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RESHAPING THE UNIVERSITY

The Rise of the Regulated Market
in Higher Education

David Palfreyman / Ted Tapper

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DAVID PALFREYMAN
and
TED TAPPER

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Preface

The central thesis of this book is that there is no longer a UK system of higher education. A system that has had so much written about it since the publication of the Robbins Report in 1963 no longer exists. It cannot be viewed as a UK system since devolution has led to different political values shaping developments in the nations of the British Isles, with higher education in Scotland and Wales subject to more state steering than was true of the pre-devolutionary years. The label higher education is increasingly inappropriate since the mix of institutions offers very varied programmes and caters for students with widely contrasting motivations for furthering their education. A better term would be tertiary education (TE), combining all post-18 education whether delivered in further education colleges or within universities—local, regional, national, or global in reach, and that are increasingly engaged in collaborative ventures. Most of these universities still remain technically not-for-profit institutions while behaving competitively and entrepreneurially, but in England now some are profit-making, shareholder-owned, commercial enterprises.

The purpose of the book is to explore, with particular reference to England, the development of this emerging TE model. How is the emergence of these dominant characteristics to be explained? At the heart of our explanation is the steady move from public funding and institutional autonomy to the flourishing of a state-regulated market. Increasingly, the role of the state is to regulate the higher education market as it does for the delivery of so many other social goods and, indeed, for services that were once controlled by public corporate bodies (for example, post, telecommunications, and the energy/water utilities): the provider-state becomes the regulatory state. Hence the subtitle of the book, ‘The Rise of the Regulated Market’, which raises the interesting issue of exactly what the role of the state will be by, say, 2020, which we turn to in our final chapter.

In the course of pursuing our task we will make extensive reference to developments in US higher education. This is because the US provides a relatively advanced model of the marketization of higher education, one that acts as a possible road map for the English model to follow. However, although we are sympathetic to government attempts to diversify the English system of higher education (including offering encouragement to private, even for-profit, providers) we remain convinced that the best way forward is to promote change through the operation of a state-regulated market. Perhaps in this respect, US higher education has much to learn from the English strategy for promoting change.

Politics is at the heart of our explanatory framework of how English higher education has developed in recent years, both the impact of political ideas and the machinations of the political process. However, politics does not operate in a vacuum; it has to take cognizance of both economic and social trends. What is the value in the public funding of higher education in comparison with, for example, healthcare or welfare benefits? What should be the impact of a sustained economic crisis upon the public support of different social goods? Can a mass system of higher education expect to be funded in the same way as an elite system? How significant an impact upon policy decisions is the portrayal of higher education as a private, as opposed to a public, good?

Pressure to change higher education also has to take into account the fact that the existing model has a prevailing structure which is not necessarily very malleable, and will incorporate values and practices that are deeply rooted, historically and culturally, within the academic community itself and may not be easily influenced by external pressure. The road, therefore, to the state-regulated market has been far from smooth and diverts along different ways dependent upon the particular policy focus. The year 1965, for instance, saw the start of a binary model in which the universities were complemented by a public sector of higher education consisting mainly of the polytechnics. Henceforth, it was increasingly meaningful to think in terms of the British system of higher education of which the universities were but a component part. However, the 1992 Further and Higher Education Act, by amalgamating responsibility for both the funding and policy steering of the universities and the public sector, unified the binary model while at the same time creating funding councils with national identities.

A unitary model of higher education was rapidly established in which the former public sector institutions were entitled to award their own degrees and acquire the university title. Thereafter, the same rights were granted to other higher education colleges and institutes, which offered mainly advanced technical and professional programmes. As if there were no end to the expansion of higher education, many colleges of further education started to offer higher education programmes and to award foundation degrees (two years in length). Moreover, the growth of the public sector provision of higher education has been augmented by a parallel, albeit so far more limited, expansion of privately funded programmes in newly created institutions, both charitable and for-profit. Therefore, the right to award degrees and bear the university title has expanded considerably in the past two decades and currently shows no signs of abating as the criteria for gaining degree-awarding powers and being allowed to use the title are continually adjusted.

Critically, the 1992 Further and Higher Education Act reaffirmed the central thrust of the 1988 Education Reform Act that had abolished the University Grants Committee, replacing that august body with the funding councils which in turn inaugurated the new public management (NPM) model of

governance. Policy control of higher education development was placed under the auspices of the government while policy implementation was ceded to the quasi-state with the funding councils at its core. The 1988 Education Reform Act explicitly brought into the open the formal policy relationship of the state and the funding council, with ultimate control resting in the hands of the incumbent government. Developments initiated by the 1992 Act brought to the fore the issue of institutional diversity within higher education. Are there no limits to the idea of the university? Is it possible to expand that concept to incorporate for-profit institutions that may offer at best a limited number of degree programmes, transmit knowledge mainly through distance learning, lack research missions (and indeed also libraries)?

The intention of this book is, therefore, to place the emergence of the state-regulated market within the context of these transitions. Why was it felt necessary to create a binary model and then to transform it—at least formally—into a unitary model? The contention is that, except in a limited sense, a unitary model has failed to develop; and indeed it is problematic whether serious attention has ever been paid to what such a model would entail. Today the unitary model is not so much a system of higher education but rather composed of fluctuating sectors that, while sharing certain characteristics, are increasingly differentiated from one another in terms of their purposes, how they function, and also indeed their brand values in terms of attracting students or signalling the employability of their graduates.

Although the development of higher education is driven by the policy directions established by successive governments, this is not simply politically imposed but emerges through a process that involves the interaction of an increasing range of interests. It is not so much an open and pluralist struggle amongst organized groups but rather that the political parties and governments suck in those who share their values in order to explore how policy goals can be instigated. Moreover, policy implementation (as opposed to policy formation) is influenced to an increasing degree by the operation of a state-regulated market whose *modus operandi* is the responsibility of quasi-state organizations of which the funding councils are the most significant. As with policy formation, the policy implementation strategies draw in the organized interests, although this is not to deny that there is also government pressure to ensure that politically acceptable decisions are made.

The idea of institutional autonomy remains firm, however, and higher education institutions can respond to the external pressures through their own initiatives: that said, their ability to act is constrained by the dictates of the regulated market. For example, and to give but two examples, there are restrictions (albeit soon to be lifted) on the recruitment of home-based and EU undergraduates (both in terms of how many students can be recruited and their broad disciplinary distribution), and core public funding to support research is subject to a regulatory process organized by the funding councils.

While it is possible for a university to restructure the academic programmes that it offers and also to concentrate research in a limited number of fields (and perhaps even find private income to finance it), it is impossible to ignore entirely the hand of the state when planning institutional change. Nonetheless, it is important to examine how institutions respond to the constraints of the state-regulated market and how they can exercise their autonomy to plan their futures. There may be state and quasi-state steering, but both remain negotiated, rather than imposed, forms of control.

General texts on the development of British higher education are sometimes justified by the perception of their authors of a contemporary crisis, even if they shy away from using the term. For Bruce Truscot (*Redbrick University*, 1943; *Redbrick and These Vital Days*, 1945) and Walter Moberly (*Crisis in the University*, 1949), the crisis was about threats to the university system's established underlying values, while for Peter Scott (*Crisis of the University*, 1984), the crisis was his claim that the university was failing to respond to the challenge of transforming Britain into a modern society. And very recently, for some the crisis stems specifically from the marketization of higher education, which the incumbent Coalition Government is seen as intent on intensifying (Roger Brown and Helen Carasso, *Everything for Sale: The Marketisation of UK Higher Education*, 2013; Stefan Collini, *What are Universities For?*, 2012; but for a recent, reflective overview of marketization see, Claire Callender and Peter Scott (eds.), *Browne and Beyond: Modernizing English Higher Education*, 2013). For the proponents of this assertion, the crisis is a consequence of the assumed negative impact marketization will have upon the English model of higher education—its values, structure, and practices, or rather upon their perception of what the ideal model of English higher education should be.

The authors of this book are more persuaded by the argument that the British model of higher education is—almost as always in recent decades—in a state of steady change rather than experiencing a crisis. The funding council model of governance, taking different national paths, has now been in operation for some two decades; and the long march (still ongoing) towards permitting institutions to set their own fees and determine for themselves how many students they will admit has been unfolding for almost as long. It is undoubtedly true that a different model of higher education is emerging: one that in broad policy terms is more explicitly steered by the state, with greater internal differentiation as institutions respond to the established policy parameters in the light of their own market positions, and also one that is more reliant on private funding even though the upfront payment of student fees may be underwritten by public support. It is always possible to contrast a crisis-ridden present with an idyllic past or an imagined promised land, but it is more fruitful to plot what is happening and explain why.

In 1995 the revised and expanded edition of A. H. Halsey's *Decline of Donnish Dominion: The British Academic Professions in the Twentieth Century*

was published, to be followed in 2000 by Maurice Kogan and Stephen Hanney's *Reforming Higher Education*, and then in 2009 by Malcolm Tight's *The Development of Higher Education in the United Kingdom since 1945*, and now the recent appearance of Michael Shattock's *Making Policy in British Higher Education 1945–2011* (2012). Our volume, in the sense that it also attempts to plot the process of change in British higher education, has affinities with all four books. With a stronger political approach than the essentially sociological Halsey volume, it outlines what has replaced donnish dominion in the shaping of British higher education—that is the emergence of the state-regulated market; so distinguishing it from the Kogan and Hanney, Tight, and Shattock volumes that purposely avoid taking a clear theoretical position. Our focus is upon understanding the process of change and how it functions at both the system and institutional levels. In other words, the book analyses not only the development of British higher education, but also presents an interpretation of why and how change has occurred. It also carries a message: the state-regulated market as the system steering mechanism is with us for the foreseeable future, and there is no turning back to an essentially publicly funded and almost exclusively public model whose development is internally driven.

David Palfreyman
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Abbreviations

ABRC	Advisory Board for the Research Councils
AHELO	Assessment of Higher Education Learning Outcomes
AHRC	Arts and Humanities Research Council
APR	Age Participation Rate
ARWU	Academic Rankings of World Universities
ATTI	Association of Teachers in Technical Institutions
BBSRC	Biotechnology and Biological Sciences Research Council
BIS	Department for Business, Innovation, and Skills
CC	Competitive Commission
CDBU	Campaign for the Defence of British Universities
CDP	Committee of the Directors of Polytechnics
CEO	Chief Executive Officer
CMA	Competition and Markets Authority
CNAA	Council for National Academic Awards
CPI	Consumer Price Index
CSR	Comprehensive Spending Review
CU	Coventry University
CUA	Conference of University Administrators
CUC	Coventry University College
CUC	Committee of University Chairmen (Chairs)
CVCP	Committee of Vice-Chancellors and Principals
DAP	Degree-awarding powers
DES	Department of Education and Science
EGM	Emerging Global Model
EHEA	European Higher Education Area
EPSRC	Engineering and Physical Sciences Research Council
ERA, 1988	Education Reform Act, 1988
ESRC	Economics and Social Research Council
FE	Further education
FEC	Further Education Colleges
FHEA, 1992	Further and Higher Education Act, 1992
GCSE	General Certificate of Secondary Education
GPA	Grade Point Averages
GPO	General Post Office
HE	Higher education
HEC	Higher Education Commission
HEFCE	Higher Education Funding Council for England
HEIs	Higher education institutions

HEPI	Higher Education Policy Institute
HESA	Higher Education Statistics Agency
HMRC	Her Majesty's Revenue and Customs
HNC	Higher National Certificate
HND	Higher National Diploma
IB	International Baccalaureate
ICL	Imperial College London
IMF	International Monetary Fund
IPPR	Institute for Public Policy Research
JCR	Junior Common Room
KCL	King's College London
KIS	Key Information Set
LMU	London Metropolitan University
MBA	Masters of Business Administration
ML	Modern Languages
MOOCs	Massive Open Online Courses
MRC	Medical Research Council
NAB	National Advisory Body for Public Sector Higher Education
NCIHE	National Committee of Inquiry into Higher Education
NERC	Natural Environment Research Council
NHS	National Health Service
NSP	National Scholarship Programme
NSS	National Student Survey
NUS	National Union of Students
OECD	Organisation for Economic Co-operation and Development
OFFA	Office for Fair Access
OFGEM	Office of Gas and Electricity Market
OFSTED	Office for Standards in Education
OFT	Office for Fair Trading
OFTEL	Office of Telecommunications
OFWAT	Water Service Regulation Authority
ORR	Office of Rail Regulation
PCFC	Polytechnics and Colleges Funding Council
PGT	Postgraduate taught courses
PISA	Programme for International Student Assessment
PNL	Polytechnic of North London
QAA	Quality Assurance Agency
RAEs	Research Assessment Exercises
RCUK	Research Councils United Kingdom
REF	Research Excellence Framework
RI	Royal Institution
RSA	Royal Society for the encouragement of Arts, Manufactures, and Commerce

SEFC	Science and Engineering Facilities Council
SLC	Student Loans Company
SRU	Super Research Universities
SSR	Staff to student ratio
STEM	Science, Technology, Engineering, and Mathematics
TE	Tertiary education
UCU	Universities and Colleges Union
UCL	University College London
UFC	Universities Funding Council
UGC	University Grants Committee
UUK	Universities UK
UWE	University of West of England
VC	Vice-Chancellor

Part I

British Higher Education as a System: Shifting Perceptions, Changing Realities

The Governance of British Higher Education: State, Market, and Institutional Decision-Making

Abstract: This chapter explores first the emergence of the contemporary model of governance in English higher education. The key transition was the shift instigated by the 1988 Education Reform Act from the University Grants Committee to the funding council model of governance. Post-1988, the overall development of the higher education system would be controlled politically with the quasi-state apparatus assuming responsibility mainly for policy implementation and regulation. The chapter then examines the impact of the Coalition Government's 2011 White Paper *Higher Education: Students at the Heart of the System*. Will the state-regulated market that has come to control the development of English higher education move closer to a free-market model? Although there has been the virtual withdrawal of public funding for the payment of undergraduate fees, steps to augment the information that prospective students receive, and the expansion of a privately funded sector higher education, the argument is that it is here to stay—a claim which the book will repeatedly embellish.

SETTING THE AGENDA

This chapter presents our interpretation of how the delivery of higher education in Britain is currently governed. The focus is mainly upon England because it is the largest component within the British model, and because the arrival of devolution in 1992 has undermined much of the administrative and political coherence of the British system of higher education. Although the intention is to concentrate upon the contemporary model of governance with some prognosis on unfolding developments, the chapter commences by looking back to the latter years of the University Grants Committee (UGC) when it was a key player, perhaps *the* player, in the governance of

the universities, and certainly the body most responsible for steering their development. Secondly, it will trace the emerging role of the state in the governance of higher education and how the 1988 Education Reform Act firmly placed control of higher education policy for both the universities and the so-called public sector of higher education in the hands of central government. Henceforth, the development of higher education would be shaped by a mode of governance that conformed to the so-called new public management (NPM) model in which central government controlled policy making while the funding councils were responsible for a combination of the distribution of public funding, the formulation of proposals to implement government policy, and the oversight of how effectively the system was functioning.

Periodically, governments present their plans for the future development of higher education, which take the form of issuing a White Paper and inviting consultation. In June 2011, the current Coalition Government published its own White Paper, *Higher Education: Students at the Heart of the System*. The third section of this chapter examines whether this document is but a stepping stone to the emergence of a new model of governance for English higher education. The 1988 Education Reform Act had ushered in the funding councils (the Universities Funding Council—UFC, and the Polytechnics and Colleges Funding Council—PCFC) to replace respectively the UGC and, for the public sector of higher education, the National Advisory Body (NAB). Henceforth, it would be clear as to where responsibility for the formal overall development of the system would reside. What the 2011 White Paper suggests is a partial relinquishing of state control; one which would allow individual higher education institutions to respond more directly to their market positions and control more effectively their own patterns of development. Also, for institutions deemed to be in good academic standing, there is the promise of a light touch regulatory regime. Moreover, these changes to the publicly funded sectors could occur within the context of a system that is more diverse in character, incorporating universities with a limited range of degree programmes run by for-profit companies.

The placing of the analysis of the contemporary governance of English higher education in an historical framework is partly a result of its intrinsic interest—to understand why the polity felt obliged to change the relationship between the universities, state, and society; how those changes occurred; the form they took; and what their consequences were. Equally important is the need to show how radical the change in the governance of English higher education has been, and, although there are ingrained values, the structures and procedures of governance have evolved considerably over time. Thus, the chapter presents a picture of change, rather than continuity, in the governance of English higher education.

In addition to the mechanisms of the formal structure of governance, the policy-making process in higher education is also entrapped in a political context that shapes outcomes. Governance is about how the process of

decision-making works politically. Therefore, the fourth part of the chapter offers an overview of the changing politics of decision-making, as the model of governance has moved from the paramount role played by the UGC, through the state-regulated market operated by the funding council but underwritten by policy goals that are determined by government priorities, and onto the current intrusion of the idea that institutional and system development should be shaped by responses to the input of informed customers in the form of both students and the government. To put it succinctly, the move has been from the politics of internal self-regulation and development to a world characterized by pluralist conflict orchestrated within the framework of government policy preferences moulded by its dominant values. A brief conclusion draws the arguments together.

THE UGC IN ACTION: STEERING THE SYSTEM?

In his history of the Committee, Moodie (1983) saw the UGC as oscillating between the roles of ‘buffer, coupling, and broker’ as it negotiated the relationship between the universities and the state. However, it was not until July 1946 that its terms of reference were modified to give it a planning role:

...to assist, in consultation with the universities and other bodies concerned, the preparation and execution of such plans for the development of the universities as may from time to time be required in order that they are fully adequate to national needs.

(As quoted in Owen, 1980: 263)

Therefore, until 1946 the UGC brokered a relationship between the universities and the state that was essentially dependent upon its negotiation of the financial obligation of the Treasury to underwrite an increasing amount of university expenditure. Prior to 1946, the pattern of university development had been driven from below, that is by the universities themselves and not by the UGC, which adhered painstakingly to the principle of university autonomy.

After 1946, the coupling function could take on a political dimension with the possibility that the UGC could either broker a policy strategy that was acceptable to both government and the universities or act as a buffer as it attempted to protect the universities from political intrusion. However, it would be a perverse interpretation of the post-1945 history of the UGC to see it as actively bent on preparing and executing plans for the development of the universities along lines that it felt were consistent with national needs, which begs the question of why—even after consultation ‘with other bodies concerned’—it should be the arbiter of what those national needs were that the universities should fulfil.

However, it would be parsimonious with the evidence to suggest that post-1945 the UGC failed completely in its remit to formulate plans for the development of higher education in Britain. There are a number of initiatives that are worthy of consideration, of which four will be briefly analysed: the founding of the new universities of the 1960s, the attempts to rationalize the disciplinary profile of the overall system, the move to the selective allocation of core research funding through the research assessment exercises (RAEs), and the decision to take on the responsibility for implementing through a process of selective cuts the government's decision to reduce its overall funding of higher education in the early 1980s. The issue in each case is how effective was the UGC at controlling the development of British higher education?

In the initial post-war years, the UGC felt that the existing universities could meet not only 'the demands of the returning ex-serviceman' but also fulfil 'the recommendations of the report of the Committee on Scientific Manpower' (UGC, 1962: 91), but by the mid-1950s the stance had changed and 'the possibility that new institutions might be needed began to emerge when the situation that was likely to occur in the later sixties and seventies was being considered' (UGC, 1962: 92). As commentators note, the main pressure for the founding of the new universities was an increase in the size of the most relevant age cohort coupled with an expansion in the numbers of those acquiring the requisite qualifications for university entry (Shattock, 1994: 75–78). The pressure was reinforced by the apparent unwillingness of the existing universities to increase their undergraduate numbers (Briggs, 1991: 313).

At a later date, John Carswell (the UGC's Secretary from 1974–77) was to comment that this expansion was, 'a slow and expensive form of provision' (Carswell, 1985: 61). However, for the UGC it was not simply about how the system could cope with increased demand but also how it could encourage innovation: '...there is need for constant experimentation in the organization of university teaching and the design of university curricula. New institutions, starting without traditions with which the innovator must come to terms, might well be more favourably situated for such experimentation than established universities' (UGC, 1962: 93). Indeed, it is precisely because of innovations in their organization of knowledge that the seven 1960s English foundations (East Anglia, Essex, Kent, Lancaster, Sussex, Warwick, and York) acquired the label of 'new universities'.

Given, therefore, that the process of founding the new universities was under the guidance of the UGC, it is entirely unsurprising that—albeit in somewhat differing forms—they instigated new maps of learning. In view of the fact that this expansion incorporated seven universities (to which can be added Stirling University and the New University of Ulster) this can be seen as a reasonably significant development in the overall character of the system of higher education. However, there was no guarantee that it would be more than a change that affected the margins of the current structure rather than bringing about

a major reconstitution of its pedagogical character and, as Perkin (1969) has argued, in other respects (the social backgrounds of their undergraduate students, and their governance and administrative structures), the new universities were not especially innovative. This was the effective management of an important initiative rather than an attempt to reshape the overall direction of English higher education. While other universities might have learnt from the new models, this could not be interpreted as planned system development.

Thanks to its subject sub-committees, which had been an integral part of the UGC since 1921, the Committee had the means to shape directly the development of the academic disciplines. However, in an unflattering review of their performance, Shattock claims that at least until the 1960s '...none of the many subject committees were anything but standing committees meeting now and again when required' (Shattock, 1994: 60). As the economic crisis of the 1970s unfolded, to be followed by the cuts in the Treasury's support for higher education, the UGC turned to its subject sub-committees to assist it in the attempt to rationalize the provision of certain disciplines, or—as the critics would argue—to enable it to meet the impending cuts in public funding. Its *Report on Russian and Russian Studies in British Universities* (UGC, 1979) not only made the general case for larger disciplinary units, but also appeared to be saying that the Committee has to accept responsibility for protecting disciplinary standards and development even at the expense of the welfare of institutions and their staff (Shattock, 1994: 61). However, while there may have been widespread agreement about the need to avoid the proliferation of too many small academic departments, inevitably there was enormous controversy about where the axe should fall. Moreover, it was possible that a more general rationalization of academic provision could undermine the very stability of some universities, and certainly run counter to the ideas of institutional autonomy and system diversity.

The limitations, therefore, on employing the subject sub-committees as an instrument of planning were considerable and there was no serious attempt to use them in this manner outside the context of financial crisis. It seemed as if the primary aim was not so much the protection of disciplinary standards and development, but rather how best to meet government-imposed financial constraints. Secondly, there was a clear clash of principles when the UGC's long acceptance of institutional autonomy ran up against its planning role, and it was the more deeply ingrained former that appeared generally to carry the day. Similarly, while in the face of government-imposed financial constraints the UGC may have advocated its responsibility for securing disciplinary standards, there was also a powerful ingrained instinct to protect the institutions on its grants list; after all, several of the weaker universities on its list would not have been granted the university title without strong UGC support. Finally, there was the enormity of the trauma generated by the attempt to impose rationalization as the affected departments and their universities

fought back. Could the UGC have complete faith in the judgements of its subject committees?

The UGC's role in the founding of the new universities of the 1960s was an undoubted success, albeit one with but a limited impact upon the wider model of British higher education, whereas its attempts to reshape the structure of the academic map of the universities through its subject committees undoubtedly could have had a broad impact upon the system, but the outcomes can only be described as disappointing. In contrast to both of these initiatives is the Committee's instigation of the research assessment exercises, which has had a more profound influence upon British higher education. The first RAE took place in 1986 and, although Kogan and Hanney (2000: 97–98) maintain that the major credit should be given to the UGC's then Chairman, Peter Swinnerton-Dyer, the instigation was a long time in the making with considerable pressure coming from the Advisory Board for the Research Councils (ABRC). The argument was that funding needed to be concentrated upon centres of excellence if the quality of research output was to be maintained. In the context of declining government support for core research funding it was critical, therefore, to ensure that resources went disproportionately to those who had the best track records in producing high-quality research. The solution was to establish the RAEs, which have taken place periodically since 1986. The next exercise, to be known as the Research Excellence Framework (REF), is scheduled to occur in 2014.

In spite of considerable hostile complaining within the academic community, the RAEs constitute a resource distribution model that has had considerable political support. They meet the broad demand for the selective and competitive distribution of resource funding. Although the assessment process is very much under the control of the funding councils, they are not immune to government intrusion as seen in the early demand that the Higher Education Funding Council for England (HEFCE) should impose a more selective distribution of funding for the English universities, and the current need for those panels that will undertake the 2014 REF to evaluate the real world impact of research. Moreover, within the academic community there have always been those who believe, particularly in the sciences, that the best way to ensure quality research is to concentrate funding; that excellence is more likely to emerge from the creation of a critical mass rather than from the dispersal of expertise. However, academic sentiment at large is undoubtedly placated by the fact that the bulk of the evaluative process remains subject to a considerable degree of peer review. Essentially, quality is evaluated by the academic judgement of individual inputs rather than measured solely on the basis of metrics.

The possible broader implications of research assessment: research as in opposition to (rather than in harmony with) teaching, the formation of national and international university league tables based mainly on research outputs, and

the increasing importance of research for generating an institutional financial input as well as prestige—are very much dependent upon the values that you want a system of higher education to represent. Regardless, it is impossible to deny the success of the RAEs as an effective instrument of governance: enduring over time, maintaining a broad base of support, and being very influential in shaping institutional and individual behaviour. It was a harbinger of a model of governance that was beginning to emerge in Britain: the channelling of higher education development through the operation of a state-regulated market that has developed more fully since the demise of the UGC.

Probably the most controversial and painful decision in the history of the UGC was its decision to take responsibility for distributing the 17% cut to its annual grant spread over a three-year period, commencing in 1981. The selectivity of cuts was very sharp, ranging from 44% to 6% for individual universities, and the criteria that determined them was never published (Salter and Tapper, 1994: 127). Evidently, the Committee had decided to become the conduit of government policy and it would have been inappropriate for it to have attempted to assume the role of a buffer. The obvious line of defence for the UGC's stance is that the government would have imposed the cuts regardless of how the Committee decided to act. It saw its intervention as securing the best long-term interests of the university system and believed that if the cuts had been imposed by, say, the Department of Education and Science, the consequences would have been disastrous. However, its decisions on how the funding cuts were to be distributed were clearly driven by its own interpretation of what constituted desirable development and it would have been enlightening to have had those underlying principles in the public domain.

Unsurprisingly, particularly in the most adversely affected universities, academic reaction was exceedingly negative. It was perceived as *The Attack on Higher Education* (Kogan and Kogan, 1983) and some argued that the members of the Committee should have resigned rather than acted on the government's behalf. However, it has been claimed, in spite of growing hostility in the academic community, that conversely in the 1980s the UGC increased its authority vis-à-vis the universities and regained its respect in government circles (Shattock and Berdahl, 1984; Shattock, 1994: 20–26). Perhaps the question should be asked that if this restoration of fortunes did in fact occur, how is the demise of the UGC and its replacement by the funding council model of governance to be explained?

The answer to the question is to be found in a combination of the far-reaching changes that had overcome British higher education since the UGC's inception in 1919 combined with the radically different political context in which it was located by the 1980s. By the 1980s there was a system of higher education rather than simply the universities and much of its development had little to do with the UGC, and certainly was far from under its control. It made

increasing sense to think of the universities as but one sector in a system of higher education which, if it were to be planned, could be done most coherently as a collective entity. Although the UGC's formal remit may have been changed in 1946 to give it a planning role, it was almost impossible for it to achieve this in any effective sense in view of its core values and operating procedures. The universities were seen as autonomous decision-making bodies that in particular determined their own academic development, which would inevitably restrict the role of the Committee's subject committees, and especially one that embraced either the closure or amalgamation of departments. Furthermore, the Treasury-sanctioned recurrent grant was allocated as a block grant, which the universities used to meet their needs as they defined them. While there was an expectation that the UGC would steer the universities towards fulfilling national needs, there was no detailed understanding of what this meant in precise terms, how it was to be accomplished, or the time period in which change could be expected to occur. In the context of a small, and in comparative terms relatively inexpensive policy commitment, perhaps this situation could be tolerated but it became increasingly politically intolerable as in the late 1980s the system became larger (mass rather than elite), more diversified in character, and more of a burden on the public purse. The least that could be expected to emerge, even if the UGC were to survive, was a funding body placed on a statutory basis (the UGC had materialized in 1919 out of a Treasury Minute) with a formal obligation—buttressed by its membership, structures, and procedures—to plan the development of higher education in Britain.

THE FUNDING COUNCIL MODEL OF GOVERNANCE: FROM THE 1988 EDUCATION REFORM ACT TO THE 2010 BROWNE REVIEW

The dominant political sentiment, however, was not to reformulate the UGC but rather to create a new model of governance for higher education. The 1988 Education Reform Act (ERA) not only brought the era of the UGC to a close with the creation of the Universities Funding Council (UFC) but also removed the public sector of higher education out of the hands of local authority control by replacing the National Advisory Body for Public Sector Higher Education (NAB) with the Polytechnics and Colleges Funding Council (PCFC); the membership of both the UFC and the PCFC to be appointed by central government. The 1992 Further and Higher Education Act (FHEA) took the process of change one step further by amalgamating the two funding councils while, under the impulse of devolution, creating separate funding councils with national remits, which in the case of Scotland and Wales were placed under local political control.

There was little political will to create a renovated UGC which would have the formal authority and the means to govern the development of higher education in Britain. Although it may have been part of the equation, it was not so much a question of disenchantment with the UGC, but rather a manifestation of the fact that the government itself believed that this should be its responsibility and not left to unelected bodies that had been dominated either by the academic community or the local authorities. Over a period of time, governments of different political persuasions had come to the conclusion that higher education should be more closely concerned with meeting national economic and social needs as they themselves defined them (Salter and Tapper, 1994: 117–130). While post-1945 the UGC's remit incorporated a planning role, which required it to pursue the development of the universities in a manner that was consistent with their promotion of national needs, the Committee's overall performance would scarcely support the case that it encompassed a clear utilitarian view of what those national needs were.

What was required was a model of governance that placed responsibility for the formulation of higher education policy in the hands of the government in order that it could steer the development of the system in a politically acceptable direction. But at the same time, the policy implementation process needed to be politically negotiated through the interaction of the government, funding councils, and the higher education institutions. This would at least mitigate the appearance of central state control and, depending on the policy enforcement mechanisms, could give some credence to the idea that institutional autonomy retained some of its viability. Following Lord Croham's *Review of the University Grants Committee* (Department of Education and Science, 1987) the solution was to be found in the funding council model of governance which was realized in very similar terms in both the 1988 and 1992 Acts.

The 1988 ERA stated that:

The Council [UFC] shall consist of fifteen members appointed by the Secretary of State, of whom one should be appointed as chairman. (ERA 1988, clause 131.2, as quoted in Tapper, 2007: 33) Between six and nine of these members were to be drawn from the higher education community

[and]

...in appointing the remaining members the Secretary of State shall have regard to the desirability of including persons who appear to him to have experience of, and to have shown capacity in industrial, commercial, or financial matters, or the practice of any profession.

(ERA 1988, clause 131.3, as quoted in Tapper, 2007: 33)

Although over time the UGC itself had come to incorporate lay members, the diverse composition of the funding councils and the appointment of their members by the Secretary of State were placed on a statutory basis.

More significantly, the legislation laid out the responsibilities of the various parties and their relationship to each other. Under the terms of the 1988 legislation, the central responsibility of the funding councils was to administer 'funds made available to the Council by the Secretary of State for the purpose of providing support for activities eligible for funding under this section', and this funding could be made 'subject to such terms and conditions as they [that is the funding councils] think fit' (ERA 1988, clauses 131.4 and 131.6 respectively, as quoted in Tapper, 2007: 33–34). With respect to information flows, the funding councils would act as the conduit between the institutions in receipt of grants and the government. The institutions were required to make available the information that the funding councils needed to perform their functions, while the funding councils could provide the Secretary of State 'with such information and advice relating to activities eligible for funding under this section as they see fit' (ERA 1988, clause 131.8b, as quoted in Tapper, 2007: 34).

The 1988 legislation spelt out the policy supremacy of the Secretary of State in terms that are both clear and straightforward. The Secretary of State could make grants 'to each of the Funding Councils of such amounts *and subject to such conditions as he may determine*', and 'confer or impose on either of the Funding Councils such supplementary functions he thinks fit', and 'in exercising their functions... each of the Funding Councils *shall comply with any directions given to them by the Secretary of State*' (ERA, 1988, clauses 134.6, 134.1, and 134.8 respectively, as quoted in Tapper, 2007: 35, emphasis added).

However, the difference between the operation of the funding councils and the UGC, at least in its latter years, should not be over-exaggerated. From 1964 onwards, when overall departmental responsibility for the UGC was removed from the Treasury and placed under the auspices of the Department of Education and Science (DES), it had grown accustomed to receiving periodic government reports, as well as requests for information, on the universities. Moreover, by the 1980s the Committee was in regular receipt of statements outlining ministerial priorities (Booth, 1987: 87).

The critical difference is that post-1988 the power relations had been formally spelt out and the dominance of the state is there for all to see. However, if the funding councils were to retain any credibility then it was critical that this dominance should not be exercised too explicitly on too many occasions. There needed to be a measure of trust between the government and the funding councils, that the latter would find the means to implement government policy effectively, and, moreover, that government would at least take into consideration any advice that the funding councils transmitted as it formulated its policy options.

Although the UGC was always formally committed to the idea of institutional autonomy in the sense that the universities determined their own development, as we have noted it became more of a planning body in the

1980s as financial stringency descended and it started to assume responsibility for rectifying some of what it clearly saw as unwise developments that had arisen out of autonomous institutional decision making. What role would the higher education institutions have to play within the framework of the funding council model of governance? If the Thatcher Government had wanted a centrally planned system of higher education then it would have simply abolished the UGC and placed responsibility for the management and development of higher education within one of the central departments of state, or established one that would perform those functions. But, while there was a desire for centralized policy control, there was no appetite for centralized planning. It would have been ideological anathema for a Thatcher Government to go down that route.

What the funding council model of governance has required of the higher education institutions is decisions on how they intend to respond to the demands imposed by a state-regulated market. Until very recently—and as we write the constraints are being eased—the recruitment of undergraduates, excepting those with overseas (that is non-EU) residence, has been strictly regulated. There are agreements for individual institutions on both the total number of students who can be admitted and their disciplinary allegiances. To break the agreement incurs financial sanctions. By way of direct contrast, participation in the RAEs is at the discretion of institutions and they can decide what units of assessment as well as what faculty they want to be included in the evaluative process.

One of the policy objectives of successive governments has been to broaden the social base of undergraduate recruitment, and consequently there has been a long-standing ‘widening participation’ agenda. There is an expectation that all universities will broaden the social base of their student recruitment over time, with published targets and the monitoring of progress through the publication of performance indicators (on which see, HEFCE’s *Guide to Performance Indicators*, 2003). The message was reinforced by the creation of the Office for Fair Access (OFFA), which was established by the 2004 Higher Education Act. It has been the task of OFFA to reach ‘access agreements’ with the universities that intended to charge variable fees after the passage of the legislation. The universities have to devote some of their fee income to encouraging access by running events such as summer schools for would-be applicants and awarding grants to undergraduate students from poorer families. To date, all the universities have negotiated agreements with OFFA. Moreover, it is important to note that there is no legislative basis for requiring universities to meet targets on broadening the social range of their student intake, and certainly no means of punishing financially those that fail to do so. This is a regulatory mechanism that relies on political exhortation, bureaucratic pressures, and financial incentives (there was a teaching premium for recruiting applicants from poorer families) rather than enforceable target-setting. Even in the age

of state-regulation it is still accepted that ultimately it is the higher education institutions that decide whom they admit.

Furthermore, it should not be thought that the higher education institutions have no option but to conform to the dictates of the state-regulated market. Historically, quality control in higher education was heavily dependent upon academic self-regulation—a combination of academic control (expressed most notably in the role of external examiners) and the judgements of professional associations. Following the 1988 ERA there was a steady emergence of quality control mechanisms that eventually led to the formation of the Quality Assurance Agency (QAA). Although the QAA grew out of a process of negotiation amongst the higher education interests and state agencies, there was never—especially within elite university circles—much sympathy for it. Indeed, from its very inception in 1997, many individual academics and some of the higher education institutions expressed their displeasure at its activities. The particular target was departmental inspections that evaluated six performance categories resulting in a possible overall maximum score of 24 points. The pressure applied by the universities—Brown (2004: 131) points particularly to the good connections of influential members of the Russell Group to the Prime Minister's Office—which resulted in the emergence of a 'light touch' regime in which the quality review of individual departments was essentially abandoned in favour of institutional audits.

The relationship between government, funding councils, and higher education institutions is not, therefore, immutable and also varies according to the policy issue under observation. The very tight control on student numbers was shaped by the financial support that the Treasury provides to meet teaching costs—for a long time in direct payment to the universities of student fees and now in the underwriting of income-contingent student loans. The Treasury has an understandable vested interest in controlling its expenditure and being fully aware of its commitments. The more indirect (lax, some would argue) promotion of the 'widening participation' agenda not only reflects the traditional concern for institutional autonomy but also is a recognition of the problems that are likely to emerge if targets are enforced. Undoubtedly such enforcement would have a negative impact upon the morale (not to mention the finances) of the targeted institutions and almost certainly generate a major political row. The modifications to the quality assurance regime have more to do with changing political priorities than any recognition of the undue bureaucratic burden it placed upon the universities. The Blair Government was moving towards the policy of variable student fees (secured in the 2004 Higher Education Act) and the promise to mitigate this bureaucratic burden was one possible way of securing some support from the academic community for this critical policy initiative. The White Paper, *The Future of Higher Education* (Department for Education and Skills, 2003), discusses both

the plan to introduce variable fees and the need to lessen the bureaucratic constraints with which the universities had to comply.

Although it is clear that the 1988 Education Reform Act instigated the dominant control of central government over the higher education policy-making process, there is still some equivocation as to precisely where in government this power actually resides. The legislation refers to the responsibilities that could be assumed by the Secretary of State. Currently the higher education portfolio is located in the Department for Business, Innovation, and Skills and the Secretary of State is Vince Cable. However, the Department has a Minister of State for Universities and Science (David Willetts) who, significantly, is also responsible for the research councils as well as higher education, which means that the two major streams of public support for higher education are the responsibility of the same department.

In the context, however, of a squeeze on public expenditure there is always the possibility of Treasury intervention. In view of the fact that the liabilities of the Student Loans Company are underwritten by the Treasury, it is inevitable that its mandarins would take a close interest in what fees the universities are charging and the number of students they are admitting. But this is the kind of intervention that any government department is likely to experience from the Treasury, and while these are very important policy issues, there are numerous other developments in higher education in which the Treasury will not have the slightest interest. Indeed, that was one of the strongest arguments in favour of transferring government oversight of the UGC from the Treasury to the then Department of Education and Science (DES). Understandably, other than controlling expenditure and making sure that resources were used appropriately, the Treasury had no policy stance on the universities, whereas some looked to the DES to provide coordinated direction for the whole system of education, including the universities. Moreover, as the later section of this chapter 'Beyond the Funding Council Model of Governance? From the Browne Review to the 2011 White Paper' will demonstrate, the current Minister for Universities and Science has been exceedingly active in promoting new directions in higher education policy, and there is little doubt that is where responsibility for government-initiated developments in higher education now resides.

A more interesting question to ponder is why policy responsibility for higher education and the research councils should be located in a department which does not have 'university' in its title but does include 'business' and 'skills'. It is difficult not to draw the conclusion that at least in part this must reflect a value-laden premise—that central to the purpose of the universities is the enhancement of business and the promotion of skills. The notion of higher education as a vital economic resource now lays claim to the title of the very department in which policy responsibility for the universities and research councils is based.

The funding council model of governance has not only changed the relationship of the universities to the state but also has acted very significantly upon how universities are governed. Most observers (Shattock, 1994: 114; Kogan and Hanney, 2000: 185–187; Deem et al., 2007) argue that the new managerial ethos in higher education was greatly stimulated by the publication in 1985 of the Jarratt Report (Committee of Vice-Chancellors and Principals, *Report of the Steering Committee for Efficiency Studies in Universities*). Kogan and Hanney have written:

But it was Jarratt (1985), the government-inspired report, which promoted the statement of objectives, the creation of new management structures, with chief executives in place of the *primus inter pares* roles of vice-chancellors, the introduction of management terminology, and performance indicators.

(Kogan and Hanney, 2000: 186)

But undoubtedly the process of change has been speeded up by the introduction of the funding council model of governance. The state-regulated market requires prompt and effective responses from the higher education institutions on a whole range of broad concerns—student access, research performance, quality control, and even governance and management structures. Consequently, the administrative apparatuses have expanded and power has gravitated to councils and senior management teams and away from senates and front-line academics (although perhaps less so in Oxford and Cambridge, Tapper and Palfreyman, 2010 and 2011).

BEYOND THE FUNDING COUNCIL MODEL OF GOVERNANCE? FROM THE BROWNE REVIEW TO THE 2011 WHITE PAPER

It was inconceivable that the severe global economic crisis that broke in 2008 would not have profound repercussions for the funding of British higher education. Underwritten by the argument that there were private economic returns for those who had completed higher education degrees, variable fees to be paid for through income-contingent loans (Barr, 2001; Barr and Crawford, 2005) had already been introduced in England. In November 2009, *An Independent Review of Higher Education Funding and Finance* was set up by the then Labour Government under the auspices of Lord Browne for the professed purpose of *securing a sustainable future for higher education*, which everyone suspected would recommend a sharp increase in variable fees.

Browne's Review was published in October 2010, and the Coalition Government, which was now in power, swiftly secured parliamentary approval (December 2010) to permit higher education institutions to raise variable

tuition fees by up to £9,000 per annum from the academic year commencing in 2012. And unsurprisingly (at least to all seemingly bar the Coalition Government), many universities announced that they would either be charging the maximum permitted fee or a figure close to it (the Browne Review had not specified a ceiling on fees). The latest stage in the saga is the publication in June 2011 of the White Paper, *Higher Education: Students at the Heart of the System* (Department for Business, Innovation, and Skills, 2011). Although consultation has taken place, as yet no draft legislation has appeared but the White Paper does propose changes for which no parliamentary sanction is required and contains suggestions, that if acted upon, would further modify the state-regulated market. Moreover, there are proposals that could result in the steering of higher education development more by institutional responses to market pressures than by state regulation. There is greater encouragement for the expansion of a private sector that would also incorporate for-profit institutions.

The strict control exercised over the institutional recruitment of undergraduate students has been relaxed, and is soon to be removed entirely. For the 2012–13 entry, universities have been allowed to admit as many students they felt they could adequately cater for who achieved A-level grades of at least AAB (or equivalent qualifications and grades). Moreover, 20,000 places were reserved to be distributed amongst institutions charging an annual fee of no more than £7,500. These were moves clearly designed to persuade some universities to moderate their proposed fee increases. Those institutions, not obviously the most prestigious but nonetheless intending to charge fees of £9,000 per annum could find themselves shunned by the highly qualified applicants if more prestigious universities were prepared to increase their undergraduate numbers. For those institutions lower down the hierarchy it made sense to keep their fees below £7,500 per annum in order to ensure an almost guaranteed student intake. However, the long-term operation of this refined regulated market in the distribution of student numbers depends on the impact of variable fees on the pattern of student recruitment as well as the Treasury's estimate of the future financial burden of student loans upon the public purse. Weak demand for places may well require some universities to lower their fees, while the Treasury may become more relaxed about the potential demands upon the public purse either because the economy improves and/or the repayment of student loans is proceeding smoothly. Thus, a scenario has been created that is currently only just being played out and there may yet be issues concerning the efficient operation of the new market in UK/EU undergraduates.

The Browne Review (October 2010: 4) claimed that 'many prospective students do not get adequate advice or information to help them choose a course of study'. This was followed up by the White Paper: 'Wider availability and better use of information for potential students is fundamental to the new system... Better informed students will take their custom to the places