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House of Commons Business, Innovation and Skills Committee Inquiry into the Future of Higher Education

Evidence from the Russell Group of Universities

1. Introduction

1.1. The Russell Group[1] is pleased to contribute evidence to the Select Committee's inquiry. Given the remit of BIS and the Committee, we have focussed our response primarily on evidence relating to higher education in England. Whilst there are many similarities, the history and context of higher education in Scotland, Wales and Northern Ireland differ from that in England in some important respects. Therefore, the evidence provided in this document does not necessarily reflect in whole or in part the Russell Group's views on the future of higher education in the Devolved Administrations.

1.2. This is a challenging time for universities in England, with a large number of key elements of future Government policy as yet unknown. In particular:

- the Government's White Paper on the future of higher education has not yet been published;
- the process of submitting proposals for fee levels and access agreements to OFFA is ongoing;
- the HEFCE teaching funding method from 2012-13 has yet to be developed, and HEFCE has advised that any area of teaching or special funding could potentially be reviewed (and the institutional allocations for 2011-12 will only be announced on 17 March 2011);
- there are significant questions to be addressed in the areas of immigration, NHS funded-provision, and teacher training, which are all of direct concern to Russell Group universities.

1.3. This level of uncertainty makes it difficult to comment in some areas at the present time. However, in this context it is as important as ever to identify the vital contribution that is made by the UK's research-intensive universities, and the challenges faced during a period of reform.

1.4. This document draws on previous Russell Group publications on the future of higher education. Specifically, it is important that this evidence is read in the context of the more extensive evidence that we have set out in the following publications:

- The Russell Group's two submissions to the Browne Review (January and May 2010)[2]

[1] Russell Group member institutions are: University of Birmingham, University of Bristol, University of Cambridge, Cardiff University, University of Edinburgh, University of Glasgow, Imperial College London, King's College London, University of Leeds, University of Liverpool, London School of Economics and Political Science, University of Manchester, Newcastle University, University of Nottingham, Queen's University Belfast, University of Oxford, University of Sheffield, University of Southampton, University College London and University of Warwick.

[2] The Russell Group's two submissions to the Browne Review are available from: http://www.russellgroup.ac.uk/russell-groups-policies/

- Our report *Staying on top: The challenge of sustaining world-class higher education in the UK* (May 2010)
- Our report *The economic impact of research conducted in Russell Group universities (*March 2010)

2. The need to sustain world-class higher education in the UK

2.1. The UK enjoys one of the most outstanding higher education sectors in the world. A key strength of this high-performing sector is the quality of its leading research-intensive universities. Securing the financial sustainability of these institutions, and their long-term ability to compete with other global research universities, remains a key challenge.

2.2. It is clear that students, employers and the national economy currently benefit enormously from the UK's research-intensive universities. They provide an outstanding quality of learning and student experience, resulting in highly employable graduates in great demand with leading employers. They play a vital role in the nation's economy and society, training the next generation of researchers and innovators and producing high quality skilled graduates and postgraduates who will be indispensable to the future success of UK business and industry. Such universities conduct pioneering research which underpins innovation by industry, leads to new technologies and products, and enhances the efficiency and competitiveness of British business. They also draw in investment from major international companies, and contribute to a vibrant local community and culture which attracts businesses from both the UK and overseas. Attracting large numbers of international staff and students, they bring to this country some of the brightest minds from around the world, as well as significant export income.

3. Background to the Browne Review

3.1. The package of reforms to higher education funding in England implemented in 2006 had clear strengths:

- The introduction of variable fees helped universities to put their learning and teaching provision on a more sustainable platform, following a long period of under-investment. It enabled Russell Group universities to invest more in a world-class student experience. Examples included investment in high quality staff, improvements to staff-student ratios, enhanced infrastructure for learning and teaching, changes in curriculum and assessment and new systems to support a changing student population.

- The introduction of variable fees in England was accompanied by an improvement in access, with application rates increasing from all socio-economic backgrounds, and with particularly marked improvements in applications and admissions of those from the lowest socio-economic backgrounds. This trend was reflected in applications and admissions to Russell Group universities, with the number of accepted applicants from the bottom three socio-economic groups rising by over 20% in the period between 2005/06 and 2008/09. Experience from other countries which have implemented graduate contribution schemes also demonstrates that tuition fees coupled with income-contingent loans protect access to higher education.

- Universities have invested millions of pounds into bursaries and outreach work with schools. The real barriers to university entry are underachievement at school, misinformation, lack of confidence and low aspirations. Universities have contributed to addressing these challenges.

3.2. Despite the package of higher education reforms implemented in 2006 significant challenges remained, which the Russell Group highlighted in our submissions to the Browne Review:[3]

- Other countries invest far more in their universities, and this threatens the long-term ability of the UK's leading universities to compete with the best institutions elsewhere.

- Past under-investment has left Russell Group universities with a significant backlog in capital investment. Income from variable fees and dedicated capital funding has helped to redress this to a certain extent, but sustained investment is required if research-intensive universities are to maintain and build on recent improvements and continue to provide an internationally excellent learning environment.

3.3. The Russell Group's submissions to the Browne Review showed there was a pressing need to increase funding for the UK's research-intensive universities if they are to secure a sustainable future and continue to compete alongside leading universities around the world.

3.4. In preparing its submissions to the Browne Review, the Russell Group reviewed all the options for increasing investment. It became clear that public funding would be constrained, and opportunities to increase income from business contributions and to reduce costs through efficiency savings would in themselves be insufficient to ensure sustainability. In this context the Russell Group proposed that an increase in graduate tuition contributions from full-time home and EU undergraduates at institutions in England represented the only viable option for ensuring sufficient funding for a world-class higher education system, in a manner that would be fair, sustainable, and protect access.

4. The Browne Report

4.1. The Browne Report set out urgent and necessary reforms to higher education funding, recognising the concerns raised by the Russell Group and others during the course of the review. Some of the most important aspects of the proposals were:

- The UK's leading institutions compete with generously-funded universities in other countries. Our international competitors are fuelled with huge cash injections from their Governments and have the freedom to ask for higher graduate contributions. The report recognised that giving our universities access to additional investment is vital in this internationally competitive environment.

- The proposals offered a good deal for students and a fair and progressive way forward which protected low-earners. Unless graduates make a bigger contribution, they – as well as society as a whole – will be short-changed. Our graduates need to compete with the best in the world, and we would be letting them down if we didn't ensure they get the very best education.

[3] The Russell Group's two submissions to the Browne Review are available from: http://www.russellgroup.ac.uk/russell-groups-policies/

- The Browne Review recommended a continuation of income-contingent student loans. The loans proposed by the Browne Review are a world away from conventional 'debt': there is no upfront payment for any student, and graduates are only asked to start making repayments when their earnings reach £21,000. Even then they would only contribute a fixed proportion of their income (9% of income above £21,000) so their payments should never become unmanageable.

5. The Government's response to Browne and the CSR settlement

5.1. Given that the Government are committed to far-reaching cuts to the funding of teaching in higher education, lifting the fee cap to £9,000 is a welcome and necessary reform. It should help our universities maintain and enhance their world-class status, in the internationally competitive environment noted above. Meanwhile Government is adopting key elements of Browne's proposals on graduate contributions, has proposed a fair system of interest rates protecting low earners, and has committed to annually uplifting the repayment threshold. Graduates will benefit from these measures.

5.2. Teaching in Russell Group universities takes place in a research-led environment. Therefore we were pleased that the Government appeared to have listened to our arguments about the vital importance of research, and committed to maintaining science spending in cash terms over the CSR period. The Chancellor was right to say that our universities are the jewels in our economic crown. The UK's world-class universities perform a vital role as the engine room of economic recovery.

5.3. We recognise that during this period of ongoing economic stringency universities should bear their fair share of cuts. However, we remain concerned about the size of the cuts to the rest of the higher education budget, outside the research ring-fence. We are particularly concerned that the cuts will mean it will be tough to maintain the high quality teaching, learning and research environment our universities currently offer, even with larger contributions from graduates.

5.4. Cuts in teaching funding in 2011-12, confirmed in HEFCE's recurrent grant announcement, come ahead of increased fees in autumn 2012. This is only the latest in a series of cuts to university funding which have already required us to seek all available opportunities to make savings.

5.5. We are also concerned that cuts to capital spend will prove particularly detrimental, creating real and long-term difficulties for UK universities. World-class infrastructure, particularly buildings and equipment, is needed to facilitate the very best environment for research and teaching.

6. Protecting fair access to higher education

6.1. The Russell Group shares the Government's commitment that every student with the qualifications, potential and determination whatever their background has the opportunity to gain a place at a leading university. It is therefore essential that policies aiming to promote fair access are designed and implemented with regard to the evidence available on the reasons why there are a range of under-represented groups among applicants to higher education.

6.2. Although this point was made repeatedly during the course of the Browne Review, it is important not to lose sight of the evidence that the introduction of variable fees in England has not harmed access to higher education, but has coincided with an increase in applications and participation by all groups, including lower socio-economic groups. As already noted, the number of accepted applicants at Russell Group universities from the bottom three socio-economic groups rose by over 20% in the period between 2005/06 and 2008/09. This is consistent with a strong body of evidence from other countries – including Australia, New Zealand and Canada – which demonstrates that tuition fees, if coupled with income-contingent loan repayments, do not have a negative impact on access to higher education.[4]

Prior academic attainment

6.3. The most important reason why too few poorer students even apply to leading universities is that they are not achieving the required grades at school.[5] By far the most effective way of increasing the number of students from low income backgrounds at leading universities is to help them improve their academic performance and give them better advice and guidance. Universities can and do help but we simply cannot solve these problems alone.

6.4. The main problem is that students who come from low-income backgrounds and/or who have attended comprehensive schools are much less likely to achieve the highest grades than those who are from more advantaged backgrounds and who have been to independent or grammar schools.[6] Worryingly, this gap in achievement according to socio-economic background is getting wider. Too many students don't choose the subjects at A-level which will give them the best chance of winning a place on the competitive courses at leading universities. This is why the Russell Group recently published Informed Choices, our guide to post-16 study options, which should help improve information about how subject choices at school can impact on university applications.[7]

6.5. Even those students from disadvantaged backgrounds with the necessary qualifications are less likely to apply to the most selective universities than students from better-off backgrounds; pupils from top independent schools make twice as many applications to the most selective universities as their equally well-qualified peers from the best comprehensives.[8] School attainment, advice and aspirations must all be dramatically improved if we are to remove the real barriers to fair access.

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[4] See Russell Group first submission to the Browne Review for further information, pp.18-19.

[5] In the last 15 years the proportion of A-level students at comprehensive schools achieving 3As or more at A-level has risen from 4.2% to 8.2%, while the proportion at independent schools has risen from 15.1% to 32.3% (source DfE).

[6] 29.92% of all students who got 3A*-As at A-level in 2009-10 were at comprehensive schools. This was 10,237 students, which is 8.2% of the total taking A-levels at comprehensives. Comprehensives accounted for 46.7% of all A-level students. By comparison, 11,386 candidates got 3A*-As at independent schools, which is 33.27% of all 3A candidates in all schools, and 32.3% of those taking A-levels at independent schools. Independent schools accounted for only 13.2% of all A-level candidates.
In 2009, only 232 (or 4.1%) of students in maintained mainstream schools and known to be eligible for free school meals achieved 3 or more A grades at A-level. (See: http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100407/text/100407w0020.htm).

[7] See http://www.russellgroup.ac.uk/russell-group-latest-news/137-2011/4746-new-guidance-on-post16-study-choices/

[8] See The Sutton Trust and BIS, *Applications, Offers and Admissions to Research Led Universities*, August 2009.

Investing in access measures

6.6. Russell Group universities already invest over £75 million per year in initiatives designed to help the least advantaged students win a place at our universities.[9] Universities will continue to invest in a wide range of outreach activities. We offer numerous summer schools, open days, special entry routes and access programmes to give students from lower socio-economic groups the best possible chance of winning a place and work closely with schools.

6.7. As OFFA has set out, universities charging the highest fees will be expected to spend a considerable proportion of their fee income on measures to widen access and improve retention. But it's important to keep in mind that fee income is also urgently needed to maintain the quality of teaching and the student experience, especially given the significant cuts we are experiencing in funding from HEFCE.

Measuring success in improving access

6.8. Any measurement of universities' progress in improving access must be undertaken with great care. The investment of Russell Group institutions into outreach activities benefits the sector as a whole, with many students being inspired to study at other institutions as a result of our widely targeted work with potential candidates of many ages and backgrounds. We believe our universities have a role in helping all students to fulfil their potential, not simply widening access to our own institutions.

6.9. Any measurement of universities' progress in improving access must be undertaken with great care. We welcome the fact that OFFA will be allowing universities some scope to set their own targets and milestones for access work, noting that 'there is no single perfect measure of access performance'. The HESA Benchmarks for widening participation should not be used as the main way of assessing progress as they provide unsuitable, insufficient and flawed targets against which universities' progress cannot be meaningfully measured. As Lord Browne found, the benchmarks do not provide a sophisticated enough picture of the student population actually qualified to meet the entry requirements of many courses. For example, they take no account of the fact that someone with 4 A*s at A-level might have a high tariff score but would not have a strong chance of being accepted on a Medicine course if these A-levels are in the wrong subjects.[10] Moreover, financial penalties for not meeting these targets would be unfair and unhelpful to our aim of investing in ways to help poorer students win a place at our universities.

6.10. It is essential that the OFFA approval and monitoring processes fully recognise the challenges of setting targets for achievements in outreach work, where success in terms of changes to attitudes and aspirations can be very difficult to measure.

National Scholarship Programme

6.11. We welcome the flexibility that institutions will have within the programme, to tailor scholarships to the individual circumstances at their own institution. Russell Group institutions already invest over £66million in bursaries and scholarships for students from lower-income families, and the NSP should become an integrated part of their wider institutional financial aid offer.

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[9] Source: OFFA. The figure of £75m is the total 'OFFA-countable' expenditure on access, funded from additional fee income. Initiatives undertaken in our universities that are funded from other sources, including donation and endowment income, are not included.
[10] Browne Review, p49.

Contextual information

6.12. Although A-level and equivalent qualifications are a key source of information about academic ability, Russell Group universities already take a range of factors and information into account to ensure that we can identify the candidates with the most potential to excel on our courses, whatever their social or educational background. The vast majority of Russell Group universities, for example, use personal statements and references when assessing candidates, while some interview candidates or ask them to sit additional tests. Our universities often take into account any particular barriers the candidate may have faced during their education such as spending time in care; academic qualifications are considered in a broader context. But admission to university is and should be based on merit, and any decisions about admissions must also respect the autonomy of institutions and maintain high academic standards.

7. Fee levels at Russell Group universities from 2012/13

7.1. Proposals on the level of fees that universities wish to charge are a matter for each individual university to consider. Those wishing to charge more than £6,000 will also need to seek approval their Access Agreement by OFFA. At the time of writing, most individual Russell Group universities have not yet finalised their plans for fees in 2012/13.

7.2. In setting their fees for 2012/13, Russell Group universities will have to consider:

- The likely reduction to their HEFCE funding for teaching from 2012/13
- The investment they will need to make in future to maintain a world-class student experience, with excellent employment outcomes for graduates, and high levels of student satisfaction.
- The costs of providing a research-led learning experience, with state of the art facilities, world-class academic staff, and low student-staff ratios.
- The investment they will be making in outreach activities, the NSP and other financial support aimed at increasing access to the university from students from under-represented groups.

8. Increasing efficiency

8.1. In recent years, Russell Group universities have continued to perform extremely well in the international sphere despite a disparity in resources between them and many of their global competitors. They are extremely efficient in international terms. With 3% of global R&D investment, the UK publishes 14.4% of the world's highly-cited publications, and it is the most efficient country in the G8 in terms of the ratio of citations to public funding for research.[11] Russell Group universities graduate students in much shorter time than the OECD average, whilst maintaining some of the highest graduate earnings premiums.[12] They also demonstrate high levels of student satisfaction.

[11] Evidence Ltd, *International Benchmarking Study of UK Research Performance 2009*
[12] OECD, *Education at a Glance,* 2010

8.2. Universities have a strong track record in increasing cost-effectiveness and Russell Group universities are actively pursuing innovative ways in which to deliver greater efficiency and higher levels of productivity. For example, our universities have been examining all their business processes including procurement, and overhead expenditure, to identify further opportunities to reduce costs and improve efficiency.

8.3. In research, Russell Group universities are continuing to make significant progress towards financial sustainability, and recognise efficiency savings are crucial in a tough financial climate. However, the Wakeham Review's recommendations on indirect cost rates will be very challenging for universities to achieve, with real reductions of 5% proposed and institutions with indirect rates at the higher end to reduce their costs at an even faster rate. While Russell Group universities are committed to continuing to drive forward efforts in efficiency savings and cost-effectiveness, it is absolutely essential that the full economic cost of our research is appropriately covered.

8.4. Russell Group universities have been engaged in negotiations with staff about changes to the USS pension scheme. At the current time, in order for universities to be able to minimise the impact of cost reductions on their staff whilst delivering a high quality experience to their students, it is essential that USS pension costs can be controlled and the level of risk greatly reduced. Negotiations over this important issue have been difficult and protracted, but we remain committed to creating an attractive defined benefit pension scheme which is affordable and sustainable into the future.

8.5. The Government has said that it is considering the benefits of moving to a system of post-qualification admissions (PQA) for undergraduate courses. Universities are always keen to engage in any initiative that has the potential to improve the system of applications and admissions, to make it more efficient and responsive to students' needs. However, the costs of PQA significantly outweigh any potential benefits. Moreover, it is unclear which problem a PQA system is trying to solve.

9. Raising income from other sources

9.1. Russell Group institutions have also been both proactive and successful in diversifying their sources of income and in attracting investment through philanthropy and from the private sector.

9.2. Endowment funds, and the annual investment returns which they generate, can be an important source of additional income to universities. Russell Group universities have been growing their income from this source, and a recent report showed that they are attaching increasing importance to engaging with their alumni in an effort to raise the level of charitable donations and increase their endowments.[13] However, the report also highlighted that income from all philanthropic sources still represents an extremely small proportion of income (less than 2% of total income, on average) for Russell Group universities. In consequence, though endowments may become more significant in the future, they are far from being a solution to the immediate and substantial funding difficulties which universities now face.

9.3. Figures from the higher education business community interaction survey demonstrate the success which Russell Group universities have enjoyed in expanding their engagement with and income from business in recent years. However, it is important to note that in the aftermath of a recession, funding from this source is likely to be

[13] Ross-Case Survey 2008/09 (May 2010)

constrained, in parallel with that from the public purse. Despite recent success, funding from the private sector in many areas remains a relatively small proportion of university income.[14] Moreover, commercially-funded research in many cases continues to be funded at less than the full economic costs[15], contributing to an overall shortfall and backlog of investment in research.

9.4. Income from the sale or licensing of intellectual property does represent a source of genuine additional and non-hypothecated income for universities. Yet it currently constitutes only a very small proportion of total income (on average just a quarter of 1%).[16] Successful commercialisation of research can take many years, is unpredictable, and cannot be relied upon to provide regular income to universities.[17] More importantly there is a danger that undue focus on income from this source could jeopardise the sector's wider mission to generate and disseminate new knowledge. Engagement with business will clearly become more and more important to universities as they seek to secure a more sustainable balance of public and private income sources in the future, but it is by no means a panacea to their current funding shortfall.

9.5. Income from fees paid by overseas students has become an increasingly important revenue source in recent years, making up, on average, 8% of total income to Russell Group institutions. Universities have also sought to internationalise their educational activities by expanding international provision and engaging in trans-national education, with some establishing international campuses. Although the recruitment of international students has provided an important income stream for Russell Group institutions, it by no means represents an inexhaustible source of future revenue. While income from this source may grow in the short term, overall growth in international students is unlikely to be sustained in the longer term, as other countries such as India and China invest in developing their own higher education sectors rather than in educating their students abroad. Growth in overseas student numbers therefore cannot be relied upon as a sustainable solution to the future funding of universities.

10. The future of Government funding for HEIs

10.1. The Coalition Government's future policies for the funding of higher education must take full account of the enormous benefits that universities generate for students, employers and the national economy.

<u>Research and innovation funding</u>

10.2. To ensure that the country benefits from sustained, long-term investment in curiosity-driven research, it is essential that universities receive adequate public funding to support such research.[18]

10.3. It is also essential that research funding is concentrated to support world-class universities. Both QR and Research Council funding need to be focused on rewarding excellence, and to support of a multidisciplinary approach to research, to enable the critical mass of expertise across disciplines to be efficiently mobilised. Funding should

[14] Funding from the private sector constitutes an average of 2.8% of total income within Russell Group universities (Source: HESA Finance 2007-08; Finance Returns – Income Analysed by Source)
[15] See RCUK/UUK *Review of the Impact of Full Economic Costing on the UK HE Sector* (April 2009), section 8.2
[16] Source: HESA Finance 2007-08; Finance Returns – Income Analysed by Source
[17] For more information about universities' collaborations with business, and the commercialisation of research, see: The Russell Group, *The economic impact of research conducted in Russell Group universities* (March 2010).
[18] The Russell Group, *The economic impact of research conducted in Russell Group universities* (March 2010).

ensure that the next generation of researchers receives world-class training and support. Resources should be directed towards those institutions most capable of delivering excellent provision, to maximise the UK's competitiveness in the global market. This view was shared by the 2010 review of postgraduate education, where Professor Adrian Smith recommended that to get best value from public investment in postgraduate research degrees, funding should be targeted in areas of excellence.

10.4. It far more efficient and effective to build the capacity of major centres of both research and knowledge transfer activity. Smaller and less research-intensive institutions should be encouraged to access the expertise within the larger universities, rather than building their own capacity and expertise with few economies of scale. Therefore funding for knowledge transfer and exchange should be concentrated to support world-class universities collaborate with industry and the public sector, both domestically as well as internationally.

Funding to support undergraduate teaching

10.5. As set out in our submission to Lord Browne's review, a fair system of funding for higher education should involve a balance between public investment, contributions by graduates and some support from business.

10.6. In addition to increased contributions from graduates, there remains a strong case for direct public funding for teaching in universities, to ensure that higher education delivers maximum benefits to the wider economy and society, as well as to individual students themselves.

10.7. Given the very significant reduction in public funding directly to universities, the Government will need to make sure remaining funding from HEFCE is targeted towards the most important priorities, for example:

- Given the upper fee cap of £9,000 for full-time Home/EU undergraduates, it will be essential for universities to be able to access public funding to cover the costs of higher-cost provision STEM provision where the maximum fee will not cover the full costs of teaching.

10.8. Given the relatively high level of public subsidy available to students through the new student support system, it is very likely that the Government will want to continue to limit the total number of Home/EU students in the sector (including all students with access to Government student loans). The only alternative – reducing the amount of fee income and/or HEFCE funding available to universities would pose a serious threat to the quality of teaching at our leading universities. Maintaining the quality of the student experience and the reputation of UK degrees must be a greater priority than expanding the number of places.

10.9. The Government has said that it wishes to increase competition between institutions within the higher education sector, and to increase the influence of student choice. We would support this aspiration. However, it will be important that any policies designed to achieve this support the expansion of degree programmes which are best able to demonstrate high quality teaching, and high levels of student demand from well-qualified applicants. Government policy should not simply encourage the growth of courses likely to charge the lowest fees.

Funding for postgraduate study

10.10. We welcome the decision by the Coalition to ask Sir Adrian Smith to revisit his report on postgraduate education, in the light of recent developments. We are concerned that the new fees regime for undergraduate study may have a negative impact on the propensity for Home/EU students to pursue postgraduate study in the future, particularly given that most postgraduate students are required to pay tuition fees upfront, and do not have access to the student support system. Moreover, if HEFCE funding to universities for high-cost postgraduate taught courses cannot be maintained from 2012, there will be serious questions about the financial sustainability of some of these very valuable courses in STEM subjects.

11. Conclusion

11.1. The UK can be justly proud of its higher education sector which, at the current time, comes second only to the US. There are major challenges ahead for UK higher education, with significant questions of policy still to be resolved, in Westminster, and in the devolved administrations. But concluding this period of reform successfully is important not just for universities themselves: perhaps more importantly these debates are crucial for students, for employers, and for the future growth of our national economy, which all depend upon the success of UK higher education to realise their full potential. A key strength of UK higher education is the quality of its leading research-intensive universities. Securing their financial sustainability is vital to secure their international competitiveness.

March 2011