

Russell Group response to Education Committee inquiry on value for money in higher education

1. Summary

- Higher Education is a national success story for the UK. Universities are one of this country's major assets, teaching over two million students per year, with an international reputation for quality and student satisfaction. Russell Group universities play a critical role in maintaining the UK's reputation for high quality research-intensive learning, offering excellent teaching and working hard to ensure all those with the potential to succeed have the opportunity to do so.
- Russell Group universities deliver great value to students. They support them to develop the personal and professional skills that are integral to graduate-level jobs, meaning they are better able to realise their ambitions and to contribute fully to our society and economy. The research-intensive learning environment at our universities means students are taught to think critically, analyse and solve complex problems, and bring ideas and teams together – all skills which enable graduates to adapt in a rapidly changing labour market.
- The vast majority (80%) of Russell Group graduates enter professional employment just six months after graduation and benefit from a higher earnings premium than graduates from other universities. The value of a degree is not restricted to economic advantages; the knowledge, skills and personal qualities (such as empathy, curiosity and confidence to challenge received wisdom) acquired by students means they enjoy a range of benefits including better health, higher levels of civic engagement, and increased likelihood of a fulfilling career.
- The value of a Russell Group degree is by no means exclusive to students as a highly skilled workforce is critical to the UK's prosperity. The provision of STEM skills leads to a range of positive impacts including innovative new technologies and products; improvements in health and quality of life; and productivity improvements and economic growth. The role of learning in enhancing the collective human capacity of the UK's population has benefits for all citizens.
- Our universities also deliver economic, social and cultural value to the UK and their local communities across the full range of their activities. They:
 - engage with and open themselves up to their local communities, supporting social cohesion, enhancing prosperity and facilitating social mobility
 - produce excellent research, innovation and knowledge exchange outcomes which drives economic growth and productivity and changes people's lives for the better
 - are major employers and sources of local leadership in their communities, bringing together local stakeholders and drawing on their wide-ranging international links, expertise and knowledge to tackle key challenges and enhance local prosperity
- As charities, universities have a remit to deliver for the public good. This also means they have a responsibility to remain accountable for their use of public funds and financial decisions are scrutinised carefully to ensure they provide value for money. Our universities are working hard to maximise the impact of their investments and realise efficiencies across everything they do. They seek to continually improve the value for money they provide to both the student and taxpayer, with a shared commitment to keeping the interests of students front and centre.
- In order to continue to deliver this wide range of economic and social benefits to students, taxpayers and local communities, universities need a sustainable base of funding and a regulatory environment which facilitates and supports the continued delivery of high quality education, research and innovation in a diverse HE sector.

2. The value our universities deliver for students, communities and the UK's wider economy and society

The value of a Russell Group degree

- 2.1. **Our universities are at the leading edge in educating and training the highly-skilled and adaptable workforce the UK needs for the future and are committed to delivering an excellent teaching and learning experience.** Russell Group universities teach strategically important subjects at the highest level, attracting the brightest students from all backgrounds with the potential to succeed in a high calibre academic environment. Our universities endow students with the skills needed to become the high-quality labour force and leaders required for the future development of the UK's economy and society.
 - (a) Our universities train over 80% of the UK's doctors and dentists and around half of mathematics and physical sciences graduates, helping to ensure the UK has the talent pool to meet the needs of employers.¹ This is a key element of the health and wellbeing of industry, the economy and the population.
- 2.2. Access to world-leading research, links to business and local communities, and internationally diverse cohorts and partnerships all help to underpin the excellent education which students receive. Russell Group universities have also made substantial investments in world-class facilities to ensure they deliver an excellent student experience. In the last five years alone, our universities have invested £1.85 billion in boosting teaching and learning facilities, libraries, student accommodation, and university IT – all of which benefit students directly (and this is part of a wider £9 billion capital investment commitment).
- 2.3. Opportunities to become directly involved in research enhance students' ability to develop key employability skills, providing them with a competitive edge over their peers upon graduation. For example: over 300 students participated in the Undergraduate Research Opportunities Programme at Imperial in 2015; and at UCL, all students take part in an institution-wide initiative, 'Connected Curriculum', learning through participating in research and inquiry and working alongside the university's world-class researchers.
- 2.4. **To ensure provision is adapted for the modern workforce and delivers value to the taxpayer, Russell Group universities work closely with a wide range of employers and professional bodies** to develop and modify courses – considering both course content and how courses are delivered. This includes working collaboratively on curriculum design and on the provision of placements, as well as careers advice. All our universities provide students with the opportunity to undertake work-based placements.
- 2.5. A number of Russell Group universities have been involved in the development and delivery of degree apprenticeships, with many taking a lead and pioneering the opportunities to develop alternative programmes in this space. For example: the University of Sheffield offers both higher and degree apprenticeships through its Advanced Manufacturing Research Centre (AMRC) Training Centre addressing vital engineering skills gap in industry and providing an alternative route into HE for young people; the Universities of Birmingham and Leeds have collaborated with PwC to launch a four-year degree apprenticeship in Computer Science in order to boost the UK's technology skills base.

¹ 2015/16 HESA Student record

2.6. Student satisfaction and engagement in learning are very important to us and this is reflected in very low drop-out rates as well as in excellent outcomes for graduates - and so for the UK's economy and society more broadly:

- According to the latest NSS results (2017), overall student satisfaction across universities, colleges and alternative providers remains high at 84% and the Russell Group as a whole continue to receive satisfaction ratings (86%) which are above the sector average.
- The recent Longitudinal DLHE results showed that over two thirds (67%) of Russell Group graduates agreed their HE course was good value for money compared with 65% for the sector.
- For all full time first degree entrants the average HE continuation rate at Russell Group universities was 96.4% compared to 91.5% for other universities.
- Of those in employment six months after graduating, 80% of leavers with a first degree from a Russell Group university were in professional employment compared to 68% for other universities.
- Despite the rise in the number of people with degrees over the past three decades, the earnings premium associated with higher education has remained in place. Russell Group graduates can expect to earn £3,000 a year more than the average 3.5 years after finishing their courses, and 14% more than graduates of non-Russell Group universities just six months after graduating.
- Our universities also perform well in data released as part of the Longitudinal Education Outcomes dataset. Russell Group universities occupy the top 11 places in the graduate earnings table for law; in maths, our members occupy the top eight places; and, in computer science, our universities occupy the top seven places. There is a similar pattern in other subject areas too.²

2.7. Research has also found that graduates in the UK, aged 25 and over, were more likely to report better health, greater levels of trust in others, and greater political engagement including being more likely to vote and more likely to report that they believe they have a say in government. Graduates are also likely to enjoy more fulfilling careers: results from the recent Longitudinal DLHE survey show 88% of Russell Group graduates said their HE experience enabled them to solve problems in the workplace, while 86% said it enabled good decision-making. These broader outcomes result in positive impacts on the whole of society.

2.8. The value of a Russell Group degree is by no means exclusive to students, higher education is a public good and a highly skilled workforce is critical to the prosperity of the UK. Research has shown that an increase in graduate numbers leads to rising labour productivity and economic growth³ and the provision of STEM skills at graduate and postgraduate-level in particular leads to the delivery of innovative new technologies and products and improvements in health and quality of life for all citizens.

² <https://www.gov.uk/government/statistics/graduate-outcomes-for-all-subjects-by-university>

³ Research by BIS in 2013 showed that at least one-third of the 34% increase in labour productivity between 1994 and 2005 can be attributed to the accumulation of graduate skills in the labour force and around 20% of UK economic growth from 1982 to 2005 came from increased graduate skills.

- (a) Numbers of STEM graduates are strongly correlated with innovation: around 45% of graduates working in innovative firms in manufacturing and knowledge-intensive business service industries had a degree in a STEM subject, compared to only about 30% of graduates in non-innovative firms.⁴
- (b) There is an association between hourly pay and the use of STEM skills in the workplace, showing that these skills help to increase earnings and productivity.

The value of our universities' work with communities and facilitating social mobility

2.9. Active engagement with the public, community groups, schools and colleges, and local businesses is critical in enabling Russell Group universities to help drive local and regional growth and inclusion across the country. It helps them to produce excellent research, facilitate social mobility and address social issues – all of which underpin the future prosperity of the UK. For example:

- Russell Group universities are stimulating awareness and discussion through access to their museums and galleries: almost 1.5 million people attended free public lectures at our universities last year and more than 5.5 million people attend exhibitions at museums and galleries located within our universities every year.
- Our universities are supporting their students to undertake volunteering opportunities making a valuable contribution by working with charities, community groups and not-for-profit organisations: Russell Group students are active volunteers giving around one million hours of their time to their local communities every year.
- Throughout the year, our universities run and participate in a diverse range of events and activities including science, history, literature, sporting and music festivals aimed at engaging local people in the transformative power of education and ideas. For example, the York Festival of Ideas launched by the University of York in 2011 is now the largest free festival in the UK and provided 150 free events in 2017 working with 60 local and national partners.
- Russell Group universities are also collaborating with their local communities on important research projects. Queen Mary University London has teamed up with King's College and the University of Cambridge to conduct one of the world's largest community-based genetics studies analysing the health of 100,000 local Pakistani and Bangladeshi people to identify better treatments to cure or prevent serious diseases.
- Our universities' community engagement activities support students to engage with local people as part of their studies, helping them to develop new skills and enhancing their student experience. For example, the University of Edinburgh runs a free student-led law clinic providing legal services to the local community.
- A number of our universities, including the University of Liverpool, also have well established lifelong learning centres offering hundreds of different courses to local residents both on and off campus.

2.10. Russell Group universities are committed to facilitating social mobility and widening participation. We want the most talented and able students – whatever their background – to study with us. Our universities are engaged in an enormous range of

⁴ Levy and Hopkins, 2013

activities designed to encourage successful applications from students from disadvantaged and under-represented backgrounds: from mentoring, summer schools and campus visits, to sponsoring schools and providing CPD for teachers.

- (a) Russell Group universities work with around 8,000 schools, reaching many hundreds of thousands of young people across the UK every year.
- (b) They are investing significantly in widening access, nearly doubling funding over the last five years for scholarships, fee waivers, bursaries and outreach activities aimed at the most disadvantaged.⁵

2.11. Our universities have made considerable progress in widening access and supporting disadvantaged students to succeed, and are evaluating the success of their activities to build a strong evidence base and design interventions which are highly effective. For example, the Manchester Access Programme at the University of Manchester has supported over 1,600 local students from disadvantaged backgrounds to progress to the University, whilst the University of Newcastle's PARTNERS programme which supports disadvantaged students to gain work experience and develop social capital has led to over a 10 percentage-point increase in participating students progressing to highly skilled jobs.

The value of our universities' research, innovation and local leadership

2.12. **Research not only enriches the educational experience that Russell Group university students enjoy but also delivers an invaluable benefit to the UK economy and society more broadly.** Our universities' research benefits the economy but also has an impressive impact on the health and quality of life of the nation and contributes to our rich cultural life and heritage. Our research has led to efficiency savings in public services, private sector productivity gains, the development of life-saving new treatments and drugs, the preservation of the UK's culture and heritage and even advances in sport which has brought success in the Olympics and beyond.⁶

2.13. In particular, public investment in research has been shown to contribute to productivity growth: the funding that leading universities invest in research enables them to strengthen their links with businesses and deliver an average return of 20% to productivity growth in the private sector after three years.⁷

2.14. Our universities are also highly successful in the commercial exploitation of their research and have a wide range of partnerships with businesses of all sizes and in all sectors from financial services and creative industries to those involved right through manufacturing supply chains covering everything from food to aerospace. Our members attract external income of £2.4bn from business annually.

2.15. **More broadly, our universities act as magnets for the creation of knowledge-intensive industry clusters, attracting research partners and inward investment.** They also have extensive networks and partnerships with a range of actors, including local government, businesses across different sectors, charities and other parts of the education system. Our universities act as portals to the rest of the world, facilitating local-international linkages, bringing in ideas, talent, money and providing the basis for trade and other links. For example, the Glasgow University is investing £1bn to expand its campus over the next 10

⁵ In 2017/18 the 20 Russell Group universities in England alone will be investing £254 million in scholarships, fee waivers, bursaries and outreach activities aimed at the most disadvantaged – with additional investments being made across Scotland, Wales and Northern Ireland.

⁶ For details see: <http://www.russellgroup.ac.uk/media/5324/engines-of-growth.pdf>

⁷ 'The Economic Significance of the UK Science Base', UKIRC (2014)

years, revolutionising traditional teaching methods and turning the west of the city into a tourist magnet. The university is working with museums and the national gallery to create a new cultural hub. The regeneration project will create around 2,500 jobs.

3. How our universities are accountable for their use of funds, maximising the impact of their investments and delivering efficiencies

3.1. **Our universities are working hard to maximise the impact of their investments and realise efficiencies across everything they do.** They are maximising investments in capital expenditure by sharing facilities and equipment with each other, with other universities and with industry to enhance access and reduce duplication. For example:

- The Universities of Bristol, Exeter and Cardiff have entered into a partnership with the University of Bath, as the GW4 Alliance, working together across all academic activity and collaborating in common areas of shared facilities, learning, training and development. This has enabled the development of a strategic approach to regional assets, identifying opportunities to develop these, and ensuring efficient procurement
- Similarly, the universities of Durham, Leeds, York, Sheffield, Lancaster, Manchester, Liverpool and Newcastle operate an equipment sharing system for northern universities, while Birmingham, Warwick and others lead this in the Midlands.

3.2. Universities are also making significant capital investments to modernise building stock and increase energy efficiency. For example, the University of Nottingham now has the world's first zero carbon chemistry lab development (supported by GSK), and Glasgow University has reduced its total carbon emissions by more than 16% since 2010/11 across building energy use, transport, recycling and procurement.

3.3. **As charities, universities have a remit to deliver for the public good. This also means they have a responsibility to remain accountable for their use of public funds and financial decisions are scrutinised carefully to ensure they provide value for money.** In particular, Russell Group universities recognise the need to act responsibly in relation to senior staff pay. Robust and effective governance structures around senior remuneration are in place to ensure that salary levels for Vice-Chancellors are fair and justified.

3.4. Pay and conditions for senior staff are determined by remuneration committees, which form part of the formal governance arrangements of universities. The Higher Education Code of Governance published by the Committee of University Chairs (CUC) sets out a framework of key values and practices on which the effective governance of UK HEIs should be based. Russell Group universities take their duty to adhere to CUC guidance seriously. For example, all remuneration committees have a majority of independent members, including lay members. The Vice-Chancellor and other senior staff members are not present for discussions on their own remuneration.

3.5. Our universities are working closely with the CUC and others in the sector to ensure there is adequate guidance for university governing bodies around senior staff remuneration. They are committed to upholding the principles of fair pay and seek to share and highlight their experience and examples best practice.

3.6. Russell Group universities are large, complex, multi-faceted organisations operating in a fiercely competitive international market for the best research, teaching and leadership talent. The average Russell Group university has over 25,000 students, and the 24 Russell Group universities alone educate and train 27% of all students in the UK, and 36% of post-graduate

students. Our institutions are major employers in their regions, employing on average over 6,300 full-time equivalent staff, with an average turnover of £700 million.

- 3.7. Russell Group universities must be able to recruit, retain and reward outstanding individuals of the quality and talent needed to lead large world-class institutions. Strong and effective leadership in turn supports our universities to generate critical economic growth and jobs in the regions and deliver outstanding teaching and research. Russell Group universities add tens of billions of pounds to the economy every year and help to maintain the UK's position as a world leader in science and innovation.

4. Priorities for the future regulatory and funding system

- 4.1. **To continue to deliver the wide range of economic and social benefits to students, taxpayers and local communities described above, universities need a sustainable base of funding and a regulatory environment which supports the continued delivery of high quality education, research and innovation in a diverse HE sector.**

A sustainable fees and funding system

- 4.2. We recognise the importance of ensuring that the student finance system is fair and affordable, and that students benefit from a high-quality experience at university. The existing fees and loan system has been highly beneficial to students, taxpayers (and the Government) and universities alike. The system:

- is affordable for students as they do not have to pay upfront for tuition costs and all are able to access at least some maintenance support - with additional help from individual universities through bursaries and fee-waivers
- has enabled record numbers of students to enter higher education including more students from lower socio-economic backgrounds⁸
- is progressive, ensuring graduates are not required to pay back more than they can afford with repayments in proportion to their salaries over the minimum repayment threshold. Many students also have at least some of their debt actively written off by the Government after 30 years ensuring that there is a balanced contribution between the student and the taxpayer
- is starting to provide a sustainable base of funding for universities meaning they can offer a diverse range of courses with high quality teaching and learning experiences, cutting-edge facilities and opportunities for students to do everything from hands-on research to international placements and collaborative work with local communities and business. To note: before fees were introduced universities were historically underfunded with the unit of resource per student declining substantially over time – growth in student numbers between 1989-90 and 1997-98 resulted in a 30% reduction in the unit of resource, which had knock-on consequences for teaching quality and the overall learning experience universities could offer
- recognises the public returns to the UK from higher education through the government subsidy (currently 35% of costs through the loan write-off and additional support for high cost subjects) with the proportion of student loans which the government expects to be

⁸ UCAS figures indicate disadvantaged 18-year-olds (POLAR2 quintile 1) were 60% more likely to enter higher education in 2014 than they were in 2006 before higher fees were introduced.

written-off naturally higher amongst low earning graduates as these individuals pay less of their student loan back

- 4.3. Whilst we recognise that the system may not be perfect, any changes which might be considered should be thought through very carefully before being introduced to ensure that the range of benefits for students, taxpayers and universities (as described above) are not lost. We look forward to engaging with the recently announced review of university funding and student finance to ensure that the fees and funding system continues to work to underpin investment in high quality teaching and learning and capital investment, which is so critical to delivering an excellent student experience.
- 4.4. It is also important to note the vital role international students play in supporting the sustainability of UK higher education for home students. Without international students very many strategically important programmes would not be financially sustainable and therefore would not be available to home students. Research activities would also be significantly affected.
- 4.5. Overseas students bring a wide range of social and cultural benefits to the UK and our universities which advantage domestic students by enriching the research and learning environment and helping home students develop internationally-relevant skills. Increasingly, our future business leaders, scientists and other professionals will need to have gained that international dimension as part of their grounding for careers that will involve both international competition and cooperation.
- 4.6. **Any future immigration system must therefore support universities to continue to attract overseas students who play such a critical role in driving economic growth and productivity gains and are essential in supporting a high-quality teaching and learning experience for home students.**

A new regulatory regime

- 4.7. A number of very significant reforms to HE regulation have been introduced in recent months through the Higher Education and Research Act and the creation of the Office for Students, as well as the development of the Teaching Excellence Framework (TEF).
- 4.8. The Government's stated intention is to put student choice at the heart of sector regulation, a principle which fits with our own commitment. **In protecting the interests of students, consideration should be given to the role of students as partners in their own education.** Interpreting the relationship between students and providers as a simple transactional one could lead to detrimental outcomes and would ignore the importance of students' own engagement in their studies through independent learning which is fundamental to achieving successful outcomes.
- 4.9. With this in mind, the new Office for Students should:
 - (a) respect the autonomy of institutions recognising and supporting the distinctive contribution and mission of different institutions. Protecting institutional autonomy will help to underpin the provision of quality education and maintain the high degree of diversity across the sector, supporting greater student choice, competition, collaboration and the international competitiveness of UK higher education.
 - (b) maintain a robust baseline on quality, good governance and financial sustainability to protect students and take a risk-based and proportionate approach to the design and implementation of regulation, recognising providers with a good track-record of quality and sustainability over many years

- (c) avoid taking a narrow, literal approach to regulation and consider how to promote the health of UK HE as a whole. The needs of students cannot reasonably be separated from the needs of HEIs – without a sustainable HE sector with high quality staff, excellent research, links to businesses and local communities, international partnerships, students and staff, etc. the quality of the education students receive will be diminished.
- (d) ensure efficiency is embedded into the operation of the regulator as well as awareness of the broader regulatory and funding environment in which providers operate. The OfS should report to the sector annually on the cost and burden of regulation. It should also commit to work with other regulators to ensure that the regulatory burden is minimised, proportionate, and properly considered. A map of regulators and their responsibilities should be updated annually so that alignment between the responsibilities of regulators and their efficiency can be maintained.

October 2017