

HEFCE Annual Conference 2008

Speech by Professor David Eastwood, Chief Executive, HEFCE, 'Unlocking the potential of higher education: achievements, challenges and opportunities' (7 April 2008)

[The full set of PowerPoint slides to accompany this speech are also available on our Conference web-site]

Tim, thank you very much indeed. And can I add my welcome to Tim's welcome. It's a great pleasure to see so many of you from the sector here for our annual conference. I think that's a testament to the interest and importance of the programme, and to the imagination and ingenuity of my colleagues in putting together what I think will be an interesting, challenging and stimulating programme for the next 24 hours.

Can I also, on your behalf, welcome Tim Melville-Ross to his first HEFCE annual conference. As Tim says, he took over as chair of HEFCE in January, and Tim, we're delighted that you agreed to respond to the Secretary of State's invitation to chair the Funding Council. Those of you who have met Tim will see what an enormous asset Tim already is to us in his new role.

What I'd like to do is begin by recapitulating where we are as a sector, after the 2007 Comprehensive Spending Review (CSR), and then begin to look forward to the challenges and opportunities which are in front of us. This I hope, is consonant with the theme of this conference, where we are looking at building on the success of higher education, and Tim has already outlined that, but also trying to find ways of further unlocking the potential of our sector.

So let's begin with a reflection on where we are in terms of the funding environment in which we now operate, and how we will operate for the funding triennium of this spending review.

What did we get out of the rather extended process which became CSR 2007? What we got was a very good settlement. A number of people in this room were involved in CSR discussions at different points in that process, and you will recall how difficult some of those discussions were. There was the real prospect that the sector might emerge with a much less favourable settlement than the one that we secured.

Throughout the CSR process we and others, notably Universities UK, were committed to sustaining growth and sustaining funded growth. That was achieved. There was a case made for a real increase in QR and we achieved that. And the case was made for the maintenance of capital allocations for the sector, and that too was achieved.

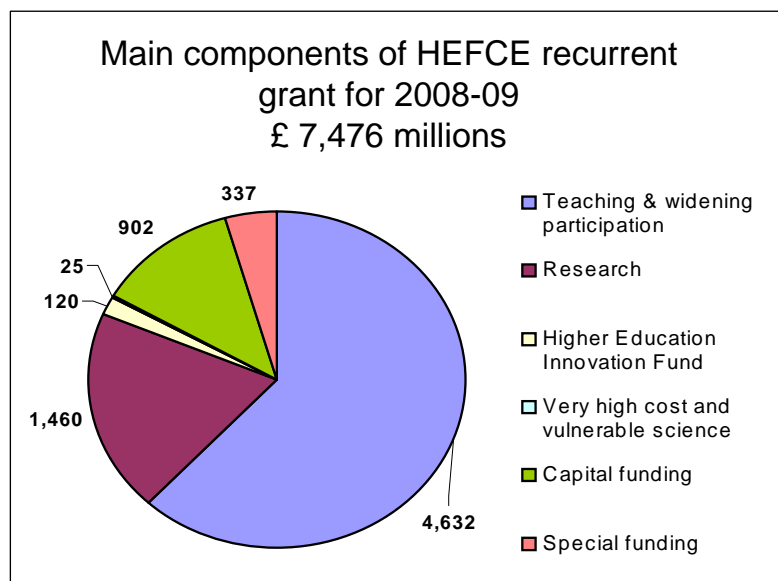
I think what the Government is doing in terms of its investment in higher education over the next three years is investing in success. That was the case that we collectively made: that higher education was a high performing sector, and further investment would unlock further potential and further performance. That investment is now being made and I think that's what we, as a sector, have to deliver on.

Nevertheless, and importantly, we know that the environment has shifted. It's shifted right across the public spending landscape, as fiscal pressures have tightened. And in the higher education arena in particular, the era of major growth in the real increase in research funding is now at an end, and we always knew that to be the case because the 10-year framework for science investment published in 2004 set that out very clearly.

So – although it is a good settlement, although there is funded growth, although there is real terms growth, nevertheless, the environment in which we will be operating in the next three years is a more financially constrained environment; and that will create challenges for us as a funding council as it will create challenges for the sector as a whole, and for individual institutions in the sector. And I'll return to some of those challenges later in my remarks

Student number growth over this triennium will be some 60,000, and in addition to that there will be a further 15,000 co-funded student numbers. What we will see over the triennium is an average real-terms increase of 2 per cent. We have also secured an increase in HEIF funding, rising to £150 million by 2010-11, and real terms growth as I say, in research funding.

When you translate that into this year's funding allocations for 2008-09, the outcome is as that pie chart suggests. Some £4.6 billion going into a formula driven teaching allocation, some £1.46 billion in to QR and associated research investment, £120 million this year into the HEIF fund. We are sustaining our £25 million investment in high cost science subjects. Some £902 million is going into capital funding, and £337 million in special funding streams.



Slide 5

When you look at that allocation there are two striking generic features. One is the very high proportion of our investment – now over 94 per cent – which comes to the sector as block grant. And if you compare that to last year's allocation, the special funding stream has, relatively speaking, been further decreased. That I think is important, and, as I've always said, I think that's the appropriate way for us to fund a mature and well-managed sector.

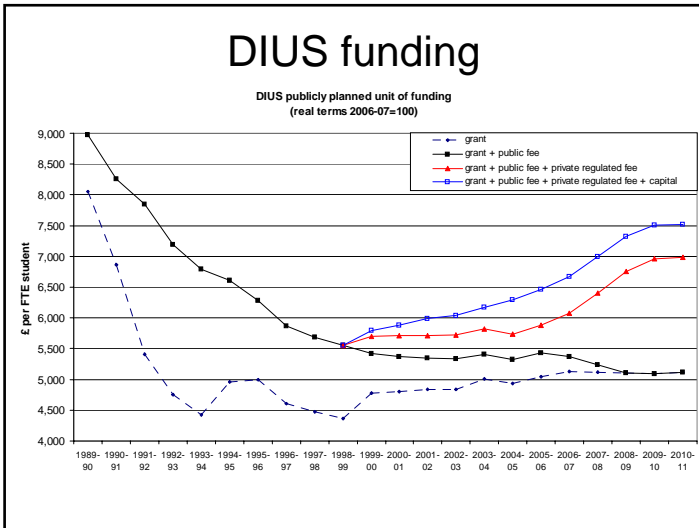
Nevertheless, in squaring off the funding circles we are now in a position where there is some very significant pressure, particularly on our Strategic Development Fund, and I'll come back to that later, in the context of [the Government's] new University Challenge. We are going to have to look in a quite stringent way at our special funding streams to ensure that they still deliver relevance, that they still deliver value for money, and over this three year period there will be some tough decisions for the Board to take.

The other comment I think I'd make against those funding allocations, is there was of course, much discussion in the sector around the HEIF allocations. I'd make two points about the HEIF allocation. The first is that in the process that gave rise to the Sainsbury Review, we and others made the case very powerfully for a dedicated third funding stream. That case was not only accepted by Sainsbury, but very strongly underscored by Sainsbury. But as a part of that process it was necessary to bring forward a funding algorithm for HEIF funding which ensured that there was an appropriate distribution of HEIF funding, reflecting the range of institutions which are engaged in third stream activities. It was the need to devise that funding algorithm which sat behind both the distribution mechanism and the funding cap. Just occasionally, when you're assailed from all sides, you conclude lamely that you probably got it about right.

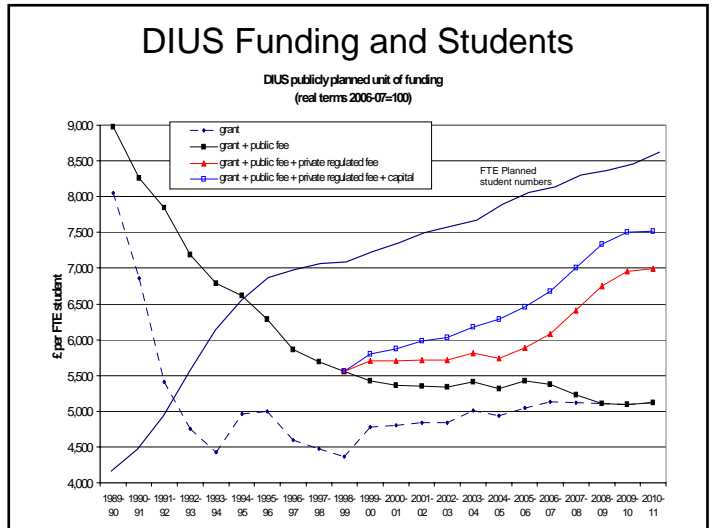
So in the recurrent grants for 2008-09, we achieved a cash increase of 3.3 per cent, uplift for teaching, widening participation and research, some additional 24,000 FTEs and a continuation of support for very high cost and vulnerable science subjects. That 3.3 per cent real overall growth is lower than it has been and that's why some institutions have been scrutinising the settlement particularly closely. It's also why we were only able to safety net institutions at cash rather than to operate our policy of the last four years of protection at RPI.

It's been a good settlement. We have moved into a period where funding is more constrained, and we will continue to see, I think, more variation in the way in which our funding outturns transpire. I'll say a little bit more about that right at the end when I'm talking about priorities for the review of the HEFCE Strategic Plan.

These two slides on 'DIUS funding' and 'DIUS funding and students' will probably make more sense when you have the overheads in front of you.



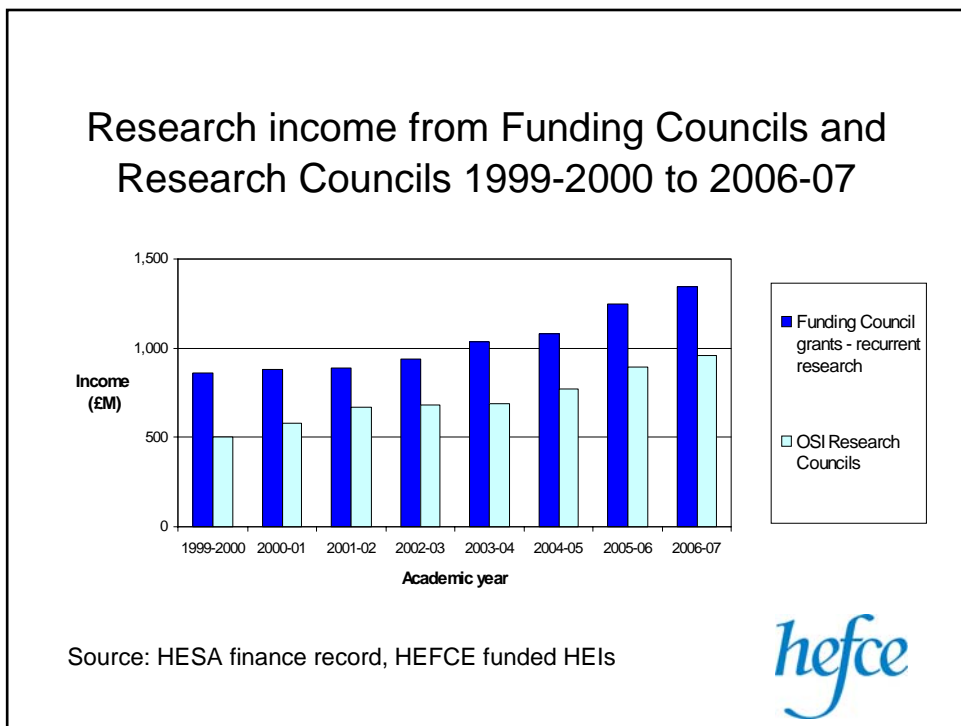
Slide 7



Slide 8

But this is the way in which we are now presenting the growth in investment in teaching. The bottom line, the dotted line, is the HEFCE funding line. The top line includes HEFCE core teaching funding, HEFCE Teaching capital, and fee income. You will see that through this Spending Review period, there is a real year-on-year increase in the resource available for teaching. If you superimpose that line, the top line, which is the projected growth in student numbers, you will see that we are continuing to close the gap between the available resource and student numbers. So there is a continuing real marginal restitution in the unit of resource available for teaching. That is, as I say, in this context of this CSR a very good settlement.

In the same way, investment in the research base will continue on both sides of the dual-support system; those figures take you to 2006-07, and they project forward with the ratio of QR to Research Council funding continuing to close over the next funding triennium.



Slide 9

We are aware in the Funding Council and at HEFCE Board level that next year's allocation, 2009-10, will have to accommodate the outcomes of RAE2008, and within the available resource we have tried to reserve some additional funding to enable us to steer the sector through the adjustments which will need to be made as we move from the funding allocations driven by RAE2001 to the funding allocations driven by RAE2008.

But I wouldn't disguise now, that of course, as with all other RAEs, there will be institutional winners and there will be institutional losers, and we will work with institutions to deal with the consequences of that. Nevertheless the commitment remains to investing in a strong and sustainable research base.

The Government has made clear in a number of fora, in our grant letter, in ministerial speeches, and increasingly now in policy statements from DIUS and from other Government departments, what its priorities are for this Spending Review period. We have seen and we will continue to see, the recycling of savings from the decision to cease funding equivalent or lower qualifications (ELQs). Just to remind you, at the end of the Spending Review 2010-11, we were required to make some £100 million worth of savings from the ELQ decision. But this would be immediately reinvested in the sector, in additional student numbers and thus in growth that would not otherwise have been available to the sector. We are already beginning to deliver on that kind of recycling mechanism which was implicit in the ELQ decision.

Over and above that we will deliver the additional 40,000 student numbers which are available in the Spending Review period, and you will already have had a letter from us announcing our priorities in the allocation of additional student numbers. And they are, just to recap that letter, employer engagement, further growth of foundation degrees, further strengthening and support for strategic and vulnerable subjects, key development in some health disciplines, and continuing to work on enriching higher education provision in higher education (HE) cold spots.

What we have said in that letter is that there are two other overarching priorities. One is to continue to drive widening participation, and the other is to have reference to institutions which were particularly adversely impacted by the ELQ decision, and that we will do while driving the five key priorities for additional student numbers.

The allocation mechanisms for those additional student numbers (ASNs) will be through the Strategic Development Fund. We will profile them in such a way that there is no particular advantage to being an early mover. So what we would ask is for institutions to come forward with bids for additional student numbers, as and when they are ready to do so, and to work in the normal way with regional consultants and regional teams in order to develop those bids.

We will continue to work on the employer engagement agenda. We have already passed the 5,000 mark for employer co-funded student numbers, and we are confident that we will reach the 20,000 employer co-funded numbers by 2010-11. Over and above that, we already have some 23 institutions signed up to employer co-funded programmes, and I confidently expect that to rise to 40 or more institutions by 2010-11.

So the employer co-funded challenge is a challenge that we are meeting and taking forward. But I think it's worth reiterating that our approach to employer engagement throughout has been emphatically not to corral this into a simple question of employer co-funding, but rather to situate the employer co-funding initiative in that wider landscape of the totality of relationships that institutions have with employers and with the business community, involving higher level skills, involving postgraduate programmes, involving a dedicated undergraduate programme, involving foundation degrees, involving close to market research, involving consultancy, and so forth. And it's my belief that it is that integrated offer and the totality of that integrated offer that higher education can make to business, and indeed to the third sector, which makes our contribution so compelling.

Government remains committed to widening participation in higher education and to driving the access agenda. The Secretary of State, John Denham, is going to make some important statements on widening participation in his speech to this conference tomorrow, so I won't steal his thunder by further anticipating that. Simply to say I, the HEFCE, like the sector, remains absolutely unflinchingly committed to taking the widening participation agenda forward, and to arriving at a position where there is no one who can benefit from higher education who does not have access to it in an appropriate way.

The Government will continue, as I say, to invest in research and to encourage the innovation agenda. There's a strong emphasis now on commercial exploitation. We were delighted in the context of the CSR, that Government supported our proposal for a Revolving Green Fund to enable the sector to take forward capital projects which would be both carbon reducing and energy saving, and we look forward to working with the sector through the Revolving Green Fund and other initiatives to reduce the sector's carbon footprint in the coming years.

Diversity within our HE system and support for STEM subjects remain critical issues and I will say something more about those in a moment.

An innovation of this year, linked to the CSR in terms of the continuation of capital funding for the sector, was the taking forward of our Capital Investment Framework. What this recognised was the maturity of the sector in terms of its estate planning and capital strategies. It was also designed to drive some flexibilities into the way in which you could use a HEFCE distributed capital fund as against your capital programmes. In other words, to get beyond the problems

that we'd had in the past where if you encountered particular problems with planning authorities or with other funders, then you'd have to come back to us, so the chemistry building could become the physics building, or whatever.

Some 70 per cent of institutions secured, as it were, a first time pass in the new Capital Investment Framework. And the institutions that didn't are working with us, and I think in all, or virtually all cases, the fact that they didn't get through at first pass, reflected something that was well known to institutional managements in terms of the need further to develop and to mature their estates strategy.

So we do think that the new Capital Investment Framework will work well and it represents a further commitment on the part of the Funding Council to reducing, wherever possible, the burden on the sector.

Let me now move on and look forward. I promised you some further reflections on strategic subjects, and here they are. Like all good vice-chancellors, you will immediately have recognised, looking at that slide 'HEFCE sustains science', that this is in fact University of Surrey research student, placing a complex radiation sensor into a vacuum chamber.



Slide 13

HEFCE has a strong commitment to sustaining the science base, both in terms of teaching and recruitment and research. The first major intervention came as a result of the Review by the late Sir Gareth Roberts. Gareth concluded that the sector was broadly healthy and vibrant


in terms of strategic subjects, but there were areas of pressure. And that analysis, I have to say, was recently confirmed, if you look at OECD 'Education at a Glance' 2007, you will see that I think in terms of OECD comparators, we produced the second highest proportion of scientists through our system.

So Gareth's analysis I think was broadly right, that we shouldn't panic, that we shouldn't create a crisis where there isn't a crisis, but that we should have targeted interventions to secure and to underpin the science base; and that's what we've been taking forward since. So there is a formal designation, where a subject is both strategically important and vulnerable. Government determines strategic importance, we determine vulnerability.

Where subjects are both strategically important and vulnerable, we consider appropriate interventions, and you can see some of those itemised here, in a £250 million programme of work tailored to meet the needs of vulnerable disciplines.

HEFCE additional support for STEM

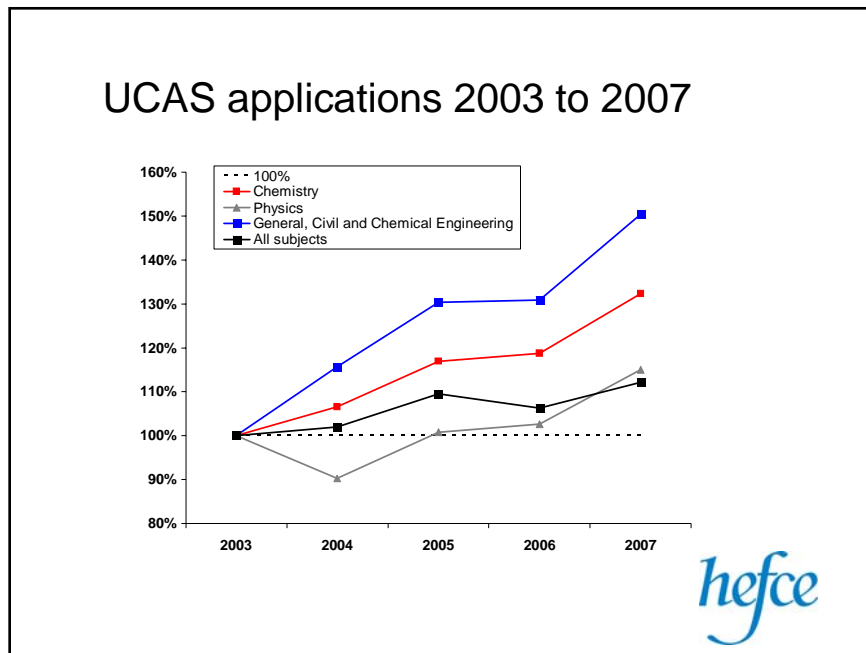
- Additional £75m for very high cost and vulnerable lab based subjects
- Over £15m to date for demand raising work in physics, chemistry, engineering and mathematics; integrated and embedded programme planned for 2009
- £12.5m award for South East Physics Network (SEPNET).



Slide 16

The Roberts Group became the Follett Group, chaired by Sir Brian Follett, former vice-chancellor of the University of Warwick, and Brian's group will produce its report in May/June of this year, updating the Roberts' work; and then that will pass on to a new group, the daughter as it were, of Follett, which will meet our commitments under the Sainsbury Review to produce an annual statement of the position in core disciplines and of issues around supply and demand, which we will take forward from 2008-09.

The position in a number of the core disciplines, as you know, as far as admissions are concerned, has been improving markedly over the last five years. On the slide 'UCAS applications 2003-2007', the blue line is general, civil and chemical engineering, the red line chemistry, the black line all other physical science subjects, and the grey line is physics.



Slide 15

I think there's been quite an important and rather benign coalition which has come together to support this drive to reverse the position in science, stronger science teaching in the schools; more dynamic science teaching in the schools; and a review of some parts of the A-level syllabus. Building on this there has been very impressive outreach by HE into schools, in order to interest young people in science.

Crucially there has also been a much clearer statement by employers, that they value science graduates and the skills that science graduates bring, and they will express that in terms of strong recruitment and appropriate remuneration. So I do think that whatever challenges remain, we are in a much better position now than we were in 2003/2004.


In addition HEFCE has invested over a three-year period some £75 million in meeting the costs of high-cost lab-based subjects. This has meant that the majority of those subjects have now come into financial balance for teaching. We have committed ourselves to demand raising work in those subjects. This morning the Board agreed a £12.5 million investment through our Strategic Development Fund in the South East Physics Network, to support universities working together in the south east, to strengthen both the research and the teaching base of those departments in physics. This represents, I think, a very exciting and timely development.

We have worked with other funding partners, notably the RDAs, to strengthen the science base, and over the past couple of years we've seen investment in Great Western Research (that's Bath, Bristol and Exeter); we've seen investments in the Midlands physics networks (and that's Birmingham, Warwick and Nottingham); and we have recently committed some £10 million to the Birmingham/Warwick Science City Alliance, alongside a very substantial investment by Advantage West Midlands, the RDA in this region. Also, as well as working with the RDAs, we've worked with the Research Councils in mammalian biology, and in key areas of the engineering and physical sciences.

Research capacity building and collaboration in STEM subjects

Developing regional research capacity with RDAs

- £4m for Great Western Research; £4m for Midlands Physics; £10m for Birmingham & Warwick Science City Alliance
- Developing national research capacity with Research Councils
- £4m for integrative mammalian biology; £6m to date for engineering and physical sciences.



Slide 17

So the picture, as far as science is concerned, is that we have not just stabilised the position but that we have moved forward, and we have developed partnerships to sustain a strong science base. If we look both at student recruitment and at research collaboration, the picture is a much stronger one now than it was back in 2004/2005.

I thought it appropriate to give colleagues an update on where we are in developing the Research Excellence Framework. As you know, the consultation closed in February; there were some 274 responses from England, 338 across the UK. Those responses were an evaluation of the proposals we put forward, which in turn built on the announcements made by the then chancellor in the November 2006 pre-budget report (PBR), and by the current Secretary of State.

The responses to the consultation, when distilled, suggested very strong support, right across the piece, for dual support and for the maintenance of QR, *and* QR at an appropriate funding

level; and support for the Research Excellence Framework to focus on funding research excellence wherever it is found. There is a widespread recognition that bibliometric indicators can be robust, but in a number of key areas will continue to require refinement and further work. The majority, though not everyone, argued that REF should capture user value and impact of research, although as yet we need to do further work to build a consensus on how this might be done.

So if there was broad support for key elements in the REF architecture, there were two areas where particular concerns were registered. One was around the twin track, the bifurcation between science and non-science disciplines. There is a strong preference for moving towards an integrated system with variable geometry, with a greater reliance on bibliometrics, as it were, at the bio-med end, and a great reliance on peer review in some of the humanities and qualitative social science disciplines.

That system of an integrated assessment framework with variable geometry will, I think, meet some of the issues that have been raised by some disciplinary communities – notably, but not exclusively, the engineering community – about the variety within the discipline and the need to be able to balance bibliometric indicators against other qualitative peer reviewed assessments. That was one issue, and the other issue was that the timetable looked particularly challenging.

We have digested those outcomes, we have shared those outcomes with Government, and we will, as we have said we would, move now to a pilot stage working with willing institutions, and I have to say there are a large number of willing institutions to take forward the new methodology. We will continue the dialogue with the sector around developing the light touch peer review component of the REF. We will have further reflections and further discussions around the issues raised in that consultation. I think there will be further announcements in the near future, responding to the outcomes of the consultation.

So I think the work is on track, and I think it will continue to evolve. If I could make one plea, it is that we retain our nerve and we retain our commitment to developing a system which builds on what is best in the RAE, which dials out some of the over complexity of the RAE, and that we collectively resist the desire to turn a system, which could be a system of classical simplicity, into something of baroque complexity!

The Government recently announced a New University Challenge programme. That programme would see a commitment to developing some 20 new centres of HE over the next six years. It's a programme that would build on what we have been doing since the beginning of this century, and HEFCE has already committed £132 million to developing higher education in eight regions, and we've seen what these programmes can do in terms of

transformation in areas as diverse as Cumbria, Suffolk, Cornwall, Devon, and the depressed former cotton towns of Lancashire and woollen towns of Yorkshire. So there is a programme, it's a programme which has delivered, and it's a programme that the Government is keen to develop.

We've learnt quite a lot from the work that we have done on enriching higher education provision over the past few years. We've learnt that these are complex projects that have long gestation periods. We've learnt that they involve complex funding alliances, often alliances that we, the Funding Council, have to lead, but RDAs, the LSC, other funders, and the institutions themselves, have to come on board. They required careful assessment of demand, assessment of likely impact, and assessment of appropriate business models and academic models for new modes of delivery. It's also important that any new HE development takes proper account of existing provision. There is no point in our investing, or indeed anybody else investing, in additional HE provision that simply moves numbers around. This is part of a strategy to continue to grow higher education and widen participation.

So what's new? Well this is a commitment that doesn't carry, in this Spending Review period, additional resource. This goes back to my earlier point, that we have substantial demands now on our discretionary funding streams, notably on our Strategic Development Fund. There are already a number of high profile and exciting projects in the pipeline, and we are determined that there will be no planning blight for those projects as we consult further on this. We intend to lead this debate.

But I think it is time, I think Government is right, to say that there needs to be greater clarity around the kinds of criteria that we use to assess demand for higher education and to assess the fitness for purpose of particular propositions. Moreover, as the Government takes forward its other interventions around regeneration, it's important that higher education is appropriately situated alongside those other kinds of investments.

In practice many of the new propositions which do emerge will come forward to funding fruition in the next Spending Review period, and thus the outcomes of the new University Challenge will feed into the representations that the sector makes, and in the advice that we give in the next Spending Review.

So that's the proposal that we intend to take forward around the new University Challenge. A paper to our Board at its next meeting in May, a wide-ranging consultation, coming back to our board in November, and a revised policy statement emerging in the spring of next year.

So as we continue to look forward, and to survey issues on the horizon, one thing is certain, and that is there are uncertainties in the world in which we operate. I've talked a lot about

Spending Review 2007, but there will be another spending event on the near horizon. I put up Spending Review 2009 because that would be the normal cycle of biennial spending reviews. It may be that that timetable is pushed, and it may be that the 2009 Review, like CSR 2007, runs a year later.

Spending Review 2009

- What?
- When?
- How?
- The fiscal climate?
- The political climate?

Slide 29

So we're not, at the moment, sure when the Spending Review will take place, and we're not actually sure what structure it will have. The CSR was a very complex, wide-ranging process, and it may well be that the next Spending Review is a much more confined process. We know that the fiscal climate for a spending event in 2009/2010 will be probably be tighter even than CSR 2007. We know that the political climate surrounding a Spending Review will be influenced by electoral considerations - it will either be immediately before or immediately after a general election.

So it will be a challenging environment for higher education to operate in. I believe it will be critical that higher education in the next Spending Review, in 2009-10, makes the case in the way that we did in CSR 2007, in other words makes the case for investment in success. But the other thing I would say, actually, about the next Spending Review, is it's critical that we as a sector, and that we as a Funding Council, can go into that Spending Review with a very strong evidence base.

So some of the requests we will make of you, some of the requests we will make of the sector, for example, around HEIF, will be requests which enable us to gather from the sector the kind of data and the kind of exemplification that we need to make the case for higher education. So

please don't see everything that we ask you to provide us with as a burden, but remember our good friends in the Treasury and their steely eyed determination to have evidence to support cases for public sector investment, and we need collectively to be able to make those cases in ways which are absolutely compelling.

There will be, no doubt, some kind of review of fees in 2009, and I crave indulgence from colleagues who have heard me say this before. Can I remind you that all that Government has said hitherto that what it will do in the Fees Review in 2009, is do a bit of good social science research. It will look at the impact of fees since 2006, look at the impact on the social composition, of the student body, look at the impact on student choice, on the profiles of particular disciplines, and particular institutions, and on graduate choices.

This does not mean that the issue of the fees or the fee cap will be resolved in 2009 and indeed the current Secretary of State has made it very clear that he doesn't want the debate on higher education to be dominated by the issue of the fee cap, but rather he sees the fee debate following a more wide-ranging debate, which he has now initiated, around the purposes and the challenges facing higher education.

I think it's axiomatic that we, as a sector, engage, and engage enthusiastically as well as critically, with that debate that the Secretary of State has initiated, not least because it will be the essential prelude to the important discussion that we will then have about funding and about the political economy of higher education.

So let's move finally to look at some of the challenges that we face and some of the ways forward. My remarks have been dominated by this kind of counterpoint between a strong funding settlement for higher education through the CSR, but also to our moving into a period of greater challenge and of diminished real-terms increases in investment in higher education. This for the sector as a whole, and for each HEI, creates challenges.

One is the increased importance of aligning resources with academic priorities. I still think there are too many institutions which slavishly replicate in their own resource allocations the way in which we determine our block grant. Block grant is there for institutions to use, recognising how it's derived of course, but to use to drive their own academic priorities. The institutions which thrive will be the institutions that do that with imagination, with wisdom, and to achieve sustainability.

There needs to be ever greater clarity of mission and institutional distinctiveness. I've said before, and I'll say again, the era of management by emulation is over. The era where you can put forward to your governing body a strategy which is essentially making you more like some other university, that's the era that is over. The institutions that thrive will be the institutions

that prosper in their own terms. They'll be the institutions that have the confidence to be the kind of institutions they can be, rather than those that shelter simply by making themselves more like somebody else.

In that process there is a place for reviewing and for reengineering institutional business models. Funding is increasingly diverse, and a number of elements of the funding streams will become increasingly volatile. This will need to be recognised in the way in which individual HEIs operate their internal business models. Through that process I believe institutions can and will build on strength. I think they will continue to promote quality and distinctiveness. And I hope that they will also, through that process, meet the Pay and Pensions Challenge that I think we face in 2009.

2009 will be a year of challenge to the sector. There are pension pressures, you see them in local pension schemes, and you're beginning to see them too in USS as well. So pensions will need to be a part of the totality of discussions around remuneration in 2009. There will be pressures around pay, and I've already indicated that the level of cash increase that the sector is enjoying will be much lower than it has been in the period of this settlement, and also fee income will plateau out from 2009.

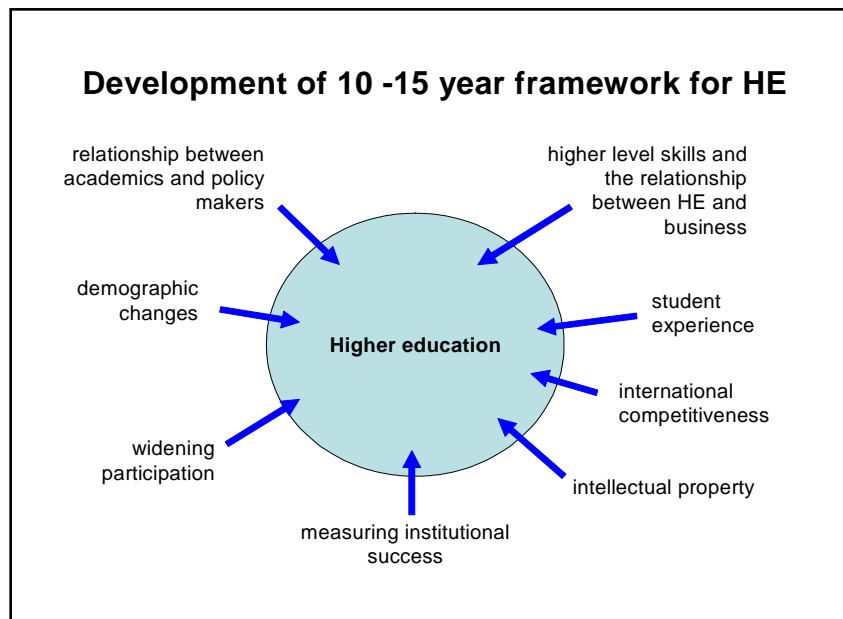
So it is important in those discussions that affordability and sustainability issues are on the table.

If in 2009 we can link meeting the pension pressures, understanding the pay envelope, with the need to continue the process of HR modernisation, which has been initiated in the sector but has not yet been fully taken through, and if we can have more sophisticated mechanisms for performance management, *then* there will be something for something, and some of the affordability issues might then start to fall away.

I don't think, and I've never thought, that the performance management question can be resolved simply by taking off the shelf some kind of generic performance management system. We are in the business in higher education of talent management. We are in the business in higher education of giving creativity space in which to thrive and to develop. But that doesn't mean that as a higher education institution, we shouldn't have reference to how talent is managed and how that is optimised.

So my hope, as you take forward your discussions around the structure for negotiation in 2009 and associated parameters, is that you will have reference to affordability, but that you will also have reference to the real opportunities that the sector could seize through HR modernisation and performance management.

All of this means, I think, that we need to look forward and we need to think about the kind of framework which might constitute the overarching architecture of higher education for the next decade or so. There are a whole series of drivers and this graphic on the development of a 10-15 year framework for higher education doesn't attempt to be comprehensive.



Slide 37

The Secretary of State has responded to this by announcing a number of work streams, and they are, I think, familiar to everyone in this room; around WP, international competitiveness, measuring institutional success, relationship between HE and the policy making agenda, and so forth.

What I think it's important for us to understand is that the Secretary of State has commissioned a number of people in organisations to feed into that debate. That debate will then flow, managed in this case by the Secretary of State and DIUS in the autumn. It will constitute a framework within which the new department operates. So the opportunities here, through the debate that John Denham has now instituted are very considerable, and I hope the sector as a whole, certainly we as a Funding Council, will play our role in that.

But nevertheless, for us as a Funding Council, this is a timely opportunity for us to rethink, to refresh and to revise our own strategic plan. We'd always intended to do this, the current strategic plan is a 2006 to 2011 strategic plan, but we'd always intended a full revision after three years, and that's what we will now embark upon. I hope that we can do this in a way which enables HEFCE both to be a full partner in this debate around the priorities for higher education, but also in ways which enable you as the sector to input into our strategic thinking in richer and in more diverse ways than we have perhaps facilitated in the past.

So broadly speaking, over the next few months to the summer, we will be having a number of, as it were, 'soft' consultations, a number of conversations with colleagues in the sector. These will inform the way in which we go live in the autumn through a much more formal consultation process, through consultation events, and then through a far more paper-based consultation.

In this strategic plan we will need to have a debate amongst ourselves around what are the priorities and what should be the key drivers of HEFCE policy over the next quinquennium. We will know more about the next steps for WP after the Secretary of State has spoken tomorrow. I think the time has come for quite a searching debate around teaching funding. We know that the cap isn't going to move very swiftly, so that the kind of funding environment that we're operating in will run into the next decade. What should be the priority for HEFCE teaching funding: should it be around stability, or should it be around dynamism? That's one conceptual challenge.

The other structural challenge that we have is - given the greater diversity of the sector and given the advent of new challenges such as the Employer Engagement Challenge - should we continue to ask one teaching funding model to deliver it all? Or are there ways in which we need to flex that teaching funding model to reflect the diversity of the sector and the diversity of challenges in the sector? There are no easy answers to those questions, but I think we need to raise them, we need to engage them, and we need to resolve them over the next 12 months.

Then there is the role of students in shaping higher education: it's a priority for DIUS; it's a priority for many institutions; and we already see the power of the student voice through new instruments such as the National Student Survey. But have we got enough space for students' voice, and are we allowing students to influence HE development in the right kind of way? That will be an important question.

It's timely to reflect on the role of public funding in higher education. We believe that the way in which we remodel our strategic plan can both reflect and lead the sector in the coming years. The formal consultation will begin in February 2009. And there is in your pack a very brief questionnaire which we would like you to fill out, which will help us to kick off this process.

So I think we are meeting at a pivotal moment for higher education. We are meeting at a point where higher education has never been more important. We are a meeting at a point where the public and private investment in higher education has never been higher in aggregate terms. I would also venture to argue we're meeting at a point where the expectations of higher education, in terms of Government, in terms of other key stakeholders, and very importantly in terms of our students, has never been greater.

I believe that we do have the resources to meet those challenges, but we only have the resources to meet those challenges if we as a Funding Council distribute them appropriately, and if you as institutions invest them appropriately.

So it's a pivotal moment, it's a moment of great challenge and opportunity. These are challenges I am confident we can reach and achieve, and they are opportunities, I believe, that we can seize.

Colleagues, thank you very much.