Universities and constitutional change in the UK: the impact of devolution on the higher education sector

by

Tony Bruce

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**1 Introduction**

1. This report aims to address two principal questions: the extent to which the devolved countries are developing their own distinctive systems of higher education, and the impact of devolution on the performance of these systems since 1999[[1]](#footnote-1). It will analyse the different higher education strategies of the devolved governments and the principles on which they are based. It will assess the degree of policy divergence that has emerged through an analysis of several different dimensions of higher education (including the funding of teaching, research funding and assessment, governance and quality assurance), and consider how this might evolve in the light of recent political changes and policy reviews. It also considers the implications of these policy developments for higher education in England and for the operation of the UK student market, which until 1999 was underpinned by the UK-wide provision of student support and a single full-time undergraduate fee.
2. There is inevitably a significant degree of entanglement between the devolved administrations and the UK government because of the size of the English higher education sector compared with the others, the impact of UK policies and institutions and the fact that research council funding and policies are reserved to Westminster. The report will also consider how the devolved administrations’ involvement in the UK-wide and international student markets and their need to maintain research competitiveness have affected their policy choices. It is timely to examine these issues at a point when all four higher education systems have been under fundamental review and when the political composition of the devolved governments has changed, most notably in Scotland where in 2011 the Scottish National Party (SNP) became the first party to win a majority since devolution in 1999. A summary of the main characteristics of the higher education systems of the four UK countries is provided in Annex 1.
3. The report begins by analysing the process of devolving legislative and executive powers, including those relating to higher education, that began in 1999 and still continues. It then considers the mechanisms for funding the devolved administrations. Although responsibility for higher education is now fully devolved, the three countries remain part of a UK-wide higher education system and the report examines the opportunities and challenges that this produces, particularly in Wales which has the greatest exposure to the UK student market. The report then considers how the devolved countries have exercised their newly acquired powers in several key policy areas, including funding, quality, research policy, governance and structure.

**The devolution process**

1. The main aim of the devolution of legislative powers to Scotland, Wales and Northern Ireland in 1999 was the preservation of the United Kingdom as a unitary state by responding to pressures for self-government, which intensified from the late 1980s. The intention was to preserve the status quo by accommodating change but the devolution process seems to have had the effect of intensifying demands for further constitutional change. In September 1997 referenda were held in Scotland and Wales and a majority of voters chose to establish a Scottish Parliament and a National Assembly for Wales. In Northern Ireland devolution was a key part of the Good Friday Agreement, 10 April 1998, which was supported by voters in a referendum that was held in May 1998. (Plans to create regional assemblies in England were abandoned when a referendum in the north-east decisively rejected the idea in 2004.)
2. Following this public endorsement Parliament passed three devolution Acts: the Scotland Act 1998, the Northern Ireland Act 1998 and the Government of Wales Act 1998 (which was later superseded by the Government of Wales Act 2006). These acts established the three devolved legislatures which were given some of the powers previously held by the Westminster Parliament. These powers initially varied between Scotland, Wales and Northern Ireland although subsequent changes mean that the differences between them have been substantially reduced although not entirely eliminated. An important example is social security, which is a devolved matter in Northern Ireland but not in Great Britain where it remains the responsibility of the UK government. The territorial Secretaries of State and their departments have been retained by the UK government and play an essential role in managing day to day relations between Westminster and the devolved administrations. The report now discusses the UK legislation that defined the powers of each of the devolved countries.

**Scotland**

1. Although legislative devolution has had a short history, the term ‘administrative devolution’ was applied to the governing arrangements in Scotland from the late eighteenth century. The Scottish Office, which was established in the late nineteenth century, developed a wide administrative remit which included higher education. The Scottish Office Education Department had responsibility for the central institutions (the equivalent of the polytechnics in England and Wales) as well as schools, although the funding of Scottish universities was a UK responsibility between 1919 and 1992 under the University Grants Committee (UGC) and then the Universities Funding Council (UFC).
2. Administrative devolution was extended by the Further and Higher Education Act 1992 which abolished the binary line and (as a consequence) established territorial funding councils for England, Scotland and Wales in succession to the UFC. The Scottish Higher Education Funding Council (SHEFC), which funded all higher education institutions in Scotland, was responsible to the Scottish Office which had ultimate responsibility for higher education matters in Scotland before 1999. At the time of the funding council’s creation Scottish higher education had a number of distinctive features - four year degrees, higher participation rates among young people and a more significant role for further education colleges in providing higher education – but in other respects was little different to the English system.
3. Under the Scotland Act 1998 administrative and legislative responsibility for Scottish higher education was transferred to the Scottish Parliament. The Parliament can legislate in all matters except those expressly reserved to Westminster. The list of reserved matters includes the research councils and social security, which provides financial support to some students. This aspect of the social security system was criticised by the Commission on Scottish Devolution (2008/09), led by Sir Kenneth Calman, ‘as difficult to understand, unresponsive and not necessarily aligned to other forms of support for students[[2]](#footnote-2). Other reserved matters include defence and foreign affairs, the economy, employment law and broadcasting. Devolved matters consist of anything that is not reserved – including health, education, housing, education and policing. Legislative devolution was accompanied by executive devolution to the Scottish government.
4. The Scottish devolution settlement has been subject to little change since 1999 although since 2007 a process of constitutional reform has been underway. A new Scotland Bill, which follows closely the final recommendations of the Scottish devolution commission[[3]](#footnote-3), is currently being considered by the Westminster Parliament. If passed, the legislation will transfer revenue raising powers to the Scottish Parliament. It includes the proposal that the UK government should cut income tax rates in Scotland by 10p (on the basic and higher rates) and reduce the block grant by a corresponding amount, thus requiring the Scottish Parliament to make a tax decision (i.e. whether to restore the 10p or to set a Scottish rate that is higher or lower than the rate in the rest of the UK). The impact of these changes on future public expenditure levels in Scotland – including the funding of higher education – is uncertain but the Scottish Parliament has always had the power to vary the rate of income tax by 3p in the pound although the so-called ‘tartan tax’ has never been used.

**Wales**

1. Ron Davies, architect of Welsh devolution and a former Secretary of State for Wales, asserted, in 1999, that ‘devolution is a process and not an event’ and this comment was particularly apposite in Wales where the settlement implemented as a consequence of the Government of Wales Act 1998 was not the final one, with more powers accruing to the Assembly over time. The Assembly established in 1999 was a body corporate with executive as well as legislative and scrutiny responsibilities. While most of the executive functions were delegated to Ministers, subject committees – with the relevant Minister as a member – also played a significant role in policy development although in this first phase the Assembly had no powers to initiate primary legislation. The Higher Education Funding Council for Wales (HEFCW), created in 1993, was transferred from the Welsh Office to the Assembly in 1999 but responsibility for student fees and finance did not follow until 2006, following the passage of the Higher Education Act 2004. In the first period of devolved government steps were taken to clarify the relationship between the Assembly’s legislative and executive arms. In 2002 the Assembly decided to create a de facto separation between the two arms, with the title Welsh Assembly Government being adopted.
2. The Government of Wales Act 2006 provided for the formal separation of the executive and the assembly. It replaced the corporate body with a new national assembly for Wales and a separate executive - the Welsh Assembly Government (now the Welsh government). Under the 2006 Act, the National Assembly could acquire legislative powers relating to specific matters in twenty broad devolved areas (fields) for which the Assembly Government already had executive powers. They ranged from agriculture to Welsh language, and education, including higher education, was one of these fields. These powers could be obtained by an Act of Parliament or by a legislative competence order which also required approval by Westminster. Once legislative competence had been conferred on the Welsh Assembly as a matter in one of the fields, it was able to pass measures without reference to the UK Parliament.
3. As a result of this change the Assembly was potentially able to acquire primary legislative powers in the field of higher education to accompany the executive powers that had been devolved since 1999. However, this extension of power had not been realised by the time a referendum on Wales’ legislative powers was held early in 2011. As a result of a ‘yes’ vote in the referendum the Assembly is now able to pass laws on all subjects in the 20 devolved areas, including higher education, without first needing the agreement of the UK Parliament.

**Northern Ireland**

1. Devolution in Northern Ireland has had a long and complex history. Higher education in Ireland was a UK responsibility under the University Grants Committee from 1919-22 but responsibility for Queen’s University Belfast was transferred to the Northern Ireland government on the partition of Ireland in 1922. During the first period of direct rule (1972-99) the Northern Ireland Office had ultimate responsibility for higher education policy. Under the terms of the Good Friday agreement, 1998, an Assembly and Executive were to be created with full legislative powers on most economic and social matters, including higher education. The devolution settlement, which was provided for in the Northern Ireland Act 1988, divided subjects into three different categories of legislative competence – ‘excepted’, ‘reserved’, and ‘transferred’. The Act defines the areas that have not been transferred and the assumption is that anything that is not so defined is the responsibility of the devolved assembly and executive.
2. ‘Excepted’ matters are ones of national importance that remain the responsibility of the UK government and Westminster. ‘Reserved’ matters are those UK-wide issues on which the Assembly can legislate only with the formal consent of the Secretary of State. Policing and criminal justice were moved into the ‘transferred’ field in 2010. Intellectual property remains a reserved matter. Transferred matters include anything that does not fall into the ‘excepted’ or ‘reserved’ categories and here the Assembly has full legislative competence without reference to Westminster. Education (including higher education) is one of the transferred matters for which the Northern Ireland Executive and Assembly have devolved responsibility. Under the devolved government, higher education is the direct responsibility of a devolved department – the Department for Employment and Learning (DELNI) – rather than a funding council. Devolution was implemented in 1999 but has since been suspended on four occasions (the longest suspension being from October 2002 to May 2007) when Northern Ireland Office ministers assumed responsibility for departmental functions in Belfast including higher education. Since May 2007 devolution has operated without interruption in Northern Ireland.

**Intergovernmental relations in the UK**

1. In 1999 the UK government and the devolved administrations agreed a memorandum of understanding setting out the principles that should underlie relations between them. The memorandum (which was revised in June 2011[[4]](#footnote-4)) covers communication, consultation, the exchange of information and other matters. It was supplemented by an agreement providing for a joint ministerial committee (JMC), consisting of representatives of all four governments, which was intended to meet annually in order to consider issues arising from devolved policies, the interaction between devolved policies and any disputes that may have arisen. The JMC meets in plenary, domestic and European formats. The latest plenary meeting was held in June 2011 following the recent general elections but the JMC has not met regularly and for long periods there was no body that could actively manage intergovernmental relations.
2. Part of the explanation for the gap may lie in the fact that until 2007 intergovernmental relations were facilitated by the presence of Labour administrations (or Labour-dominated coalitions) in Scotland, Wales and the UK government. That political consensus - and the informal networks on which it was based - has now ended and this may explain why the formal coordination machinery has recently been revived. There is a director general, devolution, a joint appointment of the Cabinet Office and the Ministry of Justice, who has the task of improving the coordination of devolution matters. At operational level each department in Whitehall has a devolution coordinator, who leads on devolution in that department.
3. However, there is no real evidence that the revived formal machinery has facilitated the effective coordination of higher education policy and the judgement of an earlier report is still valid in the light of recent experience in adopting the new fees regime from 2012: ‘the UK government’s policymaking process often considers devolved concerns late, or not at all, and remains undeveloped’[[5]](#footnote-5). This conclusion does not, however, apply to links between the higher education funding councils (or with the Department for Employment and Learning in Northern Ireland) where there are long established arrangements for coordination and liaison.

**Financing devolution**

1. Under devolution the UK Parliament remains sovereign and retains the power to amend the devolution Acts or to legislate on any matter that has been devolved. However, by convention (the Sewel convention) it will not normally legislate on a devolved matter without the consent of the devolved legislature. Funding for the devolved countries, which is determined by the Barnett formula, reflects the continuation of long-standing arrangements that existed well before devolution in 1999. The devolved administrations’ block grants are determined alongside the budgets for Whitehall departments as part of the UK government’s spending review process: the Westminster Parliament votes the necessary provision to the territorial Secretaries of State and their departments make payments to the devolved administrations. These block grants are contained within Departmental Expenditure Limits and they may be allocated by the devolved administrations according to their own priorities without reference to the Barnett formula calculations. Changes to these grants are generally determined by the Barnett formula which has been applied by the UK government since 1978[[6]](#footnote-6). The formula is based on historical spending patterns rather than any assessment of differing levels of need in the devolved countries. Under the formula Scotland, Wales and Northern Ireland receive a population-based proportion of the changes in planned spending on comparable UK government services in England. In the spending review in 2010 the annual mid-year population estimates published by the Office for National Statistics (ONS) for that year were used. Table 1 below provides the figures for 2010 and earlier years.

Table 1 Office for National Statistics mid-year population estimates, 1996-2010

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Population as percentage of the population of England | 1996 | 1999 | 2001 | 2003 | 2007 | 2010 |
| Wales |  5.95% |  5.93% |  5.89% |  5.89% |  5.84% |  5.79% |
| Scotland | 10.45% | 10.34% | 10.23% | 10.20% | 10.08% | 10.03% |
| Northern Ireland |  3.39% |  3.41% |  3.40% |  3.42% |  3.43% |  3.45% |
| Population as percentage of the population of England | 1996 | 1999 | 2001 | 2003 | 2007 | 2010 |
| Wales |  5.95% |  5.93% |  5.89% |  5.89% |  5.84% |  5.79% |
| Scotland | 10.45% | 10.34% | 10.23% | 10.20% | 10.08% | 10.03% |
| Northern Ireland |  3.39% |  3.41% |  3.40% |  3.42% |  3.43% |  3.45% |

Source: Office for National Statistics

1. The comparability of services is assessed at each spending review in order to establish the extent to which services delivered by UK government departments correspond to services provided from the budgets of the devolved administrations. In the 2010 spending review, for example, just over 79 per cent of the services provided by the Department for Business, Innovation and Skills (BIS) corresponded to services provided in Scotland. Funding council grants, student loan subsidies and bad debts are included in this comparability calculation but student fee income is not. A switch in university funding from funding council grant to student fee income in England, as is planned from 2012/13, will therefore result in the funding to the devolved countries, as calculated by the Barnett formula, being reduced.
2. In summary, changes to the grant funding of the devolved administrations are determined by:
* the quantity of the change in planned spending by departments of the UK government;
* the extent to which the relevant UK programme is comparable with the services carried out by each devolved administration; and
* each country’s population proportion.
1. The formula also aims over time to equalize spending per capita across the four countries of the UK and the results of this process, which has been described as the Barnett ‘squeeze’, can be found in Table 2 below.
2. The application of the Barnett formula in the spending review 2010 has produced real terms reductions in the devolved countries’ allocations by 2014/15 of 6.8 per cent for Scotland, 7.5 per cent for Wales and 6.9 per cent for Northern Ireland. The formula is applied to planned expenditure which forms part of the Departmental Expenditure limits. It does not affect Annually Managed Expenditure (AME) which varies from year to year and cannot be planned for a three year period. The issue and repayment of student loans form part of this latter category of expenditure. Also outside the Barnett formula is the UK government’s expenditure on a range of non-devolved functions of which social security is the most important. The devolved administrations may also incur expenditure which is financed locally. These sources include non-domestic rates, the Northern Ireland regional rate, and the (unused) power to levy income tax of 3p in the pound in Scotland.
3. The funding of the devolved administrations has been under review since 2007. In Northern Ireland, devolving the power to set the rate of corporation tax is under consideration. As mentioned above, the Scotland Bill provides a new tax raising power in the light of the recommendations of the Calman commission. The Barnett formula has been widely criticised, particularly in Wales, which many regard as being underfunded. In 2010 the Independent Commission on Funding and Finance for Wales, chaired by Gerald Hotham, proposed immediate changes to the block grant element of the Welsh budget, and called for the devolution of tax-varying and borrowing powers to Wales in the medium term[[7]](#footnote-7). It argued the case for scrapping the Barnett formula and for funding to be allocated to the UK's devolved administrations on the basis of need. The Commission set out a possible needs-based formula, derived from actual spending allocations made across Great Britain, in order to show how this approach could be put into practice. In the meantime it argued for the introduction of a ‘floor’ in the funding formula for Wales, which would stabilise budgets in the short term, as an urgent priority unless wider reform could be agreed.
4. The Hotham Committee’s concerns are reflected in Table 2 which confirms the unequal distribution of public expenditure across the four UK countries since 2005/06. It indicates that Northern Ireland and Scotland have consistently received more public funding than either Wales or England. However, the process of equalising spending per capita means that Scotland has experienced the greatest relative decline in funding levels compared with England since 2005/06.

Table 2: Total public expenditure on services by UK country, 2005/06 to 2009/10

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | £ per head |  |  |  |  |  | UK expenditure = 100 |  |  |  |  |
|  | 2005/06 | 2006/07 | 2007/08 |  2008/09 |  2009/10 |  | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| England |  £6,791 |  £7,051 |  £7,440 |  £7,959 |  £8,531 |  |  97 |  97 |  97 |  97 |  97 |
| Wales |  £7,878 |  £8,288  |  £8,582 |  £9,128 |  £9,709 |  |  112 |  113 |  112 |  111 |  111 |
| Scotland |  £8,227 |  £8,569 |  £9,035 |  £9,411 |  £9,940 |  |  117 |  118 |  117 |  115 |  113 |
| Northern Ireland |  £8,716 |  £8,966 |  £9,536 |  £10,046 |  £10,564 |  |  124 |  123 |  124 |  123 |  121 |
| UK |  £7,021 |  £7,292 |  £7,691 |  £8,199 |  £8,766 |  |  100 |  100 |  100 |  100 |  100 |

Source: HM Treasury, *Public expenditure statistical analysis 2011*

1. In October 2011 the UK government announced the appointment of a Commission on Welsh devolution which will review – along the lines of the Calman commission in Scotland - the case for the devolution of fiscal powers to the National Assembly and recommend a package of powers that would improve its financial accountability. It is also charged with reviewing the powers of the Assembly in the light of experience. Unlike the Calman Commission, which reported to both the Scottish Parliament and the UK government, the new commission will only report to the UK government. The Commission includes the former Vice-Chancellor of a Welsh university among its membership.

**Devolution and higher education**

1. Now that the Welsh Assembly is able to pass laws without reference to Westminster the three devolved countries all have similar legislative powers enabling them to reshape their higher education systems according to perceived national priorities. However, higher education institutions are strongly influenced by the wider UK and international market in which they operate for the recruitment of staff and students and the funding of research. In many respects, UK higher education remains a single market for students, staff and resources although the importance of the wider student market varies significantly between the four countries. As a result, institutions have consistently pressed the case for the devolved governments to take the wider market fully into account in developing national higher education policies.
2. As part of a wider market, the devolved countries participate in UK quality assurance systems (with national variations), student admission arrangements, pay bargaining, pensions provision, and data collection. Although nearly all Vice-Chancellors are in membership of Universities UK, this unifying influence needs to be balanced by the increasingly important national roles played by Universities Scotland and Higher Education Wales. The need to compete successfully for international students is a pressure for policy convergence as is participation in the Bologna process. With the creation of the European Higher Education Area in 2010[[8]](#footnote-8), the reforms of the Bologna process continue with aim of ensuring more comparable, compatible and coherent systems of higher education among the 47 participating European countries.
3. The UK-wide assessment and funding of research is another important external influence on how the devolved countries organise in order to compete more successfully: funding through the research councils remains a non-devolved function and all four countries also allocate their own research funds based on quality ratings generated by voluntary participation in the UK research assessment exercise.
4. As well as the constraints arising from their involvement in this wider market, the devolved administrations are faced with a number of common pressures affecting the direction of their higher education systems:
* The dominance of England (with 84 per cent of total student numbers and the same percentage of total higher education income in 2009/10) means that policy changes introduced there, particularly in relation to fees and funding, will inevitably demand a response from the devolved countries because of their effect on cross-border student flows and other impacts.
* Demographic decline: recent projections have indicated that the 18 year old population will decline over the next ten years but with Scotland, Wales and Northern Ireland being much more significantly affected than England. In Northern Ireland, for example, the estimated decline in traditional entrants is as much as 15 per cent by 2020.
* Public expenditure reductions: the financial health of the sector will be affected by the decline in its traditional 18-year-old ‘market’ as well as by the cuts in the devolved administrations’ budgets as a result of the UK government’s austerity programme and the switch to student based funding in England.
* Research income: competition for UK research funds is likely to intensify as a result of the real terms funding reductions announced for the period to 2014/15, leading to yet greater pressures for improved research performance and selectivity.
* Economic development: the need to improve the performance of the devolved economies is a major priority for these governments. The proportion of employees with higher level skills will need to be increased and the role of higher education in the economy needs to be enhanced.
* National identity: the devolved governments in Scotland and Wales have given priority to the role of the state in promoting national identity, economic self-determination and cultural awareness, with higher education being expected to play a significant part in this process.
1. The next sections will consider how these conflicting pressures are reflected in national policy statements and in a number of specific policy areas including the governance and structure of the sector, the funding of teaching and research, and quality assurance.

**Summary**

1. This report considers whether the process of devolution has encouraged the development of more distinctive higher education policies in Scotland, Wales and Northern Ireland since 1999. The main aim of the devolution of legislative powers was the preservation of the United Kingdom by responding to pressures for self-government, which intensified from the late 1980s. The Scotland Act 1998, the Northern Ireland Act 1998 and the Government of Wales Act 1998 (which was later superseded by the Government of Wales Act 2006) established the three devolved legislatures which were given some of the powers previously held by the UK Parliament. These powers initially varied between the countries although subsequent changes mean that the differences between them have been substantially reduced if not entirely eliminated. As a result of this legislation, administrative and legislative responsibility for higher education was transferred to the devolved countries although the research councils remain as a UK-wide responsibility.
2. Despite the adoption of formal coordination arrangements between the four countries from 1999, the UK government’s policymaking process often considers devolved concerns late, or not at all, and the appropriate mechanisms have not been fully developed. There are, however, strong links between the higher education funding councils (and with the Department for Employment and Learning in Northern Ireland) where there are long established arrangements for coordination and liaison as well as a significant amount of joint activity.
3. Changes to the UK government’s grants to the devolved countries are generally determined by the Barnett formula which has been applied since 1978. Under the formula, the three countries receive a population-based proportion of the changes in planned spending on comparable UK government services in England. The comparability of services is assessed at each spending review in order to establish the extent to which services delivered by UK government departments correspond to services provided from the budgets of the devolved administrations. Funding council grants, student loan subsidies, and bad debts are included in this comparability calculation but student fee income is not. A switch in university funding from funding council grant to student fee income in England, as is planned from 2012/13, will therefore result in the funding to the devolved countries provided by the Barnett formula being reduced.
4. The three devolved countries now all have similar legislative powers enabling them to reshape their higher education systems according to their own national priorities. However, in shaping these priorities they are strongly influenced by the wider UK and international market in which they operate for the recruitment of staff and students and the funding of research. In many respects, UK higher education remains a single market for students, staff and resources. As well as the constraints arising from their involvement in this wider market, the devolved administrations face a number of common pressures affecting the direction of their higher education systems, including the dominance of England; demographic decline; public expenditure reductions, increased competition for UK research funds; the need to improve economic performance; and the promotion of national identity, economic self-determination and cultural awareness.

**2 Diverging national higher education strategies**

**Introduction**

1. Reviews of higher education have been in progress in all three devolved countries since 2008 and are at different stages of completion. (A list of the principal higher education reviews undertaken in the UK since 1999 is attached as Annex 2.) In Scotland, a White Paper on higher education was published in September 2011 and legislation is expected in the latter part of 2012. Institutional governance in Scotland has been under separate review. In Wales, plans for the reconfiguration of the sector are being progressed and governance arrangements have also been under review. In Northern Ireland a higher education strategy is being prepared following a public consultation in 2011.
2. In contrast to the rest of the UK, higher education in England has made a decisive shift in favour of a demand-led, market based system with the changes announced in the higher education White Paper in 2011. Change will be generated by competition although this will largely be driven by a state-directed process to redistribute student numbers rather than by a market. The reforms being proposed by the devolved administrations will tend to reinforce the role of the state in driving change and this is likely to mean further divergence from the English model.

**Scotland**

1. Higher education policy in Scotland has been developed through a series of enquiries, reports and consultations dating back to 1999. These have built on the distinctive features of Scottish education and the policy choices made during the long period of administrative devolution prior to 1999. The following are among the most important features of the higher education system that developed after 1999[[9]](#footnote-9):
* a less market-oriented approach to higher education (as with Wales and Northern Ireland) than has been evident in England.
* a reliance on the public funding of higher education and a rejection of the principle of a student contribution in the form of an upfront fee. Up-front tuition fees were abolished in 2001 and replaced by a graduate endowment which was paid as a loan or a lump sum. The endowment was abolished as from April 2008.
* a focus on lifelong learning with a more integrated approach to the post-16 sector being adopted, partly reflecting the fact that Scottish further education colleges have a higher proportion of higher education students than those in the rest of the UK. In 2005 this led to the creation of a single Scottish Funding Council (SFC) for both sectors.
* the high priority given to widening access to higher education which has led to a wide range of initiatives to encourage participation – through enhanced student support, improved location of courses and more developed links between higher education and further education provision.
* Less selectivity in research funding until recently although improving research performance has been a priority, primarily by developing collaborative research pools in a range of disciplines.
* A much greater focus on enhancement in the quality assurance process than was evident in other parts of the UK
1. Since the Scottish National Party (SNP) won the election in 2007, the future of higher education has been under almost continuous review, with the aim of developing a ‘unique Scottish solution’ for the funding of the sector. In late 2007, the Scottish government established (with Universities Scotland) a Joint Future Thinking Taskforce on Universities.  Its report, *New horizons[[10]](#footnote-10)*, set out a context for the future development of the sector and provided the foundations for the subsequent government review which was initiated in 2010. An options paper was published in December 2010 and a public consultation followed[[11]](#footnote-11).
2. The results of the consultation were taken into account in preparing a White Paper on higher education which was published in September 2011[[12]](#footnote-12). The paper describes the government’s vision for post-16 education which ‘plays a central role in improving people’s life chances, delivering the best outcomes for learners, which supports and develops a world class research capacity and which maximises its contribution to sustainable economic growth in Scotland’. Although there is a strong emphasis on the economic role of higher education, priority is also given to it as a ‘civilising force’ which has had ‘a major influence on creating the country and society we are today’. According to a ministerial statement, ‘our approach is to follow our own path’ and the paper rejects any shift in the responsibility for the funding of higher education from the state to the student.
3. The White Paper proposals include:
* reaffirming the established position that the sector should be funded by the state rather than by Scottish domiciled students (although students from the rest of the UK will be liable to annual fees of up to £9,000 at Scottish institutions from 2012/13).
* formula funding will be replaced by a more strategic approach to funding for teaching so that it facilitates the implementation of government plans for the reform of the sector. Strategic incentives are to be offered to providers to deliver government priorities, including ‘a much sharper focus on provision of strategic economic importance’. New funding models for universities that are strongly regional in character may be adopted (with similar proposals being made for the further education sector).
* a post-16 education system in which the different parts are connected so that learners easily move between them with the aim being ‘to drive forward our economy at home and abroad’. This includes integrating the planning of the curriculum and widening the number of students with the qualifications necessary to progress to university. It also means removing the barriers to progression with greater use being made of the Scottish Credit and Qualifications Framework (SCQF). A statutory framework guaranteeing articulation between college and university may be created. Under the government’s plans all 16-19 year olds will have a place in post-16 education and training.
* using a catchphrase also adopted in England in very different circumstances, learners in Scotland will be at ‘the heart of the system’ and will be able easily to access and navigate post-16 learning. They should be in a position to take informed decisions in the knowledge of their future labour market opportunities, and the availability of good quality information is crucial. Students should have a strong voice in shaping their experience of university or college and this should be underpinned by ‘student partnership agreements’ between institutions and their student bodies. A better learner journey includes making further progress in giving university graduates the best possible skills for employment.
* giving increased priority to widening access where progress since devolution has been limited. While the government recognises that the key to widening access lies in transforming the life chances of children and their families, universities will be required to broaden their approach to the selection of prospective students. A statutory duty may be imposed on universities requiring them to seek out those with the greatest potential who would be identified by their qualifications and situation. Institutions will also need to conclude an outcome agreement with the Scottish Funding Council that will cover widening access and several other requirements. These are likely to include research quality, knowledge exchange and graduate employability.
* maintaining Scotland’s position in university research ‘by making a real step change in our approach’. In a reversal of earlier policies, the main change will be to increase the concentration of research funding in a smaller number of universities and align university research to national priorities. The collaborative research pools will be strengthened in order to maximize funding from external sources. A single national knowledge exchange office will be created in order to facilitate business access to university research.
* ‘fair and affordable’ student support arrangements which include a commitment to moving towards a £7,000 minimum income for Scottish full-time higher education students and a review of part-time funding for students and institutions.
* a restructuring of the post-16 sector through greater collaboration or merger. The

government believes that there is ‘too much duplication and unnecessary competition between colleges and regional universities’ and that some consolidation of the university sector is needed. The current structure ‘is not encouraging the sectors to make the rapid changes that we think are needed’ and, according to the government, responsibility for it can no longer be left in the hands of the universities. It is proposed that the funding council should be given a power to review the number and pattern of institutions and that Scottish ministers should have the power to require governing bodies to work with the council to implement recommendations arising from the review.

* In the government’s view there is insufficient emphasis on outcomes – as opposed to input measures – in the national arrangements for performance management.
1. The need for governance reform was the subject of an independent review,[[13]](#footnote-13) completed early in 2012, which sought to address concerns expressed by Ministers about whether universities delivered the right level of transparency and democratic accountability. No timescale has been announced for the implementation of the review’s recommendations, which are discussed below.

**Wales**

1. During the period of administrative devolution before 1999 there was little sign of a distinctive Welsh approach to higher education being developed. However, the first Welsh government sought to address this with the publication of *Reaching Higher* in 2002[[14]](#footnote-14) and two successive reviews of student finance and funding[[15]](#footnote-15). One of the key goals to emerge during this period was ‘providing opportunities for all through lifelong learning’.
2. During this initial period of devolution several continuing themes emerged[[16]](#footnote-16):
* the rejection of market based solutions in the provision of higher education which is seen as another public service rather than as being part of the private sector.
* political support for the reconfiguration of Welsh institutions: successive Ministers have argued that the sector has too many institutions which are too small and this has resulted in the sector’s under-performance.
* the priority given to Welsh domiciled students studying in Wales. During the period 2007/10 these students received a fee grant which meant that the cost of their higher education was lower than that of other UK students studying in Wales.
* greater financial support for poorer students than for comparable students in England.
* less selectivity in research funding than in England (a policy that has now been abandoned).
* protection of the national cultural heritage including the increased use of the Welsh language as a medium for teaching in higher education.
* concern about the funding gap – the difference between the funding levels of Welsh and English institutions.
1. More recently, in 2008, the Welsh government commissioned a review[[17]](#footnote-17) which set the scene for a new national higher education strategy. The review report raised major concerns about the sector’s performance and concluded that it ‘casts an insufficient shadow on the world scene’. It argued that ‘higher education needs explicitly to be repositioned in our national priorities from now on. It has to become central to the task of creating thriving and enquiring communities in a prosperous and culturally alive Wales, and the higher education sector itself must rise to that challenge with imagination and dedication’.
2. The review’s conclusions provided the basis for the current strategy, *For Our Future,* published in 2009[[18]](#footnote-18), which is notable both for its vision of the crucial importance of higher education to ‘our well being as a society and our prosperity’ and for the political dissatisfaction it expresses about the performance of the sector over the previous decade. According to the then Minister ‘higher education needs to change, and change fast’.
3. Accordingly, the government is seeking significant improvements in performance on access, skills development, research and innovation, as well as in the nature of higher education. The ultimate aim is to ensure that higher education ‘transforms lives and livelihoods across Wales’, and the benchmark of its effectiveness will be the contribution it makes to the government’s two fundamental priorities – delivering social justice and supporting a buoyant economy. These objectives will be achieved by the emergence of a new model of higher education which will be underpinned by a national compact providing a clear statement of common purpose and a clarification of the role of the different parties. The intended outcome is clear: ‘a structure of higher education which better meets our expectations through its versatility and its relevance to our national priorities’.
4. The new system, which will include further education colleges as well as higher education institutions, will mean that ‘different providers will have different strengths, and different missions but will work together to complement and enhance their individual strengths and missions’. The joint planning and delivery of provision will be underpinned by funding methodologies. The main features of the new system will include:
* a regional dimension to the planning and delivery of higher education which will provide for the improved identification of regional needs, the creation of more local access points and clearer progression pathways. The hope is that ‘nugatory local competition’ will be eradicated.
* greater flexibility in programme design, duration and delivery to match needs and demand. This will include a stronger focus on shorter accredited programmes ‘which are better tailored to fit around people’s lifestyles and responsibilities’.
* research funding to be targeted on areas of existing strength and national priorities.
* increased availability of study through the medium of Welsh.
* increased emphasis on widening access to higher education.
* strengthening the contribution of higher education to workforce development by supporting shorter learning programmes, bite-sized accreditation and part-time learning opportunities.
1. The Welsh government has adopted a number of measures in order to ensure that progress in implementing the changes is made. It has balanced university autonomy against national need and there has been a significant shift in favour of the latter. This reflects political concern about the sector’s response to the central issue of institutional reconfiguration where little progress has been made, in the government’s view, despite the fact that the issue has been under discussion for more than 20 years.
2. This is one of the reasons that the principle of the block grant based on a funding formula has been abandoned in Wales. The allocation of public funding will be used as the key lever of change in delivering the plan as well as dealing with the effects of the new fees regime. From 2012/13 the residual public funding for teaching to be distributed by the Higher Education Funding Council for Wales (HEFCW) will ‘be steered towards ‘investing to achieve the changes necessary to meet [the government’s] vision and expectations’. A public investment fund will be created and its purpose will be to support, in the public interest, activity within the priorities of the *For Our Future* strategy that a student-led funding system alone would not necessarily deliver. A key objective of the realignment of funding is to ensure that proposals for the further reconfiguration of the sector emerge without delay.
3. Apart from adapting its funding methods to meet the government’s objectives, the remit of HEFCW now includes overseeing the implementation of the new strategy, with an action plan and targets being established in order to measure progress. In a further extension of its planning role, the Minister for Education and Skills asked HEFCW to provide him with advice on the structure of the sector and, in June 2011, it submitted recommendations on the future shape of the sector[[19]](#footnote-19). The future of the funding council has been considered by a governance review which has recommended the creation of a new corporatist structure (a development which is discussed below)[[20]](#footnote-20).

**Northern Ireland**

1. As discussed above, higher education has been a devolved responsibility for far longer in Northern Ireland than in other parts of the UK although it has been interrupted by extended periods of direct rule. For this reason it has been argued that ‘long-standing structural differences have played more of a role [in the development of the higher education sector] than changes in political direction’[[21]](#footnote-21). Until recently debate has focused largely on the issue of tuition fees and student support; other aspects of Northern Ireland’s higher education system including its funding and quality assurance arrangements have largely followed the English model, with the Higher Education Funding Council for England (HEFCE) providing support to the Department for Employment and Learning (DELNI). However, the department is now undertaking a major review which aims to develop a ‘new vision’ for higher education and develop a strategy for the next decade. It will ‘pave the way for the establishment of a distinctive higher education sector: a sector that benefits not only its participants but society as a whole’[[22]](#footnote-22).
2. It is not yet clear to what extent Northern Ireland envisages adopting a distinctive policy approach. The consultation document sees higher education making a key contribution to the Executive’s twin goals of building social justice and economic prosperity. It describes a vision of a sector ‘which is vibrant, of international calibre, which pursues excellence in teaching and research and which plays a pivotal role in the development of a modern, sustainable knowledge-based economy which supports a confident inclusive society which recognizes and values diversity’. It recognises that achieving this vision will ‘be challenging’ with much still to be done. It argues that Northern Ireland should use its size as an opportunity to adopt new concepts in the higher education sector. Like Scotland and Wales, Northern Ireland sees higher education as central to the development of a learning society, with lifelong learning a central tenet of its approach. It should be ‘regarded as part of an educational continuum with primary, post-primary and lifelong education policies linked in coordination and approach’.
3. There is a strong focus on the needs of the economy and how the higher education sector must ensure flexibility of provision in order to cater for the changing needs of the learner and the economy, particularly as the 18-21 year old population contracts and new demands emerge. Addressing the skills gap will mean the growth of part-time and postgraduate provision, incentivising choices for STEM subjects as well as adopting new methods of learning, based on a comprehensive virtual learning environment. Its competitive position will be enhanced by the development of ‘distinctive Northern Ireland graduates’ who will possess the skills that will place them at an advantage globally’.
4. More flexible part-time pathways to qualifications (including a greater emphasis on sub-degree qualifications) will need to be developed and this will mean fostering higher education provision within further education. These developments will be helpful in widening participation in those ‘pockets of the population where participation in higher education is lower than it should be’. As Table 8 below indicates, participation levels of young people in Northern Ireland are higher than in other parts of the UK, and it is perhaps not surprising that widening participation features less prominently in the consultation document than it does in does in equivalent policy statements elsewhere.
5. DELNI remains committed to maintaining a broad research base and this is seen as partially compensating for the low levels of research and development in the rest of the economy which is dominated by the public sector and small and medium-sized enterprises. The aim is to ‘develop and sustain a world class research base in Northern Ireland’ including associated knowledge transfer activities.
6. The consultation document expresses significant concerns about the sector’s international performance in terms of the recruitment of international and EU students (except for those from the Republic of Ireland) and students from the rest of the UK. International partnerships also need to be expanded. The aim is for Northern Ireland to secure its full market share of the UK’s international activity although there are few specific proposals for achieving this.
7. Until recently, Northern Ireland has followed closely the fees policy adopted in England, reflecting financial necessity rather than any enthusiasm for market principles. During a period of direct rule, in 2004, the Northern Ireland Office decided to apply the same variable fees and maintenance grant policies as were introduced in England in 2006 although subsequently the level of maintenance grant payable to Northern Ireland domiciled students from low income families was increased. In September 2011 the Executive decided to maintain fees at their existing level for home domiciled students studying in Northern Ireland rather than increasing the cap to £9,000 as in England.
8. The funding model for teaching, which has English origins and is based on the control of full-time student numbers, is also being reviewed. The aim is to provide mode-free funding ‘allowing students to move between modes and institutions, learn in class and on line and build up transferrable credits over time’. In an apparent break with the principle of block grant funding – and with echoes of developments in Scotland and Wales – the consultation document suggests that a ‘key consideration is how the funding model might best influence the behaviour of the sector in delivering the policy changes necessary in a highly competitive higher education market in a way which gives proper regard to the social and economic benefits to which the government aspires to for the population’.
9. The following sections of this report will show how these diverging strategies are being applied in several key policy areas, including governance and structure, the funding of students and institutions, research and quality assurance.

**Summary**

1. Reviews of higher education have been in progress in all three devolved countries since 2008 and are at different stages of completion. In contrast to the rest of the UK, higher education in England has made a decisive shift in favour of a student-led, market based system with the changes announced in the 2011 White Paper. Change will be generated by competition although this will largely be driven by a state-directed process to provide additional numbers rather than by the market. The reforms being adopted in the devolved administrations will tend to reinforce the role of the state in driving change and this is likely to mean further divergence from the English model.
2. Although there are many differences of emphasis and policy detail a number of common themes are emerging from the reviews in Scotland, Wales and Northern Ireland. There is a less market-oriented approach to higher education than has been evident in England. The adoption of variable fees in the devolved countries reflects financial necessity rather than any enthusiasm for market principles and their introduction has been combined with protection for home domiciled students. In Scotland this now takes the form of a rejection of the principle of a student contribution while in Wales and Northern Ireland the fee for home-domiciled students from 2012/13 has been capped at existing levels.
3. In Scotland, Wales and Northern Ireland, public funding for teaching will no longer be distributed in a block grant determined by a formula It will be replaced by a more strategic approach to funding – with regional as well as national funding models - which facilitates the implementation of government plans for reform. Strategic incentives are to be offered to providers to deliver government priorities, including (in Scotland) a much sharper focus on provision of strategic economic importance.
4. All three countries see higher education as central to the development of a learning society, with lifelong learning a central tenet of its approach. There is an educational continuum with primary, post-primary and lifelong education policies being linked together. The different parts of the post-16 system should be connected so that learners easily move between them, with flexibility of provision being needed to cater for the changing needs of the learner and the economy. This includes (in Scotland) plans to integrate the planning of the curriculum and creating a statutory framework guaranteeing articulation between college and university.
5. There is increased priority to widening access where progress since devolution has been mixed. In Scotland, universities will be required to broaden their approach to selection and conclude a widening access outcome agreement with the funding council (with financial penalties for failure to meet the terms of the agreement).
6. In a reversal of earlier policies, both Scotland and Wales have increased the concentration of research funding and they also aim to align university research more closely with national economic priorities.
7. Both countries seek a restructuring of the post-16 sector through greater collaboration or merger. The Scottish government believes that there is ‘too much duplication and unnecessary competition between colleges and regional universities’ while the Welsh government expects that institutional reconfiguration – as well as a greater regional focus - will improve the sector’s performance. The planning roles of the Scottish and Welsh funding councils are being extended so that they can oversee the implementation of the new strategies and ensure that progress on reconfiguration is made.

**3 Students**

**Student numbers**

1. This section analyses the composition of the student body in the four countries of the UK and considers the main trends in participation, the recruitment of international students and student mobility within the UK.
2. Table 4 shows the number of higher education students in higher education institutions in the four countries since 1996/97 and compares each country’s share of UK students and population. Overall there has been growth in total student numbers of 42 per cent since 1996/97 (34 per cent since devolution in 1999/2000) and by 2009/10 there were 2.49 million students at higher education institutions in the UK. Growth has been noticeably slower in Northern Ireland than in other parts of the UK, with Scotland and Wales showing almost identical growth (although slower than in England which has grown significantly more than the other countries). With the exception of Northern Ireland, the UK countries have larger student populations in 2009/10 than their population shares would suggest. England has increased its percentage share of UK students while Northern Ireland has declined since 1999/2000. The Northern Ireland figure reflects the fact that about 30 per cent of its students studied in Great Britain (in 2009/10) because of the limited number of places available at home.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1996/97 |  |  | 1999/2000 |  |  | 2009/10 |  |  | 1996/97 to 2009/10 |
| Country | Students | Students as a %of UK total | % of UK population | Students | Students as % of UK total | % of UK population | Students | Students as % of UK total | % of UK population | % increase in students |
| England | 1,458,684 |  83.1 | 83.4 | 1,540,610 |  82.9 |  83.6 | 2,093,635 |  84.0 |  83.9 |  43.5 |
| Wales |  94,689 |  5.4 |  5.0 |  99,090 |  5.3 |  4.9 |  127,885 |  5.1 |  4.8 |  35.1 |
| Scotland |  163,116 |  9.3 |  8.8 |  173,520 |  9.4 |  8.6 |  220,910 |  8.9 |  8.4 |  35.4 |
| Northern Ireland |  39,690 |  2.1 |  2.9 |  43,110 |  2.3 |  2.9 |  50,990 |  2.1 |  2.9 |  28.5 |
| UK | 1,756,179 |  |  | 1,856,330 |  |  |  2,493,415 |  |  |  42.0 |

Table 4: Higher education students in higher education institutions by country, 1996/97-2009/10

Source: HESA; ONS

1. The figures in Table 4 do not include higher education students studying in further education institutions and these are shown in Table 5. In 2009/10 there were 163,555 higher education students studying in further education institutions in the UK of which 65 per cent were part-time. More than 18 per cent of higher education students studied in further education colleges in Scotland and Northern Ireland compared with less than 5 per cent in England and about 1 per cent in Wales. A majority of these students studied full-time in Scotland but not in the other countries of the UK.

Table 5 Higher education students in further education institutions by country, 2001/02 to 2009/10

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2001/02 |  |  | 2005/06 |  |  | 2009/10 |  |  | 2001/02 to 2009/10 |
| Country of institution | Full-time students | Part-time students | Percentage in FE institutions | Full-time students | Part-time students | Percentage in FE institutions | Full-time students | Part-time students | Percentage in further education institutions | Percentage change in HE students in FE institutions |
| England |  89,395 |  40,080 |  7% |  31,425 |  90,725 |  5.9% |  22,215 |  78,240 |  4.6% |  -22.4% |
| Wales |  535  |  1,440 |  2% |  380 |  705 |  0.8% |  525 |  855 |  1.1% |  -30.1% |
| Scotland |  27,265  |  36,820 |  25% |  25,830 |  24,055 |  18.8% |  30,620 |  19,695 |  18.6% |  -22.4% |
| Northern Ireland |  3,740 |  8,810 |  20% |  3,990 |  8,815 |  19.0%  |  4,475 |  6,930 |  18.3% |  -9.1% |
| United Kingdom | 120,935 | 87,150 |  9% |  61,625 | 124,300 |  7.4% |  57,835 | 105,720 |  6.2% |  -21.4% |

Source: *Patterns of higher education institutions in the UK*, Universities UK, 2002, 2008; *Patterns and trends in UK higher education*, Universities UK, 2011

1. Table 6 shows the level and mode of study of the 2.49 million higher education students enrolled in higher education institutions in 2009/10 by country of institution. The percentage of postgraduate students is generally consistent across the UK with the exception of full-time postgraduates in Northern Ireland which shows a lower proportionate share. There is more variation in undergraduate provision, with England showing a lower share of full-time first degree students than the other UK countries. The reverse is true of part-time first degrees with England’s share being 9.3 per cent which is in excess of the UK figure of 8.5 per cent and compares to 3.1 per cent in Wales.

Table 6 Higher education students by mode and level of study and country of institution, 2009/10

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | England  |  Wales  |  Scotland |  Northern  Ireland | United Kingdom |
| **Undergraduate** |  |  |  |  |  |
| Full time other undergraduate |  5.4% |  4.1% |  3.0% |  0.7% |  5.0% |
| Part-time other undergraduate |  15.2% |  17.1% |  10.3% |  11.9% |  14.8% |
| Full-time first degree |  46.9% |  53.6% |  57.6% |  59.2% |  48.5% |
| Part-time first degree |  9.3% |  3.1% |  4.7% |  6.4% |  8.5% |
|  |  |  |  |  |  |
| **Postgraduate** |  |  |  |  |  |
| Full-time postgraduate |  11.9% |  11.2% |  13.2% |  9.8% |  12.0% |
| Part-time postgraduate |  11.2% |  11.0% |  11.2% |  12.0% |  11.2% |
|  |  |  |  |  |  |
| **Total** |  |  |  |  |  |
| All students |  100.0% |  100% |  100.0% |  100% |  100% |

Source: *Patterns and trends in higher education 2011* (Universities UK, 2011)

1. Table 7 shows the percentage change in student numbers over the past 10 years in each of the UK countries. The largest increase (73.1 per cent) is in postgraduate numbers, which has been driven by the recruitment of international students (see below), and compares with a much slower rate of growth (28.5 per cent) in undergraduates since 2000/01. All parts of the UK have shown strong gains in full-time postgraduate provision except for Northern Ireland, which also has the slowest growth in part-time postgraduate provision. Both Scotland and Wales made notable gains in part-time postgraduate provision. There is greater variation in the recruitment of full-time undergraduates with a significantly better performance by England compared with the other countries. The growth in part-time undergraduates was particularly strong in Scotland although there has been a marked decline in these students in Scottish further education institutions, as Table 5 indicates. Table 7 also shows that in Wales and Northern Ireland the part-time undergraduate market saw a significant reduction while in England it grew slightly in excess of the national average.

Table 7: Percentage change in higher education student numbers by country, 2000/01 to 2009/10

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | England  | Wales | Scotland  | Northern Ireland | United Kingdom |
| **Full-time** |  |  |  |  |  |
| Undergraduate | 25.8% | 13.8% | 19.8% | 10.9% | 24.2% |
| Postgraduates | 40.5% | 64.4% | 54.6% | 17.5% | 42.2% |
|  |  |  |  |  |  |
| **Part-time** |  |  |  |  |  |
| Undergraduate | 16.8% | -12.5% | 32.0% | -6.5% | 15.4% |
| Postgraduates | 17.2% |  49.5% | 31.5% | 10.8% | 19.5% |
|  |  |  |  |  |  |
| **Total** |  |  |  |  |  |
| Undergraduates | 30.5% | 27.1% | 17.1% | 17.7% | 28.5% |
| Postgraduates | 72.9% | 82.2% | 81.8% | 26.4% | 73.1% |

Source: *Patterns and trends of higher education 2011* (Universities UK, 2011)

**Participation in higher education**

1. The information that is available on the participation of young people in higher education is summarised in Table 8 but is not directly comparable as each of the four countries has defined their measures on a different basis. It should be noted that the English measure includes all initial entrants aged 17-30 years who remain in higher education for at least six months and if it had been confined to full-time students under the age of 21 the participation figures would have been significantly lower than those for Scotland or Northern Ireland. Although using different measures, these figures do show the rate of change in participation on each country's chosen measure. In England, participation has increased to 47 per cent, a rise of over 20 per cent in the decade to 2009/10. Of the other countries only Northern Ireland has registered growth in participation which amounts to about 13 per cent over the ten year period. The high young participation rate in Scotland is partly explained by the significant role played by further education colleges in the provision of higher education. None of the four countries now has an overall participation target and there appears to be little appetite for further expansion unless it is to secure improved social access to higher education.

Table 8: Participation rates of young higher education students by country, 1999/00-2009/10

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Percentage | 1999/2000 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | Percentage increase, 1999/2000 to 2009/10 |
| England\* | 39 | 40 | 40 | 41 | 40 | 40 | 42 | 42 | 43 | 46 | 47 |  20.5%  |
| Wales# |  |  |  |  |  | 26 | 26 | 26 |  |  |  |  |
| Scotland+ | 45 | 50 | 48 | 45 | 44 | 43 | 44 | 44 | 42 | 43 | 44 |  -2.2% |
| Northern Ireland^ | 45 | 46 | 46 | 46 | 44 | 45 | 48 | 46 | 50 | 48 | 51 |  13.3% |

\* Higher Education Initial Participation Rate (HEIPR): 17-30 year old English domiciled first time higher education students who remain in higher education for at least six months.

# Higher education students aged 18-19 domiciled in Wales; data for other years are not available.

+ Full-time higher education students under the age of 21 domiciled in Scotland studying in the United Kingdom as a percentage of the population of the relevant age group in Scotland.

^ Full-time higher education students under the age of 21 domiciled in Northern Ireland studying in the United Kingdom and the Republic of Ireland as a percentage of the 18 year old population in Northern Ireland.

Source: *Higher education in facts and figures - summer 2011* (Universities UK, 2011); Department for Employment and Learning Northern Ireland; Higher Education Funding Council for Wales.

1. Turning to participation by lower socio-economic groups, Table 9 summarises the position in 2009/10 in the four countries using three measures: the percentage of entrants to higher education from state schools; the percentage from lower socio-economic groups (using the national statistics socio-economic (NS-SEC) classification); and the percentage from low participation neighbourhoods. Table 9 shows that England and Scotland have a lower proportion of full-time undergraduate entrants from state schools than institutions in Wales and Northern Ireland (both countries have virtually no private school provision). This position has remained unchanged since devolution although there have been small increases in state school entrants in England and Wales.
2. Northern Ireland takes the highest percentage of full-time undergraduate students from the lower socio-economic groups and has shown the greatest improvement since 1999. The Scottish figure includes English students from relatively privileged backgrounds who are studying in Scotland and if this group is excluded the proportion of students from the lower social classes increases from 26.4 per cent to 29.1 per cent in 2009/10[[23]](#footnote-23). A study based on 2005/06 data concluded that, with the exception of Northern Ireland, ‘there do not appear to be significant differentials in the rate of improvement in participation across the countries of the UK’[[24]](#footnote-24) and five years later the position remains unchanged.

Table 9: Participation by low socio-economic groups in higher education by country, 2009/10

|  |  |  |  |
| --- | --- | --- | --- |
|  | Percentage of higher education students from state schools | Percentage of higher education students from NS-SEC 4, 5 6 and 7 | Percentage of higher education students from low participation neighbourhoods |
| England |  89.0% |  30.9% |  10.9% |
| Wales |  93.5% |  30.7% |  10.2% |
| Scotland |  87.2% |  26.4% |  ----- |
| Northern Ireland |  99.2% |  39.1% |  6.2% |
| UK |  89.4% |  30.7% |  10.7% |

Source: *Performance indicators in higher education in the UK, 2009/10* (HESA)

**International and EU students**

1. Table 10 shows the growth in overseas (international and other EU) students since 1996/97 with a broadly consistent rate in England, Scotland and Wales, and a much lower rate of growth in Northern Ireland, where the percentage of non-UK students has fallen since devolution. The percentage of these students studying in Scotland and Wales has increased at a faster rate than England since 1999.

Table 10: Non-UK higher education students by country of study, 1996/97-2009/10

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1996/97 | 2002/03 | 2005/06 | 2009/10 | % increase, 1996/97 to 2009/10 |
|  | Number | % | Number | % | Number | % | Number | % |  % |
| England | 161,855 | 11.2% | 233,200 | 12.1% | 275,795 | 14.2% | 334,955 | 16.0% |  106.9%  |
| Wales |  10,734 | 11.6% |  11,965 | 10.8% |  16,020 | 12.4% |  24,030 | 18.8% |  123.9% |
| Scotland |  19,655 | 13.1% |  24,650 | 12.6% |  32,370 | 15.0% |  41,005 | 18.6% |  108.9% |
| Northern Ireland |  5,822 | 13.8% |  5,455 | 11.8% |  5,890 | 10.8% |  5,815 | 11.4% |  -0.1% |
| UK | 198,064 | 11.4% | 275,270 | 12.1% | 330,075 | 14.1% | 405,805 | 16.3% |  104.9% |

Source: HESA

1. Table 11 shows how international students (excluding EU) contribute to the totals shown in Table 10 for the period since 2002/03. The percentage of international students is comparable across the UK (with an average of 11.2 per cent) except for Northern Ireland which has seen only a relatively small increase since 2002/03 and remains at a low level (3.1 per cent in 2009/10).
2. England has lost its place as the country with the largest percentage share of international students to Wales where they constituted 13.4 per cent of the total in 2009/10 and have grown very rapidly over the past seven years. The growth has been fuelled by the recruitment of students from Asia and particularly from India and China. The other countries of the UK have shown similar trends although rates of growth have varied. In both Scotland and Northern Ireland, students from the United States form the second largest group of international students (after China) in 2009/10 although rates of growth have much more modest than those of Asian students.

Table 11: International (non-EU) higher education students by country of study, 2002/03 to 2009/10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2002/03 | 2005/06 | 2009/10 | Percentage increase, 2002/03 to 2009/10 |
|  | Number |  % | Number |  % | Number |  % |  % |
| England | 160,670 | 8.9% | 191,610 |  9.9% | 236,895 | 11.3% |  47.4% |
| Wales |  6,700 | 5.6% |  9,765 |  7.6% |  17,185 | 13.4% |  45.7% |
| Scotland |  15,840 | 8.0% |  20,905 |  9.7% |  25,075 | 11.4% |  58.3% |
| Northern Ireland |  1,475 | 2.9% |  1,575 |  2.9% |  1,605 |  3.1% |  8.8% |
| UK | 184,685 | 8.5% | 223,855 | 9.6% | 280,760 | 11.2% |  52.0% |

Source: HESA

1. Table 12 indicates that the growth of other EU students has been more uneven with Scotland and Northern Ireland performing more strongly than England or Wales. In Scotland the main explanation for this level of growth is the fact that higher education is now free for other EU students. In Northern Ireland there is continuing demand from Republic of Ireland students although it is at a lower level than in the past. These students constituted 12.2 per cent of the total in 1996/97 but they had fallen to 8.3 per cent by 2009/10. This may be explained by the fact that tuition fees were abolished in the Republic in 1996 although a student registration charge (which will be 2,250 Euros a year from 2012/13) was later introduced.

Table 12: Other EU higher education students by country of study, 2002/03 to 2009/10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2002/03 | 2005/06 | 2009/10 | Percentage increase, 2002/03 to 2009/10 |
|  | Number |  % | Number |  % | Number |  % |  |
| England | 72,530 | 4.0% |  84,185 | 4.4% |  98,060 |  4.7% |  35.2% |
| Wales |  5,265 | 4.4% |  6,255 | 4.8% |  6,845 |  5.4% |  30.0% |
| Scotland |  8,810 | 4.5% |  11,465 | 5.3% |  15,930 |  7.2% |  80.8% |
| Northern Ireland |  3,980 | 7.9% |  4,315 | 7.9% |  4,210 |  8.3% |  5.8% |
| UK | 90,585 | 4.2% | 106,220 | 4.5% | 125,045 |  5.0% |  38.0% |

Source: HESA

**Cross-border flows**

1. This section examines the movement of students between the four countries of the United Kingdom. In 2009/10, 84,920 full time students studied outside their home domicile, representing 6.57 per cent of the total. Mobility within the UK has declined significantly since 1996/97 when there were 110,570 students (12.5 per cent) studying in another UK country. This decline began in the period before devolution in 1999 and is not simply a consequence of the incentives provided to home domiciled students to study at home or the emergence of four different student funding regimes; however, recent policy changes have done nothing to encourage growth in the size of the overall market.
2. Table 13 summarises the cross border flows of full-time higher education students between the four countries of the UK in 2009/10 and provides the percentage of students by domicile studying in each country.

Table 13: Cross border flows of UK-domiciled full-time higher education students, 2009/10

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Location of institution |  |  |  |  |  |  |  |
| Region of student domicile | EnglandTotal number | EnglandPercentage students by domicile | Wales Total number  | WalesPercentage students by domicile | ScotlandTotal number | ScotlandPercentage students by domicile | Northern Ireland | Northern IrelandPercentage students by domicile |
| England | 1,022,520  |  96.75% | 28,170  |  39.51% |  16,825 |  13.23% |  510 |  1.58% |
| Wales |  18,075  |  1.71% | 42,590  |  59.73% |  485 |  0.38% |  25 |  0.08% |
| Scotland |  6,895 |  0.65% |  195  |  0.27% |  105,635 |  83.08% |  55  |  0.17% |
| Northern Ireland |  9,395 |  0.88% |  350  |  0.49% |  4,190 |  3.29% |  31,600 |  98.16% |

Source: HESA

1. As Table 14 indicates, English and Scottish full-time students are much more likely to be studying in their home country than those from Northern Ireland or Wales. Although no more than a small fraction of English students study in other parts of the UK, in absolute terms England contributed nearly 50 per cent of the students studying in Wales and about 15 per cent of those in Scotland. Wales and Scotland have a much higher proportion of incoming students as a proportion of total enrolments than the other two countries.

Table 14: Location of institution of study of UK domiciled higher education students, 2009/10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Location of institution |  |  |  |
| Region of student domicile | England |  Wales | Scotland | Northern Ireland |
| England |  **95.7%** |  2.6% |  1.6% |  0% |
| Wales |  29.5% |  **69.6%**  |  0.8%  |  0% |
| Scotland |  6.2%  |  0.2%  |  **93.9%**  |  0% |
| Northern Ireland |  20.7% |  0.8%  |  9.2%  |  **69.4%**  |

Source: HESA

1. Virtually all Scottish students studying in another UK country went to England but, as Table 13 indicates, they constitute only 0.65 per cent of the total in English institutions. However, Scottish students (like their counterparts from Wales and Northern Ireland) tend to cluster in the English regions nearest to their home country and for this reason 7 per cent of full time undergraduate enrolments in higher education institutions in the north-west of England are from the other UK countries. In Scotland, the majority (72 per cent) of students from the rest of the UK are concentrated in five institutions. In Wales over 30 per cent of the entrants at Aberystwyth, Bangor and Cardiff universities are domiciled in England.
2. In contrast to England and Scotland, about 30 per cent of students domiciled in Wales and Northern Ireland study elsewhere. Welsh students who study outside Wales go almost exclusively in England but students domiciled in Northern Ireland go to Scotland as well as England. A similar proportion (10 per cent) of Northern Ireland students go to the Republic of Ireland as study in Scotland although this is balanced by a comparable inward flow.
3. The net flows of first year undergraduate students in 2009/10 are shown in Figure 1. It shows that England and Northern Ireland have a net outflow while Scotland and Wales have a net inflow.

Figure 1: Net flow of first year undergraduate students by country, 2009/10

Source: HESA

1. There was less mobility between all but one of the four countries at the level of full-time ‘other undergraduate’ programmes than at the first degree level: the corresponding percentages for study in the country of domicile were 99.2 per cent for England, 78.8 per cent for Wales and 92.7 per cent for Scotland. The equivalent figure of 39.9 per cent for Northern Ireland is due to a much smaller level of full-time other undergraduate provision at Northern Ireland institutions. There are few significant differences in the mobility of undergraduate and postgraduate students except for those domiciled in Scotland: the percentage of Scottish postgraduate students (87 per cent in 2008/09) who remain in Scottish institutions is lower than those at undergraduate level.
2. Table 15 shows the changes in the percentage of students studying in their home country since 1996/97. The main trends evident from Table 15 are an increased tendency for students from Wales and Northern Ireland to enter university in their home country. In Wales, this may reflect the influence of Welsh government policies that are designed to encourage Welsh students to study in Welsh institutions, students’ need to control their maintenance costs and the availability of part-time provision. It also reflects the introduction (or withdrawal) of financial incentives to study in Wales and changing fee policies in England. The long term trend was reinforced by the introduction of Assembly fee grants in 2007, which created a financial incentive for Welsh-domiciled students to remain in Wales, but their withdrawal in 2010 caused a 2.6 per cent increase in the proportion of UCAS applications for study outside Wales.

Table 15: Cross border flows of UK-domiciled full-time students: percentage studying in their home country, 1996/97-2009/10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Percentage in home country |  |  |  |
| Region of domicile | 1996/97 | 1999/2000 | 2005/06 | 2009/10 |
| England |  94% |  95%  |  95%  |  96%  |
| Wales |  57% |  59%  |  63% |  70% |
| Scotland |  92% |  92%  |  93% |  94% |
| Northern Ireland |  62% |  66% |  70% |  69% |

Source: HESA

1. The new fee arrangements for Welsh domiciled students from 2012 could enhance cross-border flows from Wales as there will be no financial disincentive for Welsh domiciled students to study in England. The impact in the reverse direction is likely to be neutral as the maximum cost of studying in Wales for an English student will be the same as it is in England. This is of considerable importance for Wales which has the largest cross border flows of students in both directions and the viability of the sector depends on the continued recruitment of sufficient numbers of English students
2. In Northern Ireland the long term trend for a significant proportion of students to study in England or Scotland has been affected by the inclusion in the statistics, from 2000, of students enrolled in the two higher education colleges who would be almost exclusively domiciled in Northern Ireland. This trend may be accelerated by future changes in higher education provision and the retention of a maximum fee of £3,465 for students who remain in Northern Ireland from 2012. Scottish domiciled students will continue to have an even stronger financial incentive to remain at home and although the overall impact of a reduction in the number of these students studying in England will be limited it could have a significant effect on institutions in northern England with higher concentrations of these students.

**Summary**

1. This section analyses the composition of the student body and considers the main trends in participation, the recruitment of international students and student mobility within the UK. Overall there has been growth in total student numbers of 34 per cent since devolution in 1999. Growth has been significantly slower in Northern Ireland than in other parts of the UK with Scotland and Wales showing almost identical growth (although slower than in England). More than 18 per cent of higher education students studied in further education colleges in Scotland and Northern Ireland compared with less than 5 per cent in England and about 1 per cent in Wales.
2. All parts of the UK have shown strong gains in full-time postgraduate provision except for Northern Ireland, which also has the slowest growth in part-time postgraduate provision. Both Scotland and Wales made notable gains in part-time postgraduates. There is greater variation in the recruitment of full-time undergraduates with a significantly better performance by England compared with the other countries. The growth in part-time undergraduates was particularly strong in Scotland while in Wales and Northern Ireland saw a significant reduction; in England it grew slightly in excess of the national average.
3. In England, participation by young people under the age of 30 has increased to 47 per cent, a rise of over 20 per cent in the decade to 2009/10. Of the other countries, only Northern Ireland has registered growth in participation (measured on a different basis to England) and this amounts to about 13 per cent over the ten year period. England and Scotland have a lower proportion of full-time undergraduate entrants from state schools than institutions in Wales and Northern Ireland (which have virtually no private school provision). Northern Ireland takes the highest percentage of students from the lower socio-economic groups and has shown the greatest improvement since 1999; elsewhere there do not appear to be significant differentials in the rate of improvement in participation.
4. The percentage of international students is comparable across the UK (with an average of 11.2 per cent in 2009/10) except for Northern Ireland which has seen only a marginal increase since 2002/03 and remains at a low level. England has lost its place as the country with the largest percentage share of international students to Wales, where they constituted 13.4 per cent of the total in 2009/10 and have grown very rapidly over the past seven years. The growth of other EU students has been more uneven with Scotland and Northern Ireland performing more strongly than England or Wales.
5. Mobility within the UK has declined significantly since 1996/97 when there were 110,570 students (12.5 percent) studying in another UK country. By 2009/10, 84,920 full time students studied outside their home domicile, representing 6.57 per cent of the total. English and Scottish full-time students are much more likely to be studying in their home country than those from Northern Ireland or Wales although there is an increased tendency for students from the latter to enter university in their home country. Although no more than a small fraction of English students study in other parts of the UK, in absolute terms England contributed nearly 50 per cent of the students studying in Wales and about 15 per cent of those in Scotland. Wales and Scotland have a much higher proportion of incoming students as a proportion of total enrolments than the other two countries. In contrast to England and Scotland, about 30 per cent of students domiciled in Wales and Northern Ireland study elsewhere. The new fee arrangements for Welsh domiciled students from 2012 could enhance cross-border flows from Wales as there will no longer be a financial disincentive for Welsh domiciled students to study in England.

**4 Student finance**

**Background**

1. In 1999, tuition fees for full-time undergraduate students were charged at all UK universities under the Teaching and Higher Education Act 1998, which had ended free tuition and replaced maintenance grants by loans with income contingent repayments. In responding to the recommendations for a deferred fee made by the Dearing enquiry (1997), the UK government had introduced a different system based on an upfront charge of up to £1,000 a year. The full charge was levied on about a third of students after a means test of parental income was applied; about a third of students escaped the charge altogether and another third paid less than the full amount. The fixed fee, which was adjusted for inflation, remained in place in England, Wales and Northern Ireland until variable fees were introduced in 2006 but was abolished in Scotland from 2001. Outside Scotland, Wales was the first country to reintroduce maintenance grants, in 2002, but England still favoured loans and did not bring non-repayable grants back until 2006. (A table summarising tuition fees, maintenance grants and loans for UK students studying in their home domiciles, 1999-2012, is at Annex C.)

**Funding reform in Scotland**

1. During the passage of the fee legislation in the UK Parliament in 1998 the question of the impact of the new arrangements on students from the rest of the UK studying in Scotland, who would be liable for a charge of £4,000 for a four-year course, was debated. The government reversed amendments passed by the House of Lords which meant that these students would pay no more than £3,000 in total, but was forced to concede an independent review of the issue. The review, which was led by Sir George Quigley, then Chairman of Ulster Bank, reported in 2000 and recommended that these students should not be charged for the final year of a four year honours degree course. It recommended that the cost of this concession, which was estimated at up to £3.2 million, should be met by the Scottish Executive. The recommendation was accepted and was applied to students from the rest of the UK entering Scottish universities from 2001.
2. One of the first actions of the new Scottish Executive was to establish an enquiry into the funding of higher education in Scotland, which was a devolved matter under the Scotland Act 1998. The first elections to the Scottish Parliament in 1999 had led to the formation of a coalition between Labour and the Liberal Democrats but the issue of tuition fees had been a potential barrier to collaboration. The Liberal Democrats were opposed to tuition fees and the funding review offered a way forward but it was to take nearly a decade before the principle of free full-time higher education was re-established in Scotland. Although full-time fees continue to be charged to Scottish students studying in Scotland, they are paid on their behalf by the Scottish government.
3. The review, which was chaired by Andrew Cubie (now Sir Andrew Cubie), recommended, in 1999, the abolition of upfront student fees for Scottish domiciled students studying in Scotland and their replacement by a graduate endowment scheme[[25]](#footnote-25). Fees would be paid by the Executive and students would be required to pay £3,000 back when their earnings reached £25,000 a year. Cubie also proposed the re-introduction of maintenance grants and bursaries. The estimated cost of the recommendations was £71 million a year.
4. The Executive agreed to abolish up-front tuition fees and announced a replacement graduate scheme similar to Cubie's proposals. Students were to pay back £2,000 (rather than £3,000), but repayments would start once their earnings reached £10,000 a year, which was significantly less than the average national wage and far below Cubie's recommended figure of £25,000. It was payable as a one-off charge from April 2005 by graduates who had enrolled in September 2001 or later. Graduates could opt to add the cost to their maintenance loans rather than pay it as a lump sum when it became due, and most did so. The charge was progressively increased to £2,289, for students entering higher education in 2007/08.
5. The creation of the graduate endowment represented the first significant variation from UK-wide higher education funding arrangements and introduced the first complexities into the devolved system which have been its hallmark ever since. Under the new arrangements introduced in 2001, students from the rest of the UK studying in Scotland would continue to be liable for the same upfront fee (£1,075 in 2001/02) that applied elsewhere but would not be required to pay the endowment.

**Adoption of variable fees**

1. The need to address the effect of years of under-investment in universities, which was reflected in the progressive decline in the unit of public funding for teaching, led the UK government, in 2003, to propose replacing the upfront fee with a deferred variable fee of up to £3,000 a year for full-time undergraduates in England. It would be payable after graduation once the graduate was earning over £15,000 by means of a subsidised public loan. This proposal was at the heart of a White Paper *The future of higher education (2003),* with legislation to enable the introduction of variable fees being passed (with the support of Scottish MPs) as the Higher Education Act in 2004.
2. The new English fees regime has applied since the 2006/07 undergraduate entry and despite hopes that it would lead to the creation of a higher education market, virtually all institutions set their fees at the maximum permitted level for practically all courses. To ensure that institutions were making adequate efforts to attract and retain students from a range of backgrounds, the introduction of variable fees was tied to requirements to ensure ‘fair access’ to higher education, including a means-tested minimum bursary of £300 for students with low family incomes entitled to a full higher education maintenance grant of £2,700.
3. Variable fees were also introduced in Northern Ireland in 2006 and a year later in Wales but the graduate endowment continued in Scotland. In Northern Ireland the fees regime from 2006 was similar to that in England, with a loan to cover the costs of fees being provided. There were various funds to assist poorer students, including from September 2006, a non-repayable maintenance grant for students from lower income households of £3,200.
4. In responding to the changes in England, the Scottish government retained the fixed fee charged to students from the rest of the UK studying in Scotland but it was increased to £1,700 a year (£2,700 for medical courses) from the 2006/07 academic year. The charge was no longer means-tested and was supported by loans with income contingent repayments. The increases were adopted partly as a response to fears that English applicants to Scottish universities would increase dramatically if no action was taken, forcing Scottish domiciled students out at the application stage. The higher fee for medical courses reflected the fact that so many places were taken up by English students, and Scotland has a shortage of doctors. The new fee would also address concerns about an emerging funding gap between England and Scotland, an issue which is considered below. EU students from outside the UK would be treated on the same basis as Scottish domiciled students, in accordance with EU law.
5. The principle of free higher education has wider political support in Scotland than elsewhere in the UK and was one of the manifesto commitments of the Scottish National Party in 2007. As one of its first policy decisions, the new SNP-led government elected in 2007 announced that the graduate endowment would be abolished from 2008. It emphasised the modest returns that the endowment had produced for the taxpayer because some two-thirds of graduates had chosen to add the cost to their maintenance loans rather than pay it off as a lump sum. It was estimated that the costs associated with these loans were losing the taxpayer around a third of the income collected and that loans would take some 13 years to be repaid. The government also argued that it had acted as a substantial disincentive to greater participation in higher education.
6. In Wales, deferred flexible fees of up to £3,000 were introduced in 2007, a year later than in England, with the lower fixed fee continuing for a further year (2006/07) but now supported by a loan with income contingent repayments. The Welsh government modified the new variable fee arrangements as they applied in England with the aim of making higher education more accessible to Welsh-domiciled students studying in Wales. From their introduction in 2007, variable fees were accompanied by an inflation-adjusted Assembly fee grant of up to £1,845 a year which was not repayable or dependent on income. The grant, which was only available to Welsh domiciled full-time students who attended higher education institutions in Wales, kept fees at their previous levels and was intended to reduce the number of students going to England to study as well as encouraging higher levels of participation. The cost of this fee remission grant was £61 million in 2008/09.
7. Maintenance grants were also more generous for Welsh domiciled students than elsewhere in the United Kingdom in 2011/12 but it had the lowest maximum qualifying income of £18,370, as Table 16 indicates. England offered significantly lower grant support but the qualifying income for the maximum grant was much higher (£25,000). Maintenance support in the other UK countries was broadly comparable in 2011/12 and this remains the position in 2012/13.

Table 16: Public support for maintenance for full-time undergraduate students entering higher education in 2011/12 by country

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Maintenance support | Student domicile |  |  |  |
|  | England | Wales | Scotland | Northern Ireland |
| Household income limit for maintenance grant support |  £50,020 | £50,020 |  £34,195 |  £41,065 |
| Full maintenance grant |  £2,906 |  £5,600 |  £2,640 |  £3,475 |
| Maximum qualifying income for maximum maintenance grant |  £25,000 | £18,370 |  £19,310 | £19,203 |
| Maintenance loan available with full grant |  £3,453 |  £1,901\* |  £3,562 |  £2,953 |
| Maximum total public support  |  £6,359 |  £7,501 |  £6,202 |  £6,428 |

\*If Welsh domiciled students take out a maintenance loan in 2011/12 up to £1,500 will be cancelled when loan repayment starts.

Source: Student Finance England, Student Finance Wales, Student Awards Agency for Scotland, Student Finance Northern Ireland.

1. Table 17 summarises the tuition fees payable by UK and EU domiciled students in the final year of the variable fee arrangements that were introduced in 2006 (2007 in Wales).

Table 17: Annual fees for full-time undergraduate courses, 2011/12, by country of institution and student domicile

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| StudentDomicile | Location of Institution |  |  |  |
|  | England |  Wales  | Scotland  | Northern Ireland |
| England | £3,375 |  £3,375 | £1,820\* |  £3,375 |
| Scotland | £3,375 |  £3,375 |  0 |  £3,375 |
| Wales+ | £3,375 |  £3,375 | £1,820 |  £3,375 |
| Northern Ireland | £3,375 |  £3,375 | £1,820 |  £3,375 |
| Other EU | £3,375 |  £3,375 |  0 |  £3,375 |

\*£2,895 for medicine.

+ An Assembly fees grant of £2,030 payable to Welsh domiciled students studying in Wales, which was introduced in 2007, was available to continuing students who entered higher education in 2009/10. It was abolished for new students as from 2010/11.

Source: Student Finance England, Student Finance Wales, Student Awards Agency for Scotland, Student Finance Northern Ireland.

1. The UK government’s decision to raise the fees cap for full-time undergraduate courses in England to £9,000 from 2012/13 has produced a consistent response from the devolved administrations. In each devolved country a decision has been taken to protect home domiciled students either by the continuation of free higher education (Scotland) or by providing a non-repayable fee grant to meet the difference between the old fee and the new fee (Wales) or by maintaining tuition fees at their current (inflation adjusted level) of £3,465 (Northern Ireland).
2. Table 18 summarises the decisions on fee levels applying in 2012/13 made by the four countries of the UK.

Table 18: Maximum fees for full-time undergraduate courses, 2012/13, by country of institution and student domicile.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Student domicile  | Location of institution |  |  |  |
|  | England | Wales  | Scotland | Northern Ireland |
| England | £9,000^ | £9,000 | £9,000\* | £9,000 |
| Scotland | £9,000^ | £9,000 |  0 | £9,000 |
| Wales | £9,000+ | £9,000+ | £9,000+ | £9,000+ |
| Northern Ireland | £9,000^ | £9,000 | £9,000\* | £3,465 |
| Other EU | £9,000^ | £9,000 |  0 | £3,465 |

^ The average fee in England is £8,354.

+ The average fee for all UK/EU students in Wales is £8,800 a year. Welsh domiciled students studying in Wales or elsewhere in the UK receive a fee grant of up to £5,535, reducing the cost of the fee to a maximum of £3,465. Eligible EU students studying in Wales will also receive the fee grant.

\*The average fee in Scotland for students from the rest of the UK is £6,841 a year.

Source: Office for Fair Access; Universities Scotland; HEFCW; DELNI

1. In re-introducing the Assembly fee grant (2007/10) in 2012 the Welsh government has extended the benefit of lower tuition costs to include Welsh students who study in the rest of the UK as well as those who remain at home. As a result of this concession the maximum fee grant of £5,535 will cap the cost of higher education for Welsh students at £3,465 a year and this amount will continue to be repayable by a loan. There were no similar concessions for students domiciled in Scotland and Northern Ireland studying outside their home country who will be liable for the full fee. Scotland, Wales and Northern Ireland have all applied the English fee cap of £9,000 to their incoming students with the aim of increasing their fee income while avoiding any significant increase in recruitment levels. As discussed below, the concessions made to home domiciled students are not without financial risks, particularly in Wales, as the devolved countries seek to maintain their competitive position with England.
2. Fees for part-time students remain largely unregulated and are set by higher education institutions in the four countries but there are two main exceptions. In England a variable part-time fee of up to £6,750 has been set from 2012/13 for home domiciled (and EU) students and the cost can be deferred by taking out a loan. Students from the other countries of the UK who study part-time in England will pay an upfront fee set by the institution, with public financial support available to students from Wales and Northern Ireland but not from Scotland. In Scotland home domiciled (and EU) students are subject to a variable part-time fee of up to £1,820 with a fee grant available to cover part of the costs. Other UK students studying part-time in Scotland pay a fee determined by the institution.

**Summary**

1. In 1999 tuition fees for full-time undergraduate students were charged at all UK universities under the Teaching and Higher Education Act 1998, which had ended free tuition and replaced maintenance grants by loans with income contingent repayments.
2. One of the first actions of the new Scottish Executive in 1999 was to establish an enquiry into the funding of higher education in Scotland, which was a devolved matter under the Scotland Act 1998. The review recommended the abolition of upfront student fees for Scottish domiciled students studying in Scotland and their replacement by a graduate endowment scheme. The Executive agreed to abolish up-front tuition fees and announced a replacement scheme: graduates were to pay back £2,000 with repayments starting once their earnings reached £10,000 a year.
3. The creation of the endowment represented the first significant variation from UK-wide higher education funding arrangements and introduced the first complexities into the devolved system which have been its hallmark ever since. Under the new arrangements introduced in 2001 students from the rest of the UK studying in Scotland would continue to be liable for the same upfront fee (£1,075 in 2001/02) that applied elsewhere but would not be required to pay the endowment.
4. The UK government replaced the upfront fee with a variable fee of up to £3,000 from 2006/07 primarily to address the problem of under-investment in universities in England by increasing the contribution made by graduates as the principal beneficiaries of higher education. Variable fees were also introduced in Northern Ireland in 2006 and a year later in Wales but the endowment continued in Scotland. The fixed fee charged to students from the rest of the UK studying in Scotland was retained but was increased to £1,700 a year (£2,700 for medical courses) from 2006. The increases were a response to fears that English applicants to Scottish universities would increase dramatically if no action were taken, forcing Scottish domiciled students out at the application stage.. The new fee was also a response to concerns about an emerging funding gap. The principle of free full-time higher education has wider political support in Scotland than elsewhere in the UK and it was re-established when the SNP-led government elected in 2007 abolished the graduate endowment from 2008.
5. In Wales, the government modified the new fee arrangements as they applied in England with the aim of making higher education more accessible to Welsh-domiciled students studying in Wales. From their introduction in 2007, variable fees were accompanied by an inflation-adjusted Assembly fees grant of up to £1,845 a year which was not repayable or dependent on income.
6. The UK government’s decision to raise the fee cap in England to £9,000 from 2012/13 has produced a consistent response from the devolved administrations. In each devolved country a decision has been taken to protect home domiciled students either by the continuation of free higher education (Scotland) or by providing a non-repayable fee grant to meet the difference in cost between the old fee and the new fee (Wales) or by maintaining tuition fees at their current (inflation adjusted level) of £3,465 (Northern Ireland). In re-introducing the Assembly fee grant (2007/10) in 2012 the Welsh government has extended the benefit of lower tuition costs to include Welsh students who study in the rest of the UK as well as those who remain at home. As a result of this concession the maximum cost for these students will remain at £3,465 a year and it will continue to be supported by a loan. There were no similar concessions for students domiciled in Scotland and Northern Ireland studying outside their home country who will be liable for the full fee. Scotland, Wales and Northern Ireland have all applied the English fee cap of £9,000 to their incoming students with the aim of increasing their fee income while avoiding any significant increase in recruitment levels.

**5 Funding of institutions**

**University income**

1. This section provides data on the income of UK higher education institutions and examines evidence of differences in funding levels between the four countries. In particular it considers how Scotland, Wales and Northern Ireland have responded to decisions by the UK government about variable fees which have had the potential significantly to increase the resources available to institutions in England compared with the other countries in what is still largely a UK market.
2. Table 19 shows the total income of institutions by country in 2009/10 set alongside the percentage population of each country. The table shows that there is a close correlation between the income of institutions and population shares except in the case of Scotland, which has a higher level of income, and Northern Ireland, which has a lower level of income.

Table 19: Total income of higher education institutions by country, 2009/10

|  |  |  |  |
| --- | --- | --- | --- |
|  | Total HEI income (£000s) | Percentage of total UK HEI income | Percentage UK population share |
| England | £22,235,199 |  84.0% |  84.0% |
| Wales |  £1,234,787 |  4.6% |  4.8% |
| Scotland |  £2,803,938 |  10.5% |  8.4% |
| Northern Ireland |  £520,960 |  1.9% |  2.9% |
| Total | £26,795,787 |  99.98% |  100.0% |

Source: HESA; Office of National Statistics, *Annual Abstract of Statistics, Q3 2011*

1. Table 20 shows the sources of income of higher education institutions by country in 2009/10. It reveals some noticeable differences. Scotland shows a higher percentage share of research income but it also (with Northern Ireland) has the greatest dependence on funding council grants. Northern Ireland’s low level of fee income reflects its performance in recruiting international students while in Scotland this is a product of the government’s fees policy.

Table 20: Sources of income for higher education institutions by country, 2009/10

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Funding body grants(£000s) | % of total income  | Tuition fees and education contracts(£000s) | % of total income | Research grants and contracts(£000s) | % of total income | Other income(£000s) | % of total income | Endowments(£000s) | % of total income |
| England | £7,280,128 | 32.74% | £7,142,075 | 32.12% | £3,499,088 | 15.73% | £4,134,377 | 18.50% | £179,531 | 0.81% |
| Wales |  £453,895 | 36.73% |  £378,957 | 30.67% |  £155,635 | 12.50% |  £240,580 | 19.46% |  £6,623 | 0.54% |
| Scotland | £1,099,550 | 39.21% |  £627,808 | 22.39% |  £601,314 | 21.44% |  £448,458 | 15.99% |  £26,606 | 0.95% |
| Northern Ireland |  £209,542 | 40.29% |  £123,297 | 23.66% |  £89,384 | 17.16% |  £92,498 | 17.76% |  £6,239 | 1.20% |
| Total | £9,043,115 | 33.75% | £8,272,137 | 30.87% |  £4,345,421 | 16.22% | £4,915,913 | 18.35% | £194,999 | 0.72% |

Source: HESA

**Funding levels in the UK countries**

1. Table 21 shows the teaching income per full-time equivalent student in each country since devolution and the sources of that income: funding council grant, undergraduate fees and other fees (from part-time and international students). Although total UK teaching income has increased by 52 per cent between 1999/2000 and 2009/10, the proportion derived from the funding councils has fallen significantly (from 59 per cent to 43 per cent over the ten year period), with Wales showing the steepest decline. Except in Scotland, there have been compensating increases in undergraduate fee income, which now constitutes 28 per cent of the total. Income from other fees has shown smaller proportionate increases in England, Wales and Northern Ireland but it now constitutes 30 per cent of teaching income in England.
2. Table 21 indicates that institutions in England and Scotland have been funded at a consistently higher level than those in Wales and Northern Ireland since devolution. Wales has the lowest teaching income per full-time equivalent student of all the UK countries except in 2005/06 when Northern Ireland was marginally lower. Differences in funding levels are likely to have originated in the period following the creation of the new funding councils in 1993 and have been reinforced by decisions made by the devolved administrations, including their policies on tuition fees. Variations in funding levels may also be partly explained by differences in subject provision between the four countries.

Table 21: Income (£) per full time equivalent higher education student by country, 1999/2000 to 2009/10

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1999/2000 |  |  |  | 2005/06 |  |  |  | 2009/10 |  |  |  |
|  |  | Teaching income per FTE student of which: |  |  |  | Teaching income per FTE student of which: |  |  |  | Teaching income per FTE student of which: |  |  |
|  | Total (£) per FTE | Funding body income | Regulated under- graduate fees | Other fees | Total (£) per FTE | Funding body income | Regulated under-graduate fees | Other fees | Total (£) per FTE | Funding body income | Regulated under- graduate fees | Other fees |
| England | £4,318 | 57% | 15% | 27% | £5,590 | 52% | 14% | 35% | £7,098 | 41% | 29% | 30% |
| Wales | £4,094 | 63% | 18% | 18% | £5,020 | 58% | 18% | 24% | £6,416 | 44% | 36% | 20% |
| Scotland | £4,853 | 66% | 16% | 19% | £6,044 | 60% | 15% | 25% | £7,144 | 55% | 17% | 28% |
| Northern Ireland | £4,297 | 67% | 15% | 17% | £4,982 | 67% | 14% | 19% | £6,549 | 53% | 34% | 13% |
| Total | £4,327 | 59% | 16% | 26% | £5,382 | 53% | 14% | 33% | £7,191 | 43% | 28% | 29% |

Source: HESA

1. The size of the funding gap between Wales and England has been a major issue for the Welsh sector. At the request of the Welsh government, HEFCW has produced a series of monitoring reports on differences in funding levels between England, Wales and Scotland (Northern Ireland is not covered) since 2004/05 and five have been published so far.
2. The latest report, which covers 2007/08, was published in 2010[[26]](#footnote-26). It estimated that the gap with England was £69 million and with Scotland £180 million in 2007/08. The report concludes that Wales and England were funded at comparable levels until 2001/02 but that England has been consistently better funded since then. It states that comparisons with Scotland are less secure than those with England because of fundamental differences between the funding of higher education in Scotland and elsewhere in Britain. A major difference is the fact that the figures for Wales and England include funding for higher education provision only, whilst the figures for Scotland include funding for both higher education and further education and these cannot be separated out.
3. In Table 22, which is derived from the HEFCW report, income for the three countries using four measures (higher education grant, teaching grant, all grant plus fees and all income) is shown. They show a consistent pattern of differences in national funding levels, with Scottish institutions being better funded throughout the period.

Table 22 Income per full time equivalent higher education student by country, 2005/06, 2006/07 and 2007/08

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Higher education grant per fundable FTE  | Higher education grant per fundable taught FTE | All grant and fees per FTE | All income per FTE |
| England | 2005/06 |  £5,411 |  £3,755 |  £7,077 |  £11,335 |
|  | Percentage increase |  4.70% |  6.56% |  9.37% |  8.20% |
|  | 2006/07 |  £5,666 |  £4,002 |  £7,740 |  £12,264 |
|  | Percentage increase |  4.65% |  2.88% |  9.00%  |  9.01% |
|  | 2007/08 |  £5,929 |  £4,117 |  £8,437 |  £13,369 |
|  |  |  |  |  |  |
| Wales | 2005/06 |  £5,060 |  £3,624 |  £6,419 |  £10,149 |
|  | Percentage increase |  1.74% |  4.12% |  8.00% |  5.23% |
|  | 2006/07 |  £5,148 |  £3,774 |  £6,933 |  £10,680 |
|  | Percentage increase |  3.00% |  -1.79% |  5.58% |  5.09% |
|  | 2007/08 |  £5,302 |  £3,706 |  £7,320 |  £11,224 |
|  |  |  |  |  |  |
| Scotland | 2005/06 |  £6,578 |  £4,646 |  £8,014 |  £12,829 |
|  | Percentage increase |  7.74% |  5.94% |  8.46% |  8.31% |
|  | 2006/07 |  £7,087 |  £4,922 |  £8,692 |  £13,894 |
|  | Percentage increase |  6.47% |  3.27% |  6.9%  |  8.63% |
|  | 2007/08 |  £7,546 |  £5,083 |  £9,291 |  £15,093 |

Source: HECFCW, *The funding gap, 2007/08* [2010]

1. In 2009, concern about the funding gap between Wales and England led to the abolition of the Assembly Fee grant from 2010/11, with the savings being reinvested in the higher education sector. But these funding concerns did not lead to any wider reappraisal of Welsh government priorities. In principle, it is always open to a devolved administration to reprioritise its spending programmes, although as we have seen Wales is the least well funded of the devolved countries.

**Impact of the new fee cap in England on the devolved countries**

1. It was the UK government’s decision to introduce variable fees in 2006 and then increase the cap to £9,000 from 2012/13 that raised the issue of relative funding levels for undergraduate teaching rapidly up the agendas of the devolved administrations. With average fees of £8,354[[27]](#footnote-27) being charged in England in 2012, the change will produce an increase in resources compared with those available elsewhere but particularly in Scotland where the principle of free higher education is now firmly established. The funding gap in favour of Scotland which had existed in the past was closed following the introduction of variable fees in England in 2006. Although funding levels in the two countries were broadly comparable in 2009/10, the increase in the cap in England threatens to create a new gap in England’s favour.
2. As previously indicated, the provision of public loans to enable students to pay fees means that fee income falls outside the Barnett formula and does not produce any additional funding for the devolved countries. The shift to student–led funding in England will be accompanied by a reduction of £3.4 billion in the HEFCE teaching grant and this will lead to a consequential reduction in funding for the devolved administrations from 2012/13 through the Barnett formula. The fact that average fee levels in England are higher than the £7,500 anticipated by government could lead to a greater than anticipated switch away from teaching grant and this would lead to a further reduction in the budgets of the devolved countries.
3. It is notable that the changes adopted in England were proposed without any consideration apparently being given to their impact on the rest of the UK. There was no reference to these issues in the Browne review report[[28]](#footnote-28) and discussions at Ministerial level about the cross-border impact of the new fees regime seem only to have taken place after the key decisions had been taken.

**The impact on Scotland**

1. The impact of the increase in the fee cap was therefore likely to be most severe in Scotland which would be hit by the reduction in Barnett funding without the same ability as England to raise compensating fee income because of the commitment to free higher education. Concerns about the erosion of Scottish universities’ competitive position led to a sector proposal for the creation of a joint group of experts from the Scottish government and Universities Scotland. This initiative overcame political reluctance to recognise the fact that the new fees regime would produce an overall increase in resources for the English sector, and a working group was established in 2010. Its report, published in February 2011[[29]](#footnote-29), identified a number of scenarios on the size of the future funding gap between England and Scotland depending on the level of fees in England, expenditure on access measures and other factors. It concluded that if English universities charged an average fee of £7,500 (and the fee was increased every year in line with inflation) the annual funding gap for teaching would be £202 million by 2014/15 (£155 million without an inflation adjustment).
2. The choices available to policy makers in the light of this analysis were limited by the Scottish government’s commitment to free higher education for Scottish full-time students and this was quickly reaffirmed. The government made a clear commitment to close any remaining funding gap by providing money from its block grant although this would necessarily be at the expense of other expenditure areas. This public contribution to closing the funding gap was made in the three year Scottish spending review announcement in September 2011 which included an additional £135.5 million per year for university teaching and research in cash terms by 2014/15, reversing cuts made in the previous year.
3. A significant contribution to filling the gap would come from increased fees paid by students from the rest of the UK, with institutions being free to set their own fees up to a maximum of £9,000 from 2012/13. This is estimated at £55 million in 2014/15. It was clear that some increase in the fee was necessary in order to prevent Scotland being a cheap option for students from the rest of the UK. The government’s aim has been broadly to maintain the current balance of cross-border flows in order to prevent funded places available to the Scots being squeezed by an influx of English students. The government also expects to close the gap by securing £23 million a year in efficiency savings and by looking again at models that might allow charging EU students a ‘management fee’.
4. The decision to increase the fee cap charged by Scottish institutions to students from the rest of the UK from £1,890 to £9,000 a year reflected the need to bring in as much additional finance as possible. However, there are questions about the reliability of this source of income because of variations in demand and uncertainties about the future pattern of cross border flows. This uncertainty no doubt accounts for the decision of the Scottish universities to set an average fee of £6,841 in 2012/13 before fee waivers and bursaries are taken into account (as mentioned above, the average equivalent fee in England is £8,354). There are also issues about the distribution of this additional fee income as students from the rest of the UK are concentrated in a minority of Scottish institutions. The government has stated that it will legislate to ensure that Scottish provision is not eroded by a focus on fee-earning students. These students will no longer be included in the funded numbers allocated by SFC and the government proposes to re-invest the funds in subjects where Scotland might otherwise lose its competitive edge.

**The impact on Wales**

1. It is difficult to assess the effect of the changes being introduced from 2012/13 on the funding gap between England and Wales as there are several uncertainties. As indicated above, the Welsh government has adopted the essential features of the English fee regime as it did in 2007, accompanying them with a (non-repayable) non-means tested tuition fee grant for Welsh domiciled students to cover the balance of the fee over £3,465. The basic rate for tuition fees for full-time undergraduates will rise to £4,000 a year with universities able to charge up to £9,000 if they can demonstrate to HEFCW an increased commitment to widening access and other strategic objectives. The Welsh government also announced, in 2011, a maximum fee of £7,000 for part-time students supported by loans and a fee grant in order to encourage more students to follow this route through higher education.
2. The tuition fee grant for Welsh and EU domiciled students will be funded by HEFCW and there will be a significant reduction in funding council teaching grants as a result. In order to ensure the financial viability of the new arrangements by reducing average fee levels a Welsh ‘core and margin’ model - a more radical version of the English approach - will be introduced from 2013/14[[30]](#footnote-30). This arrangement is intended to provide a viable level of residual HEFCW funding for a Public Investment Fund in support of strategic priorities. Under the Welsh plan 53 per cent of full-time new entrant numbers in non-priority places in 2013/14 will be removed from general allocations and allocated as follows: half of these margin places will be allocated to institutions that charge average fees of under £7,500 while the other half will be distributed on the basis of Welsh government targets as specified in *For our Future*: universities’ overseas students; the number of spinout companies; research income; and total income – these being the targets that are not addressed in the fee plan commitments. This is in sharp contrast to the English approach where the margin represented only eight per cent of available funded places and the allocation criteria were: demand, quality and the average fee.
3. As in Scotland, the financial sustainability of the Welsh government’s proposed model depends on maintaining the flow of students to and from England at broadly the current level although there is no certainty that this will be achieved. There are no controls on the number of Welsh students studying in the rest of the UK and it is possible that they could increase if more Welsh students go to England after the removal of recruitment limits for students with AAB grades. Given that the budget for Welsh higher education will remain constant in cash terms between 2012/13 and 2014/15, there is a real risk that the funding gap between England and Wales, which has existed since 2002, could even increase under the new fees regime. There is also a possibility that, the first time, Scotland’s funding levels could be lower than those in England although the positive spending review settlement in 2011 makes this less likely.
4. Northern Ireland has also faced considerable funding pressures as a result of the new fee arrangements but, following a consultation, the Executive rejected the advice of an independent review which had recommended an increase of the fee cap to between £5,000 and £5,750[[31]](#footnote-31). It has sought to minimise the resulting funding gap of £40 million by restricting fee concessions to Northern Ireland domiciled students studying in their home country (and other EU students) who will continue to pay fees at their 2011/12 level, mitigating the effect of public expenditure cuts by redeploying resources from other government departments, and securing efficiencies in the two universities and elsewhere. Northern Ireland students studying in the rest of the UK will not receive a grant to meet the cost of the higher fees because this would be unaffordable. DELNI will continue to be responsible for the cost of tuition fee loans for these students and it is considering how institutions could be encouraged to reduce the outflow of students from Northern Ireland.
5. Variations in higher education funding levels between the countries of the UK have been an inevitable consequence of devolution. The devolved administrations have made their decisions according to national priorities without reference to the Barnett calculations of the proportion of funding that is attributable to higher education expenditure in England. The result has been significant differences in funding per student in the four UK countries. The increase in the English fee cap to £9,000 (and the consequential reduction in public funding) may increase these differences particularly if the devolved countries do not maintain their share of the UK student market. Welsh funding levels may also be adversely affected if the new fee grant proves to be more costly than expected as a result of more Welsh students entering higher education in England.

**Summary**

1. This section examines differences in higher education funding levels between the four countries. In particular it considers how the devolved countries have responded to decisions by the UK government about variable fees which have had the potential significantly to increase the resources available to institutions in England compared with those in the rest of the UK.
2. There is a close correlation between the income of institutions and population shares except in the case of Scotland, which has a higher level of income, and Northern Ireland, which has a lower level of income. These countries also have the greatest dependence on funding council grants. Northern Ireland’s low level of fee income reflects its performance in recruiting international students while in Scotland it is a consequence of the government’s fees policy.
3. Institutions in England and Scotland have been funded at a consistently higher level than those in Wales and Northern Ireland since devolution. Wales has the lowest teaching income per student except in 2005/06 when Northern Ireland was marginally lower. The size of the funding gap between Wales and England has been a major issue for the Welsh sector and was estimated at £69 million in 2007/08. In 2009, concern about the gap led to the abolition of the Assembly Fee grant, with the savings being reinvested in the sector.
4. It was the UK government’s decision to introduce variable fees in 2006, and then increase the cap to £9,000 from 2012/13, that raised the issue of relative funding levels for undergraduate teaching rapidly up the agendas of the devolved administrations. The provision of public loans to enable students to pay fees means that fee income falls outside the Barnett formula and does not produce any additional funding for the devolved countries. The impact of the increase in the fee cap was therefore likely to be most severe in Scotland which would be hit by the reduction in Barnett funding without the same ability as England to raise compensating fee income because of the commitment to free full-time higher education.
5. The Scottish government has made a clear commitment to close any remaining funding gap by providing funding from its block grant. A significant contribution would come from increased fees paid by students from the rest of the UK, with institutions being free to set their own fees up to a maximum of £9,000 from 2012. However, there are questions about the reliability of this source of income because of variations in demand and uncertainties about the future pattern of cross border flows. The gap with England would also be closed by securing £23 million a year in efficiency savings and by looking at charging EU students a ‘management fee’.
6. It is difficult to assess the effect of the funding changes in Wales from 2012/13 on the funding gap between England and Wales as their impact is uncertain. The Welsh government has adopted the essential features of the English fee regime but has accompanied them with a tuition fee grant for Welsh students to cover the balance of the fee over £3,465 The fee grant will be funded by reducing HEFCW funding for teaching by 35 per cent but this figure may need to be increased as average fee levels in England are significantly higher than those assumed by the Welsh government. As in Scotland the financial sustainability of the Welsh model depends on maintaining the flow of students to and from England although there is no certainty that this will be achieved.
7. Variations in funding per student between the countries of the UK have been an inevitable consequence of devolution as budget decisions are made in accordance with national priorities. The rise in the English fee cap to £9,000 is likely to increase these differences, particularly if the devolved countries do not maintain their share of the UK student market.

**6. Structure of the sector**

1. All four UK countries have considered the size and shape of their higher education sectors from time to time but only in Wales has it been a dominant theme since devolution in 1999. More recently, rationalisation has become an issue in Scotland and, as in Wales, it is being driven by the government rather than the sector. In England this has been less of a political priority and mergers and restructuring have normally been initiated by individual institutions rather than by the state; in the future change is likely to be driven by competitive pressures arising from the new funding system. In Northern Ireland there has been an emphasis on increased collaboration between higher education institutions rather than merger. The number of institutions in the four UK countries as at August 2010 is shown in Table 23.

Table 23: Number and size of higher education institutions by country (as at August 2010)

|  |  |  |  |
| --- | --- | --- | --- |
| Country | Universities | Other higher education Institutions | Average size of institution (higher education students) |
| England |  89 |  42 |  15,982 |
| Wales |  10 |  1 |  11,626 |
| Scotland |  14 |  5 |  11,627 |
| Northern Ireland |  2 |  2  |  12,748 |
| United Kingdom |  115 |  50 |  15,112 |

Source: HESA, Higher Education Funding Council for England, Scottish Funding Council, Higher Education Funding Council for Wales, Department for Employment and Learning, Northern Ireland

**Wales**

1. The most recent data available show that Wales has 3.33 higher education institutions per 1,000 head of population compared to a UK average of 2.65. Scotland’s figure is marginally higher than Wales at 3.66[[32]](#footnote-32). The view that there are too many institutions in Wales which are too small has been held by a variety of public bodies dating back to the1980s. A succession of reports has produced a variety of proposals for reconfiguration but relatively little action. A report published by the Assembly in 2001 recommended that HEFCW should adopt a more proactive planning role and implement a ‘cluster model’ that was essentially geographical in nature but with a functional dimension, through which issues of regional delivery, duplication and critical mass could be addressed. The goal of reconfiguration was identified in *Reaching Higher[[33]](#footnote-33),* published in 2002,as the key to a successful sector but no detailed plans were put forward. Subsequently HEFCW established a Reconfiguration and Collaboration Fund which operated from 2004.
2. The policy of reconfiguration was reaffirmed in the Welsh government’s *Learning Country 2* (2006)[[34]](#footnote-34) and in *For our Future* (2009)[[35]](#footnote-35). In 2009, a review undertaken by Professor Merfyn Jones, stated that there ‘was a compelling case for creating and consolidating critical mass, particularly in research and in wider reconfiguration, including merger, where clear outcomes can be identified and achieved’[[36]](#footnote-36). The recent review on governance in Wales, which was led by John McCormick, reinforced this conclusion[[37]](#footnote-37).
3. Although radical action has not been evident, the sector has, since 2002, developed new approaches to collaboration that have not involved merger. This has included the reconfiguration of subject provision, the sharing of services and the formation of major collaborative research institutes. HEFCW‘s regional plans have generated major initiatives such as the Universities Heads of the Valleys Institute. There have also been four mergers, reducing the number of institutions from 13 to 10: the merger of Cardiff University and the University of Wales College of Medicine in 2004, the University of Glamorgan and Merthyr Tydfil College (a further education college) in 2005, the University of Glamorgan and the Royal Welsh College of Music and Drama in 2007, and the merger of Trinity University College, Carmarthen and the University of Wales, Lampeter. Most recently, in February 2011, Swansea Metropolitan University and the University of Wales Trinity Saint David announced merger proposals to form a single institution with the University of Wales.
4. The most notable area where no action has been taken is in south-east Wales, where there are three post-1992 institutions - Cardiff Metropolitan University (formerly the University of Wales Institute Cardiff (UWIC)), the University of Wales, Newport, and the University of Glamorgan) but a need, in the government’s view, for no more than one large institution. A proposal for the merger of the former UWIC and University of Glamorgan, announced in late 2002, failed because there was ‘a mutual breakdown in trust and confidence between the two institutions’. Subsequent plans have met the same fate. Similarly in 2008, a strategic collaboration board for south-east Wales, which had been formed at the request of the then Minister, concluded that ‘in the light of differences in institutional visions, missions and strategic directions, and lessons learned from other merger cases, and the lack of agreement on the strength of the business case, full scale merger between two or all three was unrealistic at that time’[[38]](#footnote-38).
5. More recently, political pressure for change has increased – partly in response to the additional pressures on public funding - and this is reflected in the statement in *For our Future* that the Welsh government expected ‘proposals for further reconfiguration of the higher education sector’. The *For our Future* action plan, prepared by HEFCW, includes a specific target on reconfiguration linked directly to sustainability, with core funding deployed in support of the target. HEFCW has subsequently taken the lead in developing a more explicit description of the future shape of the sector. This work proceeded in two stages. In December 2010, HEFCW outlined the principles on which the structure of the sector should be based: there should be no more than six institutions in Wales by March 2013 and they should be distributed in order to reflect regional needs; there should be no more than two institutions in each region. In its current corporate plan, HEFCW has stated that at least 75 per cent of Welsh higher education institutions should have an income in excess of the UK median, with no institution to be in the lower quartile by 2012/13.
6. In March 2011 HEFCW was asked by the Minister of Education to produce a detailed blueprint for the sector and its report on the *Future structure of universities in Wales* was submitted in June 2011. It argued that the structure was one of the reasons why ‘we are not achieving in Wales the full potential for the investment made in higher education (including for example, the capacity to secure additional funding, to capture research grants or to sustain a broad subject portfolio). As a result, we are not offering as good a service as we could to learners and employers’[[39]](#footnote-39). The proposals included the creation of a single metropolitan university for south-east Wales and extending links between Bangor and Aberystwyth with a view to eventual merger. Glyndwr University could consider the option of merging with Chester University or creating a group structure with Aberystwyth and Bangor if the border with England proved to be too great a barrier. The Council endorsed existing plans for the merger of Swansea Metropolitan University, the University of Wales Trinity Saint David and the University of Wales.
7. The government’s response to the report, in November 20111, was foreshadowed in earlier statements by the Minister for Education, who had made no secret of the aim to reduce the number of institutions and who, at the end of 2010, had told them to ‘adapt or die’: ‘Wales has been dogged for years by many institutions which are too small to cut a mark internationally, too small to withstand and respond to the growing pressure of international competition, and in danger of wasting resources competing with neighbours rather than looking out from Wales to win reputation and research income’. He has threatened to use legislative powers to speed up the process, indicating that he could dissolve the post-92 institutions by invoking the Education Reform Act 1988 and impose a new structure[[40]](#footnote-40). The government has accepted HEFCW’s proposals in their entirety with the exception of the recommendation on Glyndwr University; a review of provision in north-east Wales is being undertaken before any action is proposed.
8. The sector’s response to this political pressure – as expressed by Higher Education Wales (HEW) – suggests that such threats may not be necessary as it has reacted positively (at this level) to the government’s agenda: ‘although mergers are a matter for university governing bodies to decide, in this changed environment we are working with the approach of HEFCW and the Welsh government on the size and shape of the university sector. We are clear that this new strategic approach will require further reconfiguration of the university sector and will be of all round benefit. The gains for Wales of fewer but stronger and more successful universities working collaboratively with the Welsh government will be substantial’. However, Cardiff Metropolitan University has explicitly rejected the south-east merger proposals and the sector may be faced with the prospect of a significant loss of autonomy as the government intervenes to redesign the shape of higher education in Wales.

**Scotland**

1. Until recently no major concerns have been expressed in Scotland about the structure of the sector and attention has focused on increasing research collaboration rather than the merger of institutions. Since 1999, there has been little political interest in any further reduction in the number of institutions following a period in which the number of relatively small institutions fell significantly. The government has been more concerned to ensure that higher education is available in underserved areas and this has actually resulted in the creation of new provision: the establishment of the Crichton campus in Dumfries and the creation of the UHI Millennium Institute (which became the University of the Highlands and Islands in 2011) in the north of Scotland
2. The question of the structure of the Scottish sector has been raised in earnest during the review of post-16 education in 2011[[41]](#footnote-41) although even there the main concern was in further, rather than higher, education. Nevertheless, against a background of the need for more coherent provision, reduced duplication and tightening public expenditure, the question of whether there are too many universities in Scotland was raised in the review consultation and, if there were, whether the government should do more to encourage certain institutions to merge. The conclusion, as expressed in the White Paper, was that there is room for some consolidation in the university sector. The government believes that there is too much duplication and unnecessary competition between colleges and universities: it argued that very often different colleges and universities are competing for the same students while similar programmes are being run by institutions within a few miles of each other. It also argues that evidence from recent mergers in further education shows that money can be saved and service to students sustained and even improved by the creation of larger and more efficient colleges.
3. Accordingly, the government no longer seems willing to leave decisions on structure and what is delivered solely to individual universities. It believes that the sector’s funding arrangements – and the number of institutions – ‘is not encouraging [it] to make the rapid changes we think are needed. What may have served us well in the past is less likely to do so now, and in the future, given the financial constraints we face’[[42]](#footnote-42). The government is to ask the funding council to consider the case for structural change but it does not intend simply to wait for restructuring proposals to emerge.
4. Under the proposals in the White Paper – and echoing recent developments in Wales - Ministers would be given the power to require the SFC periodically to review the number and pattern of universities and make recommendations on changes – including mergers, the creation of new institutions or transfers of provision. The test to be applied would be the need to improve value for money and the coherence of provision. Second – and following such a review - Ministers would have the power to require governing bodies to work with SFC to implement the recommendations.

**Summary**

1. All four UK countries have considered the size and shape of their higher education sectors from time to time but only in Wales has it been a major theme since devolution in 1999. The view that there are too many institutions in Wales which are too small has been held by a variety of public bodies dating back to the1980s. In 2009, a higher education review concluded that there ‘was a compelling case for creating and consolidating critical mass, particularly in research and in wider reconfiguration, including merger, where clear outcomes can be identified and achieved’.
2. Although radical action has not been evident, the sector has, since 2002, developed new approaches to collaboration that have not involved merger. This has included the reconfiguration of subject provision, the sharing of services and the formation of major collaborative research institutes. There have also been four mergers, reducing the number of separate institutions from 13 to 10.
3. More recently political pressure for change has increased – partly in response to the additional pressures on public funding - and this is reflected in the statement in the *For our Future* strategy that the government expected ‘proposals for further reconfiguration of the higher education sector’. HEFCW has subsequently taken the lead in developing a more explicit description of the future shape of the sector. In December 2010, it outlined the principles on which the structure of the sector should be based: there should be no more than six institutions in Wales by March 2013 and they should be distributed in order to reflect regional needs; there should be no more than two institutions in each region.
4. The funding council’s proposals included the creation of a single metropolitan university for south-east Wales and extending links between Bangor and Aberystwyth with a view to eventual merger. Glyndwr University could consider merging with Chester University or creating a group structure with Aberystwyth and Bangor if the border with England proved to be too great a barrier. The government has accepted these proposals with the exception of the recommendation on Glyndwr University and a review of provision in north-east Wales is being undertaken before any action is proposed. It has threatened to use legislative powers to speed up the reform process indicating that the post-92 institutions could be dissolved by invoking the Education Reform Act 1988 and imposing a new structure. Although the sector’s positive response to this political pressure suggests that such threats may not be necessary, at least one institution in south-east Wales continues to oppose restructuring.
5. Until recently no major concerns have been expressed in Scotland about the structure of the sector and attention has focused on increasing research collaboration rather than mergers. The government has been more concerned to ensure that higher education is available in underserved areas and this has even resulted in the creation of new provision. The question of the structure of the Scottish sector has however been raised in earnest during the government review of post-16 education in 2011. The conclusion is that there is room for some consolidation. The government believes that there is too much duplication and unnecessary competition within colleges and regional universities: it argued that very often different colleges and universities are competing for the same students while similar programmes are being run by institutions within a few miles of each other.
6. As a result of these pressures, the government no longer seems willing to leave decisions on structure and what is delivered solely to individual universities. Under the proposals in the White Paper – and echoing recent developments in Wales - Ministers would be given the power to require the Scottish Funding Council (SFC) periodically to review the number and pattern of universities and make recommendations on changes. Following such a review Ministers would have the power to require the governing bodies to work with SFC to implement the recommendations.

**7 Governance of the higher education sector**

1. This section primarily focuses on the governance of the sector although some reference is also made to the governance of institutions. The UK-wide Further and Higher Education Act 1992 created three territorial funding councils which assumed the funding responsibilities of the former Universities Funding Council (UFC) and the Polytechnics and Colleges Funding Council (PCFC) as well as those of the Scottish Office Education Department in respect of the Scottish central institutions.
2. Under these new arrangements, the funding councils in Scotland and Wales were responsible for policy implementation but policy-making remained the responsibility of the Scottish and Welsh Offices based in London. It has been argued that during this period the Scottish Higher Education Funding Council set in motion the process that was ‘to create (or, perhaps it should be, to reclaim) a distinctive national identity for Scottish higher education . . long before devolution was little more than a glimmer in the eye of many Westminster politicians[[43]](#footnote-43). The same cannot be said of HEFCW which did not have a distinctive higher education system to draw upon.

**Northern Ireland**

1. Prior to 1999 higher education was included in the remit of the Ministry of Education, which, since 1972, had been responsible to the Northern Ireland Office under direct rule. In 1999 the sector became the responsibility of the new Department of Higher and Further Education, Training and Employment in the devolved administration. In 2001 it was renamed the Department of Education and Learning Northern Ireland (DELNI) and the sector continues to be directly funded by the department rather than through an arms-length funding body as is the case in the rest of the UK. The two universities are autonomous corporate institutions with charitable status. Both university colleges are also legally and financially autonomous, but are academically integrated within Queen’s University Belfast as schools of the university, and are regarded as such for the purposes of academic quality assurance. The governance framework between DELNI and each institution is set out in a financial memorandum with which it is expected to comply as a condition of funding. The financial memorandum sets out the terms and conditions under which annual funding is allocated.
2. A single layer of governance seemed appropriate for a small sector which draws on advice and support from HEFCE and other external bodies. DELNI has also been advised by the Northern Ireland Higher Education Council (NIHEC) on policy matters. The council was first established in 1993 at the same time as the higher education funding bodies in England, Wales and Scotland but following a recent review it has been wound up. It lacked their statutory powers and when reconstituted in 2002 (under devolution) its remit was extended to cover all higher education in Northern Ireland, not just that provided by the two universities. NIHEC had advisory and liaison roles, which include maintaining links with counterparts in Great Britain and the Republic of Ireland. The governance framework is currently being reassessed as part of the current review of higher education. Few details are available but the aim is to ‘achieve a framework that would recognise institutional autonomy and also the relationship between government and the sector. Northern Ireland’s universities and the Department must have a clear understanding of where responsibilities of accountability and governance lie’[[44]](#footnote-44).

**The funding council model**

1. Since its creation in 1992 the funding council model has operated on a broadly similar basis in England, Scotland and Wales although differences in policy and in the size of the sectors have produced variations in operating methods. As a result, HEFCE has kept its distance from institutions to greater extent than the others, placing greater emphasis on targets and not having the day to day contact with institutions that is evident elsewhere. Since 1999 the policy framework in all parts of the UK has been set by the devolved administrations, with the funding councils receiving an annual grant letter from the responsible Minister. The principal role of the funding bodies has been to distribute funding to institutions largely on a formulaic basis with some funds top-sliced to support national initiatives of various kinds. They have also had an important function in monitoring the overall performance of their sectors.
2. This model is now being reviewed with ‘challenges’ to the present system in all four countries: the most radical changes have been proposed in England but in Scotland and Wales also there have been strong political pressures to revise the remit of the funding councils so that they can intervene more directly in support of national objectives. The English White Paper includes proposals for the reform of the regulatory framework with the aim of protecting the interests of students and of the wider public. HEFCE will have a new ‘explicit’ remit to promote the interests of students as consumers and a duty to take into account competition implications when making funding decisions. A remodelled HEFCE will be the lead regulator as well as having continuing funding responsibilities in respect of the residual teaching grant and research. Subject to legislative approval, it will be the primary monitor of all providers (including private providers) and will ensure that the requirements they must meet in order to be eligible to access student support are met. Non-profit private providers will, additionally, be able to access HEFCE grants subject to any general additional requirements over and above conditions of designation for student support. The White Paper proposals will require Parliamentary approval and it is still not clear whether the coalition government will make time available for highly contentious legislation.
3. Since devolution there has been general acceptance in Scotland and Wales of the principle that a funding council should operate between the government and institutions but this has been questioned in recent policy reviews. Even if the funding council concept survives it will increasingly take a different form as an executive arm of government focused on the implementation of national policy rather than as a ‘buffer’ body between higher education institutions and the Government.

**Scotland**

1. The first significant change to the funding council model came in 2005 when the separate funding councils for further and higher education in Scotland were merged in a single body, the Scottish Funding Council (SFC). The creation of a single Scottish funding body may have resulted in a reduction in the higher education sector’s influence although its scale still offers advantages in terms of the greater levels of contact with heads of institution than would be possible in England. However, the funding council’s aim to develop a more strategic role has certainly been a source of tension. The SFC has increasingly been regarded as an arm of government, with a strategic role in the sector, and this trend has been underlined by increasingly prescriptive Ministerial guidance and changes to the funding methodology. The funds allocated by formula have been reduced in order to create a ‘horizon fund’ which distributes resources according to national priorities.
2. The council’s role has also been affected by the government’s practice of engaging directly with the sector through formal and informal contacts. The review of the future of higher education, 2010/11, was initiated by the creation of a taskforce between government and institutions in 2008. Joint working with the government has continued in the examination of the funding gap in 2010/11 previously referred to. In 2008 the standing Tripartite Advisory Group was created enabling ‘a new, more open and direct relationship between the Scottish government, the Scottish Funding Council and Universities Scotland’. The work of the group includes the development of a shared evidence base on the level of public investment required for the sector to remain internationally competitive. The advisory group has encouraged all three parties to work more closely together but raises questions about the funding council’s position as an intermediary body.
3. In 2010/11 the higher education review raised fundamental questions about the future role of the SFC and whether its allocation mechanisms were too conservative, protecting institutional stability rather than incentivising creativity or flexibility[[45]](#footnote-45). A variety of structural options was identified including abolishing the funding council or reforming it as a more strategic body. The review also raised the possibility of replacing the financial memorandum with institutions with some form of concordat which focused on key outcomes with the aim of raising sector performance. The more radical options for restructuring the council have now been ruled out in the White Paper. Nevertheless the intention is that it will be given new powers: ‘leading and supporting change on a number of fronts has significant implications for the SFC. This will need to be met by changed powers . . . in order to make more and faster progress. Overall we believe that the SFC, whilst acquiring more powers of direction, needs to simplify its processes and streamline its bureaucracy. Those requirements will be pursued vigorously’[[46]](#footnote-46).
4. The Scottish government also initiated a separate review of university governance, chaired by Professor Ferdinand von Prondzynski, Principal of Robert Gordon University, which reported early in 2012[[47]](#footnote-47). The review makes wide-ranging recommendations which include transferring the Privy Council’s role in relation to universities in Scotland to a committee comprising the First Minister of Scotland, the Lord Advocate and the Lord President of the Court of Session. Under the existing arrangements, the Privy Council considers proposals from universities to amend their royal charter and also has delegated authority to issue Orders of Council which are the instruments of governance used to regulate the post-92 institutions and to approve amendments to these. The Council is also the point of application for universities that wish to make changes to their ordinances (ancient universities) or statutes (charter universities), which regulate their internal governance arrangements. The review recommends enacting a statute for Scotland’s higher education sector setting out the key principles of governance and management and establishing a stakeholder forum convened by the Scottish Funding Council.
5. Like the earlier Welsh governance review (discussed below), the report urged a greater degree of openness and accountability in the way in which governing bodies operate. The report proposed that the chairs of Court (the governing body of a Scottish university) should be subject to an election process by a constituency of staff and students and potentially wider stakeholders There are prescriptive recommendations about the remuneration of senior management and the role, composition and appointment of governing bodies. Positions on governing bodies for lay or external members should be advertised. There should be union-nominated as well as elected staff members. As well as two current students there should be two alumni. To see some sort of gender balance, each governing body should be required to ensure, over a specified transitional period, that at least 40 per cent of the governing body was female. The composition and method of appointment of academic boards is also considered by the review.

**Wales**

1. In Wales the further education funding council, which had been formed in 1992, was merged with the former Training and Enterprise Councils to form Education and Learning Wales (ELWa) in 2001. ELWa’s functions were transferred to the Welsh government in 2006, leading to speculation that the higher education funding council might suffer the same fate. However, no action was taken and recently HEFCW has taken a more active role in the development and implementation of national policy. Following the publication of *For our Future* in 2009, HEFCW has worked closely with government on the implementation of the strategy through its corporate plan for 2010/13, its proposals on regional planning and funding and its advice on the future shape of the sector.
2. Despite HEFCW’s more active role there are now strong political pressures for the reform of higher education governance. This reflects continuing political dissatisfaction with the performance of the sector and its relationship with the funding council and the Welsh government. The Welsh governance review, 2011, which was led by John McCormick, Electoral Commissioner for Scotland and former Chairman of the Scottish Qualifications Authority , covered the governance of institutions as well as the sector, concluded that ‘one serious flaw surrounds the . . . sector’s collective lack of commitment to addressing Welsh strategic priorities… Consistent evidence points to the sector’s unwillingness to embrace real change and real systemic reconfiguration… we saw limited evidence that the sector as a whole had changed substantially . . . Instead of creating a self-generating dynamism for change, the current governance model is dependent upon change driven from above for ensuring delivery of policy.’[[48]](#footnote-48)
3. The review argued that the funding council should be replaced by new arrangements that reflected the specific needs of Wales. The country’s ‘emphasis on collaboration and the strategic focus on both social justice and economic improvement offer a different policy context requiring its own distinctive approach to national governance. While there needs to be continued engagement with England and its national bodies, it is important to build a model that defines and prioritises Welsh needs’. The review argued for the retention of a separate arm´s length funding and regulatory body but one which formally incorporates the sector, links it directly into the delivery of national strategies, and introduces a system that not only promises change but assures it.
4. The proposed new body – ´Universities Wales´ - would have a redefined relationship with the Welsh government based on a coordinated, cross-government approach to higher education strategy and delivery. Its primary responsibility would be ensuring the delivery of Welsh national priorities for higher education and it would have the powers to ensure that all its funding streams could be applied to meet strategic objectives, such as reconfiguration, social justice and economic improvement. While the review report claims that this can be done while still respecting the autonomy of individual universities, it is a very different concept to the earlier model of a buffer body that distributes funds by formula within a broad policy framework.
5. There have been several public indications by the Minister that he will proceed to a consultation early in 2013 with a view to reconstituting HEFCW as a strategic planning and funding body. This would require the Assembly’s approval and the proposal may form part of a higher education bill that could take effect from 2014. It is clear, therefore, that in Wales – as well as in England and Scotland - the role of the intermediary body is changing. However, it will be some time before new arrangements are fully in place and their impact can be assessed.
6. The McCormick report also expressed concerns about the performance of university governing bodies in Wales. It concluded that there was only limited engagement in strategic planning and that there should be more use of key performance indicators. There should be better communication with senates and academic boards. The main recommendations included the following:
	* Governing bodies should consist of between twelve and eighteen members as the norm, inclusive of staff and student members
	* The majority of the board members should be external to the higher education sector
	* Each board should include members of the staff and student community as full members of the board not just to fulfil a representative role, but to provide essential input to strategy
	* Institutions should review the appointments processes and ensure that they recognise the importance of balanced selection panels to achieve balanced boards
	* Each governing body should have a formal effectiveness review once every two years, the outcomes of which should be published under a common sector process agreed with and regularly scrutinised by the national funding and regulatory agency

**Summary**

1. The UK-wide Further and Higher Education Act 1992 created three territorial funding councils which (together with the Department for Employment and Learning Northern Ireland) assumed the funding responsibilities of the Universities Funding Council and the Polytechnics and Colleges Funding Council (PCFC) as well as those of the Scottish Office Education Department in respect of the Scottish central institutions. Under these new arrangements, the funding councils in Scotland and Wales were responsible for policy implementation but policy continued to be made by the Scottish and Welsh Offices based in London.
2. In 1993 higher education in Northern Ireland was the responsibility of the Ministry of Education under the Northern Ireland Office. Following devolution the sector remained directly funded by a government department (DELNI) rather than through an arms-length funding body. A single layer of governance seemed appropriate for a small sector which draws on advice and support from the HEFCE and other external bodies.
3. Since its creation in 1992 the funding council model has operated on a broadly similar basis in England, Scotland and Wales although differences in the policy and size of the sectors have produced variations in operating methods. The model is now being reviewed: the most radical changes have been proposed in England but in Scotland and Wales there have been strong political pressures to revise the remit of the funding councils so that they can intervene more directly in support of national objectives.
4. The first significant change to the funding council model came in Scotland in 2005 when the separate funding councils for further and higher education were merged in a single body, the Scottish Funding Council (SFC). The SFC has increasingly been regarded as an arm of government, with a strategic role in the sector, and this trend has been underlined by increasingly prescriptive Ministerial guidance and changes to its funding methodology. The funds allocated by formula have been reduced in order to create a ‘horizon fund’ which distributes resources according to national priorities.
5. The council’s role has also been affected by the government’s practice of engaging directly with the sector through formal and informal contacts. In 2008 the standing Tripartite Advisory Group was created enabling ‘a new, more open and direct relationship between the Scottish government, the Scottish Funding Council and Universities Scotland’.
6. In 2010/11 the higher education review raised fundamental questions about the future role of the SFC and whether its allocation mechanisms were too conservative, protecting institutional stability rather than incentivising creativity or flexibility. The intention is that it will be given a new role of ‘leading and supporting change on a number of fronts This will need to be met by changed powers . . . in order to make more and faster progress. Overall we believe that the SFC, whilst acquiring more powers of direction, needs to simplify its processes and streamline its bureaucracy’.
7. The Scottish government also initiated a separate review of university governance which reported early in 2012. The review makes wide-ranging recommendations which include transferring the Privy Council’s role in relation to universities to Scotland, enacting a statute for Scotland’s higher education sector setting out the key principles of governance and management, and establishing a stakeholder forum convened by the Scottish Funding Council.
8. In Wales there are strong political pressures for the reform of higher education governance despite HEFCW’s more active role in the development and implementation of policy in the last three years. Nevertheless, there is continuing political dissatisfaction with the performance of the sector and its relationship with the funding council and the Welsh government.
9. A review of sector and institutional governance, 2011, suggested that the funding council should be replaced by new arrangements that reflected the specific needs of Wales. The review argued for the retention of a separate arm´s length funding and regulatory body but one which formally incorporates the sector, links it directly into the delivery of national strategies and introduces a system that not only promises change but assures it. A consultation is planned early in 2013 with a view to reconstituting HEFCW as a strategic planning and funding body.

**8 Degree-awarding powers and quality assurance**

**Degree-awarding powers**

1. The award of university title and degree-awarding powers remains a non-devolved matter and the arguments for maintaining the status quo have prevailed so far although this may change in the future. A review of Scottish university governance, as discussed above, has recommended that the existing jurisdiction of the Privy Council should be transferred to Scotland and replaced ‘with a framework that is operated entirely within Scotland’ [[49]](#footnote-49). Under the Further and Higher Education Act 1992 and the Further and Higher Education (Scotland) Act 1992, the Privy Council is empowered to grant institutions the powers to award their own degrees. In considering applications for such powers, the Privy Council has since 1999 sought advice from the appropriate territorial Minister with higher education responsibilities. In turn, the Minister seeks advice from the Quality Assurance Agency (QAA) although this may change in England as under the government’s reform plans HEFCE is to be given responsibility for advising on degree-awarding powers and university title.
2. In England and Wales applications for university title are considered under criteria approved by Ministers in 2004. In Scotland and Northern Ireland, they are considered under criteria approved by Ministers in 1999 (which, before 2004, were applicable to all parts of the United Kingdom). The changes introduced in 2004 were the first indication that the UK government was to take a more radical approach to the granting of degree-awarding powers and university title in England than has been evident in the other countries of the UK. It was then decided to change the criteria for the award of university title so that it was no longer necessary for an institution to have first secured research degree-awarding powers.
3. The change was intended to ‘recognise excellent teaching as a university mission in its own right’. University title could now be awarded on the basis on the basis of taught degree awarding powers, student numbers, and the range of subjects offered. This led to the creation of a group of new universities from former colleges of higher education that had been awarding other universities’ research degrees. As a result of the new criteria, four private providers in England have also been awarded degree awarding powers, one of them (BPP University College) a ‘for profit’ organisation. More recently, the Further and Higher Education Act (1992) was amended so that the Privy Council could grant foundation degree awarding powers to further education colleges in England (from 2008) and in Wales (from 2010).
4. Despite these changes the processes for obtaining university title and taught degree-awarding powers in England remain slow and complicated and are seen as major obstacles to opening the sector to private providers, which is an important aim of the coalition’s higher education policy. In the 2011 White Paper, the UK government announced that it would be consulting on changes to the criteria and process for the granting and renewal of degree-awarding powers at undergraduate level and on proposed legislation to allow institutions that do not teach to award degrees. One of the aims of the changes will be to introduce greater flexibility by removing the need for a four year track record of teaching at degree level before degree awarding powers can be granted. When quality or academic standards fail, there will be powers to suspend or remove degree-awarding powers from both taught and research degree-awarding institutions. It will also consult on changes to the criteria and process for university or university college status, reviewing the requirement for an institution to have at least 4,000 full time students before it can apply for university title.
5. The criteria adopted in England and Wales in 2004 do not apply in Scotland or Northern Ireland which have maintained the earlier definition of a university as an institution with both taught and research degree awarding powers. They have also maintained the arrangements that applied before devolution and have done nothing to change the existing definition of a university. The Scottish government did, however, decide to make one exception to this rule in the case of the UHI Millennium Institute (now the University of the Highlands and Islands) which applied for university title without having research degree awarding powers although it did already conduct research and have PhD students whose degrees were accredited by other Scottish universities. The government argued that in view of the benefits that a university in the Highlands would bring to the region, it would support the application for university title in advance of it achieving research degree awarding powers and plans were made to ensure that the new university made progress towards this goal.
6. The University of the Highlands and Islands was an exceptional case and there is no indication that Scotland plans to adopt the current English model based on taught degree awarding powers in considering future applications for university title. It also seems unlikely that at present the changes proposed in the 2011 White Paper will be matched elsewhere in the UK. This is confirmed by the report of the Scottish governance review, 2012, which has recommended that the ‘designation ‘university’ should be reserved to independent public bodies accredited in Scotland under legislation for these purposes’[[50]](#footnote-50).

**Quality assurance**

1. All four countries subscribe to the principle that universities have the main responsibility for ensuring that quality and standards are maintained and that they should be independently overseen by the Quality Assurance Agency (QAA) which has a UK-wide remit. All universities use a common set of tools – the Academic Infrastructure (to be replaced by the new UK Quality Code for Higher Education from 2012/13) – to underpin their work in maintaining quality and standards. The infrastructure includes a code of practice, subject benchmark statements and frameworks for higher education qualifications. All universities use external examiners to advise on the standards set and student performance in relation to those standards. This is one of the means by which UK universities take collective responsibility for standards, and it aims to ensure that they are broadly comparable across the whole system.
2. The legislation creating the funding councils in 1992 included a specific obligation to ensure that provision is made by each council for assessing the quality of the higher education it funds, and to establish a quality assessment committee to advise on the discharge of that responsibility. In 1997 the Quality Assurance Agency was created as a UK-wide independent body funded by subscriptions from universities and through funding council contracts, which require it to devise and apply quality assurance methods. The devolved countries continue to support the need for comparable UK standards based on an institutional review approach and have endorsed the view that quality assurance at subject level should be the responsibility of the universities. But beyond endorsement of these general principles there have been clear differences of approach in the four countries and their contracts with the QAA require it to adopt different approaches in the different countries. QAA has a separate Scottish office, known as QAA Scotland, to develop and operate quality assurance and enhancement arrangements that reflect the needs of higher education in Scotland. There is a Scotland Committee which has overall responsibility for QAA’s work in Scotland.
3. Following the 1992 legislation, Scotland adopted a three-point assessment scale like England but then quickly moved to a four point scale: excellent, highly satisfactory, satisfactory, unsatisfactory. Unlike England, this assessment provided a basis for funding decisions in Scotland (until 1998). After 2001, however, quality assurance in Scotland began to move much more in the direction of quality enhancement. In December 2001 a circular[[51]](#footnote-51) issued by the then Scottish Higher Education Funding Council proposed a new process – enhancement-led institutional review - with four main elements:
* institutional audits undertaken as in England but without discipline-based audit trails and with greater emphasis on quality enhancement and effective student feedback;
* public information would not include the compulsory publication of external examiners’ reports or summaries;
* at subject level there would be only an internal review process which would apply except where institutions had insufficient experience of quality assurance, or where there was evidence from other sources suggesting serious concerns about quality in specific subject areas;
* a separate quality enhancement process with specific engagements within sector-wide ‘themes’, with the overall aim of identifying and disseminating good practice.
1. The new approach was promulgated in 2003[[52]](#footnote-52). Further minor changes were made for the second review cycle from 2008[[53]](#footnote-53). Students or recent graduates have been full members of review teams in Scotland from the start. The current enhancement theme is ‘developing and enhancing the curriculum’ and the previous theme (2008/11) was ‘graduates for the 21st century: integrating the enhancement themes’. Scotland has been considering possible changes for the cycle of reviews that will commence in 2012 but no announcement has yet been made. Developments in England will no doubt be relevant but it seems unlikely that the graded outcomes approach will be adopted.
2. An independent external evaluation of enhancement led institutional review, undertaken in 2006, reached a very positive conclusion on the Scottish approach:

The approach to quality that we review here is ambitious, distinctive and, so far, successful. It was conceived as a reaction to quality assurance processes that seemed to be intrusive; emphasise compliance; concentrate on the current state of play, rather than on making things better; and represent poor value for money...

[The quality enhancement framework in Scotland] brought right to the fore the simple and powerful idea that the purpose of quality systems in higher education is to improve student experiences and, consequently, their learning...

Not surprisingly, we have found evidence of the persistence of behaviours redolent of the displaced quality assurance regime. We have also noticed, though, that when it comes to enhancement-led institutional review, institutions are increasingly willing to lay out areas of imperfect practice and publicly consider ways in which they could improve on them in coming years. Perhaps the shift from the concealing behaviours associated with the previous quality assurance regimes operating in UK higher education in the 1990s towards – and let it be clear that this is a direction of travel – disclosure of areas for improvement is the biggest cultural shift in thinking and the most distinctive feature of Scotland’s fresh thinking about quality[[54]](#footnote-54).

1. Scotland’s attachment to enhancement is shown by the fact that whilst elsewhere the funding agencies still work to the remit of ‘securing ... provision for the assessment of the quality of education’, the Further and Higher Education Act (Scotland) 2005 amended and extended the statutory responsibilities of the new Scottish Funding Council as follows: the council is to secure that provision is made for: (a) assessing; and (b) enhancing the quality of fundable further education and fundable higher education provided by fundable bodies[[55]](#footnote-55).
2. Scotland has always had somewhat different quality assurance arrangements to England. A qualifications framework involving credit accumulation and transfer – the Scottish Credit and Qualifications Framework (SCQF) – which preceded that in England and Scotland also has a number of its own benchmark statements, reflecting the distinctive requirements of some of the professional curriculum areas.
3. Wales has also moved in an enhancement direction with, again, a greater emphasis on QAA and the institutions working in partnership, something made simpler in both countries by the relative scale of provision. From the outset, the HEFCW sought to involve institutions in the design of the process. Attempts were even made to move away from a single summative judgement about the quality of provision but the funding council retained the excellent/satisfactory/unsatisfactory descriptors so as to keep in step with England because of the scale of cross-border flows, and a wish to provide comparable information for applicants.
4. In 2003, HEFCW, following consultation with the Welsh institutions, set out the core principles, requirements and key features of quality assurance from 2003/04[[56]](#footnote-56). Wales was operating on a different timescale to England because of the much smaller number of institutions. The approach adopted was similar to that in England (and Northern Ireland) but with two important differences. There would be no discipline-based audit trails (partly because of the scale of Welsh provision), and there would be no publication of summaries of external examiners’ reports (or of summaries of internal annual and periodic monitoring reports). There was a strong emphasis on the use of student evaluations in quality assurance.
5. The institutional review cycle that began in 2003 came to an end in 2009. At the beginning of 2009, and again after consultation, the Welsh funding council had announced its intentions for the next (current) cycle.[[57]](#footnote-57) A number of changes - some of which were subsequently taken up in the new method for institutional review in England after 2011 – were announced, the main ones being:
* increased emphasis on enhancement;
* a greater focus on the learner experience;
* students to be full members of review teams;
* reviews to be a rolling process rather than a fixed cycle;
* a more risk-based approach. Institutions not gaining a ‘confidence’ judgement in their previous review would be reviewed at no more than four-yearly intervals. Those gaining a ‘confidence’ judgement would be reviewed at no more than six-yearly intervals;
* the previous single judgement about quality and standards would be divided into separate judgements about quality and standards.
1. Review teams would also be asked to consider the extent to which the institution was aware of the European and international dimension.
2. However in 2011, and taking advantage of the fact that a rolling process enabled changes to be made at any time, HEFCW consulted institutions on amendments designed to bring the Welsh review method closer to that adopted for England and Northern Ireland from 2011[[58]](#footnote-58) The main changes proposed would bring the numbers and categories of judgements and the grading of recommendations into line with those in England and Northern Ireland (which has always followed England). This would facilitate comparability and avoid Welsh universities and colleges being at a disadvantage compared with institutions elsewhere in the UK.
3. It is evident that once again there is both convergence and divergence in the quality assurance arrangements of the devolved countries. They all subscribe to the long established principles on which quality assurance in higher education is based but there are variations in how the external processes are applied, most obviously in the priority given to enhancement in Scotland. It also notable that Scotland and Northern Ireland have not sought to vary the traditional definition of a university since 1999.

**Summary**

1. The award of university title and degree-awarding powers remains a non-devolved matter and the arguments for maintaining the status quo have prevailed so far, although this is now under review in Scotland. The Privy Council is empowered to grant institutions the powers to award their own degrees and in considering applications for such powers, it has sought advice from the appropriate territorial higher education Minister.
2. In England and Wales applications for university title are considered under criteria approved in 2004. In Scotland and Northern Ireland, they are considered under criteria approved in 1999 (which, before 2004, were applicable to all parts of the United Kingdom). In 2004 it was decided to change the criteria for the award of university title so that it was no longer necessary for an institution to have first secured research degree-awarding powers.
3. These changes were the first indication that the UK government was to take a more radical approach to degree-awarding powers and university title than has been evident in the other UK countries. They led to the creation of a group of new universities from former colleges of higher education that had been awarding other universities’ research degrees. As a result of the new criteria four private providers in England have also been awarded degree awarding powers.
4. Further changes have been proposed in England but seem unlikely to be matched elsewhere in the UK. In the 2011 White Paper, the government announced that it would be consulting on changes to the criteria and process for the granting and renewal of degree-awarding powers and on proposed legislation to allow institutions that do not teach to award degrees
5. All four countries subscribe to the principle that universities have the main responsibility for ensuring that quality and standards are maintained and that they should be independently overseen by the Quality Assurance Agency (QAA) which has a UK-wide remit. All universities use a common set of tools to underpin their work in maintaining quality and standards.
6. The legislation creating the funding councils in 1992 included a specific obligation to ensure that provision is made by each council for assessing the quality of the higher education it funds. In 1997 the QAA was created as a UK-wide independent body funded by universities and funding council contracts, which require it to devise and apply quality assurance methods. The devolved countries continue to support the need for comparable UK standards based on an institutional review approach and have endorsed the view that quality assurance at subject level should be the responsibility of the universities.
7. Clear differences of approach have developed between the four countries and their contracts with the QAA require it to adopt different approaches in the different countries. There is a Scotland Committee which has overall responsibility for QAA’s work there. Scotland quickly moved to a four point assessment scale and unlike England, this assessment provided a basis for funding decisions in Scotland (until 1998). After 2001, quality assurance in Scotland began to move much more in the direction of quality enhancement. A new approach – enhancement-led institutional review - was promulgated in 2003. The current enhancement theme is ‘developing and enhancing the curriculum’. An external evaluation reached a very positive conclusion on the Scottish approach.
8. Wales has also moved in an enhancement direction with a greater emphasis on QAA and the institutions working in partnership, something made simpler by the relative scale of provision. The approach it adopted from 2003 was similar to that in England but with two important differences. There would be no discipline-based audit trails (partly because of the scale of Welsh provision), and there would be no publication of summaries of external examiners’ reports. There was a strong emphasis on the use of student evaluations in quality assurance. In 2009 a number of changes - some of which were subsequently taken up in the new method for institutional review in England after 2011 – were announced, the main ones being an increased emphasis on enhancement and a greater focus on the learner experience. By 2011 further changes were made which brought the review method closer to that adopted for England and Northern Ireland.
9. It is evident that there is both convergence and divergence in the quality assurance arrangements of the devolved countries. They all subscribe to the long established principles on which quality assurance in higher education is based but there are variations in how the external processes are applied, most obviously in the priority given to enhancement in Scotland.

**9 Research funding and performance**

**Dual support**

1. This section focuses on the funding of research through the dual support system including variations in research income levels and performance and the differing policy responses of the devolved countries. Dual support is a system of research funding that provides funds to institutions in two streams, one as part of their core grants, and provided by the funding councils, and the other generally in the form of project grants, provided by the research councils.
2. The research council arm of dual support remains a UK responsibility and funds are allocated competitively to higher education institutions in the four countries. The budget for the research councils was £2,682 million in 2010/11 and the allocation to each council is determined by the Department for Business, Innovation and Skills.
3. The devolved countries remain committed to the present UK research funding arrangements and the Scottish White Paper on higher education (2011) states that the government will ‘work with the UK government to ensure continuity of access to research council funding during the continuing process of constitutional reform’[[59]](#footnote-59). This reflects the conclusion of the Calman commission that the research council system appeared to have served Scotland well. The universities share this view believing that ‘it is vital to maintain the UK wide jurisdiction of the research councils since the performance of the Scottish universities in securing resources from them in competition with other UK universities is a further frame of reference against which the quality of Scottish academic research can be judged’[[60]](#footnote-60) .
4. The devolved countries participate in a variety of UK wide-initiatives within the dual support framework. These include funding council involvement in the work of Research Councils UK (RCUK) and membership of the UK Research Base Funders Forum, where the main research funders consider their collective impact on the sustainability, health and outputs of the UK research base. They have also benefited from UK wide infrastructure funding (through the Science Research Investment Fund) and sector-led initiatives on costing and pricing, research careers and the research integrity concordat. The devolved countries are signatories to the concordat for researchers which aims to improve the attractiveness and sustainability of research careers in the UK.

**Recurrent research funding**

1. The second arm of the dual support system – recurrent funding distributed to institutions as a block grant by the funding councils (or directly by government in Northern Ireland) – is a devolved responsibility. This funding stream, which was £1,973 million in total in 2010/11, is provided from the devolved countries’ budgets but largely allocated by reference to the results of the UK-wide Research Assessment Exercise (or the Research Excellence Framework from 2014). The last exercise was in 2008. Research in all subjects submitted by UK institutions was assessed against agreed quality standards within a common framework that recognised appropriate variations between subjects in terms of both the research submitted and the assessment criteria. The outcome was expressed as quality profiles which present (in blocks of 5 per cent) the proportion of each submission judged by the panels to have met each of the four quality levels : 1\* to 4\* (with 4\* being defined as quality that is world-leading in terms of originality, significance and rigour). Work that fell below a national quality threshold or was not recognised as research was unclassified.
2. Universities in Scotland, Wales and Northern Ireland strongly support their continued participation in the research assessment exercise (and its successor): ‘for the universities, especially those with strong research reputations, it was vital to retain this cross-national evaluation. For universities, or university departments, that see themselves as global research players it makes little sense to be a big fish in a small pond. They need to establish reputations on a broad comparative basis rather than through a narrow spectrum that will confirm only the obvious’[[61]](#footnote-61).
3. Table 24 shows the overall percentages of research activity at each quality level for the UK and its constituent countries as assessed in the research assessment exercise in 2008. In this assessment exercise English performance was marginally better than the other countries, with 55 per cent of its research 4\* or 3\*, compared with 52 per cent in Scotland, 50 per cent in Northern Ireland and 49 per cent in Wales.

Table 24: Outcomes of the research assessment exercise, 2008, by country

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| RAE grade | England | Wales | Scotland | Northern Ireland | United Kingdom |
| 4\* | 18% |  14% | 15% | 14% |  17% |
| 3\* | 37% |  35% | 37% | 36% |  37% |
| 2\* | 32% |  36% | 34% | 37% |  33% |
| 1\* | 11% |  13% | 12% | 11% |  11% |
| Unclassified |  2% |  2% |  2% | 1% |  2% |

Source: www.rae.ac.uk

1. Although the research assessment exercise is UK-wide and produces a single quality profile for each unit of assessment, decisions on how the results are translated into funding outcomes are the responsibility of each of the participating countries. In the initial period of devolution, Scotland, Wales and Northern Ireland distributed their research funds less selectively than was the case in England. As a result research funding was less concentrated, with less well performing departments receiving relatively better funding than their equivalents in England. It has been suggested ‘that this might be necessary in order to ensure that research continues to be spread across a significant number of departments and institutions in Scotland and Wales [and because of] the performance of many Scottish and Welsh departments in the 2001 RAE’[[62]](#footnote-62). However, the need to maintain or improve research performance as well as secure appropriate shares of UK and European research funds has resulted in the distribution of research becoming much more selective in all of the devolved countries, and this convergent trend is continuing.
2. Table 25 requires a little interpretation. It shows that in England and Wales a score of 4\* attracts three times the funding as a score of 3\*, whereas in Scotland a 4\* receives less than 2.37 times the funding of a 3\*, and in Northern Ireland 2.33 times the funding. Research funding is therefore more selectively allocated in England and Wales than it is in Scotland or Northern Ireland. However, in accordance with national priorities, the SFC has been increasing the selectivity of its research funding. In the previous year (2010/11) Scotland was the only country which still funded research at 1\* (a measure of national excellence) and at the time the SFC justified the decision as follows: ‘we have taken the view that 1\* research is of high quality and should be supported through the funding model. Furthermore . . . we believe that the funding of 1\* research will assist early career researchers in their career development’[[63]](#footnote-63). In Wales, Quality Research funding has recently been restricted to 4\* and 3\* research (research defined as internationally excellent by the UK research assessment exercise) in order to boost performance in a period of financial stringency.

Table 25: Funding weights in the Quality Research (QR) funding model by country, 2011/12

|  |  |
| --- | --- |
| RAE quality rating | Funding weights |
|  |  England | Wales | Scotland  | Northern Ireland |
| 1\* |  0 |  0 |  0 |  0 |
| 2\* |  0.294 |  0 |  1 |  1 |
| 3\* |  3 |  1 |  4.320 |  3 |
| 4\* |  9 |  3 |  10.240 |  7 |

Source: Higher Education Funding Council for England, Scottish Funding Council, Higher Education Funding Council for Wales, Department for Employment and Learning, Northern Ireland

1. Table 26 shows the total quality research funds allocated by these formulae in each country in 2009/10. It shows significant variation in the proportion of funding council grant that is allocated to research with both Scotland and Wales providing below the average for the United Kingdom.

Table 26: Spending on quality research (QR) by higher education funding bodies, 2009/10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Total recurrent grant to higher education institutions (£000s) | QR research allocation (£000s) | QR allocation as a percentage of total recurrent grant | Percentage variation from UK average |
| HEFCE |  £6,951,255 |  £1,572,000 |  22.6% |  +0.6% |
| HEFCW |  £442,203 |  £74,462 |  16.8% |  - 5.2% |
| SFC |  £1,063,320 |  £211,127 |  19.8% |  - 2.2% |
| DELNI |  £198,274 |  £48,732 |  24.6% |  +2.6% |
| UK total |  £8,655,053 |  £1,906,321 |  22.0% |  |

All figures in £000s

Source: HESA

The Research Excellence Framework (REF) is due to replace the RAE in 2014 and all four countries remain committed to the retention of a UK-wide method of assessing the quality of research is retained. The framework has been developed jointly and the new assessment mechanisms, including the assessment of the impact of research, have now been approved by the four countries and the first REF will take place in 2014. How the results of the first REF assessment will be used to inform future funding allocations will be for the funding councils to decide.

**Research income**

1. Table 27 shows how the devolved countries have fared in the competition for UK research income in the period since 1996/97. The most significant conclusion that may be drawn from these figures is that they have increased their share of research income from all sources (except for EU sources in the case of Northern Ireland) while England’s share has declined.

Table 27: Percentage of research income by country, 1996/97 to 2009/10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  1996/97 |  1999/2000 |  2005/06  |  2009/10 |
| **Research councils** |  |  |  |  |
| England |  83.7% |  83.5% |  83.2% |  80.4% |
| Wales |  2.8% |  3.2% |  3.2% |  3.3% |
| Scotland |  12.6% |  12.4% |  12.5% |  14.7% |
| Northern Ireland |  1.0% |  1.0% |  1.0% |  1.5% |
|  |  |  |  |  |
| **Charities** |  |  |  |  |
| England  |  85.1% |  82.7% |  84.1% |  82.5% |
| Wales |  2.2% |  2.1% |  2.3% |  2.2% |
| Scotland |  11.7% |  13.7% |  12.6% |  14.2% |
| Northern Ireland |  1.0% |  1.4% |  0.9% |  1.1% |
|  |  |  |  |  |
| **UK industry** |  |  |  |  |
| England  |  82.6% |  82.9% |  81.3% |  77.9% |
| Wales |  3.4% |  4.7% |  4.5% |  3.9% |
| Scotland  |  12.7% |  11.1% |  13.0% |  17.0% |
| Northern Ireland |  1.2% |  1.3% |  1.3% |  1.5% |
|  |  |  |  |  |
| **EU sources** |  |  |  |  |
| England  |  81.8% |  80.2% |  79.1% |  81.0% |
| Wales |  3.4% |  3.8% |  4.7% |  4.0% |
| Scotland  |  11.8% |  13.1% |  12.3% |  12.8% |
| Northern Ireland |  3.0% |  3.0% |  3.9% |  2.6% |

Source: HESA

**Research performance**

1. There is recent evidence of the research performance of the devolved countries in a report published by the Department for Business, Innovation and Skills in 2011[[64]](#footnote-64). Collectively the UK produced 123,594 articles in 2010 and growth over recent years is positive in all four UK countries. The report finds that the UK’s field-weighted citation impact, an indicator of quality that adjusts for differing citation practices in different subject fields and therefore of the different subject emphases of comparator countries, is second only to, and closing in on, the United States among the comparator group*.* Within the UK, the constituent countries reflect the UK’s overall positive trend in field-weighted citation, while Scotland shows a modest increase in article share relative to England, Wales and Northern Ireland*.* Both Scotland and England have a consistently higher field-weighted citation impact than the UK average, while Northern Ireland has a lower citation impact than the UK average (but still significantly higher than the world average). Wales has increased its impact from below the UK average to above it in recent years.
2. Each of the devolved countries faces the challenge of ensuring that its best research is internationally competitive with the aim of providing the maximum benefit to the domestic economy. As each country reviews its research performance and strategy, a number of common themes are emerging. One is the need for more collaborative research. Scottish universities have a strong track record in pooling their research with the aim of building research capacity and avoiding the problems that arise from relatively small concentrations of researchers (and research infrastructure) in individual universities. The concept, which was established in 2004 with the support of the SFC, also aims to strengthen Scotland’s ability to compete internationally and attract research talent from overseas. The pooling strategy originally operated in physics, economics, arts and creative design and biological and life sciences but other areas have subsequently been added. Research pooling has not yet been fully evaluated but it is regarded as a success and is seen as one of the reasons for Scotland’s improved performance in the 2008 research assessment exercise.

Wales has also given priority to research collaboration although this has taken a different form to Scotland and the focus has been on the creation of research centres in areas of national priority. An important example is the Wales Institute of Social and Economic Research, Data and Methods which reflects the strength of Wales in social sciences. The need for increased collaboration is one of the proposals for strengthening the science base in Wales that appears in a draft science strategy for Wales that was the subject of a consultation in 2011[[65]](#footnote-65). In Northern Ireland, there is an emphasis on cross-border R&D collaborations with universities in the Republic of Ireland and in the US-Ireland R&D Partnership. Research capability has also been developed through the Support Programme for University Research (SPUR), a partnership between the Northern Ireland Executive and a charitable funder, and other initiatives.

1. As discussed above, the second development is the move to increase the concentration of research funding in Scotland and Wales. In Scotland, the government intends to accelerate the process of research concentration: ‘we will consolidate the majority of our research funding in a smaller number of universities with a track record of world-leading research that levers the greatest levels of research funding from other sources and maximizes economic impact’[[66]](#footnote-66). In Northern Ireland, by contrast, the government is committed to maintaining a broad research base in the country’s higher education institutions.

A third theme is the aim of aligning research activity much more closely to national objectives. In all three countries there is an explicit focus on targeting strategic research funding on national priorities determined by the government or funding council rather than by individual researchers. As the latest higher education strategy for Wales suggests: ‘excellence in research . . . can inform the nature and performance of our public services, particularly where health and the environment are concerned, ensure Wales contributes imaginatively to reducing its own and others’ carbon footprint, tackle key social issues, and drive business growth and development’[[67]](#footnote-67). National priorities in Wales reflect the importance of Stem subjects – digital economy, low carbon economy, health and biosciences, and advanced engineering and manufacturing.

1. Finally, a variety of initiatives has been taken in the devolved countries to maximise the commercial potential of university research. In Scotland this has taken the form of a proposal to develop a national knowledge exchange office –a single business facing one stop shop which will have the potential to increase business innovation and productivity. In Northern Ireland the research activity of the universities is seen as a vital ingredient in the future development of the future economy and this is reflected in funding initiatives, the regional innovation strategy (2003) and later action plans[[68]](#footnote-68). So in this respect, although the approaches may differ, the aim – building on and developing research strengths – is a common one.

**Summary**

1. This section focuses on the funding of research through the dual support system including variations in research income levels and performance and the differing policy responses of the devolved countries.
2. The devolved countries remain committed to the present UK research funding arrangements and the Scottish White Paper on higher education (2011) states that the government will ‘work with the UK government to ensure continuity of access to research council funding during the continuing process of constitutional reform’. The devolved countries participate in a variety of UK wide-initiatives within the dual support framework.
3. The research council arm of dual support remains a UK responsibility and funds are allocated competitively to institutions in the four countries. The second arm of the dual support system – recurrent funding distributed by the funding councils (or directly by government in Northern Ireland) – is a devolved responsibility. Funding for research is provided from the devolved countries’ block grants but largely allocated by reference to the results of the UK-wide Research Assessment Exercise (or the Research Excellence Framework from 2014). Universities in Scotland, Wales and Northern Ireland strongly support their continued participation in the research assessment exercise. For universities, or university departments, that see themselves as global research players it makes little sense to be a big fish in a small pond.
4. In the research assessment exercise in 2008 English performance was better than the other countries, with 55 per cent of its research rated 4\* or 3\*, compared with 52 per cent in Scotland, 50 per cent in Northern Ireland and 49 per cent in Wales. How the results are translated into funding outcomes is the responsibility of each of the participating countries. In the initial period of devolution, they distributed their research funds less selectively than in England although this has now changed. As a result research funding was less concentrated, with less well performing departments receiving more funding than their equivalents in England. There are significant variations in the proportion of funding council grant that is allocated to research with both Scotland and Wales providing below the average for the United Kingdom.
5. In the competition for UK research income since 1996/97 the devolved countries have all increased their share of research income compared with England from all sources (except for EU sources in the case of Northern Ireland).
6. UK researchers have produced 123,594 articles in 2010 and growth over recent years is positive in all four UK countries. The UK’s field-weighted citation impact, an indicator of quality that adjusts for differing citation practices in different subject fields and therefore of the different subject emphases of comparator countries, is second only to and closing in on the United States among the comparator group*.* Within the UK, its constituent countries reflect the UK’s overall positive trend in field-weighted citation, while Scotland shows a modest increase in article share relative to England, Wales and Northern Ireland.
7. Each of the devolved countries faces the challenge of ensuring that its best research is internationally competitive with the aim of providing the maximum benefit to the domestic economy. As each country reviews its research performance and strategy, a number of common themes are emerging. One is the need for more collaborative research. Scottish universities have a strong track record in pooling their research with the aim of building research capacity and avoiding the problems that arise from relatively small concentrations of researchers in individual universities. Wales has also given priority to research collaboration although the focus has been on the creation of research centres in areas of national priority.
8. The second development is the move to increase the concentration of research funding in Scotland and Wales. In Scotland, the government intends to accelerate the process of research concentration and this process is already underway in Wales. Third is the aim of aligning research activity much more closely to national objectives. In all three countries there is an explicit focus on targeting strategic research funding on national priorities determined by the government or funding council rather than by individual researchers. Finally, a variety of initiatives has been taken in the devolved countries with the aim of maximising the commercial potential of university research.

**10 Conclusion**

1. As will already be clear, this study represents work in progress. A process of reform is underway in the devolved countries and final decisions on the changes have not yet been taken. It will take even longer for the impact of the reforms to be fully digested and assessed. The brief comments made in this final section are necessarily tentative but indicate some of the areas that will need to be addressed in a further study.
2. This report has sought to examine the changes made in the devolved countries since 1999 and addresses two principal questions: the extent to which the devolved countries are developing their own distinctive systems of higher education, and the impact of devolution on the performance of these systems. The most distinctive change associated with the process of devolving higher education has, of course, been the adoption of different student fee and maintenance arrangements in each of the four countries. In 1999 the Scottish government initiated a process of reform which resulted in the reintroduction of the principle of free full-time higher education for Scottish students, and both Wales and Northern Ireland were to offer their home domiciled students more favourable terms than those available to incoming students. However, as a part of a UK market for domestic students, the devolved countries – particularly Wales and Northern Ireland which have the greatest exposure to that market - have not had an entirely free hand in shaping these new arrangements because they have also had to try to ensure that there is a balance of inward and outward student flows. This has been a continuing requirement because of the need to avoid reducing opportunities for home students while maintaining the necessary income levels by attracting fee-paying students from the other countries of the UK.
3. Apart from the move to free higher education in Scotland, the design of student funding arrangements has largely been a response to initiatives in England which has been an important and continuing source of policy innovation. England’s scale means that it is inevitably a major influence on the devolved countries which remain a part of a UK wide system in which they have limited influence. They are also constrained by the fact that the UK government determines the public funding available to the devolved countries through the Barnett formula although a move in the direction of granting independent tax raising powers is underway.
4. The fees issue is the most significant example of policy divergence since 1999 although there are several others discussed in the report. There has indeed been a mix of policy convergence and divergence since devolution although the pace of change is now increasing as the devolved countries undertake major reviews of their higher education policies. The policy conservatism that has been evident since 1999 is now being replaced by strong political pressure for change. Reform is being driven by demographic and financial pressures and the need to improve economic performance. There is a positive view of higher education’s potential contribution to economic development in all three devolved countries but a belief that performance needs to be enhanced in order to maximise impact and secure greater value for money in a period of economic stringency. In Wales - and also in Northern Ireland - the need for change reflects concerns about significant under-performance in the higher education sector and a greater political determination to secure improvements. The increasing divergence in policy between England and Scotland builds upon marked historical differences in the education systems of the two countries that were a product of the period of administrative devolution rather than the legislative devolution that succeeded it. The education systems in Wales and Northern Ireland were much less distinctive and there were fewer differences with English arrangements.
5. The social democratic governments in the devolved countries have shown little appetite for the market-based reforms adopted in England and while acknowledging the need to maintain the autonomy of universities they seem to be moving in some respects in the direction of a more traditional European model of higher education. There are a number of consistent themes in the policy statements of the devolved countries as they respond to common pressures. These include an emphasis on lifelong learning, more coherent pathways for learners from schools and colleges to university, the need for the rationalisation of provision, and enhanced research performance. Higher education is seen primarily as serving economic and social objectives and this focus is shaping how the devolved governments secure the changes in the sector that they are seeking. While acknowledging the importance of autonomous institutions, the devolved governments wish to see them contributing optimally to their ambitions and are increasingly interventionist in their approach.
6. The Welsh government’s threat to dissolve the post-92 institutions in south-east Wales if they do not respond to the reconfiguration agenda is a striking example of the direction of travel but there are others. They include the enhancement of funding council powers, the abandonment of formula funding, the planning of provision on a regional basis, setting widening participation targets under statutory powers and specifying national priorities for research funding. In all three countries the autonomy of universities is in danger of being eroded and there is a possibility that their relationship to government may soon be similar to that of the further education colleges or to the polytechnics in England and Wales before incorporation. It is too early to assess the potential impact of these wide-ranging changes but they raise important questions that will need to be addressed in due course.
7. The direction of reform in the devolved countries also raises questions about the influence of the higher education sector on the policy-making process. The policy resources of the devolved countries are limited and potentially offer more opportunities for the sector to exercise an influence on the policy-making process. More progress in this respect seems to have been made in Scotland, where a tradition of joint working with the government has been established in recent years which has, for example, produced beneficial results on the funding gap issue. However, despite this close working relationship the Scottish government has not been deflected from the interventionist path that it now seeks to follow. In Wales the sector has had a much more chequered relationship with government partly because of the continuing stalemate over the reconfiguration issue and concerns about its performance. This may be one of the main reasons why the government has not been prepared to close the funding gap with England that has emerged over the past decade.
8. Devolving higher education has brought benefits to the devolved countries but there are also significant disadvantages. As we have seen policy autonomy is constrained by the impact of changes in the financing of higher education in England and the need to maintain funding at competitive levels. Reforms in England have been made without adequate consideration of their impact outside England and liaison with the devolved governments is erratic and often seems to take place only after the event. Arrangements for the discussion of policy developments in the four countries at UK level do not seem to be well developed and the formal structures have only been used intermittently. For the prospective student, the funding changes have meant additional layers of complexity with differences in fee and maintenance arrangements that may be difficult for them to understand. There are also significant equity issues to consider with English and Scottish students (for example) being admitted to the same course on radically different terms. The evidence suggests that the impact of devolution on performance has been mixed. The highlights include recent increases in research income in all three devolved countries while England's income has declined, growth in student numbers and a strong performance in the recruitment of international students in Scotland and Wales. In some other respects – participation rates of young people, social access to higher education and research quality – performance has been less consistent. Improvements in research quality partly reflect the priority given to collaboration between researchers in different institutions and this has had a noticeable impact in Scotland. Elsewhere the critical mass necessary significantly to improve outputs may be lacking.
9. The devolution process has given Scotland, Wales and Northern Ireland the powers to make their own policy choices with the overall aim of securing the long term future of the United Kingdom. Whether this broader objective will be achieved seems increasingly doubtful but there is no doubt that devolution has certainly provided the four countries with the opportunity to shape their own higher education sectors in a new direction even though these choices may have been constrained by the complexities of the devolution settlement, the existence of a UK higher education market and the dominance of England. Whether those policy choices will lead to stronger and more competitive national systems remains to be seen.

**Annex 1**

**Summary of the main features of the higher education systems in the UK countries (based on 2009/10 HESA data)**

**England**

|  |  |
| --- | --- |
| Number of universities (and other higher education colleges) |  89 (42) |
| Total higher education sector income (£000s) |  £22,235,199 |
| Funding body income (£000s) |  £7,280,128 |
| Tuition fee income (£000s) |  £7,142,075 |
| Total students |  2,093,635 |
| Undergraduates |  1,608,300 |
| Postgraduates |  485,335 |
| Full-time |  1,345,670  |
| Part-time |  747,965 |
| Rest of UK full-time students |  34,365 |
| Other EU students |  98,060 |
| International students |  236,900 |

**Wales**

|  |  |
| --- | --- |
| Number of universities (and other higher education colleges) |  10 (1) |
| Total higher education sector income (£000s) |  £1,235,787 |
| Funding body income (£000s) |  £453,895 |
| Tuition fee income (£000s) |  £378,957 |
| Total students |  127,885 |
| Undergraduates |  99,570 |
| Postgraduates |  28,315 |
| Full-time |  88,015 |
| Part-time |  39,875 |
| Rest of UK full-time students |  28,715 |
| Other EU students |  6,845 |
| International students |  17,185 |
| Other characteristics | Education in Wales is similar to the English system although there are some differences, including the fact that a significant number of students in Wales are educated through the medium of Welsh: in 2008/09, 22 per cent of primary school classes used Welsh as the sole or main medium of instruction.  Lessons in the language are compulsory for all pupils until the age of 16. |

**Scotland**

|  |  |
| --- | --- |
| Number of universities (and other higher education colleges) |  15 (5) |
| Total higher education sector income (£000s) |  £2,803,938 |
| Funding body income (£000s) |  £1,099,550 |
| Tuition fee income (£000s) |  £627,808 |
| Total students |  220,910 |
| Undergraduates |  166,985 |
| Postgraduates |  53,925 |
| Full-time |  162,955 |
| Part-time |  58,000 |
| Rest of UK full-time students |  21,500 |
| EU students |  15,930 |
| International students |  25,075 |
| Other characteristics | The Scottish education system has a number of distinctive features. Most school students take Scottish Qualifications Certificate qualifications - Standard Grades (but some schools offer Intermediates instead) in S3/S4 (Year 10/11 in England), and Highers in S5. For those who wish to remain at school for the final year (S6), more Highers and Advanced Highers (formerly the Certificate of Sixth Year Studies) in S6 can be taken.  Students can go to university at the end of S5, as Highers provide the entry requirements for a four year Scottish degree which is broader than its English equivalent; however, it is now more common for students to remain until S6, taking further Highers and/or taking Advanced Highers. |

**Northern Ireland**

|  |  |
| --- | --- |
| Number of universities (and other higher education colleges) |  2 (2) |
| Total higher education sector income (£000s) |  £520,960 |
| Funding body income (£000s) |  £209,542 |
| Tuition fee income (£000s) |  £123,297 |
| Total students |  50,990 |
| Undergraduates |  39,855 |
| Postgraduates |  11,135 |
| Full-time |  5,520 |
| Part-time |  15,470 |
| Rest of UK full-time students |  590 |
| Other EU students |  4,210 |
| International students |  1,605 |
| Other characteristics | Education in Northern Ireland is similar to the systems in England and Wales. A distinctive feature of the compulsory sector is that it is highly-segregated, with 95 per cent of pupils attending either a maintained (Catholic) school or a controlled school (mostly Protestant). |

**Annex 2**

**The principal higher education reviews and strategy statements in the UK countries since 1997**

**England**

1997
*Higher Education in the Learning Society* (The Dearing Report), National Committee of Inquiry into Higher Education (NCIHE), July 1997

1998 Teaching and Higher Education Act

2003

*The future of higher education,* DfES (cmd 5735)

*Review of research assessment. Report by Sir Gareth Roberts to the UK funding bodies* (HEFCE)

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**Wales**

2001

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2002

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2005

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*For our future: the twenty first century higher education strategy and plan for Wales*

2010

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2011

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**Scotland**

1999

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2002

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2003

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2004

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2008

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2009

*Serving Scotland better: Scotland and the United Kingdom in the 21st century*

2010

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2011

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**Northern Ireland**

2010

*Independent review of variable fees and student finance arrangements*

2011

*Update to independent review of variable fees and student finance arrangements*

*Consultation document on the development of a higher education strategy for Northern Ireland*

**Annex 3**

Maximum tuition fees, maintenance grants and loans for UK students studying in their home domicile, 1999-2012+

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Home student domicile | 1999/2000 | 2002/03 | 2006/07 | 2011/12 | 2012/13 |
|  | Fees | Grants | Loans | Fees | Grants | Loans | Fees | Grants | Loans | Fees | Grants | Loans | Fees | Grants | Loans |
| England | £1,025 |  0 | £2,656 | £1,075 |  0 | £3,905 | £3,000 |  £2,700 | £4,400 | £3,375 | £2,906 | £4,905 | £9,000 | £3,250 | £5,500 |
| Wales | £1,025 |  0 | £2,656 | £1,075 |  £1,500 | £3,905 | £1,200 |  £2,700 | £4,400 | £3,375 | £5,600 | £4,745 | £3,465 |  £5,000 | £4,745 |
| Scotland | £1,025 |  0 | £2,656 |  0\* |  £2,050 | £2,365 |  0\* | £2,455 | £4,300 |  0 | £2,640 | £5,417 |  0 |  £2,640 | £6,380 |
| Northern Ireland | £1,025 |  0 | £2,656 | £1,075 |  £1,500 | £3,905 | £3,000 | £3,200 | £4,405 | £3,375 | £3,475 | £4,840 | £3,465 |  £3,475  | £4,840 |

+ These figures are for students studying away from home.

\* The endowment was payable by students who entered university from 2001 and was abolished for those who graduated on or after April 1, 2007

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