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Prime Minister:

You may want  
to glance at the reports  
conclusions (flagged at A)

Qa 06423

To: PRIME MINISTER

From: JOHN SPARROW

Yes  
No  
Do you agree that it should  
now go to Sir Keith Joseph  
for consideration (on a limited  
circulation) of how to take  
its recommendations further

21 July 1983

CPRS Report on Higher Education

1. I attach a copy of the Report on Higher Education which you commissioned from the CPRS. My minute to you of 16 November 1982, Qa 06142 refers. As with the Report on Intellectual Property Rights which I sent you last week, this is still in draft form. Before finalising it we would have proposed discussing it with Departments to check points of fact and also of emphasis.

2. The past four or five years have seen considerable interest in the organisation and output of our higher education system. The House of Commons Select Committee on Education produced a major report in 1981, the Royal Society of Arts has been active and for the last two years a research project, funded by the Leverhulme Trust and under the aegis of the Society for Research into Higher Education, has held a number of important seminars on the question. A final report, "Excellence in Diversity", has now been published as the outcome of the Leverhulme project. Our own interest in this subject grew largely out of earlier CPRS work on the relationship between education and vocational training and the need to maximise the contribution of education to economic prosperity.

3. The reasons for such an upsurge of interest in higher education are easy to understand. Concern about our relative economic performance, resource constraints and a dramatic decline in the relevant population have led to decisions which challenge some of the basic assumptions and practices of all those concerned with higher education.

4. There has been a large measure of agreement among those who have studied the question that the following elements are fundamental:

- the financing and cost effectiveness of higher education;
- the contribution that higher education can make to our economic prospects;



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- the relationship between higher education and employers;
- the extent of diversity in the system both of institutions and in the education they provide;
- the respective roles and responsibilities of central government, local government, advisory bodies, the higher education institutions and their members.

Each is discussed in our report.

5. On a number of matters the recommendations in our report are similar to those of the Leverhulme project. But our report differs in three important respects. First, we have conducted our own analysis and review within the context of Government policy objectives; therefore our report can be read as a justification for accepting the main recommendations of the other study. Secondly, our recommendations, which are summarised at the end of the document, go beyond those of the other study to follow through some of the detailed implications of the possible changes. Thirdly, our report seeks to make concrete proposals for implementation particularly for changes in the way higher education is funded.

6. Some of the sensitivity of the proposals we make for changing the present arrangements has been diminished by the publicity given to the results of the Leverhulme project. Nevertheless, premature indications of how the Government might want to react to new thinking in this area could conceivably be embarrassing and provoke adverse reactions from the academic establishment. You will want to consider how best to take matters forward; I suggest that, if you agree, a further copy of the draft report should go to Keith Joseph, for his own consideration of our recommendations and his proposals for action.

7. I am sending a copy of this minute and report only to Sir Robert Armstrong.

JS.

Att



file

Govt. Mach. *OSC*

MR. SPENCE

CABINET OFFICE

The Prime Minister has now seen Mr. Sparrow's minute of 21 July about the CPRS report on higher education. She is content that, as proposed by Mr. Sparrow, a copy of the draft report should now go to the Secretary of State for Education and Science, and that he should consider how best to take further its recommendations and proposals for action.

I am sending a copy of this minute to Richard Hatfield (Cabinet Office).

Timothy Flesher

*TF*

25 July 1983

Qa 06142

To: PRIME MINISTER

From: JOHN SPARROW

16 November 1982

CPRS Work Programme - Higher Education

1. I have now had the opportunity to discuss with Keith Joseph and William Waldegrave the study on Higher Education which you have asked us to undertake as part of our continuing work in the general area of education and training. In the light of their comments, we have amended the remit very slightly to make it clear that our investigation will include some comments on Higher Education's research function as well as its teaching activities. We suggest that the final remit, which we have agreed with Keith Joseph, should be as follows:

"The CPRS is asked to examine whether the present system of higher education satisfies the national interest, and in particular:-

- to assess the extent to which it is susceptible to market forces and might become more market oriented;
- to determine how responsive its activities, including research, are to the employment needs of industry and commerce and how such responsiveness may be increased, and to see if lessons can be learnt from the further education system;
- to assess the efficiency with which it uses its financial resources and manpower;
- to investigate the financing of higher education and the scope for increasing the amount of financing within the discretion of consumers (students and employers), taking account of current Departmental work on student loans;

and to make recommendations".



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2. We are of the view, which is shared by Keith Joseph and William Waldegrave, that our work should be a wide-ranging and fundamental review; this, and the fact that time has gone by, lead us to expect to submit a report to you around February rather than, as we first hoped, around the turn of the year.

3. I am sending a copy of this letter to Sir Robert Armstrong.

B.



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H I G H E R   E D U C A T I O N

Report

by the

Central Policy Review Staff

CABINET OFFICE

July 1983

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## HIGHER EDUCATION

A Report by the Central Policy Review Staff

### PART I: SETTING THE SCENE

#### Chapter One

##### Introduction

1. At the end of last year, the Prime Minister invited the CPRS to carry out a study of higher education with particular reference to its response to market forces and employment needs, its efficiency and its financing. This report fulfils that remit.
2. Higher education contributes to the attainment of a wide variety of economic and social aims. We decided to focus on the three main objectives of our higher education system, which we have called the economic, the academic and the educational. We began our work by examining the extent to which our present higher education arrangements meet each of these objectives. On the basis of this review, we concluded that there is scope within present public expenditure provisions for improving the extent to which our higher education system meets the needs of the economy (its "economic" objective) and promotes personal and citizenship qualities in individuals (its "educational" objective) without threatening its concern for high standards in either research or teaching (its "academic" objective).
3. The second part of this report contains our proposals for improving the extent to which our higher education system meets each of these objectives. These recommendations are based on the belief that the system itself can and will develop a new balance between its objectives if and only if two fundamental changes are brought about in the conditions under which it works. First, the system must be more exposed to market forces and more able to react to them. (These forces must, in turn, be improved). Second, the government must be willing to use such levers, mainly financial, as it already has to encourage the system to adapt in ways which are better suited to the needs of the economy. Our detailed proposals are aimed at these ends.

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4. Finally, a caveat. Although we believe that the general thrust of our analysis and proposals is applicable to the higher education system of the United Kingdom as a whole, this report is concerned principally with higher education in England and Wales. We have not considered in any depth the particular arrangements which operate in Scotland or Northern Ireland and many of our detailed comments and recommendations may therefore not be applicable to the conditions which apply in those parts of the United Kingdom.

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Chapter Two

An Outline of Higher Education

Universities

5. The British system of higher education is made up of universities, polytechnics and a variety of other institutions such as the Colleges of Further Education and of Higher Education which offer a more or less limited range of advanced courses of the 'higher education' type. The Universities are the oldest and most prestigious part of the system. They are independent institutions established by Royal Charter. The oldest can trace their origins back to the great mediaeval establishments in England and Scotland; the newest (the University of Buckingham) received its Charter earlier this year. There are now 45 universities in Great Britain. All, except Buckingham, receive almost all their income from the public purse, principally in the form of a block grant from the Secretary of State distributed by the University Grants Committee (UGC). Other 'public' funds received by the universities include 'fees' for home students (a book-keeping transfer payment) and research income from the Government-funded Research Councils. In addition, universities have a certain amount of private income, including genuine fees from overseas students and funds from endowment and other private sources.

6. Universities are self-governing. Their form of government is normally stipulated by their Charters and statutes. A typical pattern consists of a largely ceremonial Court, a Council with substantial lay representation, a Vice Chancellor appointed by and responsible to the Council and a Senate composed largely of members of the academic staff. The Council is formally the highest governing body of the institution and is responsible for all non-academic matters, including finance. The Senate has responsibility for academic issues. Each institution determines its own academic policy and grants its own qualifications. Most academic staff at universities are "tenured"; that is, "established", and are removable only for a limited range of narrowly defined causes specified in their contracts of employment.



7. The University Grants Committee, the main conduit of public funds from the Government to the universities, was established in 1919 as a way of reconciling the independence of the universities with the need to demonstrate accountability for public funds. In addition to a full-time Chairman, it normally consists of about 20 members; at present, all but 4 are academics. The Committee's principal task is to allocate to individual universities the funds which have been provided for them by the Secretary of State. Although the UGC is formally independent of the DES, it operates in close contact with the Department and from time to time the Secretary of State issues letters of guidance to the Committee asking it to pay particular attention to specific policies. Nevertheless, neither DES Ministers nor officials attend the grant allocation meetings of the Committee, nor does the Government or the UGC interfere with the way in which individual universities actually spend their block grant funds.

Public Sector Higher Education

8. We have grouped together all the remaining institutions offering higher education into what we call the "public sector of higher education". Like the universities, the institutions in this group vary in size, structure and origins. They include, in England and Wales, 30 polytechnics, 95 institutions providing mainly (over 60 per cent) higher education and about 80 others providing some (10-60 per cent). They range from small Colleges of Further Education which offer only a few advanced courses to the major polytechnics in which most of the student body are reading for 'university-type' degrees. In addition, there are numerous smaller Colleges of Higher Education, many of which grew out of local authority teacher training colleges or local advanced technical colleges.

9. The polytechnics and most of the other public sector institutions are local authority institutions, owned by them and subject (with wide variations) to their controls on staffing, conditions of service, recruitment, capital expenditure and the retention of income. Their instruments of government normally provide for governing bodies containing equal proportions of local authority representatives, academics and representatives of local industry and commerce. The Further Education Regulations and the Education Acts together establish a system that controls both the funding and provision of



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courses. This report is concerned only with Advanced Further Education (AFE) courses, which in the public sector are the equivalent of what is loosely called higher education. These courses include degree and degree equivalent work, Higher National Diplomas and Certificates and the Diploma of Higher Education. The funding of AFE is through a pool to which all local authorities contribute through adjustments to their entitlement to Rate Support Grant. An individual local authority may, however, decide to increase the funding of its own institution(s) by "topping up" the pool with direct funding from rate income.

10. The rest of what we call the public sector is made up of the so-called "voluntary colleges" many of which owe their origins to religious foundations. These institutions are governed under a wide variety of arrangements but all are funded directly by the DES, which stands in relation to them much as a local authority does to its colleges.

11. Unlike the universities, which are free to determine their own curriculum and degree standards, every course offered by a public sector institution must be approved by the Secretary of State. In practice, he delegates this task to Her Majesty's Inspectorate of Education which works within the framework of policy guidelines set out in DES circulars and is advised by Regional Advisory Committees consisting mainly of academics but including some industrialists. In 1982, the National Advisory Body for Local Authority Higher Education (NAB) was established to bring together the interests of central and local government in public sector higher education and to advise the Secretary of State on its provision. In addition to these controls, the academic content of most courses in the public sector is "validated" by bodies external to the institutions, principally the Council for National Academic Awards (CNAA), the Business and Technician Education Council (BTEC), and the universities.

## Students

12. The number of students in higher education has expanded dramatically over the past twenty years. The number of full-time students increased from about 180,000 in 1960 to some 450,000 in 1982/83. This represents a doubling of the proportion of the population in higher education, or "participation rate", to some 13% of 18-21 year olds. Nevertheless, our full time



participation rate remains low by some international standards; the UK rate is less than half that in either Japan or the USA, two-thirds that in France or Italy and about the same as in Germany. (In the USA and Japan the rate is nearly 40 per cent). In part, this difference is offset by our large number of part-time students - now about 260,000. Only the USA has an equivalently high proportion of part-timers.

13. Most students make their way to higher education by way of 'A' level courses which they take in 6th forms or, to a lesser extent, in Colleges of Further Education. Some apply on the basis of BTEC or other Further Education qualifications. A relatively small proportion of higher education students have had some post-school experience; only about 16% of full time undergraduates are over 21 when they enter the system, and only about 6% are over 24.

#### The Costs of Higher Education

14. Despite our low participation rate, however, we devote a comparatively large proportion of our national resources to higher education. Public expenditure on higher education was about £3 billion in 1982/83. This represents about 25 per cent of the total education budget and a little more than one half per cent of GDP. In part, our relatively high cost per student reflects our method of student support. The vast majority of UK higher education students pay no fees. These are paid for them by their local authorities who receive a 90 per cent Exchequer grant for the purpose. In addition, all resident students receive a maintenance award, the size of which depends on parental income. In most other countries, loans as opposed to grants are the most common form of student maintenance. Students are charged tuition fees on a significant scale only in the USA and Japan, where there is a substantial number of private institutions; but even in these countries fees account for only about half of the total income received by higher education institutions as a whole.



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15. But our student support arrangements do not explain the whole of the difference in the cost of keeping a student for a year in higher education in the UK as opposed to in many other countries. Our lower staff-student ratio is also relevant. In broad terms, our system operates on the basis of one member of staff to each 10 students, whereas the ratio is about 1:20 in both Japan and Germany. It is interesting to note that the University of Buckingham, the only private university in the UK, has chosen to operate at the general UK level. (In large part, our high cost per student is offset as far as public expenditure is concerned by the fact that our degree courses are shorter than those offered in most other countries).

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Chapter Three

The Objectives of Higher Education

16. We believe that the most useful way of examining our present system of higher education is in terms of three main objectives:

- an "academic" objective - the achievement of high standards in both extending knowledge and transmitting it.
- an "economic" objective - the ability to supply to employers in all sectors of the economy the range of manpower required (from the generalist to the specialist) and to generate new knowledge and skills which in turn produce marketable and profitable products.
- an "educational" objective - the provision of the widest possible opportunity for the promotion in individuals of those personal qualities which will enable them to lead more satisfying lives and to play a fuller part in society.

17. As we shall show, these three objectives are often mutually reinforcing; sometimes, however, they conflict. The overall shape of the system is determined by the balance between them.

18. The primary emphasis of our present system of higher education has traditionally been on the pursuit of "high standards" in both research and teaching; ie, the "academic" objective. As a result, many of our researchers are universally accepted as the best in their fields; we have won more Nobel Prizes in science than any other country of comparable size. As for teaching, there is no easy way of judging quality, but in most fields our graduates are regarded as being at least as well educated as those of our competitors.

19. But this overriding concern for high academic standards (as these are perceived and pursued by the universities themselves), has left other, less desirable, marks on our institutions of higher education. It has meant that when considering the value of a subject for study (either as research or by students) too little weight is given to relevance or usefulness to the outside



world. It has led to the development of courses which are almost always based on early subject specialisation and the assimilation of great detail, rather than on acquiring knowledge of a number of disciplines as building blocks from which later specialisation can be constructed. Most significantly, perhaps, it has encouraged the belief that academic freedom in the widest sense is the sine qua non of academic achievement so that, notwithstanding the fact that higher education is almost entirely publicly funded, academics must be free not only to pursue their own academic interests but also to determine their own conditions of employment, what courses are to be offered, how much research as opposed to teaching they should do and when they should do it. As a result, our universities are under little external pressure to achieve efficiency and are almost uniquely unaccountable for the public funds they consume.

20. Taken together, these features of our university life are what we call the "university ethos". It has largely determined admission policy, course structure and content, grading standards, criteria for appointing and promoting staff, and even the way in which public funds are allocated to universities. As we shall show below, we believe that this ethos accounts to a large extent also for the failure of our universities to achieve a better balance between their three main objectives.

21. Nor has this ethos been confined to the universities. It has permeated the public sector, too, despite the fact that many of those institutions were originally established to pursue objectives more closely related to the economic needs of their localities and are more closely connected to central and local government. An example of its effects is the steady drift which has taken place in the public sector away from part-time courses and sub-degree work towards courses of a university type.

22. As for our secondary schools, their curriculum also reflects the "university ethos". It has helped to create a highly specialised curriculum which makes the last two years of school in this country (although less so in Scotland) a significantly more academic experience than in any other Western nation so that comparatively few students enter higher education with qualifications other than 'A' level certificates.



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23. A successful economy depends on trained manpower. The most valuable skill is the ability to adapt and change to meet new circumstances. As higher education is a main supplier of highly qualified and trained manpower and a central mechanism by which these qualifications and this training can be updated and adapted, it is clearly crucial to economic performance. As we move towards an economy which is even more service and information based, and in which change occurs even more rapidly, this contribution of higher education to economic success - the "economic" objective of higher education - will become increasingly important.

24. The higher education system contributes to the economy also by performing most of the fundamental long term research needed to underpin industrial advance; in this sense, it is the nation's research laboratory. The extent to which this research is coupled to industry is of great importance and is a matter on which the Advisory Council for Applied Research and Development has recently reported to the Prime Minister.

25. It is difficult to judge how well or badly a particular higher education system meets the needs of an economy; the evidence is inconclusive. Commonsense would seem to indicate, however, that, all other things being equal, the higher the "participation rate" the better the performance of the economy. (As we have noted above, our full-time participation rate is lower than that of our principal competitors, although the figures are more equal if part-timers are included). But there does not appear to be any conclusive evidence of a direct link between participation rates and economic performance, either as between different countries or over time.

26. In addition, participation rates are only a partial measure of the contribution which higher education can make to economic success. Other factors which must be taken into account include the quality and relevance of the courses on offer, which must keep changing as the economy changes, as well as the extent to which the system permits educational "topping up" later in life. The latter may be significantly affected by government action and we make proposals about it below.



27. It is not reasonable, however, to expect "the centre" to be able to determine with any success which courses - and how much of each - should be provided at any particular time to meet the needs of a technologically developing economy. The only really effective way of securing the sort of course mix which the economy needs is through the market. Employers must be encouraged and assisted to send clear and consistent signals about their present or future needs to the higher education system. They can do this through the labour market (most unambiguously through the initial salaries which they are prepared to offer), through their corporate organisations such as the CBI and the professional institutions, through links with particular higher education institutions and through their representation on the national bodies which allocate funds to the higher education system; ie, the UGC and the NAB. To be effective, these signals must be received and understood by potential and actual students and by those responsible for managing the system. Finally, the institutions themselves must be flexible enough to be able to adapt to them. Unfortunately none of these aspects of an effective market mechanism works well in our present higher education system and, as a consequence, our system is failing to a large extent to achieve its economic objective.

28. The "educational" objective of higher education focuses on the individual, not on the economy or on some abstract notion of knowledge for its own sake. It aims to help people to lead fuller, richer lives and to play more effective roles in society. Primary and secondary schooling make major contributions to this end, too, and heredity, family and an individual's social environment all have a determining influence. But higher education has its own distinctive role. Whether taken immediately after school or later in life, perhaps through the Open University or other part-time adult education courses, higher education offers personal development through exposure to the most advanced knowledge. The wider the access to higher education, therefore, the more effectively can the "educational" objective be achieved. From this point of view, higher education should not be too costly. Entry requirements should be flexible enough to allow those of all age groups to participate. The courses on offer should include part-time and modular courses which make it possible to complete a higher education degree course over a prolonged period. On many of these counts, our system of higher education appears to be less effective at meeting its "educational" objective than it might be.



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29. A system of higher education can and should aim to meet all three objectives. The extent to which each is met will vary between different institutions and will be the subject of public debate and perhaps even of political controversy. But each is essential to justify the £3 billion per year in public funds devoted to higher education; none is an optional extra.

30. Our analysis of the present British system of higher education leads us to believe that because of the dominance of the so-called "university ethos" (as discussed in paras 19/22 above) the economic and educational objectives of higher education are not being pursued as effectively as they should. We believe also that, paradoxically perhaps, the "university ethos" has hindered the full achievement of even the purely academic objective. In our view, this situation can be put right without significant new injections of public money and without sacrificing the high academic standards which have been achieved. What is required is substantial change in the practice of our higher education institutions and the government. We describe the necessary changes below.

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PART II: OUR PROPOSALS

Chapter Four

Our Approach to Change

31. In this section of the report, we make proposals for changes in our system of higher education which we believe will help to overcome the most important weaknesses identified above. We map out the desirable pattern of change and suggest particular ways in which these changes might be achieved. Most of what we propose is not novel; it accords with the views of those who have been studying the system longer than we have. There is plenty of room for argument about detailed ways of achieving the desired goals. What matters, however, is that these goals should be adopted and actively pursued.

32. The general aim of our proposals is to achieve a new balance between the academic, economic and educational roles of higher education. Each of these is important, but we believe that our higher education system has given too much attention to academic concerns and not enough to the contribution which it could make to our economic performance or to widening educational opportunity. Our aim is to shift the balance so that higher education plays a more effective role in meeting economic needs while safeguarding and, if possible, even enhancing its educational role and without lowering academic standards or threatening important academic freedoms.

33. Our approach is through the market. We do not advocate a significant increase in the role which the government plays in the planning and management of higher education. We do, however, suggest that the government should take steps to improve the flow and quality of information essential for any market to work effectively. In addition, we believe that the Government should use the financial levers available to it more positively with a view to giving the institutions of higher education greater incentives to respond to the need to change. This would, of course, mean increasing the extent to which the Secretary of State is concerned with affairs of particular institutions, but we believe both that such an extension of his role is necessary in order to ensure that the Government's preferred balance between objectives is achieved and that it is consistent with respecting the fundamental academic freedoms on which our system of higher education rests.



34. We reject the idea that what is required is a significant increase in public spending on higher education. As we pointed out above, there is no clear evidence of a direct link between investment in higher education and economic performance such as would justify a major publicly funded expansion of the system. In addition, we doubt that the structure of our system is well enough adapted to meeting the needs of the economy for us to be confident that simply increasing our participation rate would contribute significantly to improving our economic performance unless it were accompanied by changes in funding, course provision and entry qualifications. It is questionable, therefore, whether higher education should have first claim on any extra resources for raising the general educational attainment of the labour force. It is at least as important to increase educational participation between 16 and 18 and among adults who have had no post-compulsory education.

35. Increasing our higher education participation rate would, however, be desirable in terms of widening educational opportunity. But we believe that this could be achieved within present public funding levels by increasing the effectiveness and efficiency of our system and by attracting more private finance. We make proposals below to both these ends. The first step, however, must be to move away from the present controls on student numbers which discourage universities from, and in some circumstances penalise them for, accommodating extra home students even within the same public budget. Similarly, we advise against the imposition of such controls in the public sector.

36. The main message to emerge from our consideration of the present United Kingdom higher education system is that it is dominated by what we have called the "university ethos" and that this is reflected in almost every aspect of the system. It is even underwritten by Government in the "hands off" way in which it finances the system. The main thrust of our proposals is directed at tackling this problem by making the system more capable of responding effectively to its non-academic objectives, particularly the economic. To this end it needs to have a diverse product range (different courses), it needs to



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draw its raw material (intending students) from a range of backgrounds and it needs to be responsive to demands for its final products from a wide range of customers (society as a whole, the academic world, employers, individuals). It is likely that these needs will be met most effectively if there is considerable diversity of producers (higher education institutions).

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Chapter Five

The Binary Line

37. It is largely for this reason that we do not recommend eliminating the so-called "binary line" between the universities and the public sector institutions. We recognise, of course, that the "binary line" does not separate two different and homogenous groups of institutions and that by treating each sector differently the view is perpetuated that predominantly academic institutions are superior to those which direct themselves also to wider educational and economic objectives. We believe that the binary line has thus encouraged the dominance in higher education of purely academic values and reinforced the "university ethos". The ownership by local education authorities of important parts of higher education also raises problems in terms of extending the accountability and responsibility of the Secretary of State.

38. There would clearly be advantage in treating all institutions providing higher education on the same basis; ie freeing the public sector from the operational controls of local authorities. But there are problems. Such a change would be politically controversial and would require complex transitional arrangements. In addition, as long as Non-Advanced Further Education (NAFE) remains a local authority responsibility, removing Advanced Further Education (AFE) from local control would make it more difficult to maintain the bridges between the two which we believe are important and should be strengthened. Nor should one underestimate the contribution made to diversity in higher education by the involvement of local authorities in it.

39. The proposals which we make below for changes in the way higher education is funded, for enhancing peer review in the universities and for providing more and better advice to the Secretary of State, will in practice lead to a considerable blurring of the "binary line" and to the emergence of a co-ordinated and consistent approach by government to both sides of it. This is fully in line with the Secretary of State's guidance to the NAB and UGC to promote "transbinary" co-operation and should lead to a considerable reduction in the number and intensity of the problems commonly associated with "the binary line". We therefore see no pressing need to alter the



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present position in relation to the ownership of higher education institutions by local authorities. But we think that there is much to be said for permitting a major public sector institution which has a critical disagreement on future policy with its LEA to petition the Secretary of State for independent status and we make allowance for this in our other proposals.

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Chapter Six

Funding Institutions

40. As described above, we believe that new arrangements are required for funding higher education teaching, particularly in universities. At present, the block grant allocated by the UGC to each university is meant to cover both the educational needs of students (i.e. teaching, scholarship and administration) as well as a basic "floor" of research. (The Research Councils provide the rest of the support for research). The size of this block, although it is intended to be used principally for teaching, is in practice determined largely by considerations related to an institution's research performance. We believe that this militates against the achievement of some of the wider economic and educational objectives of higher education and even against the achievement of high standards in teaching. We therefore propose that the total block grant for each institution should be separated into its research and teaching components so that the size of each part can be determined according to criteria most appropriate to it.

41. For research, for example, a greater degree of selectivity may be appropriate. There is certainly no prima facie reason why it is right to assume, as the UGC does, that the ratio between the amount of funds required for research and that for teaching should be the same across all subjects or that research funds should be spread evenly throughout the system. Similarly, some formal mechanism might be evolved within each institution for ensuring quality control and accountability as suggested by the Working Party on the Support of University Scientific Research chaired by Sir Alec Merison (Cmd. 8567).

42. As for that portion of the block grant distributed to universities to support teaching and related activities, we have a number of proposals about how it should be allocated and monitored.

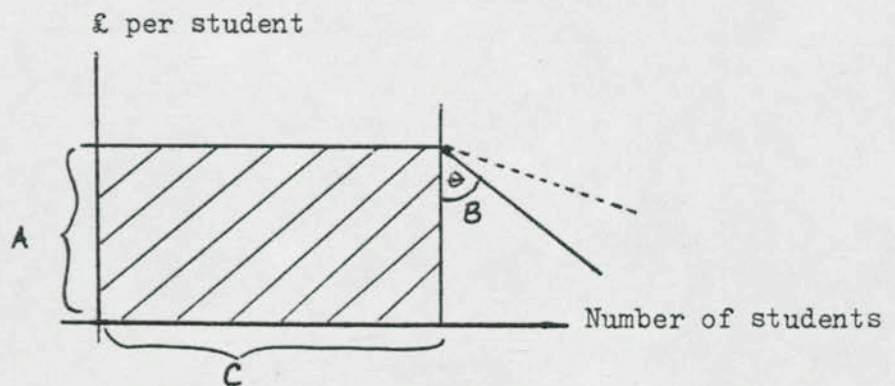


43. The allocation of resources for teaching and course development requires a judgement to be made about the balance between, on the one hand, academic considerations and, on the other, wider economic and educational goals. We think that this is a judgement which should fall to the Secretary of State. We recommend that in making this judgement, he should be advised by two national bodies, one concerned with academic matters, the other with economic (including employment) considerations. The former, which might evolve from the UGC, would be composed of academics and would be concerned principally with academic and educational matters. It would take a system-wide view of provision in particular subjects, much as the UGC does at present. It would advise on the future growth or decline of particular disciplines and departments, recognising the importance of quality in teaching and course development as well as in research. Equally, it should be constituted so as to be able to give advice to the Secretary of State on ways of meeting the wider educational objectives of higher education. The second body, which might evolve from the Professional and Industrial Liaison Group now advising the National Advisory Body (NAB) would have a much more broadly based membership. This is because it would not be able to do its job as the Secretary of State's advisor on employment and economic matters if, for example, it ignored the position of the public sector as a major employer or represented only a relatively narrow spectrum of industrial interests. It would be the Secretary of State's role to reach a judgement as between the advice provided by each body and thus take a co-ordinated view of the higher education system as a whole. We believe that the advice provided by these bodies should normally be published so that the public debate about the shape and content of our higher education system can be as informed as possible.

44. As one of its first tasks, the academic advisory board should be invited to undertake a study of ways of evaluating the quality of university courses and how they are taught. Such a study might be expected to consider, among other things, the possibility of the advisory body appointing its own corps of independent external examiners. Such an initiative would not be popular with the universities, but we believe that in the long term it would help to raise the quality of teaching and course development and encourage the universities to respond more quickly and effectively to new demands from employers and students.



45. Finally, we suggest that the teaching grant should give each institution a degree of flexibility to respond to the pressure of demand while allowing the Government to retain central control over the total public expenditure earmarked for higher education. This might be done by applying to actual student numbers, up to a centrally determined student base number in each subject category, standard amounts per head to reflect the acceptable costs of teaching these subjects. Institutions would, however, be allowed, indeed encouraged, to accommodate more than the base number of home students and would receive a somewhat smaller (tapered) per capita amount for each student above their base. The total grant for each institution would thus reflect these three factors, as illustrated:



46. These arrangements would provide the Government with levers with which to influence the behaviour of individual institutions much as the factors which underlie the Rate Support Grant settlement permit the Government to exert influence on individual local authorities. For example, by altering the size of the standard amount per head (A on the figure), the steepness of the taper above the student base number (B) and the level of the student base number itself (C) the same total budget could be used to strike a balance between different objectives. A squeeze on basic per capita amounts coupled with a gradual taper would encourage greater efficiency as institutions would seek to spread their fixed costs over larger numbers of student; it would also encourage considerable competition among institutions for students. A steeper taper (perhaps compensated for by a higher base number), would give the Government greater control and give institutions an incentive to raise finance other than from the government. This mechanism could be used also to achieve other aims such as encouraging part-time and sandwich courses.



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47. There should be no difficulty about introducing this system for universities straightaway. The same principles should apply to the financing of the public sector, but it may be that the way in which these institutions are funded at present cannot be adapted to meet these ends without significant adjustment. The DES should be invited to consider this matter, without ruling out the possibility of transferring to central government the responsibility for this part of the financing of public sector institutions.

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Chapter Seven

Statements of Educational Policy (SEPs)

48. We believe that our funding proposals would help to achieve the diversity and flexibility which the higher education system requires. They would also give the Secretary of State a much more active role in the financial affairs of individual institutions than he has at present. To assist him, we propose that every 3 years each publicly funded higher education institution should be invited to submit to him a statement of its objectives. These Statements of Educational Policy (SEPs) would be prepared within national guidelines issued by the Secretary of State after consulting the two new advisory bodies referred to in paragraph 43 above. The guidelines would describe how the Government perceives the present balance between the various objectives of the higher education system and whether it wished to see that balance shifted in any particular direction; for example, away from academic to economic considerations. Each institution would be encouraged to strike a balance of objectives of its own in the knowledge that centres of excellence of different kinds would be encouraged within the overall balance indicated by the Government. Once an institution's objectives had been agreed, its subsequent performance and hence claim for public funds would be judged against yardsticks which reflected its own objectives as set out in its SEP.

49. The SEP, which would be published, would describe the institutions' policies on such matters as subject mix, the balance between teaching and research, training of teachers, course length, breadth and content, links with industry, entry qualifications, continuing education, credit transfer and arrangements for monitoring quality. It might even be used to encourage institutions to play a larger role in their local or regional economies.

50. In the public sector, SEPs would have to take account also of the views of LEAs. In most cases, the institution and its LEA would agree on the terms of the SEP. If, however, there were a serious difference of opinion between them on the direction which an institution wished to take or on the amount of LEA resources required to achieve its ends, the SEP might be the vehicle for the institution to petition for independent status. (See paragraph 39 above).



51. Each SEP, except an institution's first, would contain also a report on the extent to which the objectives it had undertaken to pursue in its last SEP had been met. The Secretary of State, on the advice of his two advisory bodies, would use the SEPs, particularly the reports on past performance, in deciding about the allocation of funds to individual institutions. For example, in deciding on the number of students in each subject category for which an institution would receive the standard amount per head (see para 45 above), he might take into account how well that institution had met its commitment to wider access.

52. In the university sector, SEPs would, to a large extent, simply replace and systematise the present inter-change of information between institutions and the UGCs. They would be similar to the five-year academic plans which universities had been required to submit to the UGC under the system of quinquennial funding. In the public sector, the SEP process would gradually absorb the tasks presently performed through course approval; there would be no need to maintain the present system of HMI and RAC advice on Advanced Further Education. What distinguishes SEPs from existing arrangements, however, is the degree of independence which they would give to institutions to negotiate their own objectives and the extent to which they might be used to monitor the achievement of those objectives. In this latter respect they offer the prospect of a considerable improvement on the present arrangements for the accountability of the public funds allocated to higher education.

#### Encouraging Innovation

53. It is important to stress that the SEPs provide a link between the Secretary of State's policy for the higher education system as a whole and each institution's perception of what it does, or could do, best. We believe that the aggregation of these statements of objectives would produce, over time, a balance of emphasis in the system which was consistent with the Government's policy. But we recognise that there are strong forces of inertia which now act to preserve the status quo. To help to overcome these by encouraging those proposals in SEPs which appear to offer the best prospect of achieving the changes in the higher education system which the



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Government would wish to see, an Educational Venture Fund (EVF) of, say, £25 million a year should be established. This money would be used by the Secretary of State to fund the testing and development of new ideas. Higher education institutions, voluntary organisations and others who wish to innovate would be eligible for EVF support. The kind of developments which might be funded are credit transfer, open access programmes, the development of shorter and modular courses, new forms of teaching, teacher training and the monitoring of teaching performance and new methods of involving industry in an institution's activities. In administering this fund, the Secretary of State would be advised by his two new advisory bodies. (This approach is similar to the new Technical and Vocational Education Initiative (TVEI) for 14-18 year olds.)

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Chapter Eight

Course Structure, Content and Access

54. In the technologically based society of the next century, higher education institutions will be called upon to provide a whole new range of courses; courses which will be broad enough to enable individuals to cope later with rapid changes in particular fields of knowledge and to acquire and exercise completely new areas of expertise. We believe that the most effective way of doing this is by the "core plus modules" approach in wide use in the USA and currently being developed here in the system of training for manual workers and technicians. In short, the "core plus modules" approach requires candidates for a degree to complete a number of "core" or essential courses as well as a number of other (supplementary) courses or "modules" from a list of those available in their institution or, in a credit system, also from other institutions. We advocate this approach principally as a way of meeting economic needs, but we believe that it would also serve wider educational objectives by providing the opportunity to introduce a broad "core" curriculum which would meet the needs of those who are not well suited to the highly specialised nature of traditional courses.

55. If a degree based on "core plus modules" is to be introduced without any major increase in the resources and time which the State and individuals devote to higher education, the "core" must be shorter than the current standard three-year degree so as to provide room and time for specialisms of adequate quality to be built onto it. We believe, largely on the basis of experience in other countries such as France, Japan and the USA where such courses have been in operation for some time, that two years of study on the basis of carefully developed complementary core courses would be enough time to justify awarding a university degree to the student who had completed it.



56. Experience in other countries also reinforces our belief that if two-year general courses are to be accepted by employers as useful screening devices for potential employees, they must be certificated and graded on the same basis as the present three-year honours degree. (This is the normal practice abroad). In addition, they must be offered by our 'best' institutions and attract the ablest students. The proposals which we make for funding institutions and students should provide incentives to the former to develop and offer such courses and to the latter to opt for them. In addition, we think that the Government, if it wishes to encourage such courses, should accept them as the basis for entry to the "fast stream" of the Civil Service.

#### Credits

57. Implicit in the "core plus modules" approach is that the facility should exist for people to add to their basic higher education core later in life, after they have entered employment. A prerequisite for this is a system of transferable credits which would permit a student who had successfully completed a core or module course in one institution to get "credit" for that course as part of the requirement for a degree awarded by another institution. This would permit students to choose courses with a degree of independence from their institution, recognising that it is unrealistic to expect all institutions to offer all courses. This has long been recognised as a desirable development, but progress, especially in the university sector, has been slow. The Education Credit Transfer Information Scheme (ECTIS) is a good start, but exchanging information on courses is not enough. We recommend that the Government should press for more rapid development of credit transfer.

#### Widening Access

58. As well as encouraging higher education to offer a more diverse product range, we believe that the Government should use the leverage of its funding to persuade institutions to open their doors to a more diverse student body by accepting a wider range of entry qualifications, including qualifications in vocational education. 'A' levels, now overwhelmingly the most commonly



offered qualification, meets the needs of the academically gifted child who has a clear idea of the interests he wishes to pursue, but should be only one element in a broad sixth form curriculum. The much discussed 'I' level should now be introduced. Given the existence of a well tried Scottish model (the 'H' grade) to build on, introduction of 'I' levels should take years rather than decades.

59. At least as important is the need to develop an additional path from school to higher education via courses and qualification in vocational education. If higher education is to be more effective in providing a corpus of highly educated but practical people motivated to work in the productive sectors of the economy it needs to tap a higher proportion of the young people whose minds have a practical bent. A path of sorts to higher education exists at present via NAFE but it lacks status and there is no clear and simple progression from school to Further Education courses or from Further Education to university, because schools do not prepare pupils for Further Education and because higher education institutions (especially universities) do not gear their entry requirement to the products of CFEs.

60. Several other approaches to developing alternative forms of entry to higher education have recently been tried and are worth noting. The Open University, is of course, the best known. In the North West, a group of universities and colleges have set up an Open College Federation which steers unqualified students through units of tuition, often while at work, on the successful completion of which they can enrol for a degree at one of the participating institutions. We think that a study should be undertaken of various entry criteria, including the use of aptitude tests and credits for relevant work experience, as a way of helping those who leave school at 16 but who would benefit from higher education later in life.



Part-time

61. In this connection, we believe that higher education institutions should be encouraged to provide more flexible study arrangements so as to attract students who are paying their own way; eg part-time and evening courses which enable people to combine study with employment. The Open University, Open Tech and Pickup programmes all have important parts to play in encouraging these developments. Their continued co-operation, straddling the division of responsibilities between DES and MSC, will be a crucial factor in their success.

62. Working adults, particularly those with families to support, face a considerable financial sacrifice - in the short term at least - if they take time away from work to study full time. We therefore think that they should be assisted to study part-time and this end, we recommend that a programme of grants for part-time study should be considered. The level of grants available for mature students should also be reviewed and extended to a wider range of sub-degree courses.

63. We do not, however, propose that adults should be given a statutory right to education leave, with or without pay, from their employer. This would increase the burdens on employers and could help to destroy jobs. The negotiation of any such right is a matter for (individual or collective) bargaining between employer and employees, who between them must decide what their enterprises can afford and what priority educational leave should have as compared with pay, job security, etc. If the government were to introduce any general fiscal incentive to encourage training, then company expenditure arising from any education leave might be an admissible expense. But, generally, we believe that the right approach is to encourage flexible patterns of learning that minimise the time away from work.



Chapter Nine

New Funding Arrangements for Students

64. As we pointed out in paragraph 14 above, this country treats its students exceptionally generously. All UK resident students on a recognised degree course, no matter what the subject, receive a maintenance grant, the size of which is dependant on parental income, and free tuition. We believe that the government should consider using this aspect of its spending on higher education as well as its funding of institutions to effect any shift it might wish to bring about in the balance between the various objectives of the system.

65. If, therefore, the Government accepts that an initial two years of higher education based on carefully planned general "core plus modules" courses is a useful way of producing manpower of the quality required to meet the needs of the economy as well as for meeting more general educational needs, it should consider adjusting its student support system accordingly; that is, by providing maintenance grants and free tuition to all qualified students only for the first 2 years of higher education. For the third and subsequent years, however, students should have to meet their own maintenance and tuition costs, although they should be eligible for Government-guaranteed loans for both.

66. We recognise that this represents a radical change to our system of student support and appreciate that any proposal which appears to treat students less generously and thus to limit educational opportunity is likely to generate strong opposition across a wide spectrum of political opinion. We therefore recommend that our proposal should be introduced gradually, perhaps over 10 or more years. At first students should be required to meet their own maintenance costs but should continue to be provided with free tuition. Gradually, fees should be introduced for all courses in such a way that at the end of the transitional period the fee payable for each course would reflect the full cost of providing it. Charging full cost fees would expose the costs and benefits of tuition beyond the second year to the test of the market so that courses which do not meet this test would decline. It would be up to employers to pay for special core qualification which they value, either by setting salary levels so that the courses attract students



or, if rigidities in their pay structure prevent this, by sponsoring courses and/or students which meet their needs. Charging for tuition would also encourage institutions to compete for students and would give students an incentive to choose carefully which of the many specialised options and post-graduate courses on offer were likely to be most relevant to their future employment prospects. By their third year, they should be in a position to do this.

67. The Government should be aware, however, that to produce the benefits claimed for them, full cost fees require a labour market which is capable and willing to adjust to take account of new circumstances. This is because unless salary levels, etc, move to reflect the cost differences between courses, the effect of full cost fees would be to threaten seriously the more expensive science and technology based courses. The Government must therefore use the transitional period to monitor carefully the behaviour of the labour market. If it appears that rigidities in it are preventing the necessary adjustments from taking place, it may be necessary to reconsider the phasing programme. But the Government must not make too much of its intention to keep a close eye on developments. If it wishes the market to make the necessary effort to adjust to full cost fees, it must present its commitment to them as firm and settled.

68. DES has previously considered a half grant/half loan system in place of existing maintenance awards. For a typical student on a three-year course, this scheme would result, assuming the loan is fully taken up, in a debt of about £2,500 per typical student on a three-year course. Under our scheme, a student on a two-year general course would face no financial burden. A student on a three-year course of the traditional kind would be required in the early years of our scheme to take a loan to cover the cost of his maintenance during this third year; typically, about £1,600. But once our scheme was fully operational, he would have to raise a much larger amount as he would have to pay also for the full cost of his tuition. The likely size of his tuition bill is difficult to assess at this stage as we make other recommendations aimed at improving the efficiency of teaching; i.e. at reducing costs. On the basis of current cost levels, however, the recurring expenditure costs for universities are estimated to be about £3,500 for classroom based subjects



and £5,500 for laboratory based subjects. For advanced courses in polytechnics, the comparable costs are about £3,000 and £4,000. In the first year of our scheme, therefore, the third-year student would have to take a loan for £1,600; ultimately, the burden on the student on a specialised three-year course could be of the order of between £4,000 and £7,000. (These sums are significantly higher than the costs now faced by students in other European countries, but not out of line with fees in Japan and the USA).

Scholarships for the Brightest

69. These funding arrangements should exert considerable pressure on the higher education system to move in the direction of meeting its economic and, through its encouragement of two-year general courses, also its wider educational objectives. We must not, however, run the risk of throwing the baby out with the bath water in the sense of going so far that the highest academic standards and, in particular, the research base, of our system are seriously threatened. To protect high standards, the academically most able students in all disciplines should be eligible for a limited number of bursaries or scholarships to cover their full-time maintenance and tuition costs beyond the second year, including post-graduate study. These should be awarded by a body largely comprised of academics, perhaps a sub-committee of the new academic advisory body proposed above. It is essential to limit the number of these scholarships, if the inevitable tendency for standards to be devalued progressively to the point where these new arrangements come to replicate the present grant system is to be resisted.



Chapter Ten

Improving the Information Flow

70. The proposals set out above have been aimed at increasing the responsiveness of the higher education system to the needs of the economy and to the more general educational needs of the country. We hope that they will have the effect of making students, too, more responsive to these needs. But responsiveness is a two-way relationship; if the higher education system is to respond as we wish it to, we must ensure that the messages it receives are clear, consistent and in line with the ends we seek to achieve.

71. As far as wider educational aims are concerned, it is mainly for the Government to ensure that the flow of information is adequate. As for the needs of the economy, employers, including the Government as a major employer, must take the lead. More particularly, they must act through the market by ensuring that initial salaries, promotion prospects and other conditions of employment reflect their assessment of the relative value of various skills. They must also express their needs clearly through the general statements issued by their trade associations, professional institutions, the CBI and other bodies. They must seize the opportunity of membership of the UGC, the NAB and other national bodies to put the employer's case on teaching, course development and other matters as forcefully as possible. Finally, they must forge close links with particular institutions by serving on governing bodies, seconding staff as managers and part-time visiting lecturers and by sponsoring courses designed to meet special needs.

73. Central to our proposals is the need to ensure that relevant information passes freely between potential students (in school and elsewhere), between institutions and employers (broadly defined) and between employers and schools. There are at present serious deficiencies in all these areas but, to some extent, our previous recommendations should improve the quality and flow of information. In particular:



- (a) SEPs will provide public information to intending students and employers about the objectives and achievements of each institution and give details of the contacts which that institution has with outside bodies;
- (b) Our proposals for student financing will provide incentives to industry and commerce to enter the market for loans or sponsorship in a cost-effective way;
- (c) The combined operation of our new economic and employers' advisory body and the Educational Venture Fund will enable best practice on information to be disseminated and, occasionally, funded.

74. But more needs to be done. One of the most important problems is the strength of the link between the traditional sixth form and higher education and the way in which this link encourages academic interests almost exclusively. In order to develop alternative links between young people and the higher education system, we propose the following:

- (a) The MSC should ensure that those on YTS and TVEI receive complete, up to date and comprehensible information on opportunities in higher education (including FE courses leading to higher education); they should use the numbers progressing to higher education as one of the criteria for judging the success of these schemes;
- (b) DES should ensure that School-Industry link programmes build bridges to appropriate higher education courses;
- (c) DES should consider exploiting the unique position of tertiary colleges. The mixing of academic and vocational streams within them can create a climate in which all pupils are aware of a wider range of possible next destinations.



75. In addition, the provision of careers advice to those intending to enter higher education requires substantial overhaul. Among the proposals which we believe should be considered are the following:

- (a) The Government should fund the publication of a national compendium of information, similar to Occupational Outlook in the United States, which lists up-to-date information on graduate destinations, employment rates and salaries by degree course and institution. DES should ensure that publicly funded institutions collect this information for publication. The SEP might be used for this purpose. We commend the practice of some universities of sending to schools a report on the progress of their former pupils after their first year;
- (b) Local Careers Services should be encouraged to provide all schools with details of further education courses available to their pupils, scores needed for admission to them and the destinations of local children leaving them. We have seen some excellent examples of this;
- (c) In schools, enthusiastic and well informed careers teachers are the key to good advice. They should have clear responsibility for advice, over and above that of departmental heads. They should be appropriately graded and be encouraged to visit higher education institutions in the area and beyond. DES should consider issuing a strong circular to LEAs along these lines;
- (d) In Colleges of Further Education the quantity and quality of advice depends crucially on the Careers Service. Exhortatory efforts to increase the number of specialist officers in further education have failed. We recommend that DE considers directing each LEA to designate a certain proportion of its officers as further education specialists.

76. We are conscious that the points made in (b), (c) and (d) above may appear secondary to the problems that youth unemployment poses for careers teachers and advisors. For that reason, we would see merit in considering them in the context of a wider investigation of the place and role of careers teaching and advice to young people.



77. We mentioned the role which would be played by our new economic and employers' advisory body and by the Educational Venture Fund in improving the quality of information about the world of work coming from employers. The Occupational Outlook exercise would also help. In addition, we propose the following:

- (a) DES and DE should commission further research into the qualities which employers require of graduate recruits with a view to assisting with the interpretation of the confusing signals which are sometimes given by individual recruitment decisions;
- (b) The NEDC Sector Working Parties, as part of their continuing task of promoting best practice in British industry, should disseminate information to industries on the detailed manpower effects of technological change. The Engineering Council should undertake a similar task;
- (c) SEPs should be used as a method of increasing the importance accorded by higher education institutions to the contribution that their Appointments Boards can make to the planning of courses, etc. There is far too little feedback from employers to academics through these Boards.



Chapter Eleven

Improving the Quality of Management

78. By making higher education institutions more responsive to nonacademic considerations, our proposals would place substantial burdens on the management structure of institutions. The Government should encourage systematic management training for those with management responsibilities in higher education and should consider using public funds for this purpose. In addition, we believe that the following proposals would also encourage better management and a heightened concern for efficiency:

- (a) Government support towards the teaching costs of higher education should be based on the estimated reasonable costs of providing a particular type of course. Institutions with higher costs should have to make charges or raise private finance to cover the extra cost or make savings elsewhere; institutions with lower costs should be able to keep the "profit", provided that they can prove that their "quality" has not been lowered;
- (b) The Government should use the power implicit in setting the level of publicly funding teaching costs to exert pressure on institutions to achieve more efficient use of teaching staff and overheads; eg, lower staff/student ratios. The Public Accounts Committee in 1980 pointed out the scope for such savings in the universities when it drew attention to the range of staff/student ratios and to the fact these can vary by as much as a factor of 3 even within a single subject. In the public sector, the HMI are now specifically looking at productivity and have concluded that in many subjects a 25-30 per cent tightening of the staff/student ratio within 3 years is feasible without loss of quality;



- (c) The Exchequer and Audit Department should be encouraged to conduct a rolling programme of value for money audits of publicly funded institutions. In addition, institutions should be required to publish costs and performance indicators on an annual basis.

Easing Change

79. Better managed institutions should be able to change the mix of courses they offer more rapidly than at present. This should enable them to meet more effectively the changing course preferences of loan/financed students responding to market signals and to cope better with the effects of the greater choice of courses and institutions which our proposals should produce. To put on new courses within limited resources, they will have to be able to discontinue existing courses at relatively short notice. (Credit transfer would enable them to send students to other institutions to undertake courses which are discontinued). This will inevitably mean redundancies. These are costly in any organisation but are particularly so in universities because of tenure. We therefore recommend that the DES, when considering applications for new charters and at other times, should continue its present policy of discouraging conditions of employment such as tenure which impede restructuring so that in due course institutions will not offer tenured posts except where these are funded entirely from private sources.

80. In addition, we recommend that the Government should set up a restructuring fund to cope with the "one-off" costs of retraining surplus staff or for compensating them. The fund should have a limited life of say, 5 years; the case for extending its life should be subject to review without any presumption that it should continue. More permanent arrangements are needed also to permit DES (or some agent) to act as a kind of academic receiver for departments which, in the view of their institution, are no longer viable. This would ensure that students were able to transfer to other institutions to complete courses on which they had already embarked. (Credit transfer would help here too). The funds realised by disposing of part of an institution's assets could be used to re-finance restructuring.



Chapter Twelve

Implications of our Proposals for Public Expenditure

81. Our proposals for improved careers advice in schools, in further education and in higher education, together with our proposals for extending the coverage of maintenance grants to part-time students and in other ways all have implications for public expenditure. So do our suggestions for an Educational Venture Fund (EVP) and a Restructuring Fund. The size of the Restructuring Fund is difficult to assess, but we are inclined to be suspicious of some of the wilder estimates of the cost of restructuring. Mitigation of damages will account for much of the projected earnings of lecturers. Our best guess is that a staff reduction in the region of 15 per cent over 5 years would cost some £50 million a year. Assuming an EVP of about £25 million a year, we estimate that our proposals would in total add less than £100 million a year to public expenditure in the initial five years. The sums involved thereafter would depend largely on the success of the EVP proposal and whether it becomes a permanent and significant part of the higher education scene.

82. Our proposals for student support involved the replacement of maintenance grants beyond the first two years by loans and the phased introduction of tuition fees which would also be covered by loans. If these loans were financed by Government, public expenditure would be reduced as repayment built up. In addition, to the extent that commercial or employer sponsorship developed, expenditure savings would emerge immediately. The exact size of the public expenditure reduction would depend on the number of bursaries/scholarships awarded, but ultimately the savings would be of the order of £½ billion per year. Our proposals for reducing costs and improving efficiency should also result in savings in public expenditure.

83. In short, we believe that in the longer term, once the restructuring and adjustment costs have been incurred, the effect of our proposals, by reducing student support and lowering unit costs, would be to reduce the pressures on Government finance for higher education.



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Postscript

84. Our present system of higher education has become hallowed by generations of tradition, personal loyalty, memories and myths. There is thus tremendous inertia in it, further buttressed by the mutual reinforcing links which have been forged between it and the specialised school curriculum. Overcoming this inertia so as to be able to implement the changes necessary to make the system more responsive to changing needs will require far more than exhortation. It will require sustained and strong pressure from the Government over many years. But given the almost total dependence of higher education institutions on public money, the Government has a powerful lever by means of which to exert this pressure. Many will argue that to use public funds in this way is to threaten "academic freedom". We accept that this is a test to which our proposals must be put, but we are confident that they can pass it successfully.

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Summary of Main Recommendations

85. The general aim of our proposals is to achieve a new balance between the academic, economic and educational objectives of our higher education system with a view to increasing the contribution which the system makes to our economic performance and to widening educational opportunity. To this end, we propose the following:

(a) Funding institutions:

- (i) The total block grant distributed to each institution in both the university and the public sector should be separated into its research and teaching components so that the size of each part can be fixed according to criteria most appropriate to it (paras 40-41);
- (ii) The judgement as to the balance between academic considerations and wider economic and educational goals which must underlie the decision about how much money should be allocated to any particular institution should be made by the Secretary of State (para 43);
- (iii) To advise the Secretary of State in making the judgements referred to in 85(a)(ii) above, two new bodies should be established; viz, a group of academics to advise on academic and educational matters and a more widely based group of employers and others charged with advising on employment and economic matters. The advice provided by each body should normally be published (para 43);
- (iv) As one of its first tasks, the academic advisory board should be invited to study ways of evaluating the quality of university courses and how they are taught (para 44).



(b) Statements of Educational Policy (SEPs)

- (i) Every 3 years each publicly funded higher education institution should be invited to submit to the Secretary of State a statement of its educational policy of objectives (we call this an 'SEP'). SEPs should be prepared within national guidelines issued by the Secretary of State after consulting his two new advisory bodies (para 48);
- (ii) Each SEP should contain a report on the extent to which the objectives which the institution had undertaken to pursue in its last SEP had been met. SEPs would inform the Secretary of State's judgement about the allocation of funds to individual institutions (para 51);
- (iii) To encourage innovation, an Educational Venture Fund (EVF) of say, £25 million a year should be established out of which the Secretary of State would be able to fund the testing and development of new ideas (para 53).

(c) Course Structure, Content and Access

- (i) The "core plus modules" approach to course development should be developed as a way of meeting economic needs and increasing educational opportunity (para 54);
- (ii) Institutions should be encouraged to develop, and students encouraged to take, two-year "general" courses, based on the "core plus modules" approach, leading to a certificated and graded degree (para 56);
- (iii) The Government should press for more rapid development of credit transfer (para 57);
- (iv) The Government should use its financial leverage to persuade institutions to accept a wider range of entry qualifications, including qualifications in vocational education (para 58);



- (v) A study should be made of various entry criteria, including the use of aptitude tests and credits for relevant work experience as a way of helping those who leave school at 16 but who would benefit from higher education later in life (para 60);
- (vi) Institutions should be encouraged to provide more flexible study arrangements so as to attract students who are paying their own way; eg, part-time and evening courses (para 61); a programme of grants for part-time study should be considered (para 62);
- (vii) The level of grants available for mature students should be reviewed and their availability be extended to a wider range of sub-degree courses (para 62).

(d) Funding Arrangements for Students

- (i) To encourage the development of two-year general "core plus modules" courses, students should have to meet their own maintenance and tuition costs beyond their second year of higher education, although they should be eligible for Government-guaranteed loans for both (para 65). This change in our present arrangements should be introduced gradually, perhaps over ten years or more, and should be carefully monitored to ensure that the labour market was reacting appropriately (paras 66-67);
- (ii) To protect high standards, the academically most able students in all disciplines should be eligible for a limited number of bursaries or scholarships to cover their full-time maintenance and tuition costs beyond the second year, including post graduate study (para 69);



(e) Improving the Information Flow

- (i) A number of steps should be taken to develop new links between young people and the higher education system as a way of supplementing the traditional links through 6th forms (para 74);
- (ii) The provision of careers advice to those intending to enter higher education should be substantially overhauled and we make a number of proposals for consideration (para 75);
- (iii) The quality of information coming from employers about the world of work should be improved and we offer suggestions for doing this (para 77).

(f) Improving the Quality of Management

- (i) The Government should encourage systematic management training for those with management responsibilities in higher education and should consider using public funds for this purpose (para 78);
- (ii) In order to increase the ability of institutions to respond quickly to changing needs, the DES should continue its present policy of discouraging conditions of employment such as tenure which impede restructuring (para 79);
- (iii) The Government should set up a restructuring fund to cope with the "one-off" costs of retraining surplus staff or for compensating them (para 80);
- (iv) Arrangements are necessary to permit DES (or some agent) to act as a kind of academic receiver for departments which are no longer viable. This would enable students who have embarked on courses in such departments to complete them (para 80).



Cont Mach.  
Dec 81  
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