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Education and Skills Committee

The Future of Higher Education

Fifth Report of Session 2002–03

Volume I

Report and formal minutes

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The Education and Skills Committee

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Committee staff

The current staff of the Committee are David Lloyd (Clerk), Annabel Jones (Second Clerk), Sara Eustace (Committee Specialist), Pam Fisher (Committee Assistant) and Catherine Jackson (Secretary).

Contacts

All correspondence should be addressed to the Clerk of the Education and Skills Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 6181; the Committee’s email address is edskillscom@parliament.uk

Footnotes

In the footnotes of this Report, references to oral evidence are indicated by ‘Q’ followed by the question number. References to written evidence are indicated in the form ‘Ev’ followed by the page number.
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The Future of Higher Education

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Volume II, Oral and written evidence, HC 425-II
Summary

In this report, we examine the proposals in the White Paper *The Future of Higher Education* and the implications of the large investment in higher education over the next three years, with spending rising from around £7.5 billion in 2002–03 to almost £10 billion in 2005–06—a real terms increase of more than 6% each year.

It is our aim to make a positive contribution to improving the Government’s White Paper. We seek to remind the Government that UK higher education has a strong international reputation and that students are eager to study here.

Universities are vital to the future successful development of the potential of individuals and society as a whole. They are at the very heart of the maintenance of an intellectually vigorous and civilised society. They are also essential to the future prosperity of our nation.

We remind the Government that UK universities are attractive because of their reputation for quality and excellence, much of which is rooted in their unique blend of teaching and research. We warn the Government that not understanding the distinctive nature of our university system or failing to maintain its quality would be a fundamental mistake.

In recent years, Government investment in higher education has lagged well behind the resources devoted to early years, schools and further education. Universities are expensive, and we believe that those who benefit—society, the individual student and the employer—should all make a fair contribution to their cost. We suggest that employers should either invest a significant proportion of their turnover in research and development, or be required to contribute to a research fund for universities.

We are convinced that substantial benefits derive from universities having diverse funding streams: too great a reliance on funding through taxation will inevitably lead to greater Government control of the sector and less independence for universities.

We believe from the evidence given to us that it would be very unwise to proceed with a much greater concentration of research funding in a few institutions, that the flame of research endeavour should be kept alight in all universities and that each region of the UK should have within it a focus for the highest quality, internationally competitive research.

While we consider the question of fair access to be of great importance, we believe that the Office for Fair Access is unnecessary and that responsibility for monitoring fair access should remain with HEFCE.

We believe that there should be enhanced and better targeted support for students from low-income families, to be funded by the abolition of the undifferentiated interest rate subsidy for student loans. This could provide maintenance grants worth as much as £5,000.

The Government is committed to a substantial expansion of higher education. The evidence suggests that this target will be achieved with less difficulty than previously envisaged. We believe that the Government’s linkage of the 50% participation target to foundation degrees is unwise.
Universities are their staff. High quality universities must be able to attract and retain staff of the highest calibre. University salaries, particularly in the early years of academic life, are woefully low. Urgent action must be taken to improve pay and conditions, especially for those in the early years of the profession.

The White Paper provides an historic opportunity to establish a higher education system in this country that is of the highest quality, is well funded, and can be accessed by all those who have the requisite talent, but more needs to be done to achieve those aims. We urge Ministers to adopt the changes we propose.
1 Introduction

Background

1. This report follows our report last session on Post-16 Student Support\(^1\) which in turn arose from the Government’s review of the same issue, announced by the Prime Minister in October 2001. The reason the Government gave for undertaking a review was public concern about student debt articulated during the last election, and it delayed its response to our report until it had concluded this review. Publication of the review was postponed once by Estelle Morris MP when she was Secretary of State for Education and Skills, and again by Charles Clarke MP when he took over as Secretary of State in October 2002. The White Paper *The Future of Higher Education*\(^2\) was finally published on 23 January 2003. The Government provided a response to our previous report on 7 February 2003.\(^3\)

The White Paper

2. The White Paper proposals are not confined solely to issues relating to student support and the funding of higher education, but relate to all areas of universities’ activities. At the outset, the Government acknowledges the successes of the system:

“We can be proud of our universities. The number gaining degrees has tripled in the last two decades while safeguarding quality. Completion rates for students are among the best in the world. More overseas students are studying here. Our research capacity is strong and, at best, world class. Recent years have seen a dramatic increase in the number of new companies spun out of universities’ innovation.”\(^4\)

The paper then sets out what the Government sees as the challenges facing the higher education sector:

“The challenge from other countries is growing. Higher education is under pressure, and at risk of decline. We face hard choices on funding, quality and management:

- Higher education must expand to meet rising skill needs.
- The social class gap among those entering university remains too wide.
- Many of our economic competitors invest more in higher education.
- Universities are struggling to employ the best academics.
- Funding per student fell 36% between 1989 and 1997.

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\(^1\) Education and Skills Committee, Sixth Report of Session 2001–02, Post-16 Student Support, HC 445.
•  *The investment backlog in teaching and research facilities is estimated at £8 billion.*

•  *Universities need stronger links with business and economy.*

3. The Government is addressing the investment shortfall by providing a substantial increase in public funding for higher education:

“Spending on higher education will rise from a total of around £7.5 billion in 2002–03 to almost £10 billion in 2005–06—a real terms increase of over 6% each year… This allocation is the most generous for a decade. It will stabilise the funding of universities, and allow them to make sustained progress in improving research volumes and quality and in tackling the huge backlogs in research and teaching infrastructure.”

The Government’s proposals for the sector go far beyond the provision of increased finance, embracing changes relating to research; relationships between higher education institutions and business; teaching and learning; the expansion of higher education; fair access, and funding (both of institutions and of students).

4. We concluded that we needed to examine the Government’s proposals as a whole, not just to look at student funding issues in isolation, and so in the following chapters we look at each issue in turn.

5. During our inquiry we took evidence from the Secretary of State; the Minster of State for Lifelong Learning and Higher Education; Universities UK; the AUT; NATFHE; the NUS; the Standing Conference of Principals; the Mixed Economy Group of Colleges; Sir Howard Newby, Chief Executive of the Higher Education Funding Council for England; Dr Peter Knight, Vice-Chancellor of the University of Central England in Birmingham; Professor David Eastwood, Vice-Chancellor of the University of East Anglia; Mr Richard Lambert, Chair of the Review of Business-University Collaboration; Sir Richard Sykes, Rector of Imperial College, London; Professor Rick Trainor, Vice-Chancellor of the University of Greenwich; Mr Phil Willis MP and Baroness Sharp of Guildford. We received 40 memoranda. We also wrote to all vice-chancellors and college principals for their views and received 59 responses. We are grateful to all those who contributed to the inquiry in these ways. We have been assisted in this inquiry by Professor Janet Beer, Pro-Vice-Chancellor of Manchester Metropolitan University; Professor Alan Smithers of the University of Liverpool; and Sir William Taylor. We thank them for all their work for the Committee. We are also grateful to Bahram Bekhradnia of the Higher Education Policy Institute for organising a seminar for the Committee on issues raised in the White Paper at the beginning of our inquiry.

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5 ibid.
6 *The Future of Higher Education*, paras 1.32 and 1.33.
7 See Annex for a list of institutions contacted.
2  Research

6. The Government plans to increase spending on science and research by £1.25 billion a year by 2005–06 compared with 2002–03, an increase of around 30% in real terms. As well as this increased funding, the White Paper says that

“to maintain and strengthen our position in the face of increasing global competition, we also need to review how research is organised to ensure the increased funding supports our most talented researchers and our most effective research institutions and departments.”

The main proposals are:

- to encourage the formation of consortia, provide extra funding for research in larger, better managed research units, and develop criteria to judge the strength of collaborative work;
- invest even more in the very best research institutions (currently 75% of HEFCE funding for research goes to 25 institutions), enabling them to compete effectively with the world’s best universities;
- protect relatively isolated pockets of high-quality research in institutions which are not themselves research intensive;
- encourage and develop emerging areas of research; and
- steer non-research-intensive institutions towards other parts of their mission, allowing HEFCE research funding to be focused on the best research.

The Government also proposes to turn the Arts and Humanities Research Board into a fully fledged research council by 2005.

7. The further concentration of funding is to be implemented by a re-examination of the 2001 Research Assessment Exercise (RAE):

“a further Research Assessment Exercise is not due until 2008, and we believe that there is a case for more discrimination between the best before then. In the last RAE, 55% of research active staff were in departments rated 5 or 5*. We will ask HEFCE, using the results of the latest Research Assessment Exercise, along with international peer review of additional material, to identify the very best of the 5* departments which have a critical mass of researchers—a ’6*’—and will provide additional resources to give them an uplift in funding over the next three years.”

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9  ibid.
10  ibid, page 23 and para 2.6.
11  ibid, paras 2.22 and 2.23.
8. Margaret Hodge MP, then Minister of State for Lifelong Learning and Higher Education, when questioned on this issue told us:

“We will want to fund those that currently have the Level 4 classification where they demonstrate that they are improving departments... We want to concentrate funding on the world class institutions and secondly on those that demonstrate that they are on the upwards escalator.”

9. During our inquiry, the Higher Education Funding Council for England (HEFCE) announced its allocation of funds for institutions and departments at each RAE level for 2003–04. Less than two months after publication of the White Paper its proposals were being put into effect:

“Funding for research takes account of the Government’s White Paper *The Future of Higher Education* and the grant letter from the Department for Education and Skills to HEFCE on 22 January. Total recurrent funding for research is £1,042 million, an increase of £102 million (10.9%) over 2002–03. In distributing this funding HEFCE has:

- maintained the average unit of resource in real terms for departments rated 5* (five star) in the 2001 Research Assessment Exercise (RAE);

- provided additional funding of £20 million to departments that achieved a rating of 5* in both the 1996 and 2001 RAES;

- restored in real terms the average unit of resource for 5-rated departments to 2001–02 levels;

- allocated the remaining quality-related (QR) research funding to 4-rated departments. (This reduces the research funding allocated for 4-rated departments from £139 million in 2002–03 to £118 million in 2003–04.)

HEFCE is providing £20 million as a capability fund to support research in emerging subject areas where the research base is not as strong as in more established subjects. Mainstream QR funding to 3a-rated departments will be discontinued.”

10. We asked Sir Howard Newby, Chief Executive of HEFCE, if it was correct, as we had been advised informally, that HEFCE had proposed increasing the level of funding allocated to 4-rated departments by £10 million to £148 million for 2003–04, but that Ministers had intervened to reduce the amount to £118 million. He told us:

“This is not covered by confidentiality since I asked the Secretary of State to write a letter to my Chairman, which he duly did, so I can say publicly that the initial advice of my board was varied by ministers. A letter of guidance did ask us to place our proposals before them and your summary is broadly accurate.”

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13 Qq 55, 60
14 HEFCE press notice, 7 March 2003.
15 Q 411
Further concentration of research funding

11. The Government’s proposals for further concentration of research funding were almost universally criticised in evidence. Witnesses from Universities UK argued that the further concentration of funding would lead to ossification of research, and that changing part way through an RAE cycle was unfair. Professor Arthur Lucas of King’s College London told us:

“’The rules of the game are being changed in the very early part of the sequence. People's plans and investment decisions are being disrupted by that sort of process and I know that some institutions are considering judicial reviews. Whether they will seek them or not I do not know.”17

The AUT argued that further concentration would lead to redundancies amongst academic staff. NATFHE, the NUS, and SCOP all opposed further concentration.

12. Three Vice-Chancellors who gave evidence to us were particularly critical. Dr Peter Knight of the University of Central England told us:

“We strategically sought to build up our performance in the RAE and we were one of the ten most improved universities in the 2001 RAE. We built up that performance using public funds allocated by HEFCE to develop our research. To get almost nothing seems to me to have been a waste of those funds and an unfortunate outcome in terms of policy. I do not see a shred of evidence which says we need to fund whatever the Super 5*s are at 6*... To try and concentrate research funding on the basis of a model which has some legitimacy in the physical sciences I think is a mistake.”22

13. Professor David Eastwood of the University of East Anglia gave an example of how his institution was affected by the change:

“My computer science department is 4-rated, it has flagged within it an outstanding group on colour. It is also crucially important not just to my institution but to the John Innes Centre and the Institute of Food Research, which are located the other side of the river from my institution, what is delivered in terms of bioinformatics out of the computer science school is critical to the research base in the wider university and in these research institutes. It is also critical to environmental science and it is critical to servicing the financial services industry in the city. So you have there a strategy moving forward, a unit which has 5* quality in it, the reasonable presumption you will get that unit to a 5 in the 2006 RAE. Suddenly everything is thrown up in the air which affects not just computer science but it affects the other

16 Q 212
17 Q 218
18 Ev 38
19 Ev 47
20 Q 348
21 Ev 100–01
22 Q 577
parts of the research base in my institution and in others which are dependent on
their ability to deliver.”23

Professor Rick Trainor of the University of Greenwich was concerned that the changes
would lead to stagnation:

“It seems to me that the more general point here is one of potential ossification of the
system. The White Paper says that we need to allow for promising departments and
emerging fields of research; my fear, leaving aside the special interests of my own
university, is that a ruthlessly selective system of funding research and the focusing of
resources on this very small number of universities, those steps are going to block off
that potential movement up of universities and of individual departments within
them, and I cannot see that that is really in the long-term interests of the country.”24

14. On the other hand, Sir Richard Sykes, Rector of Imperial College, London was strongly
in favour of further concentration, arguing that the proposals in the White Paper were
simply a recognition of the actual pattern of funding and that the economic case was clear:

“If we want to have, in a competitive world that is being driven today basically by
science and technology, half a dozen top universities in this country, that can
compete because they have excellence, not just in a few groups but across the whole
panoply of scientific excellence, so you have got the critical mass that helps these
people work together to address some of the World’s biggest problems, then we can
afford only a few of them.”25

Sir Howard Newby thought that the concentration would not be so severe as Sir Richard
suggested:

“I think that the concentration of research funding in this country will be rather
wider than just four to six institutions, but I do agree that it will be more
concentrated…. So, we have to then think in terms of not looking at this in terms so
much of individual institutions but how institutions can come together to create that
research collaborative critical mass and we also….need to re-balance what I will call
the vocation of higher education to re-emphasise the importance of teaching and
learning and to move away from the view that, if you are not researching, you are
somehow a second-class citizen in higher education.”26

15. We were told that the loss of funding for 3a-rated departments and the reduction in
funding for 4 rated departments would seriously affect medical schools. Professor Michael
Thorne of the University of East London said that the effect on some medical schools
“would be near terminal”.27 Professor Robert Burgess of the University of Leicester argued

23 ibid.
24 Q 647
25 Q 646
26 Q 454
27 Ev 250
that “If grade 4 funding is withdrawn, charities funding [for medical research] will be put at risk, as there will be no HEFCE funding to meet the indirect costs”.28

16. Those in other specialist areas also raised concerns. Professor Wynne Jones of Harper Adams University College in Newport, Shropshire, which has lost its HEFCE research funding in the 2003–04 allocation, expressed the fear that with concentration in research intensive institutions “certain subjects (such as agriculture) might not be provided for under such a system”.29 Professor David Leaver of the Royal Agricultural College criticised the abruptness with which the change in funding for 3a and 4 rated departments was implemented, with those departments not only losing funding but “staff appointed in good faith that the QR funding resulting from RAE 2001 was applicable until the next RAE will now lose their jobs”.30

17. Professor William Stevely of the Robert Gordon University in Aberdeen drew attention to the fact that the RAE is a UK-wide system:

“The introduction of a new grade between Exercises might well lead to an unhelpful, external perception that only in England are 6* departments to be found”.

Dual support system for research

18. There is of course another source of public funding for research in the form of project support from the research councils. Unlike RAE funding, the grants from the research councils are specifically peer reviewed. The concentration there is even more marked, with 84% of funding going to the top 25 institutions. We asked Sir Howard Newby if this meant the RAE exercise was not sufficiently discriminating. He replied that

“Part of the purpose of the money we put in is to fund, in a broad sense, research capability. It is to enable academic staff to get to the starting gate in terms of being competitive for Research Council grants. I would actually be rather worried if those figures were the other way around.”31

19. On a slightly different point the Secretary of State noted that there is funding available from the private sector and charitable foundations, and said that he agreed with the idea of “trying to create a more plural set of funding regimes”.32

Review of the Research Assessment Exercise

20. Another factor in the debate on research funding is the review of the RAE mechanism chaired by Sir Gareth Roberts, of Wolfson College, Oxford. As the White Paper says:

“HEFCE (together with the equivalent bodies in the devolved administrations) is undertaking a review of research assessment which will investigate different approaches to the definition and evaluation of research quality, drawing on the

28 Letter to the Chairman of the Committee [not printed]
29 Ev 229
30 Ev 240
31 Q 452
32 Q 775
lessons of both the recent RAE and other models of research assessment...The revised research assessment exercise to be introduced, probably in 2008–09, is...likely to grade broader subject groupings than before and also recognise centres of excellence. Such indicators will enable the community to identify and designate leading research institutions. The report on the Review of Research Assessment will be submitted to the UK funding councils in April 2003."

We asked the Secretary of State why he had decided to introduce change before the report on the review was available. He said:

“One could argue, ‘Stop this. Let's wait for a year or whatever before we start this process.’ I can understand that argument and there is always a good argument for delay but I am not that sympathetic to it at the end of the day because I think actually that we need to face up to some of these issues...there is an argument which...is saying ‘What you are doing is going too fast for us. We cannot deal with change at this pace.’ To that I say that the amount of change we are putting in HEFCE research at the moment is relatively small in the overall scale of things...and I do not think it is quite as acute as people think.”

21. The Report of the Roberts Review was published on 29 May. It suggests a substantial reorganisation of the process for assessing research, with three methods of assessment:

a. option of a separate approach for the least research intensive institutions;

b. assessment by proxy measures against a threshold standard (Research Capacity Assessment or RCA) for the less competitive departments in the remainder of institutions;

c. expert review assessment similar to the old RAE for the most competitive departments (Research Quality Assessment or RQA)."

22. The review argues that there is a strong case for removing the least research intensive institutions from the main assessment process:

“In 2002–3 there were 40 out of 132 English HEIs for whom R/(T+R) came to less than 2%. These institutions received a total of £566 million in teaching funding and only £6.7 million in research funding. They made 240 submissions to RAE2001, which yielded an average of £27,580 in funding in 2002–3 compared to an average across the exercise of over £455,000 per submission. For these institutions, therefore, and for the panels and administrators tasked with their assessment, the RAE is over 16 times less efficient than the norm.”


34 Q 767


36 ibid, executive summary, para 27.

37 A measure of research intensity used by the review: the proportion of an institution's funding council grant for teaching (T) and research (R) which is received for research: R/(T+R).

38 Roberts review, executive summary, para 26.
23. The conclusions of the review have been issued for consultation with comments requested by 30 September.

**Concentration of funding: a science model**

24. A criticism made generally of the research proposals was that they took the research disciplines of science and engineering, which have high infrastructure costs, as the norm, and did not appear to acknowledge that the situation was very different in the humanities and social sciences. Dr Elizabeth Allen, National Officer Higher Education for NATFHE, told us that the union had made a submission to the Roberts review:

> "in which we argued very strongly that whatever the arguments for selectivity in what have been called the big science areas there has never been the same argument for selectivity across a whole range of other subjects and disciplines in higher education. You do not need to concentrate research funding to get good effects." 39

Professor Trainor said “for a subject like mine, history, and the rest of humanities and social sciences, this sort of hyper-concentration is harder to defend”, 40 and Sir Richard Sykes told us “I think, in the social sciences and the arts, you still benefit from some sort of critical mass, but you cannot use the same arguments that you use for science and technology”. 41

25. When we put this point to the Secretary of State, his argument was that collaborative effort to produce the best research outcomes was an intellectual model that applied to humanities as it did to science:

> "I do think the argument for collaboration is principally intellectual rather than principally economic…The difference between the big sciences and the arts and humanities is really an economic argument; intellectually I say there is no difference between them." 42

The Secretary of State did, however, also recognise that greater concentration of research funding might make it more difficult for some individual scholars to secure research funding; and he accepted that this problem could be addressed by increasing and diversifying the funding available from direct grant giving institutions, including the research councils.

**Regional strength**

26. Another problem about further concentration which needs to be addressed was raised with us by the Secretary of State himself:

> "I actually think the problem with the system that we have at the moment is that the great collaborations and concentrations of [RAE levels] 4 and 5…tend to be in the
south of the country. I think there is a very strong case for developing a very strong Manchester research capacity by exactly the kind of collaboration I have described, a very strong Yorkshire collaboration and so on. I think that is how it has to be. It requires leadership by the universities to address this question in a very explicit way, in my opinion.”

27. On collaboration, Professor Philip Tasker of De Montfort University said there were difficulties in encouraging real collaboration between universities:

“Currently, higher education is characterised through competition. Most Universities see their neighbours more as a threat than an opportunity for collaboration. This is encouraged by the funding mechanisms that are competitive…If the White Paper’s vision is to be realised, it is vital that the funding council is able to introduce funding mechanisms and incentives that will give real advantages to institutions that work together to enhance the totality of HE provision in their regions and nationally.”

The link between quality of teaching and research

28. The White Paper argues that there is no necessary link between the amount of research taking place at an institution and the quality of teaching:

“We believe that the time has come to look carefully at the relationship between research and teaching. In reality, the connection between an institution’s research activities and its teaching is indirect, and there is ample evidence of the highest quality teaching being achieved in circumstances which are not research-intensive. The scale and location of research activity has to be justified and decided on its own merits.”

It later adds that a report in the mid 1990s looked at 58 studies which contained ratings of both research and teaching, and found no relationship between the two.

29. A number of our witnesses considered that this judgement was wrong. Professor Floud told us:

“The view which is expressed in the White Paper that you can somehow divorce research from teaching and [that] it is indeed a good thing to encourage people to do only research and not teaching is one which would be very generally disputed. The whole British and European university system and indeed the American system is based on the concept of university teachers as being based, involved in, research and to lose that would be a real danger.”

43 Q 770
44 Ev 236–7
45 The Future of Higher Education, para 2.7.
46 ibid, para 4.32.
47 Q 217
30. Dr Steve Wharton, Chair of the AUT Education and Development Committee, said:

“The idea in the White Paper that you can separate research and teaching is a very bad one. We all know that good teaching is informed by good research and that in many cases that research goes beyond simple scholarship.”

He also drew our attention to an Institute of Education study undertaken in 2000 which found “a strong relationship between good research and good teaching”.

31. Dr Allen of NATFHE said:

“We...have to be clear about what we mean when we talk about the link between teaching and research. I do not think we would argue that you cannot teach effectively if you are not at that moment engaged in cutting edge research. An argument we would make very strongly is that HE teaching has to be delivered in a research active environment. There have to be people who are researching. Students have to have access to people who are engaged in research and research methods and staff themselves have to have an opportunity over a period in their career to engage in subject scholarship and research.”

32. Professor Trainor held a similar view:

“...it is one thing to say that you do not need every university teacher to be a leading researcher, it is quite another to suggest, as in effect the White Paper is doing, that students will not suffer if you have no active researchers in a whole school, or in a whole university”.

33. One of the authors of the report quoted by the Government in the White Paper, Professor John Hattie, has said that the way in which its research is used too often ignores its messages and conclusions. He says that the study represented the status quo and did not reflect on what should be the case. He also says that the very concept of a university implies that there should be a higher relationship between teaching and research.

Conclusions and recommendations

34. When we embarked on our inquiry into the White Paper, we had expected the main area of contention to be the issues surrounding student fees and support. That is a vitally important area of concern which we shall examine later in this report. However, it is clear from the evidence we have taken that what the White Paper has to say about research funding is also highly contentious, particularly because of its implications for the structure of the higher education sector. In this regard, perhaps the most significant sentence in the chapter on research is that which talks about the need to steer “non-research-intensive
institutions towards other parts of their mission, and [reward] them properly for it, so that the RAE can be focused on the best research.”

35. The Government argues that further concentration of research funding will provide real benefits:

“…better infrastructure (funding excellent equipment and good libraries), better opportunities for interdisciplinary research, and the benefits for both staff and students which flow from discussing their research and collaborating in projects. Modern research is less amenable to the ‘lone scholar’ model—for example, one study found that by 1994, 88% of all UK HEI papers involved two or more authors and 55% involved two or more institutions. Furthermore, larger groups of researchers in a subject, or in related subjects, perform particularly well—at least in the natural and social sciences. Greater concentration of resources also makes it easier to develop research only posts and to offer better pay to attract excellent researchers.”

36. We note the high degree of concentration in peer reviewed research grants, and we accept that a ‘critical mass’ of researchers in an institution can bring considerable benefits for the work of all; the research intensive universities are testimony to that. As the University of Oxford says in its response to the White Paper:

“One of the advantages of conducting research across many disciplines within a university environment…is that [interactions between individuals and groups] are fostered”.

37. There is already a significant concentration of research funding; is it sensible to make that concentration more marked, as the Government proposes? The fact that 75% of RAE funding already goes to just 25 institutions is well known, but that masks an even greater concentration. More than 29% of RAE funding for 2003–04 will go to just four institutions, all of them in the south-eastern part of England: the Universities of Oxford and Cambridge, Imperial College and University College London. The amount of RAE funding will increase by £244 million a year by 2005–06 compared with 2002–03, giving a total of £1,184,000,000. If the same concentration applies as now, the 25 most research intensive universities will receive £888 million a year, and the top four will receive £343 million. Therefore, without any change in funding patterns, the most research intensive universities are in line for significant increases in quality-related research funding.

38. There are undoubtedly advantages in having research intensive universities, but where there is already a significant concentration of funding, and where research funding is increasing in real terms, we are not persuaded that even greater concentration is necessary to achieve the Government’s aim of enabling the country’s

54 Ibid. para 2.8.
56 Total RAE funding for 2003–04: £1,020,000,000. Total RAE funding for the four institutions named: £300,852,416. Taken from HEFCE figures for allocation of funds.
leading research institutions to compete effectively with the world’s best universities.\(^{58}\)

We believe that a broad research base will provide more scope for innovation and research excellence than an increasingly narrow one.\(^{59}\)

39. Another argument against significantly increased concentration of funding is that the science and engineering model on which the policy is based is inappropriate for other disciplines where infrastructure costs are low and the main expenditure is on research staff. The Secretary of State answered this point in part by saying that he felt collaboration was important in all disciplines. We would argue that this supports our view that the case for even greater concentration of funding has not been made; in most disciplines intellectual collaboration between researchers in different institutions does not require resources to be concentrated in a select few universities.

40. The Government argues that it is willing to fund developing research where there is a clear sign that the quality is moving up from 3a or 4 to 5 or 5*. The evidence we have is that in the majority of cases departments do improve in quality over time. 144 research units which in 1996 were rated 3a or below were rated 5 or (in ten cases) 5* in 2001, and of the 439 units rated 3a in 1996, 306 were rated 4 or higher in 2001.\(^{60}\) Departments rated 3a in 2001 will now receive no RAE funding unless they are in one of the seven emerging research fields, so the prospect of any outside those disciplines achieving 5 or 5* status in the next assessment round must be slim.

41. The possible consequences of this change were put to us by Professor Steve Smith of the University of Exeter:

“Cuts to grade 4 funding will seriously undermine a number of subject areas that society and Government regard as highly important, for example engineering, chemistry and education, all of which had a high proportion of grade 4s…Chemistry and engineering do not at present enjoy buoyant undergraduate recruitment, so the planned reduction of RAE funding could lead to the closure of such departments because they have no opportunity to teach themselves out of financial trouble.” \(^{61}\)

It is worth noting that since the announcement of the HEFCE research allocation for this year, there have been suggestions that the chemistry departments at King’s College London and at the University of Kent may close.\(^{62}\) Medicine and music have also been hard hit.

42. When discussing RAE funding, Sir Howard Newby told us:

“Part of the purpose of the money we put in is to fund, in a broad sense, research capability…. There has to be a certain amount of casting bread on the waters element in the funding which we provide to institutions.” \(^{63}\)

\(^{58}\) The Future of Higher Education, page 27.
\(^{59}\) Ev 242, para 2.4.
\(^{60}\) UUK response to White Paper, page 21.
\(^{61}\) Ev 251
\(^{63}\) Q 452
This aspect of RAE funding now appears to have been ended by the Government, as no department rated at less than level 4 can, as a matter of course, expect to receive any funding for research. The definition of the calibre of research required to gain a 4 rating is “Quality that equates to attainable levels of national excellence in virtually all of the research activity submitted, showing some evidence of international excellence”. Research at this level is clearly beyond the ‘casting bread on the waters’ stage.

43. Increased targeting of research support is the method by which the Government is seeking to focus the attention of the less research-intensive universities on other aspects of their missions. As Sir Richard Sykes commented, the removal of the RAE funding will not prevent institutions undertaking research; it means they will have to seek funding from elsewhere, for example from businesses, research councils, or charities. Over time, however, the absence of RAE funding is likely to erode an institution’s capacity to maintain the infrastructure required to sustain and develop a research capability: any funding it does receive will be for particular projects rather than for the carrying out of research in general. Success in the RAE is not only important for the funding awarded; it also provides a marker by which external agencies can judge the quality of work and potential for development.

44. The Secretary of State said to us:

“I think it is a matter for HEFCE to decide and allocate the money as between universities but that it is a matter for the Government to make clear what the overall thrust of the reason for funding higher education is.”

Whilst the ‘overall thrust’ may properly be a matter for government, however, the way in which this is implemented is important. Given that universities were planning for the long term on the basis of the grading of departments in the 2001 RAE, the Government should not have changed the pattern of funding only two years later and at such short notice when departments had no opportunity to plan for the change. It is particularly difficult to understand why funding was changed in advance of the recommendations of the Roberts review which, if adopted, will have far-reaching effects on the pattern of quality-related research funding.

45. Now we have seen what the Roberts review is proposing, the Government’s actions in reducing funding for middle ranking departments seem even less appropriate. If the model of research assessment proposed in the review is adopted it will have a significant effect on the way in which funding is allocated. The reduction in funding for 4-rated departments has confused the issue, and in consequence may hamper discussion of the review’s recommendations because of hostility to the reduction in funding within the sector. This would be particularly unfortunate for the Government, because the review’s proposals do clearly address the Government’s concerns.

46. The Secretary of State argued that the amount of money involved in the rearrangement of the allocation of funding this year was small in comparison to the overall research
budget, and of course he is right. The reduction in the budget for 4-rated departments of £21 million for 2003–04 compared to 2002–03 does nevertheless represent a 15% decrease in funding for that particular group, which explains why most universities are so unhappy. Changing the pattern of funding in this way is likely to result in money that has been spent building up research in a department being wasted because funding is not provided in future.

47. **We recommend that the Government reinstates the £21 million taken from the budget for 4-rated departments for this year.** Such a change makes no sense when a new assessment procedure has been proposed. Changes in funding should be introduced alongside changes in assessment.

48. We agree with the Secretary of State that it is important to ensure that there is a good regional balance of institutions, providing significant research capability throughout the country. There is currently a regional imbalance in research funding, which further concentration is liable to increase. We believe that every region in the country should have a university or a cluster of universities of real international quality. It may well be that this requires collaboration on the Yorkshire White Rose model, for example. **We recommend that the Government works with HEFCE and the research councils to implement funding mechanisms and incentives to promote and reward collaboration.**

49. There is a danger, as a number of people said to us, that reinforcing the current dominant position of a handful of institutions could lead to stagnation. Institutions could become complacent because they know they will continue to be supported financially at the highest level. There must also be concerns that the Roberts proposals for the least research intensive institutions will prevent them from continuing even with their present level of research. There needs to be the opportunity for ‘unfancied’ institutions to develop their research capability and in due course take their place amongst the best. Dr Steve Wharton, Chair of the AUT Education and Development Committee, gave the example of his own university:

> “the University of Bath is now fourth in *The Times Good University Guide*. It has a very [enviable] reputation for its research. In the early 1960s the University of Bath was Bristol College of Science and Technology and it was the decision of the Robbins Report to turn it into a university and then to have a funding mechanism which enabled it to build over time. That was what enabled it to produce its current profile.”

The Government must continue to provide the opportunity for institutions to follow the example of Bath, Warwick and others. It says that it wishes to do that, but lack of funding for 3a-rated and reductions in funding for 4-rated departments is going to make it all but impossible for such institutions to develop a significant research base. **We urge the Government to reconsider its position on RAE funding for middle-ranking departments for the remainder of this RAE round.**

50. **For the future, under the Roberts proposals, the Government should consider funding the research councils in ways that will enable them to include full indirect costs**
in grants made to institutions which receive little or no general research funding. This would enable institutions at the bottom of the funding ladder to continue to undertake research, to demonstrate high quality, and, if they do so, to have the prospect of moving back into the formal assessment system.

51. Other initiatives along these lines should also be considered. Money might be given to researchers pursuing particular projects rather than to an institution. Research councils might be allowed to provide matched funding to institutions which obtain funding from elsewhere, for example from charities. There must be opportunities for all institutions, and researchers within them, to develop their research potential for the good of the sector as a whole.

52. The Government has sought to play down the connection between good teaching and high quality research, but we are unconvinced by the argument. A defining characteristic of higher education in the United Kingdom is that research and teaching take place in the same institutions. The sector does not contain separate research institutes in the same way as in Germany, for example. We believe it is important for the quality of students’ educational experience that research should continue to be undertaken in higher education institutions. This does not mean that all institutions should seek to emulate the research-intensive universities, or that all teachers need to be engaged in cutting edge research, but that teaching should take place in a research-active environment.
3 Higher education and business

53. The Government’s main proposals concerning the relationship between the higher education sector and business are:

“As announced in the Science and Innovation White Paper, the Higher Education Innovation Fund will draw together support for reach out from HE to business and become a permanent third stream of funding worth £90 million a year in 2005–06.

• Stronger partnerships will be encouraged between HE institutions in each region and the RDA and other agencies charged with promoting economic development. This will include RDAs being given a stronger role in steering the Higher Education Innovation Fund.

• There will be additional funding within the HEIF programme to set up a network of up to 20 Knowledge Exchanges to promote the critical role of less research-intensive HE institutions in transferring technologies and knowledge, and in skills development, within local communities of practice.

• We will drive forward foundation degrees, making them the main work-focused higher education qualification.

• The new sector skills councils will develop stronger alliances between business in their sectors and the relevant departments in higher education institutions both to develop and market courses and involve employers in the delivery of learning.

• We will continue to support higher education institutions in their role as community leaders, celebrating the cultural and social contribution that they make.

• We will continue to work through the TTA, the Department of Health and others as vital partners in our plans to develop the public sector workforce.

• We look forward to the findings of the Lambert Review of links between higher education and business, and the DTI/Treasury Innovation Review, and will build on our proposals in the light of them.”

Knowledge transfer

54. Knowledge transfer from the academic world to business is the main issue for the Government in this area. It has established a review to be undertaken by Richard Lambert, the former editor of the Financial Times, to look at the interface between business and the higher education sector. Mr Lambert told us:

“This review was commissioned by the Government last November and it is couched in a way that we are looking at the question of the university-business relationship from the demand side, so we are interested particularly in the business side of the story, that is our starting-point, and we will be talking to lots of businesses, of all
shapes and sizes, in the coming months about how they see these things. And the context is finding examples of good practice that can be heralded, and it is part of the issue of productivity, the question of British productivity, the notion being that great work is done in British universities, but that, relative to some other countries, in the US and other parts of Europe, we are not as great as we might be at transferring that into commercial activity in a creative and dynamic way.”

55. Witnesses suggested that this was an area which had already seen a great deal of development. The AUT told us:

“most universities already undertake a great deal of work with local industry and the local community. While there is always scope to do more in this area it would be wrong to suggest that universities and their staff do not already recognise the importance of this issue. As such, while we welcome the additional funding and the Government’s focus on the importance of knowledge transfer we will be interested to see what firmer proposals the Government has in this area.”

NATFHE expressed similar views:

“Precisely what is covered by ‘Knowledge Transfer’ remains unclear. Broadly it seems to cover both ‘applied’ (as opposed to ‘pure’ though these distinctions are highly controversial) research and the dissemination of that through eg consultancy, short courses and the like. This kind of research activity is central to the post-92 HEIs and NATFHE welcomes the build of funding for this ‘third leg’ activity, from almost zero to £100M over the past three years.”

NATFHE did however take issue with one of the central thrusts of the Government’s promotion of knowledge transfer, saying “the White Paper is wrong to increase selectivity [of research funding] or to oppose ‘ordinary’ research funding to ‘knowledge transfer’—the two are often complementary.”

56. Dr Geoffrey Copland, Vice-Chancellor of the University of Westminster, also argued that research and knowledge transfer could not be easily separated:

“Knowledge transfer comes on the back of research. It is not very helpful to say to institutions, ‘You have research which is national and some elements of international importance’, which is what [level 4 in the RAE is], ‘but we are not going to fund those although we expect you to do knowledge transfer.’”

57. Professor Michael Brown of Liverpool John Moores University told us that at his university:

“21 spin-out companies have been launched over the last 18 months, and all are trading successfully...However, without university staff with real and practical

69 Q 578
70 Ev 38
71 Ev 47
72 ibid.
73 Q 216
subject expertise based on research activity, there will be no expertise in the university that would be recognised and sought by business and commercial partners, and nothing substantial to transfer. Taking Liverpool John Moores as just one example, this year research funding is no longer available in computer science, mechanical engineering, electrical engineering, and biological sciences—the very areas of most value to local SMEs and where academic staff are difficult to recruit and retain.”

58. In its written evidence the University of Birmingham expressed similar views:

“The link between Knowledge Transfer and high quality research is clear and only the best exploitation of the research-intensive universities...will drive the knowledge-based economy.”

59. The Standing Conference of Principals (SCOP), representing higher education colleges, welcomed the increased funding for the Higher Education Innovation Fund (HEIF):

“SCOP has stated its support for the introduction of a permanent third funding stream for reach-out and knowledge transfer. The definition of knowledge transfer needs to encompass a wide range of reach-out activities, including work with local and regional businesses, the cultural industries and key public sector employers, as well as recognizing the important civic and community roles played by higher education institutions.”

60. Knowledge transfer is clearly intended to be a part of their mission to which the non-research intensive universities are steered, with the increased money available through HEIF as the carrot. The White Paper says:

“As we decide how to allocate HEIF we wish to promote a clear and crucially important mission in knowledge transfer for the less research-intensive universities. We wish to see these universities concentrating on acquired technology and working mainly with local companies through consultancy rather than licensing new technology. We see staff in these institutions acquiring a group of leading edge technologies and exploiting them by creating innovative solutions to real world problems and needs, rather than themselves making breakthroughs in science or technology.”

61. One initiative in expanding knowledge transfer is the introduction of Knowledge Exchanges, designed to be “exemplars of good practice interactions between less research-intensive institutions and business”. There will be up to 20 of these exchanges, which will each receive up to £500,000 a year for a maximum of five years.
Foundation degrees

62. Another key element in the Government’s strategy for collaboration between business and the higher education sector is the development of foundation degrees, one of the main features being that the courses are designed in partnership with employers so that they can ensure that the skills taught meet the employers’ needs. Professor Trainor said that

“A key issue...is the way in which employers regard them, and, of course, with foundation degrees, they need not just to accept the products but actually to be in at the outset in the programme, and there needs to be some education of employers in that regard.”79

Sir Richard Sykes was concerned that employers might need to be convinced of the worth of foundation degrees:

“I just worry...that employers will look at these foundation degrees and say, 'What is that; we're used to HNCs, we're used to HNDs, we know the value of these, but what is the value of a two-year degree, a two-year foundation?' And I think we just need to get some clarification there, how these will be seen and valued by employers, I think that is going to be critically important.”80

63. The Secretary of State told us that the establishment of foundation degrees was a major priority for the Government and that “We will publish in about three or four months a detailed proposal, on which we are already working very energetically, as to how we can develop the foundation degrees”.81 When asked whether that proposal would lead to the simultaneous demise of HNCs and HNDs, he replied that “HNCs and HNDs are very widely respected qualifications, so it is not a question simply of simultaneous demise. Precisely the work we are doing at the moment is how we coordinate that in a way that does not lead to confusion amongst potential students and employers.”82

Conclusions and recommendations

64. Collaboration between higher education institutions and business is clearly important in assisting economic growth, and it makes sense for such collaboration to take place with the involvement of Regional Development Authorities and Sector Skills Councils. With the Lambert inquiry in train, and the DTI/Treasury Innovation review, this area is still work in progress. We may wish to return to it when both reviews have concluded. We do nevertheless draw some conclusions now.

65. Many institutions, not all of which could be classified as ‘research-intensive’, are already involved in developing and transferring nationally and internationally significant knowledge in specialist areas. As we commented in the previous chapter, the attempt to define the missions for particular institutions from the top down is unsatisfactory and, in the short-term, unlikely to succeed. The strict separation which the White Paper appears

79 Q 674
80 Q 673
81 Q 779
82 Q 781
to envisage between those universities undertaking research and those involved in knowledge transfer is unlikely to operate in such a clear cut way in practice, whether or not the Government wills it.

66. One of our concerns throughout the White Paper is the way in which the Government is seeking to micro-manage the work of institutions when it should be setting guidelines at most and leaving others to take decisions on detail. Knowledge Exchanges appear to be one of those innovations for which there is no obvious need. Why should funding for contacts between higher education and business require a new formal structure? **We remain to be convinced that Knowledge Exchanges will serve any real purpose.**

67. Foundation degrees, about which we shall say more in the chapter on expansion of higher education, form a key part of the Government’s strategy for linking higher education with business, and for that reason if no other it is important that they are introduced with due thought rather than to a particular timetable. The Secretary of State is clearly aware of the need to avoid confusion amongst employers about what higher education is trying to provide to meet the needs of business. It may take some time for the status of foundation degrees to become established, while many employers have a clear understanding of the value of HNCs and HNDs. **We recommend that the Government takes no action to encourage the phasing out of HNCs and HNDs. The option of studying for the current qualifications should remain unless and until it is clear that they have been made redundant by foundation degrees.**
4 Teaching and learning

68. The White Paper comments that “Teaching has for too long been the poor relation in higher education. Promotion for academics is based largely on research excellence, rather than teaching ability. There is no respected and defined separate professional career track for higher education teaching in its own right.” It notes difficulties with recruiting lecturers, with more than 60% of institutions reporting difficulties in HEFCE’s annual survey, and staff/student ratios falling from 1:10 in 1983 to 1:18 in 2000.

69. To tackle these and other problems, the Government proposes a range of initiatives:

• We are rebalancing funding so that new resources come into the sector not only through research and student numbers, but through strength in teaching.

• Student choice will increasingly work to drive up quality, supported by much better information. A comprehensive survey of student views, as well as published external examiners reports and other information about teaching standards, will be pulled together in an easy-to-use Guide to Universities, overseen by the National Union of Students.

• To underpin reform, we will support improvements in teaching quality in all institutions. Additional money for pay will be conditional on higher education institutions having human resource strategies that explicitly value teaching and reward and promote good teachers.

• New national professional standards for teaching in higher education will be established as the basis of accredited training for all staff, and all new teaching staff will receive accredited training by 2006.

• The external examining system will be strengthened by improved training and induction, including a national programme for external examiners by 2004–05.

• We will also celebrate and reward teaching excellence. We are consulting on the establishment of a single national body—a teaching quality academy—which could be established by 2004 to develop and promote best practice in teaching.

• Centres of Excellence in teaching will be established to reward good teaching at departmental level and to promote best practice, with each Centre getting £500,000 a year for five years, and the chance to bid for capital funding.

• The National Teaching Fellowships Scheme will be increased in size to offer substantial rewards to twice as many outstanding teachers as at present.

• To recognise excellent teaching as a university mission in its own right, University title will be made dependent on teaching degree awarding powers—from 2004–05 it
will no longer be necessary to have research degree awarding powers to become a university." 85

**Academic pay**

70. One of the main issues relating to teaching is the level of academic pay. NATFHE noted that the Bett review 86 in 1999 had suggested an average 30% increase was appropriate and referred to “the 45% which the PM acknowledges as the relative decline in earnings compared to the non-manual average income over the last 20 years”. 87 The AUT argued that

“of particular concern is the low level of starting salaries in higher education. The starting salary for lecturers now stands at just £22,191 while for a researcher it is £18,265 in the pre-1992 universities and £11,932 in the post-1992s. It is important to remember the level of qualification needed to become an academic or researcher: a 3 years undergraduate degree, then a 1 year Masters followed by 3 years studying for a PhD. This means that at least 7 years’ training is required to start an academic career. In this light, academic starting salaries are even more pitiful.” 88

71. On the question of funding for teaching Margaret Hodge told us:

“there is an increase in the per unit/per student funding for teaching over this period of 4% in real terms if you cut out everything else…and I know there has been concern expressed by both Universities UK and others that that is not the case, but I can assure you it is”. 89

Sir Howard Newby gave us a slightly different perspective:

“The overall increase in the Government’s figures, as you know, is a 6% year on year in real terms increase, but it is broken down in different ways…Later this morning [5 March], I will be announcing that, for this coming year, it will be a 10.9% increase in research funding for universities. The amount of money which the Department allocated for, broadly speaking, teaching purposes is much smaller than that. We have calculated it for the coming year at an increase of 3.8%, that is in cash terms…over the three years of our settlement, the increase for funding allocated for teaching purposes is much smaller than the increase allocated for research purposes. That may account for Universities UK’s reaction.” 90

On the issue of academic pay, he told us:

“There are resources available for increases in university teachers’ pay. The bulk of that, though, I would foresee as being allocated in such a way that it will not result in large across-the-board increases for university pay. It will be channelled into various

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87 Ev 42
88 Ev 36
89 Q 4
90 Q 417
areas of either market shortage on the one hand or reward for excellent performance on the other...on the basis of the resources available, the across-the-board element will not be very much greater than real terms inflation.\textsuperscript{91}

72. Universities UK agreed with Sir Howard’s assessment. Professor Roderick Floud, President of Universities UK and Vice-Chancellor of London Metropolitan University, said that “once you start stripping out special initiatives and capital, then it comes down to a small increase in the funding for teaching, probably only a zero real terms increase”\textsuperscript{92} Dr Copland told us that

“Pay across the board is not going to get substantially better. There is money in there for special initiatives and for rewarding excellent researchers and excellent teachers and of course we welcome that, but it has been acknowledged publicly by Government as well as by the employers that the pay level generally across the sector is inadequate. We are having recruitment problems and retention problems of staff. We can address little bits of that through some of the little bits of special earmarked money, but it does not address the fundamental issue about pay for all staff.”\textsuperscript{93}

He also pointed out that the White Paper does not refer to non-academic staff:

“Half of the employees in the sector are those people who actually make universities work as well as the teaching: all the support staff, all the technical staff and all the administration staff are not even mentioned in this”.\textsuperscript{94}

Dr Knight of UCE and Professor Eastwood of UEA also told us that in their view that the real terms funding increase for teaching over the three years was effectively zero.\textsuperscript{95}

73. The teaching unions agreed with this analysis. Tom Wilson, Head of the Universities Department at NATFHE, said:

“Many people have pointed to the extraordinary absence of any funding for an overall pay rise and that is certainly going to be a very large part of our discussions in campaigning about the White Paper. Allied to that is the extraordinary lack of any mention of non-academic staff, which other people have mentioned too.”\textsuperscript{96}

Sally Hunt, General Secretary of the AUT, told us that

“We are particularly concerned at the very, very little mention this has within the proposals that have been put forward, simply because universities are their staff. That is what drives everything that is proposed within this paper.”\textsuperscript{97}

\textsuperscript{91} Qq 418–9
\textsuperscript{92} Q 152
\textsuperscript{93} Q 153
\textsuperscript{94} ibid.
\textsuperscript{95} Qq 518, 520.
\textsuperscript{96} Q 226
\textsuperscript{97} ibid.
74. Amicus also raised with us the position of non-academic staff:

“We have long battled to overcome the impression that the only employees in HE are academics. Unfortunately the White Paper apparently perpetuates this impression. On pay, it states: ‘Over the coming period the Government will pursue a twin-track strategy for academic pay’. There is no mention of pay for non-academics, yet these employees are all highly skilled and highly qualified, and are just as important to the success of any institution’s research and teaching. There remains a problem, apparently not addressed in the White Paper, about issues of low pay and equal pay that are just as acute amongst non-academic staff. (Over 50% of HE staff are support staff.)”

Excellence in teaching

75. NATFHE criticised the initiatives designed to reward excellence in teaching. They expressed their opposition to funding teaching through a mechanism they argued was modelled on research funding:

“A fatal mistake—evident in some of the proposals relating to rewarding teaching—is to try and fund teaching on a research model. It may be appropriate in research to identify where the best research is taking place and then to channel further funding its way, on the basis that the same kind and level of research does not have to take place in every institution. This is not true of teaching, where every student deserves the same benchmark quality. There is little evidence that funding ‘star’ teachers, or departments, will do much to disseminate good practice. Staff do not need more examples, to which to aspire. They need resources; to promote staff for teaching, create smaller classes and reward all good teachers.”

NATFHE went on to criticise the whole notion of excellence on which the centres of excellence proposals were predicated:

“There is no evidence in our view for a model of good practice dissemination via identified ‘excellence’. On the other hand, as indicated earlier, there is evidence of growing dissemination and sharing of effective teaching and learning practices via peer networks that recognise that different strategies work in different settings.”

76. Professor John Brooks of the University of Wolverhampton was equally critical of the centres of excellence model:

“I cannot discern any benefit from identifying 70 ‘Centres of Excellence in Teaching’. All HE teaching should aspire to excellence, and there is good evidence of improvement across the board for the sector, from which all students will benefit.”
The Teaching Quality Academy

77. The response to the proposed teaching quality academy was more positive. In their memorandum, NATFHE said:

“we have broadly welcomed the proposed bringing together of the [Institute for Learning and Teaching in Higher Education] and the [Learning and Teaching Support Network]. We believe there is the potential for an agency with significant professional ownership in which peer working and a developing peer evaluation of effective learning and teaching can support practitioners throughout the sectors.”

Dr Allen of NATFHE said in evidence that

“One of the things that is important about the proposals is that they are building on the very positive experience of the subject centres. There are now 24 subject centres located in institutions around the country which recognise that most academics respond primarily in terms of their subject discipline….Bringing them together with the Institute for Learning and Teaching and the development of accredited programmes for new staff and professional development for existing staff could be very positive.”

Ms Hunt of the AUT expressed her union’s support for the proposals for agreed national professional standards for teaching in higher education:

“We have always argued that there should be strong professional support to develop good teaching and good skills in order that you can do your job as an academic. We do not have any issue in terms of the emphasis being placed on this in the White Paper. We welcome it. It has been a real cause of concern for many of our members that that core area of their work has never had the recognition that it needs.”

Qualification for university status

78. The proposal to award university status to institutions on the basis of taught degree awarding powers, student numbers and the range of subjects offered was welcomed by the Standing Conference of Principals which represents the institutions which may expect to benefit, but met with misgivings on the part of many existing universities. SCOP told us in their memorandum:

“SCOP has welcomed the proposal to award university title on the basis of taught-degree awarding powers (plus additional criteria of depth and breadth) as an important first step towards greater recognition of the role of the higher education colleges within the sector.”

Dr Roger Brown, Vice-Chair of SCOP and the Principal of Southampton Institute, argued that this would not lead to teaching-only institutions:

102 Ev 47
103 Q 236
104 Q 235
105 Ev 101
“The idea that you are going to have literally teaching-only institutions does not stand up at all. Basically, all it will mean is that you will not want to get research degree awarding powers. Research degree awarding powers in a way has nothing to do with research and scholarship; it is simply a measure of the extent and maturity of the research and scholarship that takes place and is, I think, heavily skewed towards an inappropriate model of research anyway, which is reflected through the RAE and existing definitions of research. So there is no way that if we got taught degree awarding powers or a university title we would want our staff not to be engaged in research and scholarship.”

79. Professor Paul Light of King Alfred’s College, Winchester put forward a similar argument:

“Most of the institutions which might make application are (like this one) at least as strong in their research base as many existing post-92 universities, and in receipt of just as much research funding proportionately…we see ourselves as a teaching but not a teaching-only institution.”

80. Others who raised this issue with us were unhappy at the proposed change, none more so than the University of Birmingham:

“The University rejects the proposal that institutions without a tradition of research should be able to make an application for university title. The proposal is inconsistent with the European definition of what is meant by a university. Awarding university title to such institutions will undermine the credibility of UK universities overseas and damage our reputation in a vitally important and increasingly competitive international market. It also flies in the face of the exhortations that we celebrate and promote diversity. Teaching institutions have an important role to play in a diverse sector. Respecting and supporting this role does not require university title.”

Conclusions and recommendations

81. It is surprising that a funding settlement for higher education that is generally regarded as one of the most generous for years should not provide the money to address one of the most significant issues in higher education, that of poor levels of pay for academic staff. Yet on the evidence presented to us, we must conclude that is the situation. All of the individual initiatives relating to teaching quality are commendable; but if the Government is to fulfil its ambitious aims for, for example, 50% participation in higher education amongst 18–30 year olds by 2010, it is going to need the assistance of academic staff. Academic staff might reasonably question whether it is worthwhile continuing in the profession, and new entrants may be discouraged, if there is no prospect of the issue of low pay being addressed.
82. When injecting significant sums into the education system the Government has generally been keen to ensure that the money has been ‘earned’ in some way by changes in practice or through some competitive mechanism. In this case, extra money for teaching can be earned if a department becomes a Centre of Excellence for teaching, of which it is intended that there will be 70 by 2006, each receiving £500,000 a year for five years. Money is also being made available through grants for higher education workforce development, with “the Government [investing] £50 million in 2001–02, followed by £110 million in 2002–03 and £170 million in 2003–04 to underpin the human resource strategies developed by each HEI and which address issues of recruitment and retention, staff and management development, equal opportunities rewarding good performance and tackling poor performance.” It is not clear how much of this money will be used to increase salaries. The only specific requirement is that human resources strategies should include ‘golden hellos’ from 2003–04, with 1,000 new lecturers a year in shortage subjects receiving up to £9,000 over three years.

83. We believe that the Government needs to improve academic and other salaries in order to address problems of recruitment and retention. It might be that this is an issue that will need to be dealt with in the next Comprehensive Spending Review round, but this will not help the immediate problem. Staff/student ratios have worsened significantly in recent years, and it would be detrimental to the health of the sector if they were allowed to deteriorate further.

84. It would help if we knew how much of the £170 million for human resource development is likely to be available for payment of salaries; and the £35 million a year which will be spent on centres of excellence by 2006 might be better spent on a general, if modest, uplift of salaries for those at the beginning of their careers, where the problem of low pay is most acute.

85. Universities are their staff; if the staff do not feel the benefit of the Government’s investment in higher education, there will be difficulties in successfully implementing other parts of the Government’s programme.

86. We have serious concerns about the decision to award university status to institutions without research degree awarding powers. There has been insufficient discussion about the implications this might have, particularly for the perception of the quality of the UK, and specifically the English, higher education sector in Europe and elsewhere. Staff at an institution without research degree awarding powers may well be engaged in research, but the power to award research degrees is an indication of the extent and maturity of an institution’s research. The Government’s latest announcements on bringing forward this change seem unduly hasty. University title must continue to be awarded by the Privy Council against set criteria. Thorough debate about the merits of the proposal should take place before it is implemented.

109 Grant letter from the Secretary of State to the Chairman of HEFCE, 22 January 2003, para 47.
110 ibid, para 50.
5 Expanding higher education

87. The expansion of the numbers of people participating in higher education is one of the primary aims of the Government’s higher education policy. The White Paper says:

“• National economic imperatives support our target to increase participation in higher education towards 50% of those aged 18–30 by the end of the decade. Participation in England is already 43%.

• The bulk of the expansion will come through new types of qualification, tailored to the needs of students and of the economy. Our emphasis will be on the expansion of two-year work-focused foundation degrees, as they become the primary work-focused higher education qualification.

• We will support employers to develop more foundation degrees focusing on the skills they really need; we will encourage students to take them by offering financial incentives for them; and we will fund additional places for foundation degrees rather than traditional three-year honours degrees.

• Foundation degrees will often be delivered in Further Education colleges, and we will build and strengthen the links between further and higher education, to give students clearer progression pathways and support the development of work-based degrees. As part of this, we will streamline the funding regimes to make collaboration easier.

• We will establish ‘Foundation Degree Forward’, a network of Universities which are leading the development of foundation degrees, both as a catalyst for the further development, a reservoir of good practice, and to provide a validation service for foundation degrees offered in further education, so that students can be completely confident about their quality.

• We will also encourage other sorts of flexible provision, which meet the needs of an increasingly diverse student body, by improving more support for those doing part-time degrees, and supporting the development of flexible “2+” arrangements, credit transfer, and e-learning.”112

88. The Government is explicit in saying that it sees expansion as requiring different forms of higher education:

“…we do not believe that expansion should mean ‘more of the same’. There is a danger of higher education becoming an automatic step in the chain of education—almost a third stage of compulsory schooling. We do not favour expansion on the single template of the traditional three-year honours degree.”113

113 Ibid, para 5.8.
The Future of Higher Education

The White Paper argues that expansion needs to be of the appropriate quality and meet the needs of the economy, employers and students, and that the specific need is for more work-focused degrees.\footnote{ibid, para 5.9.}

**Expansion through foundation degrees**

89. One of the main concerns of those we spoke to on this issue was that the Government’s emphasis on expansion largely through foundation degrees was a policy that had not been thought through properly. Dr Copland of the University of Westminster told us:

> “What I think is not picked up adequately here is the fact that one can achieve widening participation, opening up of opportunities through a series of routes, and putting them all simply down the re-branded foundation degree [route] may not actually meet the needs of the economy or the aspirations of the students... Different students and different parts of the economy will have different approaches to this and I think that laying down a single template is not necessarily going to answer the need that we have.”\footnote{Qq 181, 183.}

Baroness Warwick of Undercliffe, Chief Executive of Universities UK, said that “It is the signals that employers give to potential students that will determine whether they think that the foundation degree route is a valuable route and, at the moment, I think the jury is out on that”.\footnote{Q 181}

90. Dr Brown of SCOP echoed that thought:

> “I think there are some successful foundation degrees in SCOP colleges, but I think the SCOP sector as a whole would say, whatever else you do, do not detract from existing qualifications that have attracted the support of employers. It takes a while to get British employers interested in work-based qualifications...and therefore we would want to proceed on parallel fronts, and there is a danger...that by having a new product that is not yet fully market tested, you could actually force some employers away from existing qualifications that do have their support”.\footnote{Q 355}

91. Sir Howard Newby also saw the role of employers as being vital:

> “I think that foundation degrees are developing rather well in the face of some of the scepticism which is apparent about them in some quarters. I think that the real issue is engaging employers with foundation degrees. They have an absolute right to be involved in the design of the curriculum for foundation degrees and we have found the engagement of employers really rather patchy.”\footnote{Q 461}

Sir Howard also pointed out one of the difficulties that faces the Government in its efforts to encourage wider participation in higher education by means of foundation degrees is that “funding does follow student demand. Therefore, if there is not sufficient student
demand to fill foundation degree places, we will switch that funding into other forms of higher education provision, as I think we should.”

92. The University of Birmingham expressed its doubts about expansion through foundation degrees:

“It would be unfortunate…if [the 50% target] were to be achieved through the expansion of foundation degrees and not the internationally respected, universally understood, tried and tested, honours degrees. All the evidence is that what students want is access to honours degree programmes offered by the leading research-led universities.”

93. Professor Eastwood emphasised the problems in seeking all expansion from a new qualification:

“I think it is probably unfortunate that the White Paper’s emphasis on growing foundation degrees is translated into a virtual cessation of growth at a traditional undergraduate level because I am not yet persuaded that the student demand is there on that kind of scale.”

Professor Trainor also doubted the wisdom of this approach, and expressed concern that the policy implied a restriction of choice for those from non-traditional backgrounds coming into higher education:

“I think that it would be odd…if all of our expansion were to occur solely through foundation degrees; it does not seem to me logical that the new students coming into the sector who are not in higher education at all should have their choices narrowed in that way. So I would see foundation degrees as one part of expansion but by no means the whole.”

Chris Weavers from the NUS made a similar point:

“We do not support [foundation degrees] at all in the context of a means of delivering the 7%; it is an extra degree of flexibility which is welcome, but it should not just be a way of achieving the 50% target.”

**Progression from foundation degrees**

94. The Government is keen to establish foundation degrees as qualifications in their own right. One way in which it plans to do that is by removing the requirement that was placed on foundation degrees as piloted that, to receive HEFCE funding, they must allow a successful student to continue on to an honours degree at the same institution. Margaret Hodge told us the question was:

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119 Q 460
120 Ev 245, para 5.1.
121 Q 540
122 Q 674
123 Q 345
“if we wish to establish foundation degrees as degrees in their own right as appropriate for the labour market, should that compulsory feature…remain so? Our current thinking…is that probably it should not remain as a compulsory feature which then determines whether or not the course gets funded by HEFCE. It does not mean the individual cannot move on, but that aspect of the foundation degree will cease to be a feature which [determines] whether or not the course gets funded.”125

95. This question of progression is extremely important if the intellectual rigour of foundation degrees is to be established, and we asked the Minister to provide further clarification of the Government’s position. In a letter sent after our meeting she told us:

“Originally, there were restrictions on the timescale for progression from foundation degrees on to an honours degree—specifically, it was a requirement that the progression had to take place within one and a third years of completing the foundation degree. This did not sit well with the idea that people should regard these degrees as qualifications in their own right, or with our wish to make higher education something that is flexible enough to meet different individuals’ learning needs. We are therefore giving universities increased flexibility locally about the arrangements for progression to an honours degree.”126

In that letter she also emphasised that all those who are awarded a foundation degree should receive full credit for their work, and that “we are clear that it is important that there is an articulation between foundation degrees and honours degrees for those with the desire and ability to benefit”.127

Higher education in further education

96. There is an expectation that many people taking foundation degrees will do so at further education colleges. Dr Copland said

“I think that foundation degrees actually provide a very good route for strengthening partnerships between HE and FE and I think we will see more of that happening. Certainly my own university is doing this and I think almost every other university in the country will be doing this.”128

Dr Michael Thrower, Principal of Northbrook College in Sussex and Chair of the Mixed Economy Group of further education colleges, which recruits significant numbers of students working for higher education awards, said that

“there are tremendous opportunities for our types of institutions, providing we can get rid of some of the bureaucratic hurdles that exist…. I think local education has a real part to play, and not just because it is cheaper. It is because a lot of our students

125 Q 131  
126 Ev 21  
127 ibid.  
128 Q 191
progress through vocational routes, where they feel comfortable in that environment.”

97. The White Paper supports the growth of higher education provision in further education colleges, but cautions that it must be of a high quality:

“it will be important that any expanded provision is of the high quality that we expect from higher education. We believe that structured partnerships between colleges and universities—franchise or consortium arrangements with colleges funded through partner HEIs—will be the primary vehicles to meet these aims and will deliver the best benefits for learners.”

It does, however, acknowledge that there may be some circumstances where direct funding would be appropriate and says that these will be considered by HEFCE on a case by case basis.

98. Dr Thrower was concerned about the possible consequences of these arrangements:

“the suggestion here that our direct funding from HEFCE might be under some kind of threat as a group would worry me greatly because one of the ways in which my own group has developed its courses is to be able to have the long-term planning that is required to set these degrees and sub-degrees in motion. You do not often get that with a relationship with a local HEI and the reason being that the local HEI has its peaks and troughs in funding and, of course, one of the first things that will go will be the relationship funding…with the further education college.”

He added that “I fear that some of the nonsense, like being under two different assessment inspection regimes, being under two different funding regimes, not having access to capital funding, all of those kinds of nonsense will actually frustrate the excellent developments that are contained in the White Paper”.

99. Concern about higher education in further education colleges being funding through higher education institutions was also voiced by the Association of Colleges:

“...The Association does...have concerns about the increased steer towards funding of higher education in colleges through partner Universities. As the establishment of Foundation Degree Forward recognises, not all FE Colleges have found willing University partners. Indirect funding of HE in FE Colleges also removes the autonomy of colleges to quickly respond to identified local need and may hamper development of the flexibly delivered and locally available higher education provision necessary to widen and increase access to higher education.”

129 Q 391
131 ibid, para 5.22.
132 Q 396
133 Q 397
134 Ev 201, para 21.
Conclusions and recommendations

100. The last three issues dealt with in the White Paper, expansion of higher education, fair access, and funding for universities and student support are intimately linked. Expansion in the proportion of those aged 18 to 30 participating in higher education to 50% will mean more people coming into higher education from non-traditional backgrounds, and the factors that will determine whether that target is achieved do run wider than the issues addressed in this section. In its proposals for expansion, the Government concentrates on foundation degrees as the primary work-focused qualification, and so do we; but much of the section on access also addresses issues that relate to expansion of the sector.

101. The 50% target is, so far as we can judge, an arbitrarily chosen Government target. Indeed, if one looks at participation in higher education over a lifetime and not just between 18 and 30, then the proportion is already over 50%135. Nevertheless, there is scope for growth in higher education because there is a need in the economy for more highly skilled people. A number of our competitor countries already have participation at the 50% level, as does Scotland.

102. The Government has created problems for itself by insisting that it wishes to see expansion from 43% participation to 50% participation mainly by an expansion in foundation degrees. This has generated some scepticism, with foundation degrees being seen in some quarters as a means to ends other than the opportunity to study for a potentially valuable new qualification. Dr Brown, for example, described foundation degrees as “a solution looking for a problem”136 and speculated that they were being promoted because the Treasury considered that achieving 50% participation in higher education through honours degrees would be prohibitively expensive.137 It has also given rise to the concern that the Government hopes to encourage those from non-traditional backgrounds to undertake foundation degree courses regardless of whether that is the most appropriate form of study for a particular student’s interests and abilities.

103. Another problem for the Government in pursuing its stated aim of expanding the higher education sector though the medium of foundation degrees is that it is not in a position to control demand in the way the White Paper implies. If students wish to do honours degrees rather than foundation degrees then, as Sir Howard Newby told us, the funding will go to honours degrees.

104. The Secretary of State described the establishment of foundation degrees to us as “the single biggest challenge we have to implement the White Paper...having a credible foundation degree programme is exceptionally important”.138 He also told us that

“Foundation degrees have to be attractive and wanted and desired rather than a requirement that people are forced down that course. If it ends up that people are forced to go down that route, then I think it would have been a failure. From what I

135 CIHE paper which showed that participation in higher education overall in 1992 was 56.6% [CIHE 1995].
136 Q 354
137 Q 399
138 Q 779
have seen of the early foundation degrees...I do not think we need be in that position at all.”

He added that he thought “there are students currently going to do a three-year honours degree, who, if we had good quality foundation degrees...might enjoy and do better to go for a two year foundation degree”.

105. Given that the Government wants expansion to happen through foundation degrees, and given the Government’s widening access agenda, there is a danger that foundation degrees will become degrees solely for students from poorer, non-traditional backgrounds, thus reinforcing social stratification in higher education, not weakening it. The Secretary of State clearly would not welcome that outcome, but if expansion is to be achieved solely through foundation degrees, that may be the reality.

106. In any event, we believe that it is unnecessary for the Government to attempt to force the achievement of the target. There is a momentum driving applications which will mean that the 50% will be met. A recent paper from the Higher Education Policy Institute suggests that the proportion of 18-year-olds with two or more A levels will continue to increase and may reach 46% by 2010. That, coupled with population increases, means that demand for undergraduate places will rise by between 180,000 and 250,000 by the end of the decade. The report concludes:

“If increased undergraduate demand proves to be as high as 250,000, then this alone will bring the [Initial Entry Rate] close to the Government’s 50% target, without any further action on the part of the Government—there would be no need for a policy of 50% or any other figure, as natural demand will ensure achievement of this figure”.

107. This potential explosion in demand sits uneasily with the Government’s plans for expansion in student numbers to 2005–06. The grant letter from the Secretary of State to HEFCE in January provided for 14,000 more places this year, 19,000 in 2004–05 and 23,000 in 2005–06, but with the proviso that all those places should be for foundation degree courses. Unless the Government allows the funding of more honours degree places, there is going to be considerable unmet demand for places in higher education from people with a minimum of two A level passes.

108. We believe that it is a mistake for the Government to have made such a strong link between the move to 50% participation and foundation degrees. It appears to be another illustration of the Government’s tendency to over-prescriptive management of higher education.

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139 Q 786
140 Q 789
142 ibid, para 28.
143 Grant letter from the Secretary of State to the Chairman of HEFCE, 22 January 2003, para 45.
109. Foundation degrees may go on to be popular and successful with students and employers, particularly if they are relevant to particular jobs and careers and if they improve employability. However, the association being made between the ambition to grow to 50% participation and the expansion of foundation degrees could undermine their credibility. Foundation degrees should be allowed to take their place in the portfolio of higher education qualifications without being burdened with the achievement of this target.

110. We look forward to the Government’s detailed proposals for the development of foundation degrees which the Secretary of State told us should be available in the summer.\textsuperscript{144}

111. It is clear from the evidence we heard that the contribution of further education colleges will be important to the success or otherwise of foundation degrees. The Government should help the expansion of higher education in further education colleges by simplifying funding procedures and ironing out anomalies in the funding mechanisms, and in inspection and assessment regimes.
6 Fair access

112. The Government is unequivocal on the reasons why fair access to higher education matters:

“All those who have the potential to benefit from higher education should have the opportunity to do so. This is a fundamental principle which lies at the heart of building a more socially just society, because education is the best and most reliable route out of poverty and disadvantage.”\textsuperscript{145}

113. The White Paper puts forward a range of proposals to help achieve wider access:

- Raising participation and standards through our reforms of secondary and further education is critical to widening access.
- But we must also raise the aspirations of schools and young people. A unified national AimHigher programme will build better links between schools, colleges and universities, including through summer schools and a pilot programme offering students the chance to support teachers in schools and colleges.
- We will ensure that there are good-quality and accessible ‘second-chance’ routes into higher education for those who missed out when they were younger.
- And we will work with universities to make sure that admissions procedures are professional, fair and transparent, and use the widest possible range of information about students when making decisions.
- Institutions will be provided with better benchmark data on which to judge progress in widening access and we will continue to support the work being done to secure fair access to the most prestigious universities.
- We will ask HEFCE to reform the access premium so that universities and colleges will be properly funded for the extra costs of attracting and retaining students from non-traditional backgrounds.
- Universities with unacceptably high drop-out rates will be asked to plan improvements.
- We will appoint a Higher Education Access Regulator, who will develop a framework for Access Agreements for each institution. Only institutions making satisfactory progress on access will be able to participate in the Graduate Contribution Scheme from 2006.
- We will reintroduce grants for students from the lowest income families, to help overcome their financial worries and to underpin a raising of aspirations.”\textsuperscript{146}

\textsuperscript{145} The Future of Higher Education, para 6.1
\textsuperscript{146} ibid, pp 67–8.
Raising aspirations

114. There was substantial agreement amongst those we spoke to that raising participation, achievement and aspiration amongst under-represented groups in secondary and further education was crucial if their level of participation in higher education is to be increased, given that 90% of those who gain two A levels, whatever their social class, go on to higher education by the age of 21.\footnote{ibid, para 6.3.} Margaret Hodge told us that

"we have always seen working towards that 50% target as being towards the latter end of the ten-year period because whether or not students go on to higher education depends on whether or not they get prior qualifications, and that depends on our reforms of secondary education.\footnote{Q 7}

Sir Howard Newby said that students from poor backgrounds who have not traditionally aspired to higher education "need to be pulled through—if I can use that phrase—from the age of 13 or 14 onwards to see that higher education is a realistic alternative. We need to get the universities, the colleges, the schools, the school teachers, parents, all working together on this.\footnote{Q 513}

115. Dr Knight from UCE told us that

"The identification of talent is important, it is a new initiative, we are getting support from HEFCE and I would be surprised if you found a single university that said that they were not signed up and committed to doing that. The difficulty is persuading some students from particular social backgrounds to participate in higher education and identifying those students in the 16 to 18 age group.\footnote{Q 564}

Professor Eastwood from UEA echoed Sir Howard Newby’s argument that it is important to reach students at younger ages:

"What is very interesting, if you look at the pattern of funding for initiatives to widen access and to increase participation, is that we are basically normally allowed to operate down to 16-plus, but we get no funding to send people out into schools to deal with people at Key Stage 2 or Key Stage 3 where there is quite a lot of evidence that that is the key point in determining the children’s ambitions. Now, my institution does it and we do it in lots of shortage areas. My mathematicians happen to be terrifically good at it, for example, but I think it is that kind of Balkanization of educational policy which says that HE comes come at the top end, and we are berated when we do not get the numbers right. The key is partnerships.\footnote{Q 567}

116. Sir Richard Sykes talked about what Imperial College does to raise aspiration in mathematics and the sciences, operating one scheme with students going into schools to teach mathematics, and another for post-doctoral students who spend half their time in research and the other half teaching maths, physics, chemistry and biology in schools:
“Because that is what science and technology is all about, you have got to get people enthused, you have got to get them involved, and if you do not have the teaching, if you do not have the excitement, then they will never get involved in science. So it is our job to make sure that we go out into schools and help to create an environment where people do think, ‘Maybe this is for me, maybe I should be doing this.’”152

**Access premium**

117. Students from non-traditional backgrounds need more support once they arrive in higher education to ensure that they find their feet and can make the best of their opportunities. There has been for a number of years some specific funding via the so-called postcode premium for students from areas where few participate in higher education, which has provided additional funding of around 5% per student to institutions to help towards those extra costs. This is to be increased to 20%, and the assessment of eligibility is to be made more sophisticated, taking account of family income, parental levels of education, and average results at the school a student attended.153 Dr Allen of NATFHE welcomed this change:

“We are glad that it is going to be redefined. It is important that support for wider participation of students is not just seen as a welfare issue. It is about changing approaches to learning and teaching in general. It is also about having more staff. There is lots of evidence that the successful retention strategies, particularly in that critical first year for students, often involve a level of support and personal contact that a lot of universities are not able to provide at the moment. FE is very good at providing it and I think HE could learn quite a lot from FE in this regard.”154

118. We have, however, received a considerable amount of critical comment about the increased access premium, as it has been funded from within existing budgets rather than being new money. Professor David Wallace of Loughborough University told us:

“the funding for [the increased premium] has been created by cuts in the core teaching grant. For Loughborough, the core funding for teaching this year is £31.7 million. For next year, before allowing for inflation, this has been cut by £1.78 million (5.6%). This is equivalent to more than 40 lectureships.”155

119. Professor John Tarrant from the University of Huddersfield told us that the widening participation and retention budget for the sector had only increased from £264.4 million for 2002–03 to £265 for 2003–04, and that his university, “a successful widening participation university” will receive extra funding only 50% higher than the previous year, effectively a premium of 7.5% rather than the 20% announced by the Government.156 We received comments on similar lines from Goldsmiths College, the Royal Academy of Music and the University of Southampton.157
Student retention and drop-out rates

120. The issue of retention of students is one on which the Government has made some strong statements. The White Paper cautions against the new access premium being used as an incentive to recruit students for whom higher education, or a particular course, is not suitable.158 It says “we must make sure that institutions are not exploiting their most vulnerable students by making up the numbers with students who cannot cope; and we must also make sure that institutions support those who do have the potential for higher education, but need extra help to realise it.”159

121. In evidence on this point, Margaret Hodge told us:

“On the whole, as a nation, we do well on drop-out rates. We have one of the lowest drop-out rates and the best completion rates among the OECD comparable countries, but in some universities it is just too high. The last figures I saw for the University of North London had a drop-out rate of 45%; University of East London and Central Lancashire had drop-out rates of 33%. That is too high.”160

122. Other witnesses suggested that this was too simplistic an approach. Tom Wilson of NATFHE said:

“The figures are very misleading because a large proportion of the alleged drop-out are moving on to higher education somewhere else, not necessarily in that year, but if you look at the figures in any sort of detail you will see that is quite different from the drop-out rate of a standard, traditional university student who decides that university is not for them.”161

He added that that “the kinds of courses which have been laid on in the first year for many of these students are diagnostic in the sense that they are to see whether the students welcome HE. For many of them, the fact that they do it for a year or even less than a year, go away and decide it is not for them at that point and maybe come back many years later is not such a bad thing. It is not a waste of money in any sense at all. It is a perfectly valid, proper reason for a university course to exist.”162

123. Harinder Lawley, Head of Access Development at London Metropolitan University, gave us examples of reasons why students leave courses early:

“Late applicants to HE often find it a struggle to sort out student support arrangements in the first term. They are also likely to be the most vulnerable to withdrawal lacking the cultural and social capital to negotiate the system. Some commitment to fast tracking late applications would ameliorate the difficulties this group currently faces…

159 ibid, para 6.28.
160 Q 24
161 Q 264
162 ibid.
Age, point of application and entry to the course are significant factors. Many younger students who come through Clearing often accept places at the last minute knowing they will try to negotiate entry to another preferred option once they are in the system. This may involve transferring to another course or another institution.

Older students are likely to have researched their choices more thoroughly, are clearer about what they want to achieve, have had to set up other arrangements and are often less mobile. However they are also more likely to have to review their finances (see above) on a regular basis and many have to intermit, switch modes or withdraw early due to financial hardship or a change in personal circumstances…

Many students cannot manage lump sum payments, have to start working and then can’t deal with the pressures of coursework deadlines.

With a mass HE system, many students struggle with understanding and dealing with the concept of being an ‘independent learner’, particularly if they are used to being coached by teachers or alternatively if they have had poor educational experiences in the past.

Lacking confidence in own academic and intellectual abilities is frequently cited as a reason for withdrawal.”

Sir Howard Newby told us that “the highest correlation over drop-out rates in higher education [is] prior educational attainment. So, those institutions which admit large numbers of students with lower educational attainment at school and FE level tend to have the higher drop-out rates and that in turn is correlated with socio-economic background.”

**Mature, disabled and part-time students**

124. The Open University expressed its concern that the White Paper concentrated on full time, younger students:

“There is scant reference to mature learners who now make up more than 50% of the sector—or to part-time provision, which will be essential to an economy based on lifelong learning. In a paper entitled *The Future of Higher Education*, this is a serious shortcoming.”

In a similar vein, the NUS raised concerns that the interests of disabled students where not sufficiently addressed by the White Paper.

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163 Ev 312
164 Q 477
165 Ev 237, para 5.
166 Ev 214-5
125. Dr Copland also noted that the White Paper concentrates on full time students:

“There is of course a very thriving mixed economy provision for part-time students… One of the things…which we do need to think through is how we might use more effectively credit accumulation transfer systems in order to build qualifications to bring people in, whether they are studying full time or part time, to enable them to have the opportunity to start higher education and then build a qualification through that.”

The access regulator

126. One of the main proposals on equity of access is the establishment of an access regulator. The White Paper says:

“Those institutions that wish to charge variable fees will be required to have Access Agreements in place which set out the action they will take in order to safeguard and promote access, and the targets they will set for themselves. These will be determined by an independent Access Regulator, working with HEFCE and making use of their information and systems. The Regulator will ensure that the Agreements are robust and challenging. They will be monitored, and the Regulator will have the power to withdraw approval for variable fees, or impose financial penalties, if the Agreements are not fulfilled.”

The Secretary of State told us that “The goal of the Government is to say that everybody, whatever their background, whatever their circumstances, ought to be able to go to the best university in the country based on their merit and potential….A central goal of our Access Regulator is to try and ensure that people do apply to the best university, to the elite universities as well as all the other universities, on the basis of understanding they have prospects of going there.”

127. The proposal for an access regulator was greeted with some scepticism by a number of witnesses. Professor Floud said:

“we all agree that there is a great deal more to be done and we are very happy to work further with anybody, the schools, the colleges, the foundations and, if necessary, with the access regulator to spread best practice. However, I think we would be hostile to a bureaucratic system on the grounds that we cannot really see what its added value might be. If we can be convinced that it does have added value, then of course we will work happily with it.”

Dr Brown of SCOP was particularly trenchant:

“I think the access regulator has just not been thought through at all. It is bound to involve a layer of bureaucracy. The regulator is bound to want to get involved in things that are not any of its business because that is the way you get on. Admissions
is an area that has hitherto not been externally regulated—it is one of the few areas of higher education that is not externally regulated closely by the funding council. It is now going to be part of the funding council, so you are back to the state agency. I think it is a terrible mish-mash, quite honestly. I do not have anything very positive to say about it, I am afraid.”

Dr Knight of UCE said that there had been conflicting statements from the Government about how the regulator was to operate, which had not helped in coming to a judgement:

“At one stage this is an important and essential component of the White Paper and if you do not satisfy the access regulator, you will not be able to charge the fees, so it looks important. On the other hand, statements are made by ministers and the Secretary of State currently that you do not need to worry about this, it will all be straightforward, HEFCE will look after it and it is not an issue. Well, either it is an issue or it is not an issue.”

128. Professor Eastwood of UEA also argued that the way in which the regulator is to operate is crucial:

“I think we have got experience of what you might describe as beneficial relationships between the university, the funding council and regulation and I would cite human resource strategies for the universities over the last two or three years where HEFCE’s insistence that universities have strategies and that was a condition of the release of some funding has undoubtedly meant that universities have moved forward on a range of issues, including equal opportunities. If that is the model, the encouragement of good practice, a relatively light touch and dealing firmly with institutions which do not have appropriate policies or approaches, that seems to me to be something which is acceptable and may indeed add a certain amount.”

129. Professor Leslie Wagner of Leeds Metropolitan University suggested that “almost everything the White Paper wants the ‘regulator’ to do could be done through existing funding council mechanisms”.

University of Wales College, Newport, argued that it had an excellent track record on widening participation, that it had appropriate strategies in place which were extensively monitored and that the access regulator was not necessary.

Dr Thrower of the Mixed Economy Group of Colleges was the most positive of our witnesses about the access regulator, seeing it as a way of assisting further education colleges in the development of their higher education role:

“From our point of view, I think that having an access regulator who starts to recognise the role that our type of institutions play and can, if you like, quantify those

170 Q 381
171 Q 562
172 Q 570
173 Ev 270
174 Ev 267, paras 21–2.
resources that we do need to undertake that work would be an excellent move forward”.  

130. Since we took oral evidence, the Government has produced its detailed proposals, and the scope of the regulator appears to be narrower than envisaged in the White Paper:

“Universities which wish to increase their fees above the current (£1,100) level will need to draw up an access agreement. An agreement, which will last for five years, will need to set out:

• the fee levels the institution wishes to charge (up to a maximum of £3,000);

• the courses to which the higher fees will apply;

• the outreach work to be undertaken by the institution with schools and colleges to help raise the level of attainment, aspirations and applications;

• the bursaries and other financial support the university will make available along with advice on financial issues; and

• the milestones and indicators which a university will decide itself and against which it can measure progress towards its own ambitions of widening participation.

An individual university’s admission policies and procedures will be outside the remit of the access agreement and OFFA [Office for Fair Access].”

131. The paper says that OFFA will be an independent body, separate from but supported by HEFCE, and that it will:

• consider and approve universities’ access agreements;

• receive and, where necessary, comment on the brief annual report which universities will submit;

• consider whether any changes are needed to an access agreement if a university wants to change significantly its levels of tuition fees of the number and range of courses to which higher fees will apply; and

• review a university’s overall effort and progress implementing its access agreement as it comes up for renewal.”

Conclusions and recommendations

132. The basis for any discussion about widening participation and ensuring fair access must be that access should depend on academic ability. We welcome the strenuous efforts already made by many universities, supported by HEFCE, to widen participation and improve the fairness and effectiveness of their admissions policies and procedures. In

175 Q 386
176 Widening participation in higher education, DfES, April 2003, page 3.
177 ibid, page 4.
seeking to identify applicants with the strongest potential, admissions tutors are required to make complex judgements about an individual’s previous achievement and motivation within the context of their broader educational and social background.

133. Given the enormous disparities to be found in the educational and social background of applicants for degree places, the key area for reform is in secondary education. It is right that the higher education sector should be involved in schemes to improve access, but with 90% of those qualified to enter higher education doing so, there is a limit to what it can do. The need to do more at younger ages is graphically illustrated by Ofsted’s recent report suggesting that 20% of 16 year olds do not go on to further schooling or other education, or even into employment.178

134. The priority for widening participation must be action in schools. At least from age 14, and preferably earlier, considerable effort is required to raise the aspiration and achievement of pupils from poorer backgrounds. It is only by doing this that the proportion of those from the lower socio-economic groups entering higher education is likely to increase.

135. We had previously recommended an increase in the access premium, and we welcome the announcement of an increase from 5% to 20% above unit funding. We are very concerned to discover that the increase in the access premium is not new funding but represents a redistribution of resources within the teaching budget. This is not what we had anticipated when we made our recommendation, nor is it what the White Paper appeared to be proposing. The additional funds for the access premium should have been new money, and we expect the Government to provide that new money as soon as possible.

136. The Government says it intends to bear down on drop-out rates, and much has been made of ‘Mickey Mouse’ courses and other stereotypes. The Government even implies in the White Paper that institutions exploit students by making up numbers on courses with those who cannot cope,179 although it provides no evidence. These public pronouncements are unhelpful, not least because courses which are vilified in this way often prove to provide good employment prospects.180 Our evidence suggests that there are many reasons for students not completing their courses, and that the most effective way of improving retention is giving increased support and personal attention to students in their first year. It is for this reason that we are so concerned about the access premium, which underpins this support.

137. One disappointing aspect of the White Paper is its lack of detailed engagement with issues concerning part-time, mature and disabled students. In the future it can be expected that more people will come into higher education later in life, and that there will be many more part-time students. We note the plans for the modernisation of Access Courses181 and look forward to seeing what the QAA proposes. The White Paper is principally

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180 Q 31
concerned with young, full-time students. The needs of those who fall outside that category must be properly taken into account if the higher education sector is to provide truly improved access.

138. Concerns were expressed during the inquiry that the access regulator, or the Office for Fair Access as it now is, would interfere with universities’ admissions arrangements in an intrusive way. When the detailed proposal was published, it proved to be much less significant than we had expected. The functions of OFFA all relate to issues that HEFCE appeared to have in hand; all institutions have strategies for widening access, and everyone we spoke to expressed their support for the enterprise.

139. Despite understandable concerns that that the higher socio-economic groups are disproportionately represented in higher education, considerable progress has been made in increasing participation from other groups over recent years. As Bahram Bekhradnia of the Higher Education Policy Institute told us:

“…in 1970 the higher social groups were more than six times more likely to participate in higher education than the lower groups, and this ratio had reduced to just less than three times by 2000.”

He also argued that the imbalance has effectively decreased further because “the number of people in those groups defined as lower social groups has declined very considerably over the years. As recently as 1970, nearly 90% of the population was defined as being in those groups, but that has now declined to about 40%. As a consequence, the scale of the problem is very much smaller than it was previously.”

140. Widening participation throughout higher education and ensuring fair access to the leading research universities remain important objectives of Government policy which we fully support. The access regulator, however, is seen by many in the sector as a piece of unnecessary micro-management by the Government. The evidence of the need for this initiative is slim at best. The proposal for the Office for Fair Access appears to be driven by political considerations rather than having a practical purpose. We therefore recommend that the Government does not proceed with the introduction of the Office for Fair Access, and leaves responsibility for monitoring universities’ policies on access with HEFCE.

141. Barham Bekhradnia set out why fair access matters:

“There is a clear perception of a hierarchy of universities…This hierarchy is well known both to students and to employers among others, and the institution attended makes a difference to your life chances. That is why the Government is right to be concerned with which university poorer students go to (fair access) as well as ensuring that they go to university at all (widening participation).”

We should recognise that for many students from non-traditional backgrounds access to higher education will mean access to local institutions. However, it is important that access

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182 Ev 272, para 8.
183 ibid, para 9.
184 Ev 270–1, para 3.
to the ‘elite’ institutions is seen as fair and equitable and is based on students’ attainment and abilities, not their background. It is therefore not whether there is a need for monitoring of access arrangements that we question, but whether it requires a body separate from HEFCE to do it.
University funding and student support

142. The White Paper is very bullish about the advantages that its proposals for university funding will bring:

“The Government is making an unprecedented investment in the universities and will stand by them in future spending reviews. But to be really successful, universities must be free to take responsibility for their own strategic and financial future. Strong leadership and management, freed from excessive red tape, will help them not just to respond to change, but to drive it. And more financial freedom will allow them to fund their plans, and unleash their power to drive world-class research, innovative knowledge transfer, excellent teaching, high-quality, greater and more flexible provision, and fair access.”

143. The key points of the Government’s proposals are:

• Because leadership and management are key to the challenges ahead, we will help to fund HEFCE’s and Universities UK’s proposal for a new Leadership Foundation to support the sector to improve leadership and management.

• We will reduce bureaucracy and burdens on universities. A task force under David VandeLinde has been set up to report on further measures to reduce unnecessary red tape.

• Increasing university endowments is the route to real funding freedom in the long term. We will support institutions to build endowments in a range of ways.

• As we are asking new students to pay for the benefits they get from higher education, to build sustainable funding freedoms for the future, we believe that it is also right that those who have already benefited from higher education should be able to contribute.

• We will set up a task force to promote corporate as well as individual giving; and we propose to create a matched fund for endowment.

From 2006:

• We will give universities the freedom to set their own tuition fee, between £0 and £3,000. But no student or parent will have to pay any up-front fee. A new Graduate Contribution Scheme will allow them to pay their contribution back, through the tax system, once they are earning.

• We will safeguard access by having a maximum level for the graduate’s contribution; by requiring institutions to develop strict Access Agreements; and by continuing to pay the first £1,100 of any contribution for those from lower-income backgrounds.
From 2005:

- We will raise the threshold at which loans start to be paid back from £10,000 to £15,000 a year, to make repayment less burdensome.

From 2004:

- We will increase the help available for the students that need it most, by introducing a new national grant of up to £1,000 a year for those from lower-income families. This will be in addition to the full existing student loan entitlement. We have already doubled the amount of extra money for vulnerable students and will introduce a new grant for part-time students.

- We are also simplifying and improving the administration of student support.” 186

University funding

144. The key issue in relation to university funding is clearly the proposal to allow universities to charge their students differential fees ranging from nothing to £3,000. The White Paper also promotes university endowment funds as a major source of funding in the future, but acknowledges that even the best endowed universities in the United Kingdom do not have anything like the resources of the leading universities in the United States:

“British universities have much smaller endowments than their global competitors. Harvard has about $18 billion, Yale $11 billion and Princeton $8 billion. In contrast, Oxford has about £2 billion.” 187

145. Professor Arthur Lucas of King’s College London explained the position for his institution:

“At King’s, our total endowment pool is about £83 million, of which just under £1 million is available for general purposes. That is not income, that is the actual amount. All the rest is highly tied in the way in which it was given and cannot be used for any other purpose…. People have mentioned endowments but it takes a long time to build up that sort of a pool and I welcome the recognition of endowment and support of endowment in the White Paper, but it is not going to be a simple, easy and fast solution.” 188

146. Goldsmiths College echoed that conclusion, saying that successful endowments would require a cultural shift in charitable giving and that “this is a very long-term aspiration, if indeed it is achievable at all”. 189 The University of Birmingham was more enthusiastic, but also acknowledged that the building of endowment funds is a long term process. 190

186 ibid, pp 76–7.
187 ibid, para 7.16.
188 Qq 171, 174
189 Ev 226
190 Ev 246–7, paras 7.5 to 7.13.
147. Sir Howard Newby put the scale of the task of increasing income from endowments into perspective:

“…our so-called…quality related research funding…is broadly equivalent to the endowment income, in proportional terms, of the major American research universities. That QR income is the functional equivalent in this country of the endowments that go into the major American research institutions. In proportional terms, it is almost exactly the same.”\(^{191}\)

**Differential fees**

148. The focus of this chapter then is on differential fees, and the points that we need to address are:

- Is it right to charge students fees for their courses or should funding come from elsewhere?
- If it is right (or if the Government is wedded to the policy), is the £3,000 limit set at the right level, and is the capping of that amount to the end of the next Parliament appropriate?
- Will universities be differentiated by the fees they charge, or will most charge the maximum £3,000?
- Will different courses at the same institutions be charged at different rates?

149. The White Paper sets out clearly the Government’s argument in favour of a contribution from students (or, as now proposed, graduates) to the cost of their higher education:

“Graduates derive substantial benefits from having gained a degree, including wider career opportunities and the financial benefits that generally follow. On average those with a higher education qualification earn around 50% more than non-graduates….Given these benefits to an individual from the investment in a university education, the government has decided that it is fair to allow universities, if they so determine, to ask students to make an increased contribution…We believe that this will also have the benefit of enhancing the independence of universities by making them less reliant on government funding.”\(^{192}\)

150. A number of those we spoke to were very strongly opposed to students or graduates paying towards the cost of their higher education through fees. Mandy Telford, President of the NUS, told us “we do think that differential fees are wrong and they will create a two-tier, elitist higher education system”.\(^{193}\) Sally Hunt of the AUT said that, in a survey undertaken by the union, 88% of members had said that they would prefer higher education to be funded by general taxation:

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\(^{191}\) Q 453


\(^{193}\) Q 275
“They do not believe that it is reasonable to have differential fees because they believe that that will impact on their ability to make the choices and help people on the basis of their academic ability rather than their ability to pay.”194

If there has to be a contribution from those participating in higher education, the AUT told us that most of its members believe it should come through a graduate tax.195 NATFHE said that its members had similar views, being “overwhelmingly opposed to the introduction of top-up fees….Top-up fees destroy funding equality and thus genuine equality of opportunity.”196

151. The Government’s proposals were supported by Professor Nicholas Barr of the London School of Economics. He told us:

“Higher education confers a benefit on society as a whole and to that extent has received—and should continue to receive—tax funding. Beyond that, however, tax funding is deeply regressive. If the money comes from general taxation, the taxes of the hospital porter pay for the degree of the old Etonian. If it is unfair for graduates to pay more of the cost, as the proponents of tax funding argue, it is even more unfair to ask non-graduate taxpayers to do so.”197

152. The Secretary of State sought to put the amount to be charged into perspective:

“At the moment, of the approximate £7.5 billion that is provided to universities, £400 million is fee and the rest is State; it is a 1:14 ratio and I do not think that is particularly unreasonable. We will slightly change that ratio by the proposals we are talking about.”198

Graduate tax

153. The Government does not say in the White Paper why it decided against introducing a form of graduate tax, but the Secretary of State did outline some of the reasons in an article in Tribune in January 2003. He noted the difficulties of setting the parameters: whether the tax would be paid back for life, or for a particular period, or until a particular sum had been paid off. He argued that the rate might have to be 3p in the pound for 25 years “to make the sums add up”. He also said that research suggested that graduates disliked the idea, being content to pay off their own fees and maintenance, but not those of others.199

Deferred payment of fees

154. There was a broad welcome for the change from up-front payment of fees to payment after completion of a course. All of those who are in principle against the graduate

194 Q 246
195 Q 252
196 Ev 43
197 Ev 299, para 49.
198 Q 737
The Future of Higher Education

contribution did agree that if there are to be fees, payment in arrears is much to be preferred. Sally Hunt told us that “[AUT members] do not believe that up-front fees would work. They welcome the change in that therefore.”\(^{200}\) NATFHE said “[We] opposed tuition fees as, despite means testing, they deter poorer students. Government now accepts their deterrent effect and the abolition of ‘up-front’ fee payment is welcome.”\(^{201}\) Lindsey Fidler of the NUS said that it approved of any payment being after completion of a course because “that does establish independence on the tuition fee element because it becomes a personal charge”\(^{202}\)

The £3,000 cap

155. If there are to be differential fees, is £3,000 the right level? Will it create a differentiated market, and is the capping of the fee at that amount in real terms until the end of the next Parliament sensible? Professor Floud for UUK argued that it would not resolve the problems arising from the need for additional funding:

“...although an increase to £3,000 is a substantial increase on the current fee of £1,100, our calculations...suggest that even if all the universities charged the full £3,000, the increased income would be only £1.8 billion...it would not close the gap in the way we are talking about and of course we have no guarantee at the moment that all universities would be allowed to charge the full £3,000.”\(^{203}\)

156. Margaret Hodge said the Government’s intention in introducing differential fees was to produce a regulated market:

“I think that the introduction of a regulated market in higher education will ensure that the supply of courses meets the demand of students, and I think that is really important. It will drive up the quality of what is on offer in our universities, and over time it will lead to an increase in standard and output from those who go to our universities. Also, as higher education becomes more globally competitive, it is important that within the nation state we maintain our competitive edge, and introduction of regulated market forces within United Kingdom higher education will support our global competitiveness.”\(^{204}\)

157. While with a £3,000 cap it will be a regulated market, witnesses suggested that differentiation between institutions would be slight. Dr Knight of UCE said he thought the £3,000 figure had been chosen deliberately so that fees would not be differentiated “because it is the maximum you can charge before differentiation comes in.”\(^{205}\) He added that

“I assume that every university will want to keep its options open and will plan on the basis that they are going to charge £3,000 because if we do not and if the grant is subsequently cut, as we expect it to be from 2006 onwards to take account of the

\(^{200}\) Q 246
\(^{201}\) Ev 43
\(^{202}\) Q 274
\(^{203}\) Q 164
\(^{204}\) Q 32
\(^{205}\) Q 523
increased fee, then you are in an absolutely no-win situation if you have not planned for the £3,000 fee”.206

158. Others expressed similar views. Sir Richard Sykes said that he did not think that £3,000 was a sensible cap “because what it does is encourage everybody to charge £3,000”:

“..I think if we had put the top level at £5,000 then...there are institutions who may have charged nothing, there are institutions that may have charged one, two or five, but I think, with three, it is so close to what we do today that most universities will just go to £3,000”.207

Dr Brown agreed:

“I think that the level at which the thing has been set is less likely than a higher level of fee would have been to encourage price competition...I think there must at least be a risk that no institution for the generality of its provision would charge less than £3,000”.208

Professor Trainor said that “it is an open question, given all the other variables concerned—...changes in public expenditure levels, and so on—whether that will be enough to make up the funding gap in the period from, say, 2006 to 2010”.209

159. Sir Howard Newby concurred with these views:

“I think that...the higher the fee, the greater the variability between institutions. I think that if it had been £2,000 everyone would have charged it, and, if it had been £5,000, only a few institutions would have charged it, but I think that at £3,000 it is quite difficult to make a judgement but I would say that possibly between two-thirds and three-quarters of institutions will charge it”.210

160. Professor Eileen Baker of Bishop Grosseteste College, Lincoln, indicated that there would be pressure to conform with other institutions:

“This college is not anxious to charge the full £3,000 fee, but if others do, we will (to avoid relegation to a ‘cheap and cheerful’ brigade) and expect to plough some of the new income into our bursary scheme designed to encourage those who would otherwise hesitate to take on the financial commitment of studentship”.211

161. Of those we spoke to, only Dr Thrower of the Mixed Economy Group thought that his institution’s fees would not rise to, or towards, the maximum:

“Looking at the type of students that we have, my own group felt that it was highly unlikely that they would be adding any fees; they would be keeping them where they
are, simply to encourage the widening participation, because that is the key to what Mixed Economy Colleges are about”.212

162. Professor Barr argued in his memorandum to the Committee that the cap of £3,000 “is probably right”, but went on to say that

“..its duration—the life of the next Parliament—is too long. If the cap is too low for too long, a critical bulk of universities will charge the maximum, appropriating a system of flat fees. The result will be (a) to reintroduce closed-ended funding and (b) to restore central planning [of student numbers] by the back door.”213

163. The Secretary of State said that

“we are making quite a major departure in allowing universities to vary fees at all…it is important to indicate that, though the change is being made, there are limitations…we had to decide, if we are making this major reform, whether we put some limits on it and what the nature of those limits should be and the view we came to was that £3,000 was an appropriate figure. Do I believe that all universities will simply whack up their fees to £3,000? Actually, I do not, and I have spoken to a large number of vice-chancellors about this and I know that there was a fair bit of what I would call sabre rattling in this area.”214

On the question of the duration of the cap, he did indicate that it would be useful to have some flexibility, perhaps by having the figure set in secondary rather than primary legislation.215

**Different fees for different courses**

164. As well as differentiation of fees between universities, the White Paper raises the prospect of differentiation of fees within universities for different courses,216 and Margaret Hodge was clear that the Government had no objection in principle to such variations:

“We have always thought that, if you are opening up the market a little bit through varying fees, there is bound to be a difference in the way the market responds over different subjects and different institutions…there are some institutions which may well, because they are particularly popular in some subjects and are particularly good at delivering some courses, choose to vary their fees in some subjects”.217

165. The AUT was, if anything, more vehemently opposed to differentiated fees within universities than differential fees *per se*. Sally Hunt told us that her members were “absolutely horrified by the idea that an internal market may well develop in terms of some

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212 Q 380
213 Ev 304, para 102.
214 Qq 724, 725
215 Q 728
217 Q 13
departments, some courses.”218 Professor Eastwood of UEA also expressed concerns about within institution variations:

“I think there are very real difficulties in differentiating the charge within institutions…I think there are real problems, for example, in charging more to read English than to read chemistry. You turn students into consumers who inhabit rooms adjacent to one another in the same institution and wonder why one is cross-subsidising the other.”219

**Student support**

166. The Secretary of State made it clear in evidence that, so far as the Government is concerned, there is no prospect of a return to a system whereby all fees are paid for in full from public funds. If, therefore, students are to be charged more for their courses the support they are given to cope with the need to repay fees and maintenance loans becomes an even more critical issue than is the case now. Four decisions set out in the White Paper are particularly relevant: the abolition of up-front tuition fees; the raising of the threshold at which repayment of loans begins from £10,000 to £15,000; the re-introduction of maintenance grants; and the continuation of the policy that those with the lowest family incomes will receive assistance with payment of the first £1,100 of tuition fees.

167. We have already noted that the move to require payment of fees after completion of a course rather than during the course, making higher education free at the point of use, has been widely welcomed. This has the effect, however, of increasing the level of debt which has to be paid at the end of a course. It is for this reason that the Government will increase the threshold of repayment on student loans from £10,000 to £15,000, with effect from 2005, “To make payments less burdensome for every graduate”.220 The main comment that we have received on this point is that the level is still too low, and that the threshold should be set at the level which indicates that a graduate is benefiting from having participated in higher education. As Mandy Telford of the NUS said:

“[Graduates] do get a great advantage, but the only way you can clarify that advantage is by their financial earnings…At £25,000, we believe, you have clearly benefited from your education. So we would like to see student loans being repaid at £25,000 and we also believe that if you are lucky enough to go on and get a job where you earn a lot, and not everybody does…then you will be paying more through the tax system, and we believe that is the fairer way.”221

NATFHE expressed similar views:

“Even if one accepts the argument that higher earnings justify some degree of ‘repayment’ then surely such repayment should be triggered at the point when the

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218 Q 240
219 Q 526
221 Q 270
graduate achieves the higher earnings to which they would not have had access as a non-graduate. That would indicate a threshold of around £25,000.”

**Maintenance grants**

168. The Government has also announced its intention to re-introduce maintenance grants. The White Paper says:

“We have listened to those who say that those from the poorest backgrounds need additional incentives and financial help to continue in full-time education. So, those students with parents on the lowest incomes starting full-time higher education courses will be eligible for a new Higher Education Grant of up to £1,000 a year. We will start this grant as soon as we can—from Autumn 2004.”

The White Paper goes on to say that this new Higher Education Grant will be available in full to all those students whose household income is £10,000 or less, and in part to those whose household income is up to £20,000.

169. Two issues arose on the question of maintenance grants; the size of the award, and the number of students who would be available for the full award. Margaret Hodge explained why it was £1,000:

“We had the money available to us in this Comprehensive Spending Review settlement so we were anxious to introduce grants as quickly as we can, they are coming in 2004, we took the decision to set them at the £1,000 maximum level because that allowed us to reach about one third of the student cohort”.

The Secretary of State added that “The reason why we went down the course of the £1,000 grant is that if you have no access to any other resource at all, if you are from a particularly poor background or even because your parents refuse to support you in any way, then you actually have great difficulty surviving at university on the current level of maintenance loan.”

170. The general view of our witnesses was that the amount was too low to have any significant impact on students or potential students worried about their level of debt. Professor Trainor, for example, told us:

“I think it is a good thing that a single maintenance grant is being brought in—in place of this very confusing patchwork of hardship funds that we have had over the last five or six years in particular. But I think that the amount of this maintenance grant is very low...and the levels of income below which the individual family must fall are pretty modest. So I do not think it is going to make a huge difference.”

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222 Ev 43
223 *The Future of Higher Education*, para 7.36.
224 Ibid.
225 Q 74
226 Q 746
227 Q 696
Sir Richard Sykes reminded us that the view of the Dearing Committee, of which he had been a member, was that if students were going to be charged a fee then maintenance grants should be kept in place:

"...I think that was the biggest problem, taking those away. And to come back with £1,000, five years later, seems to me like madness. If you really want to put in maintenance grants, you have to make them realistic."\(^{228}\)

Sir Howard Newby agreed with this view, saying "I think £1,000 a year for maintenance allowance is frankly too low and I hope the Government will in time, when resources become more available, have another look at that."\(^{229}\)

**Education Maintenance Allowance**

171. Another slightly different point was that the grant should have been linked with the EMA to provide continuity for those students from non-traditional backgrounds. NATFHE told us that:

"It is particularly disappointing that the grant levels are not linked, in amount and thresholds for payment, with the £1,500 Education Maintenance Allowance so that—if set at a realistic level—this would provide seamless transition in support terms from FE to HE".\(^{230}\)

172. Professor Claire Callender of South Bank University argued along the same lines:

"The White Paper missed the opportunity of linking the receipt of the new student grants more directly with existing means-tested Educational Maintenance Allowances (EMAs) for 16–19 year olds, which are to be rolled out in 2004.

It would have been helpful if young people in receipt of the full EMA could have been guaranteed receipt of the full HE grant. This would have helped a seamless transition in funding for school leavers and FE college students into HE, and aided the simplification of student funding across these sectors."\(^{231}\)

173. The Secretary of State responded by saying "I do not actually accept the argument that because this is the State support that you received at the age of 16, it should necessarily be the State support that you receive at the age of 20, but I do accept the argument...that it must be a coherent system and one which incentivises rather than disincentivises".\(^{232}\)

**Eligibility for the maintenance grant**

174. There has been some confusion about precisely who will be eligible to receive the full £1,000 grant. The White Paper says that students from families where income is £10,000 or less will receive the full £1,000, and those whose family income is up to £20,000 will receive
some grant. These limits appeared to suggest that a very small proportion indeed of the student population would be eligible for the £1,000 grant; figures from the Family Resources Survey 2001–02 indicate that only 7% of families with one or more dependent children between 16 and 18 have total income of £10,000 or less. 233

175. When we saw Margaret Hodge, she told us that it was the Government’s intention that the full £1,000 grant would be available to “30% of the cohort”. 234 In a letter sent after that meeting, she told us that since the launch of the White Paper in January, “We...have received more up-to-date data which indicated that within the 30% of students to be supported, we may be able to afford to raise the threshold for the full grant higher than the proposed £10,000”, and that a further statement would be made once the data had been checked. When we met the Secretary of State he acknowledged that the £10,000 figure had been arrived at in error, and also told us that he was not yet in a position to say what the income limit would be. He declined to offer an estimate, on the grounds that “having made the mistake before, I am rather loath to set another hare running”. 235 The income limit for eligibility for the full grant has not yet been made public.

**Assistance with payment of tuition fees**

176. With the present standard £1,100 fee, the Government has a scheme to assist students from poorer families:

“Under the current system the Government spends over £400 million on paying the fees of those whose parents are least able to afford the standard £1,100 fee. This sum pays the fee in full for those whose parents are on incomes up to £20,000. For those between £20,000 and £30,000, it covers part of the cost of the fee. The Government will continue this spending on student support when the new contribution arrangements come into effect in 2006. This will reduce any contribution that students have to pay by up to £1,100 [uprated for inflation].” 236

177. The question we put to Margaret Hodge was: should not the Government increase its support for students from poorer families so they are not disadvantaged when differential fees are brought in? In other words, should not the Government be willing to pay the maximum amount that a student may be charged under the new regime, in order to make the new scheme equivalent to the existing one? Her answer was that it was not necessary for the Government to pay fees up to £3,000 “because not everyone will be charging the variable fees”. By the time we spoke to the Secretary of State, however, and put the same question to him, the view had changed. He told us:

“I think there is a good case for that, and that is why I have indicated that it is something we are prepared to look at.” 237

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233 Ev 280
234 Q 34
235 Q 742
236 The Future of Higher Education, para 7.32.
237 Q 746
Student debt

178. We asked a number of our witnesses about levels of student debt and whether there were better ways of spending the money the Government is making available for student support purposes. We asked the NUS if, now that fees become payable after completion of a course, the money the Government was intending to spend paying off £1,100 in fees per year for the poorest students might be better used in providing increased maintenance payments and raising the threshold for maintenance. Mandy Telford said that if there was one pot of money:

“we would revert back to the suggestions in both Scotland and Wales, on Cubie and Rees, which was, essentially, that the money is targeted to students from the poorer backgrounds and given as a grant upfront, then everybody pays regardless of their backgrounds back-ended once they are earning a certain amount of money.”

179. We also raised the point with the Secretary of State. He said that his concern was to “manage the transition towards a system…which is acceptable and operates properly.” He added that

“in all the discussion that there has been about this document…the issue of student debt so-called flags itself up very substantially…and many colleagues, both in this Parliament and elsewhere, are very, very concerned that, if you take any steps to increase the level of student debt, that is a more serious disincentive to people going into higher education than it is for any other sector that can be taken. Now, they may be right or they may be wrong, but the reality is that there is deep concern about this question.”

180. One particular area of concern is those degrees which take more than three years to complete. The BMA, the British Dental Association and the Royal College of Veterinary Surgeons all argued that the level of debt that graduates would incur could seriously affect the numbers of students willing to enter their respective disciplines.

181. A related issue is the amount of time that students spend working. Professor Brown of Liverpool John Moores University told us “Our own internal surveys have shown a significant number of students are working more than 30 hours a week for relatively low levels of pay to allow them to continue their studies”. Professor Gerry McKenna of the University of Ulster criticised the White Paper for failing "to find any remedy to the situation in which many thousands of students have to work thirty hours week to fund their education yet are still deemed full-time students.”

238 Q 284
239 Q 757
240 ibid.
241 Ev 197, 202 and 209.
242 Ev 262
The interest rate subsidy for student loans

182. We also looked at whether the money the Government spends on subsidising the interest rate at which student loans are repaid might be better used in other ways. Professor Barr, the leading critic of the current policy, which provides interest-free loans in real terms, has calculated that the current cost is £800 million a year, and that it will rise to £1.2 billion when the system of differential fees is fully operational. Margaret Hodge defended the policy:

“By having a zero real interest rate policy we are actually supporting...those who will tend to come out as graduates on lower incomes, women who will have career breaks and others who will perhaps work in the voluntary sector or elsewhere where over their life time their earnings will be lower than if they go into the City. I think having a real zero real interest rate policy is a progressive policy and charging graduates real interest on their loans would have been a regressive option.”

The Department pursued a similar argument in its reply to our report of last session on student support.

183. The NUS was also against the removal of the subsidy. Mandy Telford told us:

“the NUS does not support raising the interest rate on loans because it would mean that those who are the poorest graduates will pay the most for the rest of their lives. The richest graduates will pay it off quickly and the poorest will be paying it off forever and, therefore, accruing lots of interest.”

184. Professor Barr strongly contested this argument:

“The Department argues that 'those who benefit most ... are those who earn the least' (para. 30). Separately, it argues that targeted interventions’... only have the effect of channelling the subsidy back to those people—ie on lower earnings—who are the principal beneficiaries of the subsidy at the moment’ (para. 31). Both arguments are —quite simply—wrong: they ignore the much larger total benefit for the great bulk of graduates who repay their loans in full. The same resources would do much more to help the poor if spent in ways...that do not leak out to the latter group.”

He suggested that, amongst other things, the money could be spent on larger maintenance grants; raising the income threshold for eligibility for grants; offering a super grant covering all costs to some students in their first year; increasing the full maintenance loan, abolishing the income test for the loan; and re-introducing debt forgiveness.
Conclusions and recommendations

University funding

185. It is worthwhile looking back to the Dearing Report and what it had to say on the funding of higher education. Its conclusion was that “the costs of higher education should be shared among those who benefit from it”\textsuperscript{249} with the individual, the State and employers all as key beneficiaries. We believe that principle is correct and should be supported. There have to be sufficient safeguards in the system to protect the interests of certain students, but it is correct to seek a contribution from the individuals who benefit from higher education.

186. We are even more convinced of this argument when we consider the additional benefits those who go to higher education receive compared to those who do not; between three and five years extra funding for education, and interest free loans. These students can be seen as foregoing earnings during this period. On the other hand, those who are in work and who do not go on to higher education are paying tax.

187. The third side of Dearing’s funding triangle, contributions from employers, is scarcely mentioned in the White Paper. The only time it is discussed is in relation to the encouragement of corporate giving, and in particular the funding of endowments. There is, however, no acknowledgement of the benefit employers derive from a workforce trained in higher education through funding provided by the Government and by students themselves. Given that the Government wishes to see a plurality of income for the higher education sector, as do most if not all higher education institutions, we believe it should consider a more systematic approach to the funding of higher education by business.

188. The Government should consider introducing a levy on businesses above a certain size which do not commit a minimum proportion of their turnover to research and development to contribute to a pool of funds which flow to research and development activities at universities.

189. The Chancellor of the Exchequer should look seriously at improving the ways in which corporation and individuals can be encouraged to contribute to universities. A possible incentive to business would be to reduce VAT liabilities. We recommend that the Government explores ways of encouraging a more substantial contribution from business and individuals through the taxation system.

190. Allowing institutions to charge up to £3,000 in differential fees could be of great significance. Professor Floud said that this change would bring in a maximum of £1.8 billion a year to the sector overall, a significant source of income. We doubt, however, that it will bring about the Government’s desired end that allowing higher education institutions to charge their students up to £3,000 per year will create a regulated market in higher education. The evidence we have heard suggests that the differentials in fees charged by universities and colleges will be small at best and possibly non-existent.

\textsuperscript{249} NCIHE summary report, para 90
191. If the Government believes that a regulated market is required, it should create the conditions necessary to bring one into being. On the evidence that we have heard, the logic of the Government’s position is that the cap should be set at £5,000. If it does not wish to take that step, it may have to resign itself to the fact that many if not most higher education institutions will set their fees at the maximum.

192. It has been reported recently that the Government will intervene to cut funding for student places at universities which charge the full £3,000 fee if it believes that it is inappropriate for those institutions to do so.\(^\text{250}\) In other words, it will seek to impose a market if one does not arise.

193. Should the Government intervene in this way it would undermine its whole policy. It could have the bizarre effect of preventing those universities with the widest social intakes from raising extra funds while allowing those with a more socially skewed intake to do so, the precise opposite of its declared intention. We hope that the Government does not intend to seek to impose a market and believe it would be a very grave error of judgement if it did so. It would be quite wrong for the Government to act in this way. If a market does not arise it will be because of the restrictions which the Government has itself imposed, and it must live with the consequences.

194. Another concern is that an increase in the amount of private funding flowing into the system through student fees will lead to a reduction in the amount of public funding, transferring costs to individuals but not increasing the amount of money available to universities overall. If that were to happen, keeping the cap at £3,000 in real terms until the end of the next Parliament (so possibly until 2011) is likely to result in universities’ income stagnating by the end of the period. The success of the Government in providing substantial extra funding for universities in this spending review will only have lasting effect if the amount of public expenditure on higher education is at least maintained in real terms at the levels announced in this White Paper.

195. A strongly held view has been put to us by a number of witnesses that if the Government believes that higher education is important, then it should grasp the nettle and fund it entirely through taxation. For example, Phil Willis MP explained to us in evidence how the Liberal Democrats proposed to fund higher education through a 50% rate of tax on those earning more than £100,000.\(^\text{251}\) The price to be paid for that funding, however, is greater Government control of the sector. We believe that there is much evidence to show that there is an inevitable link between diversity of funding and the ability of universities to develop and to operate with greater independence and freedom.

196. The reaction to the Government’s proposals on endowments has largely been sceptical, with institutions seeing them as at best a very long term measure. It should be recognised, however, that the will and capacity of British universities to match the drive of American universities to build up their private endowments has probably been affected by their perceived status over recent decades as wholly publicly funded bodies. As the

\(^\text{250}\) “Hodge: we will control market”, *Times Higher Education Supplement*, 23 May 2003, p 2.

\(^\text{251}\) Q 821
proposed new mixed public-private funding system comes into effect, perceptions of
the independence of universities will change and opportunities for raising private funds
will change. Universities should be encouraged to seize such opportunities with vigour.

**Student support**

197. The issue of student support was the point at which we first engaged with the
Government’s higher education policy. There are now a large number of issues in higher
education which are on the political agenda following publication of the White Paper, but
none has a higher public profile than student support.

198. In our report in the last session of Parliament, we examined the different issues that
need to be taken into account in establishing a system of student support that will be robust
at least for the medium term,252 and so we have not rehearsed all of those again here. Our
conclusion, based on the recommendations of the Dearing Committee and others, was that
the elements required of a system of student support are:

“A student support system for the future should:

• be equitable, and encourage broadly based participation, and in particular should
increase participation by first generation students;
• require those with the means to do so to make a fair contribution to the costs of
their higher education;
• support lifelong learning, so that choices between part-time and full-time study
and for discontinuous study and between higher and further education are
financially neutral;
• be easy to understand, administratively efficient and cost-effective and offer good
value for money for both students and society;
• integrate learning support across all post-compulsory education;
• provide sufficient income, through loans, grants and access to the benefits system,
to enable students to learn effectively, without detriment to their studies;
• be integrated with the benefits system in order that students in challenging
circumstances are able to access the support that they need; and
• be additional to and not at the expense of institutional investment.”253

The system devised by the Government falls short on a number of counts. It is complex
and confusing. Support is not integrated across further education and higher education.
Too many students have to work long hours during term-time to make ends meet because
the amount provided for in maintenance is not sufficient. Finding the right combination of
measures to provide effective support is crucial.

252 Education and Skills Committee, *Post-16 Student Support.*
253 ibid, para 126.
199. The most significant move by the Government arising from the White Paper is to shift the payment of fee contributions to the end of a course. This change means it is possible to separate out the two elements; maintenance to support a student’s living costs while in higher education, and debt accumulated by the end of the course through fees and loans. We welcome the deferral of payment of fees until after completion of a student’s course; this removes one very significant disincentive to participation in higher education.

200. With the shift to payment of fees after the completion of a course, the money currently used to pay up to £1,100 in fees for poorer students could instead be used to provide more substantial maintenance grants.

201. If the Government decides that it will continue to pay the fees of poorer students, rather than use that money to provide more substantial maintenance grants, then we believe that logic demands that they agree to repay the whole of the fee the institution charges rather than just the first £1,100. If the full fee charged is not paid, then students from poorer families will be worse off than under the present system. Either they will be compelled to choose an institution which charges no more than the present fee (which may be a very limited choice), or they will have to incur debt in respect of fees. We recommend that if the Government continues to pay fees for poorer students, it should fund the full cost of fees for eligible students, not just the first £1,100.

202. In our previous report, we argued that the zero real interest rate subsidy for student loans (and the blanket entitlement of all student to 75% of the full loan) subsidises those from affluent backgrounds while providing insufficient support for those from poor or otherwise disadvantaged circumstances, and that there was therefore a strong case for redistributing the existing public subsidy. As we noted earlier, both the Minister of State in her evidence, and the Department in its response to our earlier report, argued that to introduce a real rate of interest, at whatever level, is regressive:

“The effect is that graduates on lower incomes, since they pay for a longer period, will pay more in interest. And those that earn the least will pay the most. So it is clear that the effect of an interest rate subsidy, when combined with an income-contingent repayment regime, targets the subsidy rather well, in direct proportion to income. Those who benefit most from the subsidy are those who earn the least.”

203. As Professor Barr says:

“Taken at face value it is true that lower earners repay more slowly and thus end up paying more interest. The question then is how to protect low earners. The basis of the Department’s argument is that to protect the poor, the commodity should be subsidised for everyone… Blanket interest subsidies...help low earners but…the major beneficiaries are graduates whose repayments stop after (say) 10 years with an interest subsidy rather than after 12 with a real interest rate, and those who take out loans only to benefit from the arbitrage opportunity.”

255 Ev 305, para 109.
We are clear that what the Government needs to do is to target expenditure more effectively on those who need it, rather than continue with the undifferentiated interest subsidy. The removal of the interest rate subsidy would allow the Government to spend more on initiatives to improve access to higher education. We set out a number of the possibilities below.

204. One action which would directly address the low earners issue is to raise the income threshold at which loans begin to be repaid. The increase from £10,000 to £15,000 announced in the White Paper is welcome, but still falls far short of the Committee’s previous recommendation that the level should be average earnings (currently around £24,500), and should keep pace with changes in the level of average earnings.

205. The re-introduction of the maintenance grant is welcome, although it is unlikely that it will provide much incentive to students from poorer backgrounds given that the amount payable is only £1,000. There was a hint from Margaret Hodge in evidence that it was set at that level because that was how much money there was available in the current Comprehensive Spending Review period, but that grants would be increased in the next CSR. If that is the Government’s intention, we recommend that an announcement to that effect is made as soon as possible, so that those who may be considering entering higher education in 2006 have more clarity about the support arrangements that will be available.

206. We also recommend that the Government should make public without delay the income limits for eligibility for the grant.

207. If the money currently spent on the interest rate subsidy was used instead to enhance maintenance grants, it would be possible to pay full-cost maintenance grants to students from poorer backgrounds (for example at the level of £5,000 a year suggested as a reasonable amount for living expenses by the Secretary of State). As Professor Brown of Liverpool John Moores University told us;

“...the main cost borne by students is not that of tuition fees, but is in fact the cost of personal maintenance, which is very inadequately supported through the student loan system”.

208. Charging the Government interest rate on loans would also allow larger loans to be offered, as the cost of the subsidy would no longer be prohibitive, and so make it less likely that students would have to borrow, or incur credit card debts, at commercial rates.

209. Even without removing the interest subsidy, it would be possible to alleviate some debt problems arising from credit cards and commercial loans by making further maintenance loans above the current limit available at the Government rate of interest. This would mean that students would not be required to incur commercial rates of interest on debt in order to fund their day to day living expenses.
210. One of our recommendations in our previous report was that the Education Maintenance Allowance model should be examined to see what it would cost to use as a vehicle for seamless support across further education and higher education.\textsuperscript{258} In response, the Government told us it was undertaking a review of the funding of individual adult learners aged 19 or over outside higher education “and is considering the most cost effective ways of targeting financial assistance”.\textsuperscript{259} We hope that the review of funding of individual adult learners will soon be concluded, and we continue to believe that the introduction of an educational maintenance allowance for those in higher education would be an effective way of encouraging participation in higher education.

211. One issue which needs to be addressed with some urgency is the wide range of thresholds for assistance at different points in the student support system. To quote only one example, why is that students who are financially independent of their parents and whose total income is less than £18,040 currently do not have to pay any of the £1,100 standard university fee, but the income threshold for graduates for repayment of loans is £10,000, rising to £15,000 under the proposals in the White Paper? The differing thresholds for assistance at different points in the system help to foster confusion and mistrust, and so create barriers to access. The system should be simpler, more logical and easier to understand.

\textsuperscript{258} Post-16 Student Support, para 97.

\textsuperscript{259} Government response, para 23.
Higher education in the future

212. The White Paper is called The Future of Higher Education but it appears the future means the short term future. During our inquiry there has already been discussion about policies that may come forward in the next four or five years to expand on or clarify what is in this White Paper.\(^{260}\) However, some long term trends or policy objectives are clear.

213. A significant conclusion that can be drawn from the White Paper is that the Government sees universities and colleges principally as economic agents; there is very little in the document about intellectual or cultural life in higher education, or the broader development of the individual. The economic role of universities is significant, but it would be wrong to suggest that the only benefit of higher education for society in general or for individuals in particular is an economic one:

“In the domains of health, the labour market, citizenship and parenthood, young people with experience of higher education seem, over and above other attributes, to profit significantly. Although some of these benefits are clearly in the private interest of individuals…others have indirect benefits to the economy such as cost savings to the health service. In relation to the evidence on citizenship and values, the benefits may be seen as even more relevant to society [than] to that of individual gain. In terms of a political agenda that sees social cohesion as a primary goal, the expansion of higher education to produce more graduates can only be seen as beneficial.”\(^{261}\)

214. The Government’s extra investment in higher education can therefore be justified on a number of grounds. What is remarkable is the muted response that this extra investment has evoked. It has become apparent during the course of our inquiry that this is largely because there are few outright winners under the proposals, and many institutions feel that what they do is being undervalued, or even undermined, by the Government.

215. We have commented at some length on the proposals for more selective funding of research, and it is clearly the case that those universities that are receiving increased funding under this year’s settlement and into the future will be better placed to undertake research than others. However, it could be argued that what has happened is not so much to do with research capability but with finding a mechanism to provide more cash to a small number of institutions, enabling them to recruit and retain the most highly qualified staff and so enhance their position as world class universities. The real effect is on those which are not so generously funded. They will not be prevented from undertaking research, but it will become more difficult for them to do so within a smaller overall budget.

216. The most remarkable element of the Government’s funding settlement for higher education, however, is the absence of any substantial overall improvement in academic and other salaries. By not seeking to increase salaries generally, it has made its task of reshaping the higher education sector much harder. Its proposals on access, expansion and teaching

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\(^{260}\) See, for example, Q 525.

\(^{261}\) Revisiting the benefits of higher education. A report by the Bedford Group for Lifecourse and Statistical Studies, Institute of Education, for HEFCE, April 2003, p 4.
quality, for example, will come to nothing without the efforts of staff in higher education. Their willingness to cooperate with the Government’s policy aims, or in many cases even to remain in the sector, must be put at risk. It has been estimated that in order to achieve the 50% participation target the sector will need to expand by 350,000 places and 17,000 staff by the end of the decade. At the moment, it is difficult to see where those 17,000 staff will be coming from.

217. The other main issues are fees and student support. Everything that the Government wishes to do in encouraging greater participation in higher education, encouraging more people from non-traditional backgrounds into higher education and ensuring fair access on merit to all institutions could be undermined if its policies on differential fees and student support are not sufficiently well thought through.

218. We are of the view that maintenance, not fees, is the more significant problem. Fees are a fixed cost and, even at £3,000 per year, less than the cost of maintenance, which is also more variable. Loans for maintenance, debt incurred at commercial interest rates and the need to work while studying could all have a significant deterrent effect on the participation in higher education of those from non-traditional backgrounds. We believe that this problem should be addressed by the provision of substantially enhanced and targeted support for those from low-income families.

219. The Government introduces the White Paper with a downbeat assessment of higher education. It says that there is a great deal of high quality work done within the sector, but then says that despite this “the whole system is under severe pressure and at serious risk of decline”. If that is so, the question then arises of why so many overseas students come here to study. We believe that one reason is that the student experience is a good one. Research is not confined to research institutes but takes place in universities and colleges which also teach undergraduates. Much of the teaching place in relatively small groups with opportunity for individual contact with lecturers. Whatever else happens as a consequence of the Government’s programme of change, we believe that this model should be preserved for the sake of the students and for the sake of the sector as a whole.

220. The Government is to be congratulated for seeking to tackle some difficult issues in higher education, but it has not provided the solutions to make its proposals work properly. It recognises the realities of institutional diversity and difference, but some of the changes it is proposing risk freezing the structure of the sector in its current shape.

221. There are a number of actions it could take which we believe would make its proposals more generally acceptable:

- draw back from the further concentration of research funding at least until the revised research assessment system is in place
- provide for an overall increase in starting pay for academic staff and in other salaries which takes some account of the relative decline of recent years

262 The Future of Higher Education, para 1.11.
• provide enhanced and better targeted support for those from low income families to be funded by abolishing the interest rate subsidy for student loans

• withdraw the proposal for the access regulator, allowing HEFCE to continue its work on access

• separate the expansion of foundation degrees from the achievement of the 50% target for participation in higher education

• set general parameters or frameworks within which the sector can operate on issues such as knowledge transfer, but not seek to micro-manage what universities do.
Conclusions and recommendations

Research

1. There are undoubtedly advantages in having research intensive universities, but where there is already a significant concentration of funding, and where research funding is increasing in real terms, we are not persuaded that even greater concentration is necessary to achieve the Government’s aim of enabling the country’s best research institutions to compete effectively with the world’s leading universities. We believe that a broad research base will provide more scope for innovation and research excellence than an increasingly narrow one. (Paragraph 38)

2. Now we have seen what the Roberts review is proposing, the Government’s actions in reducing funding for middle ranking departments seem even less appropriate. If the model of research assessment proposed in the review is adopted it will have a significant effect on the way in which funding is allocated. The reduction in funding for 4-rated departments has confused the issue, and in consequence may hamper discussion of the review’s recommendations because of hostility to the reduction in funding within the sector. This would be particularly unfortunate for the Government, because the review’s proposals do clearly address the Government’s concerns. (Paragraph 45)

3. We recommend that the Government reinstates the £21 million taken from the budget for 4-rated departments for this year. Such a change makes no sense when a new assessment procedure has been proposed. Changes in funding should be introduced alongside changes in assessment. (Paragraph 47)

4. We recommend that the Government works with HEFCE and the research councils to implement funding mechanisms and incentives to promote and reward collaboration. (Paragraph 48)

5. We urge the Government to reconsider its position on RAE funding for middle-ranking departments for the remainder of this RAE round. (Paragraph 49)

6. For the future, under the Roberts proposals, the Government should consider funding the research councils in ways that will enable them to include full indirect costs in grants made to institutions which receive little or no general research funding. (Paragraph 50)

7. There must be opportunities for all institutions, and researchers within them, to develop their research potential for the good of the sector as a whole. (Paragraph 51)

8. We believe it is important for the quality of students’ educational experience that research should continue to be undertaken in higher education institutions (Paragraph 52)
Higher education and business

9. The strict separation which the White Paper appears to envisage between those universities undertaking research and those involved in knowledge transfer is unlikely to operate in such a clear cut way in practice, whether or not the Government wills it. (Paragraph 65)

10. We remain to be convinced that Knowledge Exchanges will serve any real purpose. (Paragraph 66)

11. We recommend that the Government takes no action to encourage the phasing out of HNCs and HNDs. The option of studying for the current qualifications should remain unless and until it is clear that they have been made redundant by foundation degrees. (Paragraph 67)

Teaching and learning

12. Academic staff might reasonably question whether it is worthwhile continuing in the profession, and new entrants may be discouraged, if there is no prospect of the issue of low pay being addressed. (Paragraph 81)

13. We believe that the Government needs to improve academic and other salaries in order to address problems of recruitment and retention. It might be that this is an issue that will need to be dealt with in the next Comprehensive Spending Review round, but this will not help the immediate problem. Staff/student ratios have worsened significantly in recent years, and it would be detrimental to the health of the sector if they were allowed to deteriorate further. (Paragraph 83)

14. It would help if we knew how much of the £170 million for human resource development is likely to be available for payment of salaries; and the £35 million a year which will be spent on centres of excellence by 2006 might be better spent on a general, if modest, uplift of salaries for those at the beginning of their careers, where the problem of low pay is most acute. (Paragraph 84)

15. Universities are their staff; if the staff do not feel the benefit of the Government’s investment in higher education, there will be difficulties in successfully implementing other parts of the Government’s programme. (Paragraph 85)

16. University title must continue to be awarded by the Privy Council against set criteria. Thorough debate about the merits of the proposal to award university title to institutions without research degree awarding powers should take place before it is implemented. (Paragraph 86)

Expanding higher education

17. Unless the Government allows the funding of more honours degree places, there is going to be considerable unmet demand for places in higher education from people with a minimum of two A level passes. (Paragraph 107)
18. We believe that it is a mistake for the Government to have made such a strong link between the move to 50% participation and foundation degrees. It appears to be another illustration of the Government’s tendency to over-prescriptive management of higher education. (Paragraph 108)

19. Foundation degrees may go on to be popular and successful with students and employers, particularly if they are relevant to particular jobs and careers and if they improve employability. However, the association being made between the ambition to grow to 50% participation and the expansion of foundation degrees could undermine their credibility. Foundation degrees should be allowed to take their place in the portfolio of higher education qualifications without being burdened with the achievement of this target. (Paragraph 109)

20. We look forward to the Government’s detailed proposals for the development of foundation degrees which the Secretary of State told us should be available in the summer. (Paragraph 110)

21. The Government should help the expansion of higher education in further education colleges by simplifying funding procedures and ironing out anomalies in the funding mechanisms, and in inspection and assessment regimes. (Paragraph 111)

Fair access

22. The basis for any discussion about widening participation and ensuring fair access must be that access should depend on academic ability. (Paragraph 132)

23. The priority for widening participation must be action in schools. At least from age 14, and preferably earlier, considerable effort is required to raise the aspiration and achievement of pupils from poorer backgrounds. It is only by doing this that the proportion of those from the lower socio-economic groups entering higher education is likely to increase. (Paragraph 134)

24. We are very concerned to discover that the increase in the access premium is not new funding but represents a redistribution of resources within the teaching budget. This is not what we had anticipated when we made our recommendation, nor is it what the White Paper appeared to be proposing. The additional funds for the access premium should have been new money, and we expect the Government to provide that new money as soon as possible. (Paragraph 135)

25. Our evidence suggests that there are many reasons for students not completing their courses, and that the most effective way of improving retention is giving increased support and personal attention to students in their first year. It is for this reason that we are so concerned about the access premium, which underpins this support. (Paragraph 136)

26. The White Paper is principally concerned with young, full-time students. The needs of those who fall outside that category must be properly taken into account if the higher education sector is to provide truly improved access. (Paragraph 137)
27. We recommend that the Government does not proceed with the introduction of the Office for Fair Access, and leaves responsibility for monitoring universities’ policies on access with HEFCE. (Paragraph 140)

28. It is not whether there is a need for monitoring of access arrangements that we question, but whether it requires a body separate from HEFCE to do it. (Paragraph 141)

University funding

29. It is worthwhile looking back to the Dearing Report and what it had to say on the funding of higher education. Its conclusion was that “the costs of higher education should be shared among those who benefit from it”, with the individual, the state and employers all as key beneficiaries. We believe that principle is correct and should be supported. (Paragraph 185)

30. The Government should consider introducing a levy on businesses above a certain size which do not commit a minimum proportion of their turnover to research and development to contribute to a pool of funds which flow to research and development activities at universities. (Paragraph 188)

31. We recommend that the Government explores ways of encouraging a more substantial contribution from business and individuals through the taxation system. (Paragraph 189)

32. The evidence we have heard suggests that the differentials in fees charged by universities and colleges will be small at best and possibly non-existent. (Paragraph 190)

33. We hope that the Government does not intend to seek to impose a market and believe it would be a very grave error of judgement if it did so. It would be quite wrong for the Government to act in this way. If a market does not arise it will be because of the restrictions which the Government has itself imposed, and it must live with the consequences. (Paragraph 193)

34. The success of the Government in providing substantial extra funding for universities in this spending review will only have lasting effect if the amount of public expenditure on higher education is at least maintained in real terms at the levels announced in this White Paper. (Paragraph 194)

35. We believe that there is much evidence to show that there is an inevitable link between diversity of funding and the ability of universities to develop and to operate with greater independence and freedom. (Paragraph 195)

36. As the proposed new mixed public-private funding system comes into effect, perceptions of the independence of universities will change and opportunities for raising private funds will change. Universities should be encouraged to seize such opportunities with vigour. (Paragraph 196)
**Student support**

37. We welcome the deferral of payment of fees until after completion of a student’s course; this removes one very significant disincentive to participation in higher education. (Paragraph 199)

38. With the shift to payment of fees after the completion of a course, the money currently used to pay up to £1,100 in fees for poorer students could instead be used to provide more substantial maintenance grants. (Paragraph 200)

39. We recommend that if the Government continues to pay fees for poorer students, it should fund the full cost of fees for eligible students, not just the first £1,100. (Paragraph 201)

40. We are clear that what the Government needs to do is to target expenditure more effectively on those who need it, rather than continue with the undifferentiated interest subsidy. The removal of the interest rate subsidy would allow the Government to spend more on initiatives to improve access to higher education. (Paragraph 203)

41. The increase in the income threshold at which loans begin to be repaid from £10,000 to £15,000 announced in the White Paper is welcome, but still falls far short of the Committee’s previous recommendation that the level should be average earnings (currently around £24,500), and should keep pace with changes in the level of average earnings. (Paragraph 204)

42. If it is the Government’s intention to increase the level of maintenance grant in the next comprehensive spending review then we recommend that an announcement to that effect is made as soon as possible, so that those who may be considering entering higher education in 2006 have more clarity about the support arrangements that will be available. (Paragraph 205)

43. We also recommend that the Government should make public without delay the income limits for eligibility for the grant. (Paragraph 206)

44. If the money currently spent on the interest rate subsidy was used instead to enhance maintenance grants, it would be possible to pay full-cost maintenance grants to students from poorer backgrounds (for example at the level of £5,000 a year suggested as a reasonable amount for living expenses by the Secretary of State) (Paragraph 207)

45. Charging the Government interest rate on loans would also allow larger loans to be offered, as the cost of the subsidy would no longer be prohibitive, and so make it less likely that students would have to borrow, or incur credit card debts, at commercial rates. (Paragraph 208)

46. It would be possible to alleviate some debt problems arising from credit cards and commercial loans by making further maintenance loans above the current limit available at the Government rate of interest. (Paragraph 209)
47. We hope that the review of funding of individual adult learners will soon be concluded, and we continue to believe that the introduction of an educational maintenance allowance for those in higher education would be an effective way of encouraging participation in higher education. (Paragraph 210)

48. The differing thresholds for assistance at different points in the student support system help to foster confusion and mistrust, and so create barriers to access. The system should be simpler, more logical and easier to understand. (Paragraph 211)

Higher education in the future

49. There are a number of actions the Government could take which we believe would make its proposals more generally acceptable:

- draw back from the further concentration of research funding at least until the revised research assessment system is in place
- provide for an overall increase in starting pay for academic staff and in other salaries which takes some account of the relative decline of recent years
- provide enhanced and better targeted support for those from low income families to be funded by abolishing the interest rate subsidy for student loans
- withdraw the proposal for the access regulator, allowing HEFCE to continue its work on access
- separate the expansion of foundation degrees from the achievement of the 50% target for participation in higher education
- set general parameters or frameworks within which the sector can operate on issues such as knowledge transfer, but not seek to micro-manage what universities do. (Paragraph 221)
Annex

Higher education institutions invited to contribute to the Committee’s inquiry

The University of Aberdeen
University of Abertay Dundee
Anglia Polytechnic University
Aston University
University of Bath
The Queen’s University of Belfast
Birkbeck College, University of London
The University of Birmingham
Bolton Institute
Bournemouth University
University of Bradford
University of Brighton
University of Bristol
Brunel University
University of Buckingham
University of Cambridge
Cardiff University
University of Central England in Birmingham
University of Central Lancashire
City University
Coventry University
Cranfield University
De Montfort University
University of Derby
The University of Dundee
University of Durham
University of East Anglia
University of East London
University of Edinburgh
University of Essex
University of Exeter
University of Glamorgan
The University of Glasgow
Glasgow Caledonian University
University of Gloucestershire
Goldsmiths College, University of London
University of Greenwich
Heriot-Watt University
University of Hertfordshire
The University of Huddersfield
The University of Hull
Imperial College of Science, Technology and Medicine
Keele University
The University of Kent at Canterbury
King’s College London
Kingston University
University of Lancaster
The University of Leeds
Leeds Metropolitan University
University of Leicester
University of Lincoln
University of Liverpool
Liverpool John Moores University
University of London
London Business School
University College London
London School of Economics and Political Science
London School of Hygiene and Tropical Medicine
Loughborough University
University of Luton
The University of Manchester
| University of Manchester Institute of Science & Technology | University of Surrey |
| The Manchester Metropolitan University | University of Surrey Roehampton |
| Middlesex University | University of Sussex |
| Napier University | Swansea Institute of Higher Education |
| The University of Newcastle | University of Teeside |
| North East Wales Institute of Higher Education | Thames Valley University |
| University of Northumbria at Newcastle | Trinity College |
| University of Nottingham | University of Ulster |
| The Nottingham Trent University | University of Wales |
| The Open University | University of Wales, Aberystwyth |
| School of Oriental and African Studies | University of Wales, Bangor |
| University of Oxford | University of Wales College, Newport |
| Oxford Brookes University | University of Wales College of Medicine |
| University of Paisley | University of Wales Institute, Cardiff |
| University of Plymouth | University of Wales, Lampeter |
| University of Portsmouth | University of Wales, Swansea |
| Queen Margaret University College | University of Warwick |
| Queen Mary, University of London | Royal Welsh College of Music and Drama |
| University of Reading | University of the West of England, Bristol |
| The Robert Gordon University | University of Westminster |
| Royal Academy of Music | The University of Wolverhampton |
| Royal College of Art | University of York |
| Royal College of Music | The Arts Institute at Bournemouth |
| Royal Holloway, University of London | Bath Spa University College |
| The Royal Veterinary College | Birmingham College of Food, Tourism and Creative Studies |
| The University of Salford | Bishop Grosseteste College |
| The University of Sheffield | Buckinghamshire Chilterns University College |
| Sheffield Hallam University | Canterbury Christ Church University College |
| University of Southampton | The Central School of Speech and Drama |
| South Bank University | Chester College of Higher Education |
| Staffordshire University | University College Chichester |
| University of St Andrews | Cumbria Institute of the Arts |
| St George's Hospital Medical School | Dartington College of Arts |
| The University of Stirling | Edge Hill College |
| University of Strathclyde | Falmouth College of Arts |
| University of Sunderland | Harper Adams College |
Kent Institute of Art & Design
King Alfred’s College
Liverpool Hope University College
The London Institute Newman College of Higher Education
Norwich School of Art & Design
Ravensbourne College of Design & Communication
Rose Bruford College
Royal Agricultural College
The College of St Mark & St John

St Martin’s College
St Mary’s Strawberry Hill
The Surrey Institute of Art & Design
University College
Swansea Institute of Higher Education
Trinity & All Saints University College
University College Northampton
University College Worcester
Wimbledon School of Art
Writtle College
York St John College
The Future of Higher Education

Formal minutes

Monday 23 June 2003

Members present:
Mr Barry Sheerman, in the Chair

Mr David Chaytor
Valerie Davey
Jeff Ennis
Paul Holmes

Mr Robert Jackson
Ms Meg Munn
Mr Kerry Pollard
Jonathan Shaw

The Committee deliberated.

Draft Report (The Future of Higher Education), proposed by the Chairman, brought up and read.

Ordered, That the Chairman’s draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 141 read and agreed to.

Paragraphs 142 to 211 read.

Motion made, to leave out paragraphs 142 to 211 and insert the following new paragraphs:

“142. The White Paper recognises that there is a current imbalance in applications to university from different backgrounds.

“The social class gap among those entering higher education is unacceptably wide. Those from the top three social classes are almost three times as likely to enter higher education as those from the bottom three. Figure 2…is even more disturbing because it shows the gap has widened. At the extremes the picture is worse. Young people from professional backgrounds are over five times more likely to enter higher education than those from unskilled backgrounds.”263

143. Key points of the Government’s proposals are:

• The introduction of differential top up fees will see the poorest students paying for their university tuition for the first time.

• Students will be expected to begin repayments on their student loans when they earn £15,000. These repayments commence at a salary level well below average, and leaves students paying a very high rate of marginal tax.

263 The Future of Higher Education, 1.28, p17
• The reintroduction of grants at a maximum of £1000, is at £20 per week, less than the £30 per week “Education Maintenance Allowance” that eligible sixth form students receive.

• Students could emerge with debts of up to £21,000 as a result of top up fees.

• Endowments are promoted by the white paper as a major source of income for universities in the future.

University Funding

144. The key issue in relation to university funding is clearly the proposal to allow universities to charge their students differential fees ranging from nothing to £3,000. The White Paper also promotes university endowment funds as a major source of funding in the future, but acknowledges that even the best endowed universities do not have anything like the resources of universities in the United States. Furthermore, contributions of this kind make universities more vulnerable to economic turbulence, as can be seen from the significant decrease in private contributions to universities in the United States following the recent economic downturn.

“British Universities have much smaller endowments than their global competitors. Harvard has about $18 billion, Yale $11 billion and Princeton $8 billion. In contrast, Oxford has about £2 billion.”264

Professor Arthur Lucas of King’s College London explained the position for his institution:

“People have mentioned endowments, but it takes a long time to build up that sort of pool and I welcome the recognition of endowment and support of endowment in the White Paper, but it is not going to be a simple, easy and fast solution”.265

145. Goldsmiths echoed that conclusion, saying that successful endowments would require a cultural shift in charitable giving, and that “this is a very long term aspiration, if indeed it is achievable at all”.266

Differential Fees

146. A number of those we spoke to were very strongly opposed to students or graduates paying towards the cost of their higher education, Mandy Telford, President of the NUS told us “we think that differential fees are wrong and they will create a two tier, elitist higher education system”.267 Sally Hunt of the AUT said that in a survey undertaken by the union, 88% said that they would prefer higher education to be funded by general taxation:

\[264\text{ Ibid, para 7.16}\]
\[265\text{ Qq 171, 174}\]
\[266\text{ Ev 246–7, paras 7.5–7.13}\]
\[267\text{ Q 275}\]
“They do not believe that it is reasonable to have differential fees because they believe that that will impact on their ability to make the choices and help people on the basis of their academic ability rather than their ability to pay.” 268

NAFTHE said that its members had similar views, being

“overwhelmingly opposed to the introduction of top up fees…. Top up fees destroy funding equality and thus the genuine equality of opportunity.” 269

147. The Secretary of State sought to put the amount to be charged into perspective:

“At the moment, of the approximate £7.5 billion that is provided to universities, £400 million is fee and the rest is State; it is a 1:14 ratio and I do not think that is particularly unreasonable. We will slightly change that ratio by the proposals we are talking about.” 270

148. Liberal Democrat Education spokesman Phil Willis MP in his evidence proposed an alternative means of funding Higher Education, which did not place the greatest burden on graduates at a time when he judged they were least able to afford it:

“…we feel that, in terms of funding of higher education, the principle should be you do it through progressive taxation and you do that because it means that those who have the greatest ability to contribute do so, rather than when they are students who are in that crucial period between leaving university and the next ten years when they are taking on a job, taking on a mortgage payments, perhaps getting married or having a partnership and children where expenses are very tight indeed, which is when they are going to be hammered most”. 271

“Higher education is an entitlement to all students who achieve the necessary standards for access; we believe in principle that tuition should be free at the point of delivery and paid for by the State.” 272

The £3000 cap

149. Will this level of fee create a differentiated market? Will the amount charged across universities be enough so that students from poorer backgrounds will be able to choose more affordable options in terms of their choice of university? Evidence given to us suggests that it is expected that most universities will choose the maximum amount, resulting in an across the board increases in tuition fees. Dr Knight of UCE said he thought the £3,000 figure had been chosen deliberately so that fees would not be differentiated:

“I assume that every university will want to keep its options open, and will plan on the basis that they are going to charge £3,000 because if we do not and the grant is subsequently cut, as we expect it to be from 2006 onwards to take account of the

268  Q 246
269  Ev 43
270  Q 737
271  Q 830
272  Q 821
increased fee, then you are in an absolutely no win situation if you have not planned the £3,000 fee”.273

150. Professor Eileen Baker of Grosseteste College, Lincoln indicated that there would be pressure to conform with other institutions.

“This college is not anxious to charge the full £3,000 fee, but if others do, we will (to avoid relegation to a cheap and cheerful brigade) be expected to plough some of the new income into our bursary scheme designed to encourage those who would otherwise hesitate to take on the financial commitment of studentship”.274

151. The Secretary of State said on the duration of the cap said that it would be useful to have some flexibility, perhaps by having the figure set in secondary rather than primary legislation.

**Different Fees for Different Courses**

152. The White Paper raises the issue of differential fees between courses as well as between universities, because “it is absolutely clear that students get different returns from different courses”.275

153. Sally Hunt from the AUT told us that her members were “absolutely horrified by the idea that an internal market may well develop in terms of some departments, some courses”.276

154. Professor Eastwood of UEA also expressed concerns about within institution variations:

“I think there are very real difficulties in differentiating the charge within institutions…I think there are real problems, for example, in charging more to read English than to read Chemistry. You turn students into consumers who inhabit rooms adjacent to one another in the same institution and wonder why one is cross subsidising the other.”277

155. Phil Willis MP also expressed concerns that average premiums for institutions and subjects within those institutions covered a vast spectrum of salaries. Ultimately the graduate premium depended on choices of employment taken up by graduates, rather than the university they graduated from.

“Students who studied a range of arts and social sciences at university, including the Russell Group, did not achieve the sorts of graduate premiums, and even had a less or equal premium to students who left with Level 3 qualifications, so I think we have to be very careful about applying across a whole group of students whether from a particular type of university or, indeed, from universities generally that there is an average premium which can be applied to the norm because clearly it does not. The

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273 Q 525
274 Ev 218
275 *The Future of Higher Education*, para:7.25
276 Q240
277 Q 526
other groups you have to look at...is people working within the public sector, particularly within the Health Services, where now if you look, for instance, at the group of people who are the laboratory technicians who are doing cervical smears and things of that nature within our hospital service, often are graduates but often are getting derisory low pay so I think we have to be careful about applying those premiums. My argument is, and I think most people accept this, that the more graduates you have, the less you can have as a premium.”

156. Baroness Sharp of Guildford, the Liberal Democrat Education Spokesperson in the Lords pointed out the difference between the average and the marginal in these instances:

“there are some graduates such as those from the LSE who go into the city who get an enormous premium, and others at the margin who get almost no premium, or even a negative premium on what they do”.

**Student Support**

157. The Secretary of State made it clear in evidence that, so far as the Government is concerned, there is no prospect of a return to a system whereby all fees are paid for in full from public funds. If, therefore, students are to be charged more for their courses the support they are given to cope with the need to repay fees and maintenance loans becomes an even more critical issue than is the case now, particularly given the Government’s commitment to increase participation in higher education from under-represented groups.

158. The move to require payment of fees after completion of a course, rather than during the course has the effect of increasing the level of debt that is paid at the end of the course. The Government has responded to this by increasing the threshold on repayment of student loans from £10,000 to £15,000 with effect from 2005, “to make payments less burdensome for every graduate”. The main comment that has been received on this is that the level is still too low and that the threshold should be set to a level which indicates that a graduate is benefiting from having participated in higher education. As Mandy Telford of the NUS said:

“We would like to see student loans being repaid at £25,000 and we also believe that if you are lucky enough to go on and get a job where you earn a lot, and not everybody does...then you will be paying more through the tax system, and we believe that is the fairer way”.

159. It can be argued that the fairest way to recoup money from those students who benefit most was not by charging all graduates a high rate of marginal tax, but by taxing them later in life. Their argument is that if, as the Government claims, graduates have a significant earnings premium, and if the Government’s target of 50% participation is reached, then the simplest and fairest way for these graduates to contribute to the cost of their University...
education is through progressive taxation. Commenting on the Government’s proposals to raise the threshold to £15,000, Baroness Sharp said:

“..it is rather tough on the young graduates who are at the lower end of the earning bracket to be charged with what is a very high marginal rate of tax with the repayment system, the 9% marginal rate of extra income tax on those earning £15,000 plus. It is quite tough; you want to catch them when they are earning rather more. There is also the question of why those of us who benefited from a very much more generous regime of free tuition and grants for residential accommodation should pay nothing at all.”282

**Maintenance Grants**

160. The Government has also announced its intention to re-introduce maintenance grants. The White Paper says:

“We have listened to those who say that those from the poorest backgrounds need additional incentives and financial help to continue in full-time education. So students with parents on the lowest incomes starting full time higher education courses will be eligible for a new Higher Education Grant of up to £1,00 a year.”283

161. In evidence, the Secretary of State said:

“"The reason why we went down the course of the £1,000 grants, is that if you have no access to any other resource at all, if you are from a particularly poor background or even because your parents refuse to support you in any way, then you actually have great difficulty surviving at university on the current level of maintenance loan” 284

162. The general view of our witnesses was that the amount was too low to have any significant impact on students or potential students worried about their level of debt. Professor Trainor, for example, told us:

“I think it is a good thing that a single maintenance grant is being brought in—in place of this very confusing patchwork of hardship funds that we have had over the last five or six years in particular. But I think that the amount of this maintenance grant is very low…. and the levels of income below which the individual family must fall are pretty modest. So I do not think it is going to make a huge difference.” 285

Sir Howard Newby agreed with this view, saying, “I think £1,000 per year for maintenance is frankly too low and I hope the Government will in time, when resources become available, have another look at that.”

163. The Liberal Democrat Education Spokespersons presented a case for raising the grant to £2,000 per year for the poorest student. This was costed at an additional £300 million to

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282 Q 827
283 The Future of Higher Education, para 7.36
284 Q 746
285 Q 696
the Government’s existing proposal, to be funded from a 50% rate on incomes over £100,000.286

Education Maintenance Allowance

164. Another slightly different point was that the grant should have been linked with the EMA to provide continuity for those students from non-traditional backgrounds. NATFHE told us that:

“It is particularly disappointing that the grant levels are not linked, in amount and thresholds for payment, with the £1,500 Education Maintenance Allowance so that—if set at a realistic level—this would provide seamless transition in support terms from FE to HE”.287

Professor Claire Callender of South Bank University argued along the same lines:

“The White Paper missed the opportunity of linking the receipt of the new student grants more directly with existing means-tested Educational Maintenance Allowances (EMAs) for 16–19 year olds, which are to be rolled out in 2004.

It would have been helpful if young people in receipt of the full EMA could have been guaranteed receipt of the full HE grant. This would have helped a seamless transition in funding for school leavers and FE college students into HE, and aided the simplification of student funding across these sectors.”288

165. The Secretary of State responded by saying “I do not actually accept the argument that because this is the State support that you received at the age of 16, it should necessarily be the State support that you receive at the age of 20, but I do accept the argument…that it must be a coherent system and one which incentivises rather than disincentivises”.289

Eligibility for Maintenance Grant

166. There has been some confusion about precisely who will be eligible to receive the full £1,000 grant. The White Paper says that students from families where income is £10,000 or less will receive the full £1,000, and those whose family income is up to £20,000 will receive some grant. These limits appeared to suggest that a very small proportion indeed of the student population would be eligible for the £1,000 grant; figures from the Family Resources Survey 2001–02 indicate that only 7% of families with one or more dependent children between 16 and 18 have total income of £10,000 or less.290

167. When we saw Margaret Hodge, she told us that it was the Government’s intention that the full £1,000 grant would be available to “30% of the cohort”.291 In a letter sent after that meeting, she told us that since the launch of the White Paper in January, “We...have received more up-to-date data which indicated that within the 30% of students to be

286 Liberal Democrat Consultation Paper, Quality Diversity Choice, Spring 2003, ch6
287 Ev 43
288 Ev 281
289 Q 744
290 Ev 280
291 Q 34
supported, we may be able to afford to raise the threshold for the full grant higher than the proposed £10,000”, and that a further statement would be made once the data had been checked. When we met the Secretary of State he acknowledged that the £10,000 figure had been arrived at in error, and also told us that he was not yet in a position to say what the income limit would be. He declined to offer an estimate, on the grounds that “having made the mistake before, I am rather loath to set another hare running”. The income limit for eligibility for the full grant has not yet been made public.

Assistance With Payment of Tuition Fees

168. With the present standard £1,100 fee, the Government has a scheme to assist students from poorer families:

“Under the current system the Government spends over £400 million on paying the fees of those whose parents are least able to afford the standard £1,100 fee. This sum pays the fee in full for those whose parents are on incomes up to £20,000. For those between £20,000 and £30,000, it covers part of the cost of the fee. The Government will continue this spending on student support when the new contribution arrangements come into effect in 2006. This will reduce any contribution that students have to pay by up to £1,100 [uprated for inflation].”

169. The question we put to Margaret Hodge was: should not the Government increase its support for students from poorer families so they are not disadvantaged when differential fees are brought in? In other words, should not the Government be willing to pay the maximum amount that a student may be charged under the new regime, in order to make the new scheme equivalent to the existing one? Her answer was that it was not necessary for the Government to pay fees up to £3,000 “because not everyone will be charging the variable fees”. By the time we spoke to the Secretary of State, however, and put the same question to him, the view had changed. He told us:

“I think there is a good case for that, and that is why I have indicated that it is something we are prepared to look at”.

Student Debt

170. When the Committee considered this issue for its report last year, there was some argument that despite the Rees and Cubie reports, the evidence pointing to the deterrent effect of debt on participation in higher education relied too much on anecdote. However later that year the Public Accounts Committee investigating the same issue concluded that “The current system of financial support for students is too complicated, particularly in respect of the wide range of discretionary funds that might be available. This complexity and the fear of debt are barriers to increasing participation.” Since then, further concrete evidence such as that outlined below has been made available.
171. We asked a number of witnesses about levels of student debt. A significant number of Vice-Chancellors and principals expressed concerns that many students were already forced to take on significant levels of part time work to fund their studies. The introduction of higher levels of fees led to concerns that it would make matters worse.

Professor Michael Brown, from Liverpool John Moores University said:

“It should be stressed that the levels of part time work being undertaken by students because they need to work in order to pursue their studies is substantial. Our own internal surveys have shown a significant number of students are working more than 30 hours a week for relatively low levels of pay to allow them to continue their studies.”

Professor McKenna from the University of Ulster shared this view:

“...the White Paper has failed to find any remedy to the situation in which many thousands of students have to work 30 hours a week to fund their education yet are still deemed full time students. It is a recipe for second class citizenship, inside and outside higher education.”

172. The key concern however, was that the proposals contained in the White Paper would continue to deter students from disadvantaged backgrounds. Cardiff University told us:

“..the very students the Government wants universities to increase are those with the highest debt aversion, and therefore the least amenable to the rational economic argument used by the Government. The prospect of increasing debt is likely to be a serious disincentive to poorer students, despite repayments depending on income.”

Goldsmiths, University of London:

“...we are gravely concerned at the debt burden which the proposed fee arrangement will impose on many students, and at the likely disincentive to lower income potential recruits of precisely the kind universities need to attract”.

Written evidence from the LSE linked both these concerns—of debt aversion and the need to work, describing them as a “double disadvantage” for poorer students:

“The proposal about loans, although ensuring that tuition is free at the point of entry, and sufficient to cover accommodation costs, falls well short of meeting living expenses for UK graduates. This may put students from poor backgrounds at a double disadvantage; they may be deterred by long term debt, and they would be more likely to need to take up work during term time, thus harming their studies.”

296 Ev 232
297 Ev 262
298 Memorandum from Cardiff University [not printed].
299 Ev 226
300 Memorandum from the London School of Economics [not printed].
173. Phil Willis MP pointed to recently published evidence, which supported these concerns, and commented that there is “…compelling evidence that debt aversion is one of the principal reasons that students from lower socio-economic groups do not go into higher education”.

The Joseph Rowntree Foundation’s report *Socio-Economic Disadvantage and Experience in Higher Education* concluded that “Students from disadvantaged backgrounds were more likely to prematurely reduce their levels of participation within higher education, by dropping out of courses, or by forgoing the opportunity to progress to more advanced courses”. Factors identified to lie behind this difficulty were:

“A fear of debt, which could exert a much greater deterrent effect on disadvantaged students’ continued participation than could actual debt, especially when this fear was coupled with a lack of confidence, about both their chances of academic success, and their chances of finding a job at the end of it all to pay off this debt”.301

Professor Claire Callendar at the South Bank University, in her report *Attitudes to Debt* came to very similar conclusions:

“Debt aversion deterred entry into HE and had the greatest impact on the participation of the very groups the Government most wants to attract into HE. Student funding policies, predicated on the accumulation of debt, will deter HE entry among those with no other financial resource to call upon to fund their higher education. So the Government’s widening participation policies are being undermined by their student funding policies.”302

The Unite Student Living Survey 2003, conducted by MORI found that 28% of students who dropped out, or considered dropping out, cited financial problems as the cause.303 37% of those students interviewed said that top up fees would have either probably or definitely have made them choose a university that didn’t charge them.304

**The Interest Rate Subsidy for Student Loans**

174. We also looked at whether the money the Government spends on subsidising the interest rate at which student loans are repaid might be better used in other ways. Professor Barr, the leading critic of the current policy, which provides interest-free loans in real terms, has calculated that the current cost is £800 million a year, and that it will rise to £1.2 billion when the system of differential fees is fully operational.305 Margaret Hodge defended the policy:

“By having a zero real interest rate policy we are actually supporting…those who will tend to come out as graduates on lower incomes, women who will have career breaks and others who will perhaps work in the voluntary sector or elsewhere where over

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302 Prof Claire Callendar, *Attitudes to Debt: School leavers and further education students’ attitudes to debt and their impact on participation on Higher Education*, February 2003, p.168
304 Ibid
305 Ev 296, 304.
their life time their earnings will be lower than if they go into the City. I think having a real zero real interest rate policy is a progressive policy and charging graduates real interest on their loans would have been a regressive option. ³⁰⁶

The Department pursued a similar argument in its reply to our report of last session on student support. ³⁰⁷

175. The NUS was also against the removal of the subsidy. Mandy Telford told us:

“the NUS does not support raising the interest rate on loans because it would mean that those who are the poorest graduates will pay the most for the rest of their lives. The richest graduates will pay it off quickly and the poorest will be paying it off forever and, therefore, accruing lots of interest.” ³⁰⁸

176. Professor Barr strongly contested this argument:

“The Department argues that ‘those who benefit most...are those who earn the least’ (para. 30). Separately, it argues that targeted interventions ‘... only have the effect of channelling the subsidy back to those people—ie on lower earnings—who are the principal beneficiaries of the subsidy at the moment’ (para. 31). Both arguments are—quite simply—wrong; they ignore the much larger total benefit for the great bulk of graduates who repay their loans in full. The same resources would do much more to help the poor if spent in ways...that do not leak out to the latter group.” ³⁰⁹

He suggested that, amongst other things, the money could be spent on larger maintenance grants; raising the income threshold for eligibility for grants; offering a super grant covering all costs to some students in their first year; increasing the full maintenance loan, abolishing the income test for the loan, and re-introducing debt forgiveness. ³¹⁰

Conclusions and Recommendations

University Funding

177. The conclusions of the Dearing Report were that “the costs of Higher Education should be shared among those who benefit from it”, with the individual, the State and employers all as key beneficiaries. The principle is correct, and should be supported, but what needs to be addressed is how individuals who benefit the most financially from a university education can make an appropriate contribution, as clearly there are some graduate occupations where the benefit is not always financial.

178. Allowing institutions to charge up to £3,000 per year in differential fees will bring in a maximum of £1.8 billion a year to the sector, if all institutions charge the maximum top up rate. This will only be a significant source of additional income if public expenditure is sustained at its existing levels. There are legitimate concerns that central government funding of higher education will be cut accordingly, as revenue from top up fees increases.

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³⁰⁶ Q 81
³⁰⁷ Sixth Report, Post-16 Student Support and Government reply (HC 440, Session 2002–03)
³⁰⁸ Q 291
³⁰⁹ Ev 305, para 110.
³¹⁰ ibid, paras 114–5.
as was the case in England and Wales since the introduction of tuition fees in 1997 and as has happened in Australia.

**Top up and tuition fees**

179. The introduction of tuition fees has seen average student debt rocket, and has resulted in many students having to work part time to fund their education. This has a disproportionately negative impact on those students from disadvantaged backgrounds—those that the Government is specifically supposed to be targeting. The introduction of top up fees in addition to tuition fees means that student debts will increase further still, and for the first time even the poorest students are expected to contribute towards their education. All the evidence suggest that this policy will continue to widen the social gap that already exists in higher education participation.

**Student Support**

180. In our report to the last session of Parliament we concluded that the elements required of a system of student support are:

“A student support system for the future should:

- Be equitable and encourage broadly based participation, and in particular should increase participation by first generation students;
- Require those with the means to do so to make a fair contribution to the costs of their higher education;
- Support lifelong learning, so that choices between part time and full time study and for discontinuous study and between higher and further education are financially neutral;
- Be easy to understand, administratively efficient and cost effective and offer good value for money for both students and society;
- Integrate learning support across all post compulsory education;
- Provide sufficient income through loans grants and access to the benefits system, to enable students to learn effectively without detriment to their studies;
- Be integrated into the benefits system in order that students in challenging circumstances are able to access the support that they need; and
- Be additional to and not at the expense of institutional investment.

The system devised by the Government falls short on a number of crucial areas.

181. Shifting the payment of fees contributions to the end of the course does not remove the deterrent of debt on potential students, especially as the Government’s proposals for higher differential fees would significantly increase the average level of debt. On the basis of the evidence presented, the deferral of fees until after completion of a student’s course will not remove the disincentive that debt poses to participation in higher education, particularly among under represented groups.
182. The Government needs to target expenditure more effectively on those who need it. Ending the undifferentiated interest subsidy, and introducing a real rate of interest is regressive. Those students with highest earnings would pay off their debts more quickly, while those on lower incomes would incur more interest, and face the prospect of never actually fully repaying their loans. Women in particular, who take career breaks to have children, would be particularly discriminated against if interest rates on student loans were no longer subsidised.

183. The threshold increase from £10,000 to £15,000 of student loans repayment is welcome, but still falls short of the Committee’s previous recommendations that the level should be average earnings (currently £24,500), and should keep pace with changes in the level of average earnings. Providing higher education tuition would significantly reduce average student debt, which would also help reduce the burden of student loan repayments.

184. At its current level, the reintroduction of the maintenance grant at £20 per week is unlikely to provide much incentive to students from poorer backgrounds, especially given the fact that the poorest students will also be expected to make a contribution to the costs of their tuition for the first time once top up fees are introduced. Instead we recommend that funds are allocated to double the amount of grant available to £2,000 per annum as is the case in Scotland. Furthermore, this system would be considerably improved if eligibility and provision of grants within Higher Education were linked seamlessly with the system of provision that already exists for 6th form students in the form of the Education Maintenance Allowance.

185. The Government’s proposals as outlined in the White Paper, involve significantly increasing levels of debt, which will impact disproportionately on under-represented groups. Their policy on top up fees runs directly counter to their claims that they are seeking to close the social gap that currently exists in higher education participation. The most progressive means of ensuring that those students who benefit the most financially from participation in higher education contribute the most is through a fair and progressive system of taxation on income. Such proposals, in offering free tuition at the point of delivery, lighten the burden of debt that recent graduates face. These graduates, and those in the past who have benefited from free higher education tuition at the point of delivery only make significant extra contributions once they are earning significant incomes. Those in low paid employment—such as in the public sector—are therefore protected from accumulating large amounts of debt, while the introduction of realistic levels of grants goes some way to neutralising the fear of debt that they are particularly susceptible too. It is these plans, and not those of the Government that go furthest to meeting all the criteria for student support outlined in the Education Select Committee’s report last year.” —(Paul Holmes.)
Motion made, and Question put, That the paragraphs be read a second time.

The Committee divided.

Ayes, 1

Paul Holmes

Noes, 7

Mr David Chaytor
Valerie Davey
Jeff Ennis
Mr Robert Jackson
Ms Meg Munn
Mr Kerry Pollard
Jonathan Shaw

Motion made, and Question put, That paragraphs 142 to 211 be agreed to.

The Committee divided.

Ayes, 7

Mr David Chaytor
Valerie Davey
Jeff Ennis
Mr Robert Jackson
Ms Meg Munn
Mr Kerry Pollard
Jonathan Shaw

Noes, 1

Paul Holmes

Paragraphs 212 to 221 agreed to.

Summary agreed to.

Annex agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committees (reports)) be applied to the Report

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

Several Memoranda were ordered to be reported to the House.

The Committee further deliberated.

[Adjourned till Wednesday 25 June at Nine o’clock.]
Witnesses

Monday 10 February 2003

Margaret Hodge MBE MP, Minister of State for Lifelong Learning and Higher Education

Wednesday 12 February 2003

Baroness Warwick of Undercliffe, a Member of the House of Lords, Professor Roderick Floud, President, Universities UK and Vice-Chancellor, London Metropolitan University, Dr Geoffrey Copland, Vice-Chancellor, University of Westminster, and Professor Arthur Lucas CBE, Principal, King’s College London.

Ms Sally Hunt, General Secretary, Association of University Teachers (AUT), Dr Steve Wharton, Chair, AUT Education and Development Committee, Mr Tom Wilson, Head of universities Department and Dr Elizabeth Allen, National Official Higher Education, National Association of Teachers in Further and Higher Education (NATFHE).

Wednesday 26 February 2003

Ms Mandy Telford, National President, Mr Chris Weavers, Vice-President Education, Dr Sofija Opacic, Higher Education Researcher and Ms Lindsey Fidler, Finance Researcher, National Union of Students (NUS).

Dr Roger Brown, Vice Chair, Standing Conference of Principals (SCOP), Ms Patricia Ambrose, Executive Secretary, SCOP and Dr Michael Thrower, Chair, Mixed Economy Group of Colleges.

Wednesday 5 March 2003

Sir Howard Newby, Chief Executive, Higher Education Funding Council for England (HEFCE)

Professor David Eastwood, Vice-Chancellor, University of East Anglia, and Dr Peter Knight, Vice-Chancellor, University of Central England
Monday 17 March 2003

Mr Richard Lambert, Chair of the Review of Business–University Collaboration

Sir Richard Sykes, Rector, Imperial College, London, and Professor Rick Trainor, Vice-Chancellor, University of Greenwich

Wednesday 19 March 2003

Rt Hon Charles Clarke MP, Secretary of State for Education and Skills

Wednesday 11 June 2003

Mr Phil Willis MP, Principal Liberal Democrat Spokesman for Education and Skills, and Baroness Sharp of Guildford, Liberal Democrat Spokesperson for Education and Skills
List of written evidence

1. Margaret Hodge MP, Minister of State for Lifelong Learning and Higher Education, to the Chairman of the Committee
2. Universities UK
3. Association of University Teachers
4. National Association of Teachers in Further and Higher Education
5. Universities UK
6. National Union of Students
7. Mixed Economy Group of Colleges
8. Standing Conference of Principals
9. Phil Willis MP and Baroness Ashton
10. British Medical Association
11. Association of Colleges
12. British Dental Association
13. Ufi Ltd
14. Institute for Learning and Teaching in Higher Education
15. Royal College of Veterinary Surgeons
16. Amicus
17. Coalition of Modern Universities
18. National Union of Students
19. Society for Research into Higher Education
20. Professor Eileen Baker, Principal, Bishop Grosseteste College Lincoln
21. Council of Heads of Medical Schools and Deans of UK Faculties of Medicine
22. Coventry University
23. Goldsmiths College, University of London
24. Professor Wynne Jones, Principal, Harper Adams University College
25. Professor Paul Light, Principal, King Alfred’s College, Winchester
26. Professor Michael Brown, Vice-Chancellor & Chief Executive, Liverpool John Moores University
27. Loughborough University
28. Professor Philip Tasker, Vice-Chancellor, De Montfort University
29. The Open University
30. Professor William Stevely, Principal and Vice-Chancellor, The Robert Gordon University, Aberdeen
31. Professor Curtis Price, Principal, Royal Academy of Music
32. Professor David Leaver, Principal, Royal Agricultural College, Cirencester
33. Staffordshire University
34. University of Birmingham
35. Professor Roger Waterhouse, Vice-Chancellor, University of Derby
36. Professor Michael Thorne, Vice-Chancellor, University of East London
37. Professor Steve Smith, Vice-Chancellor, University of Exeter
38. Professor John Tarrant, Vice-Chancellor, University of Huddersfield
39. Professor David J Drewry, Vice-Chancellor, University of Hull
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<td>The Rt Hon Charles Clarke MP, Secretary of State for Education and Skills</td>
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List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by Members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to Parliamentary Archives, Record Office, House of Lords, London SW1 (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Secondary Heads Association (HE 13)
Cliff Jones, Department of Education, University of Liverpool (HE 15)
Headmasters’ and Headmistresses’ Conference and the Girls’ Schools Association (HE 17)
ABPI (HE 20)
Association of Teachers and Lecturers (HE 21)
Japonite (HE 24)
Design Council (HE 25)
Ian Stronach (HE 26)
Michael Newby, Dean, Faculty of Arts & Education, University of Plymouth (HE 29)
Media Communication & Cultural Studies Association (HE 32)
National Union of Students – Students with Disabilities Campaign (HE 33)
Howard Elcock (HE 36)
University of Surrey Roehampton (HE 37)
Sir Richard Sykes (HE 39)
Professor Michael Wright, Principal, Canterbury Christ Church University College (HE 43)
Cardiff University (HE 44)
Professor Kevin Thompson, Principal, Dartington College of Arts (HE 47)
Higher Education in Kent and Medway (HE 48)
King’s College London (HE 52)
The London Institute (HE 55)
London School of Economics (HE 56)
Professor Michael Driscoll, Vice-Chancellor, Middlesex University (HE 58)
Napier University, Edinburgh (HE 60)
Norwich School of Art and Design (HE 61)
Dame Janet Ritterman, Director, Royal College of Music (HE 66)
Professor Stephen Hill, Principal, Royal Holloway, University of London (HE 67)
Professor Elaine Thomas, Director, The Surrey Institute of Art and Design (HE 69)
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University College London (HE 75)
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University of Durham (HE 79)
University of Greenwich (HE 82)
Professor John R Tarrant, Vice-Chancellor, University of Huddersfield (HE 83)
Professor Robert G Burgess, Vice-Chancellor, University of Leicester (HE 85)
Professor J Drummond Bone, Vice-Chancellor, University of Liverpool (HE 86)
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University of Westminster (HE 98)
Writtle College (HE 100)
York St John College (HE 101)
Council of Heads of Medical Schools (HE 104)
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The response to the report is printed in brackets after the HC printing number.