Implementing the financial provisions of the Higher Education Act (2004) – English universities in a new quasi-market

DPhil Thesis

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Trinity Term 2010

Abstract

The financial provisions of the HE Act (2004) were intended to introduce market forces into the relationship between higher education institutions in England and their full-time Home/EU undergraduates. The policies that underpinned that legislation were established by Parliamentarians during a period of intense public and political debate which accompanied the passage of the Act; now, as suppliers in a nascent quasi-market, universities are *de facto* responsible for their delivery. With that market beginning to stabilise, this research compares those political objectives with observed outcomes of the introduction of the Act.

Primary data has been collected through semi-structured interviews with key decision-makers in six sample universities – chosen to reflect both the spread of institutions in the sector and the range of pricing policies in operation – and with those involved nationally in shaping the legislation. From this material, supported by secondary quantitative and qualitative evidence, university pricing strategies are considered, in the context of theories of marketing and of higher education management, to provide an understanding of how institutions have structured their financial offerings with the aim of targeting specific markets for applicants.

Data from the sample institutions is then used to build a profile of the quasi-market that the suppliers within it are generating. Even though members of the sample have taken diverse approaches to price-setting, there are some clear consistencies that typify this emerging national market: prices are set through adjustments to bursaries, not fees; and complex financial offerings have created barriers to effective communication. Furthermore, as institutional managers analyse the effects of their own pricing strategies locally, they are observing these trends and thus, where any changes are being made, these tend towards simplification of bursary schemes and hence increasing homogeneity across the sector.

However, with the (index-linked) £3000 cap which currently applies to fees, it is increasingly apparent that the current quasi-market for full-time Home/EU undergraduates at English universities has not reached its price-sensitivity point and hence, this research argues, the market is not operating fully. Therefore, while this study offers an understanding of motivations behind current institutional actions and the nature of the resulting quasi-market, it also explains why it is not feasible to extrapolate from this information to forecast how the market might work were regulatory parameters to be changed significantly.

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Chapter 1

The financial, political and social contexts of the Higher Education Act (2004)

The legislation - the HE Act (2004) - that lies at the core of the topic which is under investigation in this thesis is one that was highly contentious at the time that is was being debated in the Houses of Parliament during 2003-4. It had a political significance that extended far beyond the specific area of policy to which it referred (Adonis 2007[1]), was headline news for many weeks and became a focus for the debate between the so-called 'Old' and 'New' wings of the then governing Labour Party. Charles Clarke MP, who was Secretary of State for Education at that time, recently described the context of this legislation as:

> ".....a very hotly contested political process where the opposition parties abandoned any rational consideration of the issues in order to try and gain political advantage from the potential unpopularity of the proposals, particularly amongst the relatively wealthy individuals and families who would end up having to pay more for the advantages they gained from university qualifications and resented the reduction in government subsidy to them." (Clarke, 2010)

Indeed, while the precursor HE Bill (DfES 2003), was under consideration, this wider political impact was such that, almost a year after that document's publication, on 9 January 2004, journalists at the daily briefing from the Prime Minister's Official Spokesman (2004) repeatedly probed the issue of whether Prime Minister Tony Blair would regard defeat of the legislation as a resigning issue. This question was driven in part by the fact that it was already apparent that the proposals within the Bill to reform funding and fees for full-time Home/EU undergraduates at English universities were highly controversial – to the extent that there was a real possibility

[1] Lord Adonis was interviewed for this research in 2007 – both factual information, as cited here, and interpretive data were collected; the latter is considered in detail in Chapter 7.

that this would be the first time that the Labour Government had lost a piece of legislation since it came to power in 1997.

The Prime Minister himself increased the political significance of this legislation when, in a keynote speech entitled *A future fair for all: Labour's university reforms* that he delivered on 14 January 2004, he described the principles underlying the proposed changes in fees and funding as: "essential to our success as a Labour government true to Labour values", positioning them (according to Pearce, 2004) at the core of his Government's wider programme of public service reform. Explaining the rationale for the proposed move to variable fees, supported by subsidised loans to students and the re-introduction of means-tested grants, Tony Blair (2004) said:

> "It's a big reform and these reforms are always difficult, and if you look back on the history of big social, economic, political reform in the past 20 or 30 years, they have always caused controversy because we're asking people to think anew and there are two elements of argument against us at the moment. One is to say, look University education should be free and therefore the whole concept of fees is wrong. Now I believe it is not fair to put all the burden on the general taxpayer, and I think the country will understand that as you expand higher education places it is fair to ask for the graduate to make a contribution back into the system once they graduate, but we have got to win that argument.
>
> "And the second argument is on the variability of the fee and there I think it is important to stress that to force all Universities to charge the same for every course and every University to be treated the same is just not either realistic or fair. There will be 2-year foundation courses that Universities will want to charge less for, than say a 3- or 4-year science or engineering degree, and I think that's perfectly sensible. Or a law degree. And I think to encourage that diversity is a good thing, not a bad thing."

When – after much behind-the-scenes negotiation - the precursor HE Bill (2004) finally passed its crucial Second Reading in the House of Commons on 27 January 2004, it did so with a majority of five, even though the Labour Government's parliamentary majority at that time was 161.

Thus, as they prepared to implement the financial provisions of the resulting HE Act (2004), universities found themselves under close scrutiny from politicians, government officials, the media and the wider public. While that climate has changed significantly in the last five years (as primary data collected for this thesis, considered

in Chapters 5, 6, 7 and 8, will reflect), the decisions that institutional leaders made concerning the fees that they would charge and bursaries they would offer from 2006 were influenced by that external context as it then existed (a point made by all the institutions that are studied in detail in Chapters 5 and 6). The rest of this chapter will therefore concentrate on describing that environment as it was around the time of the passage of the HE Act (2004) and outlining its origins in preceding major reviews and reforms of higher education in England (and, where it then applied[2], the UK more widely).

The financial context

The concept of variable undergraduate fees for full-time Home/EU undergraduates at English universities was first discussed in earnest by policy-makers in the early 2000s; however the concept of variable undergraduate fees was already well-established for overseas students[3], with different levels of fee set not only by individual institutions, but also for different courses at the same institution. As Table 1 below shows, there was already a spread of fees charged (UUK 2001) – a situation which was widely accepted by those within and outside the sector (Carasso 2004):

[2] Within the UK, responsibility for higher education policy has gradually been devolved to the national regions (England, Wales, Scotland, Northern Ireland), to the extent that the HE Act (2004) applies only to universities in England. Other regions now have delegated powers to make their own decisions concerning fees and funding, with some offering different provision to undergraduates from different national regions.

[3] UK universities have been able to charge unregulated fees to overseas undergraduates since the early 1980s

	Undergraduate		
	Classroom	**Laboratory**	**Clinical**
Number of institutions which supplied information on this type of course	94	88	19
Average fees (£)			
Lower quartile	6500	6939	17512
Median	6900	8375	17700
Upper quartile	7298	9500	18178
Approximate ranges (£)			
5th percentile	5867	6353	16804
95th percentile	8868	10608	20450

Table 1: International annual undergraduate fees charged by Universities UK member institutions (2001-2)

At the same time, in spite of the Labour Party's often-quoted mantra of "Education, Education, Education" (Blair 1996), the public funding for Home/EU students, in the form of the unit of resource provided by the Funding Council (the HEFCE 'T' grant for each undergraduate) was declining in real-terms year-on-year. By 2001-2, it had reached 63% of its 1979-80 value (Watson and Bowden 2007, pp36-7), however from 1998, this core grant was supplemented by student fees that were enabled by the Teaching and Higher Education Act (1998).

That legislation was introduced to Parliament following the publication in July 1997 of the report of the National Committee of Inquiry into Higher Education – more generally known as "The Dearing Report" (NCIHE 1997). It introduced major changes to both the funding of degree courses for Home/EU undergraduates, and to

the sources of financial support that were available to those students while they were at university. These provisions are summarised in Figure 1 below:

- introduction of means-tested fees of up to £1000 per year (with only index-linked increases permitted)
- abolition of means-tested non-repayable grants
- increased sums available through student loans – with favourable repayment terms

Figure 1: The financial provisions of the Teaching and HE Act (1998)

Under the provisions of the Act, it was the responsibility of individual universities to collect the new fee from its eligible undergraduates and thus to determine how to act in the cases of debtors. Furthermore, by introducing this fee, the legislation established that 'a consideration', as understood in contract law, was exchanged between student and institution. This, according to Birtwhistle and Askew (1999), meant that the arrangement between a university and its undergraduates could, from 1998, be considered in terms of the laws of consumer contracts. They further argue (p91) that this change played a part in increasing the pace of the ongoing shift from collegial relations between students and institutions to those of consumer and provider.

These alterations to the context and nature of the so-called 'student contract' came at a time when a number of undergraduates were withholding payment of their fees, as part of a national protest against their introduction (Nash and Atkinson 1998). Furthermore, it was reported that some universities were employing debt collection agencies (Baty 1999) and others suspending non-paying undergraduates (THES 2000), as part of measures to fulfil their obligation to collect the new tuition fee that was introduced under the provisions of the 1998 Act. In doing this, universities were assuming what some regarded as an unwelcome responsibility – although many undergraduates who refused to pay their fees declared that they were making a protest against national legislation, it was at the local level that each institution was obliged

to introduce punitive measures to enforce payment, placing it in direct conflict with its own students.

The political context

Whatever the political rhetoric that was used to support this legislation, the elements of the Teaching and HE Act (1998) that related to the funding of undergraduates and their courses were not, in fact, taken from the recommendations of the Dearing Report, as Watson and Bowden (2007) explain:

> "New Labour's first-term policy on higher education .... was structured around Dearing, with the serious modification of his recommendations on fees and student support, which has haunted them ever since. Essentially, the government was too greedy. Ministers took the Dearing recommendation of a student contribution to course costs and ignored what the report said about living costs, especially for poorer students. Simultaneously, they completed a Conservative policy of turning all student grants into loans..... This precipitate decision has become the Achilles heel of subsequent New Labour policy on higher education. Almost every major policy initiative has been drawn back into a kind of maelstrom of misunderstanding, of posturing and of bad faith about costs and charges to students, exacerbated by an aggrieved middle-class sense of entitlement." (p29)

As far as undergraduate fees and funding was concerned, the Dearing Committee (NCIHE, 1997) had actually recommended to the Government that:

- it should review the total level of support for student living costs annually taking into account the movement of both prices and earnings (recommendation 70)
- it should shift the balance of funding, in a planned way, away from block grant towards a system in which funding follows the student, assessing the impact of each successive shift on institutional behaviour and the control of public expenditure, with a target of distributing at least 60 per cent of total public funding to institutions according to student choice by 2003 (recommendation 72)
- it should introduce, by 1998/9, income contingent terms for the payment of any contribution towards living costs or tuition costs sought from graduates in work (recommendation 78)
- it should (on balance of considerations) introduce arrangements for graduates in work to make a flat rate contribution of around 25 per cent of the average cost of higher education tuition, through an income contingent mechanism..... The contributions made by graduates in this way should be reserved for meeting the needs of higher education (recommendation 79)

So there was no suggestion in this report that fees should be paid by undergraduates 'up front'; rather, it advocated a move towards a voucher-based system of university funding in which student choice would play a significant role in determining the distribution of public funding within the sector.

It is significant to note that the abolition of the means-tested grant element of student support was also not based on the recommendations of the Dearing Report. This element of the legislation passed almost without comment through Parliament in 1998 and even the National Union of Students' policy at that time did not oppose this change, although it did campaign against the introduction of the £1000 tuition fee. It was left to breakaway student groups, such as the Campaign for Free Education, to express concern that the newly-introduced financial package could disproportionately discourage students from low income backgrounds from entering higher education.

However, this consideration soon found its way back on to the political agenda when, speaking in October 2001, the then Secretary of State for Education, Estelle Morris (2001), said:

> "Four years ago we took the brave and right decision to expand higher education by changing the way we funded student support. However, it was clear during the General Election that student debt was a major issue. I recognise that for many lower-income families the fear of debt is a real worry and could act as a bar to higher education. I want to make sure that our future reform tackles this problem. Our aim is to get more children from less privileged backgrounds into higher education and we hope to better achieve this by changing the combination of family, student and state contributions."

Thus, only three years after the introduction of substantial reforms to undergraduate fees and funding, there was acknowledgement at senior levels of Government that further work was needed to achieve its policy of equity of access to university, signposting the political and public debate that was to result in the HE Act (2004).

The social context

The Labour Party had set itself a target of increasing participation in higher education among young people to 50% by 2010 (Blair 1999, Labour Party 2001). It was in this context that the Higher Education Funding Council for England (HEFCE 2001) published a consultation paper *Supply and demand in higher education* which noted (p17) that:

> "Government targets have failed to accurately project demand since the late 1980s. Since 1993-94 the rate of growth in full-time undergraduate student numbers has been declining steadily despite varying government targets during this period.
>
> "The separate targets for different modes and levels have proved particularly difficult to achieve.
>
> "The difference between the Government's targets and actual numbers is not surprising. For the most part, government action has affected the supply of places. Quite different, and often unpredictable, influences affect student demand."

Thus, according to HEFCE, factors both within and outside the influence of Government, stood in the way of the achievement of the Labour Party's participation target. Indeed, by 2007/8, the participation rate for England was 43%, an increase of just 1% on the previous year, with no significant acceleration in the rate of change envisaged. Early in 2010 – the year by which the 50% target was originally to be achieved – delivering the Dearing Lecture, the Secretary of State Lord Mandelson (2010), made it clear that the goal was now to expand participation across a broad spectrum of involvement in study at Level 4:

> "The three-year, campus-based, straight-after-school honours degree serves us well and is popular with students and parents. But it is not where we should focus future growth. Because the profile of students is changing, the range of options must also adapt..... That is why, along side traditional three year full-time degrees, I want to see part-time study, two year Foundation Degrees and three years Honours courses, delivered intensively over two years, expand as part of the mix.
>
> "When their objectives and outcomes are clearly defined, and when they are taught well and properly resourced, there is no sense at all in which these alternatives should be seen as inferior to three year equivalents. And they can be, in many respects, better for students, especially for students without

> financial resources behind them. Because they enable them to earn and learn. They reduce the amount they have to borrow to get a qualification.
>
> "And because these flexible kinds of education and training are vital for those who miss out on higher education straight after school, the push for two year degrees and wider part-time or work-based study should be at the core of the wider participation agenda."

In adopting this position, Lord Mandelson was reflecting the impacts of the changing global economic context on applicants and institutions while also acknowledging a growing recognition of a need for the sector to diversify and thus generate demand from a wider range of students. Furthermore, the variety of courses and modes of study that he was advocating was intended to serve not only to encourage wider participation (that is, an increased age participation rate in higher education), but also to increase equity of access (that is, to encourage a representative proportion of students from across the social spectrum in all types of higher education).

This distinction between 'widening participation' and 'fair access' is one that has frequently been blurred during the political and public debates about higher education in the UK[4]; that blurring has been exacerbated by the fact that the most readily available data (in the form of a Performance Indicator published annually by the Higher Education Statistics Agency) that is often used as an measure of inequalities in admission to the most selective universities – whether a candidate is applying from a school in the state or the independent sector - is, at best, a crude proxy for the social status of an individual.

More sophisticated analysis of applications and admissions statistics (Galindo-Rueda and Vignoles 2005, p352, Vignoles 2008) indicates that, in fact, admissions profiles closely mirror the levels of prior academic achievement in different sections of the population, so selection by universities themselves is being made on academic, not social, grounds. However, examination of achievement within compulsory education shows positive correlations between a pupil's family income and the qualifications

[4] As noted by Sir Martin Harris in his interview for this research, that is reported in detail in Chapter 7

they obtain (Chevalier and Lanot 2002) and that Black Caribbean pupils progress more slowly than their White British counterparts (Strand 2010) on entry to secondary school, so university selection on academic grounds will inherently result in disproportionate representation between social and ethnic groups.

Robertson and Lauder (2001) argue that this causes not only unequal participation in the sector as a whole, but also unfairness of access within the sector:

> "It is those with the cultural and social capital who are most likely to be able to translate that capital into a market advantage by exercising the choices they consider most advantage their children. At the tertiary level, it is the case that many more now have the opportunity to participate, but it can be hypothesised that the relative class advantages remain. For as more individuals enter tertiary institutions, so the elite universities remain at the apex of the system providing entry into the most prestigious jobs." (p227)

This raises the question of whether concerns about equity of access to higher education should be addressed by the institutions themselves, through measures such as the consideration of contextual data during the admissions process (SPA 2010) or can only be effectively resolved during compulsory education (as suggested by Vignoles 2008, 2009).

In addition to underlying concerns that selection processes (particularly at research-intensive universities) and cultural concerns perpetuate social elitism within the sector (Sutton Trust 2010, p21/22 and 2009, p11) much of the debate surrounding the HE Act (2004) assumed (as had Estelle Morris 2001, quoted above) that there was a direct link between lower socio-economic background and higher aversion to debt; thus, it was claimed by opponents to the introduction of variable undergraduate fees, the greater the student loan that would be required to complete a degree, the fewer undergraduates there would be from lower socio-economic groups.

While this view was often stated in arguments against the HE Bill during 2003/4, there was then limited evidence to support it – it was based on 'common sense' and initial research findings that were used by Universities UK (2003a) to state that:

> "Prospective students with tolerant attitudes to debt were one and a quarter times more likely to go to university than those who were debt averse, all other things being equal. Debt aversion deterred entry into HE but was also a social class issue. Those most anti-debt are the focus of widening participation policies...." (p3)

When, two years later, the full report by CHERI and LSBU (2005), on the early findings of which Universities UK had based this position, was published this did clarify the position, saying:

> "....students from the highest social class tend to have a more tolerant view of debt [that those from other backgrounds] and hold more positive views about borrowing money." (p41)

Exploring this issue in some detail, Callender and Jackson (2005), concluded that debt-aversion does vary between social classes, and suggest how politicians should act in light of this finding:

> "The challenge is to move from a model of student funding that acts as a disincentive to entry, to one that is neutral in effect, or acts as an incentive, especially for under-represented groups. To achieve this, the policies have to be designed to acknowledge the differential impact of different funding tools on diverse income groups. The outcome of a particular policy approach, and the extent to which it has a positive, negative or neutral impact, depends on the funding mechanism and the targeted socio-economic group.
>
> "As research in the United States demonstrates, student loans have a negative/disincentive impact on the enrolment of low-income groups, because of concomitant student debt, but a neutral one on mid- to high-income groups. By contrast, grants have a positive outcome on the enrolment of low-income groups, and a neutral outcome for mid- to high-income groups. And tuition fees have a disincentive effect on the poor and middle-income students but no impact on high-income students." (p535)

And, although they had some reservations, they conclude by welcoming the reintroduction of means-tested grants as a step in this direction, while warning that the HE Act (2004) cannot, on its own, deliver the Government's widening participation ambitions. Here, the issue of the finite role that universities can (and possibly also should) have in shaping the choices made by students during their compulsory education is significant; at Government level, the related question arises of what proportion of public funding it is appropriate to invest in educational resources and student support at school and at university levels respectively, as politicians work

towards their goals (however defined in detail) of wider participation and fairer access to higher education.

Since 2008, this issue must now also be considered in the overarching context of a shrinking national economy and the expectation of significantly reduced public spending in the UK. That substantial change also brings into question one of the arguments that politicians used to support the HE Act (2004) - that of the personal benefit that a graduate gains from their qualification, the so-called 'graduate premium'. As the Prime Minister, Tony Blair (2004), said when the HE Bill (2004) was published, following consultation on the White Paper *The Future of Higher Education*:

> "By far the fairest way of paying for [higher education] is I believe the one we are putting forward – a new partnership between the government and the student who benefits directly, who will make a fair contribution to the cost, but only after graduation, through the tax system, on the basis of ability to pay."

When supporting this argument for the introduction of a variable fee in that White Paper (DfES 2003, p12) and elsewhere, politicians cited OECD (2003) figures which estimated the salary premium for a graduate in the UK to be over 50% - a figure which causes the OECD itself (2003, p161) to remark: "with its very high rewards from tertiary education, the United Kingdom is in a group of its own". While this figure is both clear and sizeable enough to use to support a case, it is also just one average measure of the graduate premium; other estimates, both before and since, have yielded much smaller figures (Bennett *et al* 1992, O'Leary and Sloane 2005) and there is also evidence that the premium varies significantly depending on institution, subject studied and gender of graduate (Dearden *et al* 2008, Hoxby 2000, O'Leary and Sloane 2005, OECD 2003).

As we now hear more about unemployment and underemployment of recent graduates (Green and Yhu 2007), this brings into question the Prime Minister's premise in 2004 (quoted above), that higher education significantly benefits the individual student, as well as society more widely, and therefore that the costs of a degree should be shared by state and graduate. Of course, some benefits to an individual may be non-

pecuniary, in the form of increased human capital in line with Newman's (1852, p77) description of "liberal" education as "the main purpose of a university in the treatment of its students". Even these personal consequences of studying for a degree can though, also be considered to be of benefit to society to the extent that the Robbins Report (1963) advocated increased public investment in higher education in the UK, on the grounds that this would, indirectly, create a more prosperous and competitive national economy.

Even if the principle that the costs of higher education should be distributed in relation to subsequent benefits were to be accepted therefore, the basis on which those benefits would be calculated would be potentially highly contestable, while the results these different methods would yield would clearly vary substantially. At one extreme of this debate, Stanfield (2010) goes as far as to argue that the nation's investment in higher education does not represent good value for money:

> "Firstly, there is no evidence to suggest that there is any economic benefit to the nation as a whole from transferring £14.3 billion each year from taxpayers' wallets to students and universities. Secondly, there is also no evidence to suggest that the public benefits associated with spending £14.3 billion on higher education will be higher or somehow better than the public benefits associated with the taxpayer spending £14.3 billion privately. Thirdly, while many are convinced that the annual subsidy is helping to create a more equal and just society, it is impossible to escape the fact that part of this subsidy represents a transfer of income from those on lower incomes to those who will soon be on higher incomes. In short, the government is taxing the poor to help the rich get richer.
>
> "Furthermore, it is clear that government subsidies, and the manner in which they have been distributed, have resulted in a significant number of hidden costs and unintended consequences which were not part of the government's or universities' original intention." (pp90/91)

In consequence, he concludes that the role of government in the higher education sector should be reduced over time and, in parallel with that, direct public funding removed. Stanfield's recommendation reflects a wider concern that the current method of giving public financial support to institutions and students potentially has detrimental effects in both areas – as Barr (2005) explained:

> "...the worldwide collision between expanding tertiary education and fiscal pressures means that reliance on tax finance creates downward pressure on quality. The historical record shows that tax finance has done little to widen access, while... tax finance is deeply regressive. If it is unfair to ask graduates to pay more of the cost of higher education, it is even more unfair to ask non-graduate taxpayers to do so." (para7)

This argument, concerning the regressive distributive effects of across-the-board subsidies for student support, is one that he had already made (Barr 2002) prior to the passage of the HE Act (2004) and one which he continues to advocate (Barr and Johnston 2010) as that legislation is considered by the Independent Review of Fees and Funding.

The 2004 Parliamentary debate

When it came to the crucial second reading of the HE Bill, political concerns were however more focused on what some considered to be probable direct impacts of changes in higher education funding on different groups in society. Labour MP, Nick Brown (2004a), who emerged as a prominent sceptic in the early days of the Parliamentary debate on its proposals, expressed the doubts of many in politics, higher education and the general public when, in the House of Commons on 8 January 2004, he asked the Secretary of State for Education, Charles Clarke:

> "Once the cap is lifted as it inevitably will be, how will youngsters from homes of ordinary means, or even just above ordinary means, ever be able to afford to take the most prestigious courses at the most prestigious universities?"

Those who had framed the legislation had also stated that they viewed equity of access to higher education as a priority; they considered however that the measures they had proposed would assist in widening participation, particularly at research-intensive universities. Indeed, in his introduction to the White Paper that launched the Parliamentary debate prior to passage of the HE Act (2004), Charles Clarke highlighted the emphasis which the Government placed on this, and the links that it saw between the proposals and widening participation:

> "First, the expansion of higher education has not yet extended to the talented and best from all backgrounds. In Britain today too many of those born into

> less advantaged families see a university place as being beyond their reach, whatever their ability.....
>
> "This White Paper declares our intention to take the tough decisions on higher education, to deal with student finance for the long term, to open up our universities, and to allow them to compete with the best. We seek a partnership between students, government, business and the universities to renew and expand our higher education system for the next generation." (DfES 2003, pp2/3)

Here Clarke was emphasising how far Labour Party policy had moved in seven years, from direct opposition to tuition fees for students expressed in its 1996 document *Lifelong Learning* (Labour Party 1996). This commitment to reject 'top-up' fees had been repeated in the run-up to the 2001 General Election, and not just by the Labour Party, as Conservative MP William Hague (2004) pointed out during the Second Reading of the Bill on 27 January 2004:

> "We all said - the entire House of Commons said - that we would not introduce such legislation. .....It is most unusual for the same promise to be made by all parties. Normally, manifestos contain contrasting promises for the electorate to choose from. But this was the same from every political party, and by my calculation it means that 635 or more of the 659 Members of Parliament stood on a platform of not introducing top-up fees."

The Labour Party's transition had however, been even more rapid, with the response by the Party (DfEE 1998) – by then in Government - to the Dearing Report (NCIHE 1997), just two years after its publication of *Lifelong Learning* (1996), paving the way for the introduction, in 1998, of an 'up-front' student contribution to tuition fees of £1000 a year (Hodgson and Spours 1999, p103). This was a policy of which Demaine (2002) went as far as to say that:

> "...the new Labour government has already dared to go much further than the right-wing Sir Keith Joseph and the left-of-centre John Smith" (p26)

As the debate over the HE Bill continued over the next 12 months, critics of its proposals remained concerned that these would only serve to reinforce the lower participation rates of young people from already under-represented groups. To ensure that the HE Act (2004) came into law, the government therefore had to make a number of compromises, as Driver and Martell (2006) explain:

> ".. concerns about access to higher education – what is known as 'widening participation' – became a central feature of the often difficult passage of the legislation through both houses of parliament.....
>
> "The final legislation saw a series of measures designed to temper the market in higher education." (p132)

For example, by the Second Reading of the Bill, on 27 January 2004, the compromises that had been offered – backed by the promise of a full review by an independent Parliamentary Commission in 2009-10[5] before any consideration of increasing the maximum fee level of £3000 beyond index-linking – enabled the previously hostile Nick Brown MP (2004b) to say in the Commons:

> "The heart of my objection to the original proposals, which have now been circumscribed, is the remorseless march towards the market. I passionately believe that the 'marketisation' of higher education is wrong - for me it is a matter of not only economics and funding but social justice and social cohesion. .....
>
> "I want universities to soar, but if they are to do so our people must come with them. These proposals box in the cap and the move towards the market, and I take the Secretary of State at his word when he says that this is not a transitional move to a marketplace and that the proposals are as they stand."

Political opponents of radical reform to the nature of undergraduate fees and funding believed that they had achieved at least a partial victory and that there would be no market created. As one previously hostile Labour MP, Peter Bradley said during the Third Reading on 31 March 2004:

> "A free market in higher education would indeed entrench privilege—that is why I originally opposed the concept. .....Under a free market model, the elite universities would get richer at the expense of the poorer universities. ..... but what is now on offer is a firmly regulated market, if it is a market at all. We are no longer talking about top-up fees, but about top-down fees. We are no longer talking about variability, but about a fixed fee with a discount."
>
> "In my view, which I believe is shared by others, most, if not all universities, across most, if not all their courses, will charge £3000. There will be no meaningful market in higher education. The variability, such as it is, is likely to

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[5] This was subsequently established by Lord Mandelson on 9 November 2009, as the Independent Review of Higher Education Funding and Student Finance, under the chairmanship of Lord Browne of Madingley. It is now expected to report in autumn 2010.

be in hundreds of pounds, not thousands of pounds. It will be an issue for school leavers when they consider which university to attend, but in no way a decisive issue."

The resulting legislation

With such previously prominent opponents of the original proposals now prepared to support the Government's (albeit tempered) plans for reforms to the fees and student support arrangements for full-time Home/EU undergraduates studying at universities in England, the HE Act (2004) entered the statute books, for implementation in autumn 2006. Its financial provisions are summarised in Figure 2 below:

- maximum annual student contribution to fees increased to £3000 (with only index-linked annual increases – which have brought figure to £3290 for 2010/11), with deferred liability until the graduate is earning – the amount charged may vary between subjects within institutions, but should not vary within a recruitment cycle
- any increase in cap on annual student contribution to fees above index-linking to require primary legislation and only to be considered by Parliament following an independent review of the impacts of the 2004 Act (originally scheduled for 2009)
- re-introduction of means-tested, non-repayable grants, with eligibility dependent on Residual Household Income (RHI) of a student's family
- increase in amount available to students through low-cost loans (0% real rate of interest, only repayable if/when annual income exceeds £15,000, written off after 25 years) to cover fee liability as well as living costs
- any university wishing to charge more in fees than the basic amount (£1200 in 2006 with index-linked annual increases) must enter into an Access Agreement with the Office for Fair Access (OFFA) outlining financial support available and other measures in place to promote equality of opportunity in higher education. Specifically any institution wishing to charge fees about the amount available through the Government maintenance grant (up to £2700 per annum in 2006/7, now £2906) must offer bursaries to students from low income families to match the amount by which fees charged exceed £2700.

Figure 2: The Financial Provisions of HE Act (2004)

The Act lacked any guidance about the proportion of additional fee income that universities were expected to spend on financial support for low-income students (other than a mandatory £300 bursary to those on full grants, if charging the maximum level of fee) or on outreach and access activities. While this might be interpreted as a welcome lack of political interference in the detail of funding arrangements within the sector, consistent with the principle of academic freedom, in practice it resulted in significant levels of uncertainty for institutions when they were preparing their initial Access Agreements for approval by the Office for Fair Access, as will be discussed in more detail in Chapters 5 and 6.

These provisions furthermore demonstrate that there is a fundamental inconsistency at the heart of the thinking behind the HE Act (2004) – are undergraduates to be considered as financially independent adults, or as dependants of their families? This tension is illustrated by two elements of the legislation:

- eligibility for grants is means-tested on the Residual Household Income (RHI) of a student's family, as is the maximum amount of student loan available
- student loans become liable for repayment on an income-contingent basis linked only to the graduate's earnings

These aspects of the funding package send out contradictory messages to potential students about higher education – is it an extension of their compulsory education or is it the point at which they are expected to take responsibility for their learning as they enter adulthood? Underlying this confusion appears to be the over-riding political desire to widen participation while introducing additional streams of non-public revenue into the sector; in this context low RHI appears to be being used as a crude filter for identifying under-represented groups, to whom incentives to apply to university (by means of government subsidies) can then be targeted.

An earlier influential study of the education system in the UK, which also placed a priority on widening participation among under-represented sections of society had however taken a different view on how this might be achieved; in 1993 the Paul

Hamlyn Foundation's National Commission on Education proposed a system of funding for students in higher education (and other forms of post-compulsory learning) in which the level of state support an individual received would be linked to their future earnings, not their family income – a so-called 'graduate tax' - with even means-tested grants abolished. The Commission reasoned that there were clear macroeconomic benefits of such a system of redistribution, in addition to those of social justice and equity.

In the area of equity, it particularly drew attention to the situation for part-time students who were eligible for potentially less state support than their full-time counterparts. This differential must be removed, the Commission argued, as it was a significant barrier to increased participation in post-compulsory education for certain groups of potential students in particular. However, even following the major scrutiny of student support by the Dearing Committee (NCIHE 1997) and the substantial political and public debate that preceded the passage of the HE Act (2004), such differences are still evident in the current system.

Conclusions

As this introduction to the HE Act (2004) highlights, there are a number of distinct underlying themes that need to be considered in more detail, to gain a fuller understanding of legislation, the context in which it came into being and how it now operates. These topics are:

- how the nature of management and decision-making within the higher education sector has shaped, and been shaped by, the requirement on individual universities to respond to the financial provisions of the HE Act (2004)
- what factors a university should consider when deciding how to set the 'price' that it charges to its full-time Home/EU undergraduates
- the nature of the heavily regulated market that the HE Act (2004) established – which is, in fact, a quasi-market (Le Grand and Bartlett 1993), a mechanism that had previously been introduced in similar ways to the National Health Service and the compulsory education sector

- how established markets in undergraduate degrees (both in terms of fees and student support) operate elsewhere – specifically in North America and Australia – and, while bearing in mind limits on their applicability in the UK context, how these models from abroad have influenced debate and policy in England

These themes will be explored in the next two chapters and in analysis of primary data collected for this research reported in Chapters 5 and 6.

Chapter 2

The HE Act (2004) from a theoretical perspective

This study has, as its primary aim, achieving an understanding of the ways that higher education institutions (as suppliers) use price (through a combination of fees charged and bursaries offered) to position themselves within the new market established by the HE Act (2004). It does this by exploring the rationale behind the choices made within individual universities, while also examining desired objectives and observed outcomes; these factors are assessed in the context of established marketing practice and the nature of decision-making structures within the sector. Thus, when analysing the primary and secondary data that is collected, it will be necessary to draw on a range of established branches of theory: higher education management; the operation of markets within higher education; quasi-market behaviours; and pricing.

Higher education management

The collegial tradition that is widely found within the higher education sector has given rise to particular decision-making processes and management structures (Clark 1983, Niklasson 1996); universities were originally constituted as academic communities that governed themselves through democratic processes, with a senate or council of its elected representatives[6] serving as the ultimate authority. The members of those communities though often also owe significant, or even primary, affiliation, to their academic counterparts, wherever these might be based (Clark 1983):

> "The discipline is clearly a specialised form of organisation in that it knits together chemists and chemists, psychologists and psychologists, historians and historians. It specialises by subject, that is, by knowledge domain. The profession follows a similar principle, putting together similar specialists. But

[6] In the ancient collegiate universities, senior academic staff belong to a 'Parliament of Dons' – Congregation in Oxford and Regent House in Cambridge – where major decisions are decided by means of a majority vote.

> the discipline (or profession) is also comprehensive in that it does not specialise by locality but rather pulls together a craftlike community of interest that reaches across large territories. Notably, it cuts across enterprises, linking parts of one with similar parts of another. Thus, a national system of higher education is also a set of disciplines and professions, even though we do not normally perceive larger systems in these terms. In addition, the reach of the discipline need not stop at the boundaries of a national system." (p29)

This generates a structure – an 'academic oligarchy' - which Clark (1983) goes on to suggest can be inherently divisive at an institutional level:

> ".... when professional influence is high within a system and there is one dominant professional group, the system may be integrated by the imposition of professional standards. But where professional influence is high and there are a number of professional groups co-existing side-by-side, the system will be split by professionalism. Academic systems are increasingly fractured by expertise, rather than unified by it." (p36)

Clark even goes so far as to describe authority within an academic system as "balkanised" (pp132/3). On the other hand, he contends, administrative aspects of a university are very likely to be organised in something approximating to the more conventional pyramid of accountability that is commonly found within other parts of the public sector and in businesses. These contrasting hierarchical structures have the potential to generate tensions, especially when an institution faces a period of change, regardless of whether that is driven by internal or external forces.

As successful institutions have grown, to the extent that they are now comparable in range and scale to companies within the FTSE100, it has been argued (Foy 2008) that, to operate effectively, they need to move away from this model and adopt the best contemporary management practices from the commercial sector. Given the way in which the academics are organised, these can be found, Foy suggests, not in the industrial giant, but in the professional services firm – where a managing partner sits at the centre of a network, rather than the top of a pyramid.

The reasoning behind this proposal is also reflected in the growth of an alternative model within higher education institutions, that has become known as 'new managerialism'. The significance of this concept comes from its comprehensive approach (Deem 2005):

> "New Managerialism is seen as a new departure because it entails interrelated organisational, managerial and cultural changes leading to a tightly integrated regime of managerial discipline and control which is radically different from bureau-professionalism. Professionals are subjected to a rigorous regime of external accountability in which continuous monitoring and audit of performance and quality are dominant" (pp6-7)

In this major study for the ESRC, Deem (2005) cited factors that she considered to have significant impacts on academic managers as a whole at the start of the 21st century as: reductions in resources; increases in workloads; growing external demands; and raised expectations of the sector held by those outside it. Many of these pressures to move towards 'new managerialism' are created, at least to some extent, by an increasing use, according to Becher and Trowler (2001, p7), of what they describe as: "a 'bid and deliver' system of public funding in the UK" - the 'jam-jar' method by which Funding Councils award a proportion of their resources against competitive commitments on the part of institutions to deliver specific outcomes.

Deem (2005 p7) also noted that the differentiation, previously observed by Clark (1983, cited above), remained between disciplines, and between staff in pre- and post-92 universities. Her findings suggest that the UK higher education system is "now highly managerial and bureaucratic, with declining trust and discretion" (p2). This conclusion may appear at odds with Scott (1983), who, at the same time that Clark was writing, argued that the nature of the academic profession was being changed fundamentally by moves to erode tenure (p254) which, he suggested, were at least in part responsible for what he described as its "gradual proletarianisation", a view subsequently echoed by Halsey (1995, p135).

Looking ahead though, Scott (1983) considered that changing expectations of higher education and of patterns of intellectual life might reduce the impacts of any change, so that the academy would retain (albeit possibly to a slightly lesser extent) "its distinctive characteristics of elitist solidarity and apolitical autonomy" (p257). This prediction is reflected in the later assessment of Becher and Trowler (2001), who judged that the significance of distinct academic disciplines can still be seen in the ways in which universities operate. The members of these "Academic Tribes", as

they call them, translate the approaches and practices of their specific areas of study into their wider institutional activities:

> "In practice, academic cultures and disciplinary epistemology are inseparably intertwined. The flow of causation is not one way, rather the relationship is mutually infused: disciplinary knowledge forms are to a large extent constituted and instantiated socially. Meanwhile, their constitution has a reciprocal effect on the cultures from which they spring." (p23)

According to their interpretation though, it is not a closed system – instead it is open to influence by changes in culture, values and attitudes within the wider community in which it operates (Becher and Trowler 2001, p24). Some of those changes, such as the move towards widening participation, will have an effect more or less consistently among the Tribes. Others however, such as the drive to commercialise intellectual property, requests for repatriation of ethnographic artefacts or the debate on the use of animals in research, may be experienced and responded to differently by those in different disciplines.

At the extreme, external influences can lead to the establishment of new disciplines – such as nursing (Becher and Trowler 2001, p171). These disciplines co-exist with more traditional ones and those that evolve through the collaboration or diversification of established subjects and all three find themselves increasingly obliged to compete among themselves:

> "Unless, as rarely happens, money is available in sufficient abundance to dispense with any competition for it, disciplines are forced into the positions of rival interest groups. Their quest for status, which one might see as in some respects analogous with the individual academic's concern with reputation, is simulated not merely by an intrinsic tribal pride but by an extrinsic need to justify their existence and maintain their collective livelihood." (Becher and Trowler 2001, p173)

In Becher and Trowler's view therefore, there are strong external drivers which can be expected to encourage the loyalty of individuals to focus increasingly on their own subject-specific 'academic tribes', rather than the institution in which they operate. Looking at the situation from an alternative position, Marginson and Rhoades (2002) consider the ways in which networks (mainly unofficial) of academics evolve as

groupings which can exert pressure on the sector. They suggest (p289) that these "have agency" at a local, national or international level in similar ways to recognised organisations or "agencies" at each of these levels.

A utilitarian approach, in which disciplines acknowledge that their status and value relies at least in part on the qualities of the institution and sector within which they operate, is thus rarely seen in practice. This will tend to increase the extent to which managing a university resembles the frequently-heard metaphor of 'herding cats', even though other external pressures (such as engaging in a national debate concerning the role of higher education within the economy) may be more suitably responded to at an institutional, or even sector level.

These external pressures are often exerted on the sector and its members by what Clark (1983) calls "state authority"; in choosing this terminology, rather than 'government' he is reflecting the fact that intermediate agencies almost inevitably play an important role, even if only on a bureaucratic level. These are often introduced as a theoretical mechanism to preserve the independence of the sector, such as that enshrined in the Further and Higher Education Act (1992), which specifies:

> "The Secretary of State may make grants to each of the [funding] councils of such amounts and subject to such terms and conditions as he may determine.....
>
> "Such terms and conditions may not be framed by reference to particular courses of study or programmes of research (including the contents of such courses or programmes and the manner in which they are taught, supervised or assessed) or to the criteria for the selection and appointment of academic staff and for the admission of students." (Section 68, p6)

However Clark (1983) suggests that the involvement of such agencies brings its own problems:

> "A staff in a central educational agency, in need of allies and supportive exchanges, will develop tacit agreements with key legislators and staffs of legislative committees, political appointees in executive agencies, staff peers in bordering agencies, trustees and administrators at lower levels, and professors. The nature of authority of such staff needs to be seen as problematic, a mixture

> of bureaucratic, guild and political elements that vary from one society to another. And for whom the authority speaks is also problematic. The bureaucratic authority of neutral administrative staffs would speak for higher political councils of government, but the 'bureaucratic' authority of staffs turned into specific interest groups speaks for those interests." (p120)

In England for example, intermediary bodies, such as HEFCE and the Research Councils, are mainly staffed by a combination of professional administrators (from the civil service or university sector) and academics who have been departmental heads or similar. As such, they bring valuable experience of the two spheres that their organisations exist to bridge, but also the potential for conflicted loyalties on a personal level – especially where individuals hope to return to mainstream government or higher education later in their careers. But Clark (1983) offers a stark warning to those who might be attracted by the potential simplification of removing this administrative layer:

> "A central concentration of power ... promotes a vicious cycle of politicisation, an excess of effort to influence action through political pressure. When the corridors of power are like a sharply tapered funnel, they become exceedingly crowded. All interested parties must push themselves forward in a limited space, encouraging a politico-administrative version of the war against us all." (p266)

So, he suggests, the very complexity that a diffuse structure generates has its own clear benefits and, furthermore, such political and managerial systems are inherently consistent with the sector that they exist to administer; he argues that they exert an important moderating influence, with pluralism serving as the ultimate defence against the potential risks that a monopoly of power may bring with it. Thus, when writing in 1983, Clark identified 'state authority' as one of the corners of his 'Triangle of Co-ordination' (1983, p143 - shown in Figure 3 below) in which he evaluated the respective influence of three centres of power on national higher education sectors, with the other two being the academic oligarchy (discussed above) and the market.

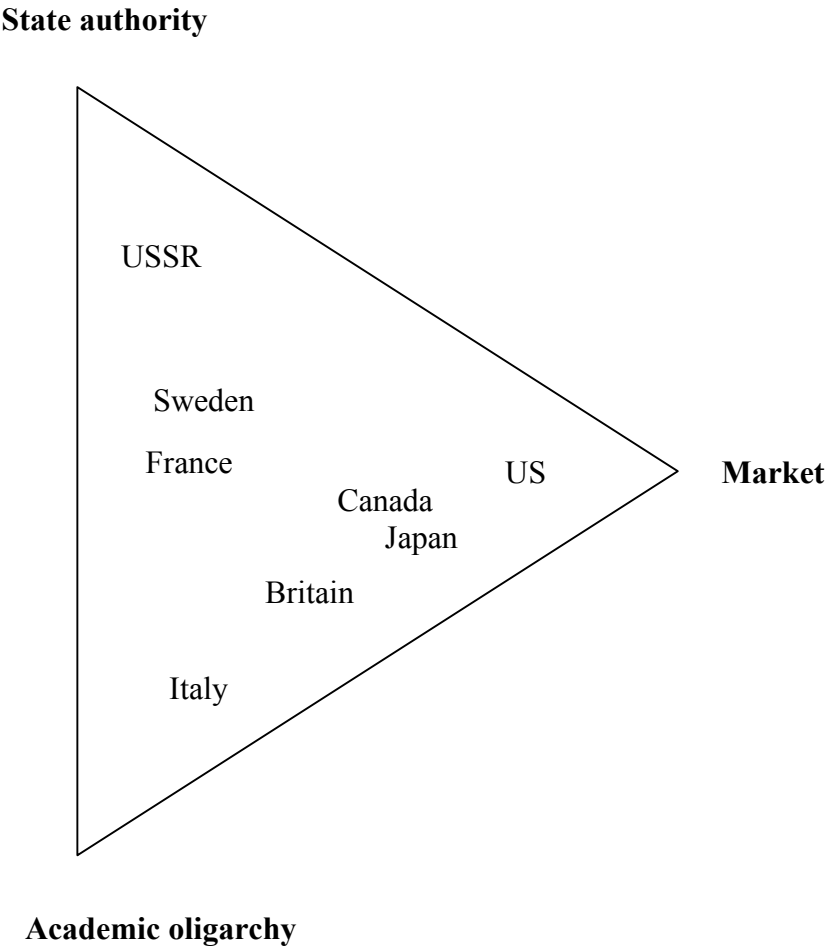


Figure 3: Burton Clark's Triangle of Co-ordination

However, as national sectors are increasingly encouraged and expected to diversify their sources of funding, revenue from governments is, for many, becoming a smaller proportion of their income; in these circumstances, the moderating effect of intermediate funding agencies on the system may be expected to reduce, whether consciously or unconsciously; this is a question of which, for the case of England[7], analysis of primary data later in this research will enable consideration.

[7] Writing in 1983, Clark felt able to group the national regions of Great Britain together as a single unit, because, at a university level, they operated collectively - although he also acknowledged their distinct roles in the delivery of non-university higher education. This situation has now changed and, when evaluating the extent to which this 1983 model might apply to my research findings, I will be considering England (to which the financial provisions of the HE Act (2004) are confined) as a discrete national system.

Markets in higher education

The third aspect of Clark's (1983) Triangle of Co-ordination is the market, but he pays less attention (as measured by 'column inches' at least) to this dimension than to the other two. He views the role of the market as bringing the other agents within the system together, while suggesting that it should not been seen in mysterious terms as some form of 'invisible hand' (p162), but rather as a generator of exchange, a means of establishing cooperation between groups and individuals.

Nevertheless, Clark (1983) highlights two important considerations concerning market forces as they relate to higher education: they do not operate solely within a single system; and the pressures they exert are may not all act in the same direction. In building this picture, he draws on the work of Lindblom (1977) who proposes a 'three-market system' with consumer, labour and institutional dimensions, from which Clark argues higher education can draw lessons relating to: the importance of clear information for students which will increase customer choice and so reduce the impact of regulatory authorities; the significance of inter-institutional networks in the recruitment and retention of staff; and the power of institutional reputations.

Inherent in this analysis is the recognition that, for a university, undergraduate recruitment is just one of a number of markets in which it operates – however, for applicants, this is the only market that is directly relevant to them at the point at which they are deciding where to study. Thus, when considering how to attract suitable applicants, universities may be balancing a range of priorities that extend beyond the direct interest of those applicants – so, however popular a degree is, undergraduate numbers may be constrained because, for example, academic staff have been successful in winning a major research grant, which will reduce the amount of time they have available for teaching, or the department had decided that (to increase its fee income) it will shift resources to accommodate more taught postgraduates. An institution's decisions about how to meet the needs of different markets may thus result in outcomes that are counter to the interests of consumers in a specific market,

creating possible obstacles in establishing a relationship of trust and mutual understanding to serve as a basis for recruitment.

Each of the markets in which Clark (1983) identifies that the university has a role will not only have different interests but will also be regulated to different extents and in different ways. From his analysis, he concludes that the structural effects of a truly operational market in higher education would contrast fundamentally with those of government control of a system:

> "When an activity is transferred from market contexts to state control, it comes under a bias for aggregation. Things are to be added up. The expectation grows from within government that someone will deliberately pull things together and otherwise systematise. When an activity is in the market or creeps away to a more marketlike context, it comes under a bias for disaggregation. Things are not to be added up in one heap, in one place; they are to be left in their piecemeal state." (p169)

Here he is reflecting those market theorists who promote the need for distinctiveness between members of a market, to give consumers choice, and thus generate effective competition. Within higher education though this segmentation can, Clark (1983) continues, reinforce a stratification of the sector based on long-standing unofficial hierarchies, which gives more influence to those perceived to be 'at the top':

> "Privileged institutions that possess the most desired parts of the market commonly have sufficient influence to preserve at least the core of what they already have. Thus, where there is a high degree of controlled competition, the institutions already sitting astride the market are likely to have more influence than government officials in determining formal agreements. Monopolists and oligopolists exist in the markets of higher education, aided and abetted by the state." (p170)

Furthermore, when a government attempts to address perceived failures within a higher education market, Jongbloed (2003) argues that steps they take can be counter-productive:

> "Competition and deregulation are linked in the sense that competition presupposes some degree of deregulation; competition can only be realised when entities have some freedom to move. On the other hand, competition may also lead to additional regulation, especially if unintended side-effects (due, for instance, to the limited number of either suppliers or consumers) need to be combated. In any case, the potential positive effects of deregulation will only

> be achieved if suppliers are competing for the customers' favours. Competition in higher education enables students to 'vote with their feet', which encourages providers to use whatever resources they have to meet the preferences of their customers." (pp114)

In practice, Jongbloed's analysis concludes, the freedoms that are necessary for an effective market to operate result in a system that is inevitably fluid. Similarly, Steier (2003) suggests that relationships between higher education sectors and their national governments are bound to be complex when market forces are brought into play as a regulatory instrument:

> "Today, the growing competition for resources and customers in the context of a global education market is producing a much more complex interplay of forces that requires proper consideration to understand how the transformation of tertiary education systems and institutions takes place and what levers the state and society can use to promote change." (p169)

So, if Clark, Steier and Jongbloed's respective understandings of the relationship between institutions and governments are reflected in practice, then politicians may need to acknowledge that there are inherent limits to the extent that they can influence their national higher education system through the creation of a market, a point that was considered during the primary data collection that is reported in Chapter 7.

Furthermore, just as the regulator (government) and suppliers (universities) play key roles in shaping a market, the choices made by consumers (applicants/students) are equally significant. While this study does not directly explore the decision-making processes of consumers, the behaviours of suppliers need to be understood in the context of their own expectations of how consumers will respond to changes in the market environment in which they are operating. At a local level, these expectations may be shaped by direct experience (such as that of schools liaison staff), while a national survey of potential applicants conducted by Moogan and Baron (2003, pp280-1) finds that the most significant common factors that universities can expect to find influencing their *final* decisions about where to study are: the candidate's own expectation of grades they will achieve (with females less confident than males about their likely performance in final school exams); and the social atmosphere of the

institution. At this stage they will be working with a short-list of possible courses and universities that they have drawn up on the basis primarily of consideration of course content, location and reputation (p279-280).

When the data for Moogan and Baron's (2003) report was collected in 1999, financial considerations did not feature as one of the major concerns for applicants – however, looking at data collected in 2004/5, Finch *et al* (2006 p237) found that more than a quarter (26%) of full-time students cited funding as one of the influences on their decision-making concerning higher education.

Information on another perspective of the broader national picture of how applicants select a university is available from sources such as UCAS and HEFCE[8]. This data has been examined over a number of years by the Longer Term Strategy Group of Universities UK and its reports[9] portray a student market of which Watson (2006) notes:

> ".....students won't do what their elders and betters think they should. This is partly about choice of subjects, where reports have underlined the difficulties providers have faced (more successfully in recent years) in adjusting to the popularity and unpopularity of certain courses.....
>
> "It is also about mode of study, where the sector has had to deal with rapid and unexpected changes in demand.... It is also about brands, where only in relation to public sector employment do foundation degrees seem to have high volume future prospects. Finally, it is about choice of institutions. 'Hard to reach' student groups remain concentrated in one particular part of the sector, principally the former polytechnics and central institutions." (pp5-7)

These difficulties that Watson notes universities have in responding rapidly to the preferences of students may, to some extent be led by a lack of awareness of those preferences, or they may stem from a legitimate view that satisfying those preferences is not consistent with an institution's mission or objectives. At the same time, there

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[8] The balance between the relevance of these two sources of data will depend, for an individual institution, on the extent to which it positions itself within its local market and the extent to which it seeks to recruit nationally.

[9] See http://tinyurl.com/2cj72hn for a list of publications by the UUK Longer Term Strategy Group

are issues concerning the teaching and provision of degrees such as the specialisms of staff (which mean they are not easily transferable between different courses) and need for appropriate studio, laboratory or library facilities, that create practical barriers to any rapid shift in courses offered. These considerations are exacerbated by the fact that, even if freshers were starting on a new course, continuing students would still be following older programmes of study – creating a period of at least two years of (potentially costly) overlapping provision.

As Dill (1997) observes though, the information deficit in the higher education is not limited to institutions' lack of understanding concerning student preferences and it has wider implications – it serves as an obstacle to that system operating in the way that market theory would predict:

> "..... this logic rests on a long and complex causal chain, which assumes first that reliable and valid measures of academic quality can be created, second that if provided students will use such information in their decisions on enrolling in higher education, and third that institutions as a consequence will respond to declining student numbers and will act to improve the quality of their academic programmes. While it is theoretically conceivable that such a market could work efficiently, there are a number of practical problems with its implementation." (p180)

According to this assessment, the market for undergraduate degrees is not generating an increase in quality of provision along the lines that might be expected in other contexts. By contrasting the impact of market forces with the wider context of increasing funding, and other, pressures on the system, Brown (2005, pp18-19) further notes that there is also no evidence that these drivers have increased quality of provision in higher education. Based on his own consideration of the education system as a whole, this conclusion of Brown's resonates with Walford's (2006) observations that:

> "... perhaps the most important way in which education differs from simple consumer products is that is not just the primary customer who benefits. The strangest aspect of the idea that the market can ensure quality is that it implies that there is only one customer, or type of customer..... Schooling is unlike a consumer product because there are multiple stakeholders – multiple customers – who make multiple demands on schooling and also benefit from particular forms of schooling. Schooling, and more importantly, education, is not an

> individual benefit where quality can be judged solely in terms of the individual preferences of the person who is educated. Education is essentially a social and a moral affair. It is an activity in which the society within which an individual lives is actively involved." (pp60-61)

Thus it seems that the Home/EU consumers of full-time undergraduate degrees in England, may not be experiencing three of the main benefits that would conventionally be cited by market advocates. These are:

- increasing the choice available
- improving information provided
- enhancing the quality of products or services offered

The question then arises of what creates these limits on the effective operation of this market; while the particular natures of the suppliers (universities) and of the goods (degrees – which can be considered as having properties of both a product and a service) do, as we have seen, play a part in bringing this situation about, the regulatory structure of the market itself is also highly significant. This creates as environment in which the market is constrained by a framework that is put in place to preserve certain aspects of higher education that are considered to be of public benefit, a so-called 'quasi-market'.

Quasi-market behaviours

So, under the provisions of the HE Act (2004) universities in England are not setting their fees for full-time Home/EU undergraduates in a free market, however this type of regulation is not new to the sector. Indeed, as Dill (1997) noted almost a decade before the implementation of that legislation:

> "The primary means for reforming higher education through market-related policies is by freeing regulated markets, and by stimulating markets through various 'quasi-market' mechanisms." (p176)

In common with other areas of public service delivery, the operation of the university sector has characteristics of a 'quasi-market' which, as outlined by Le Grand and Bartlett (1993, p11), are:

- on the supply side – not all suppliers have profit-maximisation as their primary objective nor necessarily are privately-owned. Indeed objectives and ownership structures may both be quite unclear.

- on the demand side – consumer purchasing power is not expressed strictly in terms of money, with vouchers or single state purchasing agents involved. In practice, choices concerning purchase are often made by a third party, not the direct consumer.

As such, the authors suggest, quasi-markets are potentially vulnerable to high internal transaction costs and rationing of provision to the most demanding consumers, whose needs cost more to satisfy but who are funded to the same level as others (eg the chronically sick in the NHS). However, they have been a feature of the delivery of public service in the UK over 20 years or more for both the New Right and New Labour (Middleton 2000); furthermore, according to Agasisti and Catalano (2006), various types of quasi-markets are now operating within higher education in a number of European countries, even though, as Williams (1999) suggests, the unpredictability of many such markets may make it unrealistic to attempt to use them to deliver a specific policy, particularly within the university sector:

> "There is no mechanism to ensure that quasi-markets, at least in the form in which they operate in British higher education, in which a monopsonistic buyer acts as a proxy for final consumers and purchases higher education services on behalf of students, result in economically rational outcomes." (p151)

Perhaps most crucially, as Jonathan (1997) highlights, the underlying paradox to the application of marketisation in education, is that choice is not solely the prerogative of the consumer, but is also made by the supplier:

> "In respect of education, the overall neo-liberal project to re-form society cannot be reliably assured if this particular good is to be governed (and hence constituted) by the market and if choices in the market are truly free, giving rise to whatever outcomes arise, whether or not these maintain in good order those cultural institutions on which the market itself depends... Conversely, if choices are not truly free, deregulated governance of education loses its justification and the project loses its rationale even in its own terms." (p25)

The issues that this type of market creates have been studied in some depth as they occur in the compulsory education sector in England. This may well be because, as Gewirtz *et al* (1995) observe:

> "The market in school-level education is, arguably, the most highly developed and ideologically charged of any of the new public-sector markets in England and Wales. That is, it comes closest to the ideal-type 'real' market, at least in so far as consumer choice acts directly upon producers and in many locations stimulates competition." (p57)

While the situation at school level is not entirely comparable with that of entry to higher education – for example there is no equivalent of a national curriculum within universities, so there are substantive differences in degree courses on offer, not just the facilities with which they are delivered – consideration of the way in which the quasi-market for school choice (which has operated in England for over 20 years) operates may suggest some indication of how the quasi-market in undergraduate degrees will evolve.

As described by Le Grand (2003), changes to the management and funding for schools in England and Wales introduced as a result of the Education Reform Act (1988):

> "... amounted to the equivalent of an educational voucher system. Under such systems, parents are given a voucher with a monetary value that they present to a school of their choice for educating their child. The school then redeems the voucher for cash from the relevant government department of education. The resources that a school can attract therefore depend on the choices made by parents. So, too, in these quasi-market reforms. In theory at least, parents could choose their child's school and the money would follow their choice. Schools that were successful in attracting pupils would thrive; those that were not would decline.
>
> "In addition to these changes encouraging parental choice, information systems were set up to enable parents to make more informed choices. Performance testing of children at ages 7, 11 and 14 was introduced, with the results by school to be published. Each school's results in national examinations at ages 16 (GCSEs) and 18 (A-levels) were also published." (p108-9)

Thus, by enabling parents to select schools for their children, the government became an (albeit indirect) purchaser, rather than a provider, of services and so introduced clear incentives to encourage schools to improve their performance and thus attract more pupils who would bring with them increased public funding. Although Le Grand reports (2003, p109/112) that evidence is mixed as to the true extent of the improvements in academic performance in schools that can be ascribed directly to the

introduction of this quasi-market, he is clear that it played its part in achieving this - possibly through the use by some schools of a tacit form of selection of their pupils on social or academic grounds (so-called 'cream-skimming'):

> "Outcomes seem to have improved, as does the efficiency in the way that resources have been used. ... choice and responsiveness appear to have increased, as, on a less positive note, has cream-skimming, although the evidence on the latter is mixed.....
>
> "And ... market pressures are quite intense. Parents, armed with the latest published examination results, seem prepared to exercise the choices open to them, even if they did not always do so. ... And any school that faced the threat of losing pupils would lose resources; while schools that succeeded in gaining pupils would gain resources. Schools that gained resources had considerable freedom of action how to spend any surplus they generated. Schools that lost resources went into financial difficulty; head teachers in charge of schools that were in financial difficulty were in risk of losing their jobs. (pp116/7)

Although the rationale for introducing a regulated a quasi-market within the public sector, rather than a totally open market, is generally to ensure that certain public benefits are preserved, it is not clear therefore, in the case if compulsory education in England, this has been the case. Indeed, as Sandel (2009) observes:

> "...markets leave their mark on social norms. This does not by itself establish that marketising goods always changes norms for the worse. To decide where the market belongs and where it should be kept at a distance, we have to decide how goods and social practices are properly valued." (p6)

As Le Grand (1991, p1266) explains, there is therefore an inherent risk that the introduction of, even, quasi-market mechanisms will foster inequality in a way that disproportionately affects those who are already in some way disadvantaged unless steps are taken to regulate the market accordingly. Others though have expressed stronger concerns about the potential effects of the quasi-market within schools on equity of access by pupils from different socio-economic backgrounds. While acknowledging that the picture is not entirely clear-cut, Walford (2006) notes from his own study of the effects of parental choice that:

> "By their very nature, oversubscribed schools are forced to become selective in some way, and the criteria used (of distance of home from school, performance in interview, level of support that can be shown by parents) often disadvantages those children from already disadvantaged homes.

> "..... A heavily undersubscribed school will have reduced funding, which may result in a reduction of extracurricular activities or facilities. This would be to the detriment of those children who attended the school, which includes those children whose families have considered only their local school as an option." (p137)

This outcome of the market in operation in compulsory education highlights a potential tension, of which Woods *et al* (1998) say:

> "Competition is a concept that has an uneasy place in the context of public service. It suggests contests and conflicts in which the overriding concerns are the well-being of one's own institution, success measured by recruitment and income, and superiority over rivals. There is a destructive potential in competitive relationships... Thus it is not surprising that this is not readily elevated as an ideal or the main driving force in an educational context. The only or predominant incentive for producers in this context is not, however, financial: other motives lie (or should lie) behind offering a service and encouraging or facilitating families to use it." (p221)

So, is it possible for a quasi-market to be regulated in such a way that it works effectively while any potential for increasing inequity can be minimised? The solution that Woods *et al* (1998) propose is:

> ".... the organising principle of the educational public-market might be encapsulated as follows. Public-markets in education entail multiple meanings of choice (as preference 'signal', basic civil right, means of meeting diverse needs and so on). They also entail the integration of the public interest in their setting up and operations, through publicly debated and agreed values and active public structures which provide the framework and context for market elements....
>
> "..... The proposition underlying this putative organising principle is that the incentive for action is not predominantly financial, but is value-based." (p223)

While the established system of school governance requires a number of governors representing the interests of the local community, that is not the case in higher education; however, the collegial tradition within university management does facilitate the prioritisation of institutional values as the basis for decision-making. Thus, there is potential for this model to operate, to some extent at least, within markets at all levels of the education system.

Considering quasi-markets more generally, Le Grand and Bartlett (1993, p219) recognise that these do not automatically guarantee either equity or efficiency.

Specifically, such markets may generate their own, not inconsiderable, transaction costs. However, Le Grand and Bartlett (1993) emphasise that their strengths and weaknesses should be evaluated in comparison with those of the systems they replace and suggest three measures that can be taken to increase the effectiveness of their operation. They cite (p219) these as: increasing the reliance within the market on decentralised purchasers; decreasing the role of the state as purchaser, while increasing its role as information provider; and adjusting funding mechanisms to reduce the potential for cream-skimming while increasing incentives for the meeting of strategic objectives.

Within the quasi-market created by the HE Act (2004), these criteria are each met to some extent:

- the maximum permitted annual student contribution is more than double that under the previous legislation
- this, in turn, reduces the extent to which the state acts as purchaser, however the HEFCE 'T' grant is still greater than the permitted maximum student fee
- the market regulator, OFFA, places emphasis on the need for increased and improved information to be available to applicants and students – however this is mainly provided by the institutions themselves, either directly or via UCAS, or commercial bodies – such as the publishers of university directories – rather than by the government or its agents[10]
- requirements within the legislation to provide financial support to students from low-income families, combined with the commitment of universities themselves to recruit on academic grounds alone reduce the likelihood of 'cream-skimming'

[10] Government agencies - mainly HEFCE and HESA – compile and make publicly available core statistical data on the sector and its members, but do not attempt to re-present this in ways that are designed to be easily accessible to applicants

- provisions within the legislation for Access Agreements to cover not just financial measures, but also other outreach initiatives, increases the extent to which institutions are encouraged to meet national strategic objectives concerning widening participation in higher education, however these have not necessarily increased the equity of access to the system (Harris 2010).

Thus an initial examination of the current position, on the basis of Le Grand and Bartlett's theoretical evaluation, suggests that there are both strengths and weaknesses within the structure of the quasi-market for undergraduate degrees for full-time Home/EU students in England.

Pricing

In any market, price is one of the key elements of the marketing mix[11]. While it is recognised as having the advantage of being one of the most straightforward in practice for a supplier to adjust – through special offers, contract negotiations or seasonal sales – it is also one of which the effect can be most difficult to quantify. This can be either because a pricing structure is so complex that the customer is not entirely clear how much they are paying (as with, for example, some domestic energy tariffs) or because it is difficult to define and accurately measure the consumer's perception of 'value for money'.

According to Berry and Yadav (1996), these problems are particularly prevalent in the service sector:

> "Common service practices are benefiting neither their customers nor companies. Basic to the problem is the fact that service marketers too often ignore the special challenges involved in pricing intangible products. They formulate their pricing strategies without really understanding how their customers use and benefit from the services that they offer. Customers, in turn,

[11] The classic components of the "marketing mix" are the "4Ps": product; price; promotion; and place (or distribution). As analysis of marketing techniques becomes more sophisticated, these have been expanded by some authors to reflect the particular circumstances of different sectors - for example Lovelock, Vandermerwe and Lewis's (1999) "eight components of integrated service management". In all these versions price remains a core element.

> are confused about the true prices they are paying and wonder whether they are getting the best value. An atmosphere of mistrust has developed in many service markets, opening the door to government intervention. Moreover, in numerous service industries ranging from car rental to health insurance, profit margins are narrowing or, in some cases, disappearing altogether." (pp41-2)

Although universities are not simply delivering a 'service' to their undergraduates (as students have to contribute to their education through their own studies and the outcome of these – a degree – has certain properties of a 'good'), these issues are still relevant – both on the financial front and in relation to their dealings with their students. The financial risk has the potential to obviate the benefits of any deregulation of the market (and possibly, in the extreme case, to result in financial failure of an institution), while the risks to the student relationship have the potential to create long-term damage to an institution's ethos and culture. This is because, according to Lovelock (1996), in the service sector, customer service is integral to the delivery of the service being purchased and is not simply additional to the properties of the product itself:

> "Customer service involves task-oriented activities, other than proactive selling, that involve interactions with customers in person, by telecommunications or by mail. This function should be designed, performed and communicated with two goals in mind: customer satisfaction and operational efficiency." (p491)

So, if universities operate opaque pricing policies that generate mistrust among their students, these may have an impact on the nature of the underlying experience that they offer. Universities can however learn from elements of good practice which exist in the commercial sector, for example in financial services where steps are taken to ensure that the customer has clear information before making any investment decision and there may also be a 'cooling off' period in which to reconsider their decision at no penalty. Many of these practices have though developed through external regulation, rather than directly from the service providers; in higher education, similarly, OFFA (2009a) places emphasis on the importance of the provision of clear information on fees and bursaries to applicants and students. This guidance reflects the views of Mitton (2007), who says:

> "... policy makers everywhere should aim to make more straightforward the overall structure of student financial support: in England, in the trade-off between precise targeting and simplicity there has been too much emphasis on the former. The implication for managers within individual HE institutions in England is that they should act now to rationalise their own bursary schemes and provide prospective students with definite information about what they will receive very early in the application process....' (p381)

In this, she is reflecting the fact that consumers can only make effective choices within any market if they have accessible, timely and comprehensible information about the products or services that are on offer to them. Furthermore, for most people, a degree course is not a repeat purchase – they enter this market which offers them many and complex choices once only, as 'immature consumers' (Jongbloed, 2003), and so are likely to rely to a significant extent on external sources of advice and guidance.

In response to this need, the sector is developing new sources of information (such as the Unistats web site - http://unistats.direct.gov.uk/) to supplement longer-standing publications such as university league tables and statutory performance monitoring via HESA and HEFCE. Together they are intended to reduce the 'information asymmetry' which, according to Kivistö and Hölttä (2008), is inherent between the sector and its external stakeholders; while the possibility this creates of drawing on multiple forms of evaluation can, they argue, help build a fuller picture of an institution, an externally-driven requirement for enhanced provision of data also creates its own anomaly:

> ".....public governance, funding, and ownership of universities do not decrease in any way the information asymmetry or problems related to it. After the era of centralised control and planning, imitation of market discipline in performance measurement has been integrated to the governance and coordination of universities in many countries. In this sense, the circle is now complete: there are attempts to neutralise market imperfections with governance procedures that try to imitate the activity of markets." (p341)

Attempts to carry such changes in culture within institutions to their natural conclusion would, as this research finds (see Chapter 5), face opposition; while universities recognise the need to make it clear to potential and current undergraduates what they offer academically, socially and financially, there remains a

strong resistance among institutional leaders to adopting a 'market view' of students as passive consumers – they view students as members of an institutional community who have rights, but also responsibilities. This reflects not only a traditional collegial standpoint discussed above, but also the fact that undergraduates are not passive consumers – they must engage in a process of learning and study to obtain a degree (Johnes, 1993). To clarify the consequent mutual obligations of students and universities, representatives of both groups are now working together[12] to develop guidelines from which institutions can produce Student Charters, that will be part of their formal contractual relationship with their undergraduates.

Above all though, if universities are to be able to demonstrate the value that they offer undergraduates, they need to have facts and figures on which to base a transparent pricing policy. Such quantitative bases for price can be sought from the legs the pricing tripod of Lovelock *et al* (1999): costs; competition; and value to the customer. Although, in higher education, none of these can be precisely defined and measured, they could offer a basis for pricing which goes some way towards satisfying this need for transparency.

Costs – determining the true financial cost of delivering an undergraduate course is far from straightforward, at least in part because of the complex interactions between the teaching, research and administrative functions of universities. A similar problem may occur in commercial organisations which offer a number of services using some of the same resources; however, without this data it is impossible for a university to know whether or not the income received per student[13] covers the cost of their tuition and support, let alone to consider applying a cost-based approach to pricing.

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[12] Representatives of Universities UK and of the National Union of Students are jointly chairing a working group on Student Charters that will report later in 2010 – it will consider issues such as students' reasonable expectations about personal support from tutors, formal contact time and feedback on course work, as well as the responsibilities of students such as private study time.

[13] For a Home/EU full-time undergraduate this would be made up of the HEFCE (T) grant and the fee charged to the student under the provisions of the HE Act (2004).

In addition, if a university is committed to transparency of costing for its users, it must be aware that the cost to the student is much more than the course fee itself and consider how the whole price offering, elements of which are entirely outside its control, will be evaluated. It is in this context that the value of an undergraduate course will be assessed by potential applicants and has significant implications for the way in which these total costs should be presented in student recruitment communications, as Hanna and Dodge (1995) explain:

> "Rather than compete on price alone, marketers must think in terms of total value as perceived by the customer, or the combination of features and experiences that create a total customer perception of value. What a customer will pay for a product or service does not relate solely to physical features or performance. Rather, it is the total package including complementary features such as installation, delivery, technical support and after-sales service, as well as the symbolic features such as prestige and status that are perceived as delivering more value than competition at a pricing point." (p3)

When establishing its costs, higher education will commonly have a much higher proportion of fixed (as opposed to variable) elements, similar to the service sector as opposed to a manufacturing industry. At first sight, this might suggest that, as the marginal cost of increasing a course by one place is small, this is the level at which the fee should be set. However, the full costs of operation must be recovered over the range of services delivered and so the problem becomes how to apportion those fixed costs between the purchasers of those different activities.

To improve internal financial management and transparency for consumers, the higher education sector has therefore sought to establish the true costs of its various activities through the work of the Joint Costing and Pricing Steering Group (JCPSG). Its work related to teaching costs (TRAC(T)) has proved highly complex but, after many years of work, an agreed methodology has been in place since 2006 and, from 2007-8, HEFCE has required that all institutions collate and supply it with TRAC (T) data on teaching costs by subject group (HEFCE 2007).

During this development process though, policy discussions relating to the passage of the HE Act (2004) were informed by the use of earlier forms of this data, for example

when UUK (2004) was making the case to the Government for increased levels of funding for the sector. Its argument was based on the implicit and simplistic assumption that prices should mirror these true costs; furthermore it gave little or no consideration to the validity of, and acceptability to, the sector of marketing practices such as discount pricing (perhaps for those students who confirm their acceptance of places early in the UCAS cycle) or the establishment of loss leaders (degree programmes priced at below true cost, perhaps to encourage the sampling and adoption of new courses). In a truly deregulated and competitive market, rather than a regulated quasi-market such as that for undergraduate degrees in England, once the data on true costs are known, then such pricing policies would start to be considered.

Competition – the higher education market in the UK is an example of what O'Shaughnessy (1995, p613) explains microeconomists would call 'monopolistic competition', where many organisations offer differentiated versions of the same basic product but there are so many organisations that no single one has an appreciable effect on the decisions of the others. The demand curve in such a market is more elastic than under monopoly, with demand sensitive to small changes in price.

However the monopolistic competitor has the advantage that it can raise prices relative to competition without loosing all its customers, because its offering must contain elements critical to some consumers for it to be surviving in the market-place. On the other hand, because competitors have differentiated their products, a member of such a market may lower prices without attracting all the customers of competitors. In theory, O'Shaughnessy (1995, pp607/8) says, the optimum price to maximise profit can be determined if we are willing to accept the economists' four simplifying assumptions that: price is the key variable that determines output (with product, promotion and distribution strategies in place and invariable); consumer preferences are known and ordered; cost and demand functions are known; and the consumer is all knowledgeable and makes choices only to maximise utility.

If there is some doubt in the mind of commercial marketers, as O'Shaughnessy (1995, p607) suggests, citing Gabor (1977), about the validity of these assumptions, and thus the resulting pricing strategies that they would generate, then these doubts are even stronger within the higher education sector. To begin with, it is not clear that universities, which have charitable status, will set the price for their courses simply to maximise profit. Indeed, if profit were to be the only motive, then it is very likely that the range of courses on offer across the sector would change radically and given that, even using the TRAC(T) methodology discussed above, institutions cannot determine precisely the unit cost of delivering specific courses, it is likely that such decisions would be strongly influenced by indicators such as applicant demand. If this were to be the case then those courses that are routinely filled during Clearing[14] would be vulnerable to closure, while courses with high ratios of applicants to places would be likely to expand or increase their prices, even though this might result in a reduction in places on courses such as modern languages, chemistry and engineering, whose graduates are in demand from employers.

Whether or not universities make their pricing decisions on the criterion of maximisation of profit, they may still want to understand how adjustments to price will impact upon their revenue, so it remains relevant to consider the validity to the sector of the economists' four simplifying assumptions that O'Shaughnessy (1995, pp607-8) identifies:

- Most worrying to the higher education marketer is the fact that, within a university, they are unlikely to have any significant degree of control of the development and delivery of courses – indeed, in most cases, changes to a syllabus or development of a new course will be considered primarily on academic criteria alone. Academics may have made these decisions on the

[14] The stage in the annual UCAS cycle when applicants who have not achieved the grades required to take up places for which they have been holding conditional offers seek to find places on other courses that have under-recruited and late entrants to the UCAS process may also be considered.

implicit assumptions that a diverse higher education sector is, of itself, a benefit to society whose monetary costs and value cannot be quantified, and that the overall quality and nature of teaching and research will be an important determinant of the perception and positioning of an institution within the sector[15].

- There are categories of direct and indirect consumers of a degree (eg students, employers, the wider economy), each of which has different motivations and thus preferences in their choice of university and course. Although market research can give some indication of the criteria on which preferences are established within each group, even the most sophisticated will not be able to quantify with any precision how a student, for example, weighs the value of guaranteed accommodation in Halls for the full length of their course against availability of library facilities or the nature of assessment used during their degree course. So, even if data, at an institutional or national level, is collected about the factors on which each category of consumer – from Government to applicant – identifies the relative merits to themselves of a particular course, it will still not be feasible to establish precisely how the many variables involved in the decision-making process are evaluated and weighted to result in a final selection.

- Universities have limited information on the exact costs of their teaching activities. However, through sources such as UCAS, they can gain quantitative information about national demand – as measured by number and quality of applications - for various types of courses and thus assess their own competitive position. Information on demand from other consumers is less

[15] Although this is a situation which could potentially occur in other professional areas of service delivery such as the legal profession, it is discouraged by the wide use of partnership structures – so that those with the professional expertise, who are also delivering the service, also have direct financial responsibility as partners in the practice. In contrast, academics have traditionally viewed themselves as secure, tenured employees, with no direct responsibility for financial management, although this is gradually changing as budgetary responsibility and accountability are devolved in institutions that are short of resources.

readily available; employers are however now taking steps to identify, and advise higher education institutions of, the range of skills and knowledge that they expect their graduate recruits to have, as part of their concern to address a shortage, which they have identified, of suitable applicants for employment (Bloom *et al* 2004, CBI 2009).

- Different categories of consumer for higher education and individuals within each group have different levels of knowledge about the sector and individual courses; they cannot all be assumed to be well-informed. This is particularly the case in those categories, such as the individual student and their family, for whom choice of a degree course may be a novel or unique experience. So while some groups of consumers, such as careers advisers and large employers, may make their decisions based on good information and knowledge, not all will do so. Similarly, the choice for members of some groups is more likely to be a rational one, which may be made to maximise utility, where as for others, such as students, personal preferences and considerations beyond the nature of the degree programme on offer may play a significant role in the decision-making process.

Therefore while, for some customers, in some circumstances, the economists' four simplifying assumptions that O'Shaughnessy identifies broadly hold true, there are many occasions when these are not operating within higher education, raising the question of how easily standard economic pricing theory will translate to the sector.

Value to the customer – as has been considered above, the different categories of customer for higher education have a number of distinct, in addition to some shared, motivations. This will inevitably generate different frames of reference against which they will evaluate the value to them of a course or degree. In its White Paper (DfES 2003), the Government couched its justification for differential fees in terms of the potentially most quantifiable of these, the so-called "graduate premium" – an attempt to measure the additional earning power that a degree gives an individual over his or

her working life. In this it estimated that, on this basis, a degree can be worth as much as £120,000, while, at that time, the OECD (2003) evaluated the private rate of return for English males for tertiary qualifications at 17%. Applicants using such information would be introducing the principles of cost-benefit analysis to their decision-making process, according to O'Leary and Sloane (2005), suggesting a particular approach to higher education:

> "..... in so far as education is treated as an investment rather than a consumption decision, regularly updated information on returns to different degree programmes can make an important contribution to the educational decisions of future students." (p86)

Thus, the relevance of this measure – notwithstanding an increasingly apparent decline in its value as the sector expands without adequately meeting the needs of the current, highly-competitive, employment market (CBI 2009) and many graduates take jobs that were previously open to those with lower qualifications (Sidnick 2004) - assumes that consumers evaluate a degree as an investment good. However applicants may base their choice of degree and institution on grounds closer to those that are valid for a consumption good – that is, considering the experience (academic and social) that they will have during their time at university, rather than the potential long-term benefits of the resulting qualification. This is demonstrated in, for example, the higher rates of demand for courses such as forensic science (an area with limited career openings, generally for those with a high level of academic knowledge) rather than the pure science subjects such as chemistry (which could lead to a professional qualification and flexible, well-paid career path) that were highlighted by the Sector Skills Council for Science, Engineering and Mathematics (2004).

A third significant element of the value to the consumer of a degree will be the perceived status of both the university attended and the course studied. This will be a factor in decisions based on both investment and consumption grounds and is one reason why newspaper league tables continue to be popular. Even though those who understand the statistics on which they are based often consider them highly flawed, consumers, especially those who are less well-informed about the sector, find them

useful, even if only as an affirmation of their own choices (CHERI 2008). They are seeking quantification of the competitive value of institutions and courses, as part of the quest for justification of any cost to be incurred that, as Berry and Yadav (1996) point out, is so important for the consumers of a service:

> "In buying a performance, service customers buy a promise. They cannot see the intangible product that they are buying and agree to pay for it before experiencing it..... The difficulty that customers have in evaluating services before (and sometimes after) purchasing them, coupled with the reality that buying services involves incurring expenses rather than acquiring tangible goods, makes a strong case for marketing practices that simplify the buying decision and reassure the customer. Successful service marketers pursue these goals in their pricing." (p49)

In summary therefore, any attempt to establish a precisely quantified price for an undergraduate degree, based on the three legs of the "pricing tripod", is likely to fail; the cost of delivering a degree course, the nature and activity of the competitive market and the perceived value of a degree to diverse customers are all complex variables which are not susceptible to simple measurement. While some of these difficulties are shared in other markets, where complex services are sold, these, in the main, have the benefit of being established markets in which there is a stable pricing structure which a new entrant can use to guide their pricing policy; although higher education in England is gradually moving towards this position, four years after the implementation of the HE Act (2004), significant changes in the national and international economic context in which universities are operating and uncertainties caused by the Independent Review of Higher Education Fees and Funding during 2009-10, have prevented this market from maturing fully.

Combining theoretical perspectives

As there is no single established area of literature that covers the full range of concepts that this research raises, it has been necessary in this chapter to consider four major areas of recognised theory. These will each be drawn upon at appropriate stages of the later data analysis and interpretation and together they will assist in building an informed understanding of the issues which underlie this study.

Equally, where research respondents (whether institutional leaders or policy-makers) indicate that their actions were influenced or informed by their perspective on existing literature, then an understanding of that material will clearly assist in interpretation of this information. Data analysis may also highlight the possible relevance of themes from the perspectives discussed in this chapter and, where this is this case, that will be considered in the concluding stages of this thesis.

Nevertheless, as Clark (1997) said:

> "The universities of the world have entered an age of endless turmoil. National systems of higher education cannot count on returning to an old stage of steady state, nor of achieving a new stage of equilibrium." (p291)

It would hence be inappropriate to attempt to identify one dominant model or theory around which to structure analysis of the primary data collected in this research; rather a broader perspective, that reflects the complex realities of planning and decision-making within higher education institutions and the environment in which they are operating, will be used when seeking to establish findings in later chapters.

This approach furthermore reflects the fact that the topic under consideration here is one that is only now beginning to be studied in depth (Callender 2010) and hence is not yet highly conceptualised. As such, it also demonstrates the potential of this work to make a significant contribution in its field.

Chapter 3

International models – their relevance and limitations

England has two entries, Oxford and Cambridge (the only institutions from outside the United States of America) in the top ten places of the Academic World Ranking of Universities (Shanghai Jiao Tong University, 2010) and so its higher education could be viewed as having significant international standing. However, this level of impact may seem disproportionate when you note that the UK spends 1.3% if its GDP on higher education, compared with 2.9% in the USA, 1.6% in Australia and an OECD average of 1.5% (OECD 2009).

In spite of this comparatively low level of investment in the sector, the UK Government regularly states that it values the international standing of its universities (DfEE 1998, DfES 2003, BIS 2009); one of the objectives of funding reforms within the sector in 1998 and 2006 (and those expected to follow publication of the Independent Review of Higher Education Fees and Funding towards the end of 2010) has been to retain this position. It is in this context that policy-makers have looked overseas at how other national sectors operate; the Robbins Report (1963) included consideration of national systems of higher education in ten countries beyond the United Kingdom while members of the Dearing Review visited Australia, France, Germany, Japan, the Netherlands, New Zealand and the USA (NCIHE 1997).

By 2003/4, Andrew Adonis had identified a clearer focus for international comparisons, as he explained when interviewed for this research[16]:

> "The single most influential model that we looked at was the Australian one, because the Australians had been seeking to do exactly what we had been seeking to do - which was to substantially increase non-state income for universities from student fees but to do so on a fair and equitable basis that was sustainable, flexible (in that it didn't put all universities into a single straight-

[16] This extract comes from an interview conducted for this research which is analysed in detail in Chapter 7

jacket, but allowed universities themselves to have some flexibility in the taking of decisions) and that placed a high premium on access."

He further acknowledged that, as in the Australian case, reform of higher education fees and funding was likely to be an evolving process, rather than one achieved with a single step:

> ".... at the time we were making our reform, they were themselves liberalising their own model and their own model was one that we were looking at in the first place: many of the characteristics – particularly the post-graduation repayment through the tax-system (which was the key element of their system) - that we looked at extremely closely and that was very influential in our thinking about how we should construct our system. And the point at which we, as it were, moved to look at that, they were themselves liberalising their own fee regime and indeed the reform that they produced was more liberal than ours."

When using this approach, policy-makers are identifying ideas from elsewhere that they hope to adopt or adapt locally. However, before introducing practices from abroad, they need to determine the extent to which other inherent differences between the countries involved would affect those practices, were they to be transferred into a new context. Writing in 1900, and reprinted in Bereday (1964), Sadler recognised the extent to which national systems of education are bound in with the habitus of their own countries:

> "We cannot wander at pleasure among the educational systems of the world, like a child strolling through a garden, and pick off a flower from one bush and some leaves from another, and then expect that if we stick what we have gathered into the soil at home, we shall have a living plant. A national system of education is a living thing..... It has in it some of the secret workings of national life." (p310)

Although today the comparative study of education systems is a well-established field of research, according to Cowen (2006), its practitioners still need to remember Sadler's cautions. Cowen advocates that they pay particular attention to two issues - 'context' and 'transfer'– which he defines (p561) as:

- **context** - the local, social embeddedness of educational phenomena
- **transfer** - the movement of educational ideas, policies and practices from one place to another, normally across a national boundary

This is particularly important he argues (p568), as much of the current work in comparative education is highly scholarly, and its resulting conclusions often lack enough analysis of context to enable policy-makers to use these as reliable bases from which to transfer education policy between countries. If Smith and Exley (2006) are correct however, this may not matter; they note in their study of the making of policy concerning English schools between 1985-95 (much of which involved the introduction of quasi-market principles, as discussed in Chapter 2) that:

> "Reforms in England took place both prior to and in parallel with similar reforms elsewhere; hence examples from overseas were more often used to confirm developments in England rather than to initiate them." (p575)

Watson (1992) takes a similar view of the selective way in which examination of other education systems has been used to inform policy-making:

> "Unfortunately in the United Kingdom there has generally been a blinkered position. Not only has there been a remarkable lack of interest in the systems of the different constituent parts of the UK but authorities have usually only been prepared to use comparative information and data when it suited them to bring about change. The Robbins Report (1963) is a good case in point." (p125)

Hence models from elsewhere may not have been influential in actually shaping the university sector in England. Rather, as Phillips (2006) explains, they may be significant in the less obviously visible circumstance in which they are used to support arguments against, rather than for, possible changes:

> "Where the foreign example can be of particular value in policy making is in the potential it provides for indirect experiment. Informed research into aspects of education 'elsewhere' can provide a proxy for what might result from reform 'at home', without the risk attached to an experiment with such otherwise untested reform.....
>
> "Often the foreign example serves, as a result of such 'indirect experimentation', to warn against rather than to encourage potential change. It can provide a basis for advocacy in both directions." (pp556-7)

So there may be occasions when careful examination of other national systems is helpful in determining whether or not a country would be well-advised to adopt policies that it has observed operating elsewhere. Where this does occur, Phillips and Ochs (2002) advocate the use of a circular model as a framework for analysis of what

is referred to within the field of comparative education as 'policy borrowing'. This model encourages consideration of four stages: the conditions which instigate a 'cross-national attraction'; the decision-making processes that result in the adoption of a policy from elsewhere; the implementation of that policy adoption; and the ways in which it becomes localised in its new national context. Among other benefits of this approach, according to Phillips and Schweisfurth (2006), is the fact that this model:

> "... aims, too, to remind us of the complexities involved in a phenomenon which is often regarded simplistically by policy-makers." (p98)

When considering reforms of the funding of higher education, policy-makers and commentators in England have often looked to the United States of America because it is known for having a successful university sector (including many institutions of international standing) that is only partially dependent on public funding and has a tradition of student fees and scholarships. However, according to Kirp (2003), it does not always set a positive example:

> "... [in the USA] market forces lead some schools to forget that they are not simply businesses while turning others into stronger, better places." (p7)

Furthermore, the situation in USA is not wholly parallel to that found in England because the structure of the sector varies between states and there are also long established roles for both private and public universities; furthermore, attitudes towards philanthropy (among alumni and others) have enabled some universities to build up substantial endowed scholarship funds and there is a social acceptance that undergraduates will make a financial contribution to the cost of their education.

Thus those with a more nuanced understanding of global higher education are increasingly using the Australian system as a point of reference when considering possible changes to undergraduate fees and funding in the United Kingdom. As Andrew Adonis outlined (above) this is because it started its transition towards increased student contributions in 1989 and thus had recent experience of

circumstances similar to those that English universities and students would encounter as funding reforms were introduced in 1998 and again in 2006.

The remainder of this chapter will therefore focus on these two higher education markets; it will summarise undergraduate fee and funding systems in the United States of America and in Australia. Key findings from studies of these systems will then be considered to form the basis for what Kogan (1996) refers to as a 'thematic comparison'. Mindful of Kogan's (1996) caution about the search for causal relationships through such an exercise, of which he writes:

> "I fear that such a quest often leads to banality rather than illumination. But even if one might be able to determine causal relationships, data collection does not of itself produce fruitful theorising." (p396)

emphasis will instead be placed on identifying patterns and trends which suggest the extent to which the USA and Australia may usefully be used as models to inform institutional planning and policy-making in England.

The United States of America

The university sector in the United States of America has been influenced by commercialising pressures for many decades. These can be identified as far back as the early 1900s, according to Bok (2003, p2), when, for example, the University of Chicago started using advertising as part of its student recruitment activity and the University of Pennsylvania established a Bureau of Publicity to increase awareness of the institution.

While the scale of such early marketing initiatives was not of the same magnitude as those undertaken today, over a century later, from a European perspective, the USA may be viewed as having a long-established and highly-developed market for undergraduate courses, in which student fees play an accepted part; however, due to the country's federal system, it is actually composed of multiple markets, with student support systems varying significantly between states. Furthermore, the American higher education sector is heavily stratified, with both public and private universities

in operation. As Table 2 (below) shows, undergraduate fees vary by as much as a factor of ten, depending on the type of institution attended:

	Public two-year	Public four-year in-state	Public four year out-of-state	Private not-for-profit
2009-10 Tuition and Fees	$2544 (£1700[17])	$7020 (£4700)	$18,548 (£12,400)	$26,273 (£17,500)
Increase since 2008-9	$172 (£115)	$429 (£290)	$1088 (£725)	$1,096 (£730)
Percentage increase since 2008-9	7.3%	6.5%	6.2%	4.4%

Table 2: Average annual undergraduate fees by type of not-for-profit university[18] in the USA (source: The College Board, 2009a)

As Table 2 also suggests, annual increases in fees are the norm and, according to Douglass and Keeling (2008), among those institutions with a significant research profile, the effect of these changes is to move towards a convergence in pricing, driven partly by the need for revenue and partly by the view that cost confers status. If Dill (2003) is correct though, institutions may be overestimating the true significance of status earned through such means; he says:

> "A major contributor to the imperfections in the US higher education market is the inability of consumers to differentiate between an honest academic 'reputation', earned through demonstrably effective education, and 'prestige', an image of questionable social benefit." (p153)

Even with some US universities charging substantial fees, according to Kirp (2003), they are still not operating as suppliers would in a strictly commercial market:

> "Even though tuition continues to rise, as universities engage in what economists term 'positional warfare' to protect their place in the hierarchy,

[17] Throughout this chapter approximate exchange rates are based on those offered in August 2010

[18] Data was only available to this study from a relatively small sample of private for-profit colleges, meaning that any results for this sector could only be interpreted "with extreme caution" (The College Board 2009a, p4)

> revenue from tuition doesn't pay the bills. It is hard to identify a non-profit university that doesn't subsidise its students; and the higher up the pecking order, the greater the subsidy." (p2)

However financial incentives have been introduced which mean that the resulting market is even attractive to commercial organisations, to the extent that, within the USA almost 10% of all enrolments in higher education in the are now within the for-profit sector - the fastest-growing sector in that country (UUK 2010b, p10). Furthermore, the financial outlook for business in that sector remains positive, in spite of the wider economic climate (UUK 2010b, p15); according to Kirp (2003) this is, in the main, due to the interventions of national and state legislatures:

> "Sensing the possibility of making money in this increasingly competitive environment, new institutions have entered the field. But these for-profit schools do not embody the rugged individualism of the classic market. They received massive subsidies in the form of federal and state loan programmes, an act of public generosity beyond the wildest dreams of a new trucking firm or microchip manufacturer. Because most students at for-profit schools need the loans to pay their college bills, these institutions would have to retrench if they didn't receive infant industry treatment." (pp2/3)

As far as financial aid goes, in 2008-09 undergraduates received an average (across all types of institution) of $5041 (£3350) in grant aid[19], supplemented by $4,585 (£3050) in federal loans, $476 (£315) in federal education tax credits and deductions, and $84 (£55) in other federal support (The College Board 2009b, p2). About 50% of full-time undergraduates also took out federal Stafford Loans[20]. The median financial aid debt for all those graduating from their first degree course in 2007-08 was $11,000

[19] This figure is made up of funds from both the state and the national government. Of those two strands, federal grant aid is generally more heavily targeted at students from low income backgrounds than is state aid.

[20] Stafford Loan are available from the US government to US undergraduates studying 50%fte or more – subsidised interest rates are offered to those in financial need, while others may apply for unsubsidised loans.

(£7300) while, among the two-thirds who borrowed, median debt was about $20,000 (£13,300)[21].

As this data suggests, undergraduates in the USA face a complex set of options concerning sources of funding and financial aid. This has been identified (Spellings 2006, p*x*) as part of a wider information deficit that is discouraging some young people from entering post-secondary education; furthermore this and other disincentives are particularly affecting the participation of students from low-income backgrounds and from racial minorities (Spellings 2006, p*x*) – an issue studied in detail by Baum and Ma (2007), who say:

> "Participation and success rates in higher education differ considerably among demographic groups. White and Asian high school graduates enrol in postsecondary education at significantly higher rates than black and Hispanic high school graduates, and the gaps are not closing. Women have been more likely than men to enrol since the late 1980s.
>
> ".... Even among those with similar levels of academic achievement, students from families with lower incomes and lower levels of education are much less likely than more privileged students to continue their education after high school. ... Moreover, among those who do enrol, low-income students are overrepresented in two-year public colleges, while affluent students are more likely than others to attend private four-year colleges and universities." (p29)

And, as Baum and Ma (2007) also observe, even when students enter higher education, completion rates vary between different groups of society:

> "Although the discussion about participation in higher education is frequently couched in terms of access, persistence to degree is an increasingly important focus. Even among those who enrol in postsecondary institutions, degree completion is correlated with demographic characteristics. White and Asian students are more likely to earn degrees than black and Hispanic students, and higher-income students are more likely than others to graduate." (p29)

While not suggesting that lack of information is the sole reason for such observed differences in participation in higher education in the USA, the report of the Commission on the Future of Higher Education (Spellings 2006) – established by the

[21] With a significant financial investment required by individual students to complete their degree courses, many undergraduates also take out private loans, although (The College Board 2009b, p5) it is not possible to collect data on this which is as precise as that on student financial loans.

then US Secretary of Education, Margaret Spellings - does identify the need for accessible information concerning the nature and quality of courses, so that consumers of higher education have reliable data on which to base choices between institutions and subjects. It recommends:

> "....the creation of a consumer-friendly information database on higher education with useful, reliable information on institutions, coupled with a search engine to enable students, parents, policymakers and others to weigh and rank comparative institutional performance." (p21)

The Commission hopes this will also create informed consumers and so encourage universities to increase the quality of their provision. Nevertheless, it concludes that the underlying problem with the student aid system is complexity and so advocates simplifying and replacing it with one which is more clearly designed to: increase access; encourage retention; reduce graduate debt; and remove any incentives for disproportionate increases in tuition fees (Spellings 2006, p19). However, these are just part of what the Commission identifies as an even more fundamental problem:

> "..... American higher education has become what, in the business world, would be called a mature enterprise: increasingly risk-averse, at times self-satisfied, and unduly expensive. It is an enterprise that has yet to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing educational needs of a knowledge economy. It has yet to successfully confront the impact of globalization, rapidly evolving technologies, an increasingly diverse and aging population, and an evolving marketplace characterized by new needs and new paradigms.
>
> "History is littered with examples of industries that, at their peril, failed to respond to - or even to notice - changes in the world around them, from railroads to steel manufacturers. Without serious self-examination and reform, institutions of higher education risk falling into the same trap, seeing their market share substantially reduced and their services increasingly characterized by obsolescence." (Spellings 2006, p*xi*)

On this analysis, maturity of a market is no guarantee that it will operate effectively and efficiently.

Lessons for England from the USA

Although the headline figure for undergraduate fees can be significantly higher in the United States of America than in England, the growth of for-profit providers (The

College Board 2009a, p4) indicates that there is ample demand for places to maintain a buoyant sector. However, these higher fee levels are supported by extensive scholarship schemes and opportunities for a student to combine paid work with their degree course. Potential sources of income such as these (and possibly differences in living costs) offset the higher fees to the extent that the average amount of debt owed by a graduate in England (Bolton, 2009, pp3/4) is comparable to that of their counterpart from the USA.

That debt is, in effect, a measure of *net* cost, and thus the cost to a student of obtaining an undergraduate degree is now roughly the same in England and in the USA. Assuming (as is the basis for the operation of a market) that students are making informed decisions about what, where and when to study based, in some part, on cost, policy-makers should be aware that the effects on participation in England of *net* cost may therefore already be comparable to any seen in the USA.

It is also the case that, according to Wellman *et al* (2008, p17): "Black and Hispanic students are increasingly concentrated in less selective institutions". So, while the diversity of the sector in the USA offers a range of opportunities to participate in higher education, the stratification of the sector carries through into the socio-economic profile of undergraduates at different types of institutions, perpetuating inequalities from their backgrounds. Thus, while the US system is effective in widening participation in higher education as a whole, it is not achieving equity of access to institutions with different levels of perceived status (Baum and Ma 2007). This is partly due to the spread of fees charged and partly to different levels of debt-aversion in different parts of the community – an issue that is already starting to be observed in England (as discussed in Chapters 1 and 2).

The link between funding systems and tuition fees is also important; as Spellings (2006 p2) identified, as higher education becomes comparatively more expensive for students, it is increasingly important that structures are put in place to encourage institutions to increase their efficiency and to assist them in achieving this. Such

measures should reduce the likelihood of the inadvertent creation of perverse incentives. However, some of these already exist to some extent within the English system where, for example, undergraduates are eligible for public fees loans only up to the level of fee charged by their university – a rule which led, at least in part, to the automatic provision of bursaries to all undergraduates by one institution, rather than the setting of fees at below the maximum permitted level (as explored with HEI3 in Chapter 5).

Above all, the US example demonstrates that, even where markets have been allowed to play a significant role in the provision of higher education for a number of decades, governments need to ensure that they retain the ability to regulate the parameters within which the sector operates; without this, they will not be able to protect the wider public interest in quality, accessibility and equity, a respect in which Brown (2006, para9) considers the US system is already 'sub-optimal'.

Australia

In many ways, the structure and operation of the higher education sector in Australia is closer to that of the English than it is to the US system, but that situation is gradually changing. As Marginson (2009) notes, the national government is exerting pressure on the sector to evolve in line with its political objectives through its distribution of limited resources (p3) and thus:

> "Australian higher education as been shaped by the British heritage but is now increasingly focused on Asia-Pacific. The system is highly modernized and business like, compared to most national systems. ..... Universities are uniform in character but uneven in capacity and performance. A private sector is emerging. Raising participation, and the improving standards despite the scarcity of public funds are the main challenges of the next period." (p7)

The principle of a student contribution to university fees was introduced in Australia in 1989 with a $Aus2000 (£1220) annual charge to home students – equivalent (according to Aungles *et al* 2002, pp7/8) to about one fifth of the average costs of delivering a course; the parameters under which these operate have been modified several times such that undergraduate fees and funding within Australia now operate

under the provisions of the HE Support Act (2003). As it applies for 2010 entry[22], this permits universities to charge their Home undergraduates annual fees within a maximum set by the national government; courses fall into one of four bands, for each of which there is a different fee cap, as shown in Table 3 (source: DEEWR 2009, p28) below:

Student contribution band (subject grouping)	Maximum annual student fee $Aus (approx £)
Band 3 - law, dentistry, medicine, veterinary science, accounting, administration, economics, commerce	8859 (5300)
Band 2 - computing, built environment, health, engineering, surveying, agriculture	7567 (4500)
Band 1 - humanities, behavioural science, social studies, foreign languages, visual and performing arts, education, nursing	5310 (3200)
National Priorities – mathematics, statistics, science	4249 (2550)

Table 3: maximum annual fee for Australian Home UGs, by subject band

Unlike their counterparts in England, institutions regard this cap as a maximum and do use the flexibility that has been available to them since 2005 (DfES 2004, p12) to set different fees for courses within the same national band. Consideration of the composition of these bands suggests that the allocation of subjects reflects not only differential costs of course delivery but also places a premium on subjects that are likely to enable entrance to careers with an expectation of higher lifetime earnings; in parallel, financial incentives are built in to attract students to subjects that have been identified as 'national priorities'. At the same time, the government contribution (equivalent to the HEFCE 'T' grant) falls into one of eight categories, with these related to likely costs of course delivery.

[22] Until 2009, Australian universities were able to offer full fee paying places to Home students (equivalent to those available to overseas students) in addition to places that were co-funded by student and government contributions under parameters determined by the HE Support Act (2003)

This pricing structure therefore reflects considerations of both supply and demand (from students, employers and the national economy); it results in the possibility that an accountancy student will pay more than twice the fees charged to a mathematician, and the same as those charged to a medical student. At the same time, students who pay at least $Aus500 (£300) of their fees up-front, rather that taking out a government HECS-HELP[23] loan, receive a 20% discount on the amount that they pay in advance. While this provision reduces the costs that the government incurs underwriting loans, it is likely to be regressive, in that the people who are most able to take advantage of this saving (which is equivalent to a discount on their university fees) will generally be those from higher income backgrounds.

At the same time though, in line with the recommendations of the 2008 Bradley Review of Australian Higher Education, the government now operates two main scholarship[24] schemes – one targeted specifically at students from indigenous groups and the other at undergraduates from low income backgrounds. These are complemented by institutional scholarships (often funded from philanthropic donations), which may be specific to particular courses (for example to address local concerns relating to recruitment or retention) and can be allocated on a wide range of criteria. This new system places the emphasis on publicly-funded student support, with the object of addressing concerns about equity of access and differential levels of debt-aversion, of which the Bradley Review (2008) had said:

> "Current levels of income support are inadequate to support the participation and success of students from low socio-economic backgrounds. Reforms to, and

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[23] Repayment of HECS-HELP loans is due on an income-contingent basis, once the graduate's earnings exceed a specified level – the percentage of income that they are liable to pay increases, as their salary increases. The value of a graduate's debt increases with annual index-linking, but no other interest is charged. With its HECS scheme, Australia was the first country to introduce an income-contingent basis for student loan repayments – a principle which has since been adopted by other countries including England.

[24] In Australia, the term 'scholarship' is widely used to refer to student financial aid even when no academic assessment is used to determine eligibility – in the English context such schemes would usually be referred to as 'bursaries'.

> better targeting of, income support should enable such students to attain better qualifications in a more timely fashion and are urgently required." (p*xv*)

In this, the Bradley Review is assuming that the barriers to participation for certain groups of the population lie within the orbit of the universities themselves. Marginson (2008) however believes that (in line with the position in England discussed in Chapter 1), the roots of this issue can be traced back to earlier in the academic career of a potential undergraduate:

> "Under-representation in higher education is partially the result of lower levels of educational achievement in schools, lower educational aspirations and lower school completion rates. These three factors are significantly interrelated. It is likely that lower levels of educational achievement are the precursor for other effects. Imbalances in higher education participation reflect endemic educational disadvantage that begins in the earliest years of schooling." (lecture slide20)

This suggests that there are limits on how much Australian universities can, and hence should, do to address national concerns about inequity of participation in higher education, as is the case in England (as discussed in Chapter 1). However, there are some indications (Aungles *et al*, 2002) that, even modest, changes to student fees and funding that were introduced to Australia in 1996 deterred some older and part-time students from entering higher education. While there was no reduction in the overall percentage of students from lower income backgrounds, there is evidence that the 1996 changes may have deterred some males from this group from entering courses in the highest fee band. Thus, universities may be advised to use their own scholarships, at least in part, to address concerns about the cost of studying for a degree among those potential applicants who appear to be the most debt-averse.

Lessons for England from Australia

The funding systems in place for universities and undergraduates in Australia are less constrained by regulation than those that operate in England. Within a gradually relaxing framework, institutions are exploring choices that the market offers to them, for example, in the setting of fees. At the same time, the Australian sector needs to grow to increase participation in line with government objectives; that expansion is

taking place within private education providers and, in the public sector, outside the ranks of the leading research-based universities (King 2010, p58).

However, the resulting complexities that are being introduced may present applicants with the problems of information gathering similar to those seen in England (as discussed in Chapter 2) and the USA (as discussed above). Although there remain well-founded concerns about the diversity of Home undergraduates, there is no definitive evidence of the role which these changes in the funding model may have played in creating this problem.

While raising additional revenue from Home student fee contributions, the Australian sector has also sought to diversify its sources of income further by increasing its overseas student numbers; between 1996 and 2002, the contribution this revenue stream made to total university funding almost doubled (from 6.6% to 12.5%) (Marginson 2004, p216). It is not clear though to Marginson (2004) that higher fees have yielded direct benefits for students:

> "Despite rhetorical commitment to student-need....., there is no research-based evidence that universities became more responsive to students, or that teaching improved. Because the conjunctural reduction in public funding weakened the material conditions for teaching and learning, the specific effects of market reforms are difficult to assess. Nevertheless, it is significant that in a deregulated environment driven by scarcity, universities placed a higher priority on expanding their corporate functions than on maintaining resources for teaching." (pp217/8)

While undergraduates in Australia are paying more towards their education, it is not obvious what return they are seeing on this financial commitment – they are not being perceived by their institutions as having a consumer:supplier relationship, which furthermore suggests that they are also not seeking this position (as also observed by Marginson 2004, p221) Thus, the market is not, in this case, serving to encourage universities to be more responsive to the needs of their students.

In parallel, a tension is developing between the resultant introduction of business-like practices and the prevalent academic culture (Marginson and Considine 2000).

Ultimately, Marginson (2004), sees the pressures that the market is generating as having a highly divisive effect:

> "... the national market competition sustains sandstone[25] hegemony at the expense of the resources and prestige of all other universities. Arguably, what is seen as 'true quality' in Australian higher education centres on fewer institutions that at any time since the formation of the modern mass system in the 1960s. Where all institutions draw on their competitive position to pay their own way, there are winners and losers, these patterns tend to be self-reproducing, and it is no longer possible for all universities to be world class universities as once was the expectation in Australia." (p223)

Thus, the introduction of a fee-driven market is reinforcing pre-existing stratification within the sector and limiting the potential for institutions to improve their standing in that hierarchy. It has also, according to Meek and Wood (1997, p255), been the driving force for a number of institutional mergers and, they argue, this may not be the only consequence of the introduction of market principles that was unforeseen by policy-makers:

> "The turmoil that is readily observable in Australian higher education may be merely a product of change as a government increasingly moves towards the market steering approach. But, at the policy level, there may also be some misunderstanding of how markets operate and misplaced faith in the benefits to be derived from them.
>
> "As opposed to tight state regulation, supposedly, the state supervisory model with its emphasis on competition and market-like relationships, produces more adaptive, responsive and efficient higher education institutions and systems. But there is some evidence to suggest that, in certain key areas, the presumed benefits of market steering of higher education are questionable, particularly with respect to diversity, management and privatisation." (p266)

The introduction of markets to the higher education sector may thus have negative as well as positive implications, Meek and Wood (1997) suggest, as universities adapt to this new operating environment:

> "In Australia, as elsewhere, institutions compete with one another in attempting to interpret how best to take advantage of the financial incentives available, and

[25] A group made up of the oldest eight universities in mainland Australia, all with strongly Anglophile traditions and culture.

> in so doing have been caught in a continuous process of attempting to second guess both the 'market' and government policy." (p265)

Institutional managers are therefore seeking to balance the expectations of two, sometimes potentially contradictory, dominant forces.

Using evidence from elsewhere to inform policy in England

This brief examination suggests that there are some lessons of possible relevance to the English situation that can be drawn from examination of the two higher education sectors that are most often cited as funding exemplars for England – the United States of America and Australia. However, Phillips and Schweisfurth, (2006) suggest that caution should be exercised before considering using these as the basis for templates to transfer from one country to another:

> "Where we believe that 'learning lessons' on the basis of the informed understanding of other systems is a fundamental purpose of comparative education, we see dangers in taking a law-making ('monothetic') approach to the outcomes of comparative research." (p4)

With this caveat in mind, there are nevertheless some observations about undergraduate funding and fees in the USA and Australia and their outcomes that policy-makers may find helpful to have in mind as they consider the English system:

- indirect costs of student support to the public purse (eg state-subsidised loan schemes) and the distributional effects of such mechanisms require detailed analysis, as financial packages that are most readily acceptable politically in the short term may have unintended economic consequences in the long term
- as fees increase, their negative impact, in terms of discouraging participation in higher education disproportionately among certain sections of the population can be partially mitigated by increasing the variety of modes of study available (for example by increasing the use of on-line learning)
- there is no evidence that the introduction of market mechanisms in the form of fees increases the quality of institutional provision
- stratification of institutions is reinforced in markets where the maximum fee is such that true variation in pricing occurs through fees charged

- as a market in undergraduate fees matures within a system, for-profit providers may be attracted to enter that market, and other forms of private/public partnerships are then likely to evolve to deliver degrees

Thus, increased undergraduate tuition fees, when operating within a quasi-market in which the government imposes measures that are designed to promote equity of access to higher education, do not appear to bring with them other characteristics of a less regulated market. As Marginson (2004) concludes from his study of the situation in Australia:

> "When a government-managed economic market driven by prices and resources competition is imposed on top of the traditional positional market in higher education, the outcome is not the textbook market driven at the intersection of supply and demand, of neo-classical economic imaginings. Unless special measures are taken to enforce contestability, and better, to break the hold of the leading universities, the economisation of competition actually tends to strengthen the dominance of universities in the elite group that are best placed to compete in the reformed system. However, enforcing contestability requires arbitrary interventions, and while these might well be grounded in expert state judgment – a quality under-appreciated in the neo-liberal era – they undermine market coordination and its dollar-driven automation. Further, policies that are pitched against leading universities appear perverse, given the need to enhance global competitiveness, and would confront vigorous social-political resistance." (p237)

On this evidence and analysis, policy-makers in England should be aware of the likely limits on the extent to which they can expect to reshape the university sector through the introduction and regulation of a quasi-market in undergraduate fees and related mechanisms for student support. When seeking to do this, a government is, in the words of Välimaa (1999), 'creating market forces'; of this, he says:

> "The role of the state is... problematic because essentially the state is a moral community ensuring principles of social behaviour through laws and norms more than an economic community aiming at making a profit. Therefore, governments may adopt different policies, and consequently, depending on policy goals, they may have many different roles as a market force in the higher education field." (p30)

At the root of this tension identified by Välimaa is the fact that, even when a government relies on cost-sharing to reduce the cost to the state of higher education, as seen here in both the USA and Australia, profit-maximisation will not be its sole

objective. The social and political constraints on the extent to which commercial principles are introduced within a national university sector will inevitably reduce the extent to which the resulting market can give students some of the benefits (including increased choice, improved information and enhanced quality) that are conventionally associated with competition.

Government interventions in such markets may, according to Bastedo and Gumport (2003), actually do more harm than good:

> "…. those who promote mission differentiation are trying to manage the competing demands of egalitarianism and competitive excellence. Yet there may be substantially negative effects on students, academic programs, and even the faculty who are left out. Ironically, without anticipating and attempting to mitigate these effects, policymakers will face continued - if not heightened - conflict over access, not only to the system as a whole, but also to those within that system. " (p354)

This finding from on a recent study of public higher education institutions in the USA reminds politicians that the sector is a complex one; they therefore need to be alert to the possibility that legislation intended to shape it in one way may generate unintended consequences along the lines of those discussed by Merton (1936). Hence, unless they are prepared to accept the possibility of the development of a 'market of interaction', of which Niklasson (1996) says:

> "….the government explicitly refrains from interfering with the play within the rules it has set up and accepts whatever comes out of the spontaneous interaction. …. the government is prepared to allow mistakes by the actors of the game. To do so, it must view mistakes as part of the learning process, but it must also be politically prepared to defend mistakes which might offend the public, bearing in mind that the public pays the bill." (p8)

politicians are likely to wish to monitor and evaluate the implementation and operation of any policy interventions relating to universities to compare objectives with intended outcomes, as this study does for the financial provisions of the HE Act (2004) in England.

Chapter 4

Research methodology and design

The topic of inquiry within this thesis: "Implementing the financial provisions of the Higher Education Act (2004) – English universities in a new quasi-market" has as its focus the actions of higher education institutions within a highly politicised environment. While observation enables the collection of factual information on behaviours, it will not necessarily, on its own, provide reliable evidence concerning the reasons that certain actions have, or have not, been taken by members of the sector.

In planning a programme of research that is intended to yield an understanding of the causes of any patterns of behaviour that may be observed, it is therefore also necessary to consider those factors which can be expected to play a significant role in influencing the positions that individual institutions have adopted in the evolving quasi-market for full-time Home/EU undergraduates. Thus, it is important to incorporate within the design of that programme an acknowledgment of both the nature of universities as organisations (as discussed in Chapter 2) and the context created by the national debate surrounding university and student funding policies in England (as discussed in Chapter 1).

Both these dimensions can be expected to be influential during data analysis when seeking not only to establish an informed understanding of *what* happens, but also to propose probable reasons *why* this comes about. With this consideration of the broader context of the main topic of research in mind, four supporting research questions have been identified, the answers to which will, in turn, inform understanding of overarching subject of this thesis. These are:

- what were the political/public policy objectives that underpinned the financial provisions of the HE Act (2004)?

- how have individual institutions chosen to respond to the, albeit limited, freedoms of the quasi-market in which they now find themselves and why?

- what is the collective impact of individual institutional decisions for the sector as a whole and how does this compare with the original thinking behind this legislation?

- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

By working through these four stages of inquiry this research will establish the internal perspective of members of the higher education sector in England on their role in the quasi-market under investigation; at the same time, it will build an understanding of the rationale of those who established the parameters within which that market functions and their expectations for its operation. From these foundations it becomes possible to build a picture of the existing situation that also has the potential to offer at least some predictive indicators of the ways in which universities might respond to future adjustments in the regulatory framework that surrounds this quasi-market.

The research methodology and design (involving a preliminary quantitative stage, followed by in-depth qualitative research) that are discussed in this chapter are hence intended to generate evidence from which to propose answers to these four questions; that material will, in turn, provide the basis from which to address the overarching research question.

Methodological approach

To address the four research questions identified above, it is necessary to study two distinct areas of inquiry: decision-making on fees and bursaries within universities; and the objectives of policy-makers involved in the national debate on higher education funding that accompanied the passage of the HE Act (2004). On the basis of an understanding of actions taken and the objectives underlying them within each of these spheres individually, it will then be possible to build up a broader picture of the inter-relationships between them.

In each of these two areas, directly-relevant secondary sources (including institutional information, published speeches and statements, sector-wide data sets and other current research) provide contextual and preparatory material. This information informs the subsequent main phase of data collection – qualitative interviews in sample institutions and with key national figures in higher education policy in 2004 and now.

Therefore, the evidence on which these research findings are based has been collected through 'mixed methods', that is drawing on both quantitative and qualitative sources. As such, it spans a divide within the field of education research which, while less clear than it was perhaps 20 years ago, is still debated in some quarters. Indeed, Hammersley (1992, p238) suggests that, while a *détente* may have been reached between the supporters of these contrasting methods, this has masked the need to acknowledge and address substantive methodological disagreements.

The significance of these disagreements may be attributed in part to the link that Bryman (1984) notes as frequently being found between the contrasting methodologies and their associated epistemologies, with qualitative studies tending to take a phenomenological approach, while quantitative studies are framed in the positivist tradition. This positivist approach reflects the traditional understanding of scientific method – in which it is assumed that there is an absolute truth about any subject under investigation that is there to be established, so that the results of such an inquiry will be the same by whatever valid means and by whomever it is conducted. Phenomenologists, on the other hand, consider that the role of the observer plays a part in constructing reality, so that any object or event is inevitably described through the lens of that person's experience; in their view, both subject and object play their part in creating truth about a specific situation, and hence there is no one absolute truth to be identified.

Those who adopt each of the two contrasting techniques of qualitative and quantitative research, Bryman (1984) continued, adhere to distinct paradigms which in turn tend to result in studies designed on the basis of what he described as:

> "..... Trow's (1957) apparently sound advice that 'the problem under investigation properly dictates the method of investigation'" (p76)

But, as he pointed out, strict adherence to Trow's "widely quoted observation" (p79), could suggest that research methodology is generally determined on technical, rather than epistemological, grounds – while, he comments, researchers often seek to relate their choice of methodology primarily to a particular philosophical standpoint, this may not be an accurate reflection of the realities of a situation in which sources of information available and the training and/or preferences of those carrying out the project will inevitably play a significant role in research design. Hence, the answer to the question of whether such decisions are, or should be, led by philosophical or methodological considerations remains, according to Bryman, unclear.

In developing this research proposal and methodology, initial thinking was informed by the data sources – mainly statistical and documentary, such as UCAS and HESA datasets and institutions' prospectuses and www sites – that were publicly available. This data was first interrogated with quantitative methods, to seek to understand the behaviours of complex organisations within a diverse sector.

However, it quickly became apparent that there was no one over-arching model that could be constructed to explain decisions made within individual universities, because the number of factors and influences involved (both internally and externally) and the variations in the significance of each of these between institutions (for reasons that are not always readily quantifiable) were too great. In effect, each institution is a 'special case', because its distinct characteristics are highly significant in comparison to any broader trends across the sector. Hence, it was necessary to collect the majority of data via qualitative methods and thus gain a fuller picture of the richness of the differences that exist in the system under examination.

Acknowledgement of the realities of the nature of the higher education sector in England thus led to the conclusion that the topic under consideration would not be amenable to analysis primarily from the positivist standpoint which would in turn, according to Crotty (2003, pp4-6), have advocated a quantitative study. Instead, it became increasingly apparent that subjectivity plays an important role, not only at the level of analysis by the researcher, but also, crucially, in the perceptions, beliefs and consequent actions of the individuals who collectively make up the groups of informants in each sample institution. In this situation, the qualitative methods that have been used here for the majority of data collection can be expected to help generate an informed understanding of the reasons why particular decisions have been made and, from this, to begin to build a broader picture of the underlying forces that are in operation.

At the same time, a quantitative approach was used to develop an appropriate research sample and according to Hammersley (1996) there are a number of benefits to what he describes as "methodological eclecticism" – the combination of qualitative and quantitative methods. He argues (p167/8) it can offer benefits of:

- **triangulation** – as the underlying sources of potential weakness in the two sources of data on the same topic are likely to be different
- **facilitation** – with one form of research serving as the precursor to, and informing the design of, the other
- **complementarity** – reflecting the respective strengths of the two different research approaches so that quantitative research would, for example, establish a model of what had happened, with qualitative studies then exploring with participants the reasons for their actions which had led to these outcomes

The benefits of facilitation and complementarity can be seen in the design and execution of this research and the strength of a mixed-methods approach in offering a basis for triangulation is demonstrated within the analysis of primary data. For example, the qualitative study was designed in light of quantitative data that provided a framework for the sample, however that data reflects only institutional actions and certain of their outcomes. As a number of interview questions examine the

motivations for actions that informants took four or five years previously, there is a potential for 'post-rationalisation' to cloud their responses. Therefore, wherever possible, contemporaneous publications (such as internal reports and discussion documents, speeches and public statements) have also been reviewed to see whether the positions represented within these sources are consistent with information collected during interviews.

However, as Chenail (1997) emphasises:

> ".... a careful reflection of what the researchers use at the particular points (of view) to triangulate the phenomenon tells us as much about the location of the researchers themselves as it does about the phenomenon itself." (para4)

So, the process of triangulation will not, of itself, necessarily ensure the objectivity of a piece of research. The researcher must remain alert to his or her own position in the process of inquiry and his or her relationship to the research questions under consideration. This is particularly important as the realities of doctoral research mean that there is little, or no, opportunity to involve additional people in the analysis and coding of raw interview data and hence seek to establish independent validation through this method.

A mixed methods research design of itself can though go some way towards minimising this and any other effects that conducting data analysis alone may have on the robustness of resulting conclusions. Thus this approach is commonly advocated (eg Robson 2002, p370) to provide a basis for triangulation because it seeks an understanding of the problem under investigation from several sources and through different methods, from which all the results obtained can be evaluated together. This use of independent data and distinct methods may well, in the complex situations that occur in real life, yield contrasting results, as well as findings that support each other – however, the different techniques involved within this research process should help develop a deeper understanding of the situation under studying and hence collectively offer a basis for more sophisticated interpretation of any findings.

Preliminary evaluation of secondary data

In the first phase of this project, two groups of secondary data sources were examined with the aim of establishing a comprehensive, and institution-specific, record of the ways in which higher education institutions in England responded to the financial provisions of the HE Act (2004). In one exercise, sector-standard data-sets from HESA and UCAS were used to prepare summary institutional profiles, while in the other, information was collated on the levels at which individual universities set their fees and (in the context of the *net* price that they are charging to their students) the range of bursaries and scholarships that they offer.

The aim of these parallel exercises was to seek to identify any trends, or possible patterns of behaviour in the sector and consider whether these varied in relation to recognised categorisations of universities (eg research- or teaching-led, recruiting or selecting, membership of a particular sector interest group). As it was thought initially that the resulting material might be suitable for analysis using quantitative methods (such as the exploratory approach advocated by Tukey, 1977), when gathering this data, it was important to be aware of any limits on its validity that would, in turn, constrain its use in such comparisons.

Compiling evidence from national data sets

It is reasonable to assume that data sets published by both HESA and UCAS are reliable and robust – these have been prepared for many years either directly from original sources, or use statistics supplied by institutions that are compiled under recognised standard procedures. However, as when using any data set that is not tailor-made, but produced for another purpose, limitations may occur because the information it contains does not cover all the areas that are of interest to the subsequent user.

In the case of this research, for example, while UCAS inevitably holds figures for the number of applications made to specific courses at each institution, it does not publish this information[26]. Thus, when building up a statistical profile of universities, the only independently-verified figure for the ratio of applicants to places available is an average across all courses, an indicator which can mask wide differences within each university. Such substantial differences, where they do exist, may be relevant to internal debates within an institution relating to the setting of Home/EU undergraduate fees and the structure of bursaries offered. They are however, something that that was explored in more detail with those universities that participated in the qualitative date gathering phase of this research discussed below.

Constructing a profile of the financial offerings made by English universities

While the building of general profiles of institutions from secondary sources was relevant when it came to sampling, it was not an innovative use of this data. However, a more novel stance was adopted when reviewing information on fees and bursaries; this was intended to construct a picture of the bursary funding available to undergraduates at each university in England[27], in the context of fees charged there - in effect a profile of the variations in prices charged in the new quasi-market established by the HE Act (2004).

For this exercise, a tabulation was constructed of the various fees and bursaries that are on offer to Home/EU undergraduates at English universities; initially it was intended that this would record only factual measures, so that there would be no interpretation built into the collation of this information. Thus (see Appendix 1) dummy variables were introduced to reflect aspects of the design of each scheme (eg: is means-testing involved? is there a subject-specific variation built in? does the

[26] This data is withheld at the request of UCAS's member institutions, who regard it as commercially sensitive.

[27] Specialist institutions, offering courses in only a limited group of subjects, were excluded from this exercise, as it was very likely that they would be atypical, however they may merit separate study at a later date.

student's home address affect the funding they can receive? is prior academic achievement considered? is sporting excellence recognised within the bursary scheme?).

While this approach has the clear benefit of simplification of information gathering, it removes any indication of the relative size of effects (so that if, for example, there are a small number of sport-based funding opportunities, but almost all bursaries are means-tested, these will both show as a "yes" in the relative variable field, giving apparently equal weighting). As it is possible that these weightings may subsequently merit consideration as possible proxies for the policy priorities underlying the design of each scheme, it is important that they are not lost in the ultimate analysis of this information.

When considering the representation of 'means-testing' within this tabulation an additional complication became clear when using a simple "yes/no" approach to measuring correlation; where schemes involve an element of means-testing, the majority have what may be defined as a 'positive' correlation (lower Residual Household Income, RHI, results in eligibility for higher levels both of grant from the state and of institutional bursary). A small number of institutions though have a 'negative' correlation, so that those in receipt of more financial aid from the state (which has a positive correlation with RHI), are eligible for smaller sums from the institution.

Schemes that have been designed on this basis[28] could be considered to be more equitable – achieving at least a partial levelling of the sums available to undergraduates, regardless of their family backgrounds - and appear to be designed on the assumption that students should be considered as financially independent from their families. At this stage, any such interpretation can only be an assumption, suggesting one area worthy of further consideration in the second phase of this

[28] for 2006 entry these included Coventry, De Montfort and (for some family income bands) Essex

research. Hence, to ensure that this possibly significant factor was noted, a third possible value was introduced for this dummy variable; where a negative correlation exists, it is recorded as 2, rather than 1.

As well as this recording of major factual trends that occur in a number of institutional schemes, when working through this information-gathering process, it became apparent that it would also be useful to record other aspects of some schemes within a consistent framework. For this reason, two further dummy variables were introduced – considering whether each scheme has: a retention[29] element; and/or a widening participation[30] aspect in its design. By including entries for these variables the categorisation moved away from the purely factual to include an interpretative judgment of the intended purposes behind the design of aspects of bursary scheme; thus it was moving from an entirely positivist approach, to incorporate a phenomenological dimension.

This could result in inconsistencies creeping into the tabulation and/or its subsequent analysis for several reasons:

- the interpretation could be wrong, or at least an over-simplification of an institution's objectives behind the introduction of features noted
- by categorising features of schemes in this way, different properties will be grouped together because of a possible shared objective which has been ascribed to them, and this may not reflect the complete situation – eg schemes may be designed to target students from a specific under-represented group on the basis of market research and competitor analysis or to satisfy politically-driven objectives imposed externally, giving them different priorities within the institution (Morgan-Klein and Murphy 2002, pp69-70)
- the same types of measure are being used for quasi-quantitative and quasi-qualitative data, but these may not be suitable for equivalent consideration and treatment when conducting subsequent analysis of the material

[29] for example, with increased sums available for second and subsequent years

[30] for example, with increased sums available for students from under-represented groups or neighbourhoods

On balance though, as long as the possible implications of these limitations are borne in mind (so that for example no attempt is made to use statistical methods of analysis that treat dummy variables generated from qualitative judgments in the same manner as those representing absolute data), this appears to be the most appropriate way of recording this significant information at this stage. However, when using this tabulation to assist in establishing a representative sample of institutions to use during the main data collection phase of this research, it will be important to review elements of *net* cost[31] alone, as the issues represented by the variables for retention and widening participation are among those that are to be explored directly during the information-gathering process and should not be pre-judged at the point of sampling.

Another area of classification within the tabulation that required consideration was in the way that funds described as 'bursaries' and as 'scholarships' should be recorded. Initially, these were viewed as a single pool of financial support offered by the university to certain groups of students. This choice was made for two reasons: from an undergraduate's point-of-view the money is the same, whatever the name given to the fund from which it is allocated; and the two terms – bursary and scholarship – are not used entirely consistently across the sector.

However, the significant sums available to small numbers of individual scholarship students - for example, the handful of Vice-Chancellor's Scholarships of £4,000 a year at Keele - would give an unrealistic overall picture if added to the maximum bursary available over three years column. This meant that it was necessary to introduce a further variable to note 'scholarship' provision, even though making this distinction relied on an element of interpretation, as the inconsistent use by universities of nomenclature meant that it was not sufficient to base this distinction on their own categorisations.

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[31] *net* cost is taken here and throughout to include variable fees payable (albeit potentially deferred), grants, bursaries and scholarships available – not living costs (which may vary significantly between individual lifestyles), opportunity costs (potential lost income during the period of study) nor graduate premium (increased earning arising from higher qualifications)

The decision was therefore made to define *bursaries* as 'financial support available through automatic entitlement to all students who meet certain criteria' and *scholarships* as 'awards which are subject to fixed limits (in terms of cash distributed or number of beneficiaries), which cannot be exceeded regardless of the number of students who meet the eligibility criteria'. This definition aims to separate those schemes which appear to be directly linked to the provisions of the HE Act (2004) and requirements of OFFA – the bursaries – from those which may be more traditional in their origins – the scholarships. However, while this approach has the benefit of creating discrete variables, each linked to specific aspects of the topic under investigation, it is not necessarily appropriate to consider these in isolation, and indeed there is no evidence that institutions themselves have done this. Furthermore, because of the complexities of the various schemes that have developed across the sector, this distinction is not necessarily absolute.

Establishing a typology of bursary schemes

Notwithstanding these considerations, there remains a benefit (when seeking to build a picture of the range of financial offers that universities are making to their full-time Home/EU undergraduates) to identifying any behavioural trends; this potential will be greatly increased if there are discrete parameters by which to compare the offerings from individual institutions. Thus, the tabulated profiles of institutions were reviewed with the aim of establishing clear groupings of similar types of financial offers, if any, and from this exercise five categories were apparent:

- **basic** with only one main criterion for eligibility, generally means-testing, applied
- **basic plus** - low basic bursaries (to meet the OFFA requirements and little more), but with additional (potentially high-value) scholarships offered
- **automatic** - those where a non-means-tested element is a major factor
- **non compulsory** - those offered by universities where the fee charged is less than £2,700 and hence which are not legally required to offer bursaries
- **complex** – with many different types of bursary and scholarship on offer (based on many different criteria) individually and/or in combination

Table 4 below shows the profile of fees, bursaries and scholarships at some example institutions for 2006 entry. This suggests profiles of each categorisations that can be used to distinguish between the proposed types to ensure that they are applied consistently so that, for example, a 'basic plus' scheme can be identified by the minimal figure in the maximum bursary column combined with a number of other criteria being recorded as 'yes'.

	Annual fee (£s)	Max 3yr bursary (£s)	Max 3yr s'ship (£s)	criteria for bursary or scholarship include:							
				means-tested[32]	auto-matic	sub-ject	geog	aca-demic	sport	WP	reten-tion
Basic											
Cambridge	3000	9000	-	Y +ve	N	N	N	N	N	N	N
UCE	3000	1500	-	Y +ve	N	N	N	N	N	N	N
Basic plus											
Brunel	3000	900	9000	Y +ve	N	N	N	N	N	Y	N
Keele	3000	900	12000	Y +ve	N	Y	N	Y	N	Y	Y
Automatic											
BCUC	3000	3000	900	N	Y	N	Y	N	N	Y	N
Gloucester	3000	2430	-	Y +ve	Y	N	Y	Y	N	Y	Y
Non compulsory											
Greenwich	2500	1500	1500	Y +ve	N	N	N	Y	Y	N	N
Leeds Met	2000	2000	-	Y +ve	N	N	Y	N	N	N	N
Complex											
UC Lancs	3000	3000	2000	Y +ve	N	N	Y	Y	Y	N	N
Reading	3000	3900	2000	Y +ve	N	Y	Y	Y	Y	Y	N

Table 4: Properties of sample institutions from each type proposed (2006 entry data)

[32] Y+ve indicates that an institution used means-testing to distribute bursaries that were **positively** corelated to Residual Household Income (RHI), as discussed above

Applying the typology

The validity and potential usefulness of this proposed typology were tested, at least in part, by seeking to apply it to all institutions and assessing whether or not it is naturally and generally applicable. During this exercise, there were two main issues that occurred frequently enough to be worthy of further consideration: distinguishing between "basic" and "complex" schemes; and determining whether schemes were "automatic" or "complex".

Complex is, in effect, the residual category and it is therefore perhaps to be expected that the least clear boundaries will be between this and other schemes. It would be possible to reduce the number of cases open to debate on these borderlines by defining the other categories more precisely. This refinement would have been appropriate if it had become clear during the exercise that one or more of the original proposed definitions did not serve a useful purpose, in the context of the fees, bursaries and scholarships on offer.

In practice, this approach was adopted with one category – 'automatic'. Here the definition was modified from 'includes an element of automatic entitlement' to 'includes an element of automatic entitlement*, and limited supplementary funding is available by compliance with other criteria (such as academic or geographic)*'. This definition can be justified as: there is already a single column which identifies whether there is any non-means-tested element in the scheme (so the definition as it stood would have added nothing further to the understanding of differences between schemes offered) and; it was clear that the significance of this element of entitlement to financial support varied greatly in the overall package offered to undergraduates.

It does though indicate the adoption of a marketing technique that is the equivalent of 'cashback' offers that are used in the retail sector by giving a fixed amount of money (as a lump sum bursary entitlement) to all students which, in terms of *net* cost, has the same effect as a fee reduction. As such, it raises significant questions that can best be explored during qualitative interviews, following appropriate sampling.

Using the (slightly revised) five-point categorisation, the 88 universities and university colleges (excluding specialist colleges) in England broke down, for 2006-7, as follows (as shown in Appendix 2):

Basic	35
Basic plus	12
Automatic	7
Non-compulsory	4
Complex	30

This makes the residual category, complex, the second largest and suggests possible limits on the value of this proposed categorisation. However, this reflects the reality of the situation facing applicants for undergraduate degree places in England; about one third of universities are offering financial support packages which are difficult to compare, even for those who have a realistic idea of their Residual Household Income, because:

- they involve a number of elements, which may or may not be available in certain combinations, or to exceed certain total sums awarded to each individual
- some support may be capped by total sums available, rather than being an automatic entitlement to those who satisfy certain criteria
- awards may be increased dependent on the UCAS points a student enters with – something they will not know when making their application unless they do this post-qualification
- some funds may be awarded through open competition

In constructing their schemes in these ways, institutions have ignored both recognised good practice in marketing and respected sector-specific advice (eg Dill 1997 pp180/1). The undesirability of such lack of clarity is something that has also been highlighted on a number of occasions by the Director of Fair Access, Sir Martin Harris, who, from the time of his appointment, has exhorted institutions to ensure that their communications, at least, are clear and accessible (eg Harris 2006), however complex their packages of fees, bursaries and scholarships.

To assist them in achieving this, in autumn 2006, his Office commissioned research into the effective use of electronic media by universities to explain their financial offerings to applicants in the context of the information needs, expectations and experiences of prospective students. This study (Ipsos MORI 2006) concluded:

> ".... simplicity is important - when looking for financial information, prospective students and their parents want to know what it will cost and how they can cover those costs. They do not need justifications of government policy." (p22)

Its main output was a Good Practice Checklist (pp26/27) which recommends managerial, as well as communications, tools that universities should consider using when explaining the costs and financial support associated with undergraduate study with them. As such, it advocates a textbook 'marketing' approach in which price is considered as in integral element of the development and presentation of a good or service that is to be offered.

Thus, consideration of the wider context in which institutional fees and bursaries operate, indicates that the tabulation developed here offers a reasonable representation of the pricing structures that are currently on offer to full-time Home/EU undergraduates in English universities. Furthermore, it can provide useful indicators of factors to be considered when establishing a sample of institutions to study in detail in the qualitative phase of this research, as long as awareness is maintained of the limitations that such a form of categorisation may bring. Specifically, it would not be appropriate to draw conclusions about the relative significance of different pricing strategies adopted within the sector solely on relative numbers of schemes incorporating specific factors.

Furthermore, once issues had been highlighted for further investigation by this broad analysis of bursary schemes, it was important to return to the details of original schemes at institutions selected as possible samples in the second phase of data collection to examine the relative significance of individual variables within these more precisely. This was particularly the case in situations where the *net* cost to a

student can differ from year to year of their course, as these variations proved too complex to capture within this initial tabulation.

An alternative approach evaluated

In their benchmarking study for Universities UK, Ramsden and Brown (2007) adopt a different approach (pp27-28) to categorisation of financial support schemes. They propose five different types of 'bursary', all of which are available to all students who satisfy certain financial criteria, while 'scholarships' were placed in four different groups targeting: high pre-entry grades; geographic or social factors; academic, sporting or community service excellence while on course; and recruitment to shortage subjects. However, they themselves note:

> "In general the distinction between bursaries and scholarships is that bursaries are offered on a means-tested basis and scholarships are based on achievement either before entry or on the course. In practice this distinction is not always so clear cut with some bursaries being available to all students, and some scholarships targeted at students from low-income families or under-represented groups." (p27)

Ramsden and Brown's method separates out distinct properties of the financial support offered by individual institutions, so the compliance, or not, of each institution against their nine categories could be recorded in a similar way to the initial "yes/no" categorisation of properties of schemes used above. They have not however published tabulated data on every English university's fees, bursaries and scholarships – rather giving a broad brush picture of trends they have observed from their own examination of the published information, such as the lack of any evidence for a link between full-time undergraduate applications to an institution and the scale of financial support it offered. If they were to do this using their categorisations of five bursaries and four scholarships they would inevitably end up with a very disparate picture of the sector – possibly with no two institutions having the same of the, potentially multiple, profiles.

Given that any effects of a significant size (other than in terms of public relations) will depend on the impact of *net* cost on applicants as a whole (rather than a few

individuals), it remains important to consider the total financial offering that is made to students – including allowance for the relative scale of different elements of the package. For this reason, the approach used here will be that developed during this research, which facilitates a transition from recording the distinct properties of each scheme on offer, to a proposed typology of those schemes, rather than that used by Ramsden and Brown (2007)

The issues encountered while the recording of this type of information in this way, and discussed above, do though still highlight potential limitations on the statistical validity of any initial quantitative stage of this research. Given the nature of the data under consideration, and the issues to be investigated (particularly when exploring not just *what* happened, but also *how* and *why* it came about), the main data collection was therefore conducted by means of semi-structured interviews, supported by document analysis, as appropriate. This initial work to establish a typology of bursary schemes was however valuable both in developing an interview structure and also when establishing a suitable sample.

Framework for primary data collection within universities

Information gathered during interviews within higher education institutions is fundamental to understanding the supply side of the new quasi-market that lies at the core of this study. It will specifically assist in answering the second and fourth, and half of the third of the research questions cited above. These are:

- how have individual institutions chosen to respond to the, albeit limited, freedoms of the quasi-market in which they now find themselves and why?
- what is the collective impact of individual institutional decisions for the sector as a whole ~~and how does this compare with the original thinking behind this legislation~~?
- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

The sampling framework and interview structure for this, the major element of the primary data collection, were established building on the broad picture of the range of

pricing strategies being used by English universities and the overview of the shape of the sector, both discussed above. As part of this process, appropriate ethical approvals were obtained via the University's CUREC process.

Given the nature of this research, with universities as the units of analysis, and no intervention involved, the main issue to be considered when ensuring that this data collection met appropriate standards was that of transparency – in terms of the nature of the project, the involvement requested from the institution and individuals within it and the extent to which confidentiality could, or could not, be guaranteed. These matters are covered within communications that were used (see Appendix 3).

Furthermore, the research was conducted under principles of good practice that reflect BERA's (2004) *Revised Ethical Guidelines for Educational Research*. Thus, for example, while informed consent to participate was first obtained on behalf of each sample institution from its Vice-Chancellor, all individuals interviewed gave their own voluntary informed consent, and had the right to withdraw from the research at any point (including after data collection). Interviewees were not proactively offered the opportunity to read a transcript of their discussion with the researcher and no one in universities sought to do this.

The sampling framework that was established was designed to ensure that it reflected the properties of universities that were considered in the two elements of secondary data analysis described above. Thus, the sample included a range of types of institution and also institutions offering a spread of different types of bursary schemes. Appropriate universities were identified and then approached under terms agreed through the CUREC process with the aim of establishing a representative group of six institutions to study in the second, qualitative phase of data collection.

It was reasonable to expect that some universities would decline to participate however, to ensure that the final sample remained representative, it was necessary to issue a first tranche of requests and then supplement these with equivalent institutions to substitute in place of any refusals received. In practice, 13 letters requesting

participation in this research were issued to Vice-Chancellors (on behalf of their universities) in three phases, to obtain the final sample of six used; results of the subsequent data collection exercises are reported in Chapters 5 and 6, and used to inform the conclusions reached in Chapter 8.

Of those who refused, two were universities where the Vice-Chancellor subsequently left their post in circumstances that were reported to include internal disputes with senior colleagues. Apart from one institution that did not respond at all, the others which declined cited practical issues such as pressure on staff time. The profiles of the anonymised membership of the final sample is shown in Table 5 below:

	Typical entry offer	**Age of university**	**League table rank (banded[33])**	**Affiliated group(s)**	**HEFCE WP PIs[34]**	**2006 bursary type[35]**
HEI1	AAA/AAB	>100yrs	5-25	Russell	sig below	5
HEI2	280-320 UCAS pts	1960s	25-50	94 Group	above	1
HEI3	160-240 UCAS pts	post 2000	100-125	GuildHE/ Million+	above	3
HEI4	AAA	>700yrs	1-5	Russell	sig below	1
HEI5	160-200 UCAS pts	post '92	75-100	Million+	above	4
HEI6	120-240 UCAS pts	post '92	100-125	Million+	above	2

Table 5: Comparison of key qualities of sample institutions

[33] this figure is the mean performance of the HEI in the 2009 editions of each of the three main national league tables: *Sunday Times, Times* and *Guardian* – it is given in bands to assist anonymity

[34] achievements of HEI against two main HEFCE Widening Participation Performance Indicators (on students from state schools and students from Socio-Economic Groups 4,5,6 or 7) – 'sig' indicates statistical significance in the variation observed

[35] Categorised by HMC bursary types:

1 = **basic** – with only one main criterion for eligibility, generally means-testing, applied
2 = **basic plus** - low basic bursaries (to meet the OFFA requirements and little more), but with additional (potentially high-value) scholarships offered
3 = **automatic** - those where a non-means-tested element is a major factor and limited supplementary funding is available by compliance with other criteria (such as academic or geographic)
4 = **non compulsory** - those offered by universities where the fee charged is less than £2,700 and hence which are not legally required to offer bursaries
5 = **complex** – with many different types of bursary and scholarship on offer (based on many different criteria) individually and/or in combination

A number of considerations concerning the diverse nature of higher education institutions meant that it was necessary to take a flexible approach to the practicalities of data collection at each university within the sample:

- when preparing, and subsequently piloting, an outline structure for in-depth interviews within individual institutions, it was clear that no single 'script' could be developed and that a reflexive approach was required towards the detailed design of the data-gathering process. The reasons behind this relate both to the management and decision-making systems within institutions (as discussed in Chapter 2) and to the variation in financial offerings to be considered

- it would not be appropriate, from outside, to identify whom the 'key informants' should be – but rather it was necessary to ask each selected university to facilitate access to those in academic and administrative areas who were and are directly responsible (formally and informally, if possible) for the development and operation of different elements of policy on fees and bursaries under the provisions of the HE Act (2004)

- once such a group has been identified internally, responsibilities of those with a specific 'job title' may vary between universities, so areas of questioning may need to be divided up differently

- 'post holders' may have changed and it will be important to decide whether it is necessary, appropriate and feasible to interview current or past incumbents, or both

- the nature of, and access given to, documentation on policy formation may vary greatly depending on the culture of institutions – so that in some cases it may already have been published (internally at least), while in others it might be regarded as a commercial confidence

- as no two schemes are identical, so the priorities and principles behind them will be different, resulting in a wide range of areas of supplementary questioning

However, to be able to analyse the results effectively, it was crucial to ensure that the full range of topics – as much as is relevant and possible – were covered at all sample institutions. Therefore, a framework of questions that could be used consistently throughout this data-collection exercise was prepared. Together with core factual information (gathered as much as possible through secondary research *via* HESA, OFFA and UCAS), the use of this framework ensured that, however many interviews it was necessary to conduct in each sample institution, by the end of this exercise, the

full range of material necessary to provide meaningful comparisons and comprehensive analysis had been obtained.

In drawing up the resulting list of 20 Questions, which is shown in Appendix 4, attention was paid to the ways in which each of these related to one or more of the four research questions discussed above. Furthermore, consideration was given to the results of two pieces of recent research on related topics that were conducted by: the Institute of Education for the DfES (Temple *et al* 2005); and by the Knowledge Partnership for the Higher Education Academy (Foskett *et al* 2006). These suggested that recognising the cultural ethos of an institution, when working within it to collect data, can assist in establishing a rapport with informants that may increase their openness in interview.

The 20 Questions were piloted in a face-to-face interview with a senior member of staff at a post-'92 university whose responsibilities included involvement in the policy-making, operational planning and administration of fees and bursaries for full-time Home/EU undergraduates. This exercise, while broadly confirming that the planned questions covered all the necessary ground, highlighted some points for consideration during subsequent data collection in sample institutions:

- the extent to which (given that access is normally granted for a finite time) it is necessary to allow respondents to talk about issues that are important to them, but outside the main area of inquiry of this research (for example funding for part-time undergraduates)
- the need to be responsive to the direction that the interview takes, rather than following a script in strict order, but still ensuring all topics are covered by the time the interview is complete
- the benefit of the use of supplementary questions to explore points raised in discussion (subject to time constraints)
- that a planned question concerning the distinction between 'bursary' and 'scholarship', while not directly illuminating in itself, had the potential to generate themes that were suitable for exploration in supplementary questions
- when interviewing a number of people within an institution, while an attempt can be made to identify which questions should most

> appropriately directed to each respondent, if there were any doubt about relevance, it was important to pose a question, while allowing that the response might be that it would be better directed to a colleague

Following this pilot interview, all data collection interviews were collected during visits to the six sample institutions used in this research (in some cases on more than one site); these visits, of themselves, assisted in generating a deeper understanding of the culture and atmosphere generated by each university concerned. All interviews were audio recorded and then fully transcribed prior to their analysis (reported in Chapters 5 and 6).

Framework for collection of primary data from policy-makers

The object of including interviews with key policy-makers in the primary data-collection for this research was principally to obtain information that would assist in answering the first research question cited above and also the second part of the third question. These are:

- what were the political/public policy objectives that underpinned the financial provisions of the HE Act (2004)?
- ~~what is the collective impact of individual institutional decisions for the sector as a whole and~~ how does this compare with the original thinking behind this legislation?

Information gathered in these interviews also had the potential to help frame the context in which it was reasonable to consider the fourth research question:

- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

The subjects for these interviews were identified on the basis of their roles in the passage and operation of the HE Act (2004); if some of those approached to participate in this research declined, then it would not be possible to identify appropriate 'substitutes', in contrast to when building a sample of English universities. Some refusals were to be expected, both because of the politically sensitive nature of the topic under investigation and because it was not feasible to offer anonymity to those who did participate, because they would inevitably be

identifiable from any description of their roles within the policy process. Therefore it was important to prepare each invitation in as much detail as possible, to maximise the likelihood of it being accepted.

Five potential respondents were identified:

Andrew (now Lord) Adonis – the acknowledged author of the HE Act (2004), when heading up the Policy Unit within 10 Downing Street

Charles Clarke – Secretary of State for Education and Skills from October 2002 – December 2004 (hence including during the passage of the legislation)

Sir Ivor Crewe – who, as President of the representative body Universities UK from 2003-5, was a key figure in arguing the interests of the sector during the debate before and during the passage of the legislation

David Lammy – Minister of State with responsibility for Higher Education from October 2008 - May 2010

Sir Martin Harris – Director of Fair Access since 2004

As a result of individual approaches to each of these potential respondents, three agreed to participate in this research - Andrew Adonis, Ivor Crewe, and Martin Harris. While it would have been interesting to gain a government departmental perspective on the discussions and debates that took place in 2003/4, prior to the passage of the HE Act (2004) in an interview with Charles Clarke, it was apparent at that time (and reinforced by data collected in the interviews discussed in Chapter 7) that 10 Downing Street, and hence Andrew Adonis, took the lead in developing policy at that point, even where it was presented by the relevant ministry. Thus, Andrew Adonis' perspective was key to addressing the first research question in this project. Furthermore, some secondary data has been collected on the views of Charles Clarke from documents written during his time as Secretary of State and from his recent written and oral evidence to the Independent Review of Higher Education Fees and Funding (Clarke 2010).

An interview with David Lammy could have assisted in providing a reflective government perspective on the implementation of the legislation and possible further developments in higher education funding; however, these themes were not key to the main focus of this inquiry and hence his decision not to participate (on the stated grounds that the Independent Review of Higher Education Fees and Funding was then imminent) was not crucial to the viability of this research.

As it was not feasible to offer anonymity to these respondents, when one (Andrew Adonis) requested sight of the transcript of his interview before it was used, this request was willingly accommodated; in practice, he made only one minor change to the text presented to him, and that did not alter the sense of what had been said.

For each of the interviews that was conducted with policy-makers, an individual outline structure of questions was prepared; this was drawn up in the context of the overall object of inquiry of this project and the four supporting research questions discussed here (especially those elements of these highlighted as being relevant to explore with these informants). Preliminary secondary research was conducted, based on sources such as Hansard, past published statements and articles and media commentary (especially from 2003/4), which also informed the framework developed for each interview.

When interviewing each of these three policy-makers, clear time slots had been allocated in their schedules and thus it was essential to work within those given timeframes. This meant that supplementary questions were sometimes not posed, if they related to areas of possible secondary interest, so that all key topics could be covered during the period available for data collection.

Measures to ensure reliability and validity of findings

In designing and conducting this research, the objective is to identify and present "valid knowledge", in line with Silverman's (2001, p221) suggested criterion for assessment of the credibility of qualitative research. To achieve this, he argues, tests that quantitative methodology must satisfy can equally be applied to assess the

robustness of a qualitative study. According to him these cover (p222): appropriateness and sensitivity of methods (in the context of the research questions); clear links to existing knowledge and theories; sensitivity and accuracy of data collection, record-keeping and analysis; adequate discussion of data for and against any argument made; and clarity of distinction between data and its interpretation.

The institutional profiles that will be discussed in Chapters 5 and 6 are therefore the result of a detailed process of compilation, which has been structured to ensure it represents material from all data sources equitably and so minimises the risk that the research findings become coloured by the researcher's prior knowledge or views. This is particularly important as a sole researcher was involved in the data collection, analysis and, ultimately, interpretation; furthermore that researcher has professional experience in relevant areas of higher education management.

This approach to data collection and management also facilitates the adoption of an interpretivist stance, in which the distinct perspectives, and hence realities, of individual informants are acknowledged; this may generate contrasting, or even contradictory accounts during the building of institutional profiles, but these can be highly informative in subsequent stages when the researcher's analysis is established from the raw data obtained.

This method of working is also intended to assist in achieving the criteria for good quality in qualitative analysis as espoused by Taylor *et al* (2005). These they group into the broad categories of validity, reliability and generalisability which they derive from the principles of scientific method, modified to reflect the realities of working in the social sciences:

- **validity** is achieved when an account is faithful to the original data – both in terms of the conveying of information that is included and in the basis on which any material is omitted. This they recommend can best be done through triangulation (generally with multiple sources), a clear audit trail back to the raw materials, careful consideration of any negative cases and constant comparison, through review of the research process as it progresses.

- **reliability** is the ability for the analysis to be replicated if the investigation were to be repeated by different researchers, a process which is reasonably straightforward to conduct within experimental science. Of this, Taylor *et al* say:

"The concept is highly contentious in qualitative research where it is often not clear what the same object of study is." (para 21)

However, they suggest that it can be at least aspired to by working with other people during your analysis (for example asking other researchers to consider your data independently, for comparison, or testing your preliminary findings with the respondents themselves) and by ensuring that you retain evidence from your sources – through the use of quotations and thorough referencing in your report

- **generalisability** occurs when results can be applied beyond the subjects in the original study. While Taylor *et al* acknowledge that some social scientists reject the applicability of this concept on the grounds that there cannot be a single social reality against which to gauge validity, they take a more pragmatic view, while advocating a structured approach to data analysis to reduce the potential for the introduction of otherwise avoidable errors, saying:

"....the assumption of most participants and respondents and the belief of many qualitative researchers is that most of the time, for most purposes, it does make sense to say that we inhabit the same, shared social reality. At the same time, humans are fallible, and it is always possible to make mistakes in one's interpretation or observation of this social reality. Therefore it makes sense to follow procedures that minimise mistakes and simple misinterpretations." (para 6)

To reflect these observations made by Taylor *et al* (2005) a framework of practices was therefore established to be used during the preparation of each institutional profile. As appropriate, these were also used in the analysis of interviews with policy-makers. These measures, which were built into the research process with the objective of enhancing the quality of its output, are shown in Table 6 below:

Validity	- full analysis of all interview material, noting repetition (from different informants) of specific points and considering any contradictory views - triangulation of current information from multiple informants with documents (including some written at the time under examination) - clear reporting of the original source(s) of information presented in data analysis - revisiting source material to review any information that may not have been reported
Reliability	- extracts from original source material cited and referenced wherever relevant - evolving situation monitored at sample institutions and across the sector as a whole - evolving national policy debate monitored - findings discussed with research supervisor and presented at conferences, to seek external perspectives on analysis - interview with Director of Fair Access scheduled towards end of research and used, in part, to test initial research findings
Generalisability	- common framework established for collection of institutional data - common framework used to analyse and present institutional data - sample structure designed to reflect diversity of sector and of fee and bursary structures - sample of policy-makers reflected perspectives from Whitehall and from the sector

Table 6: Measures used within research process to enhance quality of findings

In line with these measures, the data from each sample institution was collated under six elements of its decision-making process, as shown in Figure 4 below:

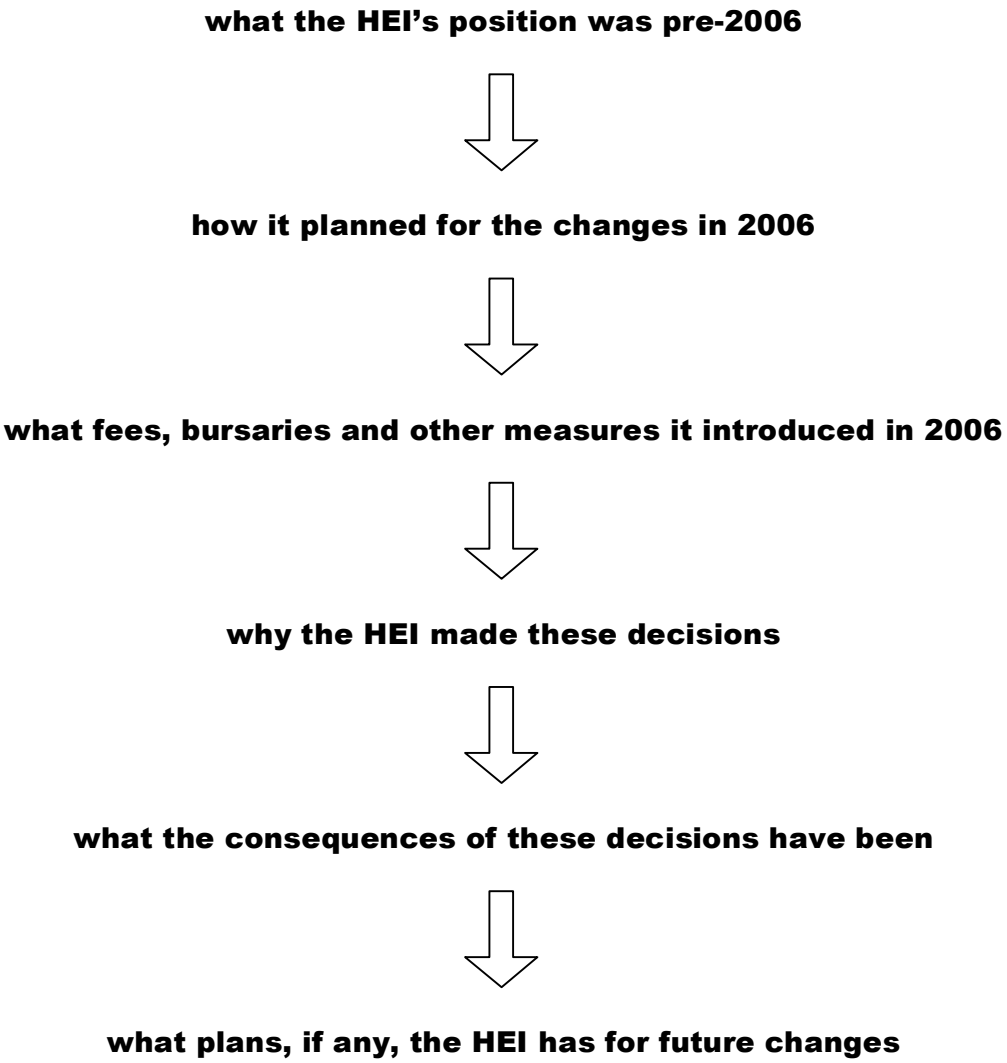


Figure 4: stages of analysis of institutional data

At every stage, the sources of opinions and statements were recorded – noting where several people had expressed very similar views, as well as where individual accounts differed – supporting these with quotes as appropriate, to retain original perspectives. This form of analysis was also intended to reduce the risk that some statements might inadvertently gain extra prominence over others, for example when the informant is a particularly engaging speaker – a problem which Silverman (2001, pp222/3) describes as "anecdotalism".

Operationally, this process was conducted by annotating documents (eg full transcripts in Word) as they related to each of the six broad areas highlighted above

and then compiling each section manually. Through this exercise, it was possible to build up a narrative account of each institution and its responses to the financial provisions of the HE Act (2004) which was firmly grounded in the primary source material. This approach meant that the work was conducted for as long as possible with the original data, before adding any of the researcher's own interpretation in a Commentary (as discussed in more detail in Chapter 5, where this work is presented).

It was not until the point at which narrative profiles of each institution were being prepared that the amount of information to be presented was sifted and reduced. While the purpose of this exercise was to extract the material that is relevant to the research questions under investigation, this is also a stage at which there is a risk of loosing the breadth and/or depth of the raw data. Thus, it was equally important for the researcher to conduct a self-critical review of material that was omitted, to ensure that it was not relevant to these questions, rather than simply that it reflected an additional view on those questions.

This process was conducted using the technique of thematic analysis, as defined by Boyatzis (1998):

> "Thematic analysis is a way of seeing. Often, what one sees through thematic analysis does not appear to others, even if they are observing the same information, events, or situations. To others, if they agree with the insight, the insight seems almost magical. If they are empowered by the insight, it appears visionary. If they disagree with the insight, it appears delusionary. Observation precedes understanding. Recognising an important moment (seeing) preceded encoding it (seeing it as something), which in turn precedes interpretation. Thematic analysis moves you through these three phases of inquiry." (p1)

So, to conduct effective thematic analysis he argues (p7/8), the researcher must possess a number of skills:

- pattern recognition (even within seemingly random information)
- sustainable openness and conceptual flexibility
- planning and systems thinking (hence building a useable system to record observations that can be understood and also used by others)
- contextual knowledge

It is also important to be able to work with a large number of distinct pieces of data at the same time – reflecting what makes them different as well as what they have in common. Without this additional skill, it would be easy to loose sight of nuances that may be significant. These techniques are therefore incorporated into the analysis of primary data collected for this research and reported in subsequent chapters.

The openness advocated by Boyatzis is particularly important in the context of the pragmatic consideration – as put forward, for example, by Mays and Pope (2000) – that all researchers come with their own prior perspective which can best be counterbalanced by ensuring reflexivity within the analytical process. This they explain as:

> "Reflexivity means sensitivity to the ways in which the researcher and the research process have shaped the collected data, including the role of prior assumptions and experience, which can influence even the most avowedly inductive inquiries. Personal and intellectual biases need to be made plain at the outset of any research reports to enhance the credibility of the findings. The effects of personal characteristics such as age, sex, social class, and professional status ..... on the data collected and on the 'distance' between the researcher and those researched also needs to be discussed." (p51)

Given the researcher's professional background within higher education management, an acknowledgement of the importance of reflexivity in ensuring objectivity will assist in avoiding imposing projection of prior values or attitudes onto the data analysis - a possible pitfall that, together with the researcher's sampling and their mood or style, Boyatzis (1998) names as the "three major obstacles or threats to using thematic analysis effectively in research" (p12).

These can apply not only when using thematic analysis and Boyatzis suggests that the best approach is to build preventative measures into research design, rather than to seek to address problems once they have occurred (p13). On a practical level, for example, this may mean that data coding should be repeated, not necessarily to gain a greater insight, but to establish the consistency with which this process is being conducted.

As far as the issues of mood and style go, Boyatzis identifies management of these, and the distractions they may create, as crucial in achieving critical awareness of the subjectivity that is inherent in qualitative research. He says:

> "Tolerance of ambiguity is a precursor to the type of openness discussed earlier as a desired characteristic of the researcher using thematic analysis. Patient perseverance pays off in finding themes amid voluminous qualitative information." (p15)

This reinforces the point that differences of opinion can be as informative as shared viewpoints, and should not be lost from the richness of original data, which is being used to build an understanding of highly complex organisations within an even more complex overall system. Inevitably therefore, building the profiles of the units of analysis within this research, individual higher education institutions, on which the subsequent analysis is based, is conducted in the tradition identified by Coffey and Atkinson (1996) who say:

> "... analysis is about the representation or reconstruction of social phenomena. We do not simply 'collect' data; we fashion them out of our transactions with other men and women. Likewise, we do not merely report what we find; we create accounts of social life, and in doing so we construct versions of the social worlds and social actors that we observe." (p108)

In a similar vein, when it comes to analysis of interviews conducted with policy-makers, while it is important to retain an interpretivist approach when reporting the data collected, the analysis of that material will inevitably be informed by a wider perspective of the topic under investigation. It is though also necessary to remain conscious throughout data collection and analysis of the highly political context surrounding the topic of this research; this may well colour the amount and nature of information that respondents (especially those in political roles) are prepared to disclose (as discussed further in Chapter 7).

It is important to be aware though that, in a project of this nature, perhaps the most significant potential issue that needs to be addressed to ensure quality of outputs is the primary involvement of only a sole researcher, albeit with tutorial supervision. Thus, as a further measure to test the robustness of the design and implementation of this

research, findings of work in progress were presented at two annual meetings of the Society for Research into Higher Education (SRHE), generating critical comment that informed the progress of this research. The data collection interview with Sir Martin Harris was also deliberately scheduled after initial analysis had been carried out, so that this meeting could also be used as an opportunity to examine and test initial research conclusions.

Chapter 5

Putting policy into practice: analysis of primary data

The majority of the original data used in this research was collected through a series of semi-structured interviews within six sample higher education institutions in England (the basis on which this sample was constructed was considered in the previous chapter). This information has been used to build the six case studies which are presented here.

These case studies therefore focus on decision-making processes and strategic rationales that lay behind initial responses to the financial provisions of the HE Act (2004) and the outcomes of the choices made within each university; as such they concentrate on the supply side of the new quasi-market that was introduced by this legislation. Inevitably though, an understanding of the price-sensitivity of consumers – both as perceived by institutional planners and in reality – forms an important element of the context in which these choices have been made and therefore must be interpreted.

While quantitative profiles of each institution (drawing primarily on standard HEFCE/HESA data, discussed in the previous chapter) were significant at the sampling stage, the material presented here focuses on building narrative profiles directly from information collected in original interviews. Statistical information is however included where it is relevant to understanding the comparative or absolute position of a particular university.

Each case study is presented in a common format with material grouped into five sections:

- Data sources – listing primary and secondary data used
- Background – a profile of the institution, its origins, subjects taught, competitive position within the sector and any bursaries offered prior to 2006

- Initial response to the HE Act (2004) – how the university planned its response (including strategic objectives, research sources, staff involved, consultation processes)

- Implications of initial decisions and subsequent changes – differences, if any, in the institution's applications and admissions profile from 2006 (which may or may not be causally linked with fees and bursaries introduced that year), the institution's own assessment of possible impacts of funding changes introduced in 2006 and any proposals being considered for further modifications to fees charged and bursaries offered

- Commentary – critical consideration of the evidence presented in the preceding four sections on the response of the university to the financial provisions of the HE Act (2004) in light of its self-perceptions and objectives and its evaluation of the evolving market in which it is operating

This structure was informed by the research questions that this section of the research primarily is intended to address. These are the second and fourth of those discussed in the previous chapter:

- how have individual institutions chosen to respond to the, albeit limited, freedoms of the quasi-market in which they now find themselves and why?

- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

Furthermore, by adopting this chronologically-based reporting structure, which starts initially from the position of the institution within the sector, a feedback loop is naturally established, creating a baseline for future evaluation of the behaviours of an individual institution as these evolve over time. This is shown in Figure 5 overleaf.

In the next chapter, these individual case studies will, in turn, offer evidence from which to propose an assessment of the impacts of the financial provisions of the HE Act (2004) on the sector as a whole, so addressing half of the third research question:

- what is the collective impact of individual institutional decisions for the sector as a whole ~~and how does this compare with the original thinking behind this legislation~~?

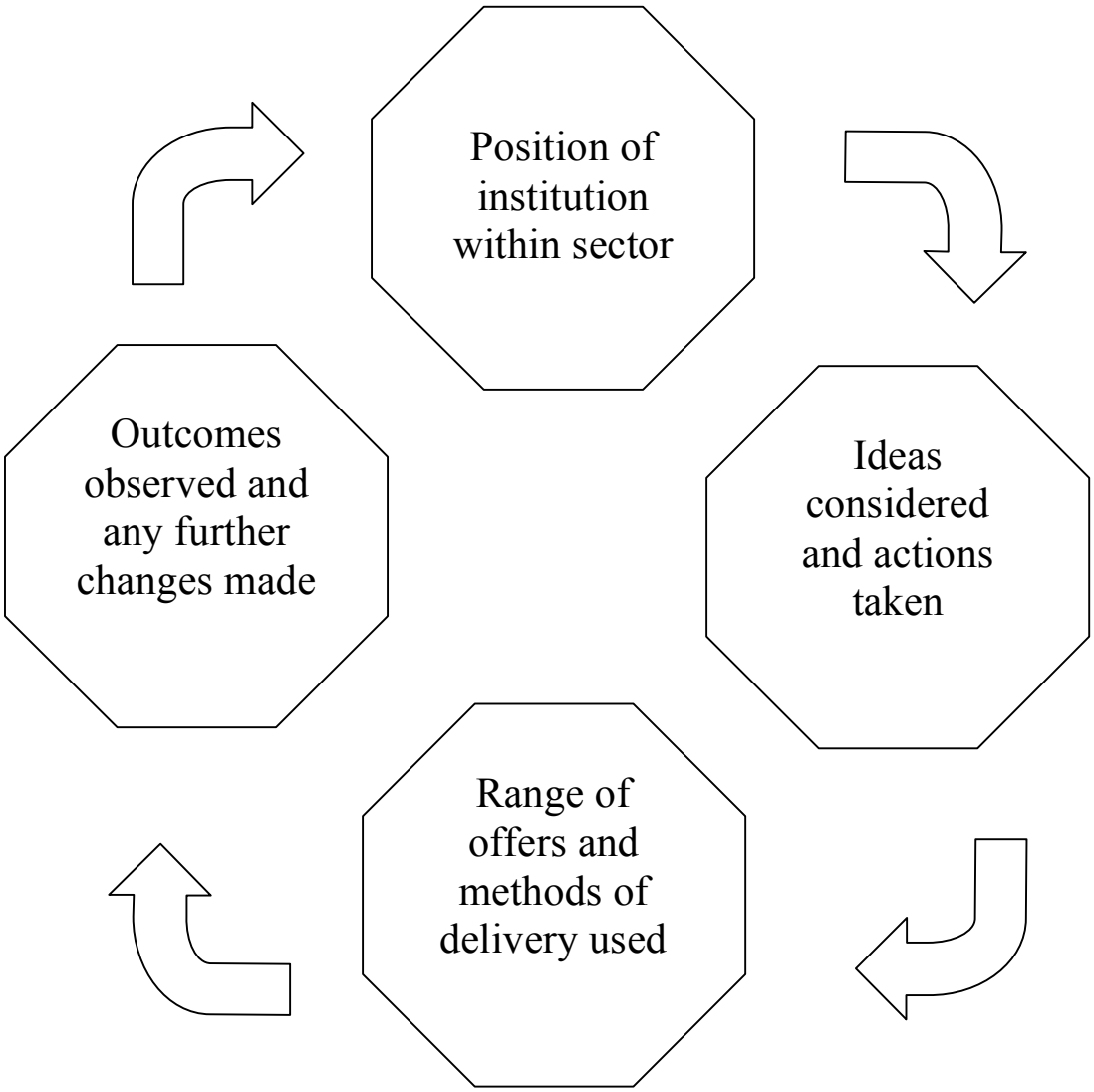


Figure 5: structure of institutional data analysis, showing potential feedback loop

Separating the researcher's commentary into a discrete section of each case study also facilitates an interpretivist approach to data analysis which, as has been discussed in the previous chapter, acknowledges the distinct perspectives, and hence realities, of individual informants. Although this may generate contrasting, or even contradictory accounts of events, it means that the emerging institutional profiles are primarily based on the original data collected for this thesis.

Within each profile, a more relativist approach, in which differing views and perspectives are identified and evaluated is however taken in the concluding, Commentary section. While this approach has the potential to develop answers to underlying research questions, from which it is possible to build up a more theorised picture of the behaviours of members of the sector in response to the introduction of quasi-market forces, it also has certain practical consequences. These are summarised by Crotty (2003):

> "We need to recognise that different people may well inhabit quite different worlds. Their different worlds constitute for them different ways of knowing, distinguishable sets of meanings, different realities.
>
> "At the very least, this means that description and narration can no longer be seen as straight forwardly representational of reality." (p64)

Thus it is necessary to draw on other sources of evidence (such as contemporaneous documents) to triangulate interview data. Its analysis can also be informed at this stage by the researcher's own broader, external perspective as happens in Chapter 6, where a comparative analysis of the case studies is carried out to build a sector-wide picture of the new quasi-market that has evolved since the implementation of the HE Act (2004).

Case Study 1 – Russell Group Civic university

Data sources

This profile has as primary sources of data, interviews recorded with three senior managers at HEI1 during a visit there in September 2008 (Registrar; Director of Student Recruitment, Access and Admissions; and Head of Student Funding). In addition, it has drawn on a number of public statements from the university's Vice-Chancellor that were made from 2003 onwards. Reference has also been made to published documents and websites including: undergraduate prospectuses; student funding information; Access Agreements; and national media reports relating to the institution.

Background

HEI1 is a member of the Russell Group that offers courses in subjects across the spectrum of humanities, social sciences and sciences and admits c3,500 full-time Home/EU undergraduates annually. It has a strong international profile, appearing among the top 100 institutions in the Shanghai Jiao Tong University ranking of academic and research performance for 2010. However, as a Civic institution, it has its roots in its local community and acknowledges that it derives certain responsibilities from these origins:

> "....part of the background to that is that the State school provision in [our city] is one of the poorest in the country. So actually, local for us involves a commitment to the local community and all the rest of it as it would for any university but actually for us, widening participation is very predominantly… equals local……. if we are to widen participation, locally is a very good place to start because there are particular issues and challenges there." (HEI1 – Director of Student Recruitment)

It sees itself as having a long commitment to widening participation (with involvement in national access summer schools going back to 1998), such that measures introduced within any Access Agreement would inevitably be complementary to its pre-existing Widening Participation Strategy. However, in terms of its own admissions profile, it regularly falls significantly below the

benchmarks set for it for HEFCE Performance Indicators relating to social class and school background. Indeed, it considers these so unobtainable as to be completely unrealistic:

> "We were always measured against those and, quite frankly, they were a nightmare for us. Because we do have a big challenge, they offered no motivation to anybody because you always looked at them and said, 'Oh, yes, we're miles off again'. You know. We're never going to achieve them.....
>
> "They're a very crude measure and, you know, as I say, they were always completely unattainable so as a result, in terms of motivation to anybody, forget it." (HEI1 – Director of Student Recruitment)

This attitude is indicative of the fact that, as a university with an international reputation and a high ratio of applicants to places (an average in excess of 10:1), HEI1 presents itself as a confident institution that does not see the need to bow to external political pressures. Its Vice-Chancellor has a highly visible profile within the sector in the UK and took an active role in the public debate concerning university and student funding that resulted in the HE Act (2004); he is not afraid to champion causes on behalf of his own institution that might be seen by some as contentious and this sets a tone within the university:

> "I think [HEI1] does what it thinks is right for [HEI1]. It does scan a bit but I'm not aware, bearing in mind the final decision… even though there was quite a lot of consultation about what the Access Agreement should contain, the final decision on what should be in the Access Agreement was taken by VCAG, which is Vice Chancellor's Advisory Group. I don't know whether they really think, right okay, our competitors, who they consider those to be, if they say, right what are they doing? And we're going to do something equally as good as they are." (HEI1 – Head of Student Funding)

Prior to the implementation of the HE Act (2004) in 2006, HEI1 offered a small number of high value scholarships (£3000 for 12 students who excel in sport, music or drama) and a limited number of subject-specific scholarships. Its conditional offers are generally set at AAB or AAA at A level, or equivalent, although admissions tutors may vary this in certain circumstances, as discussed below.

Initial response to the HE Act (2004)

When planning its response to the Act, HEI1's recently established Student Funding Working Group was tasked to consider what the institution's policy response should be and how that should be implemented:

> "The original group was actually set up to develop a student funding strategy rather than an Access Agreement. Because we set up a group to do that when we knew that the new fee arrangements were looking likely, but I think before they were actually finalised, we decided that we needed a student finance strategy for our own purposes. And that was before I think we realised what would be needed in an Access Agreement." (HEI1 - Registrar)

Its recommendations went through the university's internal consultation processes, but the VC's Advisory Group took the lead in decision-making. There was never any substantive debate within HEI1 about setting the fee below the £3000 cap:

> "We fairly dismissed out of hand charging a lower fee. We felt it would send the wrong message about the quality of what we deliver if we were charging anything lower than the maximum fee, which in effect was not a full fee anyway. And that if we wanted to discount it anyway we do, with the bursaries rather than by reducing the fee." (HEI1 - Registrar)

However, it took an approach that could be considered to be influenced by marketing principles, offering targeted reductions in *net* cost to specific categories of students through its programme of bursaries and scholarships. This included recognition that, generally in line with the national recruitment picture for 'shortage subjects', its courses varied in their ability to attract strong candidates.

In terms of broadening the profile of its intake, HEI1 had already identified that the main problems it was encountering were not at the initial stage of application, but at conversion – both when candidates were making their selection of two offers to retain within the UCAS process and at Confirmation (when certain groups of candidates were disproportionately failing to meet the terms of their conditional offers). This, it argued, influences any potential to adjust the social profile of its intake:

> "What we don't do terribly well at is converting them ['WP' students] from applications into students through the door. So if we go out and we pour lots of money into outreach, that's all well and good but they're going to do exactly the

> same thing and not turn up so it's not going to make any difference to our student profile." (HEI1 – Director of Student Recruitment)

The university also recognised that issues of image and perception might play a part in what is saw, and still sees, as its root problem of converting applications from candidates with a widening participation profile to admissions:

> "Our concern is really that for many candidates who we want to attract to [HEI1] it's not necessarily the money that's putting them off, it's other things. It's the perception of the institution and their abilities and so on, and we wanted to put therefore more into the work we did in those areas rather than just into the financial packages." (HEI1 - Registrar)

This thinking resulted in the development of a set of provisions in and around HEI1's initial Access Agreement, beyond simply putting funds into means-tested bursaries, a number of which built on pre-existing policies and initiatives:

> "I think what we came up with was very rational, it was covering those areas where we thought there were actually needs, rather than where we thought we might be told to provide bursaries." (HEI1 - Registrar)

Consistent with the self-confidence that this university demonstrated, for example, prior to 2006, HEI1 already included within its published admissions policy the declared intention to consider the educational context of individual candidates when setting the conditions of their offers, rather than setting a standard offer for each course – an approach that potentially laid it open to accusations of 'political correctness' or 'social engineering'.

However, the university was also very clear that it its commitment to diversifying the profile of its undergraduate intake must not reduce its academic standards and felt strongly that it would not be right to admit students who would struggle with their studies once at the university; it did, however, identify the potential to remove or reduce financial barriers that may have a greater impact on some students than others and saw this as a guiding objective for the funding that it offered:

> "Our aim is to ensure that no student has legitimate reason to be deterred from applying to [HEI1] because of their inability to meet the costs of living and studying here." (HEI1, Access Agreement 2006, p2)

To assist it in achieving this objective, and retain its strong record for retention, the university's administration collaborated with the Students' Union in the development of its initial offer:

> ".... we wanted to have a sort of rational approach to this, we worked with Students' Union to work out what we felt the costs of living and studying [here] actually were. And also what the income would be that we would expect students to get..... We worked out that with loans, grants and making certain assumptions about what was a reasonable amount of income for students to earn, that actually most of the living expenses would be covered without any additional bursaries from us.
>
> "And, given that the fee issue was obviously going to be a deferred payment anyway, we actually initially looked at the bursary payment in relation to things like students who might find it more difficult to work because they were on intensive courses like medicine and things like that. Or looked at covering course expenses and so on for those from lower income backgrounds rather than necessarily simply cash." (HEI1 - Registrar)

As a result of this consultation and internal discussion, HEI1 developed a package of student support that was built around a means-tested bursary, in two tiers related to Residual Household Income (RHI), with £1100 awarded to those receiving a full grant and £700 to those receiving a partial grant. Local students with institutional bursary at either level also received an additional £1000 annual bursary, as shown in Table 7 below. This geographically-determined support, which tied in with HEI's WP strategy, was supplemented by smaller bursaries allocated to local students from certain schools and colleges, building on an existing Compact agreement.

Residual Household Income	Government Maintenance Grant	HEI1 Bursary	Core supplement for local students[36]
<16,000	2700	1100	1000
16,000- 31,000	2699-1	700	1000
>31,000	0	0	0

Table 7: Guide figures (in £s) for student support available to Home undergraduates at HEI1 in 2006-7

[36] further bursaries were also available to undergraduates from specific local school and colleges with which HEI1 had a Compact agreement

Within its initial Access Agreement HEI1 had also included four further elements: the provision for scholarships to be offered on grounds of academic merit in specific subjects to address what the Registrar described as "potential recruitment risks"; supplementary hardship funds; funding for additional posts in the student funding team; and funding for research to monitor, evaluate and inform future development of the university's access and outreach activities:

> "One of the things we've done on the access and outreach side, we have set up an academic research cluster so we have basically a member of academic staff who we buy out a proportion of his time ..... and he heads up this cluster of academic staff which are basically existing academic staff who were already undertaking research in areas that are relevant to widening participation .....
>
> "And so part of his role is a kind of coordinating one in that way, but it's also enabled us to kind of drive the kind of research that we would like to be being done so, for example, at the moment he's been doing some research around the performance at the university of students who have come in from under-performing schools as opposed to… it's one of our key milestones which is unusual compared with some universities, is the kind of issue of the concept of low-performing schools. So he's been looking for us at the relative sort of success patterns." (HEI1 – Director of Student Recruitment)

Using a research-based approach, HEI1 felt it was in a position to propose alternative milestones to the Performance Indicator benchmarks that it considered to be far removed from achievable reality; thus, in its first Access Agreement (2006), it focused on applications and acceptances, rather than enrolments:

> "Analysis indicates that the University has made reasonable progress in attracting applications from students from widening participation backgrounds. However, to date, we have had limited success in converting these applications into students. For this reason, the University's new Widening Participation strategy includes plans to supplement existing aspiration- and attainment-raising activity with measures designed to improve conversion. We believe that the success of this strategy will be most effectively monitored against milestones which focus on applications and acceptances ..... rather than on the HEFCE benchmarks for student intake." (p7)

The combination of measures that made up HEI1's financial support package from 2006, was complicated further by a nominal 'earmarking' of the main, means-tested bursary against areas of expenditure that the university had identified when

establishing the costs that its undergraduates would incur; as it explained in its Access Agreement, the maximum £1100 bursary was composed of three elements:

> "- £500 per year cash bursary to be spent at their discretion (e.g., minimising loan, travel)
>
> - Support with essential course-related expenses (for example provision of core books, equipment, field trip costs) £500 per year. This element of the bursary package will normally be provided in the form of a cheque, accompanied by a 'shopping list' of the types of expenses relevant to their specific course, to allow them to make informed decisions on how and when to spend the available funds
>
> - An optional free sports pass, worth approximately £100 per year." (p3)

By building up its support package through a series of individual targeted initiatives and retaining pre-existing scholarships, HEI1 ended up with a fairly complex offer – presenting potential administrative and communications challenges. It decided to administer its scheme in-house (using the SLC's data on means-testing), and put a significant amount of work into planning this.

From a communications point-of-view, the new scholarship element of the package was potentially the most complex, as the courses to which these applied could change from year to year. However, this provision was built in to address concerns expressed among the internal academic community about the possible impact of the introduction of £3000 fees on the quality of student intake in some subject areas; it was argued that it would enable the funding to be used where it was most needed to encourage applications and acceptances from candidates of a high academic standard.

Implications of initial decisions and subsequent changes

Once all the schemes on offer were known, it was clear to HEI1 that its own "looked a bit complicated" (HEI1 – Registrar) in comparison. Although there was no strict requirement to spend bursaries in the ways outlined in the Access Agreement, by presenting them in this way, communications became more complex and students were unclear about exactly what they could do with the money. Administration of the

scholarships was particularly labour-intensive and there was no evidence that they were influencing student profiles.

More generally, in common with other institutions, HEI1 found little evidence that the structure of its funding package was having an impact on either the number or profile of applicants or admitted undergraduates (although it noted slightly more interest in financial issues on the part of parents and carers):

> "If you talk to students, if you're out there at the fairs and in the schools and so on and you talk to them, it's very, very unusual for them to ask you what your bursary package is. You know, they're choosing their courses on the same things that they always chose their courses and then when they've made their decision, they're saying: 'Oh, and by the way, what money can I get?'. They're not sort of sitting there drawing up tables and working out that if they go to one university they can do rather better financially than another, so it hasn't felt necessary to spend lots of time looking at which competitors are doing and trying to position yourself appropriately." (HEI1 – Director of Student Recruitment)

After the first year of operation of this funding package, HEI1 had spent £935,000 (less than 70% of its planned allocation) of additional fee income on support for students from low income backgrounds; it considered that a significant element of this underspend was due to lower than expected take up of scholarships (both in terms of absolute numbers and of the eligibility of scholars for the higher levels of support). Its student numbers and profile remained fairly steady and it was clear that the scholarship scheme was creating a disproportionate administrative burden.

At the same time though, by running its student support schemes itself, HEI1 felt it had enhanced its links with its undergraduates and that this put it in a good position to assist with any hardship at an early stage. It also valued the targeted research that it was able to conduct to inform the evaluation of its work (including, but not exclusively, through financial support) to widen participation. Specifically this was designed to assist in refining the milestones HEI1 included in its Access Agreement.

Through the results of formal monitoring, practical experience of operating its initial package and informal feedback from applicants, HEI1 submitted a revised Access Agreement for implementation from 2008, which removed the nominal 'earmarking'

of bursary funds and replaced its centrally-driven subject-specific scholarship scheme with the provision for such funding to be offered by individual departments if they so wished:

> "As thinking moved on in the course of the year it became more and more apparent that that just wasn't very practical to deliver. It was a great idea but just the logistics of trying to deliver it were very, very complicated and we sort of had to move it a certain amount, even within that first year of operation so, you know, one of the key things for the new Agreement was actually, prune that right down, make it as simple as possible." (HEI1 – Director of Student Recruitment)

In making these changes, it was still seeking to satisfy its original objectives, and did not wish to move to offer what it saw as more gimmicky schemes with headline-grabbing high sums, but only for a small number of undergraduates:

> "I think it's fair to say that we still feel that there is a sense in which we are giving bursaries to students who from our initial discussions we actually feel should have their costs covered." (HEI1 - Registrar)

While these changes went through smoothly, HEI1 had not had its first Access Agreement approved formally by OFFA until December 2006, when the first cohort subject to its provisions were already at university. While it is likely that the final months of its initial negotiations with OFFA involved fine-tuning, this timing underlines the fact that HEI1 was required to make significant changes to its initial proposals, before they were accepted by the regulator:

> "We had basically put together quite a detailed package which we'd looked at in a very careful structured way, looking at the cost of studying here and all the rest of it. We submitted that to OFFA and they came back and said: 'Sorry, we don't think it's enough' and they had a very clear target in their mind to get our expenditure up to ... an approximate ballpark in terms of percentage investment.
>
> "That was extremely difficult for us because we weren't in the situation of having ... a very large proportion of our existing intake who would be eligible for bursaries ... and you can't wave a magic wand and suddenly create huge numbers overnight.
>
> "But the way we had built up our strategy meant that if we were then suddenly to increase the amount that we gave to those students at that stage, all of our nice carefully thought out: 'we're not trying to fling money at them, we're trying to make sure that they actually can meet the costs etc', would have been completely out the window and we'd have been plucking figures out of the air.

> "So we had to adjust it, but we had to find ways of adjusting it that still felt as if they would sit reasonably comfortably with our rationale and the local bursary was something that came out of that process because it was, you know, almost: 'we've got to find ways of throwing more money at these students' but we don't really want to necessarily throw more money for the sake of it and we identified that there probably was a case with local students when the whole kind of way of living is slightly different and where we'd got particular sort of widening participation targets and so on, that we probably could justify giving additional money without feeling that we were just doing it for the sake of it, because OFFA wanted us to." (HEI1 – Director of Student Recruitment)

At the same time, it took a narrower view than some other institutions about what it was possible to include in its Access Agreement, for example considering that peer mentoring designed to improve retention among particular groups of students (eg those with no family background of higher education) was outside its remit. So, while many institutions appeared to find their dealings with OFFA a fairly routine piece of compliance, HEI1 experienced more detailed negotiations before its first Agreement was accepted.

HEI1 was also conscious that its standard means-tested bursary was significantly below the average of £1700 that it identified among its Russell Group peers – and felt that it should not be that far adrift; indeed, generally it sought the reassurance of verifying that what it offered is close to that of other universities:

> "I think we look at what other people are doing .....… I know we look because we did it. But I don't think we're quite brave enough to do something all too different." (HEI1 – Head of Student Funding)

While the university remains committed to widening participation among its intake, its experience since 2006 has tended to reinforce its view that funding alone will not achieve this:

> "I think something quite radical at [HEI1] needs to happen in terms of attracting students from low participation backgrounds. And I know money isn't the only thing, because attainment is one of the problems as well. But I think we need to do something quite radical and I don't think we're quite there yet, I don't think we've got the guts to do it and put something out there which is quite different.
>
> "Or I don't think people always make the time to think about it. Because we're a highly popular University and we don't really need to do it. But we've been involved in WP for a long time and I think if we want to put our money where our mouth is we need to do something a bit radical to attract those people that

> might think: 'Oh I don't really feel that I could fit in'. Now, you know, I'm not entirely sure what that is, but I think looking at perceptions of the institution and how we can change those." (HEI1 – Head of Student Funding)

Nevertheless, HEI1 continued to see its widening participation activity as having a strong local dimension and hence extended its network of Compacts and has become a partner in a local Academy School.

Commentary

HEI1 is an academically strong institution which is used to clear direction and leadership from its VC. It acknowledges that it does not perform well on the standard measures of widening participation, but does not see a need to apologise for this. It is active in its outreach programmes, particularly in its local area, but will admit only those students whom it judges will be able to cope with its academically-demanding courses.

There was never any serious consideration given within HEI1 to charging fees below the permitted maximum of £3000; it was always clear that additional revenue from this income stream would play an important role in supporting the quality of its undergraduate teaching. At the same time, HEI1 takes the view that its standards and reputation justify this level and that this is how it would be perceived by applicants. It is clear that bursaries should be used to assist students with the genuine costs of studying with it, rather than that large sums should be offered to attract applicants or headlines; it also assumes that students will undertake some term-time paid employment as part of their overall funding package.

HEI1 remains firmly committed to these principles on which to determine the level of its bursaries, even though the resulting levels of student support are less generous than those offered by many other members of the Russell Group. In its initial negotiations with OFFA however, HEI1 was obliged to supplement the proportion of additional fee income earmarked for student support and chose to do this by increasing the sums available to local students; this decision was based on the belief that many students

who fall into widening participation target categories elect to study close to home and also as part of the institution's commitment to its civic origins.

As a consequence, the additional local elements of its bursaries could more than double the maximum core bursary – an outcome which is not consistent with the principle of giving students only the money that they need to cover reasonable costs. The university recognises that this is not an ideal outcome, and that it has added complexity to its offer.

A level of intricacy was already built into the original funding package as it included provision for subjects that were having difficulty attracting applicants of adequate academic standards to offer scholarships. Furthermore, the university continues to offer a small number of high value scholarships for excellence in sport, music or drama, that predated the HE Act (2004). So, the financial support that an individual student could get from HEI1 is dependent on five variables: Residual Household Income; subject; postcode; school or college attended and ability in extra-curricular activities.

HEI1 administers its bursaries itself, using Residual Household Income data supplied by the Student Loans Company; it finds that this works well, and it is probably advisable, given the complexity of its scheme, that it carries out this work in-house. HEI1 also identified that this gives it the benefit of building closer links with its students, potentially resulting in the opportunity to support those experiencing hardship before the situation became too advanced. However, a complaint made in May 2009 by 600 students[37] (after fieldwork had been conducted at HEI1), arguing that there has been no improvement in teaching in the three years since the introduction of £3000 tuition fees indicates that the impact of these changes on relationship between HEI1 and its undergraduates has not been wholly positive.

[37] as reported in several national daily newspapers and *Times Higher Education*

As part of its Access Agreement, HEI1 set aside funds to buy out some of the time of the university's existing academic staff researching aspects of education – this enabled it to start to establish an evidence-base for the effectiveness of its outreach work and hence to refine the milestones in the Agreement. While it might seem natural for universities with a strong research record in the broad fields of education and its social impacts to capitalise on their internal expertise, in practice many do not take advantage of such opportunities and, as such this is a distinctive element of HEI1's Access Agreement.

In common with other universities, HEI1 has seen little evidence that financial considerations influence applicants' choices; it sees that its main obstacle to widening participation at undergraduate level remains the conversion of applications to enrolments, and identifies the underlying problems as perception and academic achievement. Specifically, finding that there was no apparent benefit from the subject-specific scholarship programme, after two years, it revised its Access Agreement, removing the central scholarship scheme and the nominal earmarking of the core bursary to specific expenditure. These changes were also influenced by a desire to simplify administration and communication.

The fact that HEI1 – which, as the Head of Student Funding noted, has set its bursaries at a level that is well below its Russell Group competitors – has not apparently suffered in terms of numbers or quality of applicants, tends to give weight to the view that, with fees capped at their current level, at the selecting end of the sector, at least, *net* cost is not a factor in the decision-making of students. However it is not clear whether this is due to lack of knowledge on their part about the levels of bursary offered by HEI1 and by its competitors – so that they cannot make a informed decision on grounds of *net* cost - or because the constraints on the quasi-market are such that the price-sensitivity point has not been reached.

Perhaps reflecting the independent stance that HEI1 is known within the sector for adopting, it has found its dealings with OFFA involved more negotiation than did

those of many other institutions. Furthermore, it has interpreted the regulator's guidelines differently – for example considering that it cannot fund initiatives to support the retention of students from 'non-traditional' backgrounds under its Access Agreement, but earmarking a substantial sum from additional fee income to be allocated in cases of hardship, rather than through a defined bursary scheme.

Thus, HEI1 appears to find the quasi-market in which the sector is operating more restrictive than have many other universities; it is not comfortable with some of the expectations that this market places on it and seeks to resist them as much as possible without prejudicing the high standard of undergraduates that it admits.

Case Study 2 – post-Robbins campus university

Data sources

This profile has as primary sources of data, interviews recorded with two senior managers at HEI2 during a visit there in June 2008 (Director of Finance and Head of Undergraduate Admissions and Widening Participation) and, during autumn 2008, interviews with the former Vice-Chancellor and former Director of Undergraduate Admissions, both of whom had been in post at HEI2 during the planning and implementation of the institution's fees and bursaries from 2006. In addition, it draws on information from the key internal document that formed the basis for HEI2's discussions and ultimate decisions on its response to the financial provisions of the HE Act (2004). Data from HEFCE, HESA, UCAS, OFFA monitoring reports and the institution's own publications (print and on-line) are also used to inform the interpretation of this material.

Background

HEI2 was founded as a campus university in 1964, although it now has two additional sites. It appears in the top 50 of the Times Good University Guide 2009, but not in the top 100 of the Shanghai Jiao Tong University Rankings for 2010. It has an average ratio of 5.9:1 applicants per place - making many of its courses 'selecting' rather than 'recruiting' - and a track record of exceeding, or significantly exceeding, its HEFCE Performance Indicator benchmarks for widening participation. A significant proportion of undergraduates enter with Level 3 qualifications other than A Levels.

It prides itself on the support it gives to its undergraduates and saw the financial aspects of the HE Act (2004) as just a part of the broader picture of ongoing work to recruit and retain students, especially those from non-traditional backgrounds:

> "There was a lot more interesting, frankly, discussion about what this might mean for access and outreach and widening participation. And one of the reasons I suspect what [HEI2] ended up doing was different to what a lot of

> other universities were doing was that our view that we'd formed as a group over the previous six, seven, eight years of the WP and Access activity was, access is not just about money. It's about being aware, having aspirations, and having them nurtured and raised, and then in some very specific areas, such as disability, having people with expertise able to advise and support students with the process." (HEI2 – Dir of Admissions)

Indeed although, as measured against its HEFCE Performance Indicator benchmark for non-continuation, HEI2 has a good record for student retention, there is nevertheless a feeling among managers that more could and should be done in this area. Furthermore, the university set itself planning targets (for its directly-delivered degree programmes) of an increase of almost 5% in full-time Home/EU undergraduates for 2008, with a further increase of almost 4% in 2009 – while some of this increase was expected to come from additional recruitment, some was also intended to be achieved through improved rates of retention.

HEI2's Vice-Chancellor, until 2007, is a significant figure within the higher education sector nationally, and his leadership was well-respected by his staff. The university is a member of the 1994 Group and works with a number of other educational bodies in its region on a variety of collaborative projects. It is also committed to an extensive programme of widening participation and outreach activities, including as a key member of the local AimHigher network. At the same time, HEI2 sees itself as having a significant role on wider stages too and, in its strategic publication *Vision 2008-2013*, states:

> "Our mission is to be a globally competitive, research-intensive, student-focussed university that takes seriously its economic, social and cultural responsibilities to the [...] region, the UK and the world."

Although less than 50 years old, HEI2 has an organisational structure that would be familiar to older institutions, in which much decision-making is devolved to academic units. The Director of Finance took the lead in developing proposals for the setting of fees and bursaries, but was conscious that it was important to ensure that consultation took place through the university's normal processes and structures, to gain general acceptance from the internal audiences of staff and students.

This process began with the preparation by the Director of Finance of a discussion paper, written with a marketing perspective, in which he identified what he saw as the role that price plays in perception of value within higher education and the limits of the university's knowledge about the likely decision-making processes of applicants/consumers:

> "Pricing is a complex activity. The approach taken will vary in different markets, the type of product, perception of value and even the perception of the role of the state in funding services such as HE. In many markets pricing bears no relation to cost, and this is even true in parts of HE, eg MBAs at well-regarded institutions can command premium fees, often in excess of fees that much more costly clinical courses can command.
>
> "The University, even at the Home/EU undergraduate level, operates in a complex set of markets. Some students (and parents) will strongly equate price and quality, while others, perhaps local students without a HE family tradition, will be more instrumentalist and price may be a determining factor between two local universities – HEI2 and [local post-92 university].
>
> "It would be dangerous to try to second guess the range of likely parent/student behaviour and then try to engineer a fee structure to match this. This would almost certainly be wrong and could result in reputational damage with all sorts of unintended consequences. Instead the University should itself take a lead in positioning itself."

This paper formed the basis for consultation among the VC's Advisory Group (the Senior Management Team), with the Students' Union and in Senate. Key among its underlying principles was a strong belief that the additional funding that the University raised from fees from 2006 should not be used to subsidise areas of teaching that were not, of themselves, economically viable. It also stated that pricing, through the level of fee, was not an appropriate tool for widening participation and that this was where bursary schemes had a part to play, explaining:

> "It is proposed to charge the full maximum fee for all programmes, dealing with local recruitment, marketing and targeting issues through a set of bursary proposals rather than through prices.
>
> "This approach will minimise the risk of any negative and destructive price competition while enabling targeted measures to be taken through bursary schemes to deal with particular recruitment or marketing issues. It removes the risk of detrimental appearances in league tables ('cheap degrees') while at the same time offering options to deal with local issues. Attempting to enter into

> price competition could be a high risk strategy. Instead the University can skew the '*net* price' to the consumer by manipulating and targeting bursary schemes."

Although no specific formal research was conducted to inform HEI2's planning on fees and bursaries, informal contacts and pre-existing networks (such as that between Directors of Undergraduate Admissions) were used to try to collect information on what other institutions were proposing and how HEI2's own plans were likely to be received by applicants. When making decisions on the student funding package it would introduce in 2006, HEI2 was also, according to the Director of Undergraduate Admissions, able to draw to a limited extent on the experience it had gained from being involved in a small-scale bursary scheme that operated within a number of universities in the 1994 Group during the early 2000s.

Initial response to the HE Act (2004)

As HEI2 is located in a region of England in which living costs are higher than in most others, its Vice-Chancellor was concerned that the threshold that the Government had set for maximum financial support (Residual Household Income of £17,500) was too low; based on profiles from earlier cohorts, many of the university's students could be expected have income that was just slightly above this level, falling into a category that he described as 'nearly poor':

> "..... we actually thought that low-income households were being quite well looked after by the government but that the nearly poor, as distinct from the poor, were not being particularly well looked after by the government. And we thought they were the source of quite a lot of our students. That's why we designed our bursary scheme the way that we did." (HEI2 - VC)

The bursary scheme that HEI2 designed to address this issue in effect moved the point up to which students received the maximum level of financial support (£3000, made up of a combination of government maintenance support and institutional bursary) to a RHI of £25,000. Above that level, the bursary gradually tapered down to zero for students not receiving any grant. The university now views the principles behind its scheme as having been, in effect, endorsed, by the changes that the government announced in July 2007 to the banding of grant entitlements:

> ".....one of the things that we decided quite early on (was) that we needed to go beyond what we were required to do as part of the bursary scheme in terms of income thresholds and, you know, interestingly, since then the Government have actually upped those thresholds as well so we were already there with that and we were sort of, you know, a year or so ahead in pre-empting that." (HEI2 - Head of UG Admissions and WP)

When this scheme was viewed from a student perspective, as part of an overall funding package with the government support, it had a clear logic and rationale; however, it meant that the bursaries themselves were inversely proportional to Residual Household Income (RHI) between £17,500 and £25,000 – so students at the upper end of this range would be receiving a larger bursary than those at the lower end, as shown in Table 8 below:

RHI	Government grant	HEI2 bursary	Total non-repayable student support
>17,500	2700	300	3000
20,000	2283	717	3000
25,000	1450	1550	3000
28,000	1042	1197	2239
31,500	674	786	1460
35,000	305	374	679
37,426	0	0	0

Table 8: HEI2 bursaries and government grants for 2006 entry (all figs in £s)

When presenting the scheme to potential applicants, however, rather than explaining it in this format, representatives of HEI2 used a graph to show how it combined with the government grant to provide a total level of non-repayable financial support to students. This is shown in Figure 6 below:

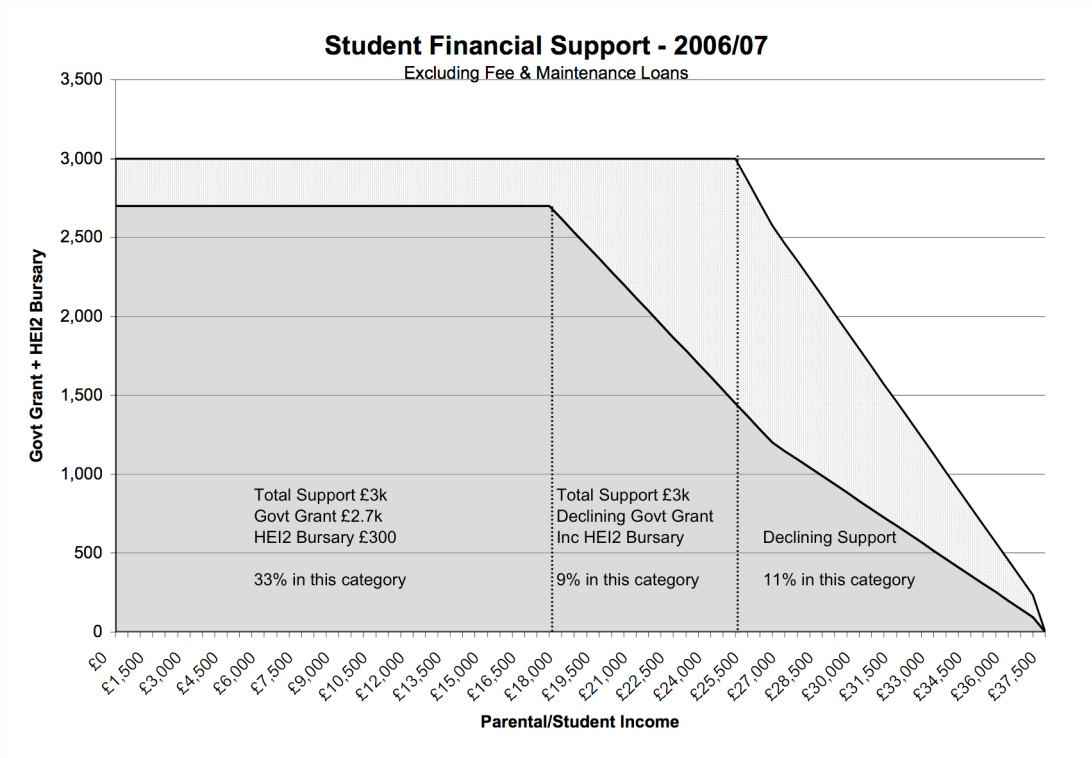


Figure 6: Non-repayable support available to students at HEI2

During the planning process, HEI2's senior managers were aware that the proposal they were putting together was likely to be unusual, but had not expected that it would end up being, as it did, unique within the sector. They also were conscious of the importance of the decisions they were making and the risks that the university faced if they misjudged their price (through fees and bursaries) and the level of demand it would generate:

> "I do remember sitting down and I was at my PC thinking, when we were modelling it and thinking about, this is the first time I think in my working career where I've had to do something I felt was actually quite scary. Because … you're going out into a marketplace, or so you perceive, and you're setting a price or a bursary and this could have real implications. And if you get it wrong, the cost of getting it wrong could be huge. Either you under price yourself in the marketplace or you do a Hoover offer, where you give everything away and you're inundated with cost." (HEI2 – Dir of Finance)

In writing the paper, the Director of Finance was also clear that it was important to achieve a package that was not too complex to administer – this mirrored the desire of his colleagues working in student recruitment who wanted a scheme that would be straightforward for applicants and their parents/carers to understand:

> "I've looked at some of the universities' schemes who aren't necessarily competitors with ours, and the mind boggles how they administer them, let alone how any student can possibly comprehend them. And even if they do comprehend them, it can't have any impact in the marketplace because it's just so complicated. It's just unbelievable." (HEI2 – Dir of Finance)

While the logic of the scheme was clear, the fact that it was structured unlike any other that applicants encounter nevertheless presented challenges of communication:

> "I think I can put my hand on heart and say I think it was the right thing at the right time. And I think though some of the things we got right - we made it simple, one simple offer. It's not overly complex and I think that was absolutely the right thing to do. I think arguably perhaps we tried to be too clever in our social engineering by the sort of reverse….. this upward gradient on the parental income. But there is a logic behind it ..… when you mirror that with a government grant. But that might be an argument that's perhaps too sophisticated for the outside world to really understand." (HEI2 - Dir of Finance)

While substantial consideration was given to the bursaries that HEI2 would offer, much less time was spent on the decision to charge the maximum £3000 fee, as proposed in the Director of Finance's original consultation paper:

> "There were two main reasons. One was indeed reputational position that if [HEI2] was to charge less than £3000 when most other universities were charging £3000 this would simply be taken by the students as a signal that either the quality of the degree was lower or that [HEI2] was so desperate for students that it was putting the price down. It would be damaging for the reputation of the university. That was a very powerful argument.
>
> "But also, ..… nobody believed that a £3000 fee would put students off. It wasn't up-front. Quite a generous maintenance system had been put in place by the government. There was quite a generous loan system put in place by the government, both loans for fees and loans for maintenance." (HEI2 – VC)

In reaching this view, the university had considered the experience of the sector and students in other countries, particularly Australia, where it saw no clear sign that funding changes had reduced participation among full-time undergraduates. It was also conscious that it needed this additional income stream.

As part of its initial discussions, HEI2 considered the possibility of offering a number of scholarships, in addition to its bursaries, but there was some debate about the

extent to which this would be consistent with the principles and objectives that the university had set itself:

> "... one of the discussions I recall coming up now on the scholarship side is that actually those are the students you least need to reward because they're potentially the most highly motivated students. So if you've got three As you're going to do the course, you're going to retain them probably and they're going to get a good degree. So it's the widening participation students from non-traditional backgrounds, first time entrants into universities, probably got non-traditional ..... entrance qualifications. Haven't had the support systems at school that a traditional three grade A student would have, it's how you deal with that. That's a much harder nut to crack." (HEI2 – Dir of Finance)

In the end, it was agreed that there would be no scholarships in the package in HEI2's initial Access Agreement, as these might act as an inappropriate underwriting of courses that were not inherently attractive to students. However, and potentially inconsistently, they were not entirely ruled out as an option for the future:

> ".....the prime reason was I think a suspicion from the management that the motivation for doing that was…, I call it the British Leyland subsidy, subsidising cars that nobody wants to buy. Disciplines that have been in long term decline in terms of student demand, ...… that's not the right way of using that money.
>
> "That was one reason ... but the real reason was, well let's hold that in reserve. So we wanted a device, a bursary scheme that was really as simple as possible. We weren't sending lots of signals to a marketplace that was already massively confused." (HEI2 – Dir of Finance)

Additional funding was however earmarked at this stage to fund two posts: in education outreach; and in publications and market research. These were intended to assist in the development of HEI2's pre-existing widening participation programme. At the same time, funding was set aside to support applicants with disabilities and those from non-traditional backgrounds and to offer guidance in employment skills and choices of career.

When it came to setting itself milestones within its Access Agreement, HEI2 rapidly came to the decision that it would use HEFCE PIs – not only was this data already being collected, but HEI2 regularly exceeded the widening participation benchmarks set for it by this system of evaluation:

> "We certainly took the view that we… there was a lot of other universities who, if they were using performance indicators as a benchmark to evaluate, we weren't going to be under anything like the scrutiny that other universities would be under. So that's why we used that as the evaluation model, because we demonstrated, even without the extra resource, we were probably doing all right." (HEI2 – Dir of UG Admissions)

On this basis it felt able to say in its initial Access Agreement (June 2006):

> "[HEI2] intends to demonstrate its progress towards meeting its widening participation targets through the use of the annual HEFCE/HESA benchmarks. Through its bursary and outreach activities, the University intends to meet, and where possible exceed, the benchmark performance figures." (p9)

HEI2 took the view that its Access Agreement was an important document, as it was crucial to be able to charge the £3000 fee – it was concerned to establish what might be considered to be an appropriate percentage of additional fee income that it should commit to student support and widening participation, whilst not tying up additional income in this way unnecessarily. Thus it tried to strike a balance between its desire to support those students in genuine need, and the possible pressure to offer more through bursaries than it felt necessary, purely to comply with perceived external expectations:

> "The one respect in which we tried to second guess what other universities would do was in the proportion of their tuition fee income, or their additional tuition fee income to be absolutely correct, that they would plough back into bursaries. And we thought the ideal position of the university would be if the proportion we ploughed back was close to, but not quite as much as, the average. So we tried to guess what that would be." (HEI2 - VC)

However, there was also a strong view held within the Undergraduate Admissions area that the Access Agreement – whilst formally a document to OFFA – was in fact an opportunity to communicate with potential applicants and their advisers; on this basis, the Director of Undergraduate Admissions argued that it should be written not in the language and style of a policy paper, but in the more informal language of a piece of external communication, a view that was not accepted internally. Once it had been decided that HEI2 was not going to submit an Access Agreement which had potential applicants as its primary audience, the responsibility for drafting it shifted away from Undergraduate Admissions.

Implications of initial decisions and subsequent changes

After the new funding model was introduced, HEI2 – in common with others in the sector – could detect little impact on student choice:

> "I think one of the things we found quite surprising was, when we started the recruitment cycle for 2006 entry, we thought, oh, everybody is going to be asking ..... and we were sort of forcing the information on to people. ..... I think we expected a barrage of people wanting to know information about it less than there was. Now whether that means that it was being communicated well and therefore people didn't have the questions or whether they simply just weren't as concerned about it." (HEI2 – Head of UG Admissions and WP)

While the sector itself had been preoccupied, throughout the passage and implementation of the HE Act (2004), with the potential consequences of its financial provisions, it seemed that applicants were less interested in the details of the offers from individual institutions. This was to some extent predictable and may, in part, have been due to the comparative similarity of the various funding packages on offer:

> "....we didn't think that the other universities with whom we had traditionally competed for undergraduates would be offering such an obviously more advantageous bursary scheme that we would lose students to them and this was for two reasons. First of all, we thought that most of our competitors would be putting a pretty similar proportion of their additional tuition fee income into bursaries. We recognised that some might put a few percent more, some a few percent less but we didn't think anyone was going to put 50% in or something like that. And secondly, we didn't actually believe that students would choose a university on the basis of a couple of hundred pounds difference on the bursary, partly because the bursary schemes, comparing them was so complicated for students, and partly because we didn't think that the price elasticity of demand for higher education in a particular institution was very high." (HEI2 - VC)

However, in spite of its track record in widening participation, when it came to the publication of the first annual monitoring by OFFA of Access Agreements, HEI2 had not met its commitments concerning volume and level of expenditure of additional fee income on student support. It had missed these to such an extent that the university saw a potential for damage to its image:

> ".....that started off with external relations. Seeing the OFFA publication for the monitoring, which was in the newspapers. And if you look at [HEI2], I think out of I don't know how many institutions, 150, we were around the 111th. And effectively that put us at the bottom of all the multi-faculty universities, because

> everybody below us was kind of the weird and wonderful very highly specialist or direct-funded FE. So we're at the bottom. So there was immediate concern that, hold on, we're way out of line. Although interestingly we didn't get hauled up by OFFA, because a number of universities got letters saying, hold on you're not doing enough. We didn't. So they accepted our explanation.
>
> "So I think there was some concern in external relations about the league table position, well I immediately countered, well what does it matter? It's really, are we at a competitive disadvantage compared to our competitor universities? Is our recruitment suffering? I think some of the concern as well is the fact that, well, we're not delivering our OFFA promise which is published. So we've got to do rather more." (HEI2 – Dir of Finance)

Part of this was due to the fact that, in common with other institutions, HEI2 identified that not all its students who were eligible for bursaries had claimed them. It subsequently therefore took proactive measures to encourage take-up, until it got to the point at which it considered that coverage was almost complete.

Influenced to a significant extent by its 'underspend', HEI2 undertook a review of its original Access Agreement. It welcomed the fact that this process could be informed by research that was not possible in 2004/5:

> "The research isn't just about the market research but also about the understanding of what we need to be delivering and that very much now comes into play in how we're looking at all of what we do through the Access Agreement and our bursary to ensure that now that we have more information than we ever had the first time around, because we know what others do, we know the students that have been coming through and what's worked and what hasn't, we know some of the reasons why the take-up has been bad and we can, you know, explore other reasons why we think that might be." (HEI2 – Head of UG Admissions and WP)

When the review started, staff at HEI2 were expecting it to result in a reasonably substantial overhaul of the bursary scheme. However, when the new Access Agreement was published in October 2008, it included only a number of amendments to the existing scheme so that its banding reflected revised government grant criteria, rather than any more radical changes. With fees for 2009 index-linked to £3225, HEI2 gave bursaries of just £319 to those with Residual Household Incomes of up to £25,000, so that – with the maximum grant of £2906 – they had combined non-repayable funding of £3225. It identified the point at which it considered people to be 'nearly poor' to those with Residual Household Incomes of up to £34,460,

complementing their grant with a bursary that gave combined funding of £3225; above this level, the bursary decreased on a sliding scale, until it reaches zero at £60,032, the point at which no grant was awarded.

By expanding the eligibility for bursary funding (still without adding any scholarships), HEI2 therefore hoped that the proportion of its additional fee income that it spends on student support and other widening participation initiatives would reach 25%.

Commentary

HEI2 sees itself as a successful institution that balances many of the traditional and contemporary values of higher education effectively, for example: widening participation and high academic standards; and regional, national and international profiles. It is used to clear leadership which respects academic autonomy while seeking to maximise the benefits to the university and its students of appropriate new opportunities.

Underpinning this and driven at least in part by a Director of Finance with a clear view of how his own direct responsibilities relate to other areas of the institution's activities, HEI2 is willing to make strategic plans through a process that is informed by management principles as well as its academic vision.

Thus, in deciding to set its 2006 fees at £3000, HEI2 was strongly influenced by considerations of image and the potential for negative perceptions of 'cheap degrees'; however it also took the holistic view of price as a combination of fees and bursaries from the start of its decision-making and considered bursaries to be the appropriate mechanism for any targeted discounting. In addition, not only did the university have a clear need for the extra income, but it anticipated that all its competitors would be charging the maximum – reinforcing its concern about the risks of undervaluing its courses and degrees. With this approach it has shown that it was willing to set fees and bursaries from 2006 in the context of marketing considerations relating to pricing,

and was confident enough to offer a package that it expected to be distinctive – although not, as it turned out, unique.

Even though there have been changes of personnel in two key positions at HEI2 – Vice-Chancellor and Director of Undergraduate Admissions – during the period under consideration, the over-riding strategic direction of the university has remained constant. The relationship with the Students' Union appears to work effectively and its members were reasonably accepting of the 2006 funding changes.

The Director of Finance is clearly an influential figure within the organisation – and this appears to be based on genuine respect for his work. He took the initiative to set the tone of the internal debate about fees and bursaries by writing a comprehensive discussion paper; this reflected not only his broader views of the current situation within the sector, but also a marketing perspective in his approach to issues of positioning and pricing and a desire for administrative simplicity. However, in conducting this exercise he was aware of the damage to the institution that making the wrong decisions on fees and/or bursaries could cause.

The fact that HEI2 developed a unique structure for its bursaries is indicative of the detailed thought that gave to the underlying issues – this was conducted very much with the perspective of individual applicants in mind, viewing their financial situation in the round, in the light of the local circumstances (and costs) for students at HEI2. Although it was not seeking to position itself as radically distinct, it acknowledged that the design of its bursary scheme was likely to differentiate it from others in the market.

When HEI2 found that the design of its bursaries was unique it also found that this gave it particular communications problems; at a time when students were already struggling to comprehend a newly-created quasi-market in fees and bursaries, they did not necessarily take the time to understand what HEI2 was offering and how it differed fundamentally in structure from other means-tested bursaries. The university was trying to explain its scheme as part of the wider funding picture, whereas students

were more inclined simply to compare bursaries – as the government support would be the same whichever English university they attended.

Given HEI2's established record of widening participation, it might have been considered to be in a reasonably comfortable position when preparing its first Access Agreement, however it did not regard this exercise as a formality and there were some internal disagreements about the way that it should be approached. These resulted in the Undergraduate Admissions Office distancing itself from liaison with OFFA, which it viewed as little more than a compliance function; instead it continued to develop and promote its pre-existing range of outreach and recruitment activities.

When I visited HEI2 in summer 2008, the university was conducting an internal review of its Access Agreement and its impacts – it was chastened by the fact that the first national monitoring of Access Agreements showed that it had missed, by more than 50%, its own targets for the amount (£330,000, against an estimate of £754,000) and proportion (9.3%, against an estimate of 20.8%) of additional fee income spent on support for students from low income backgrounds. While a proportion of this was due to an initial error by HEI2 of including EU students in its calculations, although they were not eligible for its bursaries, it was also conscious of continued communications issues, as far as applicants were concerned, that might be standing in the way of take-up.

However, the government had also changed its thresholds for financial support, making the context in which HEI2's scheme operated significantly different; ultimately, in August 2008, it submitted a revised Access Agreement in which the main modifications were simply to adjust the banding of Residual Household Income within the bursary scheme in line with national changes.

It seems therefore that HEI2 still regards the quasi-market in which the sector is operating as being in an initial period, in which it is slightly unstable; thus, while HEI2 has some doubts about the competitive effectiveness of its unique bursary

package (however logical it may consider it to be), it is confident enough not to react too rapidly to introduce any major changes to its undergraduate funding.

Case Study 3 – university from 2008 (ex-college of HE)

Data sources

This profile has as primary sources of data, interviews[38] recorded with senior managers (Pro-Vice-Chancellor; Director of Finance; Director of Business Transformation; Enterprise Director; Executive Dean; Deputy Dean; Director of Marketing, Communications and Recruitment; Head of Money Advice Centres and Head of Recruitment) and the President of the Students' Union at HEI3 during a two visits there in April 2008. In addition, it drawns on information from the key internal document that formed the basis for HEI3's discussions and ultimate decisions on its response to the financial provisions of the HE Act (2004), Planning Board minutes and research conducted by HEI3 among students and applicants on the impact of fees and bursaries on their choice of university and course. Data from HEFCE, HESA, UCAS, OFFA monitoring reports and the institution's strategic planning documents and undergraduate recruitment literature (print and on-line) also inform the interpretation of this material.

Background

HEI3 has its origins in a local council-funded Science and Arts School, established in the late 19th century to offer evening classes to the local community. It gained degree-awarding powers for taught courses in 1995, but ten years after that, its first application for university title was rejected. This, combined with the poor quality of its estate – split between three sites – and the imminent retirement of its Director, gave some senior managers a lack of clarity of purpose and of confidence in its position within the sector during the mid-2000s:

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[38] As with all sample institutions, HEI3 itself identified the informants for this research; the high number here reflects the nature of the institution's revised student support scheme from 2008, the 'New Offer', which (as discussed later in this chapter) includes benefits in kind that are delivered through a range of departments and services, in addition to direct financial support. It was therefore developed and operates collaboratively, involving the parts of the institution represented by these respondents.

> "We had applied for university title and been unsuccessful. And that was an extremely traumatic period for the institution. So through 2005 we were coming to terms with that and therefore at a certain point we were finding we're potentially no longer going to be perceived as 'one of those' [a university] but we're going to be a sort of left behind institution." (HEI3 – Pro-VC)

However, from the view of the marketing department, the outgoing Director had presented a clear vision of the role of the institution and how this should be translated into the setting of fees and bursaries:

> "He believed in getting as many people not through the door, but to benefit from higher education. So, he was looking for the …… perhaps second chances, encouraging as many people in. So, we were looking for a methodology that gave the best access, really; more people in and made us competitive against probably people in our peer group." (HEI3 – Head of Recruitment)

By June 2006, writing in the foreword to its *Strategic Plan 2006-2011*, the current Vice-Chancellor (and then recently-appointed Director), outlined her view of the way that HEI3 was evolving:

> "The changes taking place within the organisation and the way in which they are being embraced are indicative of an institution which feels confident about its role within the higher education sector and has a clear view of its strategic direction. It has exciting plans for its portfolio of courses. Its internal organisational and management structures are changing significantly so that it mirrors the external markets which HEI3 faces and wishes to engage with further. In keeping with this, HEI3 has ambitious plans to develop its estate." (p2)

In summer 2008, HEI3 was granted university title. Institutional managers however expect that the main impact of this may prove to be on perception of the institution, with only a small shift in actual market position. At the time that this research was conducted, another significant factor in improving HEI3's image, they believed, would be the substantial building programme that was underway on its main site and, with it, plans to move all staff and students from its two other locations onto that one campus in autumn 2009.

HEI3 filled, and fills, a significant proportion of its places through Clearing – although it also offers a number of specialist courses (eg linked to traditional local industries) to which entry is much more competitive. The average ratio of more than

five applicants per place therefore conceals a wide disparity between selecting and recruiting courses. Indeed, the institution's intake of Home/EU full-time undergraduates has, in recent years, fallen significantly below its HEFCE contract numbers, with resulting financial short-falls and, in early 2008, it conducted a voluntary staff severance programme.

HEI3 considers much of its role to be serving its local community (with, in consequence, many part-time students) – and thus views its major competitors as being within its own immediate region, an area with some districts that are very affluent, while large parts have comparatively low average incomes. At the same time, it prides itself on innovative course design and delivery and aspires to international recognition in its specialist subjects, some of which recruit more than 70% of their students from outside the region.

With a long-standing commitment to access, HEI3 achieves, and prides itself on achieving, its benchmarks in key HEFCE PIs linked to widening participation. It has a track-record of collaboration with major local employers to design and deliver successful educational programmes and envisaged that outreach plans within its Access Agreement would build on its existing package of activities and initiatives; it did not expect to change the profile of its intake significantly, acknowledging that it is unlikely to attract the highest academic achievers in most subjects. At the same time, it identified the potential to build on its areas of specialism, exploiting those competitive advantages it has. It offered no bursaries or scholarships to full-time Home/EU undergraduates prior to 2006.

In its *Strategic Plan* for 2006-11, HEI3 highlighted what it saw as the significance of the new financial context in which it, and other universities in England, would then be operating:

> "The main external driver facing [HEI3] during the planning period 2006-07 to 2010-11 is the challenge of the new marketplace starting in 2006. Student expectations are going to be much higher. For undergraduate students, higher education is likely to be the second highest investment in their life, second only to investing in their own home. This will herald very important changes in the

> fabric of higher education. There will be potentially more complex relationships with students who will have much more awareness of what they are investing in. Higher education will need to be sharper and smarter, giving students more of what they want, while recognising that students also have responsibilities as part of their contractual relationship with institutions." (p6)

It decided that it was not possible to identify, or conduct, attitudinal or behavioural research in the UK that could reliably be used to inform its initial decision-making on the setting of fees and bursaries and, although there was some limited contact with other HEIs through informal networks, managers at HEI3 were clear that rules concerning anti-competitive practices must be observed:

> "You weren't in a position to look at what other universities were trying to do. And actually I think there was a concern in the field that by sharing that sort of information we might be accused of price-fixing. So people were actually very careful not to do that. Nevertheless there was a kind of general feeling without anybody being very specific, that most people were going to go for the full amount." (HEI3 – Dir of Enterprise)

From desk research on students' expenditure patterns and other information, the Director of Finance prepared an internal discussion paper to inform HEI3's consideration of its response to the HE Act (2004). He highlighted issues that he viewed as particularly relevant to the institution and which it needed to consider, irrespective of any individual views on the principle behind variable tuition fees, taking an approach that was strongly informed by the principles of marketing. Specifically (paras 11-25), he identified significant challenges for HEI3 and proposed how it should respond in each area:

- HEI3 should charge different prices for different courses
- Prices should be set to reflect the differential demand for different courses, not any differences in costs of delivery or economic benefits to graduates
- Bursaries should be offered to those with lower financial resources and other incentives also used to stimulate demand
- Course provision must reflect the income it generates through the market

He also cautioned that it was difficult to predict how price-sensitive the student recruitment market was likely to be and that price charged may well influence perceptions of the value of the institution, its courses, qualifications and graduates. In

conclusion he recommended the adoption of a *net* fee that would vary between courses, with price determined in light of differential demand:

> "HEI3 should position itself at the lower end of the *net* fee spectrum through a competitive cash incentive scheme and plan to deliver better value for money than our peers. We should seek approval for a plan to charge fees above the standard level adopting the maximum fee for all courses and determining a cash incentive level that reflects student demand for that particular course." (para 27)

When HEI3's Planning Board was considering this paper and other information to determine the university's fees and bursaries, it saw its priority during the initial years of implementation of the HE Act (2004) as maintaining student numbers, rather than maximising additional fee income. It was also given access to detailed research (conducted by a post-92 university in another region) – this suggested that a high fee would be acceptable as long as it was off-set by a reasonable level of student support. Furthermore the institution took the view that students would benefit if fees were set at the maximum (rather than reducing fees and, in tandem, bursaries), so that they could access the maximum level of subsidised loan from the Student Loans Company; it also considered the possibility of giving a higher bursary to freshers.

The Board considered fees within the context of the total cost to a student of studying for a degree and noted that they were not the major item of expenditure (even if charged at £3000). Similarly, it noted that full-time undergraduate fees directly contributed only 13% to the university's income, so changes in fees would have only limited impact on the balance sheet. By January 2005, the Planning Board's papers showed that it was working from three agreed principles:

- "to maintain the University College's base of student numbers
- to see if the University College could increase its underlying unit of resource
- the effective fee would be less than £3000 for students"

but was still undecided on whether to charge a lower fee or offer a universal bursary.

The Board noted that the institution may be expected, within its Access Agreement, to commit as much as 35% of additional fee income to bursaries, outreach and other student support. The importance of establishing a package that would be clear to

understand and straightforward to communicate was emphasised and it was acknowledged that it was difficult to identify what competitors were doing – therefore funding information should be published as late as possible. However, this gave HEI3 the opportunity to take a broader look at its recruitment profile and how it might tailor some student support to reflect this:

> "...as well as having the bursary we ran a scholarship. We identified schools with local participation and colleges and we actually gave them an additional £300 and went out and talked to them and put together the package of additional support for them.
>
> "So what it did was - very much - we stood back and looked at how we recruited and where we recruited from and how we wanted to support that and how we could best do it and we put together a package. So in the sense we wouldn't have started from raising the fees but having known that we got that we then really went back to first principles and looked at how we might really try to support our student body." (HEI3 – Dir of Enterprise)

The final decision on the contents of HEI3's initial Access Agreement was made through the institution's normal structures, which included consultation with current students. Throughout this period though, the student body was not very engaged with political issues and generally accepted the 2006 funding changes – which those who worked with Students' Union officers in 2004-5 suggest was because they viewed the incoming arrangements as having the potential to give undergraduates access to reasonable amounts of cash while at university, to cover their fees and living costs, through the provision of grants (for which many undergraduates at HEI3 were expected to be eligible) and subsidised loans.

Initial response to the HE Act (2004)

Before HEI3 reached its decision to differentiate via bursary rather than fee, there were wide-ranging internal discussions – based on considerations of strategic objectives, and student perceptions

> "There was a lot of this debate around. Some felt that we should do it all on materials and ..... just give £300 while others that just: 'Yes, let's go for a cheaper fee', but I did feel a certain inevitability that nobody wanted to be disadvantaged and they'd rather give money back in that sense. But I think there was also… there were debates around whether people really understood

> the notion. There was a lot about..... would people understand a notion of: you charge £3000 but you don't actually charge £3000 because you're going to give the money back - and is there a difference between one or the other?" (HEI3 - Dir of Business Transformation)

In its first Access Agreement (submitted to OFFA in March 2005) and subsequent revisions, HEI3 laid out the principles on which it had made its decisions on fees and bursaries:

> "[HEI3] bursaries and scholarships have been developed from the following three guiding principles:
>
> 1. The approach adopted should support the achievement of the government's target for access to higher education, reducing perceived financial barriers for as many potential students as possible.
>
> 2. Bursaries and scholarships should promote widening participation.
>
> 3. Information on eligibility should be easily accessible and clear, enabling the majority of applicants to self assess at the initial point of enquiry and all students to know exactly what they will have to pay and what financial support will be in place." (p4)

This Access Agreement set fees at £3000, complemented with a universal bursary of £1000, hence setting a *net* price of £2000, as shown in Table 9 below. This approach was taken to avoid the possible risk of 'devaluing' the institution, its degrees or its graduates by appearing to offer 'cheap' courses. The figure itself was determined both on the basis of HEI3's perception of its competitive position and on its expectation of the proportion of additional fee income that it would be required by OFFA to commit to student funding and other widening participation initiatives.

Fees charged	**Universal bursary given**	***Net* cost to student**
£3000	£1000	£2000

Table 9: HEI3 full-time Home/EU undergraduate fees and bursaries - 2006 entry

However the view was held in some parts of the institution that the message about the universal bursary was potentially difficult to get across without the risk of potential 'devaluation' of the image of HEI3 and of its degrees:

> "The difficulty of course is it's cash and cash back and how that's viewed. Is it viewed as a devaluing figure, because an institution that provides education, should it be giving £1000 cashback to enhance or entice students to come to it? Because if you do that are you not then devaluing the education that you present? It was a big issue that we had to talk about." (HEI3 – Dean of Faculty)

To supplement this universal bursary with more targeted financial support, HEI3 offered two additional forms of scholarship: for students from specified local schools and colleges with which they had formal agreements (who received an extra £300) and on specific courses, where they were designed to bolster recruitment. In practice, neither of these schemes distributes significant sums of money, but this was not necessarily the prime objective:

> "It wasn't primarily about the £300 to be honest, it was about consolidating and developing a relationship with the schools and colleges that we had identified from the data were prime targets for us to develop a relationship where we needed to raise the aspirations, and where we thought that the students were quite likely to want to come to us." (HEI3 – Dir of Enterprise)

HEI3 explained its decision to offer a universal bursary, in the context of its existing intake (2005 Access Agreement, p4), 60% of whom were then in receipt of fee remission, arguing that this was the most effective way to meet the needs of its students and its own principles for bursaries. By making provision within the Agreement for additional subject-specific funding to be introduced, it also reflected contrasting internal priorities, created at least in part by the distinct recruitment profiles of different courses. However, it also built in an element of complexity.

The 2005 Access Agreement also included commitment to a programme of communications, and emphasised the importance of training for staff and students involved in outreach and recruitment, to ensure that they could provide clear financial information to applicants. With what it considered a distinctive package, HEI3 took the view that it was important that this funding information was presented in the context of wider Government funding, especially for those with no prior family experience of university.

Having already exceeded its own adjusted benchmarks for HEFCE Widening Participation Performance Indicators, HEI3 set itself the milestone of increasing the proportion of students from low participation areas to the national benchmark figure – recognising this as challenging in the context of the demographic profile of its region (HEI3 Access Agreement 2005, p7). It also declared an intention to increase its Compact agreements (offering a progression route to applicants from specified local schools and colleges who achieve certain standards at Level 3) from four in 2004/5 to 25 in 2010/11.

By setting up bursaries and scholarships without any element of means-testing, HEI3 was able to operate its own schemes, independent of any need for information from the Student Loans Company; it devoted significant effort to designing and implementing delivery systems, which worked well.

Implications of initial decisions and subsequent changes

The many changes that HEI3 was undergoing around 2006 made it difficult to attempt to isolate effects that could be attributed directly to the fees that it charged and bursaries that it offered. In establishing what it might realistically achieve, HEI3 made an evaluation of its competitive position within the sector and identified a niche that it could occupy effectively which was consistent with its approach to widening participation:

> "We ..... identified that one of the dangers of that whole drive that other institutions are pursuing was indeed to pursue those who narrowly qualify as opposed to offering an incentive that draws those that marginally don't qualify into the pot, so we perceived that the offer of a universal bursary would actually probably benefit those people who were most discouraged from going into HE which would mean those who just are outside the incentive categories.....
>
> "We perceived that as quite important for us because we thought those who have got really good academic credentials would be creamed off by the other institutions who would make some very high offers to help their PIs. But for us, it's about getting our natural student base which is not those performers. It's those who aren't quite at the pinnacle of academic achievement." (HEI3 – Dir of Finance)

Although HEI3 had hoped that it might see an increase in numbers of applications from 2006, in fact there were greater benefits from its new funding package as part of a wider strategy:

> "We were hoping obviously that offering £1000 to everybody meant that we would generate increased applications. That probably didn't happen. But where we did see positives was on conversion of ..... people that had applied to us, them actually choosing to come here, because as part of our conversion process we actually wrote to every single applicant to tell them that should they choose us they would either get £1000, £1300 or £1600..... So, if they were from one of our Compact schools they got an extra £300. And if they did certain courses they got an additional £300. So, we were able to be quite strategic there and increased our conversion by about 10% that year." (HEI3 – Head of Recruitment)

Before 2006, HEI3 had been concerned that it might experience indirect, as well as direct, impacts of the new funding regime – for example with possible shifts between part-and full-time numbers. In practice, it saw no significant shift in admissions numbers or profile, an outcome which it regarded as at least acceptable. It also became increasingly aware, in common with other universities, that financial considerations were not having a significant impact on student choice. This view was reinforced through research with its undergraduates, that was conducted in conjunction with the Students' Union. Its findings indicated that:

> "Whilst fees have gone up, people are coming out with more debt, they're actually finding themselves more cash-rich at university than people who were going before them..... because of the way the fees are being paid back and the broader range of support packages that are around. So to that extent I'm not sure that there was really massive concern from the students about what was going on." (HEI3 – President of Students' Union)

For HEI3, the effects of the changes in fees and bursaries were therefore not of major significance in the context of its overall attraction to potential applicants:

> "We'd been in decline probably for a considerable time. Therefore the very generous bursary offer had no impact and looking back now it's very easy to see why. Because the main determinants for applicants are the course and the location. But hard on their heels are the range of facilities that an institution has to offer, and we've been trying to refurbish and consolidate the campus for over ten years now." (HEI3 – Pro-VC)

However, a reduction in the call on hardship funds suggested there was some benefit to students once they had been admitted, which was also reflected in retention figures:

> "I think our actual OFFA agreement was very, very generous and I was very happy with it. And it certainly helped a tremendous number of students and helped them to keep on course and helped them to manage their finances, their money, particularly the first and second years." (HEI3 – Head of Money Advice Centres)

So, on balance, managers within HEI3 took the view that their initial decisions on fees and bursaries were reasonable, given the circumstances in which it had made them. They were however always aware of the limitations of the information on which they had been able to plan in 2004/5 and so expected to review their funding decisions within two years.

While the institution was committed to improving the estate anyway, the Students' Union (whose officers in 2006-8 were more proactive than their predecessors) conducted its own research into other ways that the experiences of its members could be improved, both academically and socially. It developed a proposal which evolved, in collaboration with the university's management team, into the 'New Offer'[39], a revised funding package for undergraduates entering from 2008. This reduced the automatic entitlement bursary by 50%, to £500 a year – with the other £500 per student to be divided between projects from the Students' Union and initiatives from individual courses to enhance the learning experience. This element of the university's commitment fell outside the remit of its Access Agreement, but was consistent with the institution's approach of integrating the financial support it offered into its wider objectives and activities:

> "We pride ourselves on three things here. One is the teaching team that we've got, the faculty. The second is the caring environment that we've got and the third is the courses that we have, the niche programmes that we bring out. So that to us is the key USPs [unique selling points] in the faculty, not the fact that

[39] Since renamed the 'Big Deal'

> we can offer a bursary. So it's just enhancing that offer that we have." (HEI3 – Dean of Faculty)

Perhaps atypically for an institution that had, until this point, informed its decision-making by consideration of what other institutions were doing, the main drivers for this change were internal:

> "I'm not sure that necessarily the direct monitoring of what other institutions are doing is to the main driver as opposed to a perspective of how relative recruitment is operating, because it's in that context that the bursary offer really is made so we'd become, if you like, now we're out of the immediate transition, more confident about the position in the marketplace and therefore what level of incentive is appropriate to sustain our student recruitment at appropriate levels going forward." (HEI3 – Director of Finance)

While the resulting 'New Offer' gave individual courses and departments the potential to develop targeted support for their students' learning (whether in terms of providing course materials, IT facilities or places on study trips, for example), when considered at an institutional level, it also inevitably created a complex variety of packages. Furthermore, a number of items funded on this basis were things that some applicants and their families (particularly those from the first generation in their family to enter university) were surprised to discover were charged for at many institutions. So, to explain the benefits that they were offering, HEI3 first had to reduce the underlying expectations of those it was seeking to attract; this created a complex message and, based on its experiences with its simpler initial offer, may prove difficult to convey effectively.

Structural changes that have taken place within the institution during the period 2006-8 make it impossible to compare, from publicly available data, applications and acceptances on a 'like-for-like' basis across this period as one indicator of any impact that its 'New Offer' may have had on student numbers. However, funding remains only one of the steps that HEI3 is undertaking to seek to improve its attraction to potential students:

> "What we're also doing alongside this is actually completely redeveloping our course portfolio. We changed 70% of our course titles last year, which is quite a significant thing to do.… which has been a tough year for us in Marketing, but

next year I think we'll really start to see the benefits of it." (HEI3 – Director of Marketing, Communications and Recruitment)

This approach reflects the extent to which HEI3 includes a marketing perspective in the decision-making of its management team; while this was clearly not entirely new to the university in 2004/5, in responding to the financial provisions of the HE Act (2004) both the marketing and the finance departments have taken the opportunity to encourage and develop this culture among the university's academic managers.

Commentary

While HEI3 was setting its fees and bursaries for 2006, it was going through a period of low morale: it had failed to obtain university title; its estate was on split sites and in poor condition; and it was awaiting the arrival of a new Director. Furthermore, it had fallen below target undergraduate numbers to the extent that HEFCE was penalising it financially.

It however had an established record of success in achieving its HEFCE Widening Participation Performance Indicators and identified its role – for the majority of its courses – as being to serve the local and regional community. At the same time, some of its more specialist courses recruited nationally and were in a position to be more selective in their intake. Even though this created contrasting perspectives within the institution as to its appropriate positioning for 2006, HEI3 did not give serious consideration to varying its fees and/or bursaries from course to course.

Perhaps because of its profile within the sector and then lack of university title though, HEI3 was an institution that was prepared to consider comparatively radical options within the financial provisions of the HE Act (2004). When preparing its first Access Agreement, it was receptive to strategic consideration of its positioning from a marketing perspective, with internal debates openly framed in those terms. While it was agreed, at a comparatively early stage in the discussions, that HEI3 was going to charge undergraduates a *net* cost of less than the maximum £3000 fee, there was significant discussion about the scale of reduction and the way this should be

delivered, again based on marketing principles relating to pricing and its implications for the perception of the product on offer.

Consideration was given to establishing a package of fees and universal bursaries which would have resulted in no change in *net* cost to students (eg £3000 fee and £1800 bursary). However, the institution acknowledged that HEFCE would not be distributing additional core teaching ('T') funds and that the intention of this legislation was, at least in part, to increase the unit of resource - students would expect better facilities and HEI3 needed to be able to offer these.

On balance therefore HEI3 decided to charge its students a *net* rate of £2000, by setting the 'sticker price' of fees at £3000, but partially off-setting this with a universal bursary of £1000. This package was designed to balance the perceived benefits – in terms of image – that the institution believed would be obtained through premium pricing, with a need to maintain student numbers in a competitive market and its long-standing commitment to Widening Participation. While graduates would ultimately have a higher level of debt than if HEI3 had simply charged a fee of £2000, they would also have access to higher levels of subsidised student loans while studying, as eligibility for this is linked to the level of fee charged.

The universal bursary that HEI3 offered was based on the assumption that cost would influence the choices that applicants made. However, once the new quasi-market was in operation from 2006, consistent with the university's open attitude to marketing, it used research to establish an evidence-base concerning the nature of the environment in which it was operating and identified the limited impact of bursaries and fees on student choice, within the parameters established by the HE Act (2004).

While HEI3 comes across as being generally comfortable to adopt a marketing approach, it is clear that this must function within the wider context of its academic objectives – to the extent that its departments are expected to be able to consider the viability of courses in the context of income and costs, a culture which the finance department has actively fostered and which seems to have been accepted by academic

managers. Encouraged in part therefore by the need to prepare an Access Agreement, its internal operations have therefore shifted towards a 'new managerial' style (as discussed in Chapter 2).

Although, by excluding any means-testing, HEI3 saw its bursary offer as comparatively straightforward to communicate to applicants and also to operate, this core element was supported by the two other strands of scholarships. These added a level of complexity to the scheme as a whole, and seem to have been limited in their effectiveness as far as recruitment profiles are concerned This may be because the scholarships were less well-known than the main universal scheme presenting as they do, an inherent (although not unique) communications dilemma: how prominently should information on the scholarships, which were only available to a limited set of applicants, be included in HEI3's general information on student funding and hence complicate its otherwise simple message?

Once its bursary package had been implemented, senior managers within HEI3 could not identify it as having any clear influence on application levels. However, an improved conversion rate suggests HEI3 may have found a partial solution to its communications problem - sending personalised letters to each applicant to whom they offered a place, with exact figures for the amount of financial support that would be available to them. The apparent impact of this tactic also suggests that supporting an offer of a place with individualised financial information is one that other institutions might wish to consider, however straightforward their funding package.

Given that HEI3's offer was more generous than many, managers there were initially surprised by the limited impact it had on applications, but gradually came to see this pattern emerging across the sector. However several managers suggested there may have been other, more local problems and expressed concern that the Marketing Department may not have maximised the potential benefits of the 2006 financial package, because it did not promote it proactively enough. In response, marketing

staff themselves argued that more than two years were needed at the start of a new market to establish the effectiveness of their message.

Although the initial view within HEI3 was that cost had little impact on the choices made by their students about where and what to study, internal research has now shown that it had played some part in the decision-making process for about a third of them. This, the marketing department argues, is significant and tends to support its longer-term approach to promotion of the institution's financial message.

After just two years of operation though, major changes within HEI3 combined with the fact that the wider market was now possible to analyse, meant that the university felt it appropriate to review, and then change, its funding package. The so-called 'New Offer' grew out of proposals put forward by a new set of Students' Union officers. They argued that undergraduates feel reasonably 'cash rich', and therefore the sums of money offered alone were not a significant incentive. However, many students found budgeting complex and were attracted by the proposal to receive more support in kind (academic and social), rather than in cash.

The university's authorities were generally receptive to the thrust of the measures proposed and decided that additional funds should be used to improve aspects of the undergraduate experience, but they were clear that these would have to be found by reducing the size of the universal bursary - no other income would be diverted to this use. The institution therefore reviewed the financial support it offered to its undergraduates, with limited consideration given at this stage to what other universities were offering.

While the (albeit reduced) bursary and local scholarships in this funding package were similar in administrative and communications terms to the original package that HEI3 launched in 2006, the element of 'added value' that each student could expect to receive from his or her own course varied widely. As such, this complex element of the New Offer is likely to place significant demands on resources to design, administer and also to monitor. There are already indications (eg from the Executive

Dean) of a mismatch between the expectations of academic and administrative departments about where this burden should lie.

However, with a management style that is willing to reflect marketing principles, HEI3 can be expected to take a proactive approach to continued evaluation and development of its fees and bursaries in the evolving quasi-market within the sector. It has felt able to move from being a 'follower' within the market, and has clear institutional objectives that it intends to support through its undergraduate funding package. The greatest limiting factors on the effectiveness of its approach seem likely to be linked to wider market factors and the extent to which the impact of cost on student choice is understood.

Case Study 4 – Russell Group collegiate university

Data sources

This profile has as primary sources of data, interviews recorded with senior managers (Director of Bursary Trust; Director of Undergraduate Admissions; Head of Admissions and Data Services; and Head of Admissions Publications and Information) at HEI4 during a visit there in June 2008 and an interview with the former Director of Communications in July 2009. In addition, it draws on research conducted by HEI4's School of Education, on behalf of the Admissions Office and public statements by, and media coverage of, the university's two Vice-Chancellors during the period under consideration (handover of office took place in autumn 2003). Data from HEFCE, HESA, UCAS, OFFA monitoring reports and the institution's strategic planning documents and undergraduate recruitment literature (print and on-line) were also used to inform the interpretation of this material.

Background

HEI4 is a collegiate institution with a prestigious international reputation for both research and teaching that is regularly in the top ten of the Shanghai Jiao Tong Academic Ranking of World Universities. It is a member of the Russell Group and offers undergraduate degree courses across a wide range of sciences, social sciences and humanities, with a substantial amount of teaching taking place in small groups. It has an average of 4.51 applicants (2009 entry figures) for each of its c3,450 undergraduate places and its selection process, which is college-based, but coordinated centrally, includes written tests and interviews. Standard conditional offers are made at AAA or equivalent.

In spite of a substantial programme of access and outreach activities over a number of years, HEI4 underperforms significantly on the main HEFCE Performance Indicators for widening participation (with, in 2006-7, 57.6% state school entrants against a benchmark of 77.4%, and 11.5% from Socio-Economic Classes 4, 5 and 6 against a

benchmark of 19.1%). Its admissions processes and policies are, at least in part for this reason, regularly subject to political and media scrutiny.

Since 1990, the collegiate University has offered bursaries to undergraduates from low income backgrounds, through the mechanism of a free-standing Trust (originally established by one of the colleges) which receives funds from the collegiate university and external philanthropic donors. In 2005-6 these means-tested awards were worth up to £1000 per year, at that time among the most generous of any such widespread scheme offered within an English university. In addition to these bursaries, apart from a few subject-specific scholarships (ie awards linked to prior achievement) supported by external donors, there were no other financial awards available to Home undergraduates on entry – with scholarships awarded in later years of study to recognise achievement on course.

The term of office of HEI4's Vice-Chancellor came to an end in October 2003, putting it in a position of handover between post-holders during much of the period of national political and public discussion about the funding of universities and their students prior to the passage of the HE Act (2004). For this reason, and also because it was alert to on-going criticism about the social profile of its intake, the University did not take a proactive stance in that debate:

> "....because we were sitting on the fence, we weren't part of this little group of people who were agitating and I think that the University was very mindful of admissions issues and at that time, ...[we were] doing a review of admissions and admissions processes which led to a variety of changes.....
>
> "So admissions was ... the real political weakness of [HEI4], so I would say that the focus was very much on what the [HEI4] approach would be that would protect [HEI4], you know, protect admissions, protect the widening participation and access campaigns because it was what the University was attacked on ... time and time again really." (HEI4 – Director of Communications)

Public and political perceptions of HEI4's stance were therefore informed mainly by positions adopted by the Russell Group as a whole.

Initial response to the HE Act (2004)

As a collegiate university, HEI4's decision-making processes concerning fees and bursaries involve both the central university and the colleges. In practice, this means that the approval of two distinct committees was required before its initial Access Agreement could be submitted, while on-going operational issues are considered by a joint body. Monitoring of the measures included in the Agreement is conducted within a pre-existing university-college framework that has, for a number of years, overseen HEI4's access, student recruitment and undergraduate admissions activities.

This well-establish collaborative approach is not only practical but, in the view of the Director of Communications, reflects a genuine willingness to act collectively:

> "I think the dilemma with a collegiate university was always that ..... at times you are playing to the lowest common denominator, aren't you, because you're saying, actually: 'What is the thing that everybody can sign up to?'.....
>
> "And you know, there are profound differences between the means of the colleges so actually in a sense, it was always about ..... what was the piece that everybody could sign up to? ..... I think [HEI4], in a sense, is more coordinated than one likes to think actually. I think there's a lot more collegiality if you like, between the colleges."

Within these mechanisms, HEI4 gave little consideration to setting its fees below the permitted maximum of £3000, as it viewed lower fees as, in effect, an inappropriate across-the-board subsidy. Instead it preferred to direct support where it thought it was most needed through the use of targeted bursaries (HEI4, Director of Admissions). Following a pro-active offer from the Director of the Bursaries Trust, HEI4 also decided early on in the process of planning its response to the HE Act (2004) that it would continue to work through the mechanism of the existing Trust, which it considered to operate efficiently; this requires students to complete an application form, as well as consenting to the release by the Student Loans Company of the outcome of its means-testing. This decision, as with other policy matters related to the bursaries that it was to offer, was approved formally by both the University and a committee representing the heads of the undergraduate colleges.

In establishing the maximum bursary on offer, HEI4 considered the reasonable living costs that its own undergraduates were likely to incur during term times through a process of consultation which involved the Students' Union:

> "We thought that a convenient and appropriate place to set the level of bursary was to say to those from the poorest backgrounds that if they came here - that with a grant from the government and a bursary from us - their full maintenance cost would be met. And then there would be a sliding scale from that point downwards. We didn't want to have any sharp cut-offs; we didn't want to have any perverse incentives within the system. And so everything really sort of stemmed from that first decision, that we would try and meet the full maintenance cost in that there's a combination of the bursary and the grant." (HEI4 – Director of Trust)

These considerations, which resulted in estimated annual living costs of £5000-£6000 for undergraduates at HEI4, led it to offer a maximum bursary of £3000 pa to those UK students[40] in receipt of full government grants. Students who received partial maintenance grants were also eligible for partial university bursaries, with the amount available reducing on a sliding scale, subject only to means testing. Examples of grant and bursary entitlement for 2006-7, as indicated in HEI4's 2006 Access Agreement, are shown in the Table 10 below:

Residual Household Income	Government Maintenance Grant	HEI4 Bursary	Total non-repayable student support
<16,000	2700	3000	5700
20,000	2310	2300	4610
25,000	1420	1500	2920
30,000	820	700	1520
>34,000	0	0	0

Table 10: Guide figures (in £s) for student support available to Home undergraduates at HEI4 in 2006-7

[40] Undergraduates from non-UK EU countries are not eligible for HEI4's main bursary scheme, but may receive financial support through a pre-existing dedicated scheme. The maximum bursary for local mature students is £5000 pa.

To fund these bursaries, HEI4 envisaged using existing Trust and additional fee income, but supplementing this with money raised from philanthropic donations, as it thought these would be comparatively easy to attract for this purpose. The planning committee that was set up to make detailed arrangements therefore included a representative of HEI4's development office, as well as staff from its central administration and the Trust – it was chaired by the head of one of the colleges. Nevertheless, while HEI4 encouraged philanthropic contributions to its core bursary scheme, it did not seek to add to the pre-existing programme of entry scholarships.

This maximum bursary figure of £3000 was less than the £4000 initially proposed publicly by the incoming Vice-Chancellor in November 2003. That figure had been developed in the context of the, then current, proposals for the national student support scheme, as outlined in the White Paper of that year (DfES 2003):

> "Once the legislative process had been gone through and the sums became clear it had to be looked at again and it had to be negotiated down to £3000 in order to meet the original objective [of covering living costs for students on full grants], and we were slightly, at that stage, embarrassed that it might look as though we had become suddenly mean instead of being, in fact, very generous in what we were offering. And we feared that we'd get a bad press for it; but in fact it all blew over and everyone was rather happy with the formula that we'd adopted." (HEI4 – Director of Trust)

There is now some concern among those within HEI4 directly involved in student recruitment and support that, because the level of bursary - which has been set in light of reasonable term time living costs - incidentally coincides with the initial maximum fee permitted within the HE Act (2004), there may be an expectation (from within their own student body and the public more widely) that the maximum bursary will inevitably increase to match any future increase in the cap on fees. While, as the Director of the Trust acknowledged, at some point in the future, it may become necessary to revisit the calculation of actual local living costs (as these may not rise in parallel with the broad inflation figures used to determine annual government increases in student funding and fees), the university envisages continuing to determine the level of its bursaries on this principle. HEI4 will not therefore

automatically reflect any possible future increase in the cap on fees in the maximum bursary that it offers:

> "The interesting thing would be if the cap is raised and the fees go up and the bursary scheme doesn't move, what we decide to do at that point because with this design principle there's no obvious reason to move or change the bursary scheme if the cap's raised. So that'll be - if and when that moment comes - it'll be an interesting discussion." (HEI4 – Director of Admissions)

With an annual early deadline for UCAS applications of 15 October, in autumn 2005 HEI4 took the view that, in addition to promoting its own fees and bursaries, it needed to explain the new national fees and student funding arrangements to candidates and their advisers, as the DfES was only just launching its own publicity campaign. This approach also reflected the nature of its bursary scheme, which had been designed in the context of government grants and student loans. However, the communications team was not briefed on the details of HEI4's scheme until firm decisions had been made, resulting in what that team saw as unnecessarily last minute planning and implementation of publicity for the 2006 recruitment cycle. There is also a view among some within HEI4 that the resulting publicity may not have been totally effective, although comments by the Director of Admissions suggest that this is based more on general impressions than specifically identified failings:

> "We certainly recognise that we haven't managed a good enough job of selling the bursary scheme so to speak but it's very hard to see what we could have done differently because if you look at obvious issues… we compare ourselves with [another collegiate university] who did do some sort of more off-the-wall advertising of their [..] Bursaries. It's not obvious to me that that's worked looking at [their] position since.
>
> "So I can't find anywhere else which we'd sort of naturally compare ourselves with who seem to have done a better job. There's just kind of generally been a sector-wide failure and it's not even obvious to me that the institutions with flagship massive awards have had any major benefit. So if I knew what we should have done differently I think we'd be doing it by now." (HEI4 – Director of Admissions)

This assessment may, in part, be based on the fact that there was a general expectation among those in HEI4 responsible for student recruitment and admissions that, for entry in 2006, applicants and their families would seek more detailed information about the cost of studying than they had in past years. However, they found very little

evidence to suggest that, in practice, this had become a significant factor in the decision-making of candidates:

> "I think we were expecting that there would be more questions on the topic of tuition fees and bursaries. But there have been surprisingly few, certainly now. I think maybe when the change was coming through, in that first year, there were more enquiries, because it was different. But now, I don't know whether it's become accepted that tuition fees are that level. And therefore, the questions are not asked so much." (HEI4 – Head of Admissions Publications and Information)

These observations that admissions staff made empirically were also supported by the findings of a number of pieces of research that had been conducted by academics in the School of Education at HEI4 – these showed that considerations of cost have little significant impact on a potential candidate's decision about whether or not to apply to the institution. These research findings were summarised by the Vice-Chancellor in a speech to the All-Party University Group in March 2004:

> "As would be expected, students who did apply to HEI4 liked the courses, the way teaching is organised, and believed they would fit in. They also recognised that getting in is an achievement, but were not deterred by the application and selection process, and were not afraid of failing. Among the highly qualified students who decided not to apply, a commonly given reason was that the course wasn't the right one. Others, however, liked the courses, felt they would fit in, but expressed strong fears about the process of applying and being rejected, or about their chances of succeeding academically if they were admitted. Financial considerations figured in the decision-making of most respondents to the survey, but didn't differentiate between those who applied and those who did not."

With its distinctive offering, she went on to suggest, the university has "an applications problem, not an admissions problem" which can only be addressed by changing perceptions of HEI4, especially among state school pupils and their advisers. On this assessment, this is therefore an institution that would not expect to observe significant impact on admissions following the implementation of the HE Act (2004) and its own response to the financial provisions of that legislation – a prediction that has been borne out in subsequent application cycles which have shown little movement in HEI4's achievements against the main HEFCE Widening Participation Performance Indicators with, for example, 57% of its undergraduates coming from state schools in both 2004-5 and 2007-8.

HEI4 did though accept that HEFCE Performance Indicators would initially form part of the milestones against which it is measured within its Access Agreement, and as such, accepted that it would be evaluated in terms of admissions rather than applications:

> "That was discussed at some length but there was a positive decision made to flag up our commitment to widening participation by using the Access Agreement in two ways. One, by setting milestones which were, you know, ambitiously beyond where we currently were and secondly, by setting them in terms of admissions rather than in terms of applications.
>
> "So I think I'm right in saying that we're one of a handful of universities who mention admissions milestones in their access agreements. And that was done very deliberately with the intent of showing our seriousness and our commitment to widening participation and I think we hoped that that difference between what we were setting out to do and what other universities were setting out to do might be noticed and picked up on." (HEI4 – Director of Admissions)

By setting its milestones in terms of admissions rather than applications it was, as the Director of the Trust described it, acknowledging the significance of 'outputs' rather than 'inputs' in evaluating its selection process. Perhaps surprisingly though, according to the Director of Admissions, there was no substantial debate within HEI4 as to whether this had the potential to introduce influence from non-academic factors into the choice of its undergraduates. This may though reflect a general level of self-confidence within the collegiate university about its ability to resist external pressures.

At the same time HEI4 did however also commit to evaluation in terms of measurement of levels of widening participation activity and suggested that research would be done so that milestones could, in the future, be set in a more sophisticated way, reflecting the appropriate academic profiles for admission to its courses more closely, commenting that the Performance Indicator Benchmarks:

> "..... have, however, severe limitations in a [HEI4] context, in that they take insufficient account of the University's entry requirements, both in terms of subject combinations and of levels of qualification. We hope in due course to develop our own internally derived milestones or, alternatively, consider the applicability of any milestones which OFFA might develop. (HEI4 Access Agreement, p6)

Implications of initial decisions and subsequent changes

Since 2006, the only changes that HEI4 has made to its fees and bursaries (other than implementing increases to reflect index-linking) have been linked to alterations in thresholds for government grants; these changes were structured so that the university's scheme continued to observe its original objective of complementing the maximum grant to meet reasonable term-time living costs. In adopting this position it was behaving in a way that is consistent with the Director of Communications' assessment of its more general strategic approach, in which it generally avoided immediate reactions to external pressures: "HEI4 has always been very good at taking the long view actually and not being overly political".

However, while the university centrally seeks to avoid being drawn into public controversy and debate about issues relating to the sector as a whole, individual members of the collegiate university may decide to comment through internal and external media channels; on this topic though, there were no notable cases of such interventions, which strongly suggests that there was general consensus within the members of HEI4 about the decisions it made in response to the financial provisions of the HE Act (2004).

Within HEI4, there was less concern than in some other universities about the level of take up of bursaries by undergraduates – the Trust estimated that about 85% of those who were potentially eligible applied for bursaries, and that the 15% who did not were disproportionately among those who would have been eligible for lower levels of funding. There was a perception (expressed by both the Director of Admissions and the Director of the Trust) that, of those students who did not apply, many were simply disorganised although some may have felt that they did not wish to claim for other reasons:

> "Well, in a very small number of cases, at least I think it's a very small number of cases, it's a conscientious decision by the student not to apply sometimes because their parents have ..... taken advantage of the state's benefit system to their advantage. ..... Some students are slightly embarrassed by their parents' conduct in that regard and then don't apply for a bursary." (HEI4 - Director of Trust)

On this basis of this impression, and because the additional information collected can simplify the administration of the scheme, HEI4 remains committed to retaining an application form for its bursaries; this contrasts with other universities which have sought to simplify the process for their undergraduates as much as possible, as part of efforts to increase take-up. HEI4 adheres to this position even though it fell significantly short of the targets it set itself in its first Access Agreement with only £1.3m of additional fee income (19.4%) spent on support of low-income undergraduates, against a planned £1.8m (26.5%).

This shortfall HEI4 attributed at least in part to, what those within the university consider to have been prudent, over-estimation of the likely call on its bursaries in 2006-7 (even though, because of its pre-existing scheme, it had more reliable planning data that many other institutions) and, by the second annual monitoring exercise, the gap had reduced so that it was spending 24% of its additional fee income (£2.501m) on student support, as against a planned 29.2%. It did not see this gap as an issue that should cause it to reconfigure its Bursary Scheme, especially given the number of slightly different funding arrangements already in place as a result of annual modifications by HEI4 to reflect changes made by the government to the national context in which its bursaries operate, as the Director of the Trust explained:

> "....it's a matter of observation - I've been doing this now for 15 years - that every year the government tinkers with the numbers. We have now to deal with the fact that England, Ireland, Scotland and Wales all have different grant arrangements next year. There are different arrangements for students in year one than year two than year four. So there are and in principle a dozen different systems just for the UK out there. And we're trying to provide something like a level playing field here so the last thing I would want to do is to impose extra complexity on top of that unless and until we have to." (HEI4 – Director of Trust)

This approach is operationally pragmatic, but also reflects a certain level of academic self-confidence within a university which, as it said in the introduction to its 2006 Access Agreement, would set itself:

> "Challenging milestones, aimed at increasing the proportion of our UK undergraduate intake from particular groups but without compromising [HEI4]'s admissions procedures and entry standards."

Elsewhere in this Agreement, it noted that its progress towards those milestones – which it based on HEFCE Performance Indicators – was subject, in part, to factors outside its control and also that some of these measures were not objectively robust (as an example citing the fact that social class was derived from unverifiable data on parental occupation supplied by applicants).

While the university remained committed to maintain what it described as "its high levels of outreach activities and expenditure", it planned, if possible, to continue to fund these from the sources that it drew upon until 2006 (philanthropic, HEFCE, AimHigher and internal sources); on this basis HEI4 specified in its Access Agreement that it expected to spend £1.15m a year between 2006-11 on a wide range of programmes that would be monitored for their effectiveness.

Commentary

HEI4 holds a distinctive position within the English higher education sector and considers itself within the context of international, as well as national, competitors. It is used to a significant degree of scrutiny – whether from politicians, sector bodies, the media or the public more widely – and responds to this with a willingness to explain the positions it adopts, rather than appearing to be swayed by external comment.

Furthermore, in its response to the HE Act (2004), HEI4 continues to operate very much on the same principles as it did before 2006 – simply adjusting the maximum bursary it offers to reflect the broader national student funding system and taking advantage of the opportunity to charge fees of £3000. It already ran a substantial range of access and outreach activities, attracted philanthropic funding towards its bursaries, worked through long-established university-college networks and processes to manage undergraduate admissions and used its School of Education and other internal expertise to research the impacts and operation of its undergraduate recruitment, selection and funding processes.

Therefore, in many ways, the only substantive changes that have come about within HEI4 and in what it offers to its undergraduates since 2006 are in the size of fee and the maximum bursary offered. As far as its access and outreach work is concerned, it has specifically declared its intention to operate and fund this post-2006, as it did before the HE Act (2004) came into effect; it has built on existing systems and structures to decide upon and then run its bursaries and already has extensive monitoring and research in place to inform its outreach, recruitment and admissions work.

So, in the case of HEI4, the new quasi-market in which the sector is operating has had minimal impact other than addressing, to some extent, under-funding of undergraduate teaching; it has not changed behaviours or management structures, nor has it significantly increased the level of public scrutiny and accountability to which the institution is subject. It has also had no obvious impact on the profile of students admitted, as measured by HEFCE Performance Indicators, although any significant changes in this area could be expected to require longer to become apparent. At the same time, HEI4 continues to resist the acceptance of these Indicators as appropriate measures and seeks to establish more finely-tuned ways of comparing the profile of its intake with the wider national population of young people achieving qualifications at Level 3 (eg reflecting its particular entry requirements, rather than evaluating its admissions against all school and college leavers with awards bearing a specified number of UCAS points).

Under the current legislation therefore, impacts on HEI4 have been limited (other than in purely financial terms for both the institution and its undergraduates). On one hand, this outcome might be considered as reassurance that any fears that the HE Act (2004) would result in either 'dumbing down' of highly selecting universities or 'social engineering' of their intakes were unfounded; however, taking the broader perspective, it may also seem ironic that other institutions with a long history of effective widening participation have felt obliged to make more significant changes in

light of the requirement within this legislation to encourage 'fair access' before being able to charge higher fees.

HEI4 is already considering how it might respond if the cap on fees were to be lifted significantly following review of the HE Act (2004); there are strong indications that it would wish to take advantage of the ability to increase its fees for full-time Home/EU undergraduates, but this does not mean that it would expect to increase its bursaries in parallel. In taking this position it is reflecting the current structure of state support for students from low income backgrounds, which makes low cost loans available to cover fees. HEI4 would continue to see the role of its own bursaries as being to assist with living costs and therefore would expect only to increase them in line with relevant inflation indices.

As such, HEI4's current thinking about how it would respond to any future ability to increase full-time Home/EU undergraduate fees substantially reflects broader thinking within the sector about how such changes should be implemented in practice – the greater part of additional resources generated would directly benefit the institution itself, rather than increasing levels of student support or reducing the burden on government of underwriting student loans to cover the cost of fees. However, as pressures on the national economy are forcing Whitehall departments to review almost all their spending commitments, it is increasingly clear that it is no longer realistic for the sector to expect public subsidies for undergraduate finance to continue at current levels.

Case Study 5 – post-92 university (ex-colleges of HE)

Data sources

This profile has as primary sources of data interviews recorded with three senior managers at HEI5 in March 2009 (Director of Finance, Pro-Vice Chancellor, Director of Marketing, Recruitment and Communications). In addition, reference was made to papers of key university committees, public domain documents – including undergraduate prospectuses and other student recruitment material, Strategic Plans, Access Agreements and the web site of HEI5 - and a number of informal conversations with the Vice-Chancellor during 2008-9. Data from HEFCE, HESA, UCAS, OFFA monitoring reports and the institution's own publications (print and on-line) were also used to inform interpretation of this material. Furthermore, in exploring the history of HEI5 and its relationship with HEFCE and the QAA prior to the period that is the focus of this study, statements and reports by those two bodies and contemporaneous media coverage were consulted.

Background

Although HEI5 became a university in 1992, at the same time as other then polytechnics, it was unusual at that point in that it had been a polytechnic for only one year; that institution had been established with the merger of four colleges of higher education in 1991. Since then, HEI5, which traces its origins back more than 140 years, has continued to grow through a series of mergers with specialist colleges and other educational establishments.

This rapid development was subsequently identified by the QAA as having combined with a complex and over-ambitious programme of academic reorganisation to cause what, in 1998, the then Chief Executive of HEFCE had described as a "serious situation" at HEI5; questions were being raised about the quality of its academic assurance processes and there were significant tensions between different staff groups and between staff and the senior management. The difficulties that the institution was

experiencing were widely reported and this exacerbated the already low morale that was to be found at all levels of the university at that time.

While HEI5 has since made significant progress in addressing academic, systems and administrative issues that were highlighted in the late 1990s, it still shows a certain lack of self-confidence, which is reflected in its decision-making, as the Director of Marketing, Recruitment and Communications, who joined the institution in 2005, explained:

> "There isn't anybody in the education sector that isn't aware of the troubles that we had in 1999. And if you come in as a new member of staff you're only here ten minutes before someone will tell you about the troubles that there were in 1999. And that caused ... an internal culture of very risk averse, very don't try and do anything we don't normally do, don't try and raise us above the parapet because someone will hit us." (HEI5 – Director of Marketing, Recruitment and Communications)

In the last ten years, almost all the senior managers have changed and, with a new Vice-Chancellor appointed in July 2007, conscious efforts are being made to replace that reticence with a cautiously confident approach from the university's leadership.

HEI5 now admits around 2000 undergraduates each year. Of its student body, about 50% are full-time and, of these, 28% (5,829 in 2007-8) are on degree courses which fall under the financial provisions of the HE Act (2004) – while the majority of full-time students (58%) are on programmes of further education.

With a ratio of 3.3:1 applications per place (2008 figures) across its broad range of degree programmes – many of which have a vocational focus (for example in professions allied to medicine) - each year, HEI5 fills some places on the majority of its courses through Clearing. It is based on three sites – with 35 miles between the two furthest apart of these – and is has a strong regional focus, saying on its web site:

> "From the outset, the University has played and continues to play a significant role in the educational, cultural and economic life of its region.....
>
> "As well as boasting a strong vocational emphasis in its work, [HEI5] also maintains an extraordinarily diverse portfolio, both in the range of subjects and the levels of provision offered."

Building on a strong tradition of access and outreach activity, HEI5 has regularly achieved its HEFCE Widening Participation Performance Indicators[41]. Prior to 2006, it offered a small number of scholarships; these were mainly funded by external trusts, for students on courses in specific areas of professional activity, and continue to be offered in addition to the university's main bursaries.

Initial response to the HE Act (2004)

From 2006, HEI5 was one of only four universities in England that charged its Home/EU full-time undergraduates less than the maximum £3000 permitted under the HE Act (2004); it set its fees at £2700, with the declared plan of annual index-linking. By electing to charge this amount, HEI5 had set its fees at the level at which there was no legislative obligation on it to offer any bursaries (as the grants available to students from the households with the lowest incomes equalled its fees); however, it was conscious of its mission and the profile of its undergraduates, and used these to argue that it should offer at least some financial support to all its students.

But before arriving at these decisions, a number of arguments had been debated within HEI5, in the context of the university's broader strategic positioning. These were founded on points raised in a paper that was written by the then Deputy Vice-Chancellor for consideration at key committees and by the institution's senior management team, as one member of that group explained:

> ".... we're an access university and quite a number of colleagues were very concerned about the principle of charging students anyway. So there was a kind of moral position. There was a kind of mission position in relation to the access university.
>
> "There, at that time, was concern about the impact on student recruitment so if you like there was a kind of business position. And also related to that was a kind of game kind of theme which really was: 'well what will others do?'. And I guess the focus for the decision was determined by the DVC Academic's paper ..... that went to Academic Board and the paper that went to Governors.

[41] Eg: for 2007/8, 98.5% of HEI5's full-time undergraduates were from state schools, significantly above its benchmark of 92.4%, while 42.5% were from families in socio-economic group 4, 5, 6, or 7, exceeding its benchmark of 36.0%.

> And he kind of crystallised the matter and it came down to some kind of pragmatic considerations really, which was in effect by charging less we were recognising that even if we charged the full price we'd have to give something like £300 per student back, you know, back to the students. So why not just say it's clean, it's £2700. So there was that kind of view." (HEI5 - Pro-Vice-Chancellor)

In designing its bursary scheme, with this view of its access mission, HEI5 was influenced by what it envisaged might be the disproportionate impact of increased costs on its own undergraduates, as a higher proportion than in many other universities came from low income backgrounds. With this in mind, it determined that there was a risk that considerations of cost could harm its undergraduate recruitment disproportionately, writing:

> "[HEI5] believes that the economic background of the majority of its students is likely to lead to demand being very elastic to the cost of education. This, in conjunction with the considerable uncertainty surrounding the impact of variable fees, has led [HEI5] to prefer a straightforward bursary scheme designed to minimise the change in the *net* and effective cost of education for the majority of its students." (HEI5 Access Agreement, March 2005. p2)

The institution was however mindful of the marketing debate about the advantages and disadvantages of setting fees below the permitted maximum of £3000 in an attempt to attract students:

> "We felt there might be some advantage in relation to dropping the price a little and keeping the process simple for students so they'd know what they were getting. There was some counter argument about: 'Hang on price indicates quality, doesn't it? So what are we doing? Are we saying we're a bucket shop or what?' But then we said: 'Well hey, we're an access university, it's quite clear that's what we're committed to', so there is a kind of rationale for explaining that." (HEI5 - Pro-Vice-Chancellor)

With these issues in mind, from autumn 2006 HEI5 offered a bursary of £1000 to all full-time undergraduates receiving any amount of government grant (at that point, with Residual Household Income up to £31,000) and a bursary of £500 to all other full-time undergraduates. Based on its student profile in 2004-5, it estimated that 56% of its relevant intake would receive the higher level of bursary (HEI5 Access Agreement, March 2005, p2), as shown in the Table 11 below:

Residual Household Income	Government Grant	HEI5 Bursary	Estimated % HEI5 undergraduates eligible
> £31,000	£2700 - £1	£1000	56
£31,000 +	£0	£500	44

Table 11: HEI5 bursaries for full-time Home undergraduates from 2006

Given these levels of eligibility for government grants, HEI5 argued that the benefits of straightforward administration and communications over-rode any possible concern that some bursaries would go to students from high income families. It considered the funding scheme it was proposing, which offered some benefits to all Home students liable for the new £2700 fee, to be equitable. However HEI5 did not have the information from which to profile the Residual Household Incomes of those students in the predicted 44% and hence to support this argument – while unlikely, it was possible that many of these undergraduates were from very wealthy backgrounds, not just marginally above the threshold for grant eligibility.

At the point when the first students who would be eligible for funding under the provisions of the HE Act (2004) were applying to university, HEI5 took the view that the wider government funding package was complex to explain and understand – and that this was probably especially so for those with no family history of involvement in higher education. It therefore believed it was important to promote its own bursary scheme in that wider financial context, through a carefully planned communications campaign which would help to reduce any possible deterrent that the increased costs of higher education might generate:

> "[HEI5] believes a straightforward approach to bursaries is vital for students, parents/guardians as well as those in roles supporting students' progression and transition to HE. [HEI5] has carefully avoided a cross-subsidy approach to bursaries, which the University considers economically prohibitive across the diversity of the [HEI5] student body.
>
> ".....in order to communicate clear, consistent and accessible information to potential students, parents and guardians, schools and colleges, and local community groups, a well-developed and appropriately differentiated communications strategy is essential.

> "Furthermore, the University understands the importance of addressing immediate and 'headline news' concerns regarding the introduction of loan based fees." (HEI5 Access Agreement, March 2005, p3)

At the same time, HEI5 took a comparatively simplistic approach to the operation of any scheme, taking little account of the administrative load that would be put on its own staff by the decision to keep this work in-house, rather than entering into any form of service agreement with the Student Loans Company for which a fee would be incurred. This meant that undergraduates had to apply to the institution to receive a bursary, and so HEI5 missed one opportunity to introduce a potential element of the simplicity that it sought to achieve.

Given that the funding provisions covered by HEI5's Access Agreement apply only to full-time Home/EU undergraduates – who make about 14% of its total student population - it is perhaps not surprising that the institution also took the opportunity within this document to emphasise the fact that decisions on fees for that group of students should not be made in isolation. Specifically, it highlighted concerns that were being expressed publicly by a number of universities with similar recruitment profiles about the impact of the financial provisions of the HE Act (2004) on part-time students who, at undergraduate level make up about 42% of its students. This impact, HEI5 considered to be potentially so significant that it argued it could not isolate decisions about fees and bursaries for full-time students from those about part-time students:

> "The University is also concerned about the position of part-time students, largely ignored in the changes introduced by the Higher Education Act 2004 (the Act). The provision for financial support for economically disadvantaged full-time undergraduate students is explicit; however, the Act is largely silent on support for part-time study. The potential economic disadvantage that part-time students may suffer influenced [HEI5]'s approach to its Access proposals to OFFA. Consideration of full-time undergraduate fees and bursaries was not limited to the impact on demand and supply for that body of students but linked to potential impact on part-time demand as well." (HEI5 Access Agreement, March 2005, p3)

Since then, the removal of public funding for those wanting to study for a qualification at the same or lower level than one they already hold (so-called 'ELQ'

students – those studying for 'equivalent or lower qualifications') has presented another significant issue for managers at HEI5, as this is also an important element of its overall student recruitment pool.

As an institution with a long-standing commitment to widening participation, HEI5 found perhaps the most challenging part of preparing its initial Access Agreement to be the identification of appropriate additional access activities, as it felt it already engaged in a comprehensive programme of such work (both through collaborations such as AimHigher and independently). It did however commit to increase its work to support the transition of specific groups of students into higher education: from further education; from backgrounds with little previous experience of university; and those with learning difficulties or disabilities – including through mentoring programmes involving current students.

Reflecting the importance that HEI5 placed on effective communication to potential applicants from non-traditional backgrounds and their wider communities (especially now concerning the costs of studying for a degree), it also included a communications strand within its initial proposals for outreach activities.

As an institution with a record of achieving and, in some cases, exceeding its benchmark figures for the main HEFCE/HESA performance indicators (PIs) in measures of widening participation, HEI5 readily accepted these as milestones within its first Access Agreement – committing "to maintain or improve [our] existing above benchmark performance" (p9). The decision to use PIs was a reasonably straightforward one for the institution as it already met these generally-, and politically-, accepted measures and there was no extra data collection or other administration needed to provide them.

On one hand, HEI5's adoption of these PIs (which many institutions found to be challenging targets) as its benchmarks suggested that it entered into its initial Access Agreement with a reasonably high level of confidence in its position within the sector. However, its initial decision to charge fees of £2700 tended to portray a different

picture; it reflected a high level of concern internally about the residual damage to HEI5's reputation that events in the late 1990s may have created and significant self-doubt about the perceived competitive value of its qualifications.

> "I think it went on a par with how they positioned themselves so: 'We are the university that people come to when they've got nowhere else to go. So we'll position it at a low price.' It almost went hand in hand with that although it was..... a bit risky because it was outside of the norm. It was actually positioning us… I really think they didn't want to take the chance that our socio-economic groups would go anywhere else. So I think it was a risk averse decision actually although it turned out to be a fairly risky one to make - and quickly changed." (HEI5 – Dir of Marketing, Recruitment and Communications)

Implications of initial decisions and subsequent changes

The element of risk highlighted by the Director of Marketing, Recruitment and Communications arose not only from a reputational perspective, but also because of the university's growing awareness that it needed to be able to invest in its estate and other resources, to remain attractive and competitive to potential students. By 2007, managers had decided that HEI5's projected £4.25m additional fee income was not enough to meet this perceived need. Furthermore, by the time of its first annual report to OFFA, it had achieved only just over 50% of its own targets for both value (£1.33m) and proportion (45.4%) of additional fee income spent on financial support for students from low income backgrounds. This the institution ascribed in part to errors in its initial estimates (in common with a number of other universities), but also to underclaiming of bursaries by undergraduates, due to the complexities of its own process.

In an attempt to address this latter point, it continued to promote the bursaries heavily throughout the academic year to raise awareness of the application. However, as HEI5 had decided to administer its scheme internally, without accessing data on the financial assessments of its undergraduates from the Student Loans Company, it could not target students precisely with tailored communications. It also appeared that some students elected not to apply for a bursary, even if they were eligible under the university's scheme:

> "Everyone, I think, in the sector expected students to make an application in whatever way that the institution was administering. It didn't translate completely in reality and that in itself was a learning curve. From some of the students I spoke to who were applying late and, you know, when we'd managed target and asked why, some of the comments were that: 'Other people need it more than I do'. So it's almost like a self-selection out for some, particularly as we hadn't got a high income threshold at the top of income for the £500 bursary. It maybe that some students chose that but I am fairly certain on all the evidence that it was because we couldn't go back out and target those who hadn't applied and we hadn't caught through all the paperwork." (HEI5 - Head of Student Services)

To simplify the administration of the scheme and also, hopefully, to increase take-up of bursaries, from 2007 HEI5 used data from the Student Loans Company, and from 2008 contracts the Company to distribute its bursaries. Due in part to these rationalisations in the operation of the scheme, but also because it now has several years of data from which to estimate, HEI5's annual returns to OFFA on bursary expenditure are now much closer to its forecasts:

> "My priority is targeting the available funding we've got at those who most need it 'cause that's my one overriding priority. Any system has got to be as straightforward for students to understand as possible. From the student perspective the complexity of the administration behind it, as long as they receive their money on time and at the right time, it's…..... a bonus that it works administratively, efficiently and effectively." (HEI5 - Head of Student Services)

It also appears that there is another reason why initial take–up of bursaries may have been lower than forecast; in common with many other parts of the sector, HEI5 found that it had made a basic error in its planning assumptions when setting fees and bursaries for 2006, and that, in practice, there was no link between its pricing strategy and the number or profile of undergraduates it attracted:

> "We got it wrong because actually it made no difference to recruitment and we found ourselves in a pretty difficult financial situation. And you will see the… estate is being improved now but if you'd come here maybe three years ago then ..... the standard of the teaching accommodation was quite poor. So we weren't actually giving a very good deal to all our students." (HEI5 - Pro-Vice-Chancellor)

In this, HEI5 shares the experience of other institutions, which have not been able to identify any clear impact of price on student choice, within the current financial parameters of the HE Act (2004). Although the doubts expressed by some senior

managers within HEI5 about the effectiveness of its communications with applicants concerning funding were also by no means unique within the sector, in its case, these were partially exacerbated by the difficulties of explaining a pricing policy which risked devaluing perceptions of the institution:

> "It wasn't a message that I particularly wanted to go out with because it was, what it was basically saying was we were cheaper than the rest. And I didn't feel that was a good marketing position to be in or there was a way of spinning it." (HEI5 – Dir of Marketing, Recruitment and Communications)

While there was no evidence (from either UCAS data[42] or specifically commissioned qualitative research among current students) that the lower fee was having a positive impact on applications or enrolments, there was a general feeling that parents and carers were taking slightly more interest in the costs of attending university. However, HEI5 had noticed that its students were more willing to express their dissatisfaction than in the past:

> "There's been some increase in the number of complaints. And I think that kind of reflects the view that they are paying and therefore..... it's a growing part of the culture that students will complain. It's their right to complain so I don't object in that sense but I think that must have something to do with the kind of perceived cash nexus. It changes the nature of the relationship." (HEI5 - Pro-Vice-Chancellor)

It was also clear that the university's financial position was suffering as a result of the package that it had committed itself to in its initial Access Agreement and that pressures were increasing on this front (with, for example, a national pay settlement to honour). However, that did not necessarily mean that the decisions taken in 2005 were flawed, given the context in which they were then made:

> "I think at the time that [£2700 fee and bursaries for all] was probably the right decision for us. I think we probably… what we should have considered in more detail I think were the bursary arrangements. We should have considered the administration. I don't think we did a very good job in communicating what we were offering and maybe that came part, you know, maybe that's the thing

[42] HEI5's undergraduate applications via UCAS went from 6271 in 2005 to 5763 in 2006 – a fall of over 8% at a time when the drop nationally was less than 3%.

about price acting as an indicator of quality and a difficult message to put across.....

"The guidance and communication didn't come out until very late in the process, the message wasn't a clear message I don't think; you know, we certainly didn't get it across if it was, or the students weren't that price sensitive." (HEI5 - Pro-Vice-Chancellor)

To address these concerns though, and in the context of changes announced by the Secretary of State to the thresholds for grants, the institution reviewed its fees and bursaries after just one year of operation; in its second Access Agreement (December 2007) it stated its intention to increase its fees, for new entrants from 2008, to the (index-linked) national maximum of £3145. At the same time, it placed an upper limit on the Residual Household Income (RHI) of those who would receive the lower level of institutional bursary (now index-linked to £515) of £40,000, with the full bursary of £1030 going to those with RHIs of no more than £25,000.

The review that resulted in these changes was undertaken by a senior team within HEI5, most of whom had joined the institution after the original Access Agreement had been prepared. As one member of this group explains, the changes they recommended were intended to balance the financial needs of the university with the desire to target student support more closely, informed by an initial analysis of the outcomes of the package of fees and bursaries that it had been operating since 2006:

"Given where the land lay with the rest of the sector we… I couldn't see any tangible benefits of [the £2700 fee] remaining, particularly within the financial envelope that we'd got available within the organisation. Also ..… the bursary .... was partially targeting those that needed support most based on income, but not wholly. So we weren't clear that with the funding envelope that we had, that it was targeted in the sharpest, most effective manner." (HEI5 – Head of Student Services)

As well as continuing to prioritise and coordinate outreach and widening participation activities, in its 2007 Access Agreement the university identified the importance of working to retain students and the role that financial and other support measures could play in that activity. Specifically, these would help it to identify those with potential problems at an early stage, so that it could offer relevant assistance then:

> "We've brought in a series of measures starting to look at retention because as far as I'm concerned, and I think colleagues here, retention is the other side to the coin of access. We've got a financial literacy package coming in ..... one of the things I was aware of when I took the post was we'd need to do more proactive work and more preventative rather than waiting until students had got into difficulties and then accessing our services. It's about actually getting out there, getting the information and advice upfront so that students have got the tools and equipment to try to navigate the way through student life; not to wait until there's an issue for them." (HEI5 - Head of Student Services)

This position reflects a move towards consideration of the process of recruitment as one stage of the 'student lifecycle' (drawing on the principles of Customer Relationship Marketing), so that discussion of the institution's Access Agreement is then conducted with the awareness that it is as important to support and retain undergraduates, once they are on their degree programme, as it is to get them to enrol.

While the current leadership of HEI5 freely acknowledges that there are aspects of the organisation and its facilities that could benefit from improvement, its members take a more positive attitude than, it appears, did their predecessors; they also recognise that they are operating in a highly competitive environment and need to position themselves distinctly and proactively:

> "We've positioned the university now as a viable choice rather than a last chance saloon, which is really how, internally, this university saw itself." (HEI5 – Dir of Marketing, Recruitment and Communications)

Furthermore, the institution has since taken forward some of the principles that the exercise it undertook to prepare its Access Agreements helped it to define, into wider areas of its activities:

> "We're much more conscious of fee setting in a general sense. I mean mainly pushed by the overseas market and part-time market so we're beginning to agree a set of principles about fee setting, which could be easily kind of passed over in relation to the full-time undergrad. So there is some discussion about whether some courses might be more costly to offer. There's some discussion about whether demand may mean that people are willing to pay a higher price, and there's some consideration about whether some vocational careers lead to a kind of career trajectory which leads to higher earning." (HEI5 - Pro-Vice-Chancellor)

Commentary

One of the most noticeable things about HEI5 and the way that is has evolved since the passage of the HE Act (2004) is that there has been an almost complete change of senior personnel in areas of student recruitment, marketing and academic leadership. This was reflected in the data collection for this research by the fact that those who had been key in preparation of the university's 2005 Access Agreement are, almost entirely, no longer working there; the people who are now responsible for these areas of HEI5's activities (and who were interviewed for this research) were however all conscious of the institution's history, the resulting culture of risk-aversion and the overriding perception of low worth with which staff had, in the past, viewed their university.

It is apparent that the earlier managers were aware of the reputational and financial risks that their decision to charge fees of £2700 in 2006 created; however, it appears that they were more heavily influenced by their view that the poor public image of HEI5 meant that it could not compete effectively if it set its fees at the highest permitted level.

Within two years of the implementation of the HE Act (2004) however, a new group of managers at HEI5 had reviewed the university's position and increased its fees to the maximum, while also reducing eligibility for institutional bursaries for those with higher levels of Residual Household Income. In doing so, they removed the distinctiveness of its original fee and bursary package; however, that did not mean that they considered that HEI5's original package of fees and bursaries had been wrong for the institution at the time when it was introduced.

Although HEI5 has subsequently adopted a reasonably conventional model of bursaries and is now charging the maximum permitted fee, it is one of the small number of universities that has experimented with pricing through its fees. It found that the discussions that planning for the implementation of the HE Act (2004)

generated served as an impetus for its senior managers to take a broader view of its market position and particularly its approach to pricing.

In many ways therefore, HEI5 now seems a more self-confident institution than when it was setting fees in 2005; it has felt able to use the flexibility of the provisions of the HE Act (2004) to alter its financial offer to students in light of experience and feels that its has been able to develop a good working relationship with OFFA. However it still faces a number of challenges, both financial and related to the operation of its most-recently acquired major site. Furthermore, and importantly for a university that has been through a period of low morale, it has done this without appearing to have alienated students or staff.

Thus, the new quasi-market within the sector has provided an impetus for HEI5 to review aspects of its own operation and performance locally and regionally and introduce consequent changes, however it is not clear that HEI5 has yet had an opportunity to take stock of its competitive position within a broader national context.

Case Study 6 – post-92 university (ex-polytechnic)

Data sources

This profile has, as its primary source of data, five interviews conducted during a visit to HEI6 in April 2009. These were with: the Pro-Vice-Chancellor (Students and Quality); the Pro-Vice-Chancellor (Learning and Teaching); the Executive Director of Finance; the Strategic Planning Manager (Finance); and the Manager (Fees, Bursaries and Central Enrolment).

A number of documentary sources were consulted: initial proposals concerning HEI6's response to the financial provisions of the HE Act (2004) written by the then Director of External Relations for internal discussion; reports of research conducted by outside consultants that were used to support that document; printed student recruitment materials, on-line information for applicants and student on HEI6's web site (including a fees calculator); and HEI6's Access Agreement. To inform interpretation of this data, numerical data was drawn from HEFCE, HESA, UCAS, OFFA monitoring reports, information given in interviews and the institution's own publications (print and on-line).

Background

Although HEI6 is one of the group of universities that transferred from polytechnic status in 1992, it traces its roots back more that a century, to its origins as a local college. It declares on its web site that it prides itself on "providing students with relevant and practical employment skills and supplying employers with a skilled workforce" and that it has worked with a focus on what it describes as "our community" throughout its existence. Furthermore, with its strap-line "become what you want to be", HEI6 sees itself as been strongly influenced by an over-riding commitment to giving equivalent opportunities to all its students and staff:

> "We're an institution that is about equity and fairness and that's actually been a guiding principle. It's something we've been very careful to put into strategic

> plans and such like to enable us ..... to have a rationale that we work from philosophically." (HEI6 - Pro-Vice-Chancellor, Students and Quality)

However, in the view of the Pro-Vice-Chancellor (Learning and Teaching), HEI6 had a tradition of being overly risk-averse; he has therefore consciously worked to address this, encouraging it to become more self-confident over his time there. While some of those interviewed reflected this reasonably positive attitude, it was also noticeable that some staff among the sample (all of whom had been at HEI6 for a number of years) did not display this approach.

Geographically, the majority of HEI6's buildings are located within one area of a major urban centre, making its 'campus' there in fact a shared public space transected by a number of busy roads; it also has two satellite locations, at which healthcare courses are delivered. Within its wider urban area, the university identifies a number of institutions as its peers, competing for similar students. Although many of HEI6's degree programmes have a vocational focus, it also offers some more broadly-based courses, especially within the humanities and social sciences. Many are offered on a modular basis, presenting practical administrative challenges, especially when students are required to resit elements of their courses[43].

With 50% of its students identifying themselves as members of an ethnic minority, the Pro-Vice-Chancellor (Learning and Teaching) said of HEI6: "We're a black university, in effect". As well as more than two thirds of its students falling into the 'mature' category (aged 25 or above), HEI6 also has a significant proportion of part-time and local students. It regularly exceeds its HEFCE Performance Indicator benchmarks on the main widening participation measures[44], admits about 2,300 full-

[43] there are some 2,500 resits of elements of university qualifications each year – a figure HEI6 aims to reduce

[44] Eg: for 2007/8, 98.3% of HEI6's full-time 'young' undergraduates were from state schools, significantly above its benchmark of 94.8%, while 44.2% were from families in socio-economic group 4, 5, 6, or 7, exceeding its benchmark of 38.6%.

time Home/EU undergraduates each year and, in 2008, had an average ratio of 5.75:1 applications per place.

Priorities within HEI6 have, for some time, been to identify ways to improve continuation rates among first degree students, and to reduce reliance on Clearing as a means of recruitment. These objectives were informed by the knowledge that up to a third of undergraduates drop out between their first and second years of study and, in recent years, as many as 40% of undergraduate places were allocated in Clearing. The Pro-Vice-Chancellor (Learning and Teaching) explained the importance he placed on students completing their studies and the broad approach that he considered needs to be taken to address any problems underlying non-continuation:

> "...to me the guiding principle, as far as I'm concerned is, for all of us really, is what we would like to see; one simple [key performance indicator] for the whole University is an improvement, year on year, on the retention, progression and achievement of students, is that what we want to see across the piece. How you go about it and how you achieve that, is various things, and we need to monitor it obviously, but that's where we're at." (HEI6 - Pro-Vice-Chancellor, Learning and Teaching)

These considerations resulted in a number of moves to improve the student experience at HEI6, which would have taken place irrespective of the HE Act (2004), such as rationalising the library and IT Centre services on campus.

Prior to 2006, the institution had no undergraduate bursaries of any kind in place.

Initial response to the HE Act (2004)

The view taken within HEI6 was that its response to the financial provisions of the HE Act (2004) was potentially highly significant for the institution – indeed the proposals that were produced by a specially-established Fees and Bursaries Working Group (comprised mainly of members of the Senior Management Team) were ultimately considered in detail and authorised by the Board of Governors before being implemented. These proposals were informed by specially-commissioned research with target student groups and their families (with the samples for both taken from across the broad spectrum of HEI6's intake profile) that was conducted by external

consultants; one theme that this explored in particular was debt aversion, where it identified no significant differences between members of different socio-economic or faith groups.

While the institution gave considerable thought to the nature of bursary provision that it should offer, as far as fees were concerned, it was quickly clear that it would charge the maximum £3000.

> "There was very little discussion about the fees in the knowledge that actually probably £3000 wasn't sufficient anyway. So all the discussion we largely had was around what could we do with the bursary offering. And that if there was going to be a marketplace, the marketplace was likely to be around the bursary offering, not around fees or ability to attract student numbers." (HEI6 - Executive Director of Finance)

Nevertheless, when HEI6 submitted its first Access Agreement it was unusual in that it made a written commitment only to provide the minimum level of bursary required under the provisions of the HE Act (2004) to enable it to charge fees of £3000 – ie: an annual bursary of £300 for those receiving the maximum government maintenance grant. It did however put this in context, saying in its Access Agreement:

> "We do not intend the introduction of variable fees to compromise the University's tradition and commitment to widening participation. As such, we will use a significant proportion of our additional fee income within a range of 20% to 30%, subject to further analysis of our market position:
>
> "..... to provide bursaries to those of our students who are most at risk of incurring financial hardship; i.e. students from poor backgrounds and those who just miss out on full state support.
>
> "Honouring our commitment to provide the (£300) minimum level of bursary support to all our students on full state support, for example, will, by itself, mean that we will be offering support to almost three-quarters of our full-time undergraduate population – 71% of whom currently do not pay any fees at all because they come from households with an annual income of less than £15,200.
>
> "These annual bursaries will take the form of cash payments and/or support in kind. We intend to be flexible in our approach to the deployment of our bursary provision subject to further research and analysis of our undergraduate student markets. We believe this is the best way of meeting the needs and also safeguarding the interests of our particular full-time undergraduate student body." (pp2/3)

Notwithstanding the minimal specific commitment to bursaries within its Access Agreement, HIE6 has, from the introduction of the £3000 fee in 2006, offered a universal bursary to Home/EU full-time undergraduates that is worth £2250 over three years, rather than the £900 statutory minimum that it specified to the regulator. This is structured so that the amount of the bursary escalates as a student progresses through their course, with the objective of encouraging retention. The details of HEI6's bursaries - which incidentally emphasise the importance of the use of a range of sources of information on undergraduate funding (not just Access Agreements) in this research - are shown in Table 12 below:

year of course	First	Second	Third
amount of bursary	£500	£750	£750 + £250 graduation bonus (for Hons grads)

Table 12: HEI6 universal undergraduate bursaries

In deciding make its bursary available to all Home/EU undergraduates (subject only to them applying through the Student Loans Company for student support), HEI6 was conscious of the profile of its intake as outlined above and in its Access Agreement. It felt that it was not only those below the government's grant eligibility thresholds who were in need of the highest levels of financial support:

> "I can remember the discussion that said well actually it's the people who are just outside the means-testing limit who actually, you know, could be disadvantaged the most and therefore why would we penalise those students by excluding them from the bursary offering. They're probably the people that actually need the bursary more than anybody else." (HEI6 - Executive Director of Finance)

With the great majority of its students eligible for at least some grant, HEI6 also took the view that a universal scheme would have the benefit of simplicity of operation, while giving support to only a small number of undergraduates who would have fallen outside any means-testing criteria that the university might otherwise have introduced. HEI6 believed that a straightforward scheme would reduce the risk of operational

errors - and subsequent complaints - and decided to use the Student Loans Company to distribute bursaries on its behalf.

HEI6 also stipulated in its Access Agreement that it would continue its prior level of outreach activity, but that it did not intend to supplement that with additional initiatives funded from the new tuition fee income, arguing that it was already making a significant contribution in this area and that this work was demonstrably effective.

In setting the proportion of its additional income to be committed via the Access Agreement at 20-30%, HEI6 benefited from being one of the later universities to submit its proposals to OFFA; it had originally envisaged that it might be expected to allocate up to 40% of the fee income in this way, but, as the Executive Director of Finance explained, it reviewed this down when it saw lower figures in the approved Access Agreements of other institutions. So, in this way HEI6's decision-making was informed by observation of the behaviours of its competitors, even though it did not consciously conduct detailed analysis of the positions they were adopting in the evolving market.

In keeping with HEI6's commitment to treat all its students equitably, it took the decision to adjust the fees that it charged to part-time undergraduates, by building in a reduction against *pro rata* full-time fees equivalent to the bursary that full-time students would receive, regardless of the implications for its own financial position:

> "We have a high level of part-time students and so one of the decisions we made right at the beginning of the introduction of the bursaries and top-up fees was to reduce the modular fee for part-time students to basically build in a bursary element. So our part-time students pay a lower per module rate than our full-time ones but of course that doesn't reflect anywhere except in a loss of income to us." (HEI6 - Pro-Vice-Chancellor, Students and Quality)

Thus, part-time undergraduates at HEI6 pay fees at a *net* rate that reflects the bursary that is received by their full-time counterparts. Even though it adopted this pricing strategy, which amounts to a form of discounting, for one group of students, the institution still decided that it would not charge a reduced fee to all students, in place of providing a universal bursary:

> "There was a lot of discussion about shall we discount the fees. ..... the decision was taken on the basis that.... purely in financial terms we couldn't afford to. Clearly we needed the additional resource but ..... any indication that the fees wouldn't be set at the level of £3000 could potentially disadvantage us in terms of perceptions of quality and we didn't want to go down that route." (HEI6 - Executive Director of Finance)

With these considerations of competition in mind, the institution was also aware of the importance of promoting its fees and bursaries appropriately:

> "We were quite careful and one of the key messages ... was about how we positioned that and we deliberately didn't want that to be seen as some sort of financial gimmick, some sort of banking cash-back arrangement. It was very much something to help students, to help them in the early days but very much an award for all in terms of the bursary. But it was essentially a cash-back but that is how we deliberately tried not to position it." (HEI6 - Executive Director of Finance)

When publicising its fees and bursaries for 2006, HEI6 relied heavily on its web site and leaflets that it produced to supplement its prospectus; this was a practical solution to the long production lead time on the prospectus, which meant that final details of these schemes were not available when it went to press. However, in subsequent years, HEI6 has continued this communications strategy, as it considers that this is the best way to ensure that students have the most up-to-date information; it has also developed an on-line fee checker, which was particularly targeted at part-time students, whose pattern of study is flexible.

With its growing culture of collecting and applying management information strategically, HEI6 explained within its Access Agreement that the measures this document outlined would be monitored as part of the university's ongoing processes of scrutiny and audit. Rather than setting its own benchmarks for levels of achievement though, it commited to using the HEFCE Widening Participation Performance Indicators as its milestones under the Agreement saying:

> "Our key performance indicators will remain the location-adjusted benchmarks set by the HEFCE. And our target in the future will be to ensure that, at the very minimum, we at least meet these benchmarks and preferably, as we currently do now, exceed them. To remain true, that is, to our guiding purpose and to continue to be the 'University of Opportunity' for all our stakeholders in [our region]." (HEI6 Access Agreement, p8)

However, the use of these measures was at least partially pragmatic and there is now a move within the institution to take a more integrated approach to internal monitoring that may ultimately lead to the generation of more relevant and pertinent methods of evaluation across a range of its activities:

> "My goal at the moment is developing consistent, common data sets across a range of different kinds of quality related and progression related areas. We need then to make sure they work and to make sure they're trusted and then measure them against the HESA stuff to see what's most useful to us." (HEI6 - Pro-Vice-Chancellor, Students and Quality)

This approach reflects the fact that, for HEI6, the external expectations of it framed by its Access Agreement and related activities were ones that it already had of itself. Furthermore, the level of data it already collected enables it to apply these principles quite precisely:

> "If I was in a different organisation, trail-blazing a new route, then yes, that's [extra monitoring/benchmarks] very important, but not for the degree of organisational maturity that we have. We have a very sophisticated granularity in terms of admissions and recruitment. We can target down and say, actually, we're not getting enough young Muslim girls. So what we do is we set up a non-residential summer school. So they're going to attend on a daily basis.....
>
> "That's a far better way of doing it than the angst about, you know, genuflecting to OFFA" (HEI6 - Pro-Vice-Chancellor, Learning and Teaching)

At the same time as working to recruit students in line with the university's principles of access and equity, senior managers are also highly conscious of HEI6's overall financial position and the demands that have been placed on its income by the national pay settlement for academic staff that was implemented in 2008. They regard this as having, in effect, absorbed any additional income that the £3000 fee has generated, leaving none available for investment in other areas that would directly benefit students.

Implications of initial decisions and subsequent changes

In common with many other institutions, HEI6 was not able to quantify any direct impacts of the changes in undergraduate funding and fees on the size or profile of its intake; neither did it feel able to attribute directly any slight improvements in

retention to the structure of its bursaries. The current universal scheme retains the attraction of simplicity (in terms of communication and administration) and there appears to be no immediate reason to reconsider the principles on which it was designed:

> "The reason why we went with that type of scheme was to fit with our principles of inclusivity and widening participation. And because generally, from a demographic point of view, our students are from poorer backgrounds, so it was felt that that was the most appropriate scheme at the time. And as it's been implemented, there's not been any particular desire to change it. But we do have discussions about how we might adapt it, how we perhaps might move away from 'one size fits all' system maybe towards one that's more focused on people with lower incomes. But at the moment we're quite satisfied with the structure of the bursary scheme as it is." (HEI6 - Strategic Planning Manager, Finance)

However, it is not just in terms of ultimate numbers that HEI6 monitors its undergraduate admissions:

> "We want to have less reliance on Clearing and … we significantly have less reliance on Clearing now whereas maybe five years ago, it could have been 40%, it's down to more like… it's closer to 20 than it is to 40.... There again, UCAS's slowly changed as well in terms of how it does those things which has helped as well. So we have … less reliance on that but I don't think the student profile has changed markedly in any way..." (HEI6 - Pro-Vice-Chancellor, Learning and Teaching)

Here again, the fees charged and bursaries offered by HEI6 are just one of a number of internal and external factors (including a national increase in competition for university places) that might influence the proportion of undergraduates admitted during Clearing; hence, even where there is a significant shift in absolute figures, it is not possible (for HEI6 or this research) to specify causal links without further detailed investigation.

Even though the bursary scheme that HEI6 introduced in 2006 was universal, only about two-thirds (c66%) of those who were eligible claimed the money. Significant internal publicity and provision for funds to be claimed retrospectively increased this figure to around four-fifths (c80%) by the second year in which the scheme operated. Managers within the university were surprised by the amount of work that was

necessary to encourage some students to take up the bursaries for which they were eligible:

> "There was a certain assumption I think in the first year of operation that all the money would get spent and it was all put in a pot and waiting for the applications and people didn't actually put the applications in. And we now send out… reminders more frequently now to say the deadline's coming up if you want to do this. And I think that's why we've started to get more successful.
>
> "We were quite shocked to be honest the first time it was returned to see, you know, I don't think, well certainly those of us who don't do the day-to-day sort of hands-on with the figures had just assumed it would get spent because it was a generous offer and wasn't means tested and it was nice and easy. You know, it had been targeted as being the simplest way of giving away money you could and it was interesting to find that we weren't managing to do it." (HEI6 - Pro-Vice-Chancellor, Students and Quality)

The level of take-up of bursaries in 2006-7 also reinforced the view within the university that, under the current legislative parameters, financial consideration do not appear to be having an impact on student choice. This, in turn, reflects observations made elsewhere in the sector.

This lower than expected claiming of bursaries was however only partially responsible for the fact that the first annual monitoring statistics published by OFFA showed that HEI6 had distributed £472,000, just over 50% of the predicted figure of £934,000 it had set itself for distribution of additional fee income through bursaries to students from low income families:

> "It's taken us quite a long time to actually understand what OFFA are counting and what they're not counting. ... And so, because they .... changed the goal posts part way through, I think we've come… a cropper, as it were, because we've had this scheme for everybody and so… and it's been very, very trying, trying to get to the bottom of what they would include and what they wouldn't include." (HEI6 - Manager: Fees, Bursaries and Central Enrolment)

In addition to the fact that monitoring reports for OFFA could only include bursaries distributed to students from specified backgrounds, HEI6 had also made a conscious decision to extend the equivalent of the bursary 'discount' on fees to part-time students, who fall outside the remit of OFFA:

> "The other big problem I have with the system is that we, in terms of part-time fees, we basically priced them assuming - because the bursary doesn't apply to part-time students - so we said well if you're doing a full-time you'd get a bursary offering of *x*. Assuming you're doing eight modules on a part-time course we'll reduce the fee so the fee is on a similar basis and effectively we are giving the bursary to all of our part-time students as well. That gets completely ignored in terms of all the reporting and the league tables because that's outside the system. But that's a huge cost for us." (HEI6 - Executive Director of Finance)

As a consequence of the way in which OFFA collected its data, especially for the monitoring of the 2006-7 cycle, HEI6 felt that its position was misrepresented in resulting reports and the inevitable 'league tables' that appeared in the media. While this presented some communications concerns – both with external audiences and with key internal figures such as Governors – the university did not consider this to be a sufficient reason to consider moving away from its current scheme:

> "I don't think [OFFA is] encouraging us to change our bursary offer in any way. The only thing they might be encouraging us to do inadvertently is to move away from a kind of universal scheme. Because obviously if we aren't able to report a large chunk of our bursaries then we do have to think in terms of reputational risk - should we be changing our scheme to make sure that we can report all our bursaries? But I don't think that's a necessarily positive benefit, because there are reasons why we decided to go with the scheme we're doing." (HEI6 - Strategic Planning Manager, Finance)

HEI6 has, over time, both increased take-up of its bursaries and increased its understanding of the OFFA monitoring processes, so that its annual estimates for funds distributed through bursaries can gradually become more accurate. Again, it has worked from a culture of management informed by reliable data, to support the institution's over-arching principles, rather than being driven by issues of external perception. According to the Executive Director of Finance, HEI6 has become well-placed to benefit in a less-regulated market, should one be created in the future:

> "We are a very, very well managed, financially managed institution with a strong culture of financial control that's driven by the Board, ... we manage our staff costs base very, very tightly .... So actually we have over the past few years put ourselves in a position where.... we could actually, I believe, raise the fee but still significantly undercut competition. I'd love to have a real open marketplace." (HEI6 - Executive Director of Finance)

In this light, HEI6 plans to retain its current format of Access Agreement, in which formal commitment is given only to providing the minimum bursary – it considers that the flexibility this gives it (especially considering the long lead times that would be required to implement changes that require approval of a revised Agreement) outweighs any small amount of reputational damage that it may incur if some people seek information on its bursaries from its Access Agreement, rather than its student recruitment materials, which contain the details of its full scheme.

Commentary

As a post-92 university in a large metropolitan area which is also home to a number of other institutions, HEI6 is keenly aware of the competition that it faces locally, as well as more widely; this means that there is no large pool of students that it considers will automatically elect to study at HEI6, if they do decide to attend university. It offers courses across a broad range of subjects, many with a vocational focus, delivered both full- and part-time, and, as such, it does not have an obviously distinctive position within the sector.

In determining its response to the financial provisions of the HE Act (2004), HEI6 has operated within its wider strategic position – considering both direct and indirect impacts of the decisions it was making. This is most apparent in the way that it priced its part-time courses to ensure that the *net* cost to all Home/EU undergraduates studying the same module of a degree course would be equal, even though this has resulted in a loss of income that the institution cannot easily afford.

In this, and in the way that it wrote its Access Agreement – where it did not baulk at taking distinctive positions on both bursaries and outreach activities – HEI6 presents itself as having gained at least some of the self-confidence that the Pro-Vice-Chancellor (Learning and Teaching) has set out to develop within the institution.

In common with other universities, HEI6 has not been able to identify clear evidence in its recruitment numbers or profile of any impact of the 2006 funding changes – indeed, in line with the findings of its prior research among applicants, any concerns

about possible debt-aversion among particular groups of its students have also been shown to have been unfounded. This interpretation of the position was further reinforced by the fact that, even with a scheme that was comparatively straightforward, only about two-thirds of those who were eligible claimed their bursaries during 2006-7. Similarly, the university cannot directly attribute the small improvements in retention that it is noticing in some areas (up by 1-2%) to the escalating structure of its bursaries.

While the institution recognises that it might now be time to review its bursary scheme, to consider whether it could be more effective - on grounds of impact on recruitment and retention – it is clear that it will only do this when it has been able to conduct research that will give it evidence from which to work. Furthermore, the appointment of a new Vice-Chancellor (who took up his post in April 2009 following a long period under the leadership of his predecessor) has inevitably led to a period of review and reflection, before any substantial changes will be considered or implemented.

This heavily evidence-based approach reflects a broader attitude to financial management and institutional planning that is evident within HEI6; the Executive Director of Finance was brought in to the university with wide audit experience across the sector and with that he also brought an awareness of the extent to which academic decision-makers are willing to be advised by administrative professionals. He is clear that his department can, and will, provide detailed information about the costing of specific activities and models of the implications of a range of policy decisions, but that those decisions will ultimately be made within the processes of HEI6, in which, in common with the rest of the sector, academic leaders carry significant weight.

With this understanding of the nature of influence and management structures within universities, the Executive Director of Finance has been able to build a culture of well-founded decision making, informed by an understanding of the financial implications of academic decisions.

Thus, an institution that was initially concerned about the potential difficulties that the introduction of fees and bursaries might pose, now feels that it is in a healthy position as regards its competitors within the sector and presents itself as less risk-averse than in the past. Working within a heavily regulated market, HEI6 has been able to establish a culture of management decision making that it considers will equip it to operate effectively in a more competitive situation, should that be the result of any future changes in legislation. However, its academic offering is still not distinctive and it needs to be aware that the experience that is has gained to date may not fully prepare it for a situation in which the cap on fees is lifted to the extent that the price-sensitivity point, for some students at least, is reached.

Chapter 6

The market as a whole – more than just the sum of its parts?

Comparative analysis of findings from sample institutions

The data presented in the previous chapter considers each institution within the sample as a discrete unit of study; while behaviours observed and decisions made may potentially have been influenced by the wider context in which they occurred, results have so far been considered on an institution-by-institution basis. This chapter now analyses these individual findings on a comparative basis; it will thus build a picture of how the sector as a whole has responded to the financial provisions of the HE Act (2004) through consideration of the aggregation of a series of localised decisions concerning the setting of undergraduate fees and provision of bursaries and other student support.

This consideration will be conducted within a framework which reflects the significant influences on a higher education sector as described by Burton Clark's (1983) model of a 'triangle of coordination' (discussed in Chapter 2): state authority (as represented by the requirements of the HE Act (2004), with compliance manifest through the contents of Access Agreements); academic oligarchy (as represented by dominant internal norms, cultures, attitudes and centres of power); and the market. The market under consideration is (as also explained in Chapter 2) a quasi-market and the primary aspect of the operation of this market that is being investigated in this study relates to pricing. The bases on which institutions priced their undergraduate degrees can be considered within the framework of a 'pricing tripod', as proposed by Lovelock *et al* (1999 p352). The three elements of this are (as discussed in Chapter 2) true cost, perceived value and competitive position; to the extent that each of these elements was pertinent to individual members of the sample, they were explored

during data collection and the preparation of the six individual case studies presented in Chapter 5 that are considered collectively here.

By building up a picture of the reaction of the higher education sector in England to the financial provisions of the HE Act (2004) within these frameworks, it will be possible to propose answers to part of the third and to the fourth of the four research questions that underpins this thesis. These ask:

- what is the collective impact of individual institutional decisions for the sector as a whole ~~and how does this compare with the original thinking behind this legislation~~?
- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

From policy-making to policy implementation

The dilemmas in the relationship between policy-making and implementation that this analysis presents will reflect principles recognised by Dryzek (1987), who introduced a paper on that relationship by saying:

> "Complex social problems demand rational political responses. This article challenges received notions about the character of that rationality. Specifically, it argues that instrumental rationality - the capacity to devise, select, and effect good means to clarified ends - has but limited capabilities in a complex environment. By implication, the forms of social organization in which instrumental rationality is embodied, be they bureaucracies, more collegial organisational forms, or liberal 'open societies', are similarly limited." (p424)

In complex organisations (which under his characterisation would include universities) he suggests there is instead potential for 'communicative rationality' to act effectively; the conditions for this are, he proposes (pp 432-3), a situation in which people:

- interact freely, without constraints of authority relationships, strategic motivations or self-deception
- are all able to communicate effectively
- are not blocked from participating in debate

If these conditions are satisfied then, Dryzek argues: "the only remaining authority is that of a good argument" (p433) and rational, evidence-based decision making is both possible and likely to occur.

Looking specifically at higher education, Trowler (2002) further argues that - however attractive the apparent simplicity of assuming direct causal links between actions and outcomes may be to both institutional managers and national policy-makers - in reality, the process of policy implementation within the sector is complex. He therefore recommends seeing things from a different frame of reference, which he explains as:

> "..... an alternative one that sees the policy process as more organic and complex. In this alternative there is only a limited distinction between policy-making and policy implementation; policy is also made as it is put into practice because important social processes naturally occur as this happens and because unforeseen circumstances on the ground mean that actors need to exercise direction.... The locale of policy-making and articulation thus becomes diffuse." (pp2-3)

This results in a system in which policy evolves through implementation and interpretation – both by individuals at the most senior level and those in more junior management roles. Inevitably, these contexts in which policy is delivered at a local level will be influenced by local interests and perspectives resulting in what Trowler (2002 p3) calls an "implementation gap" – the space between the original purposes of a policy and the actual outcomes that result from its operation; furthermore policies within higher education, he argues, can be shaped as they move both up and down an "implementation staircase" between different levels within organisational hierarchies.

Drawing on ideas that he links back to Merton's (1936) Law of Unintended Consequences, Trowler proposes that:

> "At the institutional level, as at the national, policy-making and policy implementation are more likely to be the result of negotiation, compromise and conflict than of rational decisions and technical solutions, of complex social and political processes than careful planning and the incremental realisation of coherent strategy." (p5)

In this, Trowler is viewing universities as operating with what Barnett (1998, 2000) identifies as 'supercomplexivity'; as Barnett (1998) says of an institution:

> "It will survive, it will gain a social credibility, by showing its capacities to assist in the expansion of the pools of uncertainty, unpredictability, challengeability and contestability that structure the post-modern world." (p49)

Even in today's more managerialist times, argues Trowler, studies of policy intentions and operational outcomes have shown that, within education, there is only 'loose coupling' between intentions and outcomes. This is at least partly because of the complexity of real life situations which, pragmatically, may lead to divergence from stated practices and protocols. However, while the distinct interpretive processes relating to national policies that take place within the individual institutions play an important part in shaping the overall delivery of such policies, as Trowler (2002) notes, those responsible may not be actively aware of the role they are playing:

> "This constructive work is, however, tacit as well as explicit, unconscious as well and conscious, sometimes unrecognised even by those involved in doing it" (p6)

Working from Trowler's perspective, and those that have informed it, policies such as those embodied within the HE Act (2004) are therefore not fixed in time, even though they are underpinned by a constant piece of legislation – rather they are an organic system, framed by a set of high level rules, but shaped in detail by the way that these are interpreted by the individual agencies responsible for their delivery on a day-to-day basis. As the system evolves, initial expectations (of those framing the policy, those delivering it and those receiving its outputs) may, or may not, be met and new objectives may evolve.

In the case of the HE Act (2004) for example, it was quickly apparent, once universities started to announce their individual pricing structures, that there would be no effective market in fees; by the time all fees for 2006 entry had been published, only four institutions (less than one in 20 of English higher education institutions)

were charging below the permitted maximum of £3000[45], a position that had been predicted by some (eg HEI2 Vice-Chancellor, HEI6 Executive Director of Finance). Instead universities sought to differentiate themselves in terms of *net* cost of study to undergraduates through bursaries and other support packages (as discussed from a theoretical perspective in Chapter 4, where a typology of bursary schemes was developed to inform the sampling framework for this research). This situation of pricing through student support was accepted without question by consumers and regulators – although there is doubt expressed by many of those involved as to whether or not the same situation would occur if the cap on fees were to be raised significantly in the future (eg Adonis interview reported in Chapter 7, UUK 2009, HEI3 Pro-Vice-Chancellor).

The interpretation of institutional data therefore, on Trowler's model, involves an important area of policy development, not just implementation; it records a dynamic situation, influenced by prevailing local cultures and structures, and so the context, and hence timing, of individual events and responses will be significant when seeking to understand them. Specifically, in this study, initial decisions concerning fees and bursaries were made by universities with no base line information about the pricing strategies that other institutions were adopting – it had been made clear by the government (and the Office for Fair Trading[46]) that there should be no private discussions on price-setting that could result in anti-competitive behaviours. Thus, the stage within the initial cycle of announcements at which an institution chose to make its position public was potentially significant: those who made their decisions

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[45] Within my sample, fees of £2700 were charged by HEI5 in 2006 – it has since raised its fees to the maximum permitted level. With effect from 2010 entry, none of the four universities that set its original fees less than the permitted maximum still charges its undergraduates at below the cap (now index-linked to £3290).

[46] On 9 November 2005, the OFT issued a 'statement of objections' to what it identified as breeches of competition law in an agreement that 50 fee-paying schools had reached concerning the setting of fees, which it considered had resulted in some parents paying higher fees than would otherwise have been charged. It was apparent to universities that the principles behind this ruling applied to them and that they must not discuss possible levels of fees with other institutions (a point made by interviewees at a number of the sample institutions reported in Chapter 5).

known as early as possible could have the advantage of setting market norms, although they would be acting with little or no information on the positions of their competitors; while those who waited to announce (and presumably therefore also set) their fees and bursaries would lose any potential 'early mover' advantage within the market, but could act from a better-informed position.

Furthermore, comparative analysis of institutional data, while reporting initial responses to the HE Act (2004) and significant subsequent modifications, must also be conducted with an eye to each local context; this will result in consideration of whether those decisions were driven primarily by legislation or appear to be more a continuation of the university's previous policies and strategies.

As an example, HEI4 offers a bursary to students on full government grants that is more than double that provided by any other institution in this sample; however, it is also the only member of the sample that, prior to 2006, offered what was then a comparatively generous bursary to undergraduates in a similar financial position. This raises the question of the amount of influence that the HE Act (2004) had in driving HEI4 to offer such comparatively high levels of financial support, or whether it was simply an extension of its prior strategy, modified to reflect the changing behaviours of other universities resulting from the implementation of this legislation.

On the other hand, it may also be suggested that the generous bursaries that HEI4 introduced prior to 2006 were already partially a response to the developing political climate that ultimately resulted in the passage of the HE Act (2004). Thus, appreciation of both the timing and the consequent context of institutional decisions is significant when seeking to analyse and interpret them accurately.

It is also important to consider the possible influence that key individuals might have played in specific areas of decision making (and hence potentially evolution of policy). Such an assumption of authority is natural, according to Kogan (1996), when responsibility for policy implementation is devolved from politicians to organisations within a sector:

> "If central authorities yield power to the institutions, a new line of authority, usually at the level of the rector or vice-chancellor, emerges within the institutions. The reason for this is plain. Complex systems need authority at some level or the other to hold them together." (p399)

But, as Kogan implicitly acknowledges, there may be some examples in which the most influential individuals are operating in areas that appear to be beyond the strict remit of their functional duties. In such cases, consideration will also need to be given to their motivations; if these are primarily based on personal knowledge and experience of the sector, rather than on a shared view of the interests of a specific university, then it could be argued that any resulting decisions that are made on fees and bursaries should not be taken as indicative of possible future actions by similar institutions, but rather of potential behaviours by similar individuals, wherever they are working. This may, for example, apply to a certain extent to HEI5's Head of Student Services who came to that institution after working in the DfES on the drafting of the HE Act (2004) and thus brings a sector-wide perspective on undergraduate funding to that university's management team.

Analytical techniques

The roles of individuals and contrasting prior positions of universities are therefore factors which may tend to generate otherwise unexpected responses on the part of a particular institution, and hence one reason why it may prove difficult to seek to build a predictive model of future behaviours in this area. Indeed, as Page (1995) says:

> "Comparison is a method, and like all methods it is used for different things in different ways by people of different skills and ambitions. In the best comparative studies, discrete theoretical questions lead to the examination of empirical material. We will be waiting a long time if we expect an overall theory to emerge from all of this, or to be forged from the mass of available empirical material by some heroic soul." (p138)

Notwithstanding this limitation, Kogan (1996, p398) argues that the results of comparative analysis of the behaviours of universities can still be put to use in gaining a broader understanding of the sector within which they operate. Specifically, he suggests they can increase understanding of the influence exerted by the three forces – market, academic oligarchy, state authority - that Clark (1983) proposed as sitting at

the corners of a 'triangle of coordination' in which each national system of higher education can be placed. Furthermore, according to Kogan (1996):

> "Whilst we can certainly look for juxtapositions and thematic comparisons, and attempt to find causal explanations, we will be tying ourselves into an unnecessary bed of nails if we try to direct our research on the basis of pre-structured hypotheses." (p398)

So comparative analysis, as to be used within this chapter, can be an appropriate tool when exploring issues that are not yet fully understood, with the potential to yield worthwhile conclusions; furthermore, this approach may best be data-led, as it will be used here, rather than structured around testing of prior hypotheses.

In analysing the data that has been presented in the previous chapter on six universities, each reported until this point as a discrete case study, principles of cross-case synthesis, as outlined by Yin (2003, pp 133-7) will now be used. These advocate the comparison across all cases of individual issues, themes, features or topics; by building an understanding of the ways in which the cases under consideration do and do not differ in specific instances, it is possible to, as Yin (2003) says:

> ".... array a whole set of features on a case-by-case basis. Now, the analysis can start to probe whether different groups of cases appear to share some similarity and deserve to be considered as instances of the same 'type' of general case. Such an observation can further lead to analysing whether the arrayed case studies reflect subgroups or categories of general cases – raising the possibility of a typology of individual cases that can be highly insightful." (p135)

This method has the potential to generate findings that will be more robust than those based on the consideration of single cases in isolation and the strength of those findings may also be increased, according to Yin (2003, p133) with the number of cases considered. However, if the resulting analysis is to be of high quality, there are four necessary conditions that Yin (2003, pp 137-8) reminds us must be observed:

- comprehensive evidence must be gathered and none ignored
- alternative interpretations should be considered and assessed
- the focus of the analysis should remain on the key issue or issues
- the researcher's own expert knowledge should be used to inform the study

In addition, research design, sampling and methodology of data collection (outlined in Chapter 4) must also be appropriate for the research questions posed. Working within Yin's principles, comparative analysis of data from the six sample institutions will follow the same structure that was used when reviewing data on each in isolation – starting from the pre-2006 position, considering processes that were used to decide on responses to the financial provisions of the HE Act (2004), reviewing measures introduced and assessing their impacts. As illustrated diagrammatically in Chapter 5, this structure also permits the results of this framework to be used to build a baseline against which to assess any possible future developments.

Similarly, checks and balances will be used at the comparative stages of the analysis equivalent to those put in place when working with the data from each institution in isolation (as outlined in Chapter 4). These involve:

- revisiting the original data (which has been collected from a range of sources) when each stage of analysis has been conducted to review material that has been omitted and question whether this is appropriate, or if it is significant and should be included in the reporting
- assessing the data collected in the context of possible theoretical frameworks (from higher education management, marketing and market theory)
- focusing the analysis on answering research questions (while still noting other possible significant findings that may merit subsequent investigation)
- drawing on the researcher's professional knowledge and experience of higher education management, communications, marketing and undergraduate student recruitment

With these measures in place, there can be increased confidence in the quality of the outputs of this research.

Results of analysis

The six institutions studied in this research all offer a wide range of subjects at undergraduate level and have degree-awarding powers. They were chosen to represent, between them, examples of the main distinct types of higher education institutions within England (as discussed in Chapter 4). Thus there is a spread of:

- typical conditional offer for entry
- age (and structure) of institution
- institutional ranking in major league tables[47] (which, however flawed, have been shown to play a part in an applicants' decision making - CHERI, 2008)
- membership of interest/lobby groups within the sector
- profile of undergraduates in terms of HEFCE Widening Participation Performance Indicators[48]
- type of bursary scheme introduced in 2006 (based on typology presented in Chapter 4[49])

While, within this sample, and the sector generally, there is often a readily identifiable association between the first three of these characteristics – with more long-established universities typically setting higher conditions for entry and being ranked higher in league tables – the relationships between the other characteristics are less obvious. Examples include typical entry offer and league table rank (where offers at HEI5 are lower than their ranking might suggest) and typical entry offer and performance in widening participation (where HEI2 is the only member of the sample who scores 'highly' on both these measures) as shown in Table 13 below:

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[47] This figure is the mean performance of the HEI in the 2009 editions of each of the three main national league tables: *Sunday Times, Times* and *Guardian* – it is shown in Table 13 in bands to assist anonymity

[48] Achievements of HEI against two main HEFCE Widening Participation Performance Indicators (on students from state schools and students from Socio-Economic Groups 4,5,6 or 7) – 'sig' indicates statistical significance in the variation observed

[49] Categorised by HMC bursary types, as developed in Chapter 4:

1 = **basic** – with only one main criterion for eligibility, generally means-testing, applied

2 = **basic plus** - low basic bursaries (to meet the OFFA requirements and little more), but with additional (potentially high-value) scholarships offered

3 = **automatic** - those where a non-means-tested element is a major factor and limited supplementary funding is available by compliance with other criteria (such as academic or geographic)

4 = **non compulsory** - those offered by universities where the fee charged is less than £2,700 and hence which are not legally required to offer bursaries

5 = **complex** – with many different types of bursary and scholarship on offer (based on many different criteria) individually and/or in combination

	Typical entry offer	Age of university	League table rank (banded)	Affiliated group(s)	HEFCE WP PIs	2006 bursary type
HEI1	AAA/AAB	>100yrs	5-25	Russell	sig below	5
HEI2	280-320 UCAS pts	1960s	25-50	94 Group	above	1
HEI3	160-240 UCAS pts	post 2000	100-125	GuildHE/ Million+	above	3
HEI4	AAA	>700yrs	1-5	Russell	sig below	1
HEI5	160-200 UCAS pts	post '92	75-100	Million+	above	4
HEI6	120-240 UCAS pts	post '92	100-125	Million+	above	2

Table 13: Comparison of key qualities of sample institutions

From this table it is also clear that those institutions that fail to achieve the main HEFCE Widening Participation Performance Indicators (on students from state schools and students from Socio-Economic Groups 4,5,6 or 7) to a statistically significant extent are those that are at the 'top' of the scale in terms of measures of perceived perceptions (eg league table ranking) and also set the highest levels of conditional offers for entry to their courses. As such, these universities can be seen as potentially the most academically demanding, as well as the most competitive (although as well as the highest they also include one of the lowest ratios of applicants per place within the sample). The pattern of unequal access which these figures highlight is however not an indication of unrepresentativeness of the sample; it is reflected across the sector, an issue which remains today (BIS 2009, Harris 2010).

Triangle of coordination: state authority

While all universities within the sample professed a commitment to taking students from all backgrounds, with selection based on academic - not social - criteria, the two members of the Russell Group were the only ones which failed to meet the benchmarks for their intake profiles on widening participation criteria within HEFCE Performance Indicators. As such, they might have felt under most external pressure from the requirement to enter into an Access Agreement before being able to charge fees above the basic level.

However, both HEI1 and HEI4 were clear that the proposals for bursaries, outreach activities and monitoring that they wrote into their respective Agreements reflected institutional priorities and policies. So, for example, HEI1 chose not to accept that it would be measured in terms of HEFCE Performance Indicators (which it argues are unrealistic for an institution of its type) while HEI4 stated that, rather than supporting increased access initiatives from any of the additional fee income it would be receiving from 2006, it intended to maintain its previous level of such activity (which it argued was already very high), funded as much as possible from the same sources of income as previously (mainly philanthropic and from earmarked HEFCE funding).

At the same time, there was some suggestion from within institutions that viewed themselves as already being successful in widening participation (eg HEI5) that the HE Act (2004) could pose a threat to recruitment, rather than an opportunity; it was seen as increasing the incentives for their core students to be 'poached' by universities that might not have the experience of supporting students from non-traditional backgrounds, but which could potentially afford to attract them with higher levels of bursaries. Even though some people who worked closely with applicants did not think that bursaries alone would have a significant effect, as students would be interested in the whole range of support they were being offered (eg HEI2), this concern has grown to the extent that it has become one of the arguments used by supporters of proposals for a national bursary scheme to, they say, even out the size of bursary that different types of university could afford to give (Chester and Bekhradnia, 2008).

While the overarching issues of the principles and impacts of the core legislation, and the current Independent Review of Higher Education Fees and Funding, are matters in which the sector negotiates with state authority in the form of elected politicians, routine issues of implementation of the financial provisions of the HE Act (2004) are dealt with between individual institutions and the Office for Fair Access (OFFA), then published in the form of Access Agreements. In the same way that institutions were setting their fees and bursaries for 2006 without precedent, so they were writing their

initial Access Agreements within guidelines supplied by the regulator (OFFA) but with no practical examples from which to work.

Both the institutions and the regulator were though working within the framework laid out by the then Secretary of State, Charles Clarke in his 2004 letter of guidance to the Director for Fair Access to Higher Education. This indicated that the government expected to see evidence of additional financial commitment to student support and outreach work, especially from those universities which were not meeting their main HEFCE Widening Participation Performance Indicators, but that it also expected that the majority of additional fee income would be spent at the discretion of each university:

> "My general expectation.... is that you will be robust in expecting more, in financial support and outreach activity, from institutions whose records suggest that they have furthest to go in securing a broadly-based intake of students. However, one of the Government's objectives, in allowing institutions to charge variable fees, is to increase the resources available to the HE sector. It would be in the spirit of this policy for the lion's share of any extra income raised by any institution from its higher tuition fees to be available to that institution to spend as it sees fit, rather than required to be spend under its access agreement." (Clarke 2004, para 6.1)

This guidance went some way to allaying initial concerns that had been raised by members of the sector and some politicians that the regulation that resulted from the HE Act (2004) would be over-prescriptive. As it turned out though, only one of the institutions in the sample, HEI1, reported any significant negotiation or debate with OFFA to achieve an approved Access Agreement for implementation in 2006. This picture of a regulatory process that generally worked smoothly shown in the data considered here, also reflects the wider position as reported from the other side of that dialogue by OFFA itself (OFFA 2005, pp1/2). One concern had though been experienced widely within the sample when drafting initial Access Agreements: a lack of clarity concerning the approximate proportion of extra fee income would be expected to be allocated to bursaries and other outreach measures.

This situation, which was exacerbated by the requirement that institutions did not compare their financial proposals or plans before they were made public, was at the

root of the expectations that HEI1 felt was placed on it to increase its bursaries 'inappropriately'. It had a clear rationale, based on local costs, for the maximum bursary it originally intended to offer, but was told by OFFA that this would mean that it was not allocating enough of its additional fee income to financial support for students; adhering to its initial principles, it decided against increasing the basic bursary, instead supplementing those available to local students (many of whom are from schools with poor records of progression to higher education) with a generous sum that could more than double the amounts they received. Thus HEI1 ended up with a scheme with an additional level of complexity to communicate and administer.

This was however the only example within the data collected of any requirement for substantive negotiations with OFFA before an institution received approval for its proposed Access Agreement. Published monitoring reports from OFFA (2008, 2009b, 2010) and the interview with the Director of Fair Access (reported in Chapter 7) suggest that this reflects the wider position in the sector, with few major issues arising between the regulator and universities. However, all universities within the sample indicated that they viewed the process of preparing their Access Agreement as an important one – both because of the potential it gave them to increase revenue and also because of the wider political and public interest in the resulting impacts on the sector, its members and its students. Indeed they all presented their Agreements in the style of formal policy documents, rather than as communications with applicants and their advisers, a decision which one respondent (at HEI2) considered as a missed opportunity.

It is interesting to note though that some changes that have been introduced by institutions, quite clearly as a consequence of the financial provisions of the HE Act (2004) fall outside the remit of their Access Agreements. This occurred at both HEI3 and HEI6, where all undergraduates have automatic entitlement to some level of bursary, but only sums distributed to those from families with Residual Household Incomes below a certain threshold can be included in their annual monitoring returns to OFFA (OFFA 2010, p11).

Furthermore when HEI3 reduced its automatic entitlement bursary from £1000 to £500, at the same time committing to spend the 'other' £500 on facilities and resources for students, this had the effect of reducing the amount it could report to OFFA. This is because that 'other' expenditure – on learning support materials, students' union activities etc – falls into categories that are not included within the scope of an Access Agreement; hence it could appear, if these Agreements were the only source documents used, that HEI3 had taken the decision to reduce the amount of additional fee income used to support undergraduates directly – contrary to the way that it views and presents its 'New Offer'.

While there was pressure (perceived or actual) on some institutions, such as HEI1 and HEI4, to increase the sums they committed through their Access Agreement, HEI6 took a distinct approach when constructing its proposal; rather than detailed proposals for bursaries above the minimum required to allow it to charge the maximum fee, it simply committed to that minimum. However (as discussed in Chapter 5) in practice, from the first year of the new funding system, it has always offered additional bursaries, with escalating annual payments designed to improve retention. Again, the full picture of changes introduced in response to the HE Act (2004) is not contained in the Access Agreement, confirming that effective monitoring of the impacts of that legislation requires consideration of a wider range of sources, as used here.

It seems therefore that initial doubts or concerns about the extent to which the introduction of OFFA would constrain or reduce the autonomy of members of the sector have been allayed; universities appear generally content with the current relationship that they have established with the regulator, other than some concerns about the burdens that have been created by changes in reporting requirements from year to year – something that can be expected to stabilise once the legislation has been in operation for a longer period.

As OFFA is the, albeit indirect, agency through which the government now exercises its authority on universities as far as the ability to charge fees to and the linked

requirement to provide bursaries for full-time Home/EU undergraduates, this relationship with the regulator can be considered as a reflection of the relationship between members of the higher education sector and the state in this area. It demonstrates a reasonably flexible approach by the regulator (*qua* state) to the choices that individual institutions make, but within a framework that is currently proscribed to a significant extent by the £3000 (plus index-linking) cap on the level of fees that can be charged.

Furthermore, with fees capped at this level, a larger proportion of the funding for every undergraduate still comes directly from HEFCE in the form of the 'T' grant (with sums in the range of approximately £5000-£8000 allocated per student on non-clinical courses), rather than indirectly from the public purse through student fees that are paid initially (in the main) by means of subsidised loans. At the same time, while HEFCE has introduced some additional student numbers in science, technology, engineering and mathematics, the outcomes of this process have made only minor differences to the total intake of the sector in England (of about 6%[50]) at a time when demand from applicants has risen by 11% between 2009 and 2010 (UCAS 2010a). Thus, the market for Home/EU full-time undergraduates only partially satisfies one of Le Grand's two criteria for a quasi-market, of which, he writes:

> "Resources are no longer to be allocated directly to providers through a bureaucratic machinery. In some cases the state continues to act as the principal purchaser, but resources are allocated through a bidding process. In other cases, an earmarked budget or 'voucher' is given directly to potential users, or to agents acting on their behalf, who can then allocate the budget as they choose between the competing providers." (Le Grand 1991, p1257)

There has also been little apparent adjustment in the extent to which the sector satisfies Le Grand's other criterion for a quasi-market, in which he would expect to

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[50] This figure is calculated from data on the HEFCE www site (published on 22 July 2010, HEFCE 2010a); however the net effect of the 22,000 fte additional places this reports is contested by some politicians, based on different interpretations of the impacts of parallel adjustments in other areas of HEFCE spending. On some calculations, the increase in undergraduate places in England available for 2010 is closer to 3%.

find suppliers from across the private, voluntary and public sectors (Le Grand 1991, p1257), rather than only state-led organisations operating[51]. While English universities are not simply state organisations, they do not fit, and never have fitted, precisely into any of these three proposed models of 'ownership' within a quasi-market. Rather, the mix of funding that each institution receives – from a range of sources – means that it operates as a hybrid of these models. It may be the case however that, if the balance between different revenue streams of a university changes, it may gradually shift its management styles accordingly, as is starting to be seen in some cases within the institutions studied here (eg HEI5, HEI6).

Thus, through the implementation of legislation - in the form of the HE Act (2004), - the state has not increased the direct control that it exerts over individual universities or the sector as a whole; it has however established a somewhat restricted quasi-market – monitored by OFFA – in which institutions are expected to identify their desired position and adopt pricing policies which will support it.

Triangle of coordination: academic oligarchy

Primary data for this research was collected, in very large part, through semi-structured interviews with members of the six sample institutions. These people were almost exclusively senior figures, with significant influence within the academic oligarchy at their own university and often more widely across the sector.

As discussed in Chapter 4, the six members of the sample were selected to reflect the range and spread of the sector, but the individual informants within them were identified not by the researcher, but within each university, by the Vice-Chancellor, or his or her nominee. This method of recruitment was adopted in recognition of the varying management structures and distributions of functional responsibilities that are

[51] The two exceptions to this are the private University of Buckingham and the company BPP, which has received university college status from 2010; both fall outside the remit of the HE Act (2004) and together admit only about 0.1% of all full-time Home/EU undergraduates, and so do not have a significant influence, even as an external factor, when considering the quasi-market created by this legislation.

found in different universities; it was intended to ensure that those interviewed were all key decision makers locally in the area of policy under investigation.

It is reasonable to conclude therefore that the spread of responsibilities of those nominated for interview should closely reflect the areas which have influence over policy-making concerning fees, bursaries and related issues within each institution. As such, and notwithstanding the possible influence of particular personalities above and beyond their immediate responsibility, it indicates the perspective from which each sample university approached the planning of its response to the financial provisions of the HE Act (2004).

In Table 14 below, the functional responsibilities within each sample institution that were included in the roles (some respondents held more than one role while, in other cases, more than one person with a similar function was interviewed) of those interviewed are summarised:

	VC/ ProVC	Registrar	Academic manage-ment	Finance	UG Admiss-ions	UG access / WP	Student funding/ services	Marketing/ PR	Planning/ systems	Student Union
HEI1		√			√	√	√			
HEI2	√			√	√	√				
HEI3	√		√	√		√	√	√	√	√
HEI4	√				√	√	√	√		
HEI5	√		√		√	√	√	√		
HEI6	√			√	√		√			

Table 14: functional responsibilities covered by interviewees - by sample HEI

As this table shows, in every case, one of the most senior members of the University – Vice-Chancellor, Pro-Vice-Chancellor or Registrar – was a respondent in this research. HEI1 was the only university in the sample where the most senior figure directly involved in making decisions concerning fees and bursaries was from the administrative side (in this case the Registrar), rather than from among the academic leadership of Vice-Chancellor and Pro-Vice-Chancellors; however, it was clear from all the interviews at HEI1, and from the public position taken by this institution during the political debate prior to the passage of the HE Act (2004), that the Vice-Chancellor had clear views on how the university should respond to this legislation

and that these strongly influenced the decisions made by his staff. So, even if he was not involved directly in the setting of fees and bursaries within his institution, HEI1's Vice-Chancellor exerted his personal influence over that process and its outcomes.

Commitment at the next most senior management levels to the shaping of policy- and decision-making in preparation for the submission of initial Access Agreements is also indicated by the fact that 12 of the interviewees held the title "Director"; thus, just over 50% (20 out of 39) respondents were at the level of Vice-Chancellor, Pro-Vice-Chancellor, Registrar or Director. Almost all the remaining informants were at the next highest level of management – eg heading a department responsible for student welfare, recruitment or administration of student finance. Some of these had been involved with initial policy-making, while others were only able to provide information about the subsequent operation of their institution's undergraduate fees and bursaries.

While there is no conclusive pattern, the extent to which these heads of administrative departments were or were not involved in planning their institution's response to the financial provisions of the HE Act (2004) appears, in a number of cases (eg HEI1, HEI5), to be related to the individual involved, their professional knowledge and experience and, as a consequence, the way they are perceived by those in more senior positions. In others, it more reflects the underlying structures of the university and the level to which certain responsibilities are devolved (eg HEI2, HEI4). This combination of organisational and personal reasons for the involvement, or not, of staff at the level of head of administrative department, makes it difficult, on the basis of the evidence collected for this thesis alone, to draw any firm conclusions about the structural approach that an institution might take, or might be recommended to take, to the forming and implementation of policies relating to undergraduate fees and bursaries in the future.

It is clear though that there was a shared view across the sample that the decisions that were made in preparation for the submission of each university's first Access

Agreement and their consequences were potentially highly significant for it. This may have been for reasons of student recruitment, financial position or image, or a combination of some, or all, of these, but whatever the rationale in each case, this was a piece of work that was given priority by the most senior managers. In every case though, the final decision was not one that could be made by senior management alone – instead, within the wider democratic structure of each institution, it was considered by the Senate, or equivalent body.

Given the highly politically charged debate that had accompanied the passage of the HE Act (2004), it is not surprising that some (mainly academic) staff at least, used internal discussion linked to these consultations to air their disagreement in principle with the new funding structure that this legislation was about to introduce for full-time Home/EU undergraduates. In every sample institution though, these views were not strong enough to override acceptance, from a pragmatic position, by the university as a whole of the necessity to increase income by raising fees, albeit underpinned by bursaries and other moves to support widening participation.

The responses of Students' Unions were also reported to be similar – while they were theoretically opposed to the changes in undergraduate fees and funding that were to be introduced in 2006, they acknowledged that there was a real need for universities to increase their income per student (to improve facilities, resources and the student experience more generally). Furthermore, they accepted the inevitability that fees would increase from 2006 and therefore generally sought to work with their institutions to develop appropriate packages of accompanying support for their members.

One case worthy of note is HEI3, where the Students' Union representatives during the period 2004-6 were described by their successors and by university staff as not having engaged very much with the planning and implementation of the new undergraduate funding package that was put in place from 2006. Those successors though engaged much more actively with this issue, to the extent that, when, after two

years, HEI3 was reviewing its financial offer, the Students' Union put forward its own detailed proposal for a revised scheme. While these plans were not adopted in their entirety by senior managers, the thinking that had been behind them influenced the design of the revised package – the 'New Offer' – that was introduced from 2008.

Whatever the source of basic ideas and approaches to the content of each university's first Access Agreement, across this sample, 'professional' administrators (in a number of functional areas) nevertheless played an important part in translating these objectives into practical proposals. This is consistent with the way (as discussed in Chapter 2) that the role of the 'academic oligarchy' has evolved significantly since Burton Clark first wrote about its influence within higher education institutions and sectors in 1983. 'New managerialism' and increased marketisation, have tended to shift the culture of universities away from the collegial style which would have been more dominant 20 years ago.

While this move is more pronounced in some institutions than others among those sampled, in every case a potentially controversial change in policy and practice was accepted by the wider academic community with little resistance, following detailed preparatory work conducted by their administrative colleagues. This suggests a growing degree of recognition on the part of the members of the academic oligarchy of the need to involve professional specialists in the management of universities today, a significant shift from the collegial tradition.

Triangle of coordination: market

The political rhetoric that accompanied the passage of the HE Act (2004) was (as discussed in Chapter 1) framed in the context of the creation of a market and the perceived possible benefits of that structure: this market, it was argued, would act as a driver for the improvement of quality across the sector and increase the choices available to consumers (including students, their potential employers and research funders) while facilitating a crucial stream of extra revenue.

In practice, the market created would inevitably be a quasi-market in which profit-maximisation would not be the sole motivation of the suppliers (the universities) and purchases would be made not strictly in terms of cash, or indeed necessarily directly by the consumer (the student).

Such markets already operate in other areas of the public sector in the UK such as the health service and compulsory education (as considered in Chapter 2); however regulated the framework in which each of these operates, both have been observed at times to behave in ways that are more apparently the response to 'perverse incentives' than to a direct economic rationale. These incentives are unintended consequences of the legislative structures that policy-makers have established in each area, consistent with earlier observations of comparable systems made by Merton (1936) and Tutt (1985).

Not only was the marketplace that universities were entering in 2006 unknown, and potentially unpredictable, but for many institutions, the principles of marketing that this new environment directed them towards were better understood in theory than in practice. In spite of this general unfamiliarity with a market-led approach however, all the institutions in this research had made clear efforts to approach the design of their fee and bursary packages with at least some consideration of its principles. This was also reflected in the use of terminology such as 'price', 'value', 'customer', 'competitors' and 'target market' by a broad range of respondents from across the sample.

It was furthermore clear that, in almost every case, those attempting to develop institutional policies within a marketing framework lacked essential information with which to work. For some, this was an acknowledged barrier that they had faced when setting fees and planning bursaries in 2005-6, but for others this was seen more as inevitable, if regrettable. Information was generally at best scant on significant factors relating to each of the legs of Lovelock *et al*'s (1999) "pricing tripod" (a model discussed in Chapter 2):

True cost – as complex organisations, using shared resources to provide a wide range of services, in 2005 universities were generally unable to calculate the cost of the delivery of a particular course to an individual student, as confirmed in the data collected for this research. HEFCE has since adopted guidelines (JCPSG 2005) for returns that all institutions now have to provide on the costs of specific courses, and in expectation of this, some respondents were reasonably confident of becoming able to calculate their own figures for 'cost per student'. However the operation of this 'TRAC(T)' methodology has recently been criticised in a detailed study (JM Consulting 2009) which suggests that the amount of academic staff time spent on teaching is often under-estimated, in favour of research – unrealistically reducing the calculated costs of course delivery – so the expectations some respondents (eg HEI6) expressed of determining these costs precisely in the near future may have been unfounded.

Perceived value – while the supplier of goods or services needs to know what their products cost to produce when setting prices, a consumer's purchasing decision is generally influenced by their evaluation of the 'value for money' that they are being offered. In the debate that led up to the passage of the HE Act (2004) for example, there was much discussion about the value of the 'graduate premium' (in terms of lifetime earnings) and the extent to which this varied between courses and institutions. Not only is this something that sample institutions recognise they cannot calculate differentially for each of their courses, but for each student it may be influenced by personal factors, such as the career that they are intending to follow after graduation. Were the new quasi-market in higher education that was created in 2006 to have been rational, then considerations such as these could be expected to inform applicants' choices; all the institutions in the sample clearly planned for their entry into that market with the assumption that the fees they charged and bursaries they offered would have at least some impact on the number and profile of their applicants. However it has since become clear – both through information collected in this research and a wider study (UUK 2009) – that, with fees capped at £3000 (plus index-

linking) the price-sensitivity point has not been reached and undergraduate applicants' decisions are influenced only marginally, if at all, by variations between universities in fees and bursaries.

Competitive position – all the institutions interviewed in this research had their own views on the what they hoped to achieve through the decisions they made in 2005-6 on undergraduate fees and bursaries, even though in some cases this was primarily a defensive stance of seeking to maintain the *status quo* in terms of student numbers and profile. However, they all recognised that they could, at best, only use historic data and observation to try to predict the positions that their main competitors might be choosing to adopt within their initial Access Agreements. While this placed a potentially significant restriction on their abilities to set their prices effectively, it was at least a problem that was common to all members of the sector.

Thus any attempts that universities made to set prices (in the form of the *net* cost of fees and bursaries) for their full-time Home/EU undergraduates in 2005-6 on marketing principles were seriously handicapped by significant information deficits which it would not have been feasible for them to attempt to address at that time. But, even though they did not know precisely how much they were loosing on the teaching of each publicly-funded undergraduate, there was a broad consensus that it was at least £3000 per student per year and this was one highly influential factor that led to the widespread adoption of the maximum £3000 fee, as confirmed by respondents to this research. Indeed, even HEI5, the one institution among this research sample that originally charged less than the maximum permitted, set its fees at £2700, not because it thought that this was the size of the 'funding gap' per undergraduate but because it did not feel confident enough of its position within the market to charge the maximum fee.

At the same time that there was such consistency across the sector in the setting of fees though, the decisions that were made concerning the structure of bursaries to be

offered were highly diverse (as discussed in Chapter 4, where a typology of student support packages was developed). This diversity was deliberately reflected across the bursaries offered by the institutions sampled for this research, as summarised in Table 15 overleaf.

This initial complexity has been followed by a tendency for any substantive modifications that are made to schemes to be to move them towards a simple means-tested structure (albeit with variations in thresholds and sums offered). Among the sample there were two main reasons cited for any changes; for HEI5, for example, considerations of administrative simplicity were highly influential, whereas in some such as HEI3 increasing awareness of the limited impact of *net* cost on student choice was more dominant. In contrast, HEI2, which at the time of fieldwork was considering a significant change to the format of its bursary scheme, ultimately decided not to make any major adjustments until the outcome of the Independent Review Higher Education Funding and Student Finance is published (which is expected to be in late 2010).

However, when the categorisation of institutional bursaries was repeated, this time for support on offer for undergraduates enrolling in 2009 (see Appendix 5), only one of the six sample institutions had changed type (HEI5 moved from non-compulsory to basic); this was because other modifications made within the sample (adjusting sums awarded or administrative processes) did not alter the underlying structure of the student funding offered significantly.

	2006 bursaries				later changes to funding	
	bursary type[52]	**maximum core sum (£s)**	**limit for max bursary eligibility (RHI**[53]**£s)**	**limit for some bursary eligibility (RHI £s)**	**year introduced**	**main changes**
HEI1	5	1100	16,000	31,000	2008	supplementary schemes simplified
HEI2	1	1550	25,000	<25,000 and 25,000 – 37,426	annually	index-linking
HEI3	3	1000	none	none	2008	bursary cut to £500 – with the other £500 to be spent on UG facilities
HEI4	1	3000	16,000	34,000	annually	index-linking
HEI5	4	1000	31,000	none	2008	fee increased to permitted max & eligibility for bursaries limited by RHI
HEI6	2[54]	500 (yr1) 750 (yr2) 1000 (yr3)	none	none	-	none

Table 15: comparison of bursary types and amounts offered by sample institutions

[52] Categorised by HMC bursary types, as developed in Chapter 4:

1 = **basic** – with only one main criterion for eligibility, generally means-testing, applied

2 = **basic plus** - low basic bursaries (to meet the OFFA requirements and little more), but with additional (potentially high-value) scholarships offered

3 = **automatic** - those where a non-means-tested element is a major factor and limited supplementary funding is available by compliance with other criteria (such as academic or geographic)

4 = **non compulsory** - those offered by universities where the fee charged is less than £2,700 and hence which are not legally required to offer bursaries

5 = **complex** – with many different types of bursary and scholarship on offer (based on many different criteria) individually and/or in combination

[53] RHI = Residual Household Income, the measure that results from means-testing carried out on behalf of the government by the Student Loans Company

[54] in its Access Agreement, HEI6 committed only to give the minimum bursary required to enable it to charge full fees (£300 for those students receiving full grants), however, in practice, it offered more

As these changes are taking place and the new quasi-market within higher education in England is beginning to become established, some of the initial information gaps relating to the legs of the pricing tripod are beginning to be at least partially filled: universities can and, as data collected in this research shows, are looking at the choices and behaviours of their competitor institutions; there is a nationally agreed (if still only partially accurate) methodology for costing teaching; and research is being conducted both locally and across the sector to seek to understand more fully the relationship between price and student choice (Corver 2010) and the point at which price may become a more significant factor in decision-making (UUK 2009). These developments coincide with the gradual shift towards increased homogeneity of bursary packages and may indicate that the constraints that the HE Act (2004) has placed on this quasi-market are such that market-forces cannot operate effectively even if decision-makers within higher education become more familiar with the marketing principles underlying pricing.

In another aspect of marketing – effective communication - a common view was expressed by a broad range of people with different functional responsibilities interviewed that, especially for 2006 entrants, universities needed to explain the national funding available to students at least as much as they needed to promote their own fees and bursaries. Not only had the government scheme become increasingly complex as it was modified to ensure that it would receive Parliamentary approval but also the supporting national promotional campaign was not launched until mid-September 2005, less than one month from the first UCAS deadline for applications to medical schools, Oxford and Cambridge. For HEI2 in particular, the design of its bursaries meant that these were most clearly explained as part of an overall student support package, including government grants and student loans.

This information on state funding increased the complexity of the message that each institution was trying to promote to potential applicants concerning the cost of studying with them. Furthermore it risked masking specific information about a university's own fees and bursaries within what might seem like more familiar

generic information about the national funding system of grants and loans. Nevertheless, given the marketing rhetoric that surrounded the introduction of the HE Act (2004) it is probably not surprising that universities generally believed that they needed to compete for undergraduates at least partially with an attractive financial offering; as a consequence of this, they therefore set great store by the way in which their message was communicated.

In some cases (eg HEI3 and HEI5) there were competing, and even conflicting, views about the appropriate way to promote the university's fees and bursaries; at the core of these was generally the tension between the perceived attraction to students of lower costs and the view that any suggestion of 'discount' degrees could devalue the qualifications themselves, those who held them and the institution that awarded them. At HEI3, for example, this dichotomy resulted in a marketing campaign that some staff in other areas viewed as failing to capitalise effectively on the benefits of its £1000 automatic entitlement bursary – while marketing staff themselves were avoiding any ways of presenting this funding information that might be at all reminiscent of cash-back offers (as regularly advertised for cars).

This tension between marketing staff and their senior academic and managerial colleagues over the effectiveness of promotional materials was apparent, to some extent at least, in all six sample HEIs. Marketing staff themselves argued that there task was difficult for one or more of these reasons:

- they were not given the opportunity to contribute to the design of their institution's scheme, so that the resulting offer was not considered from a marketing perspective during its design and development
- they were not told about the thinking concerning fees and bursaries in any detail until final decision had been made and so had little time to plan and produce promotional materials
- the changes that took place in 2006 concerning undergraduate fees and funding were substantial and it will take some time for the market to settle into a steady state – until then it is not realistic to expect to be able to make valid comparisons between the relative effectiveness of different marketing strategies

- in practice, with the fee capped at £3000, applicants are, at best, marginally price sensitive in their choice of university and/or course

It was not only marketing staff though who observed that there is little evidence of applicants considering cost as a factor when making decisions about where and what to study. Within this sample, in fact, it was a common observation that was made by respondents ranging from a Students' Union President (HEI3) to a Vice-Chancellor (HEI2). These observations were supported, in some cases (eg HEI4, HEI5), by local research, and respondents were often also aware of emerging national research which reached the same conclusion (UUK 2009).

Given this widespread awareness of the way in which the market was evolving – with the choices made by students (the 'consumers') being only marginally, if at all, affected by price (an observation that has been confirmed in research conducted for OFFA - Callender and NISR 2009, Corver 2010) - it could be considered that it was inconsistent for the same interviewees also to be critical of the effectiveness of their institution's communications in attracting undergraduates. Indeed, the responses of some marketing staff suggest that they were becoming aware of this tension in the position adopted by some of their colleagues.

A recent study for HEFCE (Oakleigh Consulting and Staffordshire University 2010) has further found that:

> "...many prospective students do not look for information even when they think it would be very useful to them." (p73)

This reinforces the view that a significant number of undergraduates are making choices within the current quasi-market without consulting detailed information on courses, universities and costs. Thus this market cannot be assumed to operate on the theoretical basis that informed, rational decisions are made by its consumers.

At the time that the fieldwork for this research was conducted, there was also a general concern among members of the sector, and also at OFFA (OFFA 2008, pp9-10), about the level of take-up of bursaries by those who were entitled to this funding. Within this research sample, this was evident not only at those institutions with

bursaries that were complex to explain (HEI2) or where initial administrative processes were complex (HEI5), but also at some with what had been intended to be straightforward schemes (HEI4, HEI6). While the data collected here cannot identify precise reasons why this happened as students were not sampled, representatives of two institutions (HEI4 and HEI5) both suggested that some undergraduates who did not feel that they needed a bursary were making conscious decisions not to claim funds to which they were entitled.

In her analysis of this issue of low take-up rates, Mitton (2007) draws lessons for undergraduate bursaries from income-related social security benefits; she suggests that, unlike in the case of free school meals, it will not be known publicly which students are receipt of means-tested bursaries, so any consideration of possible 'stigma' is not relevant, but:

> "Ignorance of entitlement, in contrast, is likely to be highly relevant to student support" (p376)

Thus, the major barriers to greater take-up are the wide range of schemes on offer, which, in turn, result in a greater need for effective communication. This, Mitton (2007) argues, presents a potential conflict:

> "The diverse range of bursaries available is contributing to the trend for differentiation and competition within the sector. The upshot is that in HE the policy tension between, on the one hand, autonomy, competition, choice and diversity, and on the other, audit and regulation, has swung in the direction of the former: greater regulation would amount to an admission that the free market does not act to the benefit of disadvantaged students." (p381)

However, the most recent figures from OFFA (2010) show that, after three years of operation of the new quasi-market, take-up of bursaries had risen to 96%, suggesting that the market has itself understood and responded to this problem, with institutions in practice acting in line with Mitton's (2007) conclusions that they should:

> "... rationalise their own bursary schemes and provide prospective students with definite information about what they will receive very early in the application process.... even if this results in some students from better-off backgrounds also getting awards." (p381)

In addition to estimates of the amount of money that it will distribute through bursaries which have informed this debate about take-up rates, every university's Access Agreement must include information on 'milestones' of performance against which it will be monitored and ways in which these will be measured. For some institutions in the sample (HEI2, HEI3, HEI5, HEI6) compliance with this requirement was a straightforward matter of formal adoption of the pre-existing benchmarks for the main widening participation performance indicators used by HEFCE and published annually by HESA (for students from low participation neighbourhoods and lower socio-economic groups). For the others (HEI1, HEI4) though, their Access Agreement was an opportunity to record pre-existing concerns about the relevance of these measures to their institutions.

Those who included HEFCE performance indicators as milestones within their Access Agreements generally cited three reasons: the data was already collected and therefore there would be no additional resource needed for evaluation; these measures were widely accepted (publicly and politically); and, in each case, they were already meeting, or exceeding their benchmarks. On the other hand, the two members of the Russell Group in the sample are both significantly below their benchmark figures on these measures and suggested within their Access Agreements that other measures, to be developed through research, would be more relevant for them. The fact that OFFA accepted both these approaches to the monitoring dimension of Access Agreements reflects the fact that the regulator has not been as prescriptive in operation as some within the sector had initially feared.

Hypotheses on possible implications for the sector

Consideration, as above, of the shape of the market that has been created as a consequence of decisions made by individual institutions within the higher education sector, now makes it possible to address the first part of the third research question posed and also the fourth question. These are:

- what is the collective impact of individual institutional decisions for the sector as a whole ~~and how does this compare with the original thinking behind this legislation~~?

- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

As the new quasi-market for full-time Home/EU undergraduates in higher education in England starts to evolve, universities are gradually moving together in terms of the types of financial support offered. Where there have been changes made to bursaries these have tended to rationalise the schemes on offer; although an apparent exception to this is HEI3, which moved from a straightforward automatic entitlement bursary of £1000 to bursaries of £500, with £500 per student to be spent on academic and social support, in practice, over time though, it is likely that this will be come to be understood as a straightforward £500 bursary – with the additional £500 simply part of the wider unit of resource available to teach and support each undergraduate.

At the same time, all four English institutions that initially charged less than this maximum level of fee have, within five years, joined the other universities in charging the maximum permitted under the HE Act (2004). This underlines the strength of the belief that was expressed frequently during interviews for this research, that, under the current legislation, there is no effective market in Home/EU undergraduate fees.

So, what market the HE Act (2004) has created, through the stimulation of university policy-making, is currently limited to bursaries. Furthermore, as growing evidence of lack of price-sensitivity among applicants demonstrates, the range of sums involved is not great enough to have made any noticeable impact to date on the choices made by applicants. This lack of effect may also be partially attributed to the practical difficulties that individual candidates face when trying to compare the potential financial support they personally could receive from different institutions. Although steps are now being made on a sector-wide basis (through the on-line UCAS Course Search) to assist applicants in compiling summary information to inform these comparisons, many bursary schemes are dependent on Residual Household Income, a figure which will not be assessed until after application deadlines have passed,

making it difficult for students to work out the implications of different schemes for them.

Furthermore, a number of institutions offer a range of supplements to their core bursaries, some of which may be limited in number and others for which eligibility may be limited by criteria including grades obtained at A level (or equivalent) – which year13 students will not know at the time that they are applying for their degree courses. While these additional criteria that may result in eligibility for certain streams of student support packages within some institutions have the potential to enable universities to distinguish themselves from their competitors and/or to target specific sources of applicants, they are unlikely to be effective in achieving either of these objectives if they are not fully understood by potential candidates. So, just as institutions faced an information deficit, as identified above, when seeking to set their prices in 2005-6, so many candidates are unlikely to know, at the time of their application, what the potential costs to them are of study at a particular institution.

These deficits have been identified by Brown (2009a) as part of 'the information problem', in which he also includes the difficulties that students face in evaluating the relative quality of different courses at different institutions. In this he is reflecting one initial political objective of the legislation (as explained by Lord Adonis and analysed in detail in the following chapter) that has not been discussed since 2004 as much as the others – to increase quality of provision. These considerations have however been brought back into the political debate in a discussion document published by the then Secretary of State, Lord Mandelson (BIS, 2009) on the nature and future of higher education in England. While the Access Regulator did not turn out to be as prescriptive as some had feared before OFFA began its operations, this renewed focus on the issue of quality in teaching provision may ultimately create a climate in which the Quality Assurance Agency's role within the sector is strengthened.

One perhaps unexpected consequence of the HE Act (2004) that was noticeable within the institutions sampled in this research has been an increased commitment of

time and other resources to research various aspects of the admissions process and access work that is carried out by members of the sector. While it may not seem surprising that universities would seek an evidence-base from which to inform the development of policies and evaluate their effectiveness, the reporting and monitoring requirements within Access Agreements (and to a certain extent the additional funding available) has provided an opportunity for institutions to draw on existing academic expertise or even bring in new staff in this area; research that is now being conducted within individual institutions (eg HEI1, HEI4, HEI6) includes both development of milestones to measure whether 'fair access' is being achieved and the evaluation of specific outreach and widening participation programmes, beyond straightforward measures such as applications and admissions to the university directly involved in those activities. Thus this research supports the understanding of the full range of activities covered within Access Agreements.

While much of the public and media interest in the content of those Agreements was initially, and remains, on the fees charged and bursaries offered, the original political rhetoric behind the role of these documents saw funding as just one element of a package of measures to support the broad policy objective of widening participation in higher education. This was consistent with the commitment already shown within all the sample institutions to programmes of outreach work and, in some cases, student support designed to improve retention rates. It now appears, from updated guidance issued to the Director of Fair Access to Higher Education by David Lammy, then Minister of State for Higher Education and Intellectual Property, in July 2009, that the Government is moving further towards adopting a broader view of how additional fee income may best be used to support widening participation as it looks to the future:

> "It may be that some institutions will judge increasing their bursaries to be the best way of supporting their students. However, others may judge that a better use of the portion of their fee income will be investment in other areas, perhaps enhancing the quality of the student experience they provide, or increasing investment in widening participation more generally, such as deeper links with schools within areas of high disadvantage." (Lammy, 2009, p2)

Generally, the exercise of producing an initial Access Agreement appeared to serve as an effective driver for the sample institutions to review and, in many cases, refine their existing widening participation initiatives. It also placed an increased emphasis on the requirement to establish ways to evaluate the effectiveness of this work.

There was though little evidence of any entirely new widening participation activities that came into being directly because of the requirements of the Access Regulator. However, the expectation of the inclusion of measures to evaluate the contents of these documents did, in some instances, provide an impetus for resources to be allocated to related research projects – potentially building a wider base of information from which institutions will be able to make informed management decisions about their fees, bursaries and outreach activities in the future.

In all therefore, in terms of Clark's (1983) 'triangle of coordination', the impact of the financial provisions of the HE Act (2004) on the English[55] higher education sector have been not to 'pull' it towards the influence of state authority, but rather to 'push' it, to some extent at least, away from the influence of the academic oligarchy, towards that of the market. While (as has been discussed in Chapter 2) this is not the only influence on the system which has changed since 1983, it is a significant one and its impact, as proposed here, can be represented within Burton Clark's model as, in effect, a rotational force exerted by the state authority on the sector, reducing the influence of the academic oligarchy, while increasing that of the market, as in Figure 7 below:

[55] As considered in Chapter 2, in 1983 Burton Clark felt able to consider all UK's universities as belonging to a single sector – devolution of powers mean that each national region is now responsible for higher education, hence the 2009 position shown is that of England, rather than Britain.

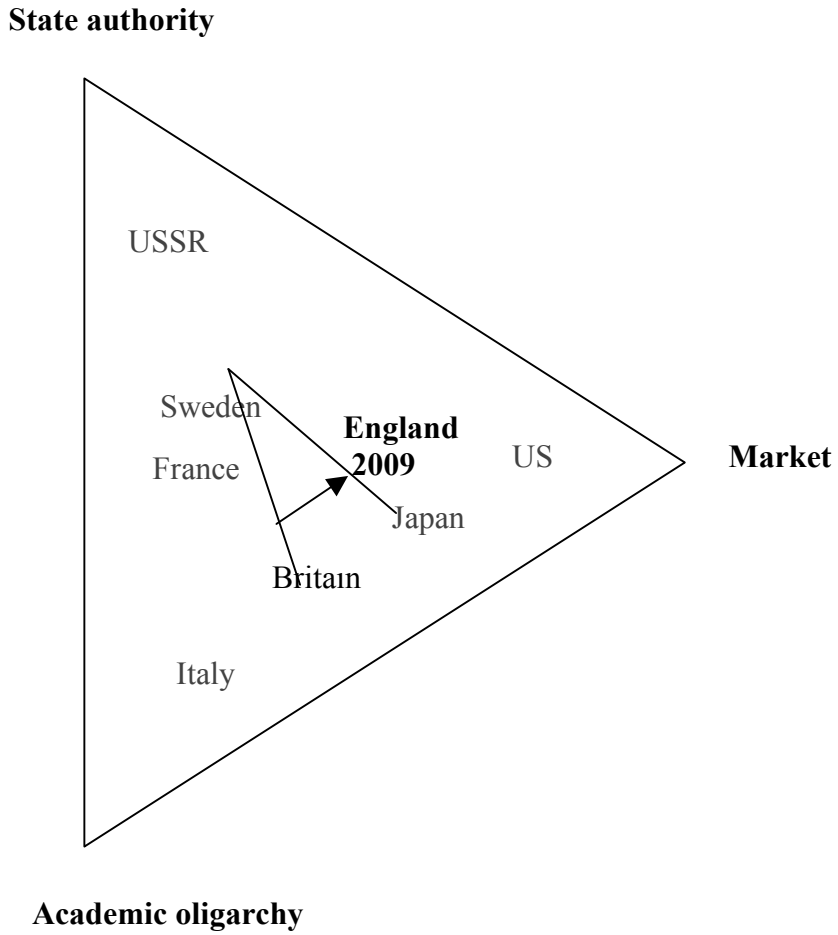


Figure 7: Burton Clark's 1983 Triangle of Coordination with suggested position of England in 2009 added

It should be remembered though that, as discussed above, the extent to which this current quasi-market for full-time Home/EU undergraduates in England is regulated means that it is not able to act as an effective market. This limits the extent to which historical data can assist in answering the fourth research question:

- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

Although some information (which will be considered in Chapter 8) was collected from respondents within sample universities on their views about how the market might evolve (both institutionally and at a sector level), it is not realistic to expect to be able to make detailed predictions about how a less regulated market (eg one in which the cap on fees were to be lifted significantly, or even removed) would operate

based on the trends and patterns of institutional decision-making to date; it can though provide a basis from which to consider the issues and priorities that would be likely to influence the members of the sector in such a situation.

The question remains of whether this highly constrained quasi-market is what the legislators envisaged as being the result of the HE Act (2004), and this will be considered in the following chapter.

Chapter 7

Measuring practice against theory - the policy perspective

Data sources

This chapter draws on original material that was collected for this research during semi-structured interviews with key policy-makers. That primary data is supplemented with information from secondary data sources such as speeches, media interviews, published writing and contributions to Parliamentary debates. These texts are particularly valuable in the analysis of the actions, motivations and opinions of people working in a politicised environment where they provide a contemporaneous record of views and opinions, that cannot have been subject to post-rationalisation or other forms of reinterpretation in light of later events. They can thus be used both to inform the content of individual interviews and subsequently to triangulate answers given, with any differences found, of themselves, serving as possible indicators of shifts in attitudes and objectives over a period of time.

The material discussed within this chapter is intended primarily to address issues raised within the two of the research questions (initially presented in Chapter 4) that underpin this thesis – the first question and the second part of the third question:

- what were the political/public policy objectives that underpinned the financial provisions of the HE Act (2004)?
- ~~what is the collective impact of individual institutional decisions for the sector as a whole and~~ how does this compare with the original thinking behind this legislation?

It will also provide a context in which the fourth research question can be addressed during the final chapter of this thesis:

- how might institutions behave in a less heavily regulated market and what would be the consequences of their collective actions?

Three key interviews were conducted, with the timing of two of these deliberately arranged because of their significance in the development of this research. Each was structured around its own broad framework of questions, prepared specifically in light of the research questions above, prior examination of secondary source materials and the individual respondent. Unlike with other data collected, it is not practical to attempt to retain the anonymity of the subjects of these interviews; they are speaking about the way that they acted whilst holding a specific role at a particular time and thus can easily be identified. Data was therefore collected on this understanding.

These interviews and their respective timings are:

Lord [Andrew] Adonis (August 2007) – served as Education Policy Adviser in 10 Downing Street until 2001 and from 2003, and as Head of the Policy Unit there between 2001-3. He is widely credited with much of the thinking behind the HE Act (2004) and says of himself: "that all the way through [the planning and passage of this legislation] I was effectively the policy adviser at Number 10 responsible for this".

Sir Ivor Crewe (December 2008) – President of Universities UK from 2003-5 (also Vice-Chancellor of the University of Essex 1995-2007). On its web site (UUK 2010b) Universities UK describes itself as "the representative body for the executive heads of UK universities" and explains that it "works to advance the interests of universities and to spread good practice throughout the higher education sector".

Sir Martin Harris (February 2010) – Director of the Office for Fair Access, since the post was established by the HE Act (2004).

It was important to interview Lord Adonis at the beginning of the data collection phase of this research as part of the material collected then served as a baseline from which to build understanding of the legislation under examination and explore its implementation. On the other hand, the meeting with Sir Martin Harris was deferred until the initial analysis of institutional data had been carried out, so his interview could be used, among other things, to probe and develop initial research findings. Furthermore, his Office conducts its own annual monitoring (OFFA 2008, 2009b,

2010) of institutional Access Agreements and their effectiveness, and it was valuable to be able to discuss as much of this work as possible during the interview.

Given the political sensitivity of the topic of this research it was not unexpected that two Ministers (one then serving and one then past) declined to be interviewed – these were David Lammy MP (Minister of State with responsibility for higher education, in DIUS, then BIS, from 2007-10) and Charles Clarke MP (Secretary of State for Education, 2002-4). In his response, David Lammy cited the Independent Review of Fees and Funding (which was imminent at the time of the request for interview) as a reason not to participate, as this was to be set up with cross-party support and an understanding that politicians of all parties would not seek to influence or prejudge its outcome through public comment. He has however written and spoken on higher education funding in the past, providing sources of relevant secondary data. Charles Clarke simply declined to be interviewed for this research, however it has been possible to draw on his speeches and articles (from both when he was Secretary of State and subsequently) and on his written submission to the Independent Review of Higher Education Fees and Funding (Clarke 2010). Background information was also gathered at a research seminar that he delivered in Oxford in October 2009.

Issues of data collection and analysis

While the refusal to participate of two people who had held ministerial responsibility for English universities was disappointing, access to secondary data sources meant that this was not an insurmountable barrier to collecting information necessary for this research. Indeed, a realistic expectation of the limits on access to such key figures was built into the research design, and hence relevant sources of secondary data, to be used where required, were identified at an early stage.

Furthermore, to increase the likelihood of obtaining access to interview key figures, it was clear that requests had to be credible and accurate, but also show an appreciation of the political realities of their situations and the boundaries this might impose on topics to be covered. This approach mirrors the strategy reported by Fitz and Halpin

(1994, p33) when planning their own research with politicians and senior civil servants. By anticipating likely limits on the areas of inquiry that would be possible, a pragmatic compromise is struck between increasing the likelihood of gaining some access and a prior acceptance of that access not being totally unbounded. On the other hand, and equally pragmatically, once an interview is underway and a rapport has been established between researcher and respondent, the respondent may feel able to discuss a wider range of issues than originally planned[56].

Fitz and Halpin (1994, p40) also consider the fact that there are often "gatekeepers" who preside over the diaries of, and access to, senior figures. This potential barrier was successfully circumvented when arranging each of the three interviews reported here by an initial direct informal approach to each interviewee in the context of a conference or seminar, which was then followed with a formal written request to their office referring back to the prior discussion.

It is perhaps also significant that the two people who refused to be interviewed were also the only elected politicians that were approached; as Walford (1994) notes:

> "Problems of access are likely to be intensified when research involves a policy initiative that is fiercely contested." (p222)

Given the climate of debate in which the HE Act (2004) passed through Parliament (as outlined in Chapter 1) the term "fiercely contested" clearly applied at that time. Before the 2010 General Election, the topics of undergraduate fees and university funding in England were expected to become highly contentious again when the result of the Independent Review of Fees and Funding is known (this is expected to be in late 2010); however, since that election, in the context of a coalition Government made up of two partners with conflicting policies on university tuition fees in their manifestos (Conservative Party 2010, p17, Liberal Democrats 2010, p33), these topics

[56] All respondents retain the right to withdraw permission at any time for specific material to be used publicly, therefore there is no ethical reason for the interviewer to limit what is said to them in light of prior agreements, when an interviewee of this level of experience is talking willingly and openly. Only Lord Adonis asked to see the transcript of his interview, and he made no substantive changes to it.

have again become contentious, even before the findings of the Review have been published. So, just as in 2003-4, the forthcoming Parliamentary debate on higher education funding has the potential to highlight differences of opinion between members of the governing parties that extend into wider considerations of social justice and the prioritisation of the use of finite public resources.

The remainder of this chapter is devoted to presentation of the primary and secondary data collected for this research in five sections:

- The funding context prior to the passage of the HE Act (2004)
- The policy debate accompanying the passage of the HE Act (2004)
- Intended outcomes of the implementation of the HE Act (2004)
- Observed outcomes of the implementation of the HE Act (2004)
- Commentary

As with the case studies of six higher education institutions that were reported in Chapter 5, it is structured chronologically - reflecting the broad structure around which each of the original interviews was built - until the concluding commentary. Within this framework, the approach taken to analysis of this data also reflects that used with the material collected within universities; thus an interpretivist perspective, reporting information directly as gathered from respondents, is used in the first four sections. That interpretivist perspective is further justified in the context of this material because, as Ball (1994) points out:

> "..... political interviews are themselves highly political. In many, but not all, cases, the interviewee has specific aims for and in the interview: to present themselves in a good light, not to be indiscreet, to convey a particular interpretation of events, to get arguments and points of view across, to deride or displace other interpretations and points of view." (pp97-8)

In the fifth section, where a commentary is introduced, a more relativist approach is adopted, to introduce a broad context to the interpretation of the data collected in interviews with these respondents. This provides a framework in which to reflect the politicised context in which they were all speaking.

Relevant material collected from secondary data sources, including that originating from 2003/4, is used to complement the primary interview data where this adds additional insight into the perspectives of respondents and of the research questions more broadly.

The funding context prior to the passage of the HE Act (2004)

The Teaching and HE Act (1998) had introduced fundamental changes to the principles behind the funding of both universities and their full-time Home/EU undergraduates: students became eligible to make a contribution to their fees (albeit means-tested) while their own financial support shifted wholly to loans, with the abolition of means-tested grants. Thus, by the time that its successor legislation was being considered, degrees were no longer 'free' and students could expect to graduate with increasing levels of debt.

Although there had been some initial political and public resistance to the 1998 changes, it was soon apparent that they were having no significant impact on the growth in the absolute number of people entering higher education or in the social make-up of the undergraduate population as a whole (Bekhradnia 2003). Nevertheless (as discussed in Chapter 1) there remained pre-existing concerns about equity of access to degree courses; influential figures were also soon raising questions about both the long-term viability of the 1998 changes and whether they split the cost of higher education appropriately between state and students:

> "My view then was that it was too little, the [1998] reform, and that it was flawed in one or two key respects, particularly the up-front nature of the fee that made it very inflexible and secondly the lack of any mechanism or flexibility for increasing it over time, when it was clear that universities were going to need a substantial additional fund of non-state income and, on any credible co-payment basis, this was probably going to involve more student contribution over time." (Adonis)

As Universities UK (2003b) stated when making a case on behalf of the sector in support of the introduction of a variable graduate contribution, by 2003/4 the participation rate for higher education in England had reached 43%, but, with that, the

student:staff ratio had declined to 23:1 (compared to 15:1 in further education). This reduction in the number of teaching staff per student, UUK argued, inevitably came about at least in part because the funding to teach each student had dropped in cash terms from the equivalent of £8000 per student (2003/4 value) in 1989/90 to £5000 in 2003/4; it went on to draw the conclusion that: "there is no slack in the system and no further economies of scale [are possible]" (UUK 2003b, p4).

These figures were sourced from government data and not contested – however, the question remained of where any additional income to redress the declining unit of resource should be found and how it should be collected. For UUK (2003b) the answers were clear:

> "On average, individuals benefit substantially from possession of higher education qualifications. Society also benefits, both because of the contribution higher education makes to the strength of the economy, and because of the skills of individual graduates such as doctors, nurses and teachers. It is difficult to quantify such benefits, but available evidence suggests that, on average, the benefits to individual graduates outweigh the measurable benefits to society at large. Individual graduates benefit because they earn more. But they also benefit from greater opportunity, social mobility, job satisfaction and even better health. It seems appropriate, therefore, to ask these individuals to contribute to the cost of providing the education that leads to these benefits.
>
> "However, it also follows that it is much more logical to seek contributions from graduates based on their ability to pay, rather than to charge students up-front fees when they are least financially equipped to pay the fees." (p7)

In taking this position, UUK was making the case for a significant increase in the level of fee that was to be charged, but structuring it in a way which it believed would not deter some groups of students more than others; all undergraduates would be eligible for government loans to cover the cost of their fees and they would only be required to pay this money back once they were obtaining a return on their 'investment' in higher education. Any potentially demotivating requirement to pay fees up-front would be removed.

Speaking from the perspective of his then role as Vice-Chancellor of the University of Manchester, Sir Martin Harris explains how he saw the position of the sector in 2003/4 and outlines why he believed new legislation was urgently needed:

> "I'd been a senior Vice Chancellor for a long time by then and I'd come to the view some years earlier that public funding through taxpayer resources was never going to be sufficient to enable at least some universities to remain world class in terms of what they were seeking to achieve so I first got involved in the years immediately before '97 trying to help the Labour Party to formulate a set of policies and they were implemented, as you will recall, in a very defective way shortly after the first Labour victory - a scheme that was simply inappropriate and it took Tony Blair and the changes of 2000 and ultimately 2003/4 to bring into place a system that was sensible." (Harris)

However, this view was not held universally; for many of the Parliamentary opponents of the move to an increased, but deferred, student fee, doubt about the assumption that all undergraduates would be equally willing to take on higher levels of debt created serious concerns. The strength of this view was demonstrated by the support that John Grogan MP obtained for this Early Day Motion in February 2003:

> "That this House supports the National Union of Students' campaign against student top-up fees; agrees that the Government's proposals for top-up fees will mean access to university is based on ability to pay not ability to learn; and urges the Government to abandon its plans for top-up fees which will lead to a two-tier higher education system." (EDM 799, 2002/3)

It was signed by 158 MPs, of whom 93 were Labour, making it clear to the Government that its proposals to change the funding of higher education would be strongly contested on both sides of the House.

The policy debate accompanying the passage of the HE Act (2004)

At every stage at which higher education funding was raised in the House of Commons during 2003, it was clear that there was vociferous opposition from a significant body of MPs from across the political parties to the concept of introducing what were generally described as 'top-up fees'. This climate made it apparent to those who supported this measure that they needed to collaborate if they were going to achieve the changes they sought to institutional and student funding:

> "There was a lot of consultation with vice-chancellors and the university world as we constructed the reform. Almost without exception (apart from a group of the new universities – it wasn't even true of all the new universities) the vice-chancellors and the university representative bodies were either strongly in favour and lobbying for the reform or – some of them felt it was politically a bit difficult – tacitly in favour and privately very supportive. So you can

> characterise the 2004 reforms as to a very significant extent designed in response to the representations of the university leaders themselves." (Adonis)

However, as Andrew Adonis indicated, there were some opposing voices within the sector; from the perspective of the President of Universities UK, Ivor Crewe, these fell into two broad groups:

> "What became clear very early on was that a significant but not overwhelming majority of VCs favoured higher fees. I would say the number who were against any raising of the fees was probably no greater than about 20, maybe 25. And that was mainly I would say for personal ideological reasons. I mean it was dressed up in terms of..... this would damage recruitment to their institution and this would undermine widening participation in higher education. But there were other VCs who were heads of very similar institutions and didn't take that view at all.....
>
> "There was then another group who I would say numbered about – well probably another 25 to 30 – who were not opposed to higher fees but were opposed to variable fees. What they wanted was a fixed fee that all universities had to charge. They wouldn't mind if that was £3000 but they wanted the government to say you've got to charge them. What they didn't want was the market in fees because they simply thought they'd lose out. And personally, I entirely understood that position. I think that was an entirely rational position for them to take." (Crewe)

Among this second group of vice-chancellors, it is also possible that there might have been some who judged that their own academic community was strongly opposed to the principle of higher fees; they would have found it easier to increase fees (and hence bring in much-needed income) if this were externally imposed, rather than subject to local choice. At the other end of the spectrum, the then Rector of Imperial College was publicly arguing for a maximum permitted fee of no less than £10,000, a stance which, according to Martin Harris, "frightened the horses" to such an extent that a cap of £3000 was the maximum Parliament would consider in 2004.

This cautious approach to the level at which the Government sought to set the maximum undergraduate fee reflected its appreciation of the extreme sensitivity of this area of policy. However, it was convinced of the need for change and, in that, welcomed the support of the universities:

> "What was it that this Government was anxious to do? It was both significantly to boost our international competitiveness, particularly in the knowledge

> economy, and to widen educational and societal opportunity. So it was the coming together in that period of the lobbying of the vice-chancellors and the university world, together with the belief of the Government that their arguments were essentially sound and justified. It wasn't a reform done to universities, in any appreciable respect. It was I suppose to some extent done to students, because they were going to have to pay, but even there I wouldn't over estimate it. The actual reaction from the student world was fairly muted." (Adonis)

As the then President of Universities UK explains, he and his organisation were conscious of the need to give their support to the HE Bill (2004) publicly, in spite of dissenting voices from a number of vice-chancellors, because of the wider political sensitivity that its proposals to change university funding were creating:

> "The political dilemma that the leadership of Universities UK had, myself included, was that we knew that the Government would have great difficulty getting this through; that was obvious. We knew there'd be a big rebellion in the Labour Party. And, you know, the Conservatives at that point were saying they weren't in favour. So we knew also that if Universities UK didn't come out strongly behind the Government, and wasn't seen to be coming out strongly behind the Government, the Government would be fatally undermined.....
>
> "We believed that, if it was defeated, there wouldn't be another opportunity to raise fees for 20 years because here was a Government with a huge majority in the House of Commons and if they couldn't get it through then when would it get through? So it was very important to get it through. We also knew that Universities UK had to somehow put it about that the great majority of VCs were in favour of the Government's proposals." (Crewe)

Thus, major opposition did not come from within the higher education sector; instead the main objections to this proposed legislation were expected to come from within Parliament. Nevertheless, there was no consideration given to deferring or abandoning the HE Bill (2004) perhaps because, as Andrew Adonis explains, the drive for these changes came from the highest level:

> "It was the Prime Minister's view in 2001 that we couldn't continue to duck [the underfunding of university teaching] if we wanted world-class universities and to expand student numbers. It was that decision, in the knowledge of the fact that any reform would be politically controversial, that put the issue very firmly on the agenda. If it hadn't been for his personal support for it, there's no way of course that the Education Department alone would have been able to start formulating quite radical policies in a controversial area." (Adonis)

In developing the details of the proposals that were presented to Parliament in the HE Bill (2004), Andrew Adonis drew on the work of LSE economist Professor Nick Barr (as discussed in Chapter 1) and also considered the behaviour of a more established higher education market:

> "The single most influential model that we looked at was the Australian one, because the Australians had been seeking to do exactly what we had been seeking to do - which was to substantially increase non-state income for universities from student fees but to do so on a fair and equitable basis that was sustainable, flexible (in that it didn't put all universities into a single straight-jacket, but allowed universities themselves to have some flexibility in the taking of decisions) and that placed a high premium on access." (Adonis)

While the proposed revisions of undergraduate fees and student funding were the provisions of the HE Bill (2004) that received most attention in the public, media and political debate, according to Ivor Crewe, leading politicians saw them as catalysts for a larger package of changes that they envisaged coming into place over the years ahead:

> "What I think is not understood is that for people like Blair and Andrew Adonis and Charles Clarke this was all part of a bigger strategy to change higher education. I think they did believe that fees would go up further after a few years when we'd all got used to fees being £3000. They wanted institutions to raise a lot more funds from donors in the American style than they were doing. They wanted business to put more money into universities and they wanted universities to be in some senses more autonomous, more independent, competing with each other for students in fact. And they were pretty influenced by the American system, or by elements of the American system, although they then grasped on to the Australian student fee support system. So they saw the Higher Education Act as being a historical turning point, but not the end of the story. And that's why they were adamant that the fees had to be variable." (Crewe)

Practical considerations of Parliamentary process lay behind this position – informed by the situation that politicians faced in the early 2000s working with the Teaching and Higher Education Act (1998):

> "Part of the reason that we laid great store by the variability of the fee and the statutory instrument regime for changing the fee at the time was that we did not want any future government ..... to be forced to pass primary legislation every time you wanted to make adjustments to the student finance regime.

> "And again it was experience of Australia that led us to think that, if we set up a system on this basis, it would be robust over time. The Australian HECS system had lasted nearly ten years by that time, and our regime had only being going four since Dearing, but it already required one piece of primary legislation. So we were keen that we should have a robust, flexible system that wouldn't require primary legislation every time a change in fee level was contemplated." (Adonis)

Thus, even though the political climate in 2003/4 resulted in a number of compromises in the final text of the HE Act (2004) (setting the fee cap at £3000, requiring universities charging the full fee to give bursaries of at least £300 to students in the lowest income groups, limiting permitted increases in fees to index-linking until after an independent review of the legislation) there were some points on which those driving the legislation were not prepared negotiate. One significant aspect that did evolve through discussion though was the nature of the regulatory body that would oversee the protection of fair access; universities were concerned that the initial proposals for this body – which became the Office for Fair Access (OFFA) – threatened their academic autonomy:

> "The early versions of OFFA made OFFA far too powerful. They were talking about social composition of recruits as distinct from applicants, for example, and we had to sort that out. And I would just go along to the Government and say: 'Look, I am trying very hard to get as many universities as possible to support the provisions of this, to support this Bill, that you know that I'm having very considerable difficulty, but if OFFA is going to have the power to demand that require universities to take more working class students, that just won't get the support from my colleagues'." (Crewe)

By the time the HE Act (2004) entered the Statute Book, it did not detail how OFFA was expected to operate or specify parameters for the proportion of additional fee income that each university would be expected to commit to bursaries and/or outreach activities. This lack of specificity was, not surprisingly, welcomed by the sector, and was also welcomed by Martin Harris, when he started his work as Director of Fair Access; he found that universities responded well to guidelines from his Office and, where OFFA identified that proposals in an Access Agreement needed more investment, or other improvement, he and his staff were able to achieve this through private discussion and negotiation.

The final text of the HE Act (2004) and accompanying regulations hence represented significant concessions to both the higher education sector and those politicians who opposed the principle of variable fees because of concerns about their possible effect on the widening of participation.

Intended outcomes of the implementation of the HE Act (2004)

The basic underlying rationale for the financial provisions of the HE Act (2004) was clear – significant additional funding had to be identified to enable an intended expansion of the sector to take place without its quality suffering. Otherwise universities would be obliged to adjust the profile of their intake to remain viable:

> "We saw it as both important that universities had a larger unit of resource but also that is was possible to continue expanding student numbers without doing what, of course the last government had done, which was to cut the unit of resource. We believed that to do that would be to sacrifice the role of universities internationally and indeed it could set off some very perverse incentives – indeed there were already strong incentives for leading universities to recruit overseas students rather than domestic students and our belief was that, if we were to go for another round of expansion based on a cut in unit of resource, this would start progressively closing the top universities to domestic students." (Adonis)

From the point-of-view of the then Secretary of State, the principle of variability of fees, supported by a student finance system that would not discourage certain groups of potential undergraduates disproportionately, was also important:

> "The system of student finance established by this legislation was intended to allow different fees to be charged for different courses at different HEIs, in accordance with their differing quality and value for future life, but in a way which did not carry adverse consequences for those applying to university from poorer backgrounds. The whole repayment system, which removed the upfront payments and established a payback after graduation through the tax system, was designed to achieve this goal." (Clarke 2010)

At the same time, politicians were attracted to the idea of introducing a quasi-market (as discussed in Chapter 2) into higher education because of the wider benefits, in terms of improvements in services offered and other aspects of the relationship between institutions and their students, that they believed this mechanism could offer:

> "The thinking in Number 10 was that if universities were allowed to charge more realistic tuition fees, a market would be established. And if a market were established a strong relationship would be established between the universities and the students who went there. And I think that if the original proposal for a ceiling of £5000 had got through the cabinet committee system there would have been a bit more of a market. But once it was decided that the ceiling was £3000 everybody knew, I mean Government ministers knew, even Andrew Adonis knew, that the vast majority of universities were going to charge £3000.....
>
> "Had it been £5000 then I think some universities would have said we might actually start losing students at £5000 even if it's not up-front and even if not all of it would be paid back afterwards. So I think a market might have been created then. It still would have been very much a quasi-market because I still think you would have found a lot of universities – many more universities than one might imagine charging £5000." (Crewe)

Thus, according to Ivor Crewe, politicians were aware, by the time that they presented the HE Bill (2004) to Parliament for debate, with the proposed level of fee cap set at £3000, they should not expect the resulting legislation to create a market in fees within the sector. Nevertheless, both they and Universities UK took the view that it was important to persevere with the proposed changes; from the university side, this view was shaped to some extent by a concern expressed by Ivor Crewe that a small group of institutions with international reputations would otherwise work alone to gain permission to charge higher fees. Politicians remained committed to the principle that legislation enabling variable fees would support diversity within the higher education sector:

> "Universities in this country are not, and should not be, identical in their mission or purpose. Each has its own strengths and weaknesses both across these broad responsibilities and across subjects. Each teaches in different ways, with different approaches to educational technology, different mixes of students, different relationships to work and different pedagogical methods. Consequently the qualifications from each HEI vary in their quality and relevance.
>
> "One of the purposes of the White Paper, and the consequent legislation, was to persuade the higher education world to recognize openly that these differences do exist in practice, that the sector is diverse, it is not a monolith, and that economic consequences flow from these differences." (Clarke 2010)

In adopting this view, Charles Clarke was recognising another reality of a functioning market; by saying that different types of institution cannot all expect to receive the

same level of income, he was acknowledging that different types of higher education could expect to have different pecuniary values. However, he was relying on the student contribution element of their respective teaching incomes to reflect this, rather than broaching the potentially much more contentious idea that public funding for teaching might vary according to some measure such as student demand or expected graduate incomes.

At the time of the legislative debate itself, as Secretary of State, Charles Clarke ensured that he was not seen to be attempting to interfere in areas that were to be the responsibility of the Office for Fair Access; thus he did not quantify how much of any additional fee income individual institutions should be expected to commit to student support and outreach measures. However, the Director of OFFA was given a strong steer about the political viewpoint on this:

> "We had very clear guidance from Charles [Clarke], not written down anywhere but it's long enough ago now to be open about it. Charles said he expected the lion's share of money to be used by universities for their own purposes (we seem to have forgotten that sometimes), the lion's share, and he told me privately that he would expect overall 10% of the new money to go on student support and that rather more in those universities "with furthest to go". That was Charles' phrase..... " (Harris)

While custom and practice over the four years has now given universities a clear indication of what is expected from them, this lack of a specified minimum expenditure through measures contained in individual Access Agreements created a climate of uncertainty across the sector when the first round of these Agreements was being drafted. It did though also enable OFFA to determine its own view of an appropriate minimum – which it set at around 20%. This way of working was facilitated by the comparatively non-prescriptive basis on which OFFA was established under the legislation. According to its Director, Martin Harris, the work of the Office, and its relationship with individual institutions was greatly facilitated from the start by the extent to which it was, and is, free to offer reasonable guidance to members of the sector, rather than instructing them how to act in the highly institution-specific area of fair access.

Observed outcomes of the implementation of the HE Act (2004)

Although the principles underlying the financial provisions of HE Act (2004) were those of a quasi-market, the details that it ultimately included reduced the likelihood that any new market would be significantly diversified:

> "What happened was the apparent beginning of a market in bursaries and I say apparent because there are lots of differences in the bursary packages and therefore there could be a market but there's quite a bit of evidence that only one relatively small group of students .... is using that knowledge as an influencer in decision-making and that for most people there is *de facto* no market in bursaries either in the sense that they do not choose their institution, even partly, on the basis of the bursary support they can get to supplement Government support. So no market in fees and an apparent market, but a largely ignored market, in bursaries." (Harris)

Thus, it could be viewed that those who originally opposed the legislation on the grounds that increased cost would reduce participation from some specific groups of students more than others were successful in the compromises that they obliged the Government to make, before it could win the vote on the Second Reading of the HE Bill (2004). At the same time, from the other side of the debate, setting the fee cap at £3000 for 2006 could be seen as an initial move, erring on the side of caution, in a market where there was limited information on consumers' perceptions of value:

> "Now, did we actually, in a mechanistic way, work out was the appropriate contribution? No – because we took the view that any realistic view of the individual return against the public return, the student contribution wasn't anywhere near it. ...
>
> "We were also influenced by the fact that you could test this in the market and, after one year effects which you might expect, the increase in student numbers and applications weren't held back by the first increase in fees. All of the evidence we had suggested that an increase of the level we were proposing wouldn't hold back the next increase and indeed it hasn't." (Adonis)

Indeed, demand for higher education (as measured through applications via UCAS) has continued to rise - even following a significant downturn in the global economy - supporting the research evidence (UUK 2009) that the current maximum fee remains below the price-sensitivity point. These findings – in terms of both number and mix of applicants - were though not entirely unexpected:

> "The headline conclusion is that it hasn't made very much difference. And that wasn't a surprise for me because I never believed that the barrier to wider participation in higher education was a financial one. It is at the margin but it's not the main barrier. The main barrier is cultural and the main barrier is in the attitude and barriers of aspirations of certain social groups in the UK, particularly .... the white male working class." (Crewe)

While the HE Act (2004) may be judged not to have had a detrimental impact on participation, it might be considered to have been a missed opportunity to generate positive impacts. However, such an outcome would most likely have required provisions within the Act, or at least within the orbit of OFFA, relating to university admissions; these, rightly according to Martin Harris, would have faced severe opposition in the House of Lords, on the grounds that they would constitute an erosion of academic freedom and, while they were under consideration at the early stages of the drafting of the Bill, they were soon dropped. However, he is aware that this position may be challenged in the future:

> "We've .... got the .... complication which is probably the most difficult of all, [which] is that the legislation quite rightly is about getting people into the pool of applicants whereas, of course, the media look at admissions and deliberately confuse the two but actually it is going to be interesting for universities looking forward to say, how long will the public put up with evidence that people are applying rather than whether they're then admitted." (Harris)

The same political necessity that informed the decision to relate its access provisions to applications rather than admissions, more generally resulted in an Act of which the social impacts were limited. Nevertheless, it did establish the principle of institutional bursaries as part of a wider package of student funding:

> "I thought: that the system that was brought in that we're still living with now was one with which we could work; that the political furore which surrounded it had brought into place legislation, much of which was ill-conceived but much of which equally would in reality have no effect whatever and that's really what's happened; that all the parts of the legislation intended to force people to do this and to punish them dramatically if they did that, all that legislation has been nugatory - none of its provisions have ever been used. And what has happened is that universities, initially with OFFA but latterly because it's all now embedded in the system, have set about devising a bursary policy to complement their own goals and to complement the national system of grants and loans which, by the way, has varied dramatically in those five years for extraneous reasons." (Harris)

As Harris also points out, the context of national student support (via subsidised loans and the re-introduction of means-tested grants) within which universities operate their own bursary schemes can be, and has been, subject to change by politicians, making long-term planning more difficult for institutions. However, experience has still shown that Access Agreements which focus on targeted financial support for undergraduates, rather than outreach activities, are the most straightforward for universities to operate:

> "..... the wise university, as we now know but we didn't know at the time, was one that said, we will put 25% of our new resources into bursaries and we'll spend all our money that we're going to spend on bursaries and we will go out of our way to find poor people and give them specially generous bursaries. That's all they're then held to account for whereas another university said, we'll run ten extra summer courses and we will do this, that and the other and they have had to report annually ever since on whether they've achieved those things or not." (Harris)

While its Director may be slightly self-deprecating about the achievements of OFFA, from a politician's perspective it has struck a good balance:

> "OFFA hasn't been the great regulator-in-chief that was feared at the time – one of the most contentious things when the legislation was going through. Sir Martin Harris appears to have done an excellent job – he has been genuinely light-touch whilst at the same time securing about a quarter of the income from universities going on bursaries without great controversy within the university world either. So it looks to me to have been a fairly successful reform both in design and in implementation." (Adonis)

Nevertheless, as Andrew Adonis acknowledges, voters used the opportunity of the subsequent General Election to show their dislike of the introduction of variable fees:

> "There was a political cost that we paid – we suffered badly in university seats in the 2005 election because basically of course people would prefer not to pay than to pay. I don't minimise that – I know that a number of the MPs in university towns were seriously worried about their electoral prospects and with good reason – there was a payback. But there wasn't a militant or particularly aggressive campaign by students – there was a strong sense that the time had come for a reform of this kind ..... and we also of course had people who were further to the extreme, who denounced the reforms as being too modest and not going far enough." (Adonis)

On this analysis then, it could be argued that the HE Act (2004) trod a delicate path through a highly contentious political minefield, striking a reasonable balance

between more the more extreme positions that were being voiced in the media and in Parliament.

Commentary

Considering the relevant research questions in light of the interview data discussed above, it now seems clear that the compromises that were required to obtain the necessary political support for the HE Act (2004) resulted in legislation that was too constrained to achieve the original policy objectives that lay behind it; the limits that were placed on the operation of the quasi-market that it created were also such that there has to be serious doubt about whether experience of institutional behaviour under the current funding regime studied here (and of student choice examined elsewhere) can serve as a reliable indicator of how the market would behave were it to be liberalised by subsequent legislation.

This situation came about because the passage of the HE Act (2004) was an example of *Realpolitik* in action; those broadly in favour of a move to variable fees (Government and universities) recognised that the strength of opposition (from parts of Parliament and some student groups) was such that they had to work together to achieve any change at all. They needed to set aside their differences, publicly at least, on the nevertheless highly significant level at which the cap on fees was to be set, and concentrate on reassuring their opponents that adequate provisions would be put in place within the new structure to ensure that cost was not a barrier to participation in higher education (especially for those from low-income backgrounds).

For this reason, the President of Universities UK devoted significant behind-the-scenes efforts to encouraging those vice-chancellors who were minded to criticise the provisions of the HE Bill (2004) in the media and elsewhere to keep their counsel. In the main this worked, with the variability of fees ultimately providing an opportunity for those with serious concerns about the implications of higher fees to limit the amount that they charged; however, at the other end of the scale, some institutions

that were less reliant on public funding continued to voice strong opposition to capping of fees at £3000.

There was real concern inside Government that it would be defeated in the Commons when it came to the Second Reading of the HE Bill (2004). In a move that was intended to demonstrate the support of a united sector, Universities UK therefore placed a full page advertisement in the national press on the day of that debate, endorsing the proposed legislation – this was signed by more than 80 vice-chancellors. While the Government did win that vote, and ultimately the legislation was enacted, the compromises that had been necessary to gain sufficient support in Parliament resulted in an Act that was only a small step towards further changes that some (eg Adonis) feel are still inevitable.

The question then arises of whether that step is significant, in the sense that it has established a model for institutional and student funding that would be sustainable, were it to expand. On one hand, the HE Act (2004) introduced a new structure for student contributions to the costs of their undergraduate studies while establishing a culture of bursary support from all universities. On the other, the cap on fees still left a funding gap for many courses and institutions, while it quickly became apparent that the cost to the public purse of underwriting the new student finance package would serve as a limiting factor on any future proposals to lift that cap within the current support system (Barr and Johnston 2010).

Thus, Andrew Adonis's view that this legislation had established important principles and could, over time, be modified comparatively simply, now appears highly contestable. Furthermore, even with a bursary framework that has generally resulted in those institutions with smaller proportions of students from low-income backgrounds (in practice, the highly selective universities) being able to offer substantially larger bursaries than those that regularly achieve or exceed their HEFCE Widening Participation Performance Indicators, there is no evidence that university access in England has become 'fair'; that is to say, while the socio-economic mix of

undergraduates as a whole is shifting towards a more accurate representation of the population (HEFCE, 2010b), lower socio-economic groups are still relatively under-represented in highly selective institutions, a point which concerns Martin Harris, as he discussed when interviewed (see also Harris 2010, pp6/7).

This outcome reinforces other evidence (discussed in Chapter 6) that, at current fee levels, decisions of *net* cost are not having a significant influence on the choices that applicants are making. Furthermore, any market that was established was in bursaries, not fees. Thus, it could be argued, the sector has undergone the imposition of a quasi-market, without experiencing any direct benefit, in part because the legislative constraints on that market mean that its price-sensitivity point has not been reached (UUK 2009) and so institutions cannot differentiate themselves through price.

A quasi-market might though also be expected to deliver benefits to its consumers, in this case the students; specifically, there was an expectation voiced by politicians from the publication of the White Paper (DfES 2003) onwards that the introduction of variable fees would encourage a drive to increased quality of teaching and provision of clearer information to applicants and students about different institutions and courses. Although it is difficult to determine whether extra funding generated by the HE Act (2004) has resulted directly in an improvement in the academic provision available to undergraduates, it is clear from the protests experienced by HEI1 (reported in Chapter 5) and more recently by a number of other institutions[57], that students do not perceive that they are getting value-for-money from their degree courses. Furthermore, as studies have shown (Callender and NISR 2009, Brown 2009b, Oakleigh Consulting and Staffordshire University 2010) applicants and students are not fully informed about the funding available to them; while this is not due only to the ways in which this – often detailed and complex – information is

[57] As reported in the *Times Higher Education* on 11 March 2010 (http://tinyurl.com/ydjm33a) students and the Universities of Sussex and Westminster have supported staff protests about cuts in courses and jobs – while these are driven in part by reductions in HEFCE funding announced earlier in 2010, they are still taking place within the wider context of the institutional and student funding that was established by the HE Act (2004)

presented, OFFA has made it clear that it expects institutions to make increased efforts to communicate this information effectively and so provided guidance (OFFA 2009a) on how they might achieve this.

In addition to conventional manifestations of consumer and supplier behaviours within markets, another rationale for the introduction of quasi-market mechanisms (as discussed in Chapter 2) is that these will reduce the direct role of politicians and officials, leaving professionals within the relevant sector to operate more effectively. In terms of the spheres of influence exerted on national systems that are expressed in Burton Clarke's (1983) Triangle of Coordination (discussed in Chapter 2), this could suggest a move away from 'state authority' towards the 'market', leaving the relationship with the 'academic oligarchy' unaffected. However, (as also considered in Chapter 2) 'professional' staff within higher education are not exclusively the academic oligarchy, but also increasingly include administrative managers with professional expertise in fields such as finance, information systems and marketing.

As the case studies considered in Chapter 5 demonstrate, it is this group of professionals whose influence has increased following implementation of the HE Act (2004), not the academic oligarchy. Thus, the findings in this chapter reinforce those in Chapter 6 – state authority (delivered via the legislation and supporting regulations) has tended to push the English university sector away from the academic oligarchy towards the market, while leaving the strength of its own relationship with the sector relatively constant.

Chapter 8

Conclusions – what we can and cannot learn from the current 'semi-quasi-market'

This concluding chapter returns to consider the underlying the object of inquiry of this thesis: "Implementing the financial provisions of the Higher Education Act (2004) - English universities in a new quasi-market", by building on material presented in the preceding three chapters which drew on data collected during this research to propose answers to the four supporting research questions that were identified in Chapter 4.

At the core of this thesis therefore is a study of the supplier side of an emerging market – with particular attention paid to understanding pricing strategies adopted by universities and the objectives behind them. As the sub-title of this chapter suggests, examination of this quasi-market has already indicated that, with the current legislative constraints in place, it can only operate partially, such that it may be thought of as a 'semi-quasi-market'.

As with most markets, it is important to be aware though that not only is the higher education system in England subject to competition among its members and between itself and other national systems, but it is also sensitive to the impact of certain external factors; in the case of the university sector, key among these are issues of social policy and the wider economic situation (both nationally and internationally). Thus, changes in these factors, which are more often that not determined by issues that are outside the immediate sphere of higher education, affect the context in which the market under investigation is operating.

The wider context

Although the impact of any individual change will vary, it is significant to note that, in each of the four academic years - 2006-2010 - that are considered in this research[58],

[58] While four years may appear to be a reasonable period of time to allow a new market to stabilise, given the annual nature of the admissions cycle (within which, OFFA gave clear guidelines that institutions should not adjust their fees or bursaries), it represents only four discrete opportunities for institutional managers to set and monitor the effectiveness of their pricing strategy and tactics.

there were developments in the environment within which the market was operating, as a consequence of which the extent of direct comparability with adjacent years may be limited:

- **2006-7** was the first year in which the funding provisions of the HE Act (2004) applied; UCAS data show that - just as in advance of the implementation of the Teaching and Higher Education Act (1998) – there was a disproportionate increase in applicants for 2005 entry, compensated for by a slight drop for 2006, however the overall upward trend in undergraduates has since been re-established. The falls in applicants for both 1998 and 2006 are thought, in the main, to reflect the choices of people who have the flexibility to bring forward their entry to university – such as those who would otherwise have taken a 'gap year' after leaving school - to avoid being subject a forthcoming increase in tuition fees.
- After that transitionary period, **2007-8** was a year of comparative stability, which had the potential to serve as baseline for an evaluation of the implementation of the HE Act (2004).
- However, in July 2007, the then Secretary of State, John Denham, announced that, from 2008-9 onwards, the thresholds for eligibility for grants would be changed, with the objective of increasing the proportions of undergraduates receiving a maximum or a partial grant to one third each. Thus, from **2008-9**, students from families with Residual Household Incomes (RHI) of up to £60,000 (as opposed to £37,500 in 2007-8) would receive a partial grant while those with an RHI of up to £25,000 (as opposed to £17,500 in 2007-8) would receive a full grant. This change meant that there would be an increase of over £1000 in the annual grant of some undergraduates – a significant change to one element of the overall support package, of which bursaries play a part – and many more students would become eligible to receive some grant. These adjustments to the grant thresholds served as an impetus for some institutions to review and revise the financial support that they offered. Furthermore, universities charging above the standard fee are required under the HE Act (2004) to provide at least a minimum level of bursary support (£300 in 2006-7, index-linked) to those receiving the full grant; thus even if an institution decided that it did not wish to modify its bursary scheme significantly in light of the changes in grant thresholds, it was still necessary for it to ensure that its bursaries satisfied this minimum requirement. Whether for these

reasons, internal operational reviews or strategic reassessments, for 2008-9 entry, a number of institutions made changes to their Access Agreements, beyond simple modifications reflecting index-linking. While, in a mature market, these changes could be seen as normal readjustment to external circumstances, English universities and their applicants and undergraduates were still settling into the new funding environment and thus this represents another non-typical year for higher education fees and funding.

- It became apparent, as early as October 2008, that the recent extension of eligibility for grants had resulted in a larger proportion of students than originally intended receiving at least partial funding from this source. The Secretary of State therefore announced (on 28 October 2008[59]) that, from **2009-10**, the upper limit for receiving at least some grant would be reduced to an RHI of £50,020, with those from families with an RHI of up to £25,000 still receiving the maximum grant; with these limits, it was expected that about 40% of undergraduates would receive the full grant, with a further 26% receiving a partial grant. But the potential impacts of these adjustments to grant thresholds paled into insignificance compared to the international repercussions of the global financial downturn, which had reached crisis point in September 2008, with the bankruptcy of the US bank, Lehman Brothers. Anxieties about the length and depth of the recession that this triggered raised questions about the potential for graduates to find employment that attracted a 'graduate premium' and thus the validity of the argument that it made financial sense for undergraduates to 'invest' in studying for a degree. It was feared by some within higher education that this would result in a decline in willingness among potential students to undertake a programme of study that would leave them with a significant debt. However, as the Chief Executive of UCAS, Anthony McClaran (2009), said when announcing a rise of 7.8% in applications for 2009 entry, by the 'official' deadline of 15 January 2009:

[59] See http://tinyurl.com/3ywd6kj for DIUS news release

> "These figures represent the third year of strong and continuous growth in full-time undergraduate applications. There has been considerable speculation about the effect of current economic conditions on applications for higher education but these figures give some assurance that demand remains strong. Education is a long-term investment for the individual and for society as a whole." (McClaran)

Another, more predictable, consequence of the rapid deterioration in the global economic environment during 2009-2010 was that public finding for university teaching (the HEFCE 'T' grant) would come under pressure. When the Funding Council announced its recurrent grants for the following year (HEFCE 2010a), these showed a rise across the sector of 0.9%. This figure, in real terms, equated to a cut of 1.1%, contrary to the pledge made by the Government at the time of the passage of the HE Act (2004) that it would protect public funding of university teaching from the effects of inflation, at least until the Independent Review of the legislation (now underway under the chairmanship of Lord Browne) had reported.

For these reasons, therefore, the four undergraduate recruitment cycles that have taken place under the provisions of the HE Act (2004) are each, in their own way, distinctive, making it inappropriate to use analysis of trends in numeric data alone to attempt to draw conclusions on long-term future behaviours of the suppliers in this market. Similarly, as it is clear that the cap on fees keeps them below the price sensitivity point for almost all undergraduates (UUK 2009), it would not be appropriate to predict from current data on applications alone how consumers would behave in any future market in which the cap were to be raised significantly.

Themes observed within this research

These caveats notwithstanding, due to its qualitative methodology, this research does have the potential to provide worthwhile information about the manner in which universities have responded to the financial provisions of the HE Act (2004). This is because it has yielded an understanding of the thinking behind individual behaviours and decisions that has sufficient depth to suggest the broader principles on which senior managers within the institutions studied were acting. Specifically, a number of common themes are apparent within the universities sampled, that it is reasonable to conclude can be expected to occur across the sector as a whole. These are:

A willingness to attempt to adopt market behaviours – at all six universities, respondents used at least some of the language of the market and, although there was a general resistance to viewing students as 'consumers', this was primarily because they were judged to be more than this (ie 'members' of the institution). Managers were conscious that they needed to be aware of how their main 'competitors' were positioning themselves with regard to fees and bursaries, almost universally considered that fees of less than £3000 would devalue perceptions of their degrees and professed themselves aware of the importance of effective communication of fees and bursaries to applicants and their families, and to students once they had enrolled.

Sensitivity to local factors – while institutions took this sector-wide view concerning fees, local factors played an important part in the design of bursary schemes. Both HEI1 and HEI4, for example investigated local living costs before setting bursaries, while HEI2 and HEI6 initially decided that, for their particular intakes, the government's financial threshold for full grant/bursary support was too low[60].

An eagerness to be positioned close to peer institutions – rather than seeking to use fees and bursaries to differentiate themselves from academic 'peer institutions' (a term that was often used for what, in other markets, would be called 'competitors'), senior managers within universities were more likely to be satisfied when comparisons put them in similar positions (eg HEI1, HEI2). They appeared to require the reassurance that their fees and bursaries were similar to those available from comparable institutions and were seeking to confirm their place within the particular grouping with which they already identified their own university. Therefore the reactions of institutions to the financial provisions of the HE Act (2004) have tended to reinforce established patterns of viewing the sector as a series of groupings, rather than encouraging greater differentiation.

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[60] This latter consideration was subsequently reflected on a national scale when grant eligibility was revised for 2008-9.

An early appreciation that price has little impact on student choice – there was real concern in the period leading up to 2006 that the new funding system would act as a genuine deterrent to at least some potential undergraduates. Universities therefore expected to receive a large number of inquiries about fees, funding and cost more generally during open days and other recruitment activities. They soon found that, even for 2006 entry, this did not appear to be a major issue for applicants, who asked similar questions to previous cohorts; there was, though, some interest from parents in financial aspects of study (eg HEI2, HEI6).

This empirical assessment of the limited extent to which undergraduates' choices were affected by financial considerations was soon supported by more concrete evidence from the first annual monitoring of Access Agreements (OFFA 2008). This showed that there had been widespread underachievement of the targets that institutions had set themselves for distribution of bursaries to their undergraduates; while some of this was attributable to inaccurate estimation of the profile of intake for 2006, there was also evidence of significant levels of under-claiming by entitled students. As one indicator of the scale of this, the National Audit Office (NAO, 2008) reported:

> "As many as 12,000 students entering higher education in 2006-07 on full state support did not apply for a bursary although many were likely to have met the necessary criteria." (p8)

While institutions worked to increase take-up, generally in collaboration with their Students' Unions, experience has led them to expect that they will never achieve 100% take-up of bursaries, however straightforward the administrative process through which these have to be claimed. Both institutions' own internal research (eg HEI3) and national studies (UUK 2009, Corver 2010) have confirmed that, within the current parameters of the HE Act (2004), differences in levels of student debt likely to be incurred have minimal impact on the choices made by the large majority of applicants about where and what to study.

On the whole, therefore, universities have responded to the introduction of the financial provisions of the HE Act (2004) in a way that reflects initial caution about the new context in which they would be operating from 2006; they found themselves

in unfamiliar territory and generally adopted a conservative approach, taking decisions that were intended to reinforce established positions and strategies. However, they have also shown an ability to learn quickly from their own local observations and sector-wide research on student behaviour, and a willingness to make changes to their financial offers and systems in the light of this market intelligence. They have also been pleased to note that regulation via OFFA has not challenged institutional autonomy in the way that some observers had suggested it might.

Diversity or homogeneity?

These shared attitudes that have been observed among universities in this research are consistent with those substantive changes that some institutions have made to their fees and/or bursaries Where institutions have modified the financial support that they offer to their students, this has generally been to make it more straightforward; this can be seen by comparing the numbers of schemes in each of the types developed in Chapter 4 for 2006 and 2009 entry (see Appendices 2 and 5), as in Table 16 below:

	Basic	**Basic plus**	**Automatic**	**Non-compulsory**	**Complex**
2006	35	12	7	4	30
2009	44	12	3	2	26

Table 16: number of English HEIs in each bursary 'type' - 2006 & 2009 entry

The *net* effect of the adjustments that individual universities have made to their own fees and bursaries over this three year period has been a shift towards schemes that are more straightforward to operate and communicate. Within these changes a number of institutions have also reduced the value of their core bursaries (cf HEI3) or the threshold on Residual Household Income at which these are paid (cf HEI6); this suggests that they are acting in light of growing evidence that cost is not influencing choices made by applicants, which means that more generous bursaries cannot be expected to generate increased numbers of applicants.

At the same time that the value of some bursaries is being reduced, there is a noticeable increase in the number and range of scholarships available. Many of these are funded by individuals with particular objectives for their philanthropy and have

very specific criteria, or are only available to a small number of students; however some may be worth several thousand pounds annually and so have a significant impact for their scholars. There are two clear exceptions to this – the large number of institutions that have introduced scholarships of about £1000 a year for undergraduates who are care leavers[61] and Eliahou Dangour Scholarships (which are of a similar value) for some students studying science, technology, engineering or mathematics at 38 universities that are members of the 1994 Group.

Furthermore, even where schemes have not transferred between categories in this typology, in a number of cases the details of their provisions have simplified – for example with a sliding scale for means-tested bursaries replaced by three, two or just one band of payment for students from low-income families. Universities thus appear to be recognising that it is in their interest to simplify their bursaries while, at least in part due to external influences, at the same time they are complicating their student support packages by introducing a number of different scholarship schemes.

Looking specifically at fees, for 2010 entry, for the first time, all universities will charge the maximum permitted sum to full-time Home/EU undergraduates (which, with index-linking, is £3290). Hence, the maximum fee allowed under the HE Act (2004) has become, *de facto*, the standard fee and there is a move towards homogeneity among the types of bursary offered, although – at the extremes – not in the amount of financial support available to individual students. Thus, the legislation is not, in this sense, resulting in greater variability across the sector, contrary to an observation made by Andrew Adonis when interviewed for this research:

> "There has been more diversity – but of course these institutions are diverse anyway and, if by diversity we mean choosing missions that they are particularly effective at, then that is a necessary function of their success as institutions anyway." (Adonis)

Where variability is most noticeable though is in the level of bursary offered by institutions. Although a number of highly selective universities offer bursaries of at least £3000 to some undergraduates (in most cases those from families with lower

[61] Since the Quality Mark for Care Leavers in Higher Education was launched in 2006, by the Frank Buttle Trust, more than 40 English universities have signed up to its provisions, which may account for the increased attention that the sector is now paying to the needs of this group of undergraduates.

levels of Residual Household Income), much smaller figures are common elsewhere in the sector. The institutions that offer these larger bursaries are generally those that are furthest from achieving the benchmarks set for them against the main HEFCE Widening Participation Performance Indicators (eg HEI4); while their managers might argue that it is therefore reasonable for them to offer higher bursaries to attract a more diverse intake of undergraduates, those institutions that generally achieve their own benchmarks argue that they are being penalised for their success – they have many more students in need of financial support and so can only afford to offer each of them a much smaller bursary (eg HEI3, HEI6).

This difference was quantified by the National Audit Office (NAO 2008, p35) which found that the average bursary available in 2006-7 from institutions that did not achieve their HEFCE Performance Indicator for Widening Participation was £1322, more than double the average figure of £657 for bursaries awarded by those that exceed this benchmark. It further noted that these averages disguise the fact that the variation between bursaries offered by institutions in each grouping may be substantial.

One suggestion that has been put forward as potentially addressing this issue is the introduction of a national bursary scheme (Chester and Bekhradnia, 2008, McCaig and Adnett, 2009); this, it is proposed, would use a proportion of the additional fee income collected by all universities to fund a single national means-tested bursary scheme that would be available to eligible undergraduates at every English university. While this idea has support from some institutions, there are those, including Ivor Crewe, who foresee significant problems with it:

> "The complaint ... from the likes of London Met is that this [local bursary schemes] allows the elite universities and the rich universities to cream off the brightest working class talent. And they'd like some of that please rather than just being left with average students. I do understand that argument. The two arguments against it are, one, that if you have a national bursary scheme it'll be that much more difficult to raise sums from donors because the donors will say 'Why should I give money to a hardship scheme, a bursaries and scholarship scheme ..... if there's a national scheme?'. The second argument against the national scheme is that what the government giveth, the government taketh away – can take away – so you could easily see that bursary scheme be eroded in value over time." (Crewe)

Furthermore, the only substantive distinction between a national bursary and a grant is the source from which it is funded; as Martin Harris points out, ceding fee income into a pool that would fund such bursaries represents a significant loss of institutional financial autonomy:

> "We have things called grants - they are determined by the government of the day. We have things called loans - they are determined by the government of the day. If they are judged to be insufficient, that is a political decision and the government of the day can change the grant levels or the loan levels in any way it wants at any time. Full stop. In addition, the Government said that universities would wish to consider supplementary help from *their* resources..... It's not the Government's money, it's the universities' money." (Harris)

While institutional bursaries continue to be funded from a proportion of additional fee income which, in line with the expectations of the Office for Fair Access, is likely to be in the region of 20-30%, this tension will remain unresolved; as far as means-tested bursaries (at least an element of which is included in the majority of schemes) are concerned, there will be an inverse proportionality between the number of undergraduates from low income backgrounds at a university and the amount that those students will be able to expect in bursary support. This tends to penalise financially students from widening participation backgrounds who attend universities that already recruit a large proportion of students with profiles similar to them and, it could be argued, are most experienced in supporting those students who have limited experience of higher education within their families.

As the Director of Fair Access explained though, and perhaps because they identified this problem, some institutions committed larger amounts of their additional fee income to bursaries:

> "..... unexpectedly, and this was no problem for OFFA but may turn out still to be a problem for the universities, some universities went way beyond what they needed to do through the legislation because they judged that they wouldn't get students otherwise. In other words, they used it as a marketing tool rather than a bursary tool." (Harris)

Thus, some of the universities which identify themselves as 'recruiting', rather than 'selecting', decided to retain smaller percentages of their increased fee income from full-time Home/EU undergraduates within the institutional budget. As these institutions are generally those that receive a greater proportion of their income from

teaching than from research, the implications of this decision for their revenue streams may be expected to be significant[62].

In could be argued therefore that the financial provisions of the HE Act (2004) tend to disadvantage those institutions which were already at the lower end of the perceived scale of status within the sector; furthermore, any such universities who successfully use the flexibility of the new market to compete for students are likely to find themselves disproportionately disadvantaged by the financial implications of decisions made in their attempt to attract students. At the same time, institutions that receive larger proportions of their income from full-time Home/EU undergraduate teaching will be more exposed to the potential financial risks of pricing policies that may fail to produce the numbers and types of students that managers have built into their planning forecasts.

Increasing equity of access or just widening participation?

During the public and political debate that accompanied the passage of the HE Act (2004), the terms 'fair access' and 'widening participation' were both frequently used, often almost interchangeably. In the context of the Government's target of 50% participation in higher education, numbers applying for, and being admitted to, degree courses were one readily available measure; however, according to Martin Harris, as financial considerations are beginning to constrain the number of undergraduate places available, that does not give the full picture:

> "I think we can say now that widening participation has been a huge success, a huge success, and indeed the only thing that's going to constrain it is external financial circumstances. The problem this autumn [2010] is not going to be demand from young people of every social group, it's going to be the incapacity of the system to meet that demand.
>
> "So that's issue one, and secondly, the figures[63] that HEFCE produced show that for the first time we're actually winning on the WP battle in the lowest socio-economic groups..... What is worrying is that the applicants to the most selective universities remain pretty firmly from the more advantaged groups and that's now what 'fair access' means. It didn't mean that when the legislation

[62] This will not apply to the same extent where teaching covers a spread of levels, modes of delivery and countries of intake, where many students are not covered by the HE Act (2004).

[63] HEFCE, 2010b

> was passed, it meant money, but now it means, how do we get the poor but bright ..... to apply, let alone be admitted, to Russell Group universities and that's proving a pretty recalcitrant problem." (Harris)

Indeed, the process of complying with the requirement to have an approved Access Agreement may have tended to encourage institutions to focus on their local interests, at the expense of those of the sector, and hence those of students in general:

> "Given the way that access agreements are presented as marketing tools outlining the cost (level of bursary support) and the benefits (in terms of additional support and outreach), it is hard not to conclude that institutions use access agreements primarily to promote enrolment to their own programmes rather than to promote HE generally and that, as a consequence of this marketing focus, pre-92 and post-92 institutions perpetuate the differences between the types in relation to widening participation and fair access leading to both confusion for consumers and inequitable distribution of bursary and other support mechanisms for the poorest applicants to HE." (McCaig and Adnett 2009, p35)

Such self-interested behaviour is however to be expected from suppliers, especially in a market where, for many courses, supply has tended to exceed demand[64]; however this position is now changing, with the most recent figures (UCAS 2010b, p2) showing a 33.9% increase in the number of unplaced applicants from 2009 to 2010. Furthermore, the benefits to a university of recruiting different types of students are skewed by aspects of the HEFCE funding formula, which give additional support to certain types of students and courses, so this self-interest will tend to draw them to compete for those applicants with the greatest potential public funding premia. This inevitably creates tensions with the 'public service' function of the sector which is expected, collectively, by the Government to contribute to society and the economy through the breadth of its offering, a vision that was described by Peter Mandelson:

> "It is based around autonomous institutions with diverse missions all delivered to excellent standards, backed by a mixture of state and private funding. Not all institutions are the same, and the test for the future is not to ensure that they become the same. What unites all our universities is the need to continue to equip the country to prosper in a rapidly changing world." (BIS 2009, p5)

In practice, as shown here, the outcomes of the implementation of the financial provisions of the HE Act (2004) run counter to this political aspiration for institutions

[64] Proportions of undergraduates admitted through Clearing in recent years are 2007 – 9.3%, 2008 – 9.5%, 2009 – 9.8% (based on data released by UCAS, 21 October 2009).

to retain distinctive profiles; implicit pecuniary incentives (within the legislation and the wider funding context) tend to drive all universities to compete for certain categories of students, in preference to others. Thus it could be argued that the unintended consequences of this legislation (which has already been seen to discourage diversity and innovation in fees and bursaries across the sector) are reinforced by the practical outcomes of pressures to demonstrate a contribution towards increasing equity of access among undergraduates.

Effective communications

A recurring theme among the ambitions that were expressed by sample institutions for the consequences of the HE Act (2004) was improvement in the clarity of information available to applicants and students about individual institutions and courses. It is now clear that the sector collectively and institutions individually are working to improve the information with, predominantly on-line[65], sources of comparative information about universities, courses, fees and funding. At the same time, the process by which students apply to be assessed for grants, student loans and means-tested bursaries[66] has been simplified (in the hope that this will reduce the number of students who do not claim financial support to which they are entitled) and universities are paying ever more attention to the quality and effectiveness of their own communications with applicants, as reflected throughout the sample institutions studied in this research.

These sources of information supplement longer-standing publications such as university league tables and statutory performance monitoring via HESA and HEFCE. Together they are intended to reduce the "information asymmetry" which, according to Kivistö and Hölttä (2008), is inherent between the sector and its external stakeholders; while the possibility this creates of drawing on multiple forms of

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[65] Examples inclue the Course Search feature on the UCAS website (http://www.ucas.ac.uk/students/coursesearch/), the National Student Satisfaction Survey (http://www.thestudentsurvey.com/), the Student Finance Calculator (http://tinyurl.com/yk3psko)

[66] This simplification applies within those institutions that contract the Student Loans Company to administer their own bursaries and was introduced for the 2009-entry cycle

evaluation can, they argue, help build a fuller picture of an institution, an externally-driven requirement for enhanced provision of data also creates its own anomaly:

> ".....public governance, funding, and ownership of universities do not decrease in any way the information asymmetry or problems related to it. After the era of centralised control and planning, imitation of market discipline in performance measurement has been integrated to the governance and coordination of universities in many countries. In this sense, the circle is now complete: there are attempts to neutralise market imperfections with governance procedures that try to imitate the activity of markets." (Kivistö and Hölttä, 2008, p341)

Attempts to carry such changes in culture within institutions to their natural conclusion would, as this research established (see Chapters 5 and 6), face opposition; while universities recognise the need to make it clear to potential and current undergraduates what they offer academically, socially and financially, there remains a strong resistance among institutional leaders to adopting a 'market view' of students as passive consumers – they view students as members of an institutional community who have rights, but also responsibilities. This reflects not only a traditional collegial standpoint (discussed in Chapter 2), but also the fact that undergraduates are not passive consumers – they must engage in a process of learning and study to obtain a degree. To clarify the consequent mutual obligations of students and universities, representatives of both groups are now collaborating[67] to develop guidelines from which institutions can produce Student Charters, that will be part of their formal contractual relationship with their undergraduates.

In spite of these initiatives, commentators (Brown 2009a, Brown 2009b, Callender and NSIR 2009) have noted that many applicants do not have, or in some cases even seek (Oakleigh Consulting and Staffordshire University 2010), clear information on the financial support that would be offered to them by different universities. As Callender and NISR (2009) have found, it was perhaps to be expected that the structures of many of the schemes themselves would contribute to this knowledge gap:

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[67] Representatives of Universities UK and of the National Union of Students are jointly chairing a working group on Student Charters that will report later in 2010 – it will consider issues such as students' reasonable expectations about personal support from tutors, formal contact time and feedback on course work, as well as the responsibilities of students such as private study time.

> "The effects of complexity on bursaries' impact are confirmed by the research on income-related social security benefits. This shows that those schemes with a high density of rules and guidelines; complex rules; and vague criteria of entitlement are less effective and efficient. Dense and complex rules delay and deter applications and contribute to misinformation. Complex rules make it more difficult for students to assess if they are eligible for bursaries and scholarships.....In addition, dense and complex rules and guidelines can also lead to vague criteria of entitlement because these rules have to be summarised and presented in a simplified form for promotional purposes." (p12)

Thus, the tension that was identified in this research (in Chapters 5 and 6) between the expectations that are placed on marketing staff by their colleagues and the extent to which those staff are able to convey effective information to applicants about the costs of studying for a degree are unlikely to be easily resolved in many cases unless universities make structural changes to their bursary schemes. Only then will institutions have taken all the reasonable steps they can to reduce the information deficit experienced by applicants.

While some universities are starting to move in this direction, the sector has made progress in addressing the parallel information deficit that its members themselves were experiencing when developing their individual fees and bursaries for implementation in 2006. This is manifest both at the sector-wide level (with annual monitoring, research and guidance on good practice published by both UUK and OFFA) and locally, with institutions conducting their own surveys and research into local costing and pricing issues and the attitudes to these of their own target groups of applicants and current students. In this, universities are adopting practices that are standard among suppliers in established markets, who appreciate that they can operate more effectively with a good understanding of the needs, aspirations and attitudes of their target markets, suggesting that, in this aspect at least, the market created by the HE Act (2004) is beginning to mature.

Who should pay?

The costs of educating an individual to degree level are made up of a number of strands (as discussed in Chapter 2) – fees, living costs and opportunity costs (eg income not earned while studying, rather than working). The benefits however are shared – among employers, society as a whole (through direct contributions in the form of higher tax paid due to anticipated higher earnings and indirectly through input into the 'knowledge economy' which has the potential to create new jobs and

opportunities for others) and graduates. As Charles Clarke explains, the intention behind the HE Act (2004) was to distribute the costs of a university education in line with these benefits:

> "The new system of student finance was designed to be fairer than its predecessor, in that the beneficiaries of higher education made a contribution (from the gains which they had derived) to the costs involved. This was only partially achieved in that the beneficiaries of higher education are the overall society, which is why the government contributes; the individual student, who contributes through the fee if they subsequently earn enough; and the employer (whether public or private). A contribution from the employer was never included for a variety of reasons, though in my opinion there remains a good case for employers to contribute through employers' National Insurance, with a higher rate for graduates." (Clarke, 2010)

It is clear though (CBI 2009) that business sees its role in supporting higher education as being mainly practical (eg providing access for undergraduates to conduct projects and assignments or participating in course advisory boards), with financial support taking the form of sponsorship of students on 'business relevant' courses and provision of some bursaries, rather than any form of systematic levy on employers of graduates. While it is not surprising that employers have adopted this position, it signals the prospect of any future access to voluntary funding from industry being offered differentially to students and university departments dependent on subjects studied, with potentially controversial legislation required to increase the direct financial contribution from business to higher education beyond this.

With no realistic prospect in the current economic climate of society's contribution to the costs of higher education, through grants from HEFCE, increasing significantly (or even necessarily in line with inflation), there is widespread expectation that any changes to the financial provisions of the HE Act (2004) are likely to mean that the third group of beneficiaries – students/graduates – will be expected to increase their contribution to the costs of their education. Under the current system, this contribution is made through income-contingent repayment of subsidised loans once a graduate's income exceeds a certain threshold; according to Ivor Crewe, this structure indicates that the legislation treats undergraduates as financially independent adults:

> "I actually thought it was quite progressive of the government and realistic of the government to say "No, the entitlement of the student should not be as dependent on parental income'. It's still somewhat dependent on parental

> income, but should be much less dependent. And that is one of the advantages of the deferred payment of fees, which I think is a good system." (Crewe)

However, as he also points out, when the HE Act (2004) was implemented, the move in this direction was not total; eligibility for a non-repayable grant is based on means-testing of the household from which the student comes, positioning them as dependent members of a family unit.

As a result, undergraduates from low income backgrounds have access to additional financial support from public funds through grants[68] that is unavailable those from higher income families. This is likely to result in students from lower income backgrounds graduating with lower levels of student debt – thus addressing the political concern (discussed in Chapter 1), that levels of debt-aversion among this group of potential undergraduates were higher than among their fellow applicants from wealthier backgrounds.

Whatever the rationale for using family income as the basis on which to assess the distribution of non-repayable student support from public funds though, this measure has introduced an inherent inconsistency into the funding of full-time Home/EU undergraduates in England that is likely to become increasingly apparent if future cohorts are expected to contribute more towards the cost of their time at university.

Looking to the future

As Lord Browne's Independent Review examines student fees and funding, it is widely predicted that, to reduce pressures on public funding, a recommendation will be made for the cap on full-time Home/EU undergraduate fees to be increased beyond its current link to inflation. With that would presumably come a requirement, driven by considerations of equity of access, for institutions that wished to raise their fees also to increase the levels of financial support they offer to students from low-participation groups, thus avoiding an increase in the public subsidy for student funding[69]. Current experience, as observed by the Director of Fair Access suggests

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[68] The maximum amount a student can receive in a subsidised student loan is also larger for those in receipt of a grant.

[69] In parallel, it has been suggested that some element of 'graduate tax' will be recommended by the Review, to increase funds that come into higher education, also without increasing the cost to the public purse that is incurred by subsidising the current system of student loans.

however that the proportion of additional fee income used in this way may not alter significantly from the norm that is gradually being established under the current system:

> "You can begin to see, especially in the universities that are more WP universities, a retreat from the very high proportions of money they put into bursaries as they have perceived that, it's cost them a great deal of money without manifestly increasing either their numbers or .... the quality and this goes back to the fact that bursaries, either their availability or their quantum, don't seem to have become decisive except for that tiny group of very special students ..... So you can begin to see universities pulling back a bit, either to spend on outreach or just to put back into the general kitty." (Harris)

There is though uncertainty within institutions about how members of the sector would set their fees, were the permitted maximum to increase substantially:

> "The big issue for me is at some point there will be a genuine spectrum of competitive tuition fees if the cap is removed at some point and that's a whole different ball game, I think. It bears no reflection to where we are today." (HEI3 - Director of Finance)

From a marketing perspective, institutions would need to know the price at which cost began to influence applicants' choices, if they were to avoid the risk of setting their fees at a level which could start to reduce their *net* income by reducing enrolments. Furthermore, this price sensitivity point would, for many universities, vary between courses – whether on the basis of national trends between subjects, perceived rates of return, or because of local factors such as a small number of highly-regarded courses delivered at an otherwise reasonably average institution (UUK 2009).

At the same time, individual institutions will have different levels of exposure to the risks of making pricing decisions that have a negative impact on their student numbers, depending on the extent to which their overall income comes from fees for full-time Home/EU undergraduates. This could put disproportionate pressure on teaching-led universities to be more conservative in their pricing, reducing their potential to maximise any advantage that a more competitive market might offer:

> "My personal feeling is that [any significant increase in the fee cap] will be death to the university system because I just think you're going to go back to the real elite." (HEI5- Dir of Marketing, Recruitment and Communications)

As such, it would have the potential to reinforce stratification of the sector along lines that are already familiar. It is also likely that internal tensions would arise within

those institutions where there were pressures from different courses to charge different fees – were a university to follow this route, it would then need to agree the extent to which internal allocation of fee income would be determined by the sources of this revenue or by the institution's strategic objectives.

On the other side of the scales, the Director of Fair Access believes that, with any increase in fees would come time to consider ways in which universities could be encouraged to take further steps to widen the pool of students admitted – rather than simply applying - to universities in England, and especially to the most selective ones:

> "I'm not sure whether universities will get away a second time with saying, we will make our best efforts to achieve the benchmark and I assert now that I have made my best efforts .....
>
> "I'm not convinced it will work for the next five years and if I were [the Education Secretary], I would be thinking to myself, what would I require of universities, through a regulator, not through legislation because that will be opposed in the House of Lords but you could do it through a regulator and I reckon they're hoping that Browne will come up with the answer." (Harris)

So, there are wider questions of whether universities may experience greater expectations on them to deliver fairer access, not just widen participation within the sector as a whole, and how this might be achieved without threatening institutional autonomy.

In conclusion therefore, the HE Act (2004) has established a limited quasi-market in which universities can, with minimal financial risk, begin to develop pricing strategies for full-time Home/EU undergraduates, while establishing decision-making structures and administrative processes that they could apply in a possible less regulated future market. However, the boundaries that exist in today's quasi-market make the findings of this research concerning the choices that have been made across the sector and the rationales behind the decision-making that has been observed, limited in their predictive value; while this evidence can form a basis from which to forecast how institutions might price themselves in altered competitive – as opposed to legislative - circumstances (locally and/or nationally), were the cap on fees to be increased above the price-sensitivity point for some, or all, courses, the extent of the validity of any such predictions may be expected to decrease.

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