

March 2005/14

Core funding/operations

Allocation of places and funds

For further information contact the HEFCE regional consultant or regional team.

This document describes the new method for allocating additional student places and funds, for 2006-07 to 2007-08. Places will be allocated for strategic growth, for projects supported by the Strategic Development Fund; or for managed growth to meet priorities agreed within each region.

Allocation of funds for additional student numbers 2006-08

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To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Strategic planning, Funding, Access, Curriculum development
Reference	2005/14
Publication date	March 2005
Enquiries to	HEFCE regional consultants (see list at Annex B)

Executive summary

Purpose

1. This document sets out how we intend to allocate funds for additional student numbers (ASNs) for the academic years 2006-07 and 2007-08.

Key points

2. An estimated 30,000 full-time equivalent ASNs will be available for 2006-07 and 2007-08. These numbers will be allocated using a new method, developed in response to the Secretary of State's request that HEFCE allocates additional places strategically.

3. Funding for growth will be made available in two main ways:

- for major strategic projects that either have already secured support from the Strategic Development Fund, or where a proposal to the fund is in advanced stages of preparation (strategic growth), or
- growth meeting national or regional needs, where proposals are brokered with HEFCE regional consultants (managed growth).

A small number of ASNs will be held back for small-scale structural re-alignment for individual institutions, as needed.

Action required

4. Institutions interested in submitting a proposal for strategic growth should contact their HEFCE regional consultant. Institutions interested in being involved in a proposal for managed growth should await details of the regional process from their HEFCE regional team.

Background and scope

5. In previous years, we have allocated additional funded growth via a competitive bidding process. When funding has been available to support additional student numbers (ASNs) we have invited institutions to bid for funds for full-time or part-time, sub-degree, foundation degree, other degree or postgraduate taught places. The most recent bidding round, in 2003, was for additional foundation degrees only (HEFCE 2003/48).

6. The framework for this approach was set in 1997, after consultation with the sector (HEFCE 20/97). In recent years, we have become aware of concerns about the process, not least the burden that competitive bidding places upon the sector. Since 1997, we have processed close to 2,000 bids for ASNs, of which only around 35 per cent were successful.

7. Some institutions have also commented on the difficulties caused by the timing of our announcements of funding for growth and subsequent outcomes of bids. In the past, we have usually held a bidding competition in the autumn, with allocations announced in the following February, for recruitment that September. Many institutions said that this is too late for marketing and recruitment of students, particularly for new courses.

8. Bearing all these factors in mind, we have developed a new approach to the allocation of ASNs which we believe will reduce the burden on institutions, while at the same time allowing a more strategic distribution of the numbers across the sector, in line with HEFCE's strategic priorities.

9. We have consulted with sector bodies (Universities UK, the Standing Conference of Principals and the Association of Colleges) about the new approach to ASN allocation. They have welcomed the move away from a bidding process and are working with us to ensure an open and robust process is put in place.

10. During 2005 and 2006 we are undertaking a fundamental review of our funding method for teaching, with the aim of introducing a new method in 2007-08. As a result, the method for allocating ASNs may change completely, so the method outlined in this document may only operate in the short term.

11. Growth of medical and dental numbers will be dealt with separately, in conjunction with the Department of Health.

New approach for distributing ASNs

12. The Government has made funding available to support growth in higher education (HE) for 2006-07 and 2007-08. This will enable the allocation of approximately 30,000 full-time equivalent (FTE) places across the sector during this period.

13. Approximately half¹ of the total funding for growth has been reserved to support a number of major strategic projects that either have already secured support from our Strategic Development Fund (SDF), or where a proposal to the fund is in advanced stages of preparation. This funding route will be referred to as **strategic growth**.

14. The remaining funding to support growth is to be distributed between the regions. Instead of a competitive bidding process, institutions in each region will work with HEFCE regional consultants to develop one co-ordinated set of proposals for using ASNs throughout the region. This funding route will be referred to as **managed growth**.

15. Further details on the processes for allocating strategic growth and managed growth, and submitting proposals, are given in paragraphs 30-37 and 38-44 respectively.

16. We will reserve a small number of FTE ASNs to support small-scale structural realignment for individual institutions, where required, on a case-by-case basis.

17. In all cases, we will only allocate ASNs where we are satisfied that proposals are likely to generate demand from students and we are assured that quality provision will be delivered.

Strategic aims

18. We would expect all proposals – whether for strategic or managed growth – to address at least one of the following strategic aims. These aims stem from the HEFCE strategic priorities; they are broad in scope, and overlap considerably.

a. **Widening participation of groups who are under-represented in higher education.** In particular, we would recommend institutions to target areas where low proportions of young people go on to higher education. Data to support proposals are available in the POLAR maps and datasets showing the participation of young people in higher education for geographical areas ranging from regions to wards (www.hefce.ac.uk/polar), and the report on 'Young participation in higher education' (HEFCE 2005/03). We would expect to allocate approximately 80 per cent of ASNs against this strategic aim.

b. **Access to subjects which are strategically important and vulnerable.** We expect to allocate approximately 20 per cent of ASNs against this strategic aim. Subjects which are strategically important, and where intervention may be required to make them available, include:

¹ Throughout this document, numbers and percentages are used as a guide to understanding only. They are not rigid constraints and we will make our final decisions based on the degree of fit with the HEFCE strategic priorities.

- those identified at a national level in the Secretary of State's letter to HEFCE in December 2004 (see Annex A)
- modern languages and land-based studies
- subjects identified at a regional level, such as vocationally-orientated courses of interest to regional employers but where there is insufficient capacity. These may be identified by, for example, Regional Skills Partnerships or Sector Skills Councils.

19. With reference to the numbers available for managed growth, we will refine and clarify these aims for each region on the advice of a Regional Advisory Group operating with extended membership (see paragraphs 41-44 for further details).

20. These strategic aims may be met through work-related or employer-responsive provision and employer engagement. Provision might be delivered in a variety of ways, for example:

- foundation degrees. We would expect about half the numbers for managed growth to be allocated for foundation degrees. We expect many of these to be integrated into Lifelong Learning Networks as they develop over the next few years, to increase the capacity of these networks. We also expect a total of 3,000 foundation degree numbers across 2006-07 and 2007-08 to be delivered with support from the SDF, with the majority being Lifelong Learning Network provision. In developing their proposals, institutions should liaise with Foundation Degree Forward about demand for foundation degrees (www.fdf.ac.uk)
- 'top up years' to convert foundation degrees to honours degrees
- four-year honours degrees with integrated sandwich year placements
- vocationally-oriented courses required by employers and their representative bodies such as Sector Skills Councils
- foundation degrees and honours programmes jointly funded by employers
- work-based taught postgraduate provision
- flexible work-based provision delivered part-time, and through e-learning or distance learning
- honours programmes designed and delivered in conjunction with employers.

21. This list is not exhaustive and we welcome proposals which meet the strategic aims in other ways.

Supporting data

22. In reviewing proposals, we will consider evidence of student demand, the size of higher education provision in further education colleges (FECs), and the fit with institutional and regional priorities. These factors are described below, and apply equally to additional student numbers released for strategic growth and for managed growth.

Student demand

23. Institutions should consider their overall recruitment patterns in the previous three years. We will seek assurances from HEIs that they can recruit additional numbers on top of their current total HEFCE-funded numbers, and that this does not run counter to their recruitment plans in other areas. We will not normally provide additional numbers to institutions who fell significantly short of their 2004-05 recruitment targets.

Size of higher education provision in FECs

24. We do not expect to receive proposals for managed growth from FECs with fewer than 100 directly-funded FTE higher education students. We believe that establishing a 'critical mass' of higher education provision is the best way to protect the student experience, access to HE resources, and staff scholarship and updating in FECs. Colleges with fewer than 100 FTE directly-funded HEFCE higher education students may submit proposals in collaboration with other providers.

25. We currently only allocate SDF funding to HEIs within the higher education sector. Funds for strategic growth are therefore not available to FECs unless they are working in partnership with an HEI leading an SDF project which requires related additional student numbers.

Fit with institutional and regional priorities

26. We will seek assurances that proposals are consistent with institutions' stated corporate objectives and aspirations. Our regional teams will consider institutional strategies, forecasts and any relevant published data to assure themselves that proposals fit with the overall strategic direction of institutions.

27. As outlined in the strategic aims (paragraphs 18-21), we expect proposals to take into account skills needs identified by the Regional Skills Partnership. Institutions should also consider other relevant data specific to their region – for example, supply and demand studies produced by the Regional Skills Partnership or contained in the Framework for Regional Employment and Skills Action (FRESA).

Monitoring

28. We expect institutions to increase their total FTEs to reflect the additional places awarded, to ensure that the sector delivers the overall growth in student numbers sought by the Government. If institutions are successful in gaining places but fail to deliver the growth expected of them, funding for these places will be withheld. However, institutions will be given a second chance to recruit the students in the following academic year and to recover that funding. If institutions still do not deliver the expected growth then we will hold back the funding for the places permanently.

29. Where institutions are awarded additional foundation degree places, we expect them to fill those places, in addition to meeting targets relating to overall student numbers. If institutions have not achieved the expected growth in foundation degrees then we will hold back permanently the additional funding related to those foundation degree places.

30. For strategic growth delivered as part of an SDF project, we will expect to see details of progress in recruitment as part of the standard SDF monitoring report.

Proposals for strategic growth

Allocation of ASNs to projects funded by the Strategic Development Fund

31. The SDF is described in HEFCE 2003/28, 'Strategic Development Fund'. It exists to facilitate constructive development and change, at a strategic level, in relation to the priorities set out in our strategic plan (HEFCE 2004/17).

32. In previous years, we have received applications for capital proposals to the SDF, and its predecessor the Restructuring and Collaboration Fund, that have often been underpinned by a separate bid for student growth. We recognise that this approach increases the burden on institutions and is high risk: institutions have to bid twice and face the possibility that one or other of their bids may be unsuccessful.

33. The new ASN allocation process allows institutions to include a request for ASNs within their main request for support from the SDF. In line with the large-scale, strategic nature of the projects funded by the SDF, we would not expect a proposal for ASNs linked to the SDF to require fewer than 300 FTEs over the two-year period.

34. As with all SDF projects, institutions are advised to discuss potential projects with their HEFCE regional consultant before submitting a formal proposal (contact details are at Annex B). We are already aware of a number of large strategic projects that might be in a position to utilise ASNs in the period 2006-07 and 2007-08.

Information required

35. Institutions seeking ASNs as part of a bid to the SDF should contact their regional consultant to discuss the specific ASN-related information that would be required as part of an SDF business case.

36. A small number of projects which have recently been awarded a grant from the SDF might also have benefited from ASNs, had these been available when the original application was made. In these cases we are willing to consider requests for ASNs for 2006-07 and 2007-08. The institutions concerned will be contacted directly to discuss this.

Submitting proposals for strategic growth

36. We will assess requests for ASNs at the same time, and using the same approval procedures, as general requests for SDF funding (as set out in HEFCE 2003/28). Such requests can be made at any time. Projects will be considered by the SDF Management Group and/or the SDF Panel, depending on the sum requested. For the ASN element of such proposals, final approval by the HEFCE Board will be required.

Flexible learning pathfinder proposals

37. Through the SDF we are interested in funding a small number of pathfinder projects to establish or build on flexible models of provision. We are particularly interested in aspects affecting the intensity and pace of study – for example, accelerated degrees, and the ability to stop and start studying using credit accumulation schemes – in order to provide students with increased options for participating in HE. We welcome proposals for development funding for this pathfinder work. For some projects, institutions may also wish to seek ASNs, and this will be considered as part of the proposal. Due to the nature of these projects, institutions may request fewer than 300 FTEs over the two-year period. For further guidance, institutions should contact their HEFCE regional consultant and are asked to do so by the beginning of May 2005.

Proposals for managed growth

Regional distribution of ASNs

38. We wish to allocate ASNs to meet HEFCE national priorities in a way that recognises the opportunities and needs of each region. To this end, we have made a nominal allocation of ASNs to each region, using a formula that takes into account current evidence of student demand, as well as current levels of participation. Table 1 shows the indicative distribution of ASNs between regions.

Table 1 Indicative distribution of ASNs between regions

Region	Percentage of total ASNs nominally allocated to region	Indicative number of ASNs per region
North East	11%	1,500
North West	11%	1,500
Yorkshire and the Humber	14%	2,000
East Midlands	10%	1,400
West Midlands	9%	1,300
East of England	8%	1,100
London	12%	1,700
South East	12%	1,700
South West	13%	1,800
Total		14,000

39. These indicative allocations are for guidance only, and will be flexible depending on the number and quality of proposals for ASNs developed in each region.

40. There will be no competitive bidding for the allocation of ASNs in each region. Instead, HEFCE regional consultants will lead a brokering process to produce one co-ordinated set of proposals for using their region's ASN allocation. We expect institutions to work closely with HEFCE regional consultants, with each other, and with relevant regional stakeholders to develop the proposals. The exact process for brokering and agreeing proposals may vary slightly between regions, but the overall framework and required outputs are detailed below.

41. Over the past year, each HEFCE regional team has been working closely with HEIs and regional stakeholders to develop priorities which HE might help to address in each region. We will now combine these with the national aims articulated in paragraphs 18, to produce a set of ASN-specific priorities for each region. We will seek advice from the extended Regional Advisory Group to develop these priorities.

42. We want to draw on a wide range of advice, so membership of the Regional Advisory Groups will be broader than in the past. The core membership consists of representatives from HEFCE, the Regional Development Agency, Regional Government Office and the Learning and Skills Council. In addition we will co-opt representatives from the Association of Colleges, HE Regional Associations, Sector Skills Development Agency and Foundation Degree Forward, plus any other stakeholders that might be relevant in a particular region.

43. Once agreed, these priorities will be communicated to institutions in the region. HEFCE regional consultants will then work with all interested institutions in the region to develop one set of proposals for using their indicative ASN allocation, addressing the national and regional priorities. In some regions, the HE Regional Associations may be involved in this discussion and development process. We expect that in most regions institutions will be asked to submit a very brief expression of interest, as a basis for discussions and brokering. Further details of the process to be run in each region will be available from the relevant HEFCE regional consultant in April.

44. The standard output from the brokering process in each region will be the submission of a matrix showing the proposed allocation of ASNs, and how it addresses the priority areas identified for that region. The proposed allocations will all be subject to final approval by the HEFCE Board.

Timetable for proposals for managed growth

44. Table 2 sets out the timetable for developing and approving proposals for managed growth.

Table 2 Proposals for managed growth

Initial set of regional priorities determined by the Regional Advisory Group	End of March 2005
Communication of ASN priority areas to institutions	By end of April 2005
Initial expressions of interest by institutions sent to HEFCE regional consultants	By end of May 2005
Final set of co-ordinated proposals required from each region	1 September 2005
HEFCE internal benchmarking to ensure parity of proposals between regions	September / October 2005
HEFCE Board to consider proposals	November 2005
Announcement on allocations of ASNs for managed growth	Late November 2005

Annex A

Subjects of strategic importance

In his letter to HEFCE dated 1 December 2004, Secretary of State Charles Clarke wrote asking for advice on a number of issues, including on 'higher education subjects or courses that are of national strategic importance, where intervention might be appropriate to enable them to be available'. An annex to that letter identified the following subjects:

- a. Arabic and Turkish language studies and other Middle Eastern area studies, former Soviet Union Caucasus and central Asia area studies.
- b. Japanese, Chinese, Mandarin and other Far Eastern languages and area studies.
- c. Science, technology, engineering and mathematics.
- d. Vocationally oriented courses of particular interest to employers in industries that are of growing importance to the UK economy, for example, the cultural and creative industries, and e-skills.
- e. Courses relating to recent EU accession countries, especially those in Eastern Europe and the Baltic.

The full text of the letter is on the HEFCE web-site, www.hefce.ac.uk under News and events.

Annex B

HEFCE regional consultants

Region	HEFCE regional consultant	E-mail
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South West	David Noyce	d.noyce@hefce.ac.uk

List of abbreviations

ASNs	Additional student numbers
FEC	Further education college
FTE	Full-time equivalent
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
POLAR	Participation of local areas
SDF	Strategic Development Fund