This is a great example of problems, and it has a massive impact on the students and on the quality of the qualification they are taking. Do you feel that you have the systems in place, both to consider these alternative education providers on the way in and to ensure that this does not happen?

**Jonathan Slater:** We can always do this regulation better. Hopefully the Committee will agree that the NAO are advising us that we do it a lot better than we did two years ago. Equally, they have made some very helpful recommendations for how we can do it a lot better over the next two years. In particular, they have identified the need for more prompt data in real time. That is easier said than done, but they are right to say that we need to put it into place, and it will be easier for us to act on the basis of early warnings once we have those arrangements in place. So it is definitely better than it was and there is definitely more that we need to do.

**Chair:** I am going to ask Layla Moran to come to Ms Dandridge about the new Office for Students. Welcome, this is your first time in front of Committee, and I am sure it will be the first of many.

- Q36 **Layla Moran:** I am sure that many students out there are delighted by the remit that your organisation has been given. What do you plan to do to do better than this lot at representing students? Let's face it: it has not really worked so far, so what are you going to do differently?

**Nicola Dandridge:** The way we are being set up is to ensure that the regulatory system focuses on the interests of students, and we will be operating primarily by reference to conditions of registration. I should say that we are consulting on that at the moment, so all of this is slightly hypothetical because it is contingent on the outcome of that consultation process. To get on the register a provider will have to demonstrate to our satisfaction that they provide students with quality academic experience, with outcomes, that they are financially sustainable—at the moment there are 25 registration conditions, and they will need to satisfy us that they meet them. If they do not, a whole range of mechanisms are available to us to make sure that the interests of students are protected. So we are set up to protect the interests of students.

**See footnote.**

- Q37 **Layla Moran:** Can you see that some of the providers that we have been



speaking about today might not have passed your litmus test?

**Nicola Dandridge:** They may or may not: we would need to look at the evidence. If they apply to go on to the register and, through that mechanism, access student support, they will have to demonstrate that they have the systems in place. It is a different sort of test from the one that has existed before. For example, they will need to satisfy us that they have the mechanisms to produce reliable and robust data. They need to satisfy us about financial sustainability. But, critically, it is very much outcome-focused, so they have to satisfy us that they can provide the outcomes that students are looking for, particularly in relation to quality academic experience.

Q38 **Chair:** We have heard a lot about students. If I had £100 for every time you mentioned students there, that would augur well. But your board is made up of university managers, really: your chair, yourself, others who have experience of that side of it. Are you really independent enough to be the voice of the consumer, in this case the student?

**Nicola Dandridge:** We will be constructing an extensive student engagement strategy to inform how we work. We have already set up a student panel, which will be informing how we work. We will be drawing on data from higher education providers—for example the National Student Survey—which will ensure that students' views are expressed through our registration conditions. At various instances we will be ensuring that a student perspective is at the forefront of how we operate.

Q39 **Chair:** Do you have a student on your board?

**Nicola Dandridge:** Yes, we do.

Q40 **Chair:** Is it one student?

**Nicola Dandridge:** Yes, it is. They are in an interim role at the moment, but they will be contributing, and through that the student panel will also be—

Q41 **Chair:** You have a student panel, but you are not working directly officially with the National Union of Students, is that right?

**Nicola Dandridge:** Well, the president of the National Union of Students is on our student panel.

Q42 **Chair:** Right—on the panel, but not the board. Can I just ask how you chose the student member of your board, who is interim at the moment? Did you go through the public appointments process?

**Nicola Dandridge:** That was not our decision; it was a departmental decision.

**Jonathan Slater:** These are all ministerial appointments, so I am out of place to answer questions about—

Q43 **Chair:** Okay, we will park that one as a ministerial appointment, which brings me to the other issue of the week: Mr Toby Young and his



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appointment. Did that go through the Commissioner for Public Appointments procedures?

**Jonathan Slater:** Yes. It was regulated. The commissioner regulates these appointments, as with other public appointments. Clearly, as the commissioner has pointed out, the due diligence arrangements were not adequate and he is looking at the paperwork on that, which I am very grateful for, and I am looking forward to his advice and recommendations about what we do better next time.

**See footnote.**

Q44 **Chair:** But did he, along with other board members, go through the formal process, run by the Department for Education before it went to Ministers?

**Jonathan Slater:** Yes.

Q45 **Chair:** So they did go through a formal process. Okay. Will you be able to make your selection process and criteria public, to give confidence that such mistakes are not made in the future?

**Jonathan Slater:** The selection criteria? You mean as in the job description?

**Chair:** Well, there was an advert presumably on their website.

**Philippa Lloyd:** Yes.

Q46 **Chair:** Would you be able to write to us then, perhaps with exactly what process you—

**Jonathan Slater:** It is all in the public domain. Absolutely. Peter Riddell is now looking at all of the paperwork for those interviews and I am looking forward to his advice.

Q47 **Layla Moran:** One final, quick question to Ms Dandridge. I understand that there is not currently someone on your board who actually works in the FE sector. Is that correct?

**Nicola Dandridge:** Again, that is probably a question for the Department.

**Jonathan Slater:** Parliament debated, as you know, how the constituencies should be brought together to form the membership of the OfS board, and there was quite a lively debate in Parliament about whether particular representation should be in place to reserve particular positions, and Parliament reached a conclusion for that. We have overseen a process of appointing in accordance with what Parliament agreed in the Act, which was not a specific representation from that sector.

Q48 **Layla Moran:** Specifically the answer is no, right? There is not someone currently sitting on the board who works in the FE sector—is that correct?

**Philippa Lloyd:** That is correct.

Q49 **Layla Moran:** Apart from that, while Parliament might have said that



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there was discretion about who does get to be on the board or not, as we saw with Toby Young, do you not think it would be better if someone in the FE sector was on the board? Would that not be a way of representing that sector?

**Jonathan Slater:** There are different ways of doing this, are there not? There was a debate in Parliament about whether there should be particular representation from particular sectors and the conclusion was that people would be appointed against the job description and that is what Ministers did.

**Chair:** We and our sister Committee will be looking at this. Obviously, we are going to proceed; Ms Dandridge, this is the first of many visits, I am sure, to this Committee.

We are going to move on now to the main hearing and we are aiming to spend about an hour on this section. I just remind people that we are looking at alternative higher education providers, and the NAO has done some very useful work in looking at this. I remind anyone watching that the Student Loans Company paid out £417 million to students at alternative providers in 2015-16, and we have just heard about some of the issues in specific examples there.

Although it is good news that the number of ineligible payments made to alternative providers has fallen, from 4% in 2012 to 0.5% in 2015, one of the big concerns we have, which we want to tease out today—Ms Moran is going to kick off with this—is continuation rates. The non-continuation rate is 25% in this sector, compared with 10% in what you might call the mainstream or the rest of the university sector, so that is one of our real worries. This is taxpayers' money going into a system, and it is not delivering the outcomes that Ms Dandridge highlighted as a clear focus for her new organisation, so Ms Moran, would you like to kick off on behalf of the Committee?

Q50 **Layla Moran:** As we have already seen, there is a lot that is negative in this sphere, but this was a positive story, wasn't it? You reduced the non-continuation rate—or the drop-out rate, for normal people—from 38% to 25%. How did you do that, Mr Slater? What steps did you take to make it happen?

**Jonathan Slater:** A whole series of controls, reviews and monitoring arrangements were put in place following the rather difficult hearing in 2015. Specifically, student number controls were put in place for those institutions that were demonstrating that they were not gripping the issue properly. The Report from the NAO identifies the fact that we looked particularly at those 11 alternative providers whose non-continuation rates were significantly above the benchmark that you would expect, given their student populations, and we took action against all of those, requiring improvements, and in the case of three of them—three of the 11—we have de-designated them. That would be one example of the sorts of focus and controls we put in place, which meant that the non-continuation rate dropped from 38% to 25% between 2012-13 and 2014-15. We are



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discussing here historical data, which of course the NAO are right to say isn't good enough and we need to get more timely data.

**See footnote.**

**Layla Moran:** We'll come back to the gathering of the data.

**Chair:** One of our pet subjects!

**Jonathan Slater:** My point is that we closed down three of the 11 worst providers on non-continuation rates in 2014-15, so you would hope, wouldn't you, that when we next get our data, it will be better than 25%, but we will have to see.

Q51 **Layla Moran:** But still, 25% is one in four. For the rest of the sector, the figure is one in 10, so the rate is much, much higher still. Given such a high drop-out rate, have these education providers been good value for money, in your opinion?

**Jonathan Slater:** I think that we have a very mixed picture, in which you see very big variations in non-continuation rates between providers, which the NAO draw attention to in their Report.

Q52 **Layla Moran:** What causes that variation?

**Jonathan Slater:** There are some genuine reasons for differences between one provider and the next—you will see variations depending on the age of the student and the type of course offered—which is why we have an individual benchmark for each. But where we see a significant difference between the institution, based on its population or its offering, and the benchmark, we take action. Those 11 alternative providers significantly above the benchmark look, on the face of it, to be providing poor value for money, and those 10 well below it good value for money. We have closed a number of them down since 2014-15. So I think you find a mixed picture, in which clearly things are improving, in which we want to see system-wide improvement continuing, overseen by the Office for Students, and in which individual bad apples are being tackled.

Q53 **Layla Moran:** Let me push you on that. If we want to improve it, can you give us a number? What would be the highest non-continuation rate—what would you consider the target? Give us a number.

**Jonathan Slater:** Disappointingly, I am not going to suggest a number that is good enough. I would want us to be bringing it down over time—continuing to be bringing it down year by year. Equally, I would not want to rule out a new provider coming into a new business with the particular objective of widening participation, and taking a bit of a risk on that provider in the first year, but I would want to see the thing coming down year by year.

Q54 **Layla Moran:** If I can bring in Ms Dandridge on this, presumably you will be the one to accredit that provider. In your opinion, is there an upper limit of non-continuation that you would consider acceptable?



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**Nicola Dandridge:** I think it would be dangerous to have a target, because there could be some very good reasons why a student chooses not to continue: for example, they can get a job. That is often why students leave. But certainly, I think we would want to bring the non-continuation rate down. It is a feature that appears very strongly in the regulatory framework. For instance, there is an example case study of a provider that does not have satisfactory non-continuation rates, and the OfS proposes that it be suspended. It is obviously something which will be a priority for us, but I do not think we are going to move towards a target. We will want to take a view about what is appropriate in the round.

Interestingly, the proposition in the regulatory framework consultation is that we look at absolute, not benchmark, numbers. I think that is an indication of how seriously we take this, in the sense that of course the context is important and we all need to look at the particular composition of the student cohort. None the less, we believe that there is something fundamentally important about continuation and completion as evidence of a successful experience at a higher education provider.

Q55 **Layla Moran:** You say non-continuation could be about a job. We will come to whistleblowers later, but figure 11 shows quite clearly that quality of teaching was the top reason why people were whistleblowing. Have you seen the data about which organisations had poor quality of teaching, and the drop-out rates? Do you feel you have a handle on how well the sector is doing so far?

**Nicola Dandridge:** I think we will, because we have been given the tools to address exactly those sorts of issues. Our registration conditions will look at the quality of teaching, non-continuation rates and standards. There are a whole bunch of considerations that we will take into account. Then we have a whole range of interventions, and potentially sanctions. I think this whole question of non-continuation is going to be one of the priorities of the Office for Students.

Q56 **Layla Moran:** That is good to hear. So far, I am hearing that we want at least to see it going down in most years, and if it does go up, we want a very clear reason why.

**Nicola Dandridge:** That is right. I think that one of the points that the NAO Report very helpfully flags is that there is a correlation between certain characteristics of students—that might be socioeconomic status; it might be ethnicity—and continuation. That is why having these responsibilities in the same organisation means that the Office for Students can factor them into our regulatory functions. It is going to be easier, I think, for us to engage with these issues in a more rigorous way than has been the case in the past, because of the way we have been set up and the powers that we have been given.

Q57 **Layla Moran:** Can I push Mr Slater on that? In schools, there is a culture of not letting a student's background dictate the expectations that teachers put on them—schools are asked very hard not to think in those terms—but by not setting some stringent targets for yourself or being



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stronger about reducing non-continuation rates, are you not applying a different rule to the higher education sector?

**Jonathan Slater:** I think that any student starting a course and then deciding it isn't right for them, and having drawn down student finance and having to pay it back—unless, as Nicola says, they have done it because they have got a job they did not expect to get—that is something you want to try to avoid, isn't it? You want to try to avoid it across the whole higher education system, wherever you possibly can. You don't want to assume that it is bound to happen, and you want to push it down and down.

Nevertheless, it seems to me, in order to engage in a sensible conversation with individual institutions, you have to take into account the particular circumstances. I was with a number of alternative providers a week or so ago. One has been going for 140 years; one has been going for 14 months, and is trying something that has never been tried before. I think it is only reasonable for the Office for Students to decide how to do this, using the powers that they have been given, and the transparency arrangements that will enable Nicola to do something that we have not been able to do before, which is to break down non-continuation rates in detail. That will be a great way of bringing it down. I would not say that anything is good enough.

**Layla Moran:** But do you accept that, for those students, that might be their one go at trying to get to where they want to go? It is expensive; they have plenty else to do in their lives. Why do we accept such high non-continuation rates, even with the sector benchmarks added in? Should we not be pushing it to the same level as the rest of the sector? Could you not commit to that today?

**Jonathan Slater:** I am keen that it comes down and down and down. I am just not suggesting that it is particularly helpful to set a particular number. I want it to come down and down and down, and I want the same to be true of the higher education system overall, but I want the Office for Students to be able to take an approach that recognises the different challenges of individual institutions—that is all.

**Philippa Lloyd:** As the Office for Students gets more data on the cohorts, it should be able to identify and spread good practice throughout the sector, which will also help.

Q58 **Layla Moran:** Ms Lloyd helpfully mentioned the word “data”, which is where I want to go next. One of the features of this Report is the lag between the data and the reporting—if a student dropped out in October, say, it would take well into the next academic year for something to concretely happen at that provider, meanwhile other people have already enrolled. Mr Slater, is that really acceptable?

**Jonathan Slater:** It is not where we need to be. The NAO has set us a perfectly good challenge of moving to a situation where rather than having the data a year later, at a macro level, universities and other higher education institutions provide it to us during the year.



Q59 **Layla Moran:** How up to date will it be?

**Jonathan Slater:** The intention is to be producing it on a termly basis at the point at which the Office for Students' new regulatory framework comes into place in 2019-20. If we could do it earlier, obviously we would, but we have to allow for the practical arrangements of putting new systems in place, particularly for institutions—half of these alternative providers—that have fewer than 200 students. We need to get the right streamlined systems in place. By the time the new regulatory framework is in place, we will be starting to get a termly data feed in on non-continuation rates, rather than the current arrangements.

Q60 **Layla Moran:** Ms Dandridge, is that acceptable for you? Would you like it even faster?

**Nicola Dandridge:** Once the new arrangement is in place, it will give us access to the near real-time data that we need, yes.

Q61 **Chair:** What do you designate as “non-continuation”? How many weeks does someone have to be not studying for them to count in the non-continuation data? I should know that.

**Nicola Dandridge:** As Jonathan said, the data will come in once a term, so that is when we will have the real-time data.

Q62 **Chair:** But if someone had not been there for the last four weeks of that term, would that count as non-continuation, for example? They might have a reason, which presumably has to be recorded, such as a health problem.

**Philippa Lloyd:** One of the things that we are going to do, which we are working on, is develop a new non-continuation methodology that is robust and valid, so that we are able to catch people who are really not continuing as opposed to possibly just off sick. That is work in progress.

**See footnote.**

Q63 **Chair:** Of course, it is in the interests of the provider to have someone not fully gone yet, because they will keep getting the money.

**Philippa Lloyd:** Absolutely.

**Chair:** So how will you ensure in that methodology that you track some of the providers we heard about earlier, who are taking the money for students who are barely there or not there?

**Jonathan Slater:** It is precisely those sorts of details that we need to get right for the new regime. Rather than the current state of play where what is being reported on is who started one year and did not come back the next year, which is obviously a very blunt tool and very late, we are seeking to know who has not been there in the last term. That is why we will collect the data termly and why, as you can see, we need to collect that information from providers in a streamlined way.



**See footnote.**

- Q64 **Chair:** How do you actually collect it? If you think about the equivalent in tax—real-time information—employers now press a button and HMRC immediately knows what has happened in that moment in terms of their income. Do you have a similar system or are you looking to get one?

**Peter Lauener:** One of the things we do in the Student Loans Company is have a service level agreement with all alternative providers that they have to notify us of a start within five days.

- Q65 **Chair:** It is not about what they do—we know that is what they have to do—but there is a lot of bureaucracy involved. Is there an automated computer system so that you have just got the data there, or is it not that good yet?

**Peter Lauener:** We know when the students are expected to start, and if we have not had the notification by five days, we cannot then pay the maintenance, and we will be chasing the provider. We have had action plans with a number of providers to get their data in good order, so that there are no delays. We generally find that providers now are—

- Q66 **Chair:** Mr Slater was shaking his head when I asked whether you have a computer system where you can input the data, press the button and then it goes straight to the Department, or in this case to the Office for Students.

**Jonathan Slater:** We don't have online access to digital attendance regimes for these 112 providers. If we did, that would be easy. We don't, which is why it is going to take some time to get this right. What you are quizzing me on, perfectly reasonably, is how we are going to implement a recommendation that we have just had from the NAO, and the answer is: we are working on a plan.

- Q67 **Chair:** It just seems that you could implement it in lots of ways, but it could be very cumbersome for the provider, for the student and, indeed, for your officials. HMRC is, dare I say it—Mr Thompson will be delighted—leading the way on things like real-time information. That is very much leading the way. It is real-time, useful and simple to use. Is that in your mind?

**Jonathan Slater:** To the extent that providers had their own online attendance systems that we could plug into, that would be a part of the solution, but I am just getting ahead of where we are with the implementation of this plan, and I am very happy to report back on what it will be.

**Chair:** We have gone round this before. Under the last Labour Government there was an attempt to clamp down on bogus students and colleges. There have been various attempts along the way. It seems like we keep trying to reinvent the wheel. We wish good luck to Ms Dandridge, but we will wait to see when our report comes out whether we are convinced. You have the rest of the hearing to tell us.



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**Q68 Heidi Allen:** You are kinder than me. What I want to say is more a statement than a question. How on earth can you not have this data and have never sought this data? Why is this a brand new process that you need to design? This is taxpayers' money. This is funding. If a student is not there, we should know about it. I find it absolutely mind-boggling that we have been so sloppy and do not have this data. Why has it taken an NAO Report to say that this data needs to be there?

**Chair:** Which we will have in 2019-20, I think you were saying.

**Jonathan Slater:** If the Department had not been doing anything on this issue for the last two years, I would absolutely understand the—

**Q69 Heidi Allen:** It is not two years. It is much longer than that.

**Jonathan Slater:** Back in 2013-14, when the system was not being properly managed, there were over 2,000 students receiving ineligible payments. In 2015-16, it was 146, because of the controls that had been put into place, as a consequence of which the data is a lot better than it used to be. The NAO is identifying, quite rightly, that there is more we can do to take it on to the next level. Obviously it would be ideal if you could do everything at once, but it seems to me that the team has made progress, and there is plenty more to be done.

**See footnote.**

**Heidi Allen:** I just can't help but feel, with my business hat on, that when I was in the private sector, this sort of stuff would not take years to fix. I find it absolutely staggering and unacceptable.

**Chair:** I think this is something we will keep returning to, no doubt with our sister Committee. Ms Moran wanted to pick up on that last point.

**Q70 Layla Moran:** Before we move on to fraud, I think that for the 34,000 students involved in this sector, we need to focus a bit more on quality. My question is about the 11 providers identified in figure 6 of the Report. You said that the top three are no longer receiving student loan payments. Why are the rest allowed to continue? Can you explain that to us and to the students who are there? Surely these rates are not good enough.

**Chair:** It is figure 6 on page 26.

**Jonathan Slater:** What is done on the back of this analysis is an assessment as to whether it is realistic to expect the institution to improve, and controls are put in place. If the view is that it is not practical for this to get fixed, the institution will be de-designated. If the problem is in one particular area—the difference between teaching first degrees and teaching something short of a degree—you de-designate the particular element of it for which there is a particular problem, or you agree an improvement plan, and if the plan is shown to be working, you lift those controls. As I say, some of these—

**Q71 Layla Moran:** But LCCM is on this list. This is old data from 2014-15 and they are fourth on the list. We have now seen this week that that has



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come to bear fruit, but not in a good way. Would you accept that you have been too lenient?

**Jonathan Slater:** A judgment is made each time as to whether the improvements sought are deliverable or not, or if action is required and where, which is then tracked. If that works, great, but if not, we de-designate. That is the process that we follow.

- Q72 **Layla Moran:** And what or who is foremost in your mind when you are making these decisions? It strikes me that it is not students, especially at the top four or five, for which we are looking at non-continuation rates of 40% and above. That is huge. Would you recommend someone in your own family to go to one of those institutions?

**Jonathan Slater:** As I say, that is why, if we think that they haven't got a credible plan to get the thing under control, we close it down. If we think they have got a credible plan, we do not.

- Q73 **Layla Moran:** Given that you're getting the data 18 months later, with these 11, were you watching them more closely?

**Jonathan Slater:** Absolutely. We can talk you through each of the review processes, if that would be helpful. QAA is doing annual reviews and more regular monitoring. We have a number of different units that check when there are particular concerns. Equally, the powers that the Office for Students will have will enable it to do a degree of regulation of the sort that we have not been able to do to date.

**See footnote.**

- Q74 **Layla Moran:** Ms Dandridge, are you happy with the system that they have in place now, or do you intend to change it?

**Nicola Dandridge:** I can't comment on the system now. Clearly, the regulatory responsibilities that we have that will take effect can, I think, address these sorts of issues. They're anticipatory, which is why it's quite helpfully constructed. For instance, we need to be satisfied, before a provider comes on to the register, that it has the systems in place to support students so that they won't drop out. It is that kind of focus that I think will enable us, together with the very wide range of support and sanctions and interventions that we can deploy, to avoid these sorts of situations.

- Q75 **Chair:** How will you do that for new providers? If I was setting up a new provision, how would you check that I had all those things? It is easy to have paper showing it.

**Nicola Dandridge:** Indeed. We would have to rely on issues and factors other than track record. We would have to be satisfied that the systems would lead to these outcomes. We can hedge around with all sorts of additional provisions and assurances and regularly check and require data and action plans and so on.

- Q76 **Chair:** So you are saying that, practically, you would go in and check more often in the first year or two of that organisation's existence? You



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would go in with boots on the ground?

**Nicola Dandridge:** Yes, we can. We can do entry and search, although we would have to get a magistrate's warrant. There is a pretty extensive range of interventions. Normally, I would expect us to require the provision of data and evidence to demonstrate that those assurances were in place.

Q77 **Chair:** And you've got the skills in-house to make sure that you can analyse that data?

**Nicola Dandridge:** We will make sure we've got them, yes.

**Jonathan Slater:** We have taken action against more than 30 of the alternative providers since the last time that the handling officer for this was in front of you, and 19 were suspended, so action is certainly taken in some cases. Essex International is one. We had allegations of the way the place was being managed. When we checked it out, we de-designated them.

Fairfield was another that had high levels of non-continuation rates. We required them to take 50% fewer students in the following year. The non-continuation rate came right down, and we agreed to release them from those controls. We are doing that on the basis of data that is more recent than 2014-15.

The ability to produce a comprehensive analysis across the piece, in real time, we don't yet have. However, I would not want the Committee to think that we are not taking action all the time. I would have expected—I am obviously frustrated that I cannot prove it to you today—that, on the basis of that action, the non-continuation rates would be a lot lower now than they were back in 2014-15.

Q78 **Chair:** Have you picked up on patterns that the Office for Students will be able to look at? Are there certain types of colleges that immediately ring alarm bells? Are there other types of behaviour, or student drop-out, that the data you have suggests are worth looking at harder?

**Jonathan Slater:** We have an intelligence unit—it is referred to in the NAO Report, isn't it?—of experts, more expert than me, between ourselves and HEFCE. They are looking at it in detail and identifying pieces of data that they think would be useful for the Office for Students to use as leading indicators as it takes this on. Student satisfaction is the most obvious, and again that is referred to in the NAO Report. Philippa has been working for over two years on legislative powers for the Office for Students, to take this to the next level. That investigation unit will share the data it has been collecting about precisely that issue, so Nicola can take it on to the next level.

**Peter Lauener:** We have a lot of data on the student characteristics, which we now share with the Department. That will all be shared with the Office for Students when it starts. To give one quick example, we noticed an unusual pattern in the characteristics of students applying to an alternative provider. They were not like the students that had previously



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applied. We put an investigation on those individuals, and prevented ineligible payments from arising in the first place because of that kind of data science approach.

Q79 **Chair:** So you have something like a dashboard that you can look at quickly and see certain flags? Is that it?

**Philippa Lloyd:** Absolutely. We share data and intelligence across all the interested parties, with the Alternative Provider Intelligence Unit holding the ring. We also have engagement plans with all the alternative providers; obviously we are more heavily engaged with those that we think are riskier or, as Jonathan said, that we have improvement notices in place for, to do our absolute best to protect student interests, monitor progress and get our non-continuation rates down.

I was also going to say that learning the lessons from the oversight and experiences we have had over the past few years obviously underpinned our experience in drafting the legislation and thinking about the data requirements and tools that the Office for Students would need in order to effectively regulate the sector.

**See footnote.**

Q80 **Chair:** I want to turn to the issue of ineligible payments. Mr Lauener, you have made some quite good progress, coming down from 4% to 0.5%, as I highlighted at the beginning. What have you done differently, and what lessons are there about how you can improve on that even further in future? The danger we have seen across the sector is that, whatever the Government, every time a new initiative comes in it becomes a bit of a chancer's charter. If you are a chancer, you will find the loophole and go for it, and it takes the bureaucrats—you guys—a bit longer to catch up, because the chancers will always find that weakness.

You have done some good work here. Have you learned lessons to future-proof against other claims? I suppose I should stress that some of the ineligible claims are not fraud, but do you have lessons you can pass on to make sure you are future-proofing that?

**Peter Lauener:** Yes, I think so. One of the things we are doing generally is digitising a lot of our forms. That allows us to build the rules into the forms, so it is much more difficult to make mistakes and end up with an ineligible payment. There is a big programme of work to develop that.

Q81 **Chair:** Do you know what percentage of what you have achieved was because of inaccuracies?

**Peter Lauener:** If you look at the chart in figure 2 on page 18, you'll see that it clearly shows that a lot of the early inaccuracies were on residency requirements. The residency rules are quite complicated and it is easy to fall foul of them, and in some cases there were fraudulent applications on that basis. We have tackled that, and it has disappeared from the figures in the later years—2014-15 and 2015-16—when it has gone down. The NAO makes a sensible recommendation that we should now split out the data to a more differentiated level for the bit we have left.

Q82 **Chair:** The red bit on the last two? You do not know the reasons, do you?

**Peter Lauener:** Yes. We are discussing now what the appropriate categories would be. We think the kind of thing we should have in should recognise risk—not always because of fraud, but because of uncertainty. The first is the intensity of support. In other words, is someone part-time? Where are they on a part-time continuum? They have to be at least 25%, but it is somewhere between 25% and 100%. That introduces quite a lot of uncertainty, so getting estimates of that data point will help us in future. The second one is cases where students have done previous study. By and large, if you have a degree already you cannot study for another one, with some exceptions. It is a question of identifying where ineligible payments have arisen as a result of that.

Q83 **Chair:** Surely your new forms would iron that out?

**Peter Lauener:** They would help a lot, yes, but then we have to categorise the information when we get it, so that we are feeding it back into our system. So the NAO has made this recommendation and we are looking at the definitions now. We will do the development work this spring and we will introduce it in the autumn, ready for the 2019-20 application round.

It is a good story and it continues to be a good story. In 2015-16, there were 200 ineligible learners. We have got the 2016-17 figures now, which are down to 146.

Q84 **Chair:** Right. So it's going downwards, still?

**Peter Lauener:** 2016-17 is a bit down from 2015-16. We obviously haven't got the dramatic increase that we had earlier on, because otherwise—

Q85 **Chair:** You are not going to get this money back, are you? I think the NAO's summary highlights that you have not recovered £36 million of the £45 million of ineligible payments from the six years to—

**Peter Lauener:** For quite a lot of that £36 million, people are still in the system.

Q86 **Chair:** Sorry, but what does that mean? They're in the system, but if these were ineligible payments they weren't eligible to receive them, or am I being dense?

**Peter Lauener:** Yes, but we don't just give up on the money. If they've had the money and—

Q87 **Chair:** So you're still pursuing them, you mean?

**Peter Lauener:** We are still pursuing them and a lot of them are in the HMRC system. So, 4,000 are required to repay, subject to their income; 3,300 of those 4,000-odd are in the system and payments will be deducted by HMRC in the usual way, if they go above the income thresholds. There are 800—18%—who are not in UK employment, but there is a UK tax record, so they may come back into the system; they



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may be abroad. There are 2% who we have no record for at all. So there are a lot of people still in that system who we would expect, over time, to get—

Q88 **Chair:** Have you got a projected plan for how long it's going to take you to recover that £36 million?

**Peter Lauener:** People who are in repayments will repay in the same way as any other student in the system—

Q89 **Chair:** Have you got a graph? I haven't seen one here.

**Peter Lauener:** Again, there are figures in the Report that indicate that the average income of alternative provider students is a little bit lower than some mainstream university students—

Q90 **Chair:** But you must have some graph. I mean, Mr Slater needs this money in his budget; you need to get this money back at some point. Do you have a—?

**Peter Lauener:** I could give you projections of the general population. Because this is quite a new population, we've got comparatively little data on their propensity to repay, but they are subject to the normal rules, and we don't give up. We've done a lot of work recently, not just about alternative provider students but with students who may have gone abroad, to track them down and make sure we've got their contact details, so we can ask them to pay the money back.

**Jonathan Slater:** The fact of the matter is that it's easier to get money—ineligible payments—back from providers than from individuals. It's not always possible to get money back from providers if they have gone bust as a consequence of the action that we've taken. The Student Loans Company's task is to collect as much money as it possibly can, both from providers and from individuals, wherever they come from.

This is a relatively new activity that the SLC has been engaged in—trying to get back ineligible payments that were made in 2013-14. So we don't have a trajectory we are confident in as to how much will be reclaimed in individual years, but the good news is that since the Report was published, what was at that point £9 million of repayments has now gone up to £11 million; another couple of million pounds has been collected since the Report. But there's still plenty more to go.

Q91 **Chair:** But a further £10 million was paid out in 2014-15 and 2015-16 after our evidence session—

**Jonathan Slater:** Sorry. Of the £45 million you're referring to, which includes that £10 million, at the time of the Report we were able to report to the NAO £9 million; now we can report £11 million. But there's still plenty more to be found—

Q92 **Chair:** Let us be really clear. I mentioned before how we know in this sector that there have been plenty of crooks out there and Ms Allen highlighted just some of them recently who have used the system and



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tried to get fraudulent payments, and succeeded in getting them. So how can you be sure that you've not got undetected fraud in that remaining lump of ineligible payments? Mr Lauener, or Mr Slater?

**Jonathan Slater:** The NAO Report identifies that the level of ineligible payments among alternative providers is now in line with the amount for the higher education sector as a whole. There will be fraudulent payments going on in both, and our task is to minimise the number. The "Panorama" programme draws out two new allegations of fraud. There will be some in any system. The good news, I suppose, is that for alternative providers we have managed to get it down to the level of the system as a whole, but you want to be pushing it down further for all.

**Peter Lauener:** I mentioned earlier that we have put a lot of investment into anti-fraud measures in the system. We have roughly quadrupled—well, increased more than three times—the resource we have put into that, and we are getting a return on investment of about 12:1 by getting recoveries and preventing losses. It is actually a very good story to tell.

Q93 **Chair:** So you are keeping a closer eye on it and you are sure it won't go up again.

**Peter Lauener:** And these figures are going down.

Q94 **Chair:** They are going down now, but we have seen what happened before 2010. Figure 2 on page 18 shows—

**Peter Lauener:** It would be pretty shocking if we had not got that down.

Q95 **Chair:** Yes. Well, you said it. We are still watching. We are still not down to that level. I suppose there are more providers, so that is partly it. Can I just go to Ms Lloyd on how you know about problems in this sector? This Committee has a long-standing concern about the use of whistleblowers, but clearly they are a very important part of what you do. Do you think you depend too much on whistleblowers—people coming and telling you that teaching is not good or that something else is going on?

**Philippa Lloyd:** As you know, parts of our investigations were sparked by whistleblowers.

**Chair:** Exactly.

**Philippa Lloyd:** I think that is a good point. That is one of the reasons that going back to the data earlier and improving the available data is really important, so one can spot patterns and have a better analysis of the data. Nothing beats engagement and intelligence—getting out and about, and getting a feel for what is going on. It is a mix of things. As we discussed earlier, we have tried to learn lessons, and we set up the Office for Students so they have access to data and can think about the leading indicators.

Q96 **Chair:** So how are you going to be proactive? As you say, that percentage of whistleblowers is useful. Whistleblowers have a very important role, but what are you doing proactively to detect—



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**Jonathan Slater:** Along with whistleblowers, we do our own review processes. Philippa has already referred to the QAA review processes, and 16%—

Q97 **Chair:** I grimace because the QAA went into Grafton and certainly GSM and found that everything was okay.

**Jonathan Slater:** They didn't find that everything was okay.

Q98 **Chair:** Well, they didn't pick up the same issues as the journalists picked up.

**Jonathan Slater:** It's a very good thing to have whistleblowers, which is why the Committee is focused on them, but 16% of the QAA's reviews led it to a finding that the alternative provider was failing, and regulatory action was taken. My point is simply that we don't just rely upon hearing from whistleblowers.

**See footnote.**

Q99 **Chair:** We weren't suggesting that you just rely upon them, but, Ms Lloyd, I think you get the point that it is quite a high percentage of whistleblowers. You can wait for a whistleblower or you can be more proactive. When we were just talking about the QAA going in, you wanted to say something.

**Philippa Lloyd:** I was just going to say that there was an investigation in 2015, which was a joint QAA-GIAA investigation—

Q100 **Chair:** What is GIAA?

**Philippa Lloyd:** The Government Internal Audit Agency. They found some issues relating to admissions and some administration practices that weren't so good around recruitment, admission and attendance. That was found in 2015, although we weren't aware that the problems were continuing. I am really just saying that they didn't necessarily give everything a clean bill of health; they went in and found some issues. Action plans had been taken forward, but clearly more issues have arisen there.

Q101 **Chair:** Mr Lauener, Ms Allen highlighted some extreme cases of people faking their attendance and coursework through these agents who are employed. How quickly can the Student Loans Company bear down on that if you find out there's been some fraud? You pay up front, obviously, in the first few days of a term. You try to get the money back, but people are actively defrauding the system. How are you trying to prevent that money from going out in the first place? Is there anything more that you could be doing?

**Peter Lauener:** Two things. First, we are mining the data we have got on students. We have got, as you can imagine, a lot of information on student application characteristics. We mine that data to look for unexpected trends. I mentioned this earlier but I didn't give the figures. In July 2017—six months ago—we identified a peak in the number of applications to an alternative provider in a short period of time. We asked a substantial



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number of students to provide evidence to support their applications and they were unable to do so, and 256 applications were cancelled, saving £1.2 million. That is smart use of data.

In addition to that, as I drew out earlier, we do not just see our role as being about processing applications. We work with the providers, and it is really important that we identify cases where we are not getting the information from providers to validate the maintenance payments that we would otherwise make to the students. We are doing a lot of work, and it is often not about fraud by the providers. Obviously there are cases that we have talked about, but there are cases where the providers' admin systems are not good enough. They are actually quite welcoming of the initiatives we take to identify best practice and share that with them, so that they can get these things right, ultimately for the benefit of their students.

**Q102 Chair:** I think we would agree that fraud is a real kick in the teeth for the honest student and the honest taxpayer. That is why we are particularly concerned about it.

**Peter Lauener:** Absolutely.

**Q103 Chair:** Mr Slater, you mentioned the QAA earlier and the number of problems, percentage-wise, that they pick up. Are there any more powers or any other approach that you think the QAA should be able to take, alongside the Office for Students, in making sure that you are bearing down on some of the problems we have been discussing in terms of quality?

**Jonathan Slater:** No. It is the Office for Students that now have the additional regulatory powers that we have been describing. We will have to review how those arrangements work.

**Q104 Chair:** Ms Dandridge, are you happy with that arrangement between you and the QAA? Are there any more powers that you need?

**Nicola Dandridge:** There is a process that it is working its way through now whereby a designated quality body is going to be appointed. It will then be for the Office for Students to define the parameters of their work and their investigations, so it is open to the Office for Students to recast the role that the designated quality body has in terms of how they carry out these quality-related investigations. That is very much on our agenda.

**Q105 Layla Moran:** Mr Slater, how widespread do you think inappropriate recruitment is? Is it the tip of the iceberg that we saw in the "Panorama" programme? Do you have a handle on how much of that is going on?

**Jonathan Slater:** That is part of the process of the reviews that are currently carried out, to see how well those arrangements are dealt with. Sometimes the QAA finds the arrangements wanting and action is taken, and sometimes people blow the whistle and action is taken.

**Layla Moran:** But my question was, do you think the problem is bigger than what we are seeing at the moment?



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**Philippa Lloyd:** Institutions do use recruitment agents, and they are in the first place responsible for vetting those recruitment agents and making sure they perform with integrity and to high standards. Obviously that was not the case in these instances. The QAA are responsible for going in to check whether the procedures and policies and how those are applied are up to scratch, as Jonathan said, as part of the higher education review of alternative providers. They do annual monitoring visits to check that. For alternative providers, it is a perfectly legitimate use of recruitment agents to try to reach people who would genuinely benefit from higher education. They are trying to reach parts of the population—

Q106 **Layla Moran:** Do you think the fact that they get a cut changes the behaviour?

**Philippa Lloyd:** You can see that it might.

Q107 **Chair:** Have you thought about regulating them at all?

**Philippa Lloyd:** At the moment, the principle is that providers are responsible for looking for their own recruitment and admissions. That is all part of the autonomy of institutions and the principle of co-regulation, but this is absolutely an area that we need to keep an eye on.

The other area is fake assignments, which is really serious. The Government asked the QAA, Universities UK and NUS to produce some guidance on essay mills or the procurement of third-party services. They have indeed produced guidance that is aimed at educating everybody about not only the importance of academic integrity but also steps you might take to prevent it, in terms of trying to get students to be more skilled and more confident in their skills, so that they do not feel the need to reach out to other services, as well as detection and then sanctions. That is a problem that people are alert to internationally. We have looked at other countries as well. Some people have taken slightly different approaches. That is something we need to keep a really close eye on because it is so important—

Q108 **Layla Moran:** In the end, both of these things damage the sector as a whole?

**Philippa Lloyd:** Absolutely.

Q109 **Layla Moran:** It was Plymouth University, I believe, that was involved. Am I right?

**Philippa Lloyd:** Yes, Plymouth were involved in the GSM.

Q110 **Chair:** I know our sister Committee is looking at this but I want to finish by asking Ms Dandridge: what is keeping you awake at night—if anything is—as you take on this new and vitally important responsibility, to make sure that this part of our education sector is delivering quality education and not defrauding the taxpayer? We have heard some of the worst problems coming out today.

**Nicola Dandridge:** There is not a great deal that keeps me awake, as it happens, at night. I think we will be looking very carefully at these NAO

Reports and taking on board many of the issues that have been discussed today. This is not an insignificant set of responsibilities, and I think we are very aware of that.

Q111 **Chair:** What will success look like for you? If you are back in front of us, let's say, in two years' time—it will probably be before that—what will you want to say has got better?

**Nicola Dandridge:** I think we are going to be very focused on outcomes for students, and we will be looking for them to be reporting back that in their terms they have had high-quality experiences at university or in higher education—wherever it may be—that they see it as value for money, that graduate outcomes are positive in terms of employment and that they have gained in the wider sense and benefited from being in higher education. I think we are going to be looking very much at outcomes and at how students themselves, and graduates, define success. Sitting behind that, of course, is a sustainable and respected system of higher education across the piece, from traditional to alternative providers.

Clearly, we cannot have the outcomes without a sustainable and thriving sector, but in terms of what our priorities are going to be, I think it is going to be students and graduates reporting successful, rewarding and enriching experiences at university that lead to the outcomes that they want.

Q112 **Chair:** I have one final question for Mr Slater. One of the issues, as Ms Moran highlighted, is about how the GSM—Greenwich School of Management—issues the degrees that were awarded by Plymouth University. There is no transparency about what the universities charge the alternative providers, or other providers around the world indeed, to be the degree-awarding body. Do you think that information should be in the public domain, so that we can all see what cash is changing hands for that very valuable and important accreditation, given that you and Ms Lloyd are the guardians of the quality of the higher education sector in the UK? Ms Lloyd, Mr Slater is looking to you.

**Philippa Lloyd:** He is.

**Chair:** He knows a woman who is in charge. That is good to see.

**Philippa Lloyd:** I think that is definitely something we should look at. In passing across to the Office for Students, one of the things is a whole emphasis on greater transparency across a number of areas across the sector, so I definitely think that is something we should look at.

**Jonathan Slater:** I was reflecting on the perfectly reasonable challenge from a Member of the Committee about how long it is taking us to get prompter data about non-continuation rates, and I would not want my previous response to the Committee to make you think that we felt that the current arrangements were adequate or that we were going to wait until 2019-20 before we did anything about it. I am not saying this because it will necessarily satisfy you, but in paragraph 2.22 of the Report you will see that the NAO is saying that we do use termly data on

attendance—that term’s data—from the SLC to monitor problems and take action. One of the examples I gave you earlier was of an alternative provider who, on the basis of such data, we had taken action against. They had sorted it out in 2017.

It is not that we do not do anything on the basis of more recent data, it is just that we do not have a comprehensive report that enables us to look, in the way the Chair was describing, at trends across, online, and all the rest of it. We are doing the best we can with data on a termly basis, but in 2019-20 we will have something much better. I do not say that to make you happy, but just to balance out what we are doing.

**Chair:** Thank you for the clarification. We are going to have a momentary pause while we refresh the water and refresh the panel. Who gets off for the next one? Ms Lloyd and Ms Dandridge, I think you escape the second one. I thank you for your time. The uncorrected transcript will be up on the website in the next couple of days, so please look and check if there is anything that you have misspoken that you wish to correct. We do not correct facts, just slight errors, if there are any, although *Hansard* is excellent, so there are not many at all. I cannot exactly say when our report will be published. It may be by Easter. Thank you.

### **Footnotes**

**Q24:** Note by Witness: To clarify, the Department cannot stop an alternative Provider from recruiting new students. We can stop new students from accessing student support, and that is what we have done in this case.

**Q36:** Note by Witness: I should have said “To get on the ‘approved’ categories of the register...”

**Q43:** Note by Witness: The appointment process was run with regard to the Governance Code which the Commissioner regulates, as with other public appointments.

**Q50:** Note by Witness: We took action against all 11 providers. In the case of 10, we issued them with Improvement Notices, requiring them to take improvement action. In the other one case, we de-designated the provision in question as a result of poor non-continuation rates.

Two providers that had poor non-continuation rates had already been de-designated due to quality failings.

**Q62:** Note by Witness: Following the implementation of the HESA Data Futures project, a new non-continuation methodology will need to be developed that capitalises on the more timely nature of the new data collected. This development work will require the input of a wide group of higher education partners, including OfS, HESA and DfE.

**Q63:** Note by Witness: The data will be collected through the HESA Data Futures project.

**Q69:** Note by Witness: It was in fact in 2016-17 that the number of students



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receiving ineligible payments was 146.

**Q73:** Note by Witness: QAA usually conduct a full HER(AP) quality review of an AP every 4 years, or this can be more frequently if QAA have any concerns. The QAA also conduct annual quality monitoring in the years in between full reviews.

**Q79:** Note by Witness: We do not have formal engagement plans for all Aps, only those that we consider to present higher risk.

**Q98:** Note by Witness: This includes QAA reviews carried out on all alternative providers, not only those designated by the DfE for student support, so would include for example action taken by the Home Office to revoke Tier 4 licence.