

## Education and Life-Long Learning Committee

### Universities UK

#### **Summary of the Final Report from the Funding Options Review Group: *New directions for higher education funding***

The Funding Options Review Group, chaired by Sir William Taylor, was established in March 2000 in the wake of David Blunkett's comments, at the time of his University of Greenwich speech, calling for a rigorous debate on the future funding of higher education. The then CVCP brought forward its intention to pursue this issue so as to lead the debate.

The Review Group's terms of reference were:

Stage 1: to specify the sector's funding requirement and to identify  
options for how that might be met;

Stage 2: to assess the strengths and weaknesses of each option.

It was not seen as the Group's task to advocate the adoption of one or more options as Universities UK policy. Instead the Review was to inform the development by Universities UK of principles for the future funding of higher education as a basis for lobbying in the build up to the General Election and early discussion with the incoming Government.

Reports were made to the September and December main Committee meetings of the then CVCP. These concluded stage 1 and provided the basis for stage 2 of the Review.

The Final Report from the Funding Options Review Group, *New directions for higher education funding*, was published on 23 February 2001.

The Final Report gives the rationale for the Review, examines the requirement for increased funding for teaching and learning, taking into account independent analysis from London Economics and the impact of the outcome of SR2000, and identifies the sources for increased funding. It then gives four funding options which could meet the funding requirement. The strengths and weaknesses of these are assessed against a range of criteria. Other options identified during the Review are given similar treatment in an Annex to the main report.

The main conclusions of the report are as follows:

- i. The Review is timely because of :
  - the widespread conviction within Universities UK that current levels of funding for teaching and learning, from all sources, are insufficient to enable universities to meet society's aspirations for maintained and enhanced quality, success in the global market, and a socially inclusive system;
  - concern that despite recent welcome funding decisions by the Government more funds are needed to address the significant damage that has been done by many years of under-funded expansion and to meet future priorities for the sector;
  - the insufficient political and public attention paid to what is happening;
  - concern that too little funding will come to higher education institutions in the form of per capita funding for teaching and learning to give confidence that underlying weaknesses can be addressed. (section 1)
- i. There are significant benefits to individuals and society from investing in higher education. A key benefit is the contribution of a highly qualified workforce to the UK's competitiveness, though, after excluding research expenditure, the UK's level of investment per student is low compared to its principal competitors. There are also wider social benefits which, though difficult to quantify, suggest a broader conception of what influences economic performance and of the purposes of education beyond the instrumental. (Section 2)
- ii. The Government's own objectives for higher education – in research and teaching excellence, social inclusiveness, and success in the market place for higher education – all incur specific additional costs which cannot be achieved simply by diverting and reallocating money within a diminishing or level total. (Section 4)
- iii. The amount of funding per student is critical. The cumulative effect of the cuts that universities have had to make (38 per cent in real terms in funding per student since 1989, following a 20 per cent decrease between 1976 and 1989) has given rise to real concerns about the continued reputation for quality of the UK's higher education system. The impact of this fall has been exacerbated because a significant proportion of funding is tied to specific initiatives. (Section 4)
- iv. Taking into account the recent increase in funding, there is a continuing **minimum** additional funding requirement above the SR2000 baseline at 2000-01 prices for teaching and learning of £620 million per annum (including the outstanding funding for teaching infrastructure). This takes no account of the further costs of meeting the requirements of the Disability Discrimination Act or the costs of expansion beyond those already provided for in SR2000. If the

statutory requirement to ensure equal pay for work of equal value is included the total increases to £900 million per annum. (Section 4)

- v. These funds are needed to maintain funding per student in real terms at 2000-2001 levels, make selective improvements in pay and conditions to recruit and retain staff, enhance staff development, improve the funding premium for disadvantaged students, and meet the need identified in the Transparency Review to put right the shortfall in investment in the infrastructure. (Section 4)
- vi. The key sources of additional funding are: public funding through increased block grants to institutions; increased upfront fees; graduate contributions; endowments; and voluntary contributions from alumni, employers and other benefactors. (Section 5)
- vii. This simplified classification of sources provides a basis for identifying funding options. The report identifies the following four options selected with the cost of the Government's aspirations for the sector in mind. (Section 6)
  - Increased public funding;
  - Market fees;
  - Graduate income contingent contributions;
  - Institutional endowment.
- i. The report identifies eight criteria against which the options can be assessed. All are relevant to a properly informed decision about future funding strategy but, as agreed by the Committee at its September 2000 meeting, the most important are: additional funding for teaching and learning; the quality of the student experience; and social inclusion. (Section 7)
- ii. It was not the Group's task to advocate a preferred option. Any of the options is capable of meeting the funding requirement by setting appropriate levels of public support and of upfront and deferred fee contributions from students and their families or from graduates (Section 9)
- iii. It is hoped that the Group's work will contribute to a wider understanding of the continuing investment needs of maintaining the UK at the forefront in international competition. This is essential to the existence of a well-founded, confident, dynamic and diverse system of universities and colleges in the United Kingdom. (Section 9)

