

University Autonomy: Changing Times, Changing Challenges

There is a paradox at the heart of English higher education. If you look at input measures, we lag behind most of our competitors. On the most recent OECD statistics we underspend other countries in terms of basic investment. We, for example, invest 1.3% of GDP on higher education, whereas the USA invests 2.9%. Some of that, of course, is private investment, but investment in the US state universities at 1.6% of GDP is greater than the UK's investment in its university sector. As you might expect, we remind our government of this. Indeed tomorrow Lord Browne will publish his *Independent Review of Higher Education Funding*. This is likely to shift funding for higher education further from the state to the student, and may over time lead to an increased private investment in higher education. But the stark

fact is that, on all obvious benchmarks, we under invest in our higher education system.

But if you look at *output* measures, the story for English higher education is remarkable. Output measures suggest a system that is highly efficient. We graduate, for example, about the same proportion of the population as the US. On a fraction of the United States' investment in HE, we are second only to the US in high-quality scientific output. We remain the second most popular designation for overseas students seeking high quality higher education.

So, famously, higher education is one of the UK's success stories. Given modest investment and high quality outputs, one can only assume either that we have discovered the secrets of alchemy or that, more prosaically, we are a very efficient higher education system. That efficiency, we would argue, is grounded in the

relatively high levels of autonomy enjoyed by our universities, especially by our leading universities.

Indeed the Review of Higher Education Fees and Funding that I mentioned will argue that autonomy is critical to a high performing and efficient higher education system, and that any change must extend and not attenuate autonomy.

The foundations of the autonomy of English universities are complex and diverse. Legally English universities are established either by Royal Charter, or as legally-defined higher education corporations, or as limited companies. Although all three statutes give substantial autonomy, there are important differences. The older universities (essentially those established before 1992) all have Royal Charters. There are legacies of our ancient constitution, when various kinds of bodies can be incorporated by a decision of the Monarch (the Royal Charter) and that Charter

sets out their rights and privileges, and cannot be revoked or amended except through a formal process.

My university, Birmingham, is a Royal Charter university (as are all our leading universities including Oxford, Cambridge, Imperial, University College London, and Manchester). In addition to our founding Charter (from 1900 in the case of Birmingham) we have our Statutes. These are agreed by the Privy Council, a body of senior ministers nominally appointed by the Monarch, and can be amended. The Charter and Statutes are the legal basis of our autonomy, and gives us the right to award degrees in perpetuity.

An Act of Parliament in 1992 (the Further and Higher Education Act) established Higher Education Corporations. This was the Act that enabled the former Polytechnics to become universities. It is also the means by which new universities can be created. Under this Act, Higher Education Corporations are created by a decision

of the Secretary of State. There are also separate, but related, processes to agree an institution can have degree awarding powers.

For a University to be created under this Act it must have at least 3,000 students, must pass an inspection by the Quality Assurance Agency, and must be deemed financially sustainable by the Higher Education Funding Council. Once a university is established under this Act, it enjoys a high degree of autonomy, though the Secretary of State does have powers to dissolve the corporation and pass its assets and title to another body 'for good cause'. This has never happened, but could arise if an institution became financially unsustainable or tolerated academic malpractice. The Secretary of State could, therefore, allow a failing publicly established university to be taken over by a private company. Some in our current government would like to see this happen.

The third legal basis for a university in England is for a university to be established as a limited liability company, which enjoys the right to award degrees and receive public funding on the same basis as those operating under the 1992 Act. These universities tend to have much smaller governing boards, but appear to the outside world no different from universities operating wholly under the 1992 Act. The Secretary of State cannot remove the governing body or the Vice Chancellor, but the governors of the institution could transfer control to another body in accordance with companies legalisation. In short, such a university could be sold, though this has not yet happened.

So, to paraphrase George Orwell, all universities in England are autonomous, but some (the Royal Chartered institutions) are more autonomous than others. If we take a Royal Chartered institution, it is governed by a University Council appointed by the university and led by a Vice-Chancellor, appointed by the University

Council, on terms determined by the Council.

In the case of Birmingham, we have a Council of 24, comprising 16 lay members or non-executives, appointed by the Council, one of whom serves for a four-year term as Chair. As Vice-Chancellor I am appointed by the Board, in my case for an indefinite period, and I appoint the senior leadership of the university, and am responsible for its academic, financial, and organizational strategies and performance. Only the Council can remove me, and no minister can interfere in the running or strategy of the university.

To understand how the system works in practice, we need to look at funding and regulatory arrangements.

For nearly a century higher education funding has been at arm's length from government. In 1919 the government set up the University Grants Committee (a system which, of course, still operates in Hong Kong).

In 1988, this was transformed into the University Funding Council, and in 1992 with the expansion of the sector, it became the Higher Education Funding Council (which I ran from 2006 to 2009). When I left the Funding Council we were responsible for distributing an annual budget of £8 billion to English higher education institutions. In broad terms some £5 billion was distributed to support teaching, £2 billion to fund research, and £1 billion to fund capital projects. Teaching funding is distributed on a formula basis determined by agreed student numbers varying in accordance with the costs of providing teaching in different subjects. Research funding is distributed on quality metrics determined by the research assessment exercise, conducted about every five years, and assessing research quality by subject

in all universities. This funding is highly concentrated, with about 85% of research funding going to 25 institutions. Capital funding is formula-driven, broadly by student numbers and research income.

In addition, universities receive around £2 billion per year in competitively-won grants from Research Councils through peer review, a similar amount from research charities, and contracts with the National Health Service for medical training, translational research funding, and shared clinical academic appointments.

Some universities earn very significant income from other sources: postgraduate students, international students, income from business, trading activities, spin-out companies, and philanthropy. So if you take my university, last year we had an income of £473 million, of which less than a third came from the Funding Council and only a half from public sources.

Thus formal autonomy is underpinned by substantial financial autonomy.

Forgive me if I have spent too long explaining how institutional autonomy works in the UK. I have given other presentations to distinguished Chinese colleagues when I have described the system only very briefly. After my talk, Chinese colleagues have asked me privately to explain 'how the system really works'. On this occasion I have tried to do this as one of a very few people who knows the systems having worked on both sides.

The key point I want to make, though, is that higher education systems are constantly in flux, and university autonomy is never a given, is always under pressure, and has to be made to work in different ways to meet different challenges.

At the heart of any system of university autonomy is a complex dialectic which tensions the freedom to succeed with the freedom to fail.

Those who celebrate university autonomy (and I would defend it to the last) we have to recognize that what autonomy means and how it works as the challenges faced by universities and the contexts we are operating in change.

In England we will see this as early as tomorrow, when Lord Browne publishes his Independent review of Higher Education Funding. If the speculation is correct, Lord Browne is likely to recommend a significant move away from state funding of higher education to graduates, through graduate contributions, carrying a much greater proportion of the cost of their higher education. This will build on trends in England since the introduction of student fees in 1998. Faced with the challenges of funding a substantially-

expanded higher education system and competing pressures on public expenditure, successive governments have concluded that those who benefit from higher education, when they are in work, should carry an ever-greater share of the cost of running a mass system of higher education.

Colleagues from Australia, the US, and New Zealand will recognize the system, and in many ways England is developing its own version of a funding system which is common in other higher education systems.

The implications, though, both for universities and for our higher educational system, are profound. A system dependent substantially on block grants to support domestic undergraduate education, will give way to a system that is essentially market-driven. After a transitional period, all university courses will, in effect, be market price courses, with government funding covering

the costs of loans and the additional costs of high-cost and strategic subjects (sciences and bio-medicine most obviously).

This will be the greatest test of university autonomy for two generations. Universities will have to price themselves into an emerging market for domestic undergraduate education.

For some universities, especially the leading universities of the elite Russell Group, this represents precisely the kind of freedom they have been advocating for the last decade or more. These universities are confident – perhaps over-confident – that they know their market, that their quality is widely-known and attested, and they will prosper in the new more marketized environment.

Others worry that, if fees are fully deregulated, there will be not only a race to the top (led by the elite) but a parallel race to the bottom, as further education colleges (essentially the English

equivalent of US Community Colleges) and private providers charge substantially reduced fees for a more focused, 'no fills' higher education.

With one exception (the University of Buckingham, a very small institution with few domestic students) private universities have not been a feature of English higher education. The present government is determined to change this, partly to bring price discipline to a new market, and partly to drive an explicit diversity in the university sector.

If my analysis is right, autonomy for at least some universities will be the freedom to get their pricing structure and market position spectacularly wrong. Without a well-funded central funding agency, this will lead to a reconfiguration of the higher education landscape with mergers and acquisitions leading to the

disappearance of some institutions and the radical restructuring of others.

At the top end of our system, though, for our globally competitive universities, a system like this, in an era of constrained public investment, represents a lifeline. It enables us, over time, to put our home teaching on to a more sustainable basis. It will also enable to rebalance our universities between undergraduate and postgraduate provision.

Even in the elite universities, though, the choices will be tough. Underperforming programmes and departments will not flourish, and it would be a brave (perhaps foolhardy) vice chancellor who decided to subsidize a mediocre department in the hope of improving it over time. Depriving leading departments of investment would hobble not just those departments, but the reputation of the university more generally. This will be a period

where the brave will prosper and the timid stagnate. In short, a truly Darwinian moment of English higher education.

There is, finally, perhaps a still bigger issue which confronts all of us leading major universities that both compete and collaborate in an increasingly globalized higher education environment. For some years, now, we have sought both to mirror the characteristics of our national higher education systems and embrace the models that characterize the best universities in the world. As national systems evolve, as funding pressures reshape many, though not all systems, and as all developed and developing countries embrace the imperative of having globally-completive universities, we will, I think, become increasingly like one another.

In this environment, the best universities will be characterized by a high degree of autonomy, through which they will position

themselves domestically and internationally; and be in a position to shape their investment in faculty and facilities, and respond nimbly to a fast changing environment.

We will also compete to hire, and collaborate to nurture, the very best faculty. These faculty will demand world-class facilities, investment to get the best out of them as researchers (and teachers), and require a high degree of autonomy in the way they shape their research careers. For those of us in major research universities, this constitutes perhaps the crucial challenge of how we lead our universities. Put simply, how do we get the best out of the best faculty? I have characterized this at Birmingham as 'managing research without stifling creativity'. I am sure that is the central challenge, and I suspect many of us feel we have many, but not all the answers, to this core challenge.

Put like this, autonomy is less a matter of how universities are constituted, but how they are led. The changing funding and regulatory landscape in England will give us a case study in leading universities when autonomy means the freedom to take bold and difficult decisions. For other, perhaps for our distinguished colleagues in China's leading universities, it will be the challenge of how you achieve in a matter of years what we in the English-speaking world have taken decades (even centuries) to build. In observing the transformation and achievement of your leading universities in recent years we admire what you are achieving, and have no doubt of the scale of leadership challenge this presents.

As we lead our universities through a period of quite ferocious excitement, when the prizes for getting strategy and leadership right have never been greater and the penalties for failure perhaps being a permanent loss of our global position and

reputation for our universities, we need these kinds of dialogues more than ever; and it has been a privilege for me to share my thoughts with you this morning.

Thank you.

David Eastwood, October 2010