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PRIME MINISTER

MANAGEMENT OF HIGHER EDUCATION

At its meeting on 28 November E(A) discussed, in the context of my proposals for a switch to engineering and technology (E(A)(84)63), the difficulty of managing higher education to ensure that it was responsive to national economic requirements. We agreed to return to this subject under your chairmanship at a later date.

2. I am minuting to you separately about how we might carry the idea of a "switch" forward. This minute is about the more general question of the management of higher education.

Higher education outside the universities

3. Our discussion of this issue in E(A) centred on the universities, and I believe that to be right. In the public sector of higher education in England (the polytechnics and other colleges) we now have in place for the first time a central planning and management system in the National Advisory Body (NAB), which has established itself in its first three years as a body able to face up to hard decisions and with a will to manage the system. As demand has risen and admissions to university have been squeezed the public sector has responded with a significant increase in productivity. Student numbers have increased from 230,000 in 1979-80 to 285,000 in 1983-84. The average student:staff ratio has moved from under 8:1 to approaching 11:1 and is planned to move to 12:1. Unit costs in the local authority sector are likely to be 20% lower in cost terms this year than in 1980.

4. The NAB's plans for local authority higher education also involve a substantial shift towards technical and vocational subjects: they provide for 1985-86 intakes to full-time and sandwich courses in engineering, mathematics and computing and



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science to be over 20% higher than for 1982-83, and for intakes to social studies, languages and humanities courses (which currently account for 16% of total provision in the sector) to fall by over 15%.

5. In addition to the local authority colleges we have also recently brought under the NAB planning umbrella the various colleges (many of them former teacher training colleges) that are directly grant-aided by the holder of my office.

6. For higher education outside the universities therefore we have a planning system that brings together Government, the local authorities and other interests. It has made a good start and should be allowed to continue to develop in ways we have agreed are desirable.

The universities

7. The universities are funded through the University Grants Committee under arrangements designed to allow individual institutions the maximum degree of autonomy compatible with public funding. I have been concerned, since I assumed this office, that the universities were not responsive enough to national economic requirements partly because of the drift engendered by the abandonment of the quinquennial system, partly because of the Government's public spending policy, which made new initiatives more difficult, and partly - but significantly - because the UGC and the universities were simply not being given enough guidance by the Government about what was expected of them.

8. In July 1982 I began offering more systematic guidance to the UGC, which has in general been welcomed and which I am carrying further in the Green Paper on higher education policy which I am preparing.



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9. The developments I have in mind involve more coherent and regular guidance from Ministers on priorities, with the Government taking responsibility for higher education policy, including the relations between the two sectors of higher education and the difficult decisions about contraction that are likely to arise before the end of the decade. We have already made progress:

- (a) In research the UGC has announced its intention to develop a much more selective strategy of research funding based on an appraisal of individual universities' research plans. This will help to concentrate available funding on work of the highest quality.
- (b) The UGC has announced its intention to tackle the problem of small and weak departments by a process of rationalisation. The UGC and the NAB are already co-operating in reviewing provision for certain subjects across higher education as a whole.
- (c) We have announced our intention to introduce legislation to limit academic tenure for new appointments when the Parliamentary timetable allows - possibly the 1985-86 session, but more likely 1986-87. When this issue was considered earlier in the year we agreed that we could not contemplate retrospective legislation to interfere with existing contracts of employment. The current inflexibilities will therefore disappear only slowly, but in practice tenure has not made contraction that much more difficult or expensive than elsewhere in the public sector or the nationalised industries.
- (d) Sir Alex Jarratt is at present chairing a committee managing a series of efficiency studies in the universities, to which Robin Ibbs and his unit are making a significant contribution. This work should both be valuable in



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itself and provide a starting point for the continued pursuit of greater efficiency in the future.

- (e) The UGC has been operating since 1981 a system of student number targets which gives the Committee the potential for greater influence than in the past, and we can build on this without adopting the full panoply of centralist planning outlined in paragraph 12.

- (f) We have also established the principle that some university funding may be channelled through specific programmes for which universities have to compete on the basis of quality and need: the existing examples are the information technology initiative and the "new blood" programme to increase what would otherwise be limited opportunities for the recruitment of top quality young researchers.

10. Since our discussion in E(A) last month I have been thinking about whether there was some more radical alternative for the planning and control of the universities that I could commend to you. The rest of this minute notes briefly some of the possibilities. I should be glad to discuss them with you, and to set them out more fully for discussion with colleagues if you think that appropriate.

Accelerated rationalisation

11. Rationalisation is already being pursued. The UGC has recognised that there are too many departments that are both small and weak, and that that will be one of the major problems for the next few years. This process, which could include the scaling down of provision in minority subjects while securing their continued existence in departments of viable size, would help to achieve the more efficient use of resources. It would not of itself ensure that the output of manpower in perceived shortage areas would be increased. The process could be accelerated only



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by providing funds to encourage staff movement, and to provide compensation for redundancy and early retirement. But the cost would be significant, especially if more generous terms had to be offered to tenured staff.

More formal academic planning

12. Universities could be required to submit detailed academic plans which would include proposed student numbers by subject and level, research plans and proposals for other academic developments. After a process of negotiation/discussion with the UGC each university would then be told that it was being funded on the assumption that it would achieve specific student number targets - perhaps for all subjects, perhaps only for key subjects - and that although there was some flexibility (plus or minus X%) future funding for teaching would be based on success in achieving targets. Provision for research would be indicated separately and would be settled on judgments of quality and on success in attracting external funding. The process of negotiating an agreed academic plan could be used selectively to increase the output of highly qualified manpower in areas of perceived shortage. But it could create a paper mountain of plans without necessarily gaining anything that could not be achieved by the development of the existing practice of setting student number targets. Resources would still be needed if the process of rationalisation was to be accelerated.

13. I am attracted to the UGC's idea of planning for the selective funding of research (referred to in paragraph 9(a)). The UGC's moves in this direction will give us the opportunity to judge just what the planning approach can achieve.

Preventing entrenchment

14. Colleagues were rightly concerned that once provision for a subject is established, it is difficult to dislodge. Overcoming



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entrenchment would be possible only by requiring central approval for the continuation of existing departments or even courses, combined with either retrospective legislation on tenure or a willingness to buy it out. In the local authority sector of higher education, where staff do not enjoy tenure, the closing down of activities has nevertheless been slow, laborious and much resisted. Preventing entrenchment for the future is no less difficult. The proposed legislation to limit academic tenure (referred to in paragraph 9(c)) will apply only to new appointments, and will therefore bite only slowly. Government control to prevent entrenchment would still require direction from outside the institution. Entrenchment for the future could only be prevented by agreeing to fund activities for a limited period only, and subjecting their continuation thereafter to regular review. This would effectively mean central control of the amount and distribution of provision in all subjects. We should have to establish a machinery for evaluation that does not exist at present.

A further squeeze

15. A squeeze can have beneficial effects in increasing cost-effectiveness some of the universities hardest hit financially in 1981 have come through the experience much improved. But there are disadvantages. Financial pressures alone will not make the universities responsive to the needs of the economy. In the short term it is rather the areas of high economic activity that suffer because staff are prepared to go voluntarily only where other attractive jobs are readily available. A further squeeze on the universities could therefore be imposed only by forcing them to admit more students - thus reducing unit costs - rather than by reducing resources for present numbers of students. Because of staff losses and difficulties of recruitment it is precisely in the areas of engineering and information technology that universities would have most difficulty in increasing student numbers. With a static or declining student population increased admissions to the universities would mean reducing numbers in the cheaper



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non-university sector to compensate. A move of this sort may be desirable to relieve some of the pressure of numbers in the non-university sector. But it would not help to increase Government control over the output of higher education.

More radical measures

16. It is possible to contemplate more radical measures that would involve by-passing the UGC, abolishing it or modifying it beyond recognition. A variety of models could be displayed. They would all effectively involve responsibility for the funding of individual universities being taken over either by Government directly, or by a Government-appointed executive body that was not dominated by academics.

17. Any such approach would involve an upheaval in the traditional relationship between the Government and the universities. I am in favour of change, but do not believe that in this area it is best achieved by confrontation. New arrangements would be seen as a frontal attack on academic freedom. They would take time to set up (and possibly legislation) and then even more time both to establish themselves and to win the confidence of the universities. ~~There~~ would be a hiatus in which we might be able to exercise less influence than at present.

Conclusion

18. Higher education can be made more responsive to the needs of the economy. For the public sector the NAB is leading the way. For the universities I want to build on the work of the past couple of years. We have in the forthcoming Green Paper an opportunity to set out the ground rules that will allow for the necessary Government influence without interfering with academic freedom. I believe that our objectives can be achieved within the framework of broadly the present system. The new situation on student awards will inevitably delay the Green Paper by some months and I shall be taking the opportunity presented



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by that delay to sharpen and refine it in consultation with colleagues. I should be glad to discuss this with you but I hope you will agree that I should proceed as I propose.

19. I am copying this minute to the Chancellor of the Exchequer and the Secretary of the Cabinet.

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21 December 1984

Department of Education and Science .

21 DEC 1984

