

University Alliance Response to Browne Review – October 2010

Critical economic role of universities in driving growth

1. We strongly welcome the recognition Lord Browne has given to the central role that universities play in the UK's economic recovery and international competitiveness. Higher education is an investment in the engine of an innovation-driven economy and is a central component of any strategy to reduce the deficit whilst increasing growth.¹

Support for Graduate Contribution Scheme

2. Browne's proposals for a graduate contribution scheme are an opportunity to introduce a fair and progressive system for students, graduates, universities and government alike. There is, however, a considerable job still to do on the part of Government to achieve a fundamental shift in understanding that it is graduates that are being asked to contribute, not students. The language of 'fees', 'debt' and 'burden' continue to frame the debate. Central to this is the concept of financial risk. All of the evidence suggests that students from poor backgrounds are not debt averse but they are appropriately risk averse. The government needs to differentiate graduate contribution from the public perception of financial risk associated with student debt.
3. Essentially, the key message must be that all students have the opportunity to study at university for free and they only contribute something back if they gain financial benefit from this experience. There is no financial risk held by the individual and there is targeted protection for low earners. In our view, Browne did not go far enough in the presentation of his proposals for a new Graduate Contribution Scheme² to achieve the fundamental shift in mindsets that is required. This is no trivial matter because perception of cost is just as strong a deterrent as cost itself.³

Support for variable contribution levels

4. Variation by course and the ability to set a contribution level above £6,000 is important to allow universities to both signal the value of internationally leading provision and to drive up the availability of market-leading courses in line with employer-demand. We do, however, strongly welcome the conditions attached as part of a responsible and fair system.

¹ L Aston and L Shutt, University Alliance, 21st Century universities: engines of an innovation-driven economy, September 2010, <http://www.university-alliance.ac.uk/research-publications.htm>

² L Aston, University Alliance, Proposal for a Graduate Contribution Scheme in England, April 2010, <http://www.university-alliance.ac.uk/research-publications.htm>

³ L Aston, University Alliance, The impact of fees: A review of the evidence, January 2010, <http://www.university-alliance.ac.uk/research-publications.htm>

BUT a shift away from direct public funding is both unnecessary and damaging

5. As is widely accepted, there is an equally strong case for both public and private investment in universities.⁴
6. The Browne report implies that introducing a Graduate Contribution Scheme requires public funding for HE to shift from direct funding for teaching into student support costs. We fundamentally disagree. This is a particular model of a marketised system that ignores the benefits of achieving a more balanced approach between market forces and stable public funding for teaching (see below).
7. In our proposals for a Graduate Contribution Scheme, we demonstrated that this scheme could be introduced and fully funded alongside existing levels of direct public funding for teaching. In our view, the wholesale front-end funding model (now possible with the introduction of a real interest rate) would have enabled Treasury to achieve a 25% saving whilst bringing necessary additional investment into the system as a whole. This would have allowed a Graduate Contribution Scheme to sit alongside an effective level of direct public funding for teaching. We recognise the difficulty of getting this ‘off Government books’ but both the upfront cost and the real long-term cost are significantly reduced through this approach and it becomes a political judgement about whether the UK Government is willing to accept this being classified as Government debt. Given the reduction of upfront cost, long term cost and the vital role of universities in driving economic recovery, we believe a strong case can be made for doing so.

Marketisation: the advantages of a more balanced approach

8. Browne proposes a full marketisation of the HE system with regulatory and student number controls. The report puts forward proposals that would shift nearly all public funding for universities across from direct funding for teaching, into student support. In effect, this is similar to a voucher system and puts a very high value (and dependency) on the ‘market’ and student choice to drive efficiency and quality.
9. Whilst we support the move to a more market-driven approach, we believe that the full benefits of Browne’s proposals will only be realised if underpinned by a significant, direct public funding element. Browne does recognise the need for some direct public funding to remain (£700M) but he underestimates the vital role and benefits gained from a stable funding stream. The report underplays existing drivers of efficiency and quality in the system.

⁴ L Aston, University Alliance, The impact of fees: A review of the evidence, January 2010, <http://www.university-alliance.ac.uk/research-publications.htm>

10. The benefits that could be retained by taking a more balanced approach are:
- It provides a proven, tested mechanism for controlling the total budget on behalf of Government.
 - It enables the Government (via HEFCE) to put efficient levers and controls within the system that would be lost in a fully marketised system.⁵
 - An element of stable, direct public funding enables universities to invest in areas of economic or strategic importance (e.g. STEM) where this runs counter to trends in demand for a period of time. The practiced expertise of universities in helping to manage trends in student demand, in partnership with employers, should not be underestimated.⁶
 - A predictable, stable funding stream allows universities to plan and respond in a managed way, against strategic priorities, rather than chasing rapid fluctuations in demand. This is important to mitigate risk and wastage in the system.
 - A standard unit of resource has played an important role in protecting minimum thresholds for quality and standards of delivery.
11. For a more detailed discussion of these issues see our additional submissions to Browne⁷ and for international comparisons, please see the HEPI report⁸
12. In our view, there are significant and important advantages to be gained from taking a more balanced approach. This would enable the Government to achieve the advantages of a more market-driven system, guard against the possible disadvantages of a full-blown marketised system and maintain the known advantages of a significant element of direct public funding for universities and Government. In our view we need both private contribution and direct public investment in teaching if we are going to support aspiration and deliver the higher skilled workforce and innovative research base to drive growth.
13. It is, therefore, absolutely critical that a new system for graduate contributions is not seen as a total substitute for direct public investment in teaching. Every effort should be made to increase the amount of direct funding for teaching in order to underpin the new system proposed by Browne. Given the strategic importance of higher education and the level of public investment going into student support, there is significant risk of failure to deliver the new system with just £700M core funding.

⁵ L Aston and L Shutt, Efficiency, leadership and partnership: an approach that delivers shared economic priorities, June 2010

⁶ Ibid

⁷ See "HEFCE teaching funding vs. a voucher system" and "Understanding the higher education market", <http://www.university-alliance.ac.uk/research-publications.htm>

⁸ <http://www.hepi.ac.uk/466-1722/Vouchers-as-a-mechanism-for-funding-higher-education.html>

Student number controls

14. Whilst we support the need for increased flexibility in the system for controlling student numbers, we have considerable concerns about how workable and how ethical (given the stubborn correlation between attainment and social class) a control based purely on a UCAS tariff would be. Given the complexity of applications through non-UCAS routes for part-time students, mature students without formal qualifications, local FE partnership arrangements etc (all of which are an intrinsic part of a more flexible and accessible HE system), this would put a considerable pressure on the 'institutional allocation' of places. We have many other concerns that we would be happy to outline in more detail on request.
15. Clearly there is a need for much more detailed discussion and consideration of alternative viable proposals. We look forward to this being a part of the Government's White Paper. To enable universities to flourish in a changing environment, any new method for student number control must operate on at least a three year planning cycle.

Regulatory arrangements

16. In our view, Browne does not give sufficient consideration to the principled reasons for separation of agencies such as QAA, HEFCE and OIA as outlined in Dearing. We believe those reasons still stand and it is of vital importance that these funding and regulatory bodies with distinct remits and distinct relationships to Government and the sector be kept separate.

ELQ policy needs re-evaluating

17. We strongly support the call for a re-consideration of the restrictions on access to funding (both to students and providers) for those studying for a second degree. We agree that the ability to re-train will be vital in a changing economy. In particular, the current 'exemption list' is in urgent need of review and does not include many strategic subjects such as engineering.

EU students

18. The difficulty of identifying a mechanism for the collection of graduate contributions from EU students that return to their home countries is notably absent from Browne's proposals. Given that EU students make up 10% of the student population, under these proposals it is even more essential that this anomaly in the system is corrected.