The Future of Higher Education

Executive Summary

Higher education brings great benefits…
Our higher education system is a great asset, both for individuals and the nation. The skills, creativity, and research developed through higher education are a major factor in our success in creating jobs and in our prosperity. Universities and colleges play a vital role in expanding opportunity and promoting social justice. The benefits of higher education for individuals are far-reaching. On average, graduates get better jobs and earn more than those without higher education.

…and our universities are world renowned…
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.

…but there is no room for complacency
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 per cent between 1989 and 1997.

• The investment backlog in teaching and research facilities is estimated at £8 billion.

• Universities need stronger links with business and economy.

**Tackling these challenges needs a long-term strategy for investment and reform**

The Government is reversing years of under-investment with an increase in funding for higher education averaging more than 6 per cent – over and above inflation – for the next three years. Funding for student support will rise sharply – including new grants for students from lower income families – and the science settlement is the most generous for a decade. This extra investment will boost access and enable universities to tackle many of their immediate problems.

But this alone will not enable universities to boost opportunity and excellence as much as we need. Additional resources will be needed if they are to meet the long-term challenge to maintain and improve high standards, expand and widen access, strengthen links with business, and compete globally.

There is no easy, painless way to put our universities and student finance system on a sustainable basis. If we duck the difficult decisions needed, the risk of decline will increase and students and the country at large will suffer.

The measures we put forward will:

• Bring major improvements to the funding of research and knowledge transfer, boost world class excellence and strengthen the work of universities in supporting the regional economies;

• Improve and reward excellent teaching;

• Enable more people to enter higher education, benefiting both individuals and the economy’s need for higher level skills;
• Support those from disadvantaged backgrounds by restoring grants, helping with fee costs, and abolishing up-front tuition fees for all students. This will support our programme for increasing attainment and aspiration;

• Allow universities to secure a contribution of between £0 and £3,000 per year to the cost of each course – paid fairly when graduates are in work linked to their ability to pay; and

• Give universities long term financial certainty by helping them build up endowment funds.

Research Excellence – Building on our Strengths

British universities have huge strengths in research. New resources will help improve teaching and research at our universities but we also need to reap the benefits which flow from concentrating the best research in larger units – better infrastructure, better collaboration within and between disciplines, easier development of research-only posts and better pay for excellent researchers.

The Government will:

• Increase spending on research in 2005–06 by £1.25 billion compared to 2002–03 – around 30 per cent in real terms;

• Encourage and reward research in larger units, including through collaboration;

• Invest more in our leading research departments and universities, enabling them to compete with the world’s best;

• Develop new incentives to support emerging and improving research;

• Develop and reward talented researchers, with rigorous new standards for government-funded research postgraduate places;

• Create a new Arts and Humanities Research Council.
Higher Education and Business – Exchanging and Developing Knowledge and Skills

Higher education in the UK generates over £34 billion for our economy and supports more than half a million jobs. But less than one in five businesses taps into universities’ skills and knowledge. Universities and colleges can play a bigger role in creating jobs and prosperity.

We will encourage this by:

• Strengthening the Higher Education Innovation Fund (HEIF) – worth £90m a year in 2005–06 – to encourage especially the non research-intensive universities to work with employers locally, regionally and nationally;

• Funding through HEIF a network of 20 Knowledge Exchanges to reward and support HE institutions working with business;

• Building stronger partnerships between HE institutions and regional development agencies (RDAs), with RDAs playing an increasing role allocating HEIF;

• Helping sector skills councils forge stronger alliances between business and relevant departments in universities and colleges.

Teaching and learning – delivering excellence

Effective teaching and learning is essential if we are to promote excellence and opportunity in higher education. High quality teaching must be recognised and rewarded, and best practice shared.

Reforms include:

• Additional funding not just for excellence in research but also in teaching with new money for pay modernisation, rewarding good teaching and providing more fellowships for the best;

• Centres of Excellence to reward good teaching and promote best practice;

• Better information for students including a new annual student survey and publication of summaries of external examiners’ reports to help student choice drive up quality;
• New national professional standards for teaching and a new national body to develop and promote good teaching – the Teaching Quality Academy.

Expanding higher education to meet our needs
The case for expanding higher education is strong. But we will not compromise on quality. We want the bulk of the expansion to come through new types of qualification, better tailored to the needs of students and the economy.

We will:

• Continue to increase participation towards 50 per cent of those aged 18–30, mainly through two-year work-focused foundation degrees;

• Work with employers to develop more foundation degrees, providing financial incentives for students, strengthening links between further and higher education and creating better pathways for progression;

• Encourage more flexibility in courses, to meet the needs of a more diverse student body and improve support for those doing part-time degrees.

Fair Access
The social class gap in entry to higher education remains unacceptably wide. While many more people from all backgrounds benefit from higher education, the proportion coming from lower-income families has not substantially increased. It means a waste of potential for individuals and for the country as a whole.

Raising participation and standards in our reforms of secondary and further education will be the most important step in improving access. Improvements to student finance will also remove barriers. But universities and colleges must do more if they are to play their full part in promoting opportunity.

Our package includes:

• Restoring grants for students from lower income families and abolishing up-front fees for all;
• Requiring universities to draw up an Access Agreement to improve access for disadvantaged students, before they are able to increase the level of fee they ask students to pay;

• Appointing an independent Access Regulator to oversee these agreements, to promote wider access and to ensure that admissions procedures are fair, professional and transparent;

• Expanding our national AimHigher programme to build better links between schools, colleges and universities and raise young people’s aspirations;

• Reforming funding so that universities and colleges will be properly reimbursed for extra costs in attracting and retaining students from non-traditional backgrounds; and

• We have doubled the amount of extra money to help vulnerable students and will introduce a new package of grant support for part-time students.

**Freedoms and Funding**

The Government is tackling decades of under-investment and making an unprecedented investment in our universities. But universities require financial certainty for the long term as well as the short term. The Government will continue to be the major funder of universities but they should also have greater freedom to access new funding streams on their own account.

Providing incentives to build up endowments is one way. Another is allowing universities the right to secure from graduates larger contributions to the cost of their education. Graduates on average earn much more than those without degrees and are far more likely to be in employment. But we will not compromise on fair access and will take steps to ensure young people are not deterred by up-front fees.

We will:

• Re-introduce from 2004 a new grant of up to £1,000 a year for students from lower-income families, benefiting around a third of students;
• Introduce in 2006 a new Graduate Contribution Scheme. Universities will be allowed to seek a contribution of between £0 and £3,000 per year for each course;

• Continue to pay up to the first £1,100 of fees for students from lower income families;

• Abolish up-front payment of tuition fees and allow every student to defer until after they have graduated their contribution to the cost of their course. Payments after graduation will be through the tax system, linked to ability to pay;

• Raise, from April 2005, the threshold at which graduates have to start repaying their fee contribution and maintenance loan from £10,000 to £15,000;

• Help universities build up endowment funds by promoting individual and corporate giving and creating a fund to give universities the incentive to raise their own endowment finance.

**Our ambition is to ensure that this country has a higher education system matching the best in the world. These proposals show how this ambition can be achieved.**