



## Speech

# Higher education: funding and co-operation

From: [Department for Business, Innovation & Skills and The Rt Hon Greg Clark MP](#)  
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Greg Clark speaks at the Higher Education Funding Council for England (HEFCE) Annual Conference 2015 about investing in higher education.

This is a formidable gathering, in a formidable setting.



The great William Beveridge, Vice Chancellor of the University of London, described this Bloomsbury campus as:

“Something that could not have been built by any earlier generation than this... an academic island in swirling tides of traffic; a world of learning in a world of affairs.”

A world of learning, but still, to be sure, distinct from the world of affairs swirling around it.

Any earlier generation than this, our own generation, could scarcely have dreamed of the centrality of the world of learning not only to the world of affairs today, but to the way that we live now.

In the mid-1920s when Beveridge was Vice Chancellor there were 60,000 students in British universities. Just 2.7% of the population entered higher education.

When Lionel Robbins wrote his report there were 216,000 students, and 8.5% of the population entered university.

This year half a million undergraduates entered university. And the [UCAS](#) end of cycle report tells us that, in England more than 40% of people who were 18 in 2013 were accepted to enter higher education by last October.

And from being places apart from the world of affairs, universities are now at the heart of our society and our economy:

- directly and indirectly employing almost half a million people
- generating half a million graduates and postgraduates a year without which – in quality and quantity – our economy would not be flying high in the global champions’ league, as it is, but rootling among the relegated
- earning more than £9 billion in foreign exchange and benefiting from the talents of international students
- running off a spring of discoveries that transform – not just the lives of Britons, but those of mankind
- and most important of all, forming – directly and through

onward transmission – a culture of inquiry, discovery, independence, empiricism and creativity that is enormous a part of what makes what we are as a nation

Universities are often the leading institution in our cities, towns and counties – and, increasingly, their leaders take their place in actual economic leadership of places.

None of this is a matter of sentiment. Your indispensability to the future is obvious.

Any nation – just as any person – needs to ask itself from time to time: “how am I going to make a living in the future?”

It seems to me to be a good way of answering this to first consider what you’re good at, and then consider whatever those talents and strengths are going to be in demand in the years ahead.

When it comes to universities, science and research we are exceptionally good at them – in fact, we are excellent. And as the world grows more educated, more technically accomplished, more wealthy, more free, more connected, these strengths are in dependably growing demand.

So the central feature of government policy towards universities is that you are not viewed from afar, as another world, Beveridge’s world of learning adjacent to the world of affairs; or as an interest group to be managed, or a line in a budget to be covered off – you are central to the long term future of Britain. Britain will not succeed to its full potential unless you flourish to your full potential.

What do you need to flourish in the future?

First, there has to be confidence and stability.

Whether it is in establishing and running programmes of research or in recruiting people into academic courses, or planning buildings for students. The decisions you take extend are beyond the life of governments.

You can't invest in scientific infrastructure and commit to partnerships, or renew your facilities, without confidence in the stability of arrangements.

Last week I wrote the government's annual funding letter to Tim and Madeleine. It confirmed that funding for teaching, for the next academic year would be exactly as planned a year ago.

Stability.

And the potential for growth for those institutions attracting new students.

In the face of the deficit, where big reductions in spending have had to be made, the reforms to the system of student funding has meant that teaching resource available for universities has increased from around £7.9 billion in 2011 to 2012 to £8.5 billion in 2013 to 2014 and £9.8 billion in 2015 to 2016.

The system is working, far from being put off, students have been attracted in ever growing numbers, especially from the most disadvantaged backgrounds. A 10% rise in a single year in the number of entrants from the most disadvantaged backgrounds. Mary Curnock-Cook, the head of [UCAS](#), called it "a stunning account of social progress" and she was right.

The reform of student finance has allowed the historic decision to be made to abolish the cap on student numbers, which amounted a policy to keep capable people out of university. We can't afford to do that, as a society or as an economy.

As the [OECD](#) concluded, having examined higher education systems across the world:

"The UK is one of the few countries to have figured out a sustainable approach to higher education finance... and the investments pay off for individuals and taxpayer." "England has got it right on paying for higher education."

I don't want to see university funding as an issue of division. This is a time for cool heads rather than rushed judgements.

I think it would be a profound misjudgement to throw away a system that is delivering – and which we can now confidently extend to postgraduates – and bring on the chaos of a permanent and fundamental uncertainty in higher education finance that would result from the need to go cap-in-hand to the Treasury every year just to maintain each year's funding. And to find that whatever was eked out, year by year, came attached to a tangle of strings.

It would be wrong to have to ration student places once again.

And it would also be to the loss of universities and the country to cause the most talented brains to steer clear of university for fear that they would be saddled with a decades-long education tax that bore no relation to the cost of teaching. Not so much a graduate tax as graduate penalty – a klaxon warning that if you're talented and expect to earn well, not to risk getting a higher education.

Sure, we will have plenty to talk about – ensuring higher cost subjects are well funded, recognising the circumstances of small and specialist institutions, making sure you can maintain your assets as well as invest in new ones.

But that is far better conducted against a background of a stable system rather than one which is thrown up in the air every few years.

Research benefits from stability too. By any measure, UK research is going from strength to strength. As the smoke clears from the [REF 2014](#), a landscape of extraordinary achievement is revealed. Across the 52,000 researchers entered for the [REF 2014](#), 72% of the work was judged world class – up from 51% 6 years ago.

That is consistent with what we know from evidence from citations data – with 1% of the world's population we have 12% of all citations and 16% of the most highly cited articles in the world.

These achievements are founded in the strength of our

arrangements. The dual funding system – supporting research projects and institutions – works and is here to stay.

Excellence, determined by peer-review, the touchstone of that system, and funded wherever it is found – I'm told the first time a piece of text – has ever been underlined in a [HEFCE](#) grant letter.

Science resource funding was exempted from the reductions that were made across government programmes and actually increased marginally in cash terms from £4.6 billion in 2010 to 2011 to £4.7 billion in 2015 to 2016.

Science capital investment increased from £0.6 billion in 2012 to 2013 to £1.1 billion next year, and will rise as a minimum in line with inflation for the whole of the next Parliament.

In the '[Science and innovation strategy](#)' I make the largest investment in science capital - £5.9 billion over 5 years - which any UK Science Minister has ever made

These choices were made deliberately, consistently, and recently. They reflect the government's view of science and research as investments in our prosperity.

Economists have a concept of 'revealed preference' – people reveal their beliefs through their actions.

That will not change, and our 10 year '[Science and innovation strategy](#)' projects with confidence that demeanour over the next 2 Parliaments, not just the next year.

I've talked a lot about stability and confidence, but does that mean nothing will ever change?

Of course not. A central insight of our '[Science and innovation strategy](#)' is that to maintain and expand our strengths we need – all of us – to think deeply and strategically about how we can respond to the challenges, and reap the opportunities of a future that is anything but unchanging.

Let me mention some of them that we will need to work on

together.

First, quality. Our international renown, whether in teaching or research is based on excellence. Every institution benefits from that collective reputation, and it is in all our interests to defend and extend it. There is no future in mediocrity.

In recent years we have allowed different providers of higher education to play a bigger role. Some have added to our excellent reputation – the University of Law, for example enjoys a student satisfaction score of 92%, the envy of many other institutions.

Of course, only around 5% of those claiming student support at the moment are studying at alternative providers, many of whom do a good job. But I want to be very clear that I will not allow any institution – not a single one – to diminish the reputation of higher education in this country that has been so hard won. I announced last week a set of measures to make sure that only quality alternative providers can be designated, that they recruit only students who are suited to their courses, and that student numbers will be tied directly to the quality of their provision.

This insistence on quality has implications for some [HEFCE](#)-funded institutions too. Those who validate the degrees of other providers bear a responsibility to satisfy yourselves that you are confident that your standards are upheld – because students will reasonably draw inferences from your association.

In my letter to Tim Melville-Ross, I say that excellent and innovative teaching must be at the heart of a world-beating higher education system and of the student experience.

Tim himself once explained that he had spent 10 years learning, 10 years doing and 10 years teaching. His appreciation of the role of teaching as a career high point is exactly right.

In the [REF](#) we have a lens through which to view research quality. I think we have more focussing to do to make differences in teaching quality more discernible to actual and

prospective students, which can support a competition on quality such as we see in research.

So I welcome the work [HEFCE](#) is doing to refine and test new indicators of teaching quality and learning gain, and, indeed, innovation in teaching. And soon I will be hosting a roundtable with the [OECD](#)'s Director of Education to discuss how nations can get a better handle on comparative learning gain shortly.

As I said earlier, one of the areas in which we are making huge progress is in widening participation. By anyone's reckoning, a 30% growth in 5 years in young people from the most disadvantaged backgrounds going to university, is remarkable progress.

But we have further to go. There are still parts of the country in which half of 18 year olds go to university and others in which only a tenth do. There are talented students in those places all of us have a duty to help identify encourage, educate and bring to flowering.

We know from Les Ebdon's excellent work that access agreements are playing an important role in increasing focus, investment, ambition and transparency in widening participation across the student lifecycle, and we know from [OFFA](#), from the Sutton Trust, and from brilliant bodies like Teach First that what makes the biggest difference tends not to be the easy choice of investing heavily in fee waivers and bursaries – the income contingent loan system has removed the most significant financial barriers – but the hard miles of detailed, personal engagement with schools and young people, the earlier the better.

As overall participation rises it allows us all to have a much greater focus on what is causing particular places, perhaps particular schools, to lag behind.

As some of our most creative and committed people and institutions in the country I want you not only to build on the tried and tested approaches but also to be entrepreneurial and



iconoclastic in trying different things to get more of those people on the ladder.

Just as every talented potential student who thinks that university is not for the likes of them is a depletion of our academic force, so it is that the gap at the top of our universities and institutions underplays our strength. It is taking too long to reflect the reality of admissions – where at least half of the top students are women, and recruitment increasingly reflects our society – in the leadership of universities and institutions.

If I am presented with a long list for appointments from which women are absent I send it back – not because I believe in quotas or reserved positions, but because I suspect that the recruitment process has failed to do enough to find the full range of talent and leadership that I expect to be able to appoint from.

The [‘Science and innovation strategy’](#), which we published before Christmas, is a piece of work that I am very proud of.

A government strategy, not just a [BIS](#) strategy, signed by the Chancellor as well as myself and the Business Secretary, written in close collaboration with colleagues across government, it firmly establishes science and innovation in the government’s agenda.

And for anyone that frets about future policy, the title makes it explicit: it is called [‘Science and innovation: our plan for growth’](#).

It identifies – because you have identified – the challenges to respond to and to shape over the next decade – maintain and enhancing excellence; fostering and not impeding collaboration between institutions, disciplines, sectors and countries; being agile enough to respond with energy and flexibility to the new opportunities that we may not even be aware of today, but which are sure to present themselves; recognising the importance of place – the clusters that can reinforce excellence, the local leadership that can bring further resources and influence to universities, and an openness to an increasingly interested public here and around the world.

Let me end with my thanks.

Universities are institutions of people, and our universities could not be as good as they are without the devotion and wisdom and effort of the people who work in them, and - as in the case of [HEFCE](#), and all of the other bodies concerned with HE, including my officials in support of them.

The last few years have been tumultuous for everyone in this hall.

But from it we can see that our universities have emerged as a force in the life of the nation that has:

- never been greater
- never been more alive
- never been more able to transform peoples' lives and our world, than they – which is to say, you personally – do now

We can approach the future with confidence.

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**The Rt Hon Greg Clark MP**

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