



**A new 'University  
Challenge'**

**Unlocking Britain's  
Talent**

Unlocking talent



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## Foreword



Higher education is critically important to the future of this country. It can unlock the talents of our people, provide the research and scholarship our economy and society need, and play a critical role in maintaining a competitive and innovative economy.

The importance of universities and other higher education providers to the national economy is becoming increasingly well recognised. A local, high-quality campus can open up the chance of higher education to young people and adults who might otherwise never think of getting a degree. Higher education now provides the skills and knowledge transfer that enables local businesses to grow and attract new investment to the area. Over and above their contribution to economic regeneration and development, universities and other higher education providers are seen as making a real difference to the cultural life of our towns and cities.

So it is not surprising that increasing numbers of towns and cities are seeking to offer higher education.

We want to make the process of gaining a higher education campus more open and more transparent. But we also want to ensure that these new opportunities are provided first in those communities that can best demonstrate that they have the support from local people, local businesses, and a range of funding bodies, including for example, Regional Development Agencies (RDAs).

We believe we need a new “university challenge” to bring the benefits of local higher education provision to bear across the country.

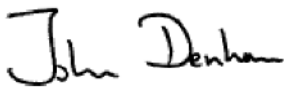
Today, I have asked Higher Education Funding Council for England (HEFCE) to conduct a consultation on how proposals for new higher education centres can fully reflect the benefits that can flow from successful investment both by unlocking the potential of towns and people and by driving economic regeneration. I have asked HEFCE to lead a debate on taking proposals forward and report to me.

This will be a wide consultation, involving not just those involved in delivering higher education, but also those involved in regeneration and local economic development and planning. We shall want to hear the views of:

- Regional Development Agencies;
- Local Authorities;
- The business community, both nationally and regionally;
- Education partners; and
- Community groups.

The remainder of this paper sets out in more detail why we are launching this exercise. It covers recent developments and what we have learnt from them; and the growing evidence about the success of locally-based higher education projects in unlocking potential.

I very much look forward to hearing your views.



**John Denham**  
Secretary of State for Innovation, Universities and Skills



## A new 'University Challenge'

### Introduction

1. Never have universities been more important to Britain. They unlock the talents of students; promote shared values; extend opportunities to an increasingly wide range of people; drive local and national economic growth; provide a highly-skilled workforce; create innovative world-beating products and services; create jobs; and support communities.
2. This document:
  - (i) sets out evidence and case studies on how local higher education, delivered or supported by universities, unlocks the talents of people and drives economic regeneration, and identifies key success factors from past projects;
  - (ii) describes the Government's ambitions in developing this provision further;
  - (iii) outlines the Government's plans to make the bidding process more open and transparent.

Annex A outlines the new university provision already opened or committed.

Annex B describes the different types of higher education provision.

### A. Unlocking potential of towns and people

#### Widening participation and unlocking talent

3. Universities unlock the talent of students. As the student population changes, they will come from increasingly diverse backgrounds. Those who are mature, part-time, have caring responsibilities, have families, or who want to stay locally deserve the chance to fulfil their potential through study. Therefore a good range of local higher education provision is essential to ensure that we do not waste the talent of many individuals.
4. Locally-based provision is made particularly important by our goal of reaching out to adults who have missed out on higher education in the past. We estimate that there are some five million adults of working age who already have a level three (A-level or equivalent) qualification but no experience of higher education. Many of these adults represent "latent demand" for higher education – people who might well consider it, if it were available at a convenient place and time, but not otherwise.

### Unlocking Talent In Southend And South Essex

The involvement of the University of Essex in Southend commenced in 2001 with the development and validation of higher education programmes with South East Essex College (SEEC). This partnership was distinctive in securing the engagement of a research-led university in a major widening participation and regeneration project.

With support from HEFCE, central and local government, the University hopes to increase student numbers in Southend from the 700 at SEEC to 2000 by 2013. There will be new facilities to support this growth, located on a landmark site in Southend next to a new, LSC-funded building for SEEC, thereby serving as a magnet for aspiration and promoting progression.

For the University of Essex, the new building represents the beginning of a vision to make Southend a vibrant university town.

### Attracting and retaining talent in an area

5. Local university provision can help an area retain skills. We know that many students stay to work in their university town, which is a way of retaining their skills and talent to benefit the local area. Conversely, if people are forced to leave to study, many of them will not return afterwards, and will ultimately make their homes elsewhere.

### Retaining talent in Birmingham

With 44% of Birmingham graduates taking up their first employment in the region, the University acts as a net attractor of labour and talent for the City's workforce. In 2005-06, 58.3% of new workers in Birmingham with degree level or higher qualifications were University of Birmingham graduates.

### Contributing to community well-being

6. Higher education brings wider social benefits. Graduates enjoy better health; lower levels of obesity; are more likely to vote; and are more likely to display tolerant attitudes. Graduates are about 40% less likely to suffer from depression than non-graduates; three times as likely to be a member of a voluntary organisation than someone educated to level 2 or below; and over 30% more likely to hold positive attitudes to race and gender equality, compared to a similar individual educated to level 2 or below.
7. Problems of public health and civic engagement are highly concentrated spatially. Local higher education has huge potential to unlock this. For example, over 10,000 academic staff days were given for public lectures in 2003-04, for over 400,000 attendees. There are now at least 42,000 student volunteers in HE with an increasing number of organisations involving them every day. 88% of English universities have partnerships with local sports clubs. And university staff and students often contribute to vibrant art, music and drama in the community.

### Serving The Community In Kent

Kent Law Clinic at the University of Kent has not only won the Outstanding Contribution to the Local Community category in the Times Higher Education Supplement (THES) Awards 2007, but has also been recognised with the award of a Queen's Anniversary Prize to the University. This reflects its exceptional contribution to the wider community. The Law Clinic has been honoured for 'enriching the academic study of law through a casework service to the community'. The Clinic's innovative approach is to provide a free legal service, allowing the students (under the supervision of a legally qualified academic) to take responsibility for clients' cases from interviewing to advocacy.

### Responding to population growth

8. Locally-focused higher education does not only have a role in reversing economic decline. It can be a major component of strategies of population growth, ensuring that new development has access to sources of skills and innovation.

### Higher Education In Suffolk

Prior to the development of University Campus Suffolk (UCS), Suffolk was the largest county with a population of over 500,000 without an Higher Education Institution (HEI). Higher education participation across the county is below 30%, with lower levels in Ipswich. Alongside this, Ipswich is the focus of significant population and economic growth: 35,000 new homes are planned for the period up to 2012 and the county's population is expected to grow by 12% during the same period.

Ipswich has had long-standing aspirations for an higher education presence, most tangibly represented by the growth of Suffolk College into one of the country's largest providers of HE in FE. This has been given momentum during the past five years by:

- the agreement of HEFCE and East of England Development Agency (EEDA) jointly to address concerns about HE under-supply across the region, particularly in growth areas;
- the commitment of Suffolk County Council to secure support from other local authorities for an HE development across the whole county; and
- a step change in regional engagement by the Universities of East Anglia and Essex, including new collaborations with neighbouring FE colleges and a commitment jointly to develop a university presence in Suffolk.

## B. Driving economic growth

### Creating and retaining a highly-skilled workforce with relevant skills for the local business community

9. Workforce skills drive economic growth. Lord Leitch's analysis shows that the UK needs to reach 40% of the working population with degree equivalent skills. We currently stand at 30%. Employers benefit from more productive and healthy workforces. Highly-skilled workers are quicker to adapt to new tasks and technologies and are themselves a direct source of innovation. A one percentage point increase in the proportion of the workforce with a degree, instead of just A-level or equivalent qualifications, led to an increase in productivity of 0.5%. The value that employers place on graduates, demonstrated by the financial returns for graduates, is amongst the highest in the developed world. Therefore, convenient and accessible higher education is an important asset for a community in raising the skills of its people.

### Increasing Skills in Cumbria

The new university development in Cumbria will not only deliver – on the doorstep – higher education in one of the most isolated and deprived areas of England but it will also provide, with partners, the skills that are essential to create the workforce that will decommission the Sellafield nuclear power plant.

The University of Cumbria was launched last year as a new kind of institution with distributed campuses designed to meet the diverse needs of learners in urban and rural locations and to serve employers and employees in both the public and private sectors throughout Cumbria and beyond. The creation of Britain's newest university, which is expected to cost over £145 million during its first five years, will benefit from funding from HEFCE, Northwest Regional Development Agency (NWDA) and other partners.

### Job creation and economic growth

10. The higher education sector contributes around £50 billion to the economy and sustains over 600,000 jobs. Graduates have low unemployment, with 2.9% for those holding HE-level qualifications being unemployed compared with 6.8% for those without. Universities also generate jobs. For every extra job in a university, it creates another one elsewhere in the economy. Students, staff and other workers spend money on local goods and services and some students choose to work part-time. The university will also procure local goods and services and employ local people directly.

### Economic value of Lincoln University

The University of Lincoln is now estimated to be worth over £200 million to the local economy, and responsible for at least 3,000 new jobs within Lincoln.

### Stimulating entrepreneurship

11. Universities and their students increasingly recognise the importance of fostering entrepreneurship. It is an important function for locally-based higher education provision as part of its mission to link skills with economic outcomes. Graduate enterprise activity both supports students and the competitiveness of the wider economy, leading to growth in a broad range of new and often knowledge-intensive businesses and jobs. Universities provide incubation support; business workspace; education/training programmes; mentoring and access to other support networks; professional advice on subjects such as financial and legal issues; access to specialist facilities and expertise. University spin-outs enjoy faster growth and lower failure rates than more conventional start-ups. We will explore more fully, in our forthcoming Science and Innovation White Paper, how we can build on the expertise which already exists within universities and colleges.

### Entrepreneurship In The North East

The North East State of the Region report shows that the North East has by far the lowest level of business start-ups in the country (64 per 10,000 population compared to a national average of 87). The region also has a historically low, though now growing, number of knowledge based 'high technology' companies.

Graduate enterprise activities are demonstrably supporting the development of new, often knowledge-based companies within the region and increasing job opportunities. Substantial EC funds have been levered into the region for these activities including European Regional Development Fund (ERDF) for the capital cost of new physical infrastructure and associated activities to support graduate enterprise and ESF for postgraduate programmes. Quantitative outputs include:

- New Ventures (Universities of Newcastle, Northumbria and Sunderland funded via the Tyne & Wear Sub-Regional Partnership) with 31 new businesses and 60 jobs created;
- University of Teesside with 98 graduate start-up businesses, 76 businesses provided with start-up accommodation, 136 new jobs created; and
- University of Durham GLEAM Programme with 114 graduate business start-ups since 1998, 159 new jobs created.

### Engagement with local business to solve problems to improve competitiveness

12. Knowledge transfer – building on research and scholarship in universities – is making increased contributions to high-value business sectors. From 2000-01 to 2005-06 the number of new patents granted to universities increased by 130%; whilst the number of licensing agreements grew by 271%. The Government's response to the Lambert Review of 2002 has done much to facilitate knowledge transfer, with the creation of the Higher Education Innovation Fund (HEIF) directly rewarding knowledge transfer activity in all universities.

#### Knowledge House In The North East

A major instrument to deliver Knowledge Transfer work is Knowledge House, a "one-stop shop" regional universities' business consultancy service. Knowledge House markets university expertise to the business community and provides a brokerage service particularly for small firms wishing to innovate by facilitating access to knowledge from within the five universities in the North East. It underwrites the consultancy relationships between individual academics, eligible SMEs in the region and other participating companies.

### C. Success criteria

While the funding models used to establish successful new university centres have all been different, our experience suggests that the key success factors include:

- **collaboration between universities, and between universities and further education colleges** provides credibility and expertise to devise courses, work with employers and attract students. It enables partners to develop participation routes into and between universities, and for building the profile of higher education;
- **strong, coherent support from local partners, ranging from businesses to regional development agencies, local authorities, and those holding European funds.** Universities cannot deliver success on their own. Most successful projects have involved multiple players, reflecting the multiplicity of interests that higher education serves;
- **long-term and sustainable planning.** HEFCE must be confident that allocated student places can actually be filled. This means careful local modelling of likely demand and strategies to increase it. It must not come at the expense of other local provision; and
- **management capacity.** The development and delivery of a large-scale project takes time and significant management capacity.



## Expansion of local and regional HE provision

13. The evidence and case studies above explain why an increasing number of towns, cities and regions are seeking to open or expand higher education opportunities backed by universities. In the last five years, 11 towns or wider areas have benefited from new universities and new higher education provision. The Higher Education Funding Council for England (HEFCE) has already agreed to support projects that will benefit a further six areas, with projects starting in this academic year or later. Between 2003 and the end of this Comprehensive Spending Review (CSR), around £100 million in capital will have been committed on these developments. We expect projects to attract funding from other sources. When fully operational, there should be places for around 9,000 students from all the projects agreed since 2003.
14. We want to increase these opportunities in more communities which, working with a range of partners, are able to show how a higher education campus can open up new opportunities for students and develop or regenerate the local economy.
15. Working with HEFCE, we believe that we can do more than match the progress outlined above. Over the next six years, subject to high-quality bids, we hope to have 20 more institutions which have either opened or have a commitment from the funding council. When fully operational, there should be places for some 10,000 students. These developments are allocated out of HEFCE's Strategic Development Fund. In this CSR there is £150 million set aside for this fund. Subject to the next CSR, we would anticipate the Strategic Development Fund remaining at least at the same level. In addition we expect new projects to attract funding from other sources.
16. The variety of these projects in both size and shape reflects the diversity of the higher education system in this country and of the student body it serves. The new university developments in Cumbria and Cornwall were created to provide additional opportunities throughout relatively large areas with relatively few providers. In contrast, other much smaller higher education centres have been opened – for example in Oldham and Burnley – sometimes in partnership with further education colleges, in order to meet demand in local areas from prospective students who might not otherwise consider participating higher education.

17. We want to increase the opportunities for new university campuses and higher education centres in more of the communities which would benefit and are willing to mobilise local partners, energy and resources behind them. They will vary in their size, cost, mission and organisation but all, in their different ways, should meet actual and latent demand for higher education.
18. There is not a single model for a new higher education centre, nor a defined and limited set of acceptable models. We do not want to be prescriptive about the different ways in which local partnerships might address the challenges they face. In most cases, we anticipate supporting new higher education centres which are based in, or linked with, existing providers offering new opportunities. However, we do not rule out the possibility of the creation of an entirely new university in the longer term, if a strong case can be made in terms of need and value for money.
19. There is an important role for further education colleges as well as for universities in developing locally-based higher education. Further Education (FE) colleges are important providers of higher education in their own right, currently serving around 10% of all higher education students. FE Colleges are well placed to provide progression routes into higher education from level three programmes and to harness their core expertise in working with local businesses to develop skills. The Government is committed to helping the leading providers of higher education within the FE sector through investment in Centres for HE Excellence in FE colleges, which HEFCE proposes to begin investing in from 2010-11, and by creating the opportunity for FE Colleges who meet rigorous quality assurance criteria to award their own Foundation Degrees. The great majority of the proposals for new higher education centres and university campuses in recent years have involved at least one FE College and it is very likely this will be the case in the future.
20. We will make the process of gaining a university centre one that better fits our understanding of the role of universities in unlocking potential of towns and people and driving local regeneration. In doing so, we will ensure that new higher education opportunities are provided in those towns and communities that can best demonstrate that they have the support from local people and local businesses. Our new 'university challenge' set out below explains how we will do this.
21. Priority for the available funds will be determined by HEFCE on the basis of the overall merits and quality of the proposals they receive against agreed criteria.

### A new University Challenge

22. The Government's investment in new higher education provision to unlock the talents of people and to drive local economic regeneration, has been a success story in recent years. But we want to go further.
23. The Government has therefore asked the Funding Council to lead a debate with a wide range of organisations **to develop a transparent mechanism for communities to put together a bid for funds for a higher education centre or university campus.** Part of this will involve developing criteria for assessing funding proposals, for example, including:
- **unlocking the potential of towns and people:**
    - widening participation and unlocking talent;
    - attracting, nurturing and retaining talent in an area;
    - contributing to social cohesion; and
    - underpinning population growth strategies.
  - **driving economic regeneration:**
    - creating a highly-skilled workforce, with relevant skills for the local business community;
    - job creation;
    - stimulating entrepreneurship; and
    - engaging with business to solve problems and boost innovation and competitiveness.
  - **ability to deliver:**
    - collaboration between universities, and between universities and further education colleges;
    - strong, coherent support from local partners, ranging from small businesses to regional development agencies, local authorities, and where appropriate those holding European funds;
    - long-term and sustainable planning; and
    - management capacity.

24. In time, the Funding Council will enable the development of proposals in areas identified as priorities under these criteria. Establishing “need” is not the same as establishing the case for funding of any proposal. Local partners must develop a sound bid that meets assessment criteria.

#### **Current applications**

25. The new university challenge must not blight consideration of proposals that are either currently with HEFCE or would come forward in the very near future.

#### **Funding**

26. These developments will be funded out of HEFCE’s £150 million Strategic Development Fund, during this CSR period to 2010-11. Subject to the next CSR, we would anticipate the Strategic Development Fund remaining at least at the same level. We expect projects to attract funding from other sources.

27. In the longer term, we will be carefully evaluating the effects of investment already made in locally-based higher education and of new projects as they are agreed, in considering the future allocation of resources.

**Department for Innovation, Universities and Skills**

**March 2008**



## Annex A

**New university campuses or other local higher education centres that have received capital funding and additional student numbers since 2003 include:**

- Barnsley
- Cornwall
- Cumbria
- Darlington
- Folkestone
- Hastings
- Medway
- Oldham
- Peterborough
- Southend
- Suffolk

**HEFCE has recently agreed projects which may involve capital investment and in some cases a small number of students in the current academic year:**

- Blackburn
- Blackpool
- Burnley
- Everton
- Grimsby
- North and South Devon

**New university campuses or other local higher education centres that have received capital funding and additional student numbers since 2003.**





## Annex B

### There are four ways to provide higher education provision supported by universities:

1. An existing university or a consortium of institutions set up a **university campus or centre** to serve a particular area. These can be set up as, or become, private companies. Over time, apply for degree awarding powers and university title in their own right.
2. A stand-alone **higher education centre** set up by a higher education institution, sometimes by a further education college and often by both working in partnership, which wants to offer new or expand existing higher education courses. Such centres tend to be located near to, but separate from, existing further education facilities, both to encourage progression from further to higher education and to ensure that higher education is felt by students to be distinctive.
3. Further education colleges provide higher education courses alongside their existing further education provision through “**HE in FE colleges**”. Universities are still involved in the validation of these courses and there are many examples of institutions in both sectors working effectively in partnership to deliver excellence for the students they serve.
4. The creation of a **new university**. The primary requirement for achieving university title is to obtain degree-awarding powers, which are necessarily stringent in order to protect the reputation of the UK and its universities. Before applying for such powers, an institution must normally have been delivering degree courses (validated by a university) for at least four years. Once taught-degree awarding powers have been granted, an institution must have at least 4000 full-time equivalent students on higher education courses, 3000 of which must be on degree level courses, before it can achieve university title. As discussed above, we do not rule out funding for these kinds of projects, if the bid can demonstrate the benefits against the key criteria.



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Department for  
**Innovation,  
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