



**Submission to the Independent
Review of Higher Education Funding
and Student Finance**

May 2010

Executive Summary

- This short submission focuses on the issue of access to university¹ for non-privileged young people, and particularly access to highly selective universities. We recognise that trends in university participation are to a large extent dependent on earlier educational inequalities; here, though, we focus on what might be achieved through the funding and student finance system.
- The Trust believes that for the university sector to remain competitive – and to pay for the increase in places necessary for social mobility – higher levels of funding are required. A moderate rise in the tuition fees cap and the introduction of a real rate of interest on student loans seem to us to be the most realistic means of achieving this.
- Nonetheless, measures to safeguard access must be hard-wired into any settlement. There is a danger that a substantial increase in – and variation of – tuition fees could negatively impact on student choices in a way the current regime has not, particularly in the absence of adequate and objective advice around university options.
- Despite overall progress, we are concerned that progress in widening access to the most selective universities has been slow. In fact, the proportion of young people from privileged areas going to the most selective universities has increased since the mid-1990s to the present (up from 15.7 to 18.2%) – while for those in the most disadvantaged areas there has been little change (1.9 to 2%).
- Bearing in mind the above points of context, we recommend that:
 1. A minimum and non-repayable level of living cost support (at least equivalent to the current figure) for students from low income homes should be guaranteed.
 2. Universities should have access to a 'bounty' fund, created by top-slicing a portion of the teaching grant, which is distributed to those institutions undertaking proven and effective outreach schemes and / or meeting clear access targets.
 3. Universities wanting to charge higher fees should, in partnership with OFFA, set clear targets for widening access and report progress against these annually.
 4. As a condition of charging higher fees universities should be obliged to deliver an extended programme of high quality outreach work, properly evaluated against well defined targets.

¹ We refer to universities throughout this submission as short hand for Higher Education Institutions.

5. The government should pilot a scheme whereby students from low income homes are offered a 'first year for free' to alleviate some of the risk and uncertainty this group feel about an investment in higher education.
6. More detailed information on the average income and employment destinations of graduates from different degree courses and institutions should be published so that students can make more informed choices.
7. Fewer, larger bursaries would be more effective at widening access to selective universities and should be encouraged under the new system.
8. There should be more coherence across institutions in terms of student financial support packages – the various university groups could, for example, guarantee a minimum bursary amount for a student on the maximum maintenance grant.
9. The rate of interest on student loans should not be subsidised – savings resulting from this, realised in the longer term, should fund access work.
10. The Review should consider mechanisms by which graduates in key but low paid professions have their student loan debts frozen or decreased over time.

Introduction

We are pleased to present the Sutton Trust's submission to the Independent Review of Higher Education Funding and Student Finance led by Lord Browne.

The intention of this paper is not to present a detailed study of the various options for, and consequences of, increasing the fees cap, or reforming the student finance system in general. There are other organisations that are better placed to do this. Instead, we have focussed this short paper on the specific issue with which the Sutton Trust is most concerned: access to university for non-privileged young people, and particularly access to the most selective universities. This paper presents the issues we believe the Review should bear in mind when making its recommendations and highlights a number of proposals for it to consider.

The Trust is, overall, sympathetic to the argument that UK universities require more resources to remain competitive and to maintain their world class reputation. We also believe that more places at universities – particularly research led-universities – are a prerequisite for greater social mobility². In our view, a moderate rise in the fees cap combined with a real rate of interest on student loans is the most realistic way to achieve these aims in the current political and financial context.

That said, our priority is to ensure that young people are not deterred from applying to those universities which offer the best chances in life because of costs - real or perceived. There are many factors which have a bearing on this: the absolute amount universities charge students; the variation in fees between universities; the financial support available from the state and the higher education sector; and the ability of universities to fund high quality outreach and access activities. This paper touches on all of these.

Of course university participation trends are largely the result of earlier educational inequalities that emerge before and during school, but in this submission we focus on the issues of student finance and funding being considered by the Review. This paper complements the wider set of recommendations outlined in the Trust's initial submission, set out in Appendix 1. We welcome the Government's announcement that it will judge the Review's eventual proposals 'against the need to increase social mobility'.

We would like to thank Martin Harris, Nick Barr, Anna Vignoles, John O'Leary, Steve Smith and Mark Corver for their helpful comments in formulating our thoughts. The views expressed in this paper, however, are those of the Sutton Trust.

² We mentioned in our first submission that the government should consider prioritising any extra university places (for example the 10,000 announced by the Conservatives at the end of 2009) on those courses which offer the best prospects for graduates. In addition, consideration should be given to reserving these places for suitably qualified students from non-privileged homes who have taken part in access programmes.

Principles

The Trust's approach to the Review is underpinned by a number of core beliefs and approaches:

- i. The Trust is primarily concerned with fair access – the question of who gets the limited number of places at selective universities – but has always recognised that the goal of widening participation to Higher Education overall is a crucial building block to achieving this. This must be preserved in any future settlement.
- ii. The Trust is pragmatic in its expectations – we therefore think a modification of the existing fees regime is a more likely outcome of the Review than a wholesale switch to, say, a system of graduate tax. This is the poise of the submission.
- iii. The Trust is not wedded to the target of 50% of young people participating in HE; but we do recognise that further growth in selective university places is most likely necessary if widening access is to continue. Indeed, as we highlighted in our previous submission, the increase in those from under-represented groups at highly selective universities in the last few years largely mirrors the overall expansion of those universities, rather than resulting from the displacement of others from better-off homes. We believe any capping of growth in student numbers will inevitably hinder attempts to improve social mobility more generally – one of the Government's declared aims in relation to the review.
- iv. The Trust recognises that for such an increase in places to be possible - and to remain competitive on the world stage – UK universities require higher levels of funding, and that those who directly benefit from higher education should pay a significant share of the cost. A moderate rise in the fees cap and the introduction of a real rate of interest on student loans seems to be the most realistic means of achieving this.
- v. Nonetheless, we believe there is a danger that a substantial increase in - and variation of - tuition fees could negatively impact on student choices in a way the current regime has not. We know that non-privileged students do not necessarily have a good sense of a) the overall financial rewards of obtaining a degree and b) the hierarchy of universities and courses in terms of career and salary rewards. They are therefore poorly placed to decide what a sensible investment in higher education might be, particularly in a context of considerable variation in cost between institutions.
- vi. Indeed, the Trust is concerned that despite progress in widening access to university generally, there has been less progress in terms of the most selective universities – those likely to charge the highest fees in a more open market. The latest evidence

suggests the chances of those from the least privileged homes attending the most selective universities has been more or less flat since the mid-1990s, while it has increased for the most privileged group (please see Appendix 2). Further, overseas students – who pay full fees – comprise a growing number of undergraduates at leading universities. Together, these trends reduce further the opportunities available to academically talented students from non-privileged homes.

- vii. Crucially, we are convinced that incentives for promoting wider access need to be hard-wired into any settlement on fees and student support – otherwise, particularly in difficult economic times, there is a real danger this agenda will fall by the wayside in favour of ‘core’ functions such as salaries, buildings, teaching and learning.

Recommendations

As set out in the introduction, this paper does not attempt to provide a comprehensive overview of what the higher education funding and student support system might look like. Rather we are concerned with the question of how to ensure fair access to universities in a likely future scenario of a higher fees cap and with the essential system of loans, grants and bursaries still in place. In that light our proposals are as follows:

1. At present, a student at a university charging the highest level of fees and on a full grant will receive a guaranteed non-repayable amount for maintenance costs made up of a government grant topped up by a university bursary. **Under any new regime, a minimum and non-repayable level of living cost support for students from the poorest homes must be guaranteed.** For students at all universities, this should be at least the amount currently offered (£3,225), with tapering support according to household income.
2. Nonetheless, it is important that universities are incentivised to recruit students from poorer homes (who will require more financial support) and to undertake outreach and access work (that might not directly benefit the institution in terms of admissions). **We therefore propose that universities have access to a 'bounty' fund, created by top-slicing a portion of the teaching grant,** which would then be redistributed to universities which meet their targets for widening access (see point 3, below) and which undertake successful, proven outreach schemes (see point 4, below). A university that is successful in these respects would get at least the same amount back through this mechanism as it lost in the first place – and possibly more.³
3. It is important that universities have clear and realistic goals for widening access to which they can be held to account. The HESA performance indicators serve a useful purpose, but are no longer regarded - particularly among the most selective institutions - as wholly credible. **We therefore propose that as a condition of charging higher fees, universities in partnership with OFFA must set targets (say, over five years) for widening access to the institution.** These targets should use the most accurate data available and take account of population trends and attainment rates in schools. The targets should cover the type of school from which students are recruited and the socio-economic background of individuals. These targets would be publicly available and universities would be expected to report annually on progress against them.

³ The amount that is top-sliced to create this fund would need to be determined in light of the overall funding settlement. It might be argued, for example, that the higher the fees cap, the more it would be justified in allocating a higher percentage of the teaching grant to access and outreach.

4. Universities' access efforts must not concentrate solely on direct financial support for students, important though this is in certain contexts. Investment must also be made in the chain of activities (summer schools, master classes, study skills sessions and the like) which cultivate applications from low income groups, even though there may not be a direct benefit to those institutions delivering such programmes. **As a condition of charging higher fees universities should be obliged to deliver an extended programme of high quality outreach work** (based on proven models), including work with younger age groups and to explain the routes into and the benefits of higher education. It is vital that this work draws on best practice, has clear goals and is evaluated against those aims with outcomes tracked⁴. This work could also be funded through the 'bounty' fund described above, possibly supplemented by some of the money distributed to Aimhigher or its replacement.⁵
5. There are benefits to front-loading the financial support universities and government offer to students. **The government should therefore pilot a scheme whereby students from low income homes are offered a 'first year for free'**. The free first year would alleviate some of the risk and uncertainty that deter non-privileged students from applying to certain courses and institutions. Once in higher education and with experience of university life and the options it opens, students could make better decisions about whether an investment in higher education is worthwhile. Depending on the details of implementation, the overall financial burden to the university and the state would be no greater (or only slightly) as support could be reduced in subsequent years.⁶
6. For a number of years we have suggested **that more information on the average income and employment destinations of graduates from different degree courses should be published**. This must be a priority in a more open market so that students can make rational and well informed decisions. We would like to see the destinations of graduates disaggregated by university and degree and average returns to different subjects. This should include real information on graduate destinations – for example,

⁴ Legitimate concerns have been raised about the effectiveness and targeting of some of the outreach and access work which has taken place over the last decade. It is crucial that any new funding for such work (which we believe is vital) is attached to clear conditions around evaluation and outcomes.

⁵ The advantage of this approach is that it addresses the issue raised by some universities and others that the fees raised from one particular cohort should be used largely for the benefit of that cohort – so on bursaries and improving teaching and facilities, rather than on outreach work for future students.

⁶ This could work in a number of ways. One model would be for a student on a full maintenance grant to incur no tuition fees in the first year and to receive a slightly higher maintenance grant - if they left, the slate would be wiped clean; if they continued, the tuition rates in subsequent years would be higher to recoup the forfeited year one fees and the maintenance grant lower. An alternative model – preferable from an access point of view and if funding allowed – would be for the costs of year one to be absorbed by the state and / or the university completely and for the standard rate of tuition fees and maintenance support to apply in subsequent years.

‘PhD at Harvard’, ‘HM Treasury’, ‘Graduate Teaching Programme’ – searchable by course. A credible, independent organisation should be charged with collecting this information and ensuring it is disseminated to students, teachers and advisors. Universities would be expected to cooperate fully with the collection of data.

7. **Fewer, larger bursaries could be more effective at widening access to selective universities.** At present some universities provide bursaries to students from families with incomes considerably higher than the national average. These bursaries do little to aid access and it would be better to redirect these resources to provide greater financial support for genuinely poor students and / or outreach activities which increase the supply of low income students coming up the chain. Any guidelines or conditions attached to the new settlement should take account of this.
8. **There should be more coherence across institutions in terms of student financial support packages.** While the Fees Review may not propose a centrally administered bursary system – or a system of graduate tax – there remains scope for more consistency in financial support, which would be easier to communicate to potential beneficiaries through advertising and the media. The Russell Group, for example, could pledge to provide a minimum of £X for every student on a full grant who went to one of its 20 member institutions.
9. **The rate of interest on student loans should not be subsidised.** It seems to us to be fair that students who benefit from a degree bear a reasonable share of the cost -- and that the current subsidy on student loan interest is regressive. The money saved in the longer term by this step should be used to support maintenance grants for those from the poorest homes; outreach and access work; and the additional places in selective universities necessary for social mobility.
10. Any changes to the fees regime must ensure graduates from highly-selective universities are not deterred from entering socially worthwhile, but relatively low paid professions. If a variation in fees means that graduates of such universities have substantial amounts of debt, this may mean more choose highly paid alternatives – which may exacerbate, for example, the shortage of maths and science teachers. **We therefore suggest that the Review considers mechanisms by which graduates in key but low paid professions have their debts frozen or decreased over time.** One option would be for a certain percentage of the tuition fee loan to be waived for every, say, one year served in such a profession.⁷

⁷ A similar mechanism could be employed to encourage undergraduates to participate in outreach activities – for examples as helpers on summer schools or mentors. Students would build up credits which would reduce the size of the tuition fee loan.

Appendix 1: Wider recommendations for widening access to selective universities

Information Advice and Guidance

- a. Data on the financial returns to different degree courses should be published
- b. An effective and independent service for delivering impartial and specialist advice and guidance is needed for school pupils
- c. Every secondary school should have a lead teacher responsible for higher education information, advice and guidance at every Key Stage
- d. The most effective schemes for providing role models from alumni and the professions should be available in all state schools, particularly those serving poorer areas

Schools

- e. Schools and colleges must ensure genuine opportunities are open to all students to pursue the 14-19 path that is most appropriate to their talents and interests
- f. Higher education destination data for all schools and colleges should be published
- g. More should be done in schools to foster the softer, non academic skills of non-privileged young people

Admissions

- h. There should be as few exceptions (for example, earlier deadlines and additional tests) as possible to the standard university admissions process
- i. The sector should work towards more coherence on university admissions tests, and evaluate their validity
- j. Universities should strive to be as transparent as possible about the entry requirements of courses and in particular should name clearly their 'preferred' and 'non-preferred' subjects
- k. The sector should move towards a full system of post-qualification applications (PQA)

Outreach and Access Schemes

- l. Outreach programmes that are proven to work should be expanded, making use of institutions' particular expertise and exploiting key transition points
- m. A greater share of university fee income should be diverted to proven outreach work
- n. Selective universities should continue to use admission schemes which take account of students' educational and social context

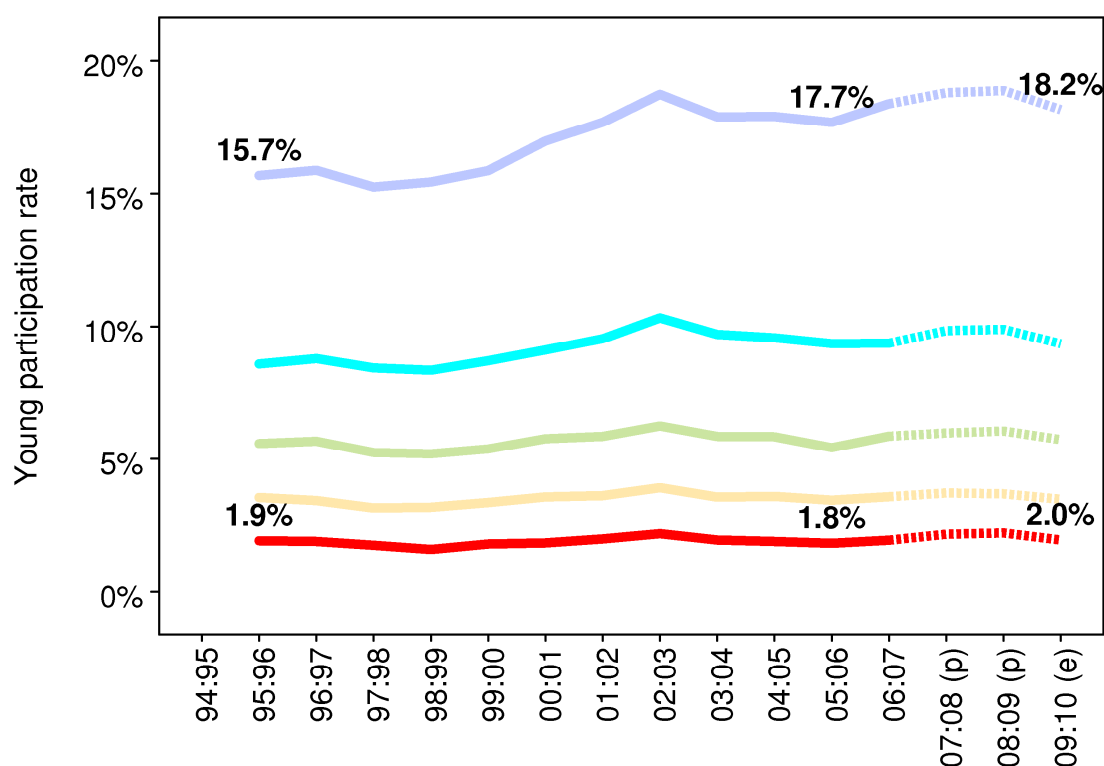
- o. Even in the current climate, additional places should be created at selective universities – particularly for those on access schemes and / or from disadvantaged homes
- p. Improved strategic coordination of access work is needed so that it is targeted where it is most needed so that efforts are not duplicated

Appendix 2: Participation trends for selective universities

A central concern of the Sutton Trust is that any change to the student finance regime should not deter students from applying to the highly selective institutions most likely to charge higher fees. There is increasing evidence from participation trends that a two-tier university system is developing along social class lines – one in which the highly selective universities are increasingly the preserve of the most privileged students, while other universities cater for students from less affluent backgrounds.

The most compelling evidence to date comes from figures compiled for the Office for Fair Access in its report to the Government on access to highly selective universities⁸. These reveal a stark and persistent gap in the participation rates to the most selective universities between the most privileged young people and the rest of the population. In fact the participation rates of privileged students (defined by living in neighbourhoods with the highest proportion of graduate parents) has increased since the mid-1990's - while those for the most disadvantaged areas have seen little change at all (see the figure below).

Trends in young participation in highly selective universities in England for young people grouped into five categories by the proportion of children with graduate parents in the areas from which they come



⁸ For more details, go to : <http://www.offa.org.uk/>

In the most disadvantaged areas only around 2 per cent, or 1 in 50, of young people entered selective universities in England in the 2009-10 academic year. Young people living in the most advantaged areas have much higher participation rates, with around 18 per cent entering selective universities - just under 1 in 5.

Young people in the fifth most advantaged areas are also around twice as likely to enter these institutions as those from even the second most advantaged areas – so there is a clear divergence between the most privileged groups and the rest of the country. These trends are in stark contrast to those for higher education overall, which has seen an increase in participation rates across the board.