

The Foundation for Science and Technology

17th June, 2009 debate on the future of higher education in England

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Good evening everyone

Introduction

1. It is a pleasure to be here. I first spoke at this meeting in the early 1990s alongside Sir Michael Peckham about the (then) fledgling NHS Research and Development programme and I am pleased to say that it is still going strong. Under the leadership of Dame Sally Davies, the National Institute of Medical Research – working alongside the MRC, the Wellcome Trust and others – has transformed biomedical, clinical and health services research in this country. This is testament to the Government's long-term commitment to science and technology which has served us so well, a lot of hard work from a small band of people and support from the FST and many others.

2. I was in the Department of Health for seven years and worked with four Secretaries of State and 35 different Ministers – in ten weeks at HEFCE, I am on to my second Secretary of State, although just to confuse me, he is called the First Secretary of State. I broadly welcome the changes of recent weeks and look forward to working with colleagues in the new Department of Business, Innovation and Skills. I am reassured by the Secretary of State's acknowledgement that universities and colleges are *“as much about the cultural bedrock of our society as the competitiveness of the economy”*. He has also been quick to acknowledge that a high degree of autonomy is central to the success of universities, the importance of the dual support system of research funding and the importance of continuing to spread the opportunity and social mobility that comes through higher education.

3. I certainly believe that it is possible to combine the fundamental truths of education and research with the knowledge and skills required to help the

professions, businesses and public services innovate and prosper and to argue that the broad base of research undertaken in our universities has relevance and impact.

Overview of Higher Education

4. This is normally the point when the HEFCE Chief Executive moves into over-drive to define the size and scale of the sector and to quantify the progress that is being made. I am going to spare you all of that other than to say that the total turnover of our universities now exceeds £20bn. There are about 2m students studying in England and that by all international comparators – research impact, trade and overseas recruitment – we continue to do well.

5. Strong investment in recent years – coupled to the Government’s long-term commitment to sciences and publicly funded research, and the introduction of variable fees – has enabled UK universities to maintain their international competitiveness whilst supporting the policy of widening participation. This is borne out by my personal experience: I have visited ten universities in the past three or four weeks – each has an inspirational story to tell of new educational initiatives and research achievements and a friend in Dundee told me at the weekend that the new team leaders in their Scottish Institute for Cell Signalling have come from the top research institutes in the US, Switzerland and (slightly robbing Peter to pay Paul) Cambridge – not bad for a modest post-industrial city on the edge of Europe. Universities change communities and have also been quick to respond to the recession using the Economic Challenge Investment Fund (ECIF) to benefit 50,000 people and 11,700 businesses.

6. So far so good but of course there are significant risks on the horizon which must be taken seriously.

Risks to the UK higher education sector’s strong position

7. The strong position achieved in recent years is at risk from:

- intense competition from the United States, China and India, improvements in European universities and the continued development of city states such as Abu Dhabi and Singapore which are investing heavily in education and research
- reductions in the growth of public spending – with spending set to increase by only 0.7% per annum in real terms from 2011 to 2014. This effect could be exacerbated by further pressure on the student support budget and any delays in resolving the outcome of the review of student fees
- threats to university income resulting from cuts in other areas of public spending (eg in the NHS, teacher training and the RDAs); cost pressures (eg in relation to National Insurance, pensions and banking charges); and fluctuations in the financial and property markets affecting endowment funds and estates rationalisation programmes.

8. At the end of 2007-08, the higher education sector had strong cash balances and healthy reserves, but these are being eroded by cost pressures and the recent budget announcement, which reduced recurrent funding by £263m for 2010-11. Some universities and colleges will only manage through the next three or four years by reducing costs and jobs and developing new ways of working. The budget changes represent 4.64% less funding for teaching, and just under 1% less for research when compared to the CSR 2007 projections. So how do we respond?

Responses to the risks: Short term

9. If the international standing of higher education is to be maintained through this period of financial restraint a clear decision will have to be taken about the relative priority to be given to public investment in universities. The review of variable fees and student support funding also needs to be completed in time for implementation in 2011-12. Even then some explicit choices may have to be made between protecting the quality of education and research, overall student numbers and levels of participation, and the pursuit of new initiatives. Doing fewer things better may be a perfectly sensible strategy for the future.

10. The short-term priority is to establish without doubt that higher education is a fundamental part of the solution to the economic challenges facing this country, not part of the problem. By recognising the positive economic and social benefits of vibrant universities and colleges, we must aim to avoid further erosion of the higher education budget. We must all be in position to put our best foot forward in the spending review that will surely follow hot on the heels of the next election.

11. If the reputation of higher education is to be maintained, action is also required to ensure that the quality of learning and teaching continues to be trusted for the future and that steps are taken to maintain research excellence.

Quality and standards

12. The quality and standards achieved in higher education have been in the spotlight over the past year with no shortage of media comment about; admissions criteria; the role of the Quality Assurance Agency for higher education; and concerns about a dumbing-down of academic standards. The House of Commons' Innovation, Universities, Science and Skills Select Committee will report its findings on these issues prior to the recess.

13. A high level sub-committee of HEFCE has been asked to ensure that we are meeting our statutory duty to maintain the quality of provision that we fund. The emerging consensus is that there is no evidence of systemic failure in the present arrangements, but that some improvements need to be made.

14. For example action is required to ensure that:

- the QAA has a more public-facing remit, re-assuring the non-expert and adopting a more flexible approach in its audit methodologies
- applicants, students, parents and employers should have ready access to information about programmes of study and what is expected of students who undertake these programmes

- the external examiner system (a key part of the system of self-regulation and peer review at institutional level) should be formalised perhaps though more training or a mandatory code of practice.

Research in higher education

15. The plurality of funding for higher education research, from public and other sources, is a major strength of the UK system. HEFCE funding, provided as one leg of dual support, enables institutions to maintain a dynamic and responsive research base of world-leading quality. This enables ground-breaking basic research, with the potential to drive future innovation and respond quickly to changes in the external environment. Challenges include:

- maintaining the balance between funding for curiosity-driven research and for work targeted on identified national needs and priorities. It is important that the leading funders (HEFCE, the UK Research Councils, the NHS and major charities) continue to work together in a complementary way
- developing a new research quality assessment framework – the REF – in a form that recognises and rewards excellence of all kinds, across the full spectrum of disciplines and types of research activity; this requires a process of expert qualitative assessment, drawing on quantitative indicators in a way that reduces the administrative burden on universities
- continuing to develop the infrastructure and human capital required to support research excellence, inward investment and industry collaborations.

16. I also think it important to avoid a narrow interpretation of the current research strategy. The place of curiosity driven research is secure and in all the talk of life sciences, low carbon technologies, Digital Britain and advanced manufacturing methods we also need people who are thinking deeply about bioethics, the regulation of energy markets, the psychology of human/computer interaction and the importance of design.

17. It is on these issues – supporting excellence in learning and teaching, world class research and the economic social and cultural contribution of

universities – that I will focus attention in the next couple of years. What of the need for longer-term response?

Responses to the risks: Longer term

18. Looking back over the past couple of years, changes in the structure and educational priorities of higher education have usually been achieved through additional investment. For example, the Strategic Development Fund, set up in 2003, has provided £656m for a wide range of projects including: the realignment of college and university activity in Cornwall; the merger of University of Manchester and UMIST; the development of university centres in communities with no previous provision; and in leading initiatives such as Design London supported by the Royal College of Art, Imperial College and NESTA. There has also been a £3.7bn investment in research infrastructure in the last four spending reviews 2002-2011 leveraging additional resources from industry and the charitable sector.

19. Faced with the prospect of intense international competition, sustained reductions in public spending and significant cost pressures at institutional level, it seems likely that the strong progress being made by the Government and HEFCE will be at risk over the longer term. We will have to strike a new balance between public expenditure and student contributions, develop a sustainable system of student support, and even allowing for some further improvements in efficiency, recognise that there may have to be trade-offs between volume and quality. HEFCE will have to look carefully at its resource allocation and incentive structures to ensure policy alignment, and find quicker and more reliable ways of spreading good practice across the sector. In tackling the overall financial position we will all want to avoid attrition in the quality and competitiveness of universities.

The HE Framework

20. The HE Framework can be a vehicle for these short- and long-term responses. I hope that it will go with the grain of the work being undertaken in universities and, whilst recognising the need to make best use of existing resources, that it will support advances in the quality and flexibility of

educational provision, greater responsiveness to students and new research collaborations. It cannot realistically deal with the longer-term questions of academic and financial sustainability but I suspect that next year at this time we will be immersed in this debate. Prepare now is my advice.

21. In the clamour to deal with the short-term financial pressures facing the universities and colleges and the implementation of detailed elements of the Framework, it will be important not to lose sight of the cliff edge of public spending and the difficult policy choices that this is likely to pose. The review of fees and student support will set the scene for a much more important discussion about the future.

22. The Government has delivered sustained investment and universities and colleges have used this money wisely for the public good. Many of the people who work in our universities are fizzing with ideas and it is important that we build on these achievements – to ensure that we have the high level skills and the research base we need for long-term economic success, and that universities maintain their essential character. Ron Dearing, who did so much for us over the past twenty years and is a sad loss, used to talk about the need *“to increase knowledge and understanding for their own sake and to foster their application to the benefit of the economy and society”*. Perhaps I should leave the last word to him.

Thank you for listening and a special word of thanks to my friends in the audience who have learned to sleep with their eyes open!

Alan Langlands
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