



Baroness Barran

Minister for the School System and Student Finance
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Lord Agnew
House of Lords,
Houses of Parliament,
Parliament Square,
London,
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24 May 2024

Dear Theodore,

I would like to thank you for your contribution to the Parliamentary debate on the report from the Industry and Regulators Committee *Must do better: the Office for Students and the looming crisis facing higher education*, that took place on 21 May 2024. I am writing to you regarding the financial sustainability of the higher education (HE) sector.

My department and I work closely with the Office for Students (OfS) and others, including the HE sector, to keep abreast of providers' financial position. As such, the government recognises that the financial position of the sector has become increasingly challenging. As you may be aware, the OfS 2024 report on the financial sustainability of the HE sector makes clear that the business models for a significant number of providers will need to change in the near future to ensure financial sustainability. Indeed, all providers must continue to adapt to uncertainties and financial risks.

Though the aforementioned report sets out a challenging financial environment for the sector at an aggregate level, the report also makes clear that the sector's performance in aggregate does not reflect the picture for all individual providers. Indeed, many providers are in good financial health and continue to show significant surpluses. However, in the event that a provider was at risk of failure, my department's priority would be to work with the OfS, the provider and other government departments to ensure students' best interests are protected.

Ultimately, and as you will know, HE providers are independent from government and as such it is for them to decide on effective business models and to how to manage their finances.

The government recognises the importance of a financially sustainable sector. That is why we have continued to provide significant financial support of £6.5 billion to the sector, plus nearly £10 billion in tuition fee loans in 2022/23. Over the current Spending Review period, the government has also invested £1.3 billion in capital funding to support teaching and research. This investment includes hundreds of millions of pounds in additional Strategic Priorities Grant funding over the three-year period from 2022-23 to 2024-25 to support high quality teaching and facilities, including in science and engineering, subjects that support the NHS, and degree apprenticeships. This includes the largest increase in government funding for the HE sector to support students and teaching in over a decade.

I want to close this letter by reassuring you that, as I set out previously, my department will continue to work closely with the OfS, mission groups and individual providers to understand the changing financial landscape of the HE sector.

I hope my letter is helpful and I will place a copy in the House Libraries.

Yours sincerely,

A handwritten signature in cursive script, reading "Diana Barran".

BARONESS BARRAN

MINISTER FOR THE SCHOOL SYSTEM AND STUDENT FINANCE