Oxford University Student Union

Oxford University Student Union response to the initial call for evidence from the Independent Review of Higher Education Funding and Student Finance

Oxford University Student Union welcomes the opportunity to respond to the initial call for evidence from the Independent Review of Higher Education Funding and Student Finance. Before answering the nine specific questions posed by the Review, however, we should note that a recurrent theme in this submission is that in some ways it is currently very difficult to evaluate how the 2004 reforms to the funding of higher education have impacted upon students. Variable fees were only introduced in the autumn of 2006, meaning that graduates in 2009 were the first class of students who left university having experienced it after the introduction of variable fees. As such, there is a limited data set available from which answers can be drawn.

In other ways, however, answers can be given to the specific questions posed by the group. Although research is sorely lacking in certain areas relating to the student experience, a great deal of research has been done by universities, think tanks and the NUS on the impacts of different methods of funding universities. This research makes clear that a major reason why students are put off applying to universities is fear of debt. While there has been little variability between fees charged by universities since 2006, projections from the Higher Education Policy Institute (cited in detail below) outline that variability between institutions will be seen if the maximum legally permissible fee rises to either £5,000 or £7,000. In the event that the cap on fees is raised, we would anticipate that the University of Oxford – while also expanding its levels of bursary provision – would also raise fees to the maximum permissible sum. In spite of Oxford's genuine commitment to ensuring that financial circumstances should not be a barrier to any home student attending the university, we note that a key message presented to all prospective Oxford applicants as part of our access & outreach activity is that an Oxford education costs no more than that at virtually any other university in Britain. Our experience in running a range of access activities is that the perceived costs of studying at Oxford are perhaps the single biggest deterrent to gifted students considering applying here. Regardless of the strength of Oxford's bursary provision, raising fees threatens to strengthen the impression that Oxford is not a university which is accessible to all. The debate over how universities should be funded is one which will impact all universities. The international reputation, unique system of undergraduate teaching and high profile of our university does, however, mean that the outcomes of the Browne Review will be particularly salient for future generations of students at Oxford.

1. What has worked? Which parts of the system should be kept, based on the available evidence?

Stating what 'has worked' in the 2004 reforms is a difficult task. Many of the positive developments within higher education since the passage of the Higher Education Act 2004 may have happened (albeit to a greater or lesser degree) regardless of the Act's passage, or if an alternative method of funding higher education had been adopted.

There are, nevertheless, certain aspects of the 2004 reforms which can clearly be said to represent an improvement over the pre-2004 higher education system. While these aspects could usefully be reviewed, and although there are many potential areas for improvement, their development has nevertheless been positive. These include:

- Part 2 of the Higher Education Act, which addresses the procedures available for student complaints. The designation of the Office of the Independent Adjudicator for Higher Education as the "designated operator" as defined in the Act has been positive, and the OIA has played an important role in providing redress for students who have completed internal complaints and appeals procedures within their university. We await with interest the outcome of the consultation on the OIA Pathway Project, which will report in February of 2010. From our experience in helping individual students apply to the OIA and from working with Oxford University on reviews of complaints and appeals procedures we know that the OIA has broadly worked as intended and now has the potential to develop further as an institution. We also note that robust systems for complaints and appeals are essential for ensuring that the student experience at universities is of a high quality.

- The establishment of the Office for Fair Access. Although OFFA has potential to develop further (assuming its continued existence), it has demonstrated its value through the statutory requirement for universities charging variable fees to submit annual access agreements to it for approval. This compels all universities to continually reevaluate and explain their activities in widening access and providing financial support for students. As can be seen from the access agreements submitted to OFFA by Oxford University, this requirement helps clarify the internal thinking of universities, requires them to review their own procedures and identify specific means by which they will seek to broaden access. As importantly, the role of OFFA in approving access agreements assists in boosting public confidence in the admissions policies of universities. Although OFFA rightly does not micromanage the admissions practices of individual universities, it does assure potential applicants, and the public more broadly, that universities are committed to widening access.

  Although the introduction of OFFA is broadly positive, there are nevertheless concerns about its role which could usefully be addressed in this review. Comments last year from the Director of OFFA that "There is no evidence of people coming to 18 and planning to go to university but changing their mind because of money"[1] are not fully supported by research done on this issue, as outlined in our response to question 9. Given the role that OFFA plays in monitoring access to universities it is important that it not be seen as advocating for measures which risk damaging this access. OFFA's decision of July 2009 to set out new requirements for universities with regard to bursary provision further risked damaging its reputation. OFFA has a crucial role to play in ensuring that universities are accessible, and any appearance that it is willing to compromise on its core objective risks damaging its credibility as an organisation.

While Oxford University Student Union remains strongly opposed to the introduction of variable fees in 2004 and supports funding higher education through the means of a graduate contribution, certain elements of the 2004 reforms are *comparatively* good methods of introducing a variable fee system. This statement should not be taken as indicating support for the system of variable fees in any sense. Along with the National Union of Students, we believe that this review should evaluate alternatives to fee-based systems for universities and ultimately recommend a graduate contribution system as being the fairest method of funding universities. If, however, fees were to continue beyond the next Parliament we believe it to be essential that the following aspects of them remain.

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[1] 'Let universities raise fees to £5,000 says access watchdog', *Guardian,* 22 May 2009

- The income contingent method of repayment for student loans is widely acknowledged as being the most progressive method by which students could repay their loans. Any reintroduction of upfront fees for UK students would provide a serious deterrent to access to higher education.

- The existence of government-provided maintenance grants for students from lower income household provides valuable financial support for tens of thousands of students nationwide. The government decision in 2009 to freeze maintenance grants[2] was of grave concern to students across the United Kingdom. The system of maintenance grants should be preserved and strengthened going forward.

- A period of time (currently set at 25 years) is necessary to ensure that debt generated by fees is not continued throughout the lifetime of a graduate. Given the verified existence of a graduate premium, it is reasonable to assume that any graduate who has not been able to pay off their student loan after 25 years will not have received the full financial benefit of higher education which they could reasonably have expected when applying to university. A principle which we bore in mind when determining to support the principle of a graduate contribution to university funding was that graduates should pay for universities in approximate proportion to the financial benefit which they have received from their time at university.

- The provision of tuition fee loans at a zero real rate of interest is also an essential part of the existing system. As outlined in our response to question 2 below, a crucial reason for the importance of considering other funding systems for higher education is the impact on the public finances which raising tuition fees while also seeking (correctly) to expand student numbers will have. It is inevitable that raising fees while charging a zero real rate of interest on student loans will cost the state a far greater sum of money than is currently the case. This is an argument for altering the funding system to one which is sustainable, rather than making devastating changes to the repayment conditions on student loans. While economists such as Nicholas Barr[3] argue that some form of a real rate of interest should be charged on student loans their arguments are mistaken. Barr contends that those graduates who experience the smallest financial premium from attending university will see their debt cancelled after a designated period of time. It does, however, remain the case that charging a 'real' rate of interest on student loans means that graduates on lower incomes will ultimately possibly end up making larger overall repayments on their loans than will those graduates who are rapidly able to repay their loans. Such an outcome would not be equitable and would effectively act as an incentive for graduates to enter high-paying jobs which would enable them to repay their student loan in the shortest possible period of time to enable them to avoid the rate of interest on their loans. Such an incentive will discourage talented graduates from entering jobs in the third sector and from working in professions such as teaching as a result of the harsher repayment terms on their loans which they will encounter.

  As with all points relating to debt, it should also be remembered that debt aversion can be as much a problem relating to perception as it is to the impact of debt upon graduates. It is students from families with the least experience of higher education who will be put off universities through fear of leaving with large amounts of debt. Charging a real rate of interest on student loans would escalate the risks associated with going to university. As such it would most disproportionately impact those students who are currently least likely to attend university.

[2] 'Bursary rule change leaves poorest out of pocket', *Times Higher Education Supplement,* 24 July 2009
[3] Barr, 'Higher Education Funding' (2004)

2. What has not worked? Which parts of the system should be changed, based on the available evidence?

The part of the system introduced via the Higher Education Act 2004 which is in most apparent need of change is the variable fee system itself. In spite of having one of the world's leading systems of higher education, Britain currently spends less than the OECD average as a percentage of GDP on universities[4]. There is a general recognition among students, universities and government that universities should be funded through contributions from the general public, university endowment income, students and employers. Students benefit from attending university, and it is therefore right that they make a financial contribution to universities. The current system of variable fees is not, however, the best way of doing this.

As has been well-documented, the introduction of 'variable fees' has largely failed in one of its core objectives. 96% of higher education institutions are currently charging the maximum legally permitted fee[5], meaning that the intention of introducing an internal market within the higher education sector has not been met. The Higher Education Policy Institute estimates that an increase in the maximum legally permitted fee to £7,000 would lead to an average fee of £4,300[6], with the likelihood of market therefore being created as different institutions would charge different levels of fee. HEPI also estimates that a fee cap of £5,000 would lead to an average fee of £3,900, with less of a market being created. While (under HEPI's projections) universities would still charge different levels of fee with a maximum of £5,000, there would be less variability between institutions[7].

As a result of the rate of the interest rate of subsidy on student loans, any increase in fees would likely be accompanied by an increase in the rate of interest charged on these loans[8]. The continuation of the interest rate subsidy combined with an increase in the maximum level of fee charged would increase the level of public spending on subsidizing student loans at a time when government funding for higher education is being dramatically cut. An increase in interest rates on student loans would, however, risk exacerbating the concern over debt which is already deterring people from applying to university (as detailed in our response to question 9).

Based on these facts, we believe that a new funding system for higher education should be implemented. The oft-cited concept of the 'graduate premium' demonstrates that there are often substantial financial benefits to a university education, but it also demonstrates that these benefits are vastly unequal amongst courses, universities and eventual careers. Although the intent of introducing variable fees is to enable universities to compete, with those charging the highest level of fee (hopefully) producing the best outcomes for their students, such possible outcomes will be unknown to students at the time that they apply to a certain university for years to come. As we identify in our response to question 5, there is currently, for example, little data collected showing which career outcomes can be expected for students doing a particular course at a particular university. Given this lack of data, and the fact that any such data collected will only be truly meaningful if long-term trends are compared, the idea that students can currently weigh up competing levels of fee, bursary provision and likely outcomes from attending a range of universities and then make an informed choice is not credible. It should also be remembered that there is a great deal of uncertainty for students at the point that they leave school and seek to enter university. Leading universities such as Oxford provide an education which is entirely different to that which students get at even the best schools in Britain. Although Oxford has the lowest dropout rate of any university in the United

[4] Fourth Drapers' Annual Lecture by Professor Steve Smith, 22 October 2009
[5] Statistic provided by OFFA at http://www.offa.org.uk/press/quick-facts/#numbers
[6] Chester & Bekhradnia, 'Some Implications of a Rise in the Fee Cap' (2008)
[7] Ibid.
[8] Shephard, 'Income contingent fees for universities' (2009)

Kingdom[9] students cannot know for certain prior to application how well suited they are for individual universities. Prospective university students are inevitably limited in their knowledge of higher education while they are applying and a market in fees emerging between courses and institutions risks steering people towards degrees and universities which offer a low financial risk, rather than those which are most appropriate for the capabilities and aspirations of individual students.

A further problem with the existing system is the variation by course studied of the financial graduate premium and how this intersects with the variable fee system. Research conducted by Universities UK has found that while medical students can expect a career graduate premium of £340,000, arts students can expect a premium of approximately £35,000[10]. Compared with current student debt levels of approximately £23,000 after a three year course[11] the graduate premium for certain degree subjects is therefore low and decreasing (given rising levels of student debt). Any further increase in tuition fees risks making studying certain degrees economically worthless for students – while a counterargument could be made that individual students will have to make such a choice for themselves, careful consideration should be given to the long-term impact of offering negative incentives to students from studying subjects in the arts and humanities. Although universities can currently vary fees internally by course, the fact that this has not typically been taken up indicates an unwillingness on behalf of the higher education sector to enter into a variable fee model within individual institutions. This is appropriate; any such model which featured individual courses within institutions charging different fees to students would be immensely confusing and risk dividing students not by which subject they wished to study, but by which subject they felt that they could afford to.

The evidence demonstrating increasing numbers of students undertaking paid work in order to provide financial support for themselves should also be seen as a concern, and an indicator that the current fee-based model is not meeting what should be a key aim of any funding system – that of ensuring that students are in an adequate learning environment. A 2007 report found that 43% of students believe that taking paid work adversely impacts their studies[12]. Rising numbers of students in employment while simultaneously doing their undergraduate degree[13] risks damaging the academic attainment of those students in employment. The fact that rising levels of student debt are leading more students to balance employment and academic study in this way is not consistent with the core mission of universities – ensuring that students are developing as learners, and thus achieving in line their full academic potential. There are other grave risks associated with expecting students to take paid work in order to support themselves. Students who need to work in order to support their families do not have the 'luxury' of working in order to support themselves. Given the current economic climate, and the impact which it is having upon recent graduates[14], it is clear that many students who need to work for financial reasons cannot do so as a result of factors far beyond their control.

Finally, an area which this review should give serious consideration to is the extent and nature of employer contributions to higher education. Britain's leading employers will be dependent on a strong higher education sector if they are to prosper in the future. The benefits which employers get from universities was explicitly recognised in the Dearing Report of 1997, and in the parliamentary debate surrounding the passage of the 2004 Higher Education Act. In spite of this recognition there has been little in the form of structured employer contributions to Britain's universities. Graduates and the state clearly benefit from students attending university, as is explicitly recognised through the variable fee system (as well as our preferred option of a graduate contribution) and through public spending on

[9] Statistic retrieved from http://www.ox.ac.uk/this_is_oxford/oxford_is_unique/
[10] Universities UK, 'The economic benefits of a degree' (2007)
[11] 'New students face £23,000 debt', *BBC,* 18 August 2009
[12] Unite, 'The Unite Student Experience Report' (2007)
[13] NUS, 'Broke & Broken' (2008)
[14] 'Jobs blow for graduates as companies refuse to hire', *Guardian*, 6 January 2010

universities. Given the accepted nature of these principles, it should be easily established that those employers which benefit most from graduate labour should help fund the cost of producing those graduates on whom they depend. Oxford graduates in particular enjoy high rates of employment and salaries which are significantly higher than the national average (even immediately after graduation)[15]. Leading employers eagerly seek to recruit Oxford graduates, reflecting the value of an Oxford undergraduate education to the employers competing for the 'best' university graduates. Their willingness to recruit students from universities should be matched by a commitment to help pay the costs of educating them.

3. How have the participation trends for different groups of students changed since 2006 and to what extent can these be attributed to the 2006 reforms? Please highlight changes that have been positive or neutral as well as changes that may raise challenges for future policy.

It is incredibly difficult to review how participation trends in higher education have developed since 2006. Reliable statistics are currently only available for academic years 2006/07 and 2007/08, with the situation being further complicated by the anomalous nature of 2006/07 as participation rates dropped owing to the introduction of tutition fees in that year[16]. As has been identified in numerous reports, reliable data about the backgrounds of students in full-time higher education is by no means complete, with background information for over 50,000 full-time entrants to universities in 2008 being unavailable[17]. Given these facts, identifying 'trends' is next to impossible based on the scarcity of data. Attributing any such trends to the 2006 reforms is also challenging for the same reasons. It is important going forward that proper comparisons are made with regard to participation trends in higher education. The existence of an increasing proportion of students from less advantaged socio-economic groups is not, in and of itself, evidence of the funding system working with regards to widening participation in higher education. A more nuanced approach should be used, which considers what the barriers to higher education are and how the rate of increase in participation within higher education is developing, particularly with regards to specific ethnic groups and socio-economic groups.

The single most common mistaken argument made to demonstrate the 'success' of the 2004 Higher Education Act is that the numbers of applicants to full-time undergraduate education has repeatedly increased since 2006. This argument is fallacious. While the numbers of students applying to universities has increased steadily since 2006, data taken from the UCAS system indicates that similar trends were in evidence prior to the introduction of variable fees[18]. The crucial point in this argument relates to the fact that (as outlined in question 9 below) there is clear evidence of students being put off applying to university as a result of debt aversion. Such attitudes are concentrated among students who are currently under-represented at university based on their equality strands.

4. What can we learn from international trends in participation, in particular are there models of higher education provision elsewhere that deliver higher levels of participation than England with comparable quality and levels of investment?

[15] 'Destinations of Leavers from Higher Education'. Statistics retrieved from http://www.careers.ox.ac.uk/academics/tracking-students-careers-activity/students-careers-activity/

[16] 'Fees no barrier to university, inists Minister'*The Guardian,* 27 March 2008

[17] Milburn *et al*, 'Unleashing Aspiration: The Final Report of the Panel on Fair Access to the Professions' (2009)

[18] Data available from the UCAS website at http://www.ucas.com/about_us/stat_services/stats_online/data_tables/

The most detailed recent analysis of international trends in participation has been produced for the Department of Business, Innovation & Skills[19]. It is incredibly difficult to compare international trends in participation, owing in part to variable definitions of 'participation', as well as difficulties in quantifying quality of higher education systems and how funding is allocated to universities. We will, however, briefly address the example of the higher education sector in the United States of America. Leading UK universities, particularly Oxford & Cambridge, are widely seen as competing with Ivy League Universities. This perception is fuelled by the media[20], as well as by the institutions themselves.

Recent research indicates that attempting to emulate the example of the United States would be an unwise decision for the British higher education sector to take. While leading universities in the United States enjoy huge quantities of funding, an independent commission appointed by the US Department of Education in 2006 found real problems within the American higher education system[21]. While it is estimated that an individual with a US bachelor's degree will earn nearly double the lifetime earnings of an individual with a high school diploma[22], the report found glaring inequities in participation in higher education based on socio-economic status and ethnic background. The comparatively deregulated – but exceptionally complex – American higher education system had also led to outcomes including the typical application for federal student aid being longer than the average family tax return, information about financial aid being published late, and affordability of higher education having outpaced inflation for the preceding two decades. The higher education system within the United States indicates the importance of keeping financial arrangements associated with universities as simple as is practicable. It should be remembered at all stages that many applicants to university are either in their teens or are applying while also attempting to support a family. Neither of these groups have the time to spend hours attempting to fully understand the range of options open to them in a higher education sector which has been allowed to develop without constant consideration as to how access to it can be simplified.

Although there have been no major arguments made for British higher education system to follow the model of the sector in the USA, the example of the development of the American system should nevertheless be subjected to close scrutiny. The parallel is particularly concerning for Britain's leading universities as a result of the comparisons which inevitably arise. Ivy League institutions are enviable in many ways, not least with regard to the high levels of endowment which they have built up over many years. Even leaving aside the question of the overwhelming majority of the American higher education sector (which often gets overlooked in discussions of a narrow band of elite universities), it would nevertheless be undesirable for serious consideration to be given for Britain's research-intensive universities to seek to pursue a similar funding system to that found in the United States. The British higher education system has developed in such a way that there are fundamentally different approaches towards university applications from students in the UK as opposed to students in the United States. Oxford University has made immense progress in its access & outreach activity within the last several years, but the potential still exists for changes in the higher education funding system to set back much of the progress which has been made. Any attempt to establish a model similar to the debt-heavy American system would jeopardise not only Oxford's access activities but also the interests of universities across the sector.

5. Have there been identifiable improvements in the quality of teaching in the period since 2006?

As with question 3, it is difficult to fully assess how the quality of teaching has developed since 2006. . The 2006 National Student Survey (for the last cohort of final year undergraduates before the

[19] Institute of Policy Studies in Education, 'Widening participation: synthesis of international evidence' (2009)
[20] 'Oxford University to campaign for US style scholarships', *The Guardian*, 1 October 2009
[21] 'A Test of Leadership: Charting the Future of US Higher Education' (2006)
[22] Day & Newburger, 'The Big Payoff: Educational Attainment and Synthetic Elements of Work-Life Earnings' (2002)

introduction of variable fees came into effect) shows 81% of students indicating satisfaction with the quality of teaching of their course. This figure rises to 83% in 2009, holding steady from 2008. The situation is complicated by the fact that those graduating from 3 year undergraduate programs in 2009 were the first intake of students who were covered by the variable fees introduced under the Higher Education Act 2004. This means that the most valid point of comparison can be found via the statistics for 2008 as compared to those for 2009 (as those graduating in 2008 will not typically have paid variable fees, whereas those in 2009 will do). The comparison between these two years shows a 1% increase in students being satisfied with the teaching on their course. There was, however, a decrease of one percentage point in the proportion of students who were satisfied with their course between 2008 and 2009[23].

Comparatively small percentage changes between the 2008 and 2009 datasets available from the National Student Survey should not be overinterpreted. It is nevertheless striking that the proportion of students indicating that they were satisfied with their course fell in 2009 for the first time since the survey began in 2005. A decrease of one percentage point between 2008 and 2009 in the proportion of students satisfied with their course is not – in and of itself – enough for it to be concluded that universities have not made identifiable improvements in the quality of teaching since 2006. It may, however, indicate that students are now more demanding of their course providers given the increased amounts of debt with which they will be graduating. This phenomenon has been commented on by numerous sources, including Vice-Chancellors[24], the government[25] and student representatives[26]. Similarly, HEPI have found through surveys conducted in 2006 and 2007 that 30% of overseas students at UK universities were dissatisfied with the value for money presented by their course[27]. This proportion was significantly higher than the proportion of UK students responding in a similar way, providing a further indication that increased costs of studying at university leads to students being increasingly demanding of their institution. As stated above, the lack of immediately identifiable improvements in the quality of teaching and the student experience more broadly since 2006 is not entirely surprising. A 3 year period provides little opportunity for trends to be measured. It is nevertheless essential going forward that universities recognise the importance of meeting student expectations given the sums of money which students are paying for their education. These expectations must be met not only through improved quality of teaching, but through improvements in the student experience as a whole.

Changes in how higher education is funded, and to what extent students are expected to contribute, should not be directly tested solely against quantifiable improvements in teaching, important though this is. The recent 'Higher Ambitions' framework published by the Department of Business, Innovation and Skills is correct to note that the university system should be "more public facing and responsive to the needs of students"[28]. This will mean, above all else, that students must be placed into the heart of decision-making within their institutions (something which we note that the University of Oxford is making increasing progress in doing). Nationally, there is an urgent need for accurate information to be collated in a range of areas. The Smith Report on postgraduate provision has not yet been published, but we concur with the submission made by the NUS that "there is not nearly enough data or research available to the public or policymakers to underpin solid policy recommendations"[29]. Specific areas upon which research could usefully focus include:

[23] 'Marginal dip in student satisfaction', *THES*, 6 August 2009
[24] 'Higher Education and the student experience, *Speech by Professor Ebdon at a HEPI seminar,* 21 April 2009
[25] 'Mandelson backs consumer students', *BBC,* 20 October 2009
[26] 'Fees to blame for consumer mentality, says new NUS head', *THES, 17 April 2008*
[27] Bekhradnia, 'The Academic Experience of Students in English Universities' (2009)
[28] Department of Business, Innovation & Skills, 'Higher Ambitions' (2009)
[29] NUS submission to the Smith Review of Postgraduate Education (2009)

- Career destinations after university, particularly with regard to postgraduate study. Such research should also include a focus on the motivations of students for entering specific career paths.

- The attitudes of former university students to the value of their degree after graduating. Such data would enable researchers to evaluate how graduates' attitudes changed over time, and which aspects they considered to be most valuable with the benefit of hindsight.

- The attitudes of students towards aspects of their university experience which are not currently covered by the NSS. Examples of surveys which currently provide such a broad overview include the Student Barometer, the development of which has allowed for more detailed analysis of the student experience.

- The approximate ages at which students form concrete impressions of universities and at what stages they determine whether or not to participate in higher education. Any such strand of research could also examine what the key influencers of such opinions are (such as, for example, the comparative roles played by parents and teachers in specifically encouraging/discouraging applying to university).

6. Is the higher education system providing the quality and academic standards that students, employers and national economic needs require? What are the key areas where quality needs to improve further? Please focus on those areas where the levers available to this Review of funding and student finance can make a difference.

As has been identified in our response to question 5, we believe that calculating the key areas where quality needs to improve further would benefit from more robust data having been collected in a variety of areas. It should be noted that improving the quality of academic standards which employers and national economic needs require goes hand in hand with continuing to widen participation to higher education. The current uncertainty over whether higher education will continue to be expanded is not compatible with providing the quality of education which national needs require. Although widening access to higher education is strongly supported by a range of arguments relating to the importance of social mobility, it is also crucial for reasons of ensuring that potential talent is not wasted by lack of opportunity. We concur with the statement made by John Denham to the 2007 Universities UK Conference that "improving participation is not about political dogma or hitting statistically satisfying targets. It is about ending a huge waste of talent and ability."[30]

There are many potential areas which could lead to an improvement in standards at universities. Many of those, such as improvements to the quality assurance process at universities as led by the QAA and greater flexibility in teaching across the higher education sector fall outside the remit of this specific review group. As is outlined in our response to question 9, however, a key area of ensuring that prospective students are not put off higher education relates to the cost of it, and how these costs are structured. As a body explicitly charged with reviewing arrangements for funding and student finance, ensuring that the current system is simplified, and that students can understand it at the pre-application stage would be something which this group could usefully consider.

Given the recurrent theme that not enough data has been collated in key areas relating to the student experience and outcomes from universities, it would seem useful to follow a three-step process moving forward:

i) Make necessary adjustments to the funding of higher education.

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[30] Speech by John Denham to the Universities UK Conference, 13 September 2007

ii) Allow improved mechanisms for informing students and teachers about financial arrangements in higher education to be tested over a period of years while simultaneously collating further data on the development of universities.
iii)Fully evaluating the revised system once these reforms have been enacted and allowed sufficient time to be accurately assessed.

7. How has the added income to institutions from the 2006 changes been used?

Detailed answers to this question will presumably come from the institutions which have received additional income as a result of the changes introduced in 2006. A crucial point which should be remembered is that additional income to institutions must not be used as a replacement for existing sources of income. Although it is increasingly recognised that universities should be funded through contributions from students, government and business the precise balance of contributions needs to be weighted in such a way that contributions from students do not represent an ever-increasing proportion of a sum which is not enough to fully fund universities. Oxford currently attracts a total of 45.2% of its university-level income and 52.2% of its teaching-associated income from public sources.[31] The abolition of college fees in 1998 and the more recent cuts in targeted allocations and general public funding outlined in our response to question 8 threatens an equitable distribution of the partnership between the public sector, individual students and business with regards to meeting the essential teaching costs of Oxford University.

Oxford's commitment to widening access to the university can be seen via the proportion of additional fee income which has been spent on bursaries for students from lower-income groups. The most recent data which is publicly available shows that Oxford spent 35.2% and 33.4% of such additional income in 2006 and 2007 respectively[32]. The level of spending by universities on bursaries should, however, be placed into context. While enhanced bursary provision is a clear benefit of the 2006 changes, research indicates poor understanding of bursary provision from students considering applying to university. This finding is particularly relevant as many leading universities argue that increases in tuition fees will be more than mitigated against by expanded provision of bursaries. Merely qualifying for large bursaries does not ensure that students will apply to universities where such bursaries are in place. Key findings from the Staffordshire University study include:

- That "there are substantial numbers of students who are not looking for information on bursaries even though they belong to groups with a high likelihood of eligibility"
- 45% of over 1,600 respondents to a survey of school-age students reported that they did not know whether they would be eligible for a bursary at university.
- Students from lower income families who would be first generation undergraduates are significantly less likely than the average to be aware of variation in bursary provision across universities.
- Only 30% of those students surveyed reported that they had actively searched for information about bursary provision.
- 89% of those students surveyed did not take bursary provision into account when determining where to study.
- A university offering a bursary of £2,000 would be deemed by 62% of students as an 'important' factor to be considered when they were choosing which university to apply to.

The data collated in this study paints a picture of many prospective applicants to university as being largely uninformed about bursary provision. This problem exists both in terms of prospective students being unaware of bursary variability, their eligibility across different institutions and where to look for

[31] Chester & Bekhradnia, 'Oxford and Cambridge – how different are they?' (2009)
[32] OFFA Access Monitoring Agreement: Outcomes for 2007/08

information. It also, however, indicates that if they were aware of levels of bursary provision then this would impact decisions made about higher education. This finding is of grave concern. Students making informed choices about entry to higher education is dependent on them being aware of what the real costs of attending university will be. If they are unaware of these costs then their decisions will be skewed by misunderstandings about the higher education funding system. In the event that the current cap on variable fees is raised, then this risks being particularly disadvantageous in terms of access to Britain's leading universities. While they may continue to offer the most generous system of bursary provision in the UK, this would be greatly undermined if the existing lack of understanding of the system by prospective applicants continued. Given the failure of the system of student financial support to be adequately communicated to students since 2006, further confusing changes should not be implemented without a clear strategy in place for simplifying the system of student financial support and conveying the relevant information to all prospective applicants and their schools. The finding that while 35% of students studying in England benefit from bursaries, this provision rises to 49% of students from manual/social class backgrounds[33] also indicates that the lack of understanding of bursaries is unsurprisingly most likely to impact students from backgrounds under-represented in British higher education, posing an ongoing challenge for widening participation within the sector. The fact that raising awareness about student financial support has been acknowledged as an important goal within British higher education since the 2006 reforms illustrates that merely reiterating a commitment to doing so will not address this problem. A better approach would be to more carefully monitor student knowledge of financial support arrangements while also seeking to make sure that other financial barriers to universities were kept to a minimum.

Research commissioned by OFFA shows a further lack of awareness relating to bursaries. While 84% of Russell Group students are aware of bursary provision[34], this proportion falls among students at post-1992 and pre-1992 HEIs. The fact that significant minorities of students can be unaware of bursary provision at the institution where they are studying is deeply concerning and indicates the scale of the educational effort which universities and government need to adopt as a matter of urgency. The OFFA finding that universities overestimate the level of knowledge among prospective students about their levels of bursary and scholarship provision further provides a useful benchmark against which claims of student understanding of the higher education system could be measured. Given the importance which universities rightly attach to bursary schemes, the over-optimism about student understanding identified by OFFA should temper certain views expressed about the impact that bursaries are having in mitigating student fears about the cost of entering university.

8. What cost pressures do institutions envisage arising in the future if they are to continue to deliver progress in participation and quality?

This question can be best answered by individual institutions. It should, however, be reiterated that students and universities agree on the need to see more money flowing into higher education as a matter of urgency. This is particularly germane for the University of Oxford with regards to the funding of undergraduate teaching. Recent research has reiterated the excellence of Oxford's academic provision for undergraduates[35], and it is clear that the identified funding gap within the current cost of teaching provision must be bridged. The current funding environment for the entire higher education sector is changing rapidly. Reasonable short to medium term financial projections for universities are, however, bleak as a result of pressures on public spending, uncertainty over future rates of donations from alumni and other factors relating to changes in the methods of funding universities. The ambitious goals set out by government for widening participation and improving standards at universities are ambitious but achievable. They do, however, require funding systems

[33] DIUS, 'Student Income and Expenditure Survey 2007-08 English Domiciled Students' (2009)
[34] Callender, 'Awareness, take-up and impact of institutional bursaries and scholarships in England' (2009)
[35] Chester & Bekhradnia, 'Oxford and Cambridge – how different are they?' (2009)

which can sustainably improve the quality of higher education and expand access to universities simultaneously.

As the representative body of Oxford students, we concur with the description of our current Vice-Chancellor that the tutorial system of undergraduate teaching is one of the "jewels" of Oxford University[36]. Teaching funding at many universities, but particularly at Oxford, is currently underfunded, The cost of tutorial teaching at Oxford is "around £8,000 per undergraduate per year" beyond that which is received by the university from HEFCE teaching funding and student fees[37]. The underfunding which has existed since the introduction of variable fees will be exacerbated by the coming cuts in funding to HEFCE, which will include cuts in the unit of resource per student[38]. It is likely that the cuts which have already been announced will be followed in the coming years by further cuts in public funding to universities, meaning that the situation of underfunding will worsen, absent action to increase the flow of money to universities. The recent decision to cut targeted streams of funding such as the Old & Historic Building Fund will further impact Oxford disproportionately[39].

9. Students do remain concerned about the costs of higher education. What evidence is there to demonstrate the impact of these concerns on decisions made about participation in higher education and progression from higher education into further study, research or work?

There is a substantial body of evidence indicating that concerns over costs of higher education are major contributors to the decisions that students make about entry to the sector. The Office for Fair Access has noted that "existing studies suggest that financial concerns play a major role in the decision-making process of whether to enter higher education, and where and what to study, especially for low income students"[40].

Beginning with the issue of concerns over debt impacting students' decisions about applying to university, a key recent finding is located within research conducted at Staffordshire University. This research found that 59% of students who had decided not to pursue study in higher education had made their decision after being influenced 'much' or 'very much' through desire to avoid debt. Such a finding is exemplary of a serious problem which can often be swept aside amid discussions of rising numbers of applications to universities since 2006[41]. Bodies such as Universities UK have argued that "there is nothing in the overall data that indicates that the introduction of variable fees in England has yet had any lasting impact on the level or pattern of demand for full-time undergraduate education"[42]. Such statements do not fully take into account the statistics which are by necessity harder to uncover than the numbers of students applying to university – those who have not applied to university as a result of debt aversion.

Such findings are reiterated in a report commissioned by the Department of Business, Innovation & Skills. While it found that "career benefits" were a major factor influencing students towards applying to universities, it also discovered that nearly 70% of students cited "financial costs" as a disadvantage of going into higher education.[43] The same report also found an increase between 2000 and 2007 among students able to go onto university indicating that financial considerations were a factor which

[36] Speech by Oxford Vice-Chancellor Andrew Hamilton, *Oxford University Gazette 7 October 2009*
[37] Speech by outgoing Oxford Vice-Chancellor John Hood, *Oxford University Gazette* 7 October 2009
[38] 'HEFCE budget to be slashed by £915m over three years', *THES*, 31 December 2009.
[39] 'Support for historic buildings removed', *THES*, 21 December 2009
[40] Callender, 'Awareness, take-up and impact of institutional bursaries and scholarships in England' (2009)
[41] Davies, Slack, Hughes, Mangan & Vigurs, 'Knowing Where to Study? Fees, Bursaries and Fair Access' (2008)
[42] Universities UK, 'Variable tuition fees in England: assessing their impact on students and higher education institutions' (2009)
[43] Institute of Employment Studies, 'Who is heading for HE? Young people's perceptions of, and decisions about, higher education' (2009)

could be categorized as a disadvantage of going into higher education. Although the Institute of Employment Studies finds that students who do not wish to go on to university do so primarily because they do not believe that a degree qualification is necessary for their preferred job, no evaluation is offered as to whether this statement is accurate, casting doubts on whether the assertion of the respondents is accurate.

The same report further analyses student perceptions of debt, and finds among 17 year olds that while large proportions identify that "getting a degree will mean you get better jobs", they also note that "debt is very difficult to get out off". It is interesting that this study indicates a split among university applicants as to whether they concur with the statement that "student loans are a cheap way to borrow". Under current repayment terms student loans are an objectively cheap way of borrowing, but even those students with generally positive views of university fail to fully understand this fact. This lack of understanding exists across large parts of the higher education sector.

It is striking that organizations such as the British Medical Association argue that student debt "has a disproportionate effect on professional entry courses such as medicine because of the length of the course and the lack of opportunity to undertake paid work outside of study commitments"[44]. While medicine has the single largest graduate premium of any UK degree at £340,000[45], it is nevertheless the opinion of the BMA that student debt acts as a deterrent to potential doctors. This fact is indicative that while there is a great deal of evidence indicating the economic benefits to an individual student of entering higher education, there is an equal amount of evidence showing that the long-term economic benefits are not always fully taken into account by students deciding whether to apply to university. Regardless of whether policy-makers believe these concerns to be entirely rational, it is nevertheless important to remember that such concerns exist, and are a large part of the reason why certain students do not apply to university.

[44] Milburn *et al*, 'Unleashing Aspiration' (2009)
[45] Universities UK, 'The economic benefits of a degree' (2007)