

Institute of Education, University of London

RESEARCH REPORT FOR DfES

**NEW VARIABLE FEE ARRANGEMENTS:
BASELINE INSTITUTIONAL CASE STUDIES FOR
THE INDEPENDENT COMMISSION**

SUMMARY OF RESEARCH FINDINGS

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EXECUTIVE SUMMARY

This research forms the baseline for a two-part study aiming to investigate the effects of the variable fee reforms on institutional policies, behaviour and planning. Combined with the second stage of the research – to be conducted after variable fees are introduced – these findings will form part of the overall evidence base that will be submitted to the Independent Commission reviewing the policy in 2009.

This research paper summarises the findings of interviews with 15 institutions, representing the diverse mix of English higher education provision. The key findings are:

- Universities and colleges generally are uncertain about the impact that variable fees, and the new student fee arrangements (NSSA) from September 2006, will have on their undergraduate recruitment.
- But they are responding to the new opportunities offered by NSSA by developing often creative bursary and scholarship schemes for students, to widen participation further or to help re-position the institution in the marketplace.
- Competition between institutions will be in this area, rather than over the actual fee level; though there are widespread doubts that the small differences between institutions' offers will have a noticeable impact on student choice.
- There is no evidence that institutions are making strategic changes as a result of NSSA: the picture is more one of the continuation of existing policies. For research-intensive institutions, the RAE remains a more significant consideration.
- There is concern that recruitment to four-year courses will be particularly affected, as many are in subjects with already relatively weak demand (sciences, engineering and languages).
- Evidence available to the institutions suggests that potential students are confused about what the changes will mean for them; but that there seems to be little concern about the debt burden.
- A common theme among the post-'92 institutions was the expectation that the geographic area from which they mainly recruit will narrow somewhat.
- Student services within institutions are in many cases being reorganised to deal with the new complexities that NSSA will present.
- Many of the institutions we visited intend to spend at least part of their new income on improving physical facilities and other aspects of the student experience, followed by funding pay modernisation.
- Scottish institutions expect that the proposed fees in Scotland for English students will dampen demand, though some may seek to increase recruitment from England, so as to diversify their intakes. There is concern that in the longer term, fee income will advantage the English research-intensive universities in the international arena.

NEW VARIABLE FEE ARRANGEMENTS: BASELINE INSTITUTIONAL CASE STUDIES FOR THE INDEPENDENT COMMISSION

SUMMARY OF RESEARCH FINDINGS

1 Introduction

- 1.1 This report summarises the findings of a study commissioned by the Department for Education and Skills (DfES), and carried out in 2005 by a research team based at the School of Lifelong Education and International Development at the Institute of Education, University of London. The team was led by Professor Michael Shattock.
- 1.2 The purpose of the research was to study the policies and processes being developed in relation to, and perceptions about, the variable fee policy - and the new student support arrangements (NSSA) more generally - in a sample of English universities and colleges. The research was designed to collect data on these matters prior to the actual introduction of the new arrangements in September 2006, under the provisions of the Higher Education Act 2004. DfES intends to commission follow-up research to re-visit each of the sampled institutions, once the new student support arrangements are operating and have bedded-in. The two sets of findings are then expected to form part of the evidence base which DfES will submit to the Independent Commission which will be set up to review NSSA, and which will report to Parliament in 2009. The snapshot of the situation in mid-2005 presented by this study is therefore intended to contribute in due course to this broader picture.
- 1.3 The start of our work coincided with the approval by the Office for Fair Access (OFFA) of the first Access Agreements submitted by universities and colleges, as required by the 2004 Act for all institutions wishing to charge fees above the standard level. Much of our work involved studying the policies underlying, and the proposed operation of, these Access Agreements.
- 1.4 We should say at the outset that, from our visits to institutions across England, it was apparent to us that universities and colleges are going to great lengths to

ensure that students derive the maximum advantage from the new arrangements. The research team also wish to record their appreciation of the hospitality and cooperation which they received on all their visits.

- 1.5 The authors of this report acknowledge with gratitude the important contributions made to its preparation by the other members of the project team: David Billing, Kelly Coate, Ian McNay and Harold Thomas.

2 Research methods and organisation

- 2.1 DfES established a steering group to oversee the project. It first met in March 2005. As well as representatives of the Department and of the research team, it included representatives of HEFCE, UUK , SCOP and AoC. The research team reported regularly to the steering group as to their methods, and on progress overall.
- 2.2 A sample of 15 institutions was selected, using a set of statistical indicators designed to reflect, so far as possible, the current wide diversity of English higher educational provision. As well as institutional profiles (covering size, subject mix, teaching and research mix, funding sources, type of intake), regional spread was also taken into account. A number of institutional pairs were selected – different types of institutions in reasonable proximity – in an attempt to control for local effects unconnected with NSSA. This selection took place before OFFA had approved the first university and college Access Agreements in March 2005. However, the Access Agreements of the selection were checked for representativeness against approved Access Agreements generally, and it was concluded that the selection provided a reasonable sample of Access Agreement types.
- 2.3 All but one of the institutions initially selected agreed to take part in the study; the one refusal was substituted by another institution that exhibited the same general characteristics. Each institution was asked to nominate a liaison person to help make the arrangements for the survey. The letter to institutions inviting them to take part, and the background information provided to them, appear at Annex A.

- 2.4 So that staff would feel able to speak frankly to the research team, institutions were guaranteed the confidentiality that is available within the current legal framework. They are therefore not identified in this report.
- 2.5 An interview schedule (at Annex B) was prepared by the research team, and agreed with the steering group. The schedule was piloted through interviews at one university, and some minor amendments made as a result before being put to general use. The questions have proved to be applicable in all the institutions surveyed, though with differing emphases reflecting the circumstances of each case. Although discussions with interviewees ranged widely, data were presented for each case in a form which followed the schedule, in order, particularly, to make it easier to draw comparisons when the follow-up study is carried out.
- 2.6 Each case study institution was visited by a team of two (occasionally, one or three) interviewers from the research team, whose members are listed in Annex C. Each visit typically lasted two days. The interview teams were re-shuffled for each visit, in an attempt to minimise any inadvertent interviewer bias. Fieldwork took place between mid-May and early August 2005.
- 2.7 Typically, the interview teams met: (i) members of the institution's senior management team, usually a pro-vice-chancellor, deans or equivalent, and senior administrators responsible for student matters, marketing and finance; (ii) staff at more operational levels responsible for academic administration, marketing, student recruitment, widening participation, student welfare, and related issues; and (iii) a group of academic staff with management responsibilities at faculty or department level. A pre-determined range of academic areas were sampled at each institution, so that all main subject areas were covered by the study overall.
- 2.8 The interview schedule was written-up by the interview team, and then sent to the institutional liaison person to obtain approval as to the accuracy of the report.
- 2.9 It was decided that it was necessary to discover the views held in Scottish institutions of higher education about the impact that NSSA in England might have there. After consultation with Universities Scotland, telephone interviews were carried out with seven senior staff in six Scottish universities.

3 The findings: introduction

- 3.1 NSSA represents arguably the most significant change in English higher education student fee and support arrangements since the 1962 Education Act introduced the mandatory award system for full-time undergraduates. The intention behind NSSA is that the introduction of variable tuition fees will create new market pressures, leading to improved provision for students while also providing increased income for universities and colleges. A largely unanticipated consequence of NSSA has been the planned re-introduction, although at present on a relatively limited scale, of financial support to students based on academic merit, rather than purely on the basis of financial need, something which disappeared in the UK (at least, when it involved public money) with the introduction of mandatory awards. There is, then, a sense in which the 44 years between 1962 and 2006 may be viewed as an anomalous period of national uniformity of support arrangements, sandwiched between periods when local variations were the norm.
- 3.2 It follows that a change on this scale is viewed by higher education institutions as being potentially destabilising: the English higher education student market is now a complex and competitive one, particularly at undergraduate level, and the sudden injection into it of this degree of variability is unprecedented. No-one can predict with any certainty what the implications will be in terms, particularly, of student applications: each institution is making slightly different choices about its fee and support offer, and students are mainly unsure about what these offers will mean for them, and how they should respond. At present, both “buyers” and “sellers” are guessing about the implications of their choices.
- 3.3 On the other hand, it was claimed in some institutions that the introduction of up-front fees in 1998 had had no noticeable impact on their student recruitment, and there was an expectation that NSSA would turn out similarly, even allowing for the new element of variability of fees. Other institutions, however, particularly in northern England, had noted a reduction in the recruitment of Scottish students as a result of the fee differential.

- 3.4 An increased regional dimension in student recruitment from 2006 is widely anticipated in post-'92 universities, where competition is mainly with similar institutions in relatively close proximity. There is an expectation that institutional catchment areas will reduce, with fewer students recruited from beyond the immediate region.
- 3.5 It is premature to attempt to draw firm conclusions about the financial implications of NSSA by type of institution, either in terms of institutional spend on bursaries and scholarships (excluding two outliers, the current range is between 18 and 33% of estimated extra income), on the costs of additional administration and outreach work, or on the uses to which extra fee income will be put. This is partly because our study shows considerable variation in these matters (unlike with some other issues) across institutions of all types. Not only does the size of our sample prevent us usefully pursuing this in more detail, but the relevant data are all estimates made early on in the process, without knowledge of competitors' strategies, details of internal costs, and student preferences.

4 Institutional positioning in the higher education marketplace

- 4.1 All the institutions studied were extremely sensitive about their position in the higher education marketplace. They saw this as being reflected in their position in league-tables of various sorts, in the number and quality of their applicants, in trends in these matters over time, and in private surveys of potential students' perceptions of the institution. An understanding of their institution's position in the marketplace was the primary factor in mind when managements and their governing bodies set the fee level. But it was unclear to institutions how these current perceptions of institutional quality would be affected by the range of financial packages generated under NSSA. Among most pre-'92 universities, research strengths were viewed as a (or, the) key factor in determining institutional reputation: so in this sense there is a perceived connection between research (because of its reputational effect) and matters which strictly are to do with teaching.

- 4.2 But there was also often a sense, particularly among some post-'92 universities and colleges, that NSSA might be fashioned into a tool that could be used to defend or strengthen the institution's market position. Offering scholarships to able applicants, or using them to bolster recruitment to subjects with falling numbers, thereby improving league-table rankings, were examples of this use of NSSA. At the least, the bursary opportunities flowing from NSSA might help them target under-represented groups more effectively. In some institutions, bursaries are to be paid in "end-loaded" instalments, with the final, larger, payment made at the successful completion of each year. Some institutions are to make awards after the student's first year dependent on a defined level of academic attainment. By these means, it is hoped to improve retention and completion rates, and hence league-table positions.
- 4.3 In the already strongly marketised English higher education system, then, NSSA is viewed as, simultaneously, a threat to student markets, and an opportunity to use new resources to assist with institutional repositioning.
- 4.4 The great majority of English universities (all but one of those that we surveyed) have set the fee at the maximum £3000 level. In many cases, the need to do so appeared virtually self-evident to the senior managers and governors involved, and the decision was made quickly. In other cases, where market positions were considered to be weaker, the decision was made after longer consideration, involving a process of financial modelling, with fee levels of £2500 or £2700 usually considered as alternatives to the full fee. The deciding factors to opt for the full fee, as described to us, were usually the concern to avoid appearing to be "cheap" and therefore (it was thought students would assume) of inferior quality; and the need to maximise income, sometimes to deal with difficult financial situations. In the university college sector, the need to retain student numbers in competition with universities of perceived higher status led, in the cases we examined, to decisions to set the fee slightly below the maximum. This was usually a hotly-debated decision internally, especially among departments which recruit well, and which did not wish to appear as "cheap".
- 4.5 Insofar as NSSA was intended to create a market with fee levels varying between institutions, it appears that the £3000 level is at the very borderline of achieving

this. After a bursary payment package acceptable to OFFA and the extra administrative costs involved had been deducted, in most cases institutions felt that the net figure remaining from a £3000 fee was too small to make a lower fee offer financially viable.

- 4.6 However, the “headline” £3000 fee, in the case of many teaching-led universities, is not the relevant figure that most of their entrants are expected to consider. One university has devised a system under which nearly all its entrants will receive a £1000 bursary; more typically, students will receive bursaries ranging from the minimum £300 to £1000, depending on some mix of family circumstances, academic ability and subject of study. These universities have therefore used NSSA as a marketing tool – “we are confident enough of our status to charge the full fee” – while in practice safeguarding their market share (in most subjects, these institutions are “recruiters” rather than “selectors”) by providing significant up-front payments for the greater part of their intakes. There is, then, rather more of a fee-related market (actually, a bursary market) developing than the uniformity of the stated £3000 level might suggest. Whether students will, in fact, make choices influenced by small financial differences, rather than on current determinants such as institutional reputation, course content, location and so on, remains open to debate: most respondents thought that, generally, they would not.

5 Planning and implementation of NSSA

- 5.1 In the research-led universities studied, after initial discussion by the senior management team (SMT), planning and implementation of NSSA was usually delegated to a group drawn from marketing, student recruitment, and widening participation staff, reporting to a pro-vice-chancellor or other senior manager. In teaching-led institutions, where NSSA was seen as potentially affecting a major element of the institution’s business, planning and implementation tended to be kept closer to the SMT, although there was usually also a working group led by a senior member of staff. Finance staff were in all cases involved in modelling the financial outcomes of different fee levels.

- 5.2 Governing bodies were involved in various ways. Sometimes, particularly in institutions where adopting the full fee was seen generally as a foregone conclusion, governors seem essentially to have consented to a decision made elsewhere. In other cases, in teaching-led institutions, governors often took a significant part in the decision-making process, sometimes with special conferences being held to discuss the issue. Differences of opinion between governors and the SMT arose in several cases in post-'92 universities and colleges, before a final decision was reached. There was evidence that governing bodies had challenged management views and had ensured a full debate.
- 5.3 All institutions were working from very limited data on the financial means of their students, because the Student Loans Company provided only the total numbers of those receiving full, partial or no fee waivers. The more complex the institution's bursary scheme is, the greater is the degree of estimation as to what it will cost. For those institutions concerned whether recruitment targets will be hit, the projection of income has added uncertainty.
- 5.4 The Government's intention is that most of the extra fee income should be additional resource for the institution to spend as it sees fit. OFFA's only guidance was that committing less than a quarter of the new income to access measures might be appropriate for an institution already attracting "a socially diverse range of applications". As the financial data in all institutions' Access Agreements is in the public domain, we have not analysed those for our sample in any detail. In the percentage of extra income committed to bursaries and additional outreach by 2010/11, there is a clustering in the range 20-25%, not restricted to institutions likely to meet OFFA's criterion. The percentage going to additional outreach runs from 0.2% to 9.6%, with clustering around 1.5% to 3.0%.
- 5.5 NSSA was found to be having an effect on the organisation of student-related services within a number of institutions, of all types. The need to consider how to respond to, for example, the assessment of student eligibility for bursaries has led to organisational changes involving student recruitment, student welfare and finance departments. Student record systems in some cases were being changed to allow individual students to be tracked more readily, and additional processes were being introduced between the offer and acceptance stages of student

recruitment, particularly where scholarships were to be awarded competitively and generally to improve the yield from offers made. The capacity to give financial advice to both applicants and registered students was being increased, anticipating, among other things, the need to advise on more complex cases involving those eligible for state benefits. There was a widespread sense of needing to respond more quickly and positively to student requests, prior to and after admission, and this was being reflected in organisational restructuring: “putting students at the centre of thinking” was how this was described in one university.

- 5.6 These and other changes were connected with the view that students would have heightened expectations of service, in many respects, from 2006. There was concern in some institutions that students would have unrealistic ideas about what their fees would be “buying”, and this might lead to some difficult tensions between students, and academic and administrative staff.

6 Institutional strategy

- 6.1 We found little evidence that institutional strategies, or shorter-term plans for matters not immediately linked to student recruitment, as noted above, had been influenced by NSSA. Key strategies, whether for improved RAE scores or better penetration of low-participation neighbourhoods, had usually been settled before the Access Agreement was prepared, and NSSA had not led to any fundamental re-thinking. Rather, NSSA-related matters had been incorporated into a range of sub-strategic existing policies and processes (in finance, marketing, infrastructure planning, and elsewhere), influencing each of them to an extent. In some cases, NSSA was being used as a means of persuasion internally to push forward changes in these areas.
- 6.2 Most post-'92 universities and colleges felt that NSSA would cause them to become more strongly regional in their recruitment. This would be as a result of sharpened competition with other institutions in their general category, and the targeting of bursaries on limited geographical areas. Institutions which traditionally recruited significantly from Scotland or Wales thought it likely that there would be a

fall in numbers as a result of the different Scottish and Welsh fee regimes. Within England, post-'92 universities usually saw their main competitors as other similar institutions in the same region, or just beyond. A concomitant of this sharpened regional competition could be the erosion of collaboration between institutions, where there was no powerful direct benefit for both parties.

- 6.3 In most universities and colleges, institutional activity in teaching and research is largely implemented through a resource allocation model (RAM) which allocates funds to academic departments, using pre-determined criteria. It was not thought that NSSA would create any difficulties in this respect: for example, the risk of creating disincentives to widening participation work, by passing on fee income to departments but making bursary payments a charge on their budgets, had been generally identified, and changes made to RAMs to prevent this (but see para 10.1 et seq). In many cases, the extra resources available for use at academic departments' discretions will be small, as fee income will be devoted mainly to corporate priorities.
- 6.4 Whether the decision-making will take place centrally or in departments, there was a widespread (though not universal) view that a significant part of the new fee income should be spent in ways that will have a direct impact on the student experience: a better standard of teaching and social spaces, improved libraries, and more and better IT, for example. In other cases, the extra income will go into the main institutional budget, to help fund the costs of the new common pay spine (often identified as a new financial burden), and other general institutional costs. The emphasis often found on the need to spend more on physical infrastructure seemed to us to be noteworthy.

7 Widening participation

- 7.1 The institutions studied can be divided into two categories. For one, widening participation was a core element of their identity and mission, reinforced by the constant need to attract students with relatively limited academic qualifications for financial reasons. In the other category were institutions able, in most subjects, to recruit academically well-qualified students.

- 7.2 Even so, all the pre-'92 universities in our sample, even the most academically selective, took very seriously their responsibilities to widen participation, although the top institutional priority was usually maintaining and improving its RAE rating. While all had existing outreach activities of various kinds, these were usually being re-designed and extended, drawing in some cases on the new fee income, in an effort to meet HEFCE benchmarks and to help less privileged students in various ways. Academic departments were responding in different ways. One faculty we visited, which could fill all its places with straight-A graded students, was working to recruit more students from local schools, accepting that they would have lower grades. Some institutions of this type are providing high levels of support (£1000 per year) for students receiving government financial support – although the proportion of such students will typically be much lower than in a post-'92 university. Other universities were planning to use scholarships to maintain high A-level scores in areas that were not recruiting well.
- 7.3 Bursary arrangements are being seen in many institutions as a “shock absorber”, to minimise the impact of the fee regime on students from poor families who might, it is feared, otherwise be deterred from entering higher education.
- 7.4 Uncertainty – at the time of the interviews - over the future funding of Aimhigher (which provides impartial advice on a regional basis for students considering higher education), and the reduction in local collaboration to which that this might lead, was widely felt to be unhelpful at a time when NSSA was both increasing the complexity of the admissions process and sharpening concerns over competitive positioning among institutions.
- 7.5 The related matter of student perceptions of debt has been of widespread interest and speculation in all the institutions sampled. On the basis of focus groups, discussions in schools, and handling phone enquiries, most institutions did not report any widespread concern on the part of students themselves about levels of student debt arising from NSSA. Students seemed able to weigh the debt burden against the benefits of higher education, and generally to conclude that the benefits remained positive. It was reported, however, that parents seemed more concerned about levels of debt – perhaps, some respondents speculated, because

they saw themselves as continuing to have financial responsibilities for their graduate children.

- 7.6 In a number of institutions, of all types, private funds were to be used to supplement bursary payments in various ways, often to reward academic merit. One university is awarding over £400,000 a year in privately-funded scholarships, worth around £1000 each, on the basis of academic achievement. Another intends to use some of the additional fee income for fundraising from alumni and others, to support scholarship, hardship and similar schemes with a widening participation focus.

8 Foundation degrees and part-time provision

- 8.1 The post-'92 universities sampled have partnership agreements with varying numbers of further education colleges in their areas, which teach for foundation degrees awarded by the university. Fees set for foundation degree courses are usually lower than at the awarding institution itself, leading to the possibility of obtaining an honours degree more cheaply, by taking a foundation degree and adding a further year of study at the awarding institution, at the higher fee. (But in some cases, two years' university study is needed.) If the former possibility becomes a significant reality, some respondents noted that there may be moves to increase foundation degree fee levels, which may deter some applicants. There was thus concern about a potentially destabilising effect on foundation degrees, although it is too soon to make any predictions.
- 8.2 There are differing views about the effect of NSSA on part-time provision for undergraduate degrees. One view is that part-time study will be encouraged, to avoid meeting the full fee and maintaining an income while studying. Another view is that it will be discouraged, as part-time students will not be eligible for bursaries. It was noted that some mature students might have their bursaries offset against state benefits, thus falling into a newly-created poverty trap. Again, it is not yet possible to see what the outcome for the future of part-time study might be, much depending on decisions yet to be taken as to whether or not part-time fees would be set pro-rata to full-time. (Our interviews were conducted before the

Government's announcement of 18 October, increasing the statutory fee support for part-time students.)

- 8.3 Sandwich courses, already at risk through up-front fees (despite institutions discounting the placement year fee), will face further pressures from NSSA, it was thought, as the extra fee costs of the placement year could make them more unattractive to students. There was a suggestion that "DIY sandwiches" would become popular, with students simply taking a fee-free year out and making their own arrangements to gain relevant work experience, though without institutional support.
- 8.4 All these matters are particular examples of the current uncertain nature of the higher education market, where various hypothetical possibilities are being examined without as yet empirical data one way or the other. The dangers of destabilising the foundation degree and part-time markets are evident, however.
- 8.5 There is some concern about the survival of part-time study not leading to degree-level qualifications (the traditional "extra-mural" provision), at least in research-intensive universities. Raising the fees pro-rata to full-time undergraduate courses may effectively kill it. Keeping the fees low will tie up HEFCE-funded places which might, in strategic terms, be better deployed in financing mainstream teaching.

9 Marketing and publicity

- 9.1 There was considerable concern in all institutions about the way in which NSSA had come to be presented nationally as "top-up fees". As a result, most universities had begun major local or (sometimes jointly with neighbouring institutions) regional publicity campaigns, mainly through their feeder schools, to convince potential students and their parents that students would not, for example, have to pay £3000 in cash at the time of registering. Institutions were working to spread the "good news" about the removal of up-front fees and the introduction of bursaries that should have been the focus, many thought, of a national campaign. It was widely hoped that when the facts became apparent for the 2006 intake,

news would spread rapidly among young people and present anxieties would evaporate.

- 9.2 It is worth noting that, in the post-'92 universities particularly, a great deal of staff time has been, and is being, expended merely to remove mistaken understandings in their catchment populations, and to prevent NSSA having a negative impact on widening participation and recruitment generally. In this respect, it appears that NSSA has imposed additional costs (certainly, opportunity costs) on institutions, long before any extra fee income is received.
- 9.3 A matter related to marketing is the concern about whether discounting of the fee will occur, either in UCAS Clearing or generally. There was concern that Clearing would become a new market. All institutions were emphatic that they would not discount, but were less sure about whether others would, particularly for students with good A level scores who would help to achieve widening participation benchmarks. Although institutions had not, at the time of our interviews, considered in any depth the implications for NSSA of a post-qualifications admissions system (PQA), respondents anticipated that a shortened admissions process would make it even harder for applicants to make well-informed choices amongst the financial packages on offer.

10 Effects on subjects

- 10.1 There was a belief that that NSSA would intensify current trends so far as individual subjects and courses with recruitment difficulties were concerned. Where subjects were struggling to recruit - some science and technology courses, for example - there was concern that NSSA would make the situation worse. As noted, some bursaries are being targeted at subjects in this position. In some cases, more vocational degrees, or vocational options in pure degrees (maths with business, for example), were being introduced to try to improve recruitment, though this was usually only tangentially related to NSSA.
- 10.2 A particular concern was over 4-year degrees, in science, technology and the year abroad for languages. The extra financial burden for students was often being

addressed by special bursaries. Another concern was over the continued viability of 4-year BEd courses, already under pressure, in the face of PGCE students collecting bursaries of at least £6000. The position of sandwich courses has been noted.

- 10.3 Some institutions have large numbers of students sponsored by the NHS, local authorities, and other employers, who would not be affected personally by NSSA. This is a reminder that the full-time, school-leaver undergraduate is, in terms of headcount, a minority group in higher education today.

11 Scotland

- 11.1 We spoke to senior officers at, typically, Vice-Principal level in six Scottish universities, to investigate what they thought would be the impact of NSSA on their institutions and on Scottish higher education more widely. The letter of invitation and the interview schedule are at Annex D.
- 11.2 The context includes a very favourable grant announcement by Scottish Ministers in November 2004. It gives, on Universities Scotland's calculation, a 15% real-terms increase in grant-plus-fees ("resource") over three years, with the largest increment in 2006/07 going a long way to compensate for England's extra fees from students. The Scottish institutions feel they enjoy higher public regard, and more favourable and informed media interest, than their English peers, and hence more political leverage.
- 11.3 Although applications from England to Scotland increased by 17% this year, the increase in acceptances is only 5%. Many candidates are likely to have been ill-informed about the future student finances in both countries. The general opinion is that, given courses one year longer and the fees proposed by Scottish Ministers - and maybe after initial turbulence - there will no *significant* change in cross-border traffic. Students' choices are unlikely to be determined by small differences in fee levels; those really concerned about costs will prefer to live at home and study at a local institution.

- 11.4 Nevertheless there will be a more complex pattern underneath. Some Scottish institutions are as a matter of policy seeking to diversify their intake beyond their traditionally local base, in order to enhance the educational experience of all students. They are targeting some parts of England, as well as further afield. The incentive is reinforced by the decline in the school-leaving population (the 16-24 age group peaks in 2006 and declines by 20% to 2026). Those universities traditionally attracting English students, however, show no inclination to exploit that market further. There is some evidence of independent schools in the east of Scotland directing pupils to a wider range of Scottish universities.
- 11.5 The increase in applications from the rest of the EU has been greater in Scotland than in England, but is attributed to the degree structure being closer to continental structures, rather than lower fees. Some Scottish institutions are keen to exploit this advantage, and a consortium is forming for EU recruitment. The Executive's 'Fresh Talent' initiative to attract new blood to the workforce from outwith the EU is indicative of political encouragement to recruit widely.
- 11.6 There is concern that English institutions will, by using bursaries, cream off bright Scottish students from disadvantaged backgrounds. Also, the competition amongst the English institutions has led them to improve teaching and social facilities – what students see during recruitment – while the Scottish institutions have not needed to and so may look dowdy by comparison.
- 11.7 The sharper selectivity in English “R” funding is already seen as weakening the competitive position of Scottish research-intensive universities. For some in those universities, the largest area of concern is that the £3000 fee cap will be removed, so allowing prestigious English institutions to pull ahead in the international league. There is divergence of opinion on whether the Scottish Executive would be able to maintain the competitiveness of Scottish research, by bridging the gap from public funds, or alternatively by making a policy change and allowing higher student contributions.
- 11.8 There was similar divergence of opinion on SHEFC's “research pooling” initiatives. The more pessimistic view is that institutions will support the initiatives, and that pooling in Physics and Chemistry (in the absence of action in England) may attract

researchers (both British and foreign) to Scotland, but that the collaborative structures may not be effective over time and are less appropriate in other fields.

11.9 Recruitment of academic staff is increasingly international at middle and junior levels and is no longer restricted to research “stars”. We did not find evidence, or concern for the future, that, with extra income from higher fees, English institutions would be advantaged in recruiting staff.

11.10 One view is that the fees in England will give institutions a dependable income stream against which they can borrow to improve their facilities generally and thereby enhance competitiveness. We did not find this view widely shared.

ANNEX A

LETTER OF INVITATION TO ENGLISH INSTITUTIONS

21 March 2005

Dear

New student support arrangements: institutional case studies

I am writing to ask whether you are willing for [] to serve for one of fifteen case studies of the introduction of the new arrangements for student support. I enclose a background note describing the project.

My team is being funded by the DfES to carry out the work and I very much hope that you will feel able to agree to your institution being one of the case study sites. We have drawn up the list of institutions we are approaching, so as to be reasonably representative of the diversity of the higher education system. The results will feed into the independent commission to be appointed by the Government to review the arrangements in 2009. The Department attaches great importance to the case studies, and you should soon be receiving a letter from Sir Alan Wilson, the Director General for Higher Education, emphasizing his hope that you will feel able to participate.

I realize that some of the information we are seeking may be regarded as confidential. Paragraph 11 in the background note explains how we intend to treat information we receive from you.

If you or a colleague wish to discuss the project before you decide your response, please do call me on 020 7612 6363, or Dr Paul Temple at the Institute on 020 7612 6463 (p.temple@ioe.ac.uk) or John Farrant, who will be managing the project, on 01273 478133 (farrant@universitas.co.uk).

I do hope that you will be willing to participate. We would wish to work through someone you nominate, and it would be helpful to be given a name at this stage so that we can get ahead with the necessary arrangements.

Yours sincerely

Professor Michael Shattock

New student support arrangements: institutional case studies

BACKGROUND NOTE FOR CASE-STUDY INSTITUTIONS

1. During the passage of the Higher Education Bill 2004, the Government undertook to establish a review, by an independent commission working with the Office for Fair Access and reporting to Parliament, on all aspects of the new funding arrangements, based on the first three years' operation. The Secretary of State announced the draft remit on 26 January 2004, as covering three main areas:

- The impact of the new arrangements on higher education institutions
- The impact of the new arrangements on students and prospective students
- Future policy.

He stated that work to establish baseline data for the review would begin in the 2004/05 academic year. Our project is part of that work.

2. The first area, the impact on HEIs, would encompass:

- Charging policies, and how far HEIs have varied their fees.
- The additional income HEIs have raised and how they have used it.
- The provision of bursaries and other financial support.
- Any effect on the range, mix and take-up of subjects and qualifications offered, including any effect on Foundation Degrees, courses lasting longer than three years and the regional composition of HEI provision.
- A financial assessment of the relative impact on different parts of the higher education sector, and an analysis of future funding pressures.

3. DfES has drawn up a strategy for assembling evidence for the review. In respect of the impact on HEIs, this has two threads. The first is the analysis of data which are or will be collected for all HEIs through other channels, e.g. OFFA and HESA. DfES intends, in the first instance at least, to draw on annual reports being planned by Universities UK. The UK Board approved, last October (paper UKB/04/56), an annual, statistically-based, exercise from 2005 to 2010 to monitor the impact of variable fees. The first round of data analysis, for all HEIs, is being initiated now for publication in summer 2005. Universities UK is represented on the Steering Committee for our project and we are ensuring that our activities are co-ordinated.

4. The second thread involves institutional case studies, which the DfES has commissioned from a team based at the Institute of Education. DfES's intention is to examine each of fifteen English HEIs, twice. Ours is the baseline study, exploring the situation in the HEIs in the spring/summer of 2005, before the introduction of the new student support arrangements in 2006. The project will collect evidence on their preparations for, and expectations of, the forthcoming reforms. This will form the base for the follow-up case studies, to be commissioned separately, in 2008/09 which will assess the impact of the reforms on the HEIs. Case-study institutions participating in 2005 can expect to be invited to contribute to the follow-up exercise.

5. We have selected fifteen institutions, as representative of the sector by reference to fee and bursary levels, student profile (with particular reference to 'access' indicators), subject spread, research intensity and region. The sample comprises one mixed-economy further education college, two higher education colleges and twelve universities. We expect also to make two case studies of Scottish institutions, operating under a different regime for student support.

6. Our proposed method and timing are as follows:

- creating a list of issues to be explored, amplifying the headings in the independent review's draft remit (March and April)
- recruiting the sample institutions and talking with the designated contacts (March and April)
- assembling relevant statistics and indicators for four or five years past from public sources for the each sample institution (April and May)
- piloting the interview instruments in one sample institution (May)
- studying background documentation provided by the institution (May and June)
- conducting interviews with staff in the institution (June and July)
- preparing a summary of the information collected under each issue (July and August)
- submitting the summary in draft for signing off by a senior member of the institution (September)
- submitting to DfES the summary and the supporting documentation (October)

7. What we ask of the sample institutions is that you:

- nominate a member of the senior management team as our top-level contact and a member of the administrative staff (e.g. in the planning section) for day-to-day liaison and arranging interviews
- give us copies of key internal documents on how you are responding to the new funding arrangements
- allow us to interview an agreed list of staff performing roles relevant to the issues
- review the draft summary before it is submitted with the supporting documentation to DfES.

8. The central element is the interviewing. We wish with talk to people- around 15, not more than 20 - managing the implementation of the new arrangements or responding to their likely impact, both across the institution and in one or two selected subject fields. They are likely to include one or two members of the senior management team, the director of finance, staff responsible for admissions, marketing and outreach,

student support and welfare, and deans or heads of departments in the selected subject fields. We hope to talk face-to-face, either individually or in small groups, but otherwise by telephone. We also hope that the face-to-face interviewing can be done within two consecutive days by two interviewers working together or separately, but we will be as flexible as the exigencies of the timetable and travel allow.

9. As well as formal institutional policies (e.g. the Access Agreement), we will be soliciting individual judgments as to what may happen in implementing policies or should happen in areas where no institutional position has (yet) been taken, and our summary will attempt to capture diversity of opinion. We recognise the challenge of identifying the likely impact of these funding reforms, separately from other foreseeable changes, particularly in relation to expenditure of the net additional income.

10. We will designate a lead interviewer who will liaise with the contacts you have named. All the lead interviewers have held senior management posts in English universities and have also conducted similar projects for DfES or HEFCE.

11. We recognise that we will seek access to information which the institution considers to be confidential. You may wish to make a written statement, to the effect that you are allowing us access to data in confidence, both in your own documents and in our notes of interviews; that it may be held confidentially, for use in the follow-up study in 2008/09; and that only at that time should the question of publication be addressed. If you make such a statement, we will hold the data on that basis, and we will make a corresponding statement when submitting the data to DfES. DfES wishes to receive a report which can be published, but we intend that this will primarily explain our methodology and will contain at most a brief statement of main findings, placed in the context that our work was only the first part of a two-part project. We will not list the case-study institutions by name and will refer to them by sobriquets.

21 March 2005

ANNEX B**New student support arrangements: institutional case studies****INTERVIEW SCHEDULE**

Variable tuition fees, higher means-tested grants for students, and bursaries funded by universities and colleges will be introduced in Autumn 2006. The Government is committed to a review of all aspects of these new student support arrangements ('NSSA'), based on the first three years' operation, by an independent commission working with the Office for Fair Access and reporting to Parliament. The Department for Education and Skills has drawn up a strategy for assembling evidence for the review. One element is case studies of fifteen universities and colleges, to explore in the spring/summer of 2005 the thinking behind their Access Agreements recently approved by OFFA, and their preparations for, and expectations of, the new arrangements – with a follow-up in 2008/09 to ascertain their actual impact.

DfES has commissioned the Institute of Education to undertake the first, baseline, phase of these case studies. The Institute's team is directed by Michael Shattock, Visiting Professor of Higher Education Management. We greatly appreciate the willingness of the vice-chancellors and principals whom we approached for their institutions to be studied. We are carrying forward each case study by interviewing around 15 people involved, to greater or lesser degree, in implementing the new arrangements – both in administrative departments and, across all the case studies, in a representative sample of academic subjects.

We have drawn up the following schedule of questions, the answers to which, along with some supporting documents, will constitute a case study. The letters A to F indicate the staff from whom we expect primarily to gather information and opinion on each question:

<i>A. SMG (Senior Management Group), Planning, Finance</i>	<i>We expect to start with the Planning staff and collect the factual answers, the implications of which will then be explored with Pro-Vice-Chancellors and other senior managers</i>
<i>B. Marketing</i>	
<i>C. Outreach</i>	
<i>D. Recruitment and Admissions</i>	
<i>E. Student Services and Registry</i>	<i>Student Services in the widest sense, including learner support, welfare, financial administration, accommodation, recreation, etc.</i>
<i>F. Subject areas</i>	<i>Two areas in each institution, of the scope of (traditional) faculties, e.g. medicine, engineering, physical sciences, social sciences</i>

'NSSA' stands for the New Student Support Arrangements.

'Policy' means all the thinking behind the Access Agreement and any other response to NSSA.

Questions
<i>A. SMG (Senior Management Group), Planning, Finance</i>
A1. How did you develop the policy embodied in the Access Agreement?
A2. What is the rationale behind the policy?
A3. Has the policy had any impact on plans for your portfolio of provision (level, mode, subject, partnerships, etc.), student numbers and student profile (age, home location, etc.)?
A4. Are any (other) changes in mission and strategy likely to be triggered by NSSA?
A5. What other changes in the HE environment are significant for you and how do they rank in importance relative to NSSA?
A6. Is the net additional fee income, as in the Access Agreement, likely to prove a realistic estimate?
A7. How will your resource allocation system assimilate the NSSA?
A8. To what will you allocate the net income?
A9. Which, if any, of your subject areas may lose or gain from NSSA and your policy?
A10. What mechanisms for evaluation of impact have you put in place?
<i>B. Marketing</i>
B1. What market research have you done to inform the policy and/or your marketing strategy?
B2. How will the policy be presented to your publics (e.g. students, parents, any other stakeholders)?
B3. Will you be modifying which groups you are aiming to reach and which to attract as applicants?
B4. Who do you see as your competitor/benchmark institutions, and how do you see your policy as different from theirs?

<i>C. Outreach</i>
C1. How far did the Widening Participation Strategy for 2001/4 inform the policy behind the Access Agreement?
C2. How are NSSA and your policy changing your Widening Participation Strategy from what it might otherwise have been?
C3. What targets have been set?
C4. What factors will affect the targets' achievement?
<i>D. Recruitment and Admissions</i>
D1. How do you expect your operations – both pre- and post-application - being affected by the policy?
D2. How do NSSA / your policy compare for their likely impact on admissions processes with other impending or possible changes, such as PQA?
<i>E. Student Services and Registry</i>
E1. How will NSSA change your processes for providing financial advice and allocating financial assistance?
E2. What changes do you expect to flow from the policy, in the range and form of services for students?
<i>F. Subject areas</i>
F1. What use if any do you make of widening-participation statistics and benchmarks in your [department's] planning?
F2. Arising from the policy, what, if any, changes do you expect in the numbers, qualifications, characteristics, etc., of the students who apply and whom you admit?
F3. What, if any, changes do you expect to make in the range of your undergraduate provision (new courses, combinations, mode of delivery, etc)?
F4. What, if any, changes do you expect in teaching and learning strategies?
F5. Do you expect to change how 'non-traditional' students are supported, as a result of the policy? If so, how?
F6. Will your subject area be distinctively affected by the policy, by comparison with other subject areas in the university/college, or by comparison with the same subject elsewhere?
F7. What should be the priorities for spending the net additional fee income?

ANNEX C

MEMBERS OF THE RESEARCH TEAM

Professor Michael Shattock, Visiting Professor, School of Lifelong Education and International Development, Institute of Education, University of London: Project Director

Mr John Farrant, Partner, Universitas Higher Education Management Consultants: Project Manager and interviewer

Professor Ian McNay, Emeritus Professor of Higher Education and Management, University of Greenwich: adviser on higher education policy and its impact on institutions, and interviewer

Dr Kelly Coate, Lecturer in Teaching and Learning, School of Lifelong Education and International Development, Institute of Education, University of London: adviser on research methodology and interviewer

Dr Paul Temple, Senior Lecturer in Higher Education Management, School of Lifelong Education and International Development, Institute of Education, University of London: interviewer

Dr David Billing, consultant on management in higher education and local government, formerly Pro-Rector, University of Westminster: interviewer

Dr Harold Thomas, consultant on higher education management, formerly Academic Registrar, University of Essex: interviewer

ANNEX D

INVITATION LETTER TO SCOTTISH INTERVIEWEES

5 September 2005

Dear

New arrangements for fees and student support are being introduced in England in 2006. The Government is committed to their review after three years by an Independent Commission. In preparation for that review, we – a team at the Institute of Education University of London – have been commissioned by the Department for Education & Skills to conduct case studies in 15 English universities and colleges on what they expect the new arrangements' impact will be. There will be a follow-up in three years' time.

The Department has also asked us to investigate what impact the Scottish universities expect the English arrangements will have on them. The English institutions have had to take policy decisions, on fee and bursary levels, etc., so we have been investigating the 'institutional' view. That seems not appropriate to Scotland and we plan to speak to selected senior staff who have given thought to the matter, either in respect of their own university or of the Scottish system as a whole. The Department expects in three years' time to undertake a post-hoc review of impact on Scotland.

Universities Scotland has suggested people whom we might approach and that is why I am writing to you. Are you willing to be interviewed by telephone, at a time during this month arranged with you? I set out below our tentative list of issues, shaped by some preliminary discussion with Scottish colleagues and by press reports. Some issues may be outwith your knowledge and we are happy to be referred to colleagues whom you think may be able to help us.

The interviews will be conducted by Dr Paul Temple, Senior Lecturer in Higher Education Management at the Institute of Education, and myself. I was a Deputy Registrar at the University of Sussex and previously Director of University Relations at the Universities Funding Council; I have been a consultant for the last nine years. We will, if you wish, send you the notes of the interview, for your review.

We propose that all information and opinion which we collect in these interviews should be held confidentially, for use in conjunction with the review in 2008/09 which will lead to publication in, most likely, evidence to the Independent Commission. Our report to DfES on Scotland will list the people interviewed and we will name institutions, because we assume that the expected impact will differ depending on their present circumstances. But we will state that information within it has been given in confidence and DfES should hold the report on the same understanding and should not publish it.

DfES wishes to receive also a report on the project as a whole which can be published. We intend that this will primarily explain our methodology and will contain at most a brief statement of main findings, placed in the context that our work is only the first part of a two-part project. We will not name individual informants or institutions.

Please let me know whether or not you are willing to be interviewed, and if so with whom we should arrange a time.

Yours sincerely,

John Farrant

IMPACT ON SCOTTISH HIGHER EDUCATION OF THE NEW STUDENT SUPPORT ARRANGEMENTS (NSSA) IN ENGLAND.

ISSUES AND QUESTIONS.

1. **Undergraduate students coming from England.** Do you expect (have you already experienced) more applications from English residents? How might your university respond if this happened? Might your university, or some other universities, seek to recruit more students from England (as reported in the *Guardian*, 11 August)? Are additional applicants likely to be (or be sought) in particular subjects and have particular characteristics? Are fees for English students as proposed by Scottish ministers likely to have the deterrent effect intended?
2. **Undergraduates from other EU countries.** Will Scotland become more attractive to students from EU countries other than the UK? Will this be welcome?
3. **Undergraduate students going to England.** Some English universities have already experienced a drop in applications from Scotland. With, for example, English universities expecting to have more money to spend on the 'student experience', might this drop be reversed?
4. **Research.** Do you expect that English universities will put extra income collected from fees into research and will be able (or at least seek) to attract researchers away from Scotland? How might your university respond if this were to happen? Are the steps being taken in Scotland to maintain competitiveness in research (in particular 'research pooling') likely to be effective?
5. **Staffing.** Aside of researchers being poached, will the extra funds give English universities an advantage in recruitment and retention and the ability to pay higher salaries?
6. **Investment generally.** May the English universities gain a competitive advantage over Scotland from the additional funds, by borrowing against them and achieving a (general) improvement in physical facilities?
7. What aspects of impact have we missed in the questions above?