

Compliance, resistance and seduction: reflections on 20 years of the funding council model of governance

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Abstract Formally the new public management model of governance was introduced into British higher education with the passage of the 1988 Education Reform Act, which abolished the existing University Grants Committee (UGC) and instigated the funding councils. This article explores the relationship between the state, the funding councils and the universities with respect to the contemporary development of the English system of higher education. The analysis is based on an exploration of four key policy issues: the quality assurance regime, the research assessment exercises, the widening participation agenda and the introduction of student fees. The goal is to explore how the quasi-state organisations—in particular the Higher Education Funding Council for England (HEFCE)—have mediated the relationship between the state and the universities. The evidence suggests that the coupling of the state to the universities follows one of three tracks: compliance, resistance and seduction. The article explores what factors determine why one relationship (or combination of relationships) prevails, and explains patterns of change over time. The overall conclusion is that institutional interaction is very complex, and it is inaccurate—as is sometimes claimed—to view the funding council as little more than a compliant channel of government policy.

Keywords Governance · Funding councils · Research · Quality assurance · Fees · Widening participation

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Defining the agenda

In 1983 *Higher Education* published a much-quoted article by Graeme Moodie entitled ‘Buffer, Coupling, And Broker: Reflections on 60 years of the UGC’ (Moodie 1983). Moodie’s article was written to correct the dominant impression in academic circles that the primary role of the UGC (University Grants Committee) was to protect the universities from government pressure (the buffer role), whilst arguing that the Committee continued to perform a critically positive role in spite of the fact that increasingly it constituted a coupling link as it brokered the relationship between government and the universities. At the time the role of the UGC was being questioned because of its willingness to determine how the 1981 government-imposed cuts in the annual grant were to be distributed. The UGC’s strategy was that misery would not be shared equally, while some felt that public resistance, rather than coupling and brokerage, was the order of the day.

As we now know, Moodie’s article appeared shortly before the demise of the UGC, which was replaced in the 1988 Education Reform Act by the funding council model of governance. The funding councils have been interpreted as representative of the new public management model of governance in action. Their alleged function, with a statutory basis, is to ensure the implementation of government policy so they steer university development in accordance with the wishes of the state. The central purpose of this article is to examine the complexities in the relationship between government, the quasi-state and the universities in shaping the evolution of the higher education system in England.

There are several threads to the argument. The enactment in 1988 of a new model of higher education governance would suggest a radical break with established traditions. However, following Moodie, the article will claim that there is more continuity in policy development than is sometimes appreciated. Secondly, although the legislative framework formally truncates the policy-making influence of the funding councils, the intention is to show how this can give a misleading picture of their influence over the pattern of higher education development. Thirdly, again following the lead set by Moodie, it will argue that the key to understanding the governance of higher education is to examine ‘the power and purposes’ of the principal actors—that is the government and the institutions of higher education. However, the article will have a more focussed empirical core than Moodie’s discursive approach by examining the interaction of the principal actors in relation to four critical policy case studies in higher education: the research assessment exercises, the quality assurance regime, the widening participation agenda, and the introduction of variable fees. The evidence demonstrates that the relationship between the state and higher education oscillates between compliance, resistance and seduction. The question of what factors shape the direction of this interactive process, or how we are to make sense of steering, will draw together the analysis of the four policy arenas. Like Moodie’s article this is a reflectively analytical approach, but the conclusion will demonstrate how it is suggestive of both a more comparative and theoretical way forward for the study of higher education governance.

Change, continuity and misperception

The 1988 Education Reform Act clearly placed the two funding councils—the Universities Funding Council and the Polytechnics and Colleges Funding Council (to be amalgamated and given separate national identities in the 1992 Further and Higher Education Act) under government control. The legislation specified the size of the funding councils (fifteen members for each council) who were to be appointed by the Secretary of State who also

appointed the chair. The central purpose of the funding councils was to make public grants to the institutions that fell under their auspices. While the Secretary of State could *not* make conditions relating ‘to the making of grants or other payments by the Council to any specified institution’ s/he could ‘make grants to each of the Funding Councils of such amounts and subject to such conditions as he may determine’. Moreover, ‘In exercising their functions under this Part of this Act each of the Funding Councils shall comply with any directions given to them by the Secretary of State’ (Education Reform Act 1988, c.40: 134, 6 and 8). The 1992 Act essentially reaffirmed the powers of government vis-à-vis the councils, although by giving the newly amalgamated councils national identities, the legislation was an important step in the devolutionary process.

On the surface it is difficult to discern much policy independence for the funding councils, and certainly functioning within this legislative context would make it virtually impossible for them to perform a buffer role, although eminent academics continued to argue that, while the government had a ‘legitimate need for accountability’ the universities retained a ‘vital need for maximum autonomy consonant with that accountability’ (Berdahl 1990, p. 169). The funding councils can offer advice to their political masters, and can draw public attention to those occasions when they are required to implement proposals of which they disapprove. But these concessions scarcely amount to much more than token gestures designed to ensure a measure of consensus on how the governance model should operate (see, Russell 1993 for the protracted battle to amend the 1988 Education Reform Bill as it wound its way through the parliamentary process).

It is none too surprising, therefore, to discover that the role of the funding councils has been disparaged in the academic literature. Even eminent observers of the governance of British higher education have tended to offer little more than negative parodies. In 1995 Scott wrote,

The new funding councils are agents of government and not buffer bodies ... The job of the HEFCE and other Councils is to implement government’s predetermined objectives through second order policies. (Scott 1995, p. 27)

Subsequently Kogan and Hanney, relying on evidence provided by ninety interviewees who had varying roles within the then contemporary policy formation process, expressed much the same point, albeit more circumspectly:

But, for the most part, the changes (from the UGC to the funding councils) represented a shift in the modes of control and co-ordination, from the professional-academic dominance in the University Grants Committee to the deliberate advancement of lay and private sector power and influence, and the increased power of the central departments. (Kogan and Hanney 2000, p. 179)

By 2008 Shattock is presenting us with a governance model combining full-blown state control and political subterfuge:

Thus the evolution of British higher education policy since the early 1980s can be seen not as a narrative driven by a changing higher education agenda but mainly by a series of agendas, financial, social, and economic, consequent on higher education’s absorption into the public policy making machinery of the state.

And this state machinery exists not to act as a protective buffer for higher education but ‘rather to conceal the state’s control of policy’ (Shattock 2008, p. 182).

Although the 1988 Education Reform Act formally placed the relationship between the government, the funding councils and the higher education institutions on a very different

basis from when the UGC was operational, it is important not to see 1988 as a stark watershed but rather as the culmination of a steady trend. All the more recent histories of the UGC (Owen 1980; Carswell, 1985; Shattock 1994; Salter and Tapper 1994) point to the emergence of a more dirigiste UGC responding in part to political prodding (from parliament as well as government). This point is reinforced by Moodie who refers in particular to the UGC's introduction in 1967 of 'Memorandum of Guidance', and the Committee's decision to implement the government's 1981 cuts of 'something like 15% in university income over 3 years', concluding with the observation that, 'There can thus be no serious dispute about the *fact* of lessened university autonomy' (Moodie 1983, p. 338). Although the UGC may never have viewed itself as part of the state apparatus, the question is whether by 1988 it had effectively abandoned the buffer role for the coupling and brokering roles.

Scott used the interesting phrase 'second order policies' to describe the process by which the funding councils implement government policies. The councils, along with a number of related organisations (the Office for Fair Access—OFFA; the Quality Assurance Agency—QAA; the Higher Education Academy—HEA; the Leadership Foundation—LF) have the responsibility of translating government policy objectives into concrete plans of action. It appears that 'second order policies' is a description of the policy implementation process, the means by which policy objectives are put into operation. However, as we will illustrate when we examine our case studies of higher education policy, the policy implementation process is critically important with respect to how policy actually impacts upon the fortunes of individual institutions.

Arguably, the most important decision that the UGC ever made was a 'second order policy': to implement (however much it may have protested in private) the proposed 1981 cuts in its recurrent grant by determining how these should be distributed amongst the individual institutions on its grants list. The obvious defence of its action is that by doing so it mitigated as far as it was possible the negative effects upon the system as a whole. Nonetheless, because there were no objective criteria to determine its behaviour, it could not make those judgements without bringing to bear upon the situation a set of internalised values that would guide its decision-making.

However justified the claim that over time the UGC increasingly acted less as a buffer between government and the universities, and that policy implementation is a critical part of the overall policy-making process, it is nonetheless necessary to engage in further analysis if the complexity of the current interaction between the state (and not just the funding councils) and higher education (and not just the pre-1992 universities) is to be appreciated. The previous research of Salter and Tapper argued that in the post-war period the development of British higher education fell steadily under the influence of the state. Remorselessly the state secured control of the ideological high ground, developed an increasingly tighter framework to direct the development of both the individual university and the university system, with very clear policy prescriptions to follow: for example, the 1982 cuts in the annual grant, and the 1986 selective distribution of core research funding (Salter and Tapper 1994, pp. 1–19, 182–215). This article focuses upon 'the power and purposes' of the principal actors in relation to four key issues that have dominated English higher education in recent years. The intention is to demonstrate that, although the state's authority to steer the policy-making process has increased, that authority is exercised with considerable sophistication, which has brought about a fascinating new politics that embraces the interaction between the state, the quasi-governmental organizations and the higher education institutions. When it comes to steering policy there is more than one way of skinning a cat.

Compliance, resistance and seduction: policy-making in action

Our analysis of the research assessment exercises, the quality assurance regime, the widening participation agenda and the introduction of variable fees is not intended to present a detailed descriptive overview of these issues. Others have accomplished this more than competently. The intention is to analyse these issues from a policy perspective. After each case study has been presented the article will evaluate the character of the relationship between the state and higher education in these four policy areas—whether it can be best described as compliance, resistance or seduction. The new public management model of governance that the funding councils represent is constructed around the idea that the state steers the development of higher education. The article is examining therefore the varying forms of policy steering and tries to account for the particular direction taken. For some time this has been a popular research topic in political science, and for two powerful overviews of how the new public management model is interpreted with reference to the governance of national systems of higher education, the edited volumes of Amaral et al. (2002) and Huisman (2009) make for interesting reading.

The research assessment exercises (RAEs)

The first research assessment exercise took place in 1986 and was, therefore, the brainchild of the UGC (its then chair, Peter Swinnerton-Dyer is usually given the credit). It set up a competitive mechanism for the distribution of scarce resources (in comparison to the prevailing model that assumed all academics were research-active, and thus universities should receive core research funding on a pro-rata basis according to the size of their faculty), and thus it could be said to have been in tune with the values of the then Thatcher government. However, there was a powerful lobby in the scientific community, amply represented in the Advisory Board for the Research Councils (ABRC), which supported the change. The context was the prevailing financial stringency that impacted upon university research budgets allegedly threatening the research viability of some of the leading departments. Thus, while it can be argued that government financial policy created the context for the change, it was not inimical to all university interests.

With respect to the argument of this paper, the developments in the management of the research assessment exercises under the guidance of a joint funding council committee are particularly pertinent. Over time the conduct of the panels has become more professional with a standardisation of their procedures and evaluations. Moreover, to recognise research of international excellence overseas academics have been incorporated into the evaluative process, and panels have been encouraged to look favourably upon research that can demonstrate practical payoffs. Furthermore, after RAE 2008 it is likely that future panels (especially for research in scientific fields—as opposed to the humanities and social sciences) will rely more on metrics rather than peer review to arrive at their evaluations.

It is difficult to measure the impact of these essentially procedural changes, which in part have been driven politically, upon the assessment rankings. However, institutional returns are clearly influenced both by how the funding councils choose to measure departmental research outputs (the range of research expertise in a department as opposed to an overall departmental score), and how selectively the available resources are distributed. Over time a higher percentage of the resources has been distributed to the those departments with the better scores (more so in England than in Scotland and Wales), and following RAE 2001 under government pressure (publicly opposed by HEFCE) a number

of departments in England were awarded a 6* (5* was the highest ranking in RAE 2001) and given additional funding.

Interestingly, although it opposed the move, HEFCE was prepared to determine the criteria that would decide which departments should be awarded the 6* grade. The decision in RAE 2008 to present the range of research within departments (as opposed to basing funding solely on an overall departmental score) has revealed what are termed ‘pockets of research excellence’ within many departments that do not achieve a particularly high overall score. Subsequently this was incorporated into the funding model resulting in a flatter distribution of financial resources.

While it is clear that the selective distribution of core public funding for research is now embedded in the system, it is equally evident that there is considerable room for manoeuvre within the boundaries of this principle. Some of that manoeuvring will be dependent on government thinking (for example, the decision to create a 6* grade following RAE 2001), while the move to present departmental research profiles emanated from those universities that historically had not performed well in the research assessment exercises. It proponents were confident that a different evaluative model would reveal areas of expertise that previously had remained hidden. What is obvious is that the policy implementation process is both fluid and important in terms of its institutional impact, and while the state may act to shape its form it is far from under state control. It can be safely said that both the making and implementation of policy in this field have been more than the product of state action.

While there has been disaffection with the RAEs since their inauguration in 1986, overwhelmingly the criticisms have been directed at the technical effectiveness of the evaluative process and how it discriminates negatively against particular groups of academics. There is no serious discussion that resource distribution should return to pro rata funding based on faculty numbers or that the distributive model should be set in stone with clearly defined and permanent institutional differences. Following RAE 2001 the funding councils reviewed the process mainly because some universities were making submissions but receiving only small returns. It was not a cost-effective exercise for either themselves or the funding councils. The review suggested a strategy that would enable universities to exercise self-denial—not to make submissions but still receive some research income (Joint Funding Councils 2003, pp. 197–201). The fact that self-denial was not forthcoming in part explains the move towards assessment via metrics—it is essentially a cost-cutting measure, and one that suits the interests of ‘the big science’ lobby.

The dominant response, therefore, of the higher education institutions to the research assessment exercises has been one of compliance. There is the incentive of receiving public funding for research, and while the likelihood of this depends in part upon the structure of the evaluative process as well as the distributive model adopted by the funding councils, these are matters that are amenable to pressure. The fact that RAE 2008 was different in these respects from RAE 2001 demonstrates that this is a realistic strategy (Corbyn 22nd January 2009, pp. 4–5). The problem with the Joint Funding Councils’ 2003 Review (the Roberts’ Review) was that those who were prepared to exercise self-denial would be perceived as universities that lacked competitive research records, that they were essentially ‘teaching-only’ institutions. Thus, even if the financial reasons for compliance can be removed, there are perceived status returns in belonging to the mainstream of the research assessment exercises. The change process, therefore, has to be sensitive to the established idea of a university as a research active institution and, although this is evolving, it would be difficult to challenge the traditional perception, especially for institutions that had but recently acquired the university label. What is also interesting is

the apparent genuflection of both the government and the funding councils to the situation for it would have been technically easy (if politically contentious) to have required a number of universities to have followed the route suggested by the Roberts' Review.

The quality assurance agenda

If the research assessment exercises have illustrated compliance then the response to the quality assurance regime demonstrates the potency of the universities for reshaping policy significantly, as opposed to modifying it at the edges. Historically the system of external examiners was the guarantee of quality in the university sector with the Council for National Academic Awards (CNAA) and Her Majesty's Inspectorate (HMI) performing a parallel role in the public, mainly polytechnic, sector. The abolition of the binary line, thanks to the 1992 Further and Higher Education Act, provided the state with the opportunity to establish a new quality regime under its control. The political context was such that it was inconceivable that the system of external examiners (which was increasingly perceived as an ineffective mechanism of quality control) would be extended to embrace the new universities. This was, in the words of Bachrach and Baratz (1963), a classic example of a 'non-decision'—a policy option that was never seriously contemplated. It is not that the pre-1992 universities would abandon external examiners but that the government required a mechanism that would permit state surveillance of the pedagogical process in higher education. After a period of institutional infighting the Quality Assurance Agency (QAA) was set up in 1997, so creating a unified system of quality assurance. Thus a political deal was struck between the state and the dominant institutional interests in higher education, including the universities' umbrella organization Universities UK (UUK).

This apparent united front was more precarious than first impressions may have suggested and was soon breached by opposition from certain universities, particular departments and a barrage of protest by individual academics. Although responsibility for these developments may not have been a consequence of weaknesses in the consultation process, it is evident that some universities were deeply suspicious of the QAA and many frontline academics remained oblivious of what was in store for them. As early as July 1998 the *Times Higher Education Supplement* reported:

Oxford, Edinburgh, Glasgow and Newcastle universities have joined Cambridge in challenging the power and influence of the Quality Assurance Agency. They have said "no" to a QAA request for them to scrutinise their arrangements for maintaining quality and standards. (Tysome 10th July 1988, p. 2)

And, some 5 years later, the relationship of the QAA to Cambridge remained especially fraught. A somewhat critical QAA report on Cambridge (October 2003) met, according to Baty, with the following responses:

Cambridge hit back at criticisms with a withering criticism of the QAA's Report. It issued a statement criticising the agency's "unfortunate" failure to properly recognise the extent of Cambridge's "excellent provision" and its "established procedures" for ensuring its own quality. (Baty 24th October 2003, p. 56)

It would be possible to list numerous examples of such tension, with perhaps the University of Warwick's Economics Department issuing the most public and strongest condemnation of the QAA's procedures even though the Department had received a clean

bill of health with a maximum score of 24. The fact that the QAA felt beholden to reply officially to the critique illustrates perfectly the extent of the divide.

The outcome was a steady retrenchment of the intrusiveness of the QAA. After the completion of the first cycle of inspections there was an interim period in which institutional audit was accompanied by ‘selected inspection of a limited number of departments—designed “to drill down” in the language of quality assurance’. But following another review in 2005 (QAA, *Review of the Quality Assurance Framework*) departmental inspections were effectively abandoned (Tapper 2007, p. 183). In a comparatively short space of time the regulatory regime moved from ‘a light touch model’ to a ‘lighter light touch model’. Although the then Chief Executive of the QAA, Peter Williams, tried to put a brave face on the turn of events (‘Make no mistake, the QAA will tell it like it is’—30th September 2005), it is evident that the regulatory wings of the Agency had been clipped by a combination of institutional resistance coupled with wider developments in higher education policy.

The analysis of the evolution of the quality assurance agenda that we have presented so far points to a history of resistance by the universities towards the quality assurance model operated by the QAA. However, as with the research assessment exercises, the policy picture is more complex than first impressions would suggest. Much of the opposition came from the pre-1992 universities, many of them elite institutions. They had secure positions in the marketplace, confident (rightly or wrongly) of the appeal of their pedagogy. However, for the post-1992 universities the quality assurance procedures performed the positive function of providing prospective students, and especially international students, with reassurance. Moreover, for the universities there was the prospect of official recognition that their academic standards were at the very least satisfactory. Consequently, there has been as much, if not more, quiet compliance with, rather than resistance to, the regulatory regime, reinforced by the fact that overwhelmingly the standards of teaching and learning have been evaluated positively.

Superficially, it appears as if the QAA was forced to give ground because a number of powerful universities persuaded the government that the regulatory model operated by the Agency was both unnecessary and unduly demanding. Undoubtedly the regulatory model changed, but this appears to have been as much a consequence of broader policy developments as the pressure exerted by elite institutional influence. Following the Dearing Committee’s Report (National Committee of Inquiry into Higher Education 1997) a flat rate student fee of £1,000 per annum was introduced (one of the reasons for the appointment of the Dearing Inquiry was to forestall unilateral action by some universities to impose their own fees). In the early years of the new millennium the move towards granting universities the right to charge variable fees (with a ceiling of £3,000 per annum) gained momentum, which created the political necessity of making sure that the universities backed the government line. It is impossible to prove that there was a political deal, but the then Secretary of State for Education, Charles Clarke, started to publicise the fact that the state imposed too heavy a bureaucratic burden upon universities—and what better way to reduce that burden than to curtail the regulatory activities of the QAA? In the run-up to the passage of the 2004 Higher Education Act, which introduced variable fees most opposition to the government came from within Parliament itself rather than from the universities.

By instigating changes to the quality assurance regime the government actually increased university compliance, although it is difficult to judge whether this has been much more than a grudging acceptance that a deal had been struck and that it was time to step back in line. However, we have also seen the subtle emergence of a strategy of

seduction. The debate on quality assurance is increasingly intermingled with a new concern—how to enhance quality rather than simply measure whether it is present or not. The remit of the Higher Education Academy (HEA—founded in 2004 and jointly owned by Universities UK and Guild HE) is to offer support for the teaching and learning process in higher education with strong reference to its enhancement. Equally significant is HE-FCE's funding of Centres for Excellence in Teaching and Learning (CETLs) with 74 receiving funding in January 2005. The Centres are spread widely throughout the university system (with many located at the Russell Group universities) and they have close links with both the HEA and QAA. Thus the funding councils, working in line with the institutional interests, are promoting the quality agenda through the commitment of resources, which is a considerable addition to the regulatory function of the QAA. As with the RAEs, institutional compliance is secured thanks to the possibility of tapping into another funding stream.

The evolution of the quality assurance regime illustrates an even more complex policy model than was the case with the research assessment exercises. State construction of a regulatory process challenged the dominant belief in the pre-1992 universities that academic standards were both secure and dependent upon self-regulation built around the system of external examiners. For the new, post-1992 universities, the QAA offered the prospect of official reassurance. Not surprisingly, the different university sectors were divided in their reactions to the QAA (although it is likely that the dominant reaction was a grudging willingness to succumb to regulation). However, as the higher educational policy agenda evolved it proved politically expedient for the government to move from departmental inspection to institutional audit.

Nonetheless, it is important to remember that there is still a state-controlled regulatory regime, which can be revamped as circumstances dictate. Although the move to institutional audit has increased compliance, the emergence of quality enhancement, with both institutional and financial support, is indicative of the emergence of a process of seduction. Moreover, it is significant to note that this is the positive use of state resources to encourage institutional support for a policy goal rather than the alternative strategy (which was advocated in government quarters) of withdrawing public resources from those institutions that refused to co-operate with the QAA. While the state may possess the formal authority to act, if it is wise it will also recognise the need to act flexibly if it is to achieve its policy goals.

Widening participation

While the issues of research funding and quality assurance are by and large hidden from the wider public gaze, access to higher education appears periodically on the mainstream political agenda. As such it is occasionally subjected to vociferous political comment usually initiated by a cause célèbre (note the reaction to Oxford's refusal to offer Laura Spence a place to study medicine) but interestingly this interacts with a broad policy agreement embracing the mainstreams of the worlds of both politics and higher education. There has been wide acceptance of the expansion of higher education, with some questioning at the edges as to its purposes, extent, direction, and consequences. Likewise, widening participation is also a broadly accepted policy goal with an increasing range of social groups being drawn into the net—initially it was women and currently it is the disabled. The drive to make higher education ever more socially inclusive appears to have no boundaries.

But this policy consensus is bounded by two embedded principles. Firstly, access to higher education should be restricted to those who have the requisite qualifications and can

demonstrate that they will make good use of an offer. Secondly, it is the institutions themselves that have to make these judgements, and so they control the access channel. Over time successive governments, especially Labour governments, have placed pressure upon universities to admit more socially inclusive undergraduate cohorts, although there has been little pressure in favour (as there has been, for example, in the United States) of positive discrimination/affirmative action.

This is the perfect context for quasi-government organisations to exercise their ingenuity and we have not been disappointed, although the elite institutions (that, not surprisingly, have been the focus of particular attention) may describe the situation somewhat differently. The identifying of underrepresented groups has received much attention with gender, class/parental background, race, ethnicity, schooling, disability and now residence entering the frame. We have seen the setting of targets and universities are required by HEFCE to construct widening participation strategies. However, resources have been committed both to encourage universities to be proactive in widening the social diversity of their applicant pool, and to offer support when they select applicants from the targeted social groups (an enhanced teaching grant from the funding council). These various initiatives have been co-ordinated by HEFCE's AimHigher programme, which has earmarked some £140 m to support the widening participation agenda in 2009–2010.

In the context where there is a consensus on policy goals then the implementation strategies assume a major significance. Incentives to move in the desired policy direction are likely to prove a major attraction for universities should this be deemed essential for financial stability, and it should not be forgotten that many universities are recruiting rather than selecting institutions. Should the reverse be the case—you are a university that can exercise choice in the student selection process—then the incentive may be less attractive. The bureaucratic demands of conforming to the widening participation agenda may be more costly than the enhanced rewards of becoming more socially diverse at the margins. However, given the context of policy consensus there is little choice—at least publicly—but to comply while ensuring that you retain control over your own admissions process. Until that principle is breached then resistance to government policy, especially in the context of broad cross-institutional support for widening participation, is scarcely a viable option.

There appears to be clear parallels in the relationship between the higher education institutions, the government and the funding councils with respect to both the current quality assurance and widening participation policies. There is a consensus, embracing both government and the higher education institutions, that these are important policy issues. The government's concern, other than in the repeated public expression of its commitment (exhortation to the universities to move in the desired direction), is manifested in concrete action through the funding council. The action takes three interrelated paths: the monitoring of the current institutional record, the requirement that each university needs to have a strategy for enhancing its performance, and the offer of targeted resources to help secure the policy goals. But there is also one critical difference. The quality assurance agenda has a clear statutory basis (the 1992 Further and Higher Education Act required each of the funding councils to establish a Quality Assessment Committee and to be satisfied that the assessment function was being properly conducted). It can be said therefore that the regulation of quality assurance in higher education is a state responsibility. The same cannot be said of the widening participation agenda, which is much more of a political commitment pursued by individual governments. What happens in terms of the impact of these policies upon the universities may not differ markedly, but there is more potential for flexibility in the development of the widening participation agenda (including the possibility of simply ignoring it) than is the case with respect to quality assurance.

The introduction of variable fees

We have claimed that the movement towards the selected allocation of public funding to support university research was to some extent driven by the cuts in government funding. Similarly, increasing parsimony with respect to the government's underwriting of the teaching costs of the universities acted as the driver for the introduction of student fees. The research of Greenaway and Haynes concluded:

... whilst the growth in student numbers has been accompanied by an increase in higher education expenditure in real terms, the level of public funding per student has fallen dramatically ... expenditure per student has decreased by nearly 50 per cent in real terms over the period 1980 to the present. [the academic year 2000/2001] (Greenaway and Haynes 2000, p. 13)

Although the National Committee of Inquiry into Higher Education (the Dearing Inquiry) presented both a broad overview of British higher education, and policy recommendations for its future development, central to its remit was the issue of student fees. Its commissioning pre-empted unilateral action by a number of universities, and its recommendation that students should meet part of the costs of their higher education was followed by the imposition of a universal flat-rate fee of £1,000 per annum for home-based students. The 2004 Higher Education Act empowered the universities to impose variable fees, although the ceiling of £3,000 per annum undermined the likelihood that there would be much variation. The legislation is about to be reviewed with speculation that the ceiling will be raised, although not removed. In this respect it is interesting to note that both the Scottish and Welsh governments have abolished fees. Higher education policy has been strongly influenced by political devolution within the United Kingdom, with continuing centralised state guidance in Scotland and Wales contrasting with the growing influence of the market—especially in terms of funding—in England (Caldwell 2001; Tapper 2007, pp. 81–87).

Even more than the widening participation agenda, the issue of student fees brings higher education into the political limelight. Moreover, given the expansion of access to higher education, it impacts seriously upon many families. It is difficult to ascertain its comparative political significance but the manoeuvring over the introduction of fees illustrates its political sensitivity. Besides the public's reaction there was also the matter of how the parliamentary parties would respond. In the event the Labour government secured the passage of the legislation (with a small majority of 5 on the Second Reading of the Bill) but not without generating considerable hostility.

The decision to allow universities to charge variable fees raised the spectre of conflicting government policies. The government had to meet the charge that such fees would undermine the credibility of its widening participation agenda. Consequently, income-contingent loans and a grants system were incorporated into the legislation. Moreover, the 2004 Higher Education Act created the Office for Fair Access (OFFA), which was empowered to sign off institutional arrangements for charging variable fees. The universities were required to demonstrate that they were using some of their additional income to enhance their widening participation strategies, that the imposition of variable fees would not narrow the social diversity of their undergraduate entry. In effect this is the sole purpose of OFFA.

The various concessions that the government was prepared to make in the passage of the legislation were directed not so much at opinion within the universities (although clearly this would have been a consideration) but rather at opinion within the Labour party, and

more particularly amongst its members of parliament. Although undoubtedly pressure to increase financial support for teaching costs was exerted by the universities, it was of less concern to them whether this was public or private resources. However, for the government (with the Treasury exerting an increasing influence over the costs of social policy) it was imperative in the context of increasing participation in higher education to protect the public purse. The financial case could be enveloped by a principled argument—that the beneficiaries of higher education (who continued to be disproportionately from socially and economically privileged backgrounds) should bear some of the costs of acquiring a social good that enhanced their life opportunities.

In terms of its political ramifications this policy issue appears to be the direct opposite to that of widening participation—very high political visibility and limited policy consensus (although the policy differences of the three major English political parties appear to be eroding). Although the universities may have placed the ramifications of declining financial support for teaching on the political agenda, its resolution required government action. Obviously, while the state was enmeshed in the decisions to distribute research funding selectively, to establish quality assurance mechanisms and to widen participation so much of the implementation of those policies has been placed in the hands of the quasi-government bodies through a process of direct engagement (resistance, compliance and seduction) with the universities. In relation to the implementation of these policies the government has been little more than an interested bystander, although it is clear that they have brought their influence to bear at particular points of conflict (the degree of selectivity in the distribution of research income, and the move away from departmental inspection to institutional audit).

With respect to student fees so much of the policy detail is encompassed directly within the legislative process. The exception to this is the responsibility given to the Office for Fair Access (OFFA) to negotiate access agreements with those universities (in fact all of them) intending to charge variable fees. It is difficult, however, to see the creation of this body as anything other than part of the government's attempt to reconcile its backbenchers to the imposition of variable fees. The 1992 Further and Higher Education Act required the funding councils to set up Quality Assessment Committees and to ensure themselves that these bodies were indeed making serious attempts to measure quality effectively. OFFA, by comparison, has an essentially technical task and once guidelines have been established to regulate the use of the additional income generated by variable fees then it is difficult to understand why it should not be abolished.

In comparison, therefore, to the RAEs, the quality assurance agenda and widening participation, variable fees is very much a political issue, and thus has to be addressed within the confines of the political system. Within this context it is unlikely that the universities will take strong public positions, partly because of the danger of being sucked into party politics and partly because of the difficulty of constructing a common front amongst the higher education institutions. With respect to quality assurance and research assessment the issues revolve around the interests of the higher education sector and thus divisiveness is more possible because it is more concealed and contained.

Making sense of steering

The analysis of the four policy case studies has shown the complexity in the relationship between the state, the quasi-state institutions and the universities. Each issue has shaped a somewhat different kind of relationship. The more politically visible the issue the greater

the persistence and presence of government intervention—note, for example, the contrast between the political reaction to the ‘Laura Spence affair’ (a cause célèbre with the characteristics of a shooting star) and government involvement in the question of student fees. Where the issue is more firmly embedded into the daily affairs of the universities (as is the case with quality assurance and research assessment) then the implementation strategies of the quasi-state bodies assume a more critical presence with government intervention confined essentially either to breaking a logjam (as with quality assurance) or imposing its own preference (as with the selective distribution of research funding). It is important, therefore, to remember that the state continues to retain the final say with respect to policy implementation. Not surprisingly, given the increasing diversity within the higher education system, the issues have thrown up varying policy reactions from its different internal segments with the greatest polarisation caused by the search for consensual quality assurance mechanisms.

Undoubtedly successive governments have wanted to steer the development of the higher education system in a direction that coincided with their long-term policy goals. In particular there was a widening belief in political circles that higher education was an economic resource and should be developed as such, although it not be forgotten that the nineteenth century civic universities were founded to serve local economic interests and, moreover, it could be argued that universities had mixed purposes of which their economic utility was but one component. It is significant that, although the state became more serious about the need to steer higher education development, initially its relationship to the universities was embedded in a value system that strongly supported the idea of institutional autonomy and the right of the universities to determine their own futures.

In terms of the four issues that formed the core of this article the genuflection of the state to the traditional value system is not difficult to spot. Until now the assessment of research has been embedded around the idea of peer review, it is accepted that student entry to higher education is controlled by the individual universities, and that both the widening participation and quality assurance agendas should be driven more by funding incentives rather than financial penalties. This may change as the state becomes more confident of its control over the ideological context within which higher education is located and of its ability to pull the appropriate policy levers. The record so far, however, makes it difficult to sustain the proposition of unimpeded state power, ineffectual quasi-state organizations and totally compliant institutions of higher education.

An interesting interpretation of the current new public management model of governance is that it represents only an interim stage in the evolution of the relationship between the state, society and the universities. Not so very long ago European universities, across national boundaries, were funded overwhelmingly by the state, which controlled their development. The one exception was deemed to be the United Kingdom where, allegedly, autonomous institutions under the benign guidance of the UGC controlled their own development (although they were publicly-funded institutions!). In fact a well-developed idea of the university, which embraced both the UGC as well as the leading universities, steered the evolution of the system. Ironically, the new public management model of governance may give the universities more autonomy—it is a question of evaluating the constraints imposed by state steering as opposed to the need to conform to a dominant idea of the university (Berdahl 1959; Carswell 1985, p. 159; Shinn 1986).

The question is whether the state is prepared to hand over control to the universities themselves while recognising that they will then have to respond to societal pressures if they are to prosper. Currently governments are experiencing great difficulty in letting go, and nowhere is this better illustrated than in the struggle over student fees. The

parliamentary machinations involved in the passage of the 2004 Higher Education Act (which legislated for variable fees) may have been driven mainly by the need to placate the government's backbenchers but there is another complementary interpretation. The cap on the fee, as well as the creation of OFFA, may represent the belief that higher education needs to remain within the regulatory orbit of the state—that government (at least not yet) cannot let go.

Conclusion: the way forward for the study of governance in higher education

Moodie concluded his article by presenting an overview of his interpretation of the then contemporary model of governance in British higher education. It was his hope that the UGC would continue to act as an effective broker between the state and the universities with the goal of securing '... the maximum degree of academic self-government possible at any given time' (Moodie 1983, p. 346). By way of comparison, rather than presenting a policy goal, this article suggests two potential research themes and offers a view on the future character of the policy-making process in English higher education.

In recent years continental European systems of higher education have moved towards a new public management model of governance, which has been seen (contrary to the British perspective) as granting their universities a greater measure of autonomy. The first question, therefore, is how do models of state steering work in practice? What are the variables that shape the relationship between the state and the universities within the framework of this model? Do national traditions of governance still persist in spite of convergence in the modes of governance? Is there a common pattern of interaction between the institutional forces regardless of the policy issues on the agenda?

The second question is how to account for the different policy outcomes? This requires the development of an additional theoretical input into interpreting the policy-making process that has purposefully been avoided in this reflectively analytical article. The discussion of the policy case studies suggests a possible way forward. A significant development is the steady extension of public interest in higher education issues with the gradual emergence of a range of policy networks. The implication is that issues are increasingly exposed in the public domain and, consequently, it becomes more difficult both to disguise or control the visibility of different institutional interests, and to confine the politics of policy-making solely to the interaction between the universities, the state and the various branches of the quasi-state. What are the policy networks, what are the resources at their disposal and how do they interact with state and quasi-state institutions to shape policy development?

Policy network analysis therefore provides a potentially fruitful way for moving forward in understanding the trajectory of higher education policy. However, it is important to recognise that the state still retains a critical role in the policy-making process, and does not automatically genuflect to the policy demands of the networks. Moreover, policy outcomes are not simply reflective of a pluralist struggle for some networks are more powerful than others based in part upon their relative access to the state apparatus. It can be safely predicted that policy making in English higher education will become more contested. Consequently, policy outcomes will become, in the words of Burton Clark, 'a matter of balance and mutual adjustment among the many ways by which academic activities are concerted'—the oscillating interaction of bureaucratic structures, professional interests, market pressure and politics (Clark 1979, pp. 251–267).

In this respect, it will be particularly interesting to monitor how the factions within English higher education line up as the impending review of variable fees moves ever closer. Has the closed corporate world, with the UGC at its centre, given way to open political struggle between competing interests underwritten by different policy networks? And, of course, how does this interact with the reality of increased state power? What strategies will the state pursue to sustain its grip upon the process of policy steering?

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