



DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

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Sir Peter.

FUTURE PLANNING OF HIGHER EDUCATION

You are already aware that because of the review of student support arrangements which I announced on 5 December the proposed Green Paper on higher education policy to which I referred in my letter of 12 September will be delayed. That paper will put forward the Government's thinking on the development of higher education into the 1990s in the light inter alia of the advice from the UGC and the NAB which was published last September. There are however certain matters on which an earlier indication of the Government's view is appropriate because of the implications for the work of the UGC and the NAB in the immediate future, and this letter is about them. References in brackets in this letter are references to paragraphs in the UGC's published advice.

Student numbers

Projections of future demand for higher education were published last July in Report on Education 100. It has now been possible to revise Variant Y of those projections - which assumes the continuation of demand at levels consistent with those observed in 1983 - in the light of final figures for entry to higher education in 1983-84. The new figures are slightly higher: they are set out in Annex A and the projections are illustrated in Graphs A-D enclosed

The White Paper containing the Government's expenditure plans to 1987-88 (Cmnd 9428), published on 22 January, says that one of the Government's objectives for higher education is to maintain access for those who want it and are suitably qualified. The projected student number totals in the White Paper are consistent with the revised Variant Y.

In order to make any projections of full-time student numbers from projections of initial entrants it is necessary to make assumptions about the effective length of course and hence about the division of students between universities and the public sector. Variant Y assumes that the division of students between the sectors was as in 1983, but this assumption was made only for these technical

reasons, and does not reflect any policy intention on the part of the Government. Total student numbers are projected to remain relatively stable for the rest of the decade, and it is now necessary to consider their optimum disposition between the universities and the public sector in the light of the resources available, and the nature and quality of the expected candidates for admission. I should like the UGC and the NAB to discuss this with each other and with officers of the Department.

Subject balance

The Government would like to see a higher proportion of students studying subjects of vocational relevance and, in particular, those elements of science and engineering where there is at present an under-supply of qualified manpower. I note the UGC's view that a significant increase in the number of places in science and technology can only be provided if the necessary resources are made available (3.10). The Government is considering the implications of this advice. But it expects the UGC to plan to achieve the greatest possible shift to science and technology within the resources available. I should like to discuss with you exactly what might be achieved. In particular I hope that it will be possible for intakes in these areas to be maintained at at least the levels planned for 1984 and 1985.

I am aware that the UGC and the Engineering Council agree that engineering in universities is at present under-funded. The Government and the UGC have both argued against the Engineering Council's proposal that an intended level of provision for engineering departments should be earmarked. The Government nevertheless looks to the UGC and to individual universities to secure an appropriate share of resources for engineering departments, having regard to the Government's wish to see an expansion of provision in this area even within existing resources, and I am glad that you have already written to universities about this.

Research

The Government has decided to make available to the UGC additional funds of £4 million for the financial year 1985-86 and £7 million a year for each of the financial years 1986-87 and 1987-88 to equip a small number of laboratories to the highest standards. For the longer term, the Government welcomes the UGC's intention to be more selective in its allocation of research support, and the statement of general principles set out in paragraph 5.14 of its advice. The Government hopes that the proposed new planning and allocation arrangements can be formulated and begin to operate by the academic year 1986-87.

Rationalisation of small departments

The Government welcomes the UGC's commitment to the rationalisation of small departments (10.5). I would welcome a further statement

of the UGC's approach to this task in the light of the studies which its sub-committees have been asked to undertake.

Academic staffing

The Government has noted the Committee's views about future staffing levels in the universities (7.1-7.5). The Government's "new blood" initiative is enabling universities to take on some additional new staff over the years for which it operates, and its information technology initiative is creating new teaching and research posts in relevant subjects. The Government's expenditure plans do not provide for further rounds of new blood appointments after those to be made in 1985-86 (although funding continues for the appointments which have been made already or for which current plans provide). The Government will review the position in the light of experience of the scheme and of the UGC's advice (7.13-7.14).

The Government has at present no plans to provide any additional resources to allow reimbursement of redundancy compensation under the Premature Retirement Compensation Scheme (7.7). The Government believes that institutions should be able to use the scheme within planned resources and should be prepared to do so.

Recurrent grant

I announced in November last year that recurrent grant for the universities for the academic year 1985-86 would be £1,309 million. I am now able to tell you that the Government's expenditure plans (Cmd 9428) include provision for recurrent grant in cash terms by financial years of £1,280 million for 1985-86, £1,315 million for 1986-87 and £1,348 million for 1987-88. These figures are subject to review in future public expenditure surveys in the usual way.

External financing

The Government has not been able to provide additional money for a fund to reward institutions for increasing industrial earnings (9.18). There is nevertheless scope for all institutions to increase industrial earnings and income from private sources generally. The Government expects all universities and colleges to develop in the light of their own circumstances a strategy for doing so, and the UGC to encourage this. The UGC has drawn attention to the fact that resources for universities are no longer based on the concept of a deficiency grant (9.9). The Government confirms that its provision for the universities will be determined in the light of its assessment of what the country can afford in all the circumstances of the time and taking account of all other claims on resources. It follows that it will always be to the advantage of the universities to seek to maximise their income from other sources, and, as regards gifts, that they can reassure donors that these will result in a genuine increase in the university's resources.

Retention of capital receipts

I announced in the House of Commons on 15 January new arrangements which provide increased flexibility for the universities to retain the proceeds of property sales. These to a large extent accept

the UGC's proposals in paragraphs 8.39 and 8.40 of its advice.

Efficiency

The results of the efficiency studies in the universities will be available in the next few months. We shall need to consider together and with the CVCP how best to pursue the implications of these studies and what continuing arrangements there might be for the monitoring and evaluation of university efficiency.

Co-operation with the NAB

I welcome the continued development of co-operation between the UGC and the NAB. This is vital to the successful future planning of higher education. The NAB has now been formally reconstituted as the National Advisory Body for Public Sector Higher Education, with revised terms of reference. I enclose a copy of the Parliamentary announcement of these changes.

I am writing a similar letter to the Chairman of the NAB Committee, which is directed particularly to the imminent start of work on the NAB's major planning exercise for 1987-88. A copy is enclosed. I am sending a copy of this letter to the Chairman of the NAB Board, and am arranging for both letters to be published.

Cordially,

Keir