

July 2012/16

Policy development

Invitation to submit

Submissions must be received by
Monday 1 October 2012

This publication sets out HEFCE's approach to the review of institution-specific funding. It explains the criteria which institutions must address to be considered for funding, and provides information about making a submission.

Institution-specific funding

Consultation outcomes and invitation to make submissions

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Institution-specific funding

Consultation outcomes and invitation to make submissions

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Of interest to those responsible for	Senior management, Planning
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Executive summary

Purpose

1. This publication sets out our new method of review of institution-specific funding. It also offers an opportunity to make a submission for such funding.

Key points

2. Institution-specific funding is funding provided to a small proportion of institutions to recognise particular needs for support that cannot be met by other means, for example small specialist institutions.

3. Our recent consultation on student number controls and teaching funding for 2013-14 and beyond (HEFCE 2012/04) sought views on the scope and approach of the way we review and allocate such funding (questions 15 and 16). The great majority of respondents agreed with our proposals, so we plan to proceed as proposed. Outcomes on other aspects of the consultation will be published shortly.

4. We are inviting submissions from institutions who are eligible for this type of funding, for academic years 2013-14 and 2014-15.

5. Institutions which believe they are eligible to receive institution-specific funding are invited to make a submission. Eligibility criteria are outlined at paragraphs 12-24. It is worth noting that only a small minority of providers are expected to fulfil these criteria.

6. A full analysis of the responses to consultation questions 15 and 16 is at Annex B.

Action required

7. We will host an event at our office in Bristol for institutions that are considering making a submission on **Wednesday 1 August 2012** at 1100.

8. Institutions eligible to receive institution-specific funding are invited to make a submission for consideration by the review panel. The deadline for return is **Monday 1 October 2012**.

Background

9. Providers of higher education (HE) vary in mission and size. A small proportion incur costs as a result of their distinctiveness and contributions to public value which are not covered in full by their existing funding (student tuition fee, subject-specific funding, other HEFCE allocations (such as London weighting), and other funding). Such institutions might include those that are very small; offer a single subject; or teach in a distinctive and high-cost manner (one-to one tuition for example). To supplement these additional costs, and in recognition of the public value that these institutions deliver, HEFCE has historically provided a targeted allocation for teaching to 23 providers of HE. These include 19 institutions that receive the targeted 'exceptional funding' allocation, and six that receive 'London whole institution' allocation. Some institutions receive both. A small number of these funding arrangements extend beyond 2013-14. Annex A provides a full list.

10. Institution-specific funding is a 'whole institution' allocation, which means it is not support aimed at specific subjects, for example, provision provided within a large multi-faculty institution.

11. In our recent consultation on student number controls and teaching funding for 2013-14 and beyond¹, we set out how we propose to review our institution-specific and London whole-institution non-recurrent grant, to create a streamlined and consistent approach to providers with distinctive provision. We proposed to undertake a review of this funding by requesting submissions from eligible institutions which would be assessed during the autumn of 2012 in time to make funding decisions for 2013-14 in January 2013, and we sought views on the proposed scope and approach. We have considered the comments made by respondents, the great majority of whom agreed with our proposals. We have taken these views into account in refining the criteria and timetable. An analysis of the responses is at Annex B. A number of institutions at Annex A will previously have taken part in the 2008 review of exceptional funding for institutions.

Eligibility

12. Allocations will depend on two primary criteria:

- distinctiveness of institutional provision
- additional public value.

These criteria relate to the institution itself rather than to subject(s).

13. We will offer institution-specific funding to a provider only where we are satisfied that it meets **both** criteria and **in addition** provides convincing evidence that the additional costs it incurs cannot be met from other sources, including fees and other HEFCE funding.

14. The amounts we will offer will be based on the funding available, and may be affected year on year by future government policy and funding decisions.

15. Providers are only eligible if they have a total of more than 250 HEFCE-fundable full-time equivalent students (including postgraduate research students) who are fundable by HEFCE. This is so that the funding can be targeted at institutions with a critical mass of distinctive HE

¹ 'Student number controls and teaching funding – consultation on arrangements for 2013-14 and beyond' (HEFCE 2012/04).

provision rather than, for example, providers with very small pockets of such HE provision in limited areas.

16. To help guide those institutions that are considering making a submission we will host an event at our office in Bristol on **Wednesday 1 August 2012** from 1100 till 1400. To attend, e-mail Nicholas Dibley (n.dibley@hefce.ac.uk).

Distinctiveness of institutional provision

17. We expect to provide institution-specific funding only to support the additional costs of teaching/provision when these costs are incurred across the whole institution's teaching activity. Where costs relate to one specific part of the institution's teaching activity, or where they reflect a cost incurred by the majority of HE providers, they should be covered by tuition fee income, from alternative sources of income, or from other HEFCE funding streams. For this reason it is unlikely that a 'pocket' of specialist and/or distinctive provision delivered within a much larger multi-faculty environment would be eligible for support from this limited funding stream.

18. In providing evidence of the distinctiveness of their provision, institutions will need to demonstrate that they offer high-quality, distinctive provision or activity that could not otherwise be provided through the new fees and funding regime. We would expect that submissions should address – but not necessarily be limited to – the following factors:

- a. The nature, type and amount of direct HE teaching provided – for example, one-to-one or small-group teaching, use of current practitioners in teaching, or very small student numbers.
- b. The nature, type and scale of dedicated facilities or specialist resources provided for HE – for example, professional-standard performance spaces such as theatres or dance studios, or dedicated practice spaces.
- c. The extent to which graduates take up professional work in areas directly related to their areas of training.
- d. That all, or a very significant proportion of, students are required to audition, provide a portfolio of work for assessment or attend an interview as an integral part of the selection process
- e. The amount of public performance required as part of the course.

Additional public value

19. We believe that all HE institutions provide a measure of public value through their teaching. Institutions covered by charities legislation are also required to meet certain obligations to demonstrate 'public benefit'.

20. To make a case for institution-specific funding, we will require an explanation of how the institution offers or generates additional public value. This is not an easy area to define, but examples of the types of evidence we expect submissions to address are provided below:

- a. The degree to which the institution's programmes contribute to the professional formation of the students.
- b. The extent to which the institution's graduates contribute to the cultural, economic or scientific life of the country.

- c. The extent to which the institution's graduates go on to become recognised leaders in their field of expertise.
- d. The extent that facilities or resources are more widely used beyond the immediate student body.

Evidence of high cost

21. To gain institution-specific funding an institution must be able to provide robust evidence that the regular annual costs of this provision are significantly higher than the income it receives (or could generate) from a combination of:

- student tuition fees
- HEFCE's subject-specific funding
- other HEFCE allocations
- all other sources of funding that can reasonably be used for teaching.

22. The Transparent Approach to Costing (TRAC) is a methodology that HE institutions in the UK use for identifying the cost of their key activities. In the first instance we are using institutions' annual TRAC returns from 2010-11 (inflated to 2012-13 prices) and institutional financial forecasts to build our own evidence base of costs. As we already hold these data, we do not need participating institutions to submit a large amount of financial information. We will ask institutions to provide their own comparable evidence of costs only where annual TRAC or financial forecasts are not available.

Providers not currently funded by HEFCE, and private providers

23. If providers of HE that are not currently funded by HEFCE become eligible for HEFCE funding from 2013-14, we will consider new cases for institution-specific funding against the same criteria as the providers we currently fund.

24. Private providers of HE are not eligible as we are not empowered to fund them.

To apply

25. Institutions who want to apply should e-mail HEFCE at institution-specific@hefce.ac.uk and they will be sent instructions on how to access the submission template.

26. The template will contain an institution's own TRAC return data (where available) and financial forecasts. Institutions should check their own data and provide a brief commentary highlighting any specific additional factors they wish to draw to the review panel's attention, including whether the distinctive activity generates any income.

Assessment process

27. The assessment process for all submissions is as follows:

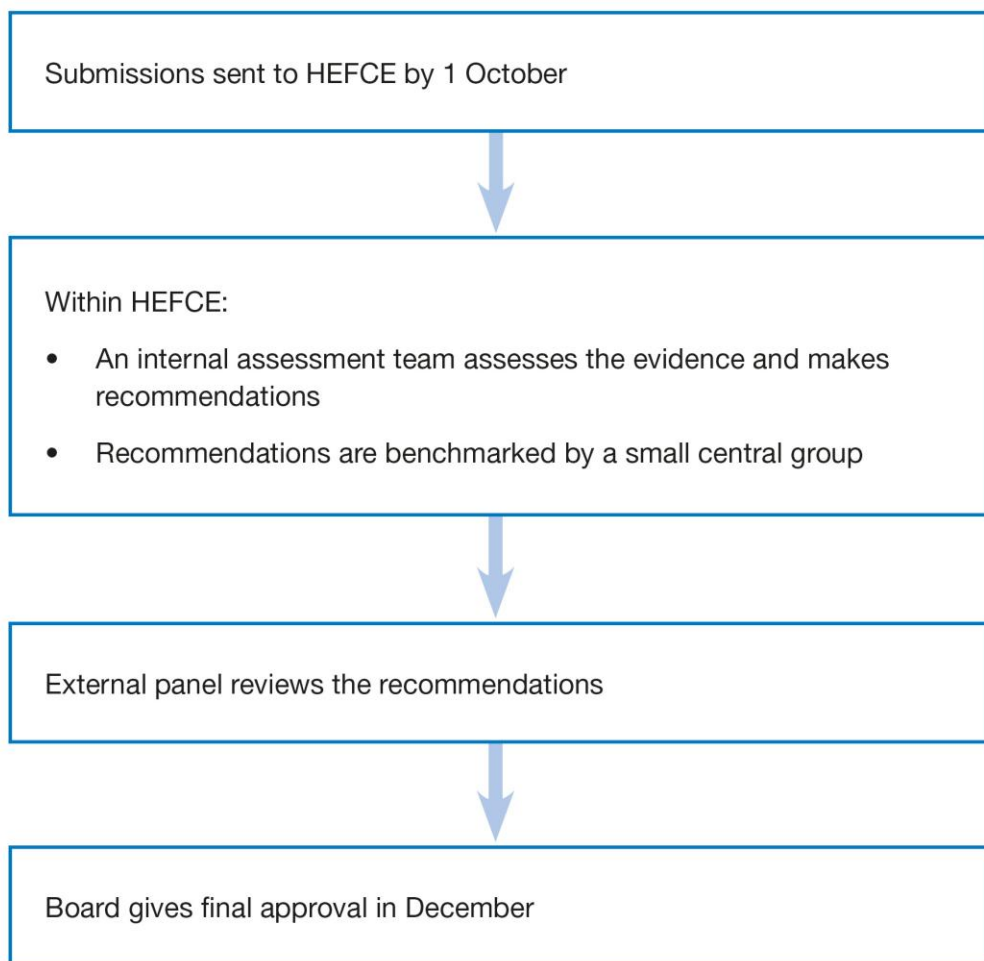
- a. **Review by internal HEFCE assessment group** – Senior HEFCE staff who have worked with institutions in England over a number of years will review all submissions. Each submission will be read by two separate assessors, who together will make a joint initial recommendation.

b. **Internal HEFCE moderation process** – Recommendations will pass to a small central group of benchmark readers who will check samples to ensure consistency and objectivity.

c. **External review panel** – The external panel will be chaired by Professor Shirley Pearce, Vice-Chancellor of the University of Loughborough, and will contain some members with experience of working in small and/or specialist institutions. The external group will check a number of sample submissions from a cross-section of institutions, and will look at any submissions recommended for rejection that are particularly complex or borderline.

28. The external review panel will then make recommendations for the HEFCE Board to consider at its December meeting.

Figure 1 Overview of submission process



Terms of reference for the external panel

29. The terms of reference for the external panel are:

a. To receive written submissions from institutions for consideration for institution-specific funding.

- b. To consider each submission according to the criteria of public value and distinctiveness, taking into account the costs of provision and income generation.
- c. To make recommendations to the HEFCE Board about awarding institution-specific funding in the light of the overall funding available.
- d. To advise the HEFCE Executive and Board about communication issues.
- e. To advise the HEFCE Executive and Board on a longer-term solution to funding these institutions.

Timetable

1 August	Introductory event for providers considering submitting a case for funding
1 October	Deadline for submissions
October to early November	HEFCE internal assessment of submissions
Early to mid November	External panel meeting Panel makes recommendations to HEFCE Executive
20 November	HEFCE Executive considers recommendations for the Board meeting
6 December	HEFCE Board approves final outcomes
By end December 2012	Announcement to institutions

Annex A: Providers that already receive institution-specific funding

Providers in receipt of funding following the review of exceptional funding in 2008

University of Cambridge
Central School of Speech and Drama
Conservatoire for Dance and Drama
Courtauld Institute of Art
Cranfield University
Institute of Education
University College Falmouth
Harper Adams University College
Liverpool Institute for Performing Arts
London School of Hygiene and Tropical Medicine
School of Oriental and African Studies
University of Oxford
Rose Bruford College
Royal Academy of Music
Royal College of Art
Royal College of Music
Royal Northern College of Music
Trinity Laban Conservatoire of Music and Dance
Royal Agricultural College

Providers in receipt of London whole-institution funding

School of Advanced Study, University of London
Institute of Cancer Research
University of London
School of Oriental and African Studies
Royal College of Art
UCL

Providers in receipt of London whole-institution funding that are not part of the review

The following three institutes will not be making a submission as they are currently – or have very recently been – the subject of separate independent studies. This is because of their particularly

complex funding and operating context. In each case the principles adopted by each independent study was broadly similar to the institution-specific funding review.

School of Advanced Study at the University of London

University Marine Biology Station Millport at the University of London

Institute of Zoology at UCL

Annex B: Analysis of consultation responses on institution-specific allocations

1. This annex presents an analysis of responses to the two questions that relate specifically to institution-specific funding in ‘Student number controls and teaching funding: consultation on arrangements for 2013-14 and beyond’ (HEFCE 2012/04). Other proposals in the consultation are also less directly relevant; for example our contribution toward meeting the additional costs of operating in London. An analysis of the responses to all the consultation questions, and HEFCE’s reactions to them, will be published on the HEFCE web-site shortly.

Question 15

Q. 15 Do you agree that the criteria for the institution-specific allocation review are appropriate and demonstrable? Are there any other criteria you believe we should include in the review?

2. We received 146 responses to this question. Of these 86 either agreed or strongly agreed with our proposal; 12 disagreed or strongly disagreed; and a further 48 neither agreed or disagreed. The significant minority that neither agreed nor disagreed might suggest that a number of institutions and organisations did not see the institution-specific allocation review as relevant to them. Only a small minority of respondents disagreed with the criteria, although these responses contained some strong views. Respondents to this question broadly fell into three groups:

- a. Institutions currently in receipt of an institution-specific targeted allocation, London whole-institution non-recurrent grant, or both.
- b. Institutions (mainly specialist institutions, and multi-faculty institutions with specialist provision) who do not receive this funding, but believe they may be eligible to receive institution-specific funding in the future.
- c. Other institutions/organisations.

Institutions currently in receipt of an institution-specific targeted allocation or London whole-institution non-recurrent funding

3. All but two of the institutions currently in receipt of institution-specific funding responded to the consultation. They were broadly supportive of the review and of the criteria. While they welcomed the recognition that there are higher costs associated with distinctive provision, they expressed some frustration at the need for another review following the Review of exceptional funding in 2008. There was a strong desire – particularly from the music conservatoires – for a long-term funding settlement for conservatoire education, and for their high-cost provision to be recognised through specific price banding rather than through a separate targeted allocation. Comparisons were made with medical subjects in price group A, arguing that the high costs of conservatoire education have already been demonstrated. One response expressed dismay at the description of the allocation as ‘funding of last resort’ and ‘not provided in perpetuity’. There was a comment suggesting that the review of the Transparent Approach to Costing for Teaching (TRAC(T)) could be valuable in establishing a robust methodology for assessing the subject-related costs of professional training in the performing arts.

4. We proposed that distinctiveness and public value, in addition to the assessment of additional costs, form the criteria for allocating funding. A handful of respondents offered

individual suggestions for additional criteria, including: quality; the ability to generate economies of scale; the level and scale of provision in relevant subject areas and/or geographical areas; postgraduate provision; and continuity of provision. However, there was no widespread support for adding criteria over and above what we had proposed.

5. Some respondents expressed concern about how HEFCE would treat additional costs in the review, and it was suggested that we would need to provide clear guidance on the provision of cost information, to ensure that responses from different institutions are comparable. One institution suggested that TRAC(T) data would be helpful if it could look at costs in finer detail than cost centres. One response stated that this funding should not be available to new providers, unless additional funding is provided to HEFCE for this.

Institutions not in receipt of institution-specific funding which believe they may be eligible

6. Ten responses were from institutions that we consider to be specialist but which are not currently in receipt of institution-specific funding. Most of these suggested that they would make a submission to the review. A further 10 respondents indicated that their institution – or part of their institution’s provision – should be eligible for the review. Fewer than half of the combined responses from these two groups of institutions agreed with the criteria for the review.

7. Responses from the specialist institutions tended to welcome the review, and place emphasis on the need for transparency in the criteria and in the way the exercise is conducted and its outcomes determined. There was one explicit comment that the review should not maintain the status quo, and that the institutions which currently receive the allocation should be reviewed rigorously, and another which stated that negative impact on an institution of removal of such funding should not be sufficient justification for its continuation.

8. Several responses from multi-faculty institutions argued that part of their provision was comparable to that offered in specialist institutions, and that the focus should be on supporting high-cost subjects, not institutions, with high-cost subjects such as acting being supported wherever this provision is available. One suggested that awarding high-cost support with regard to the type of organisation, rather than by subject area, may be viewed as anti-competitive. Two respondents considered that specialist subjects recruiting largely on the basis of audition or portfolio should be removed from the student number control wherever they are delivered, instead of this ‘opt out’ being offered only to specialist institutions.

9. Several responses argued that church foundation and faith-based institutions should be eligible for the review, suggesting that this would contribute to maintaining diversity in the HE sector. A small number of further education colleges (FECs) and a non-HEFCE-funded provider also suggested that they may apply for funding. One specialist FEC suggested that greater protection for student numbers for institutions with less than a certain number of students (for example, from the core and margin numbers), might be more cost-effective than additional funding.

Other institutions/organisations

10. We received well over 100 responses from institutions and other organisations who neither receive institution-specific funding nor suggested in their responses that they should do so. Although only just under half of these responses agreed or strongly agreed with the criteria for the review, a further large minority (almost 40 per cent) of respondents in this group selected ‘neither agree nor disagree’. In addition to this, a majority of those agreeing did so with little or no

further comment, suggesting that they did not have strong views on this question, or did not see it as relevant to them.

11. This left only a small group who disagreed with the criteria, though within this group some strong views were expressed.

12. Several institutions that disagreed with the criteria for the review queried why the Universities of Oxford and Cambridge received institution-specific funding, and there were calls for more transparency around this allocation. One suggested opportunities for cost reductions and funding from elsewhere should be discussed with the institutions receiving the allocation. Another respondent argued that the institutions receiving this allocation traditionally have large endowments, and that funds should be directed instead to priorities which support the whole sector.

13. Several respondents queried why this funding is not available to specialist departments in larger institutions; some suggested that this provides a disincentive for HE institutions to merge with specialist institutions, even where this would be in the best interest of students. Similarly, another suggested that the receipt of this funding by specific institutions could be seen as anti-competitive, and that the costs of distinctiveness could be covered by other approaches such as mergers and diversification. One institution argued that some of the institutions currently receiving the funding are being given a competitive advantage, and that the review should consider the availability of comparable courses at institutions local to them. One response suggested that money for music, art and drama should be allocated under the framework for strategically important and vulnerable subjects, rather than the institution-specific funding continuing in its present form.

14. Finally, a few responses suggested additional ways in which the money spent on institution-specific allocations could be used. One FEC suggested that money should be channelled into the student loan system and that the market should decide how much funding institutions receive, apart from courses of strategic importance. Another college suggested that small providers with fewer than 250 HE full-time equivalent (FTE) students have specific needs due to reporting and data requirements from HEFCE, and that an allocation to support staffing would be welcome.

Question 16

Q. 16 Do you have any comments on the method, timing and levels of external involvement proposed for the institution-specific allocation review?

15. 131 institutions responded to this question, but the detailed comments came from institutions that will or could be involved in the review. The majority of the other institutions and organisations offered little or no comment, suggesting that they did not see these issues as relevant to them. The majority of comments focused on the review timetable, and the levels of external involvement proposed for the review panel. For this question, responses could broadly be divided into two groups:

- institutions planning to submit, or considering whether to submit, to the institution-specific allocation review (whether or not they currently receive this funding)
- other institutions/organisations.

Institutions planning to or considering submitting to the review

16. The 35 institutions that are considering submitting to the review in the main accepted the method proposed for the review. They expressed a few concerns about the costing information to be submitted, including requests for greater specificity, and modelling of the impact of the proposals prior to the beginning of the review. A minority also thought the threshold of 250 FTE students for submission was too low, or that the percentages of the overall institution-specific funding going to each institution should be reviewed. One institution (not currently in receipt of institution-specific funding) commented on the light-touch nature of this review, saying that it hoped for a more meaningful and inclusive review in the future. Others, by contrast, welcomed the fact that this review would be light-touch. There was a suggestion that HEFCE should consult with accrediting bodies such as the National Council for Drama Training, and that all universities with accredited specialist schools should be invited to make submissions for funding.

17. The majority of the institutions considering making a submission had concerns about the review's tight timescale and the fact that it will take place over the summer. Some acknowledged that this is necessary to inform 2013-14 funding, but others worried that the review would add burden at a busy time of year, and place additional pressures on small institutions already handling a significant data burden with only a small specialist team. Only one response suggested that the timetable would reduce the number of submissions to the review.

18. A number of institutions requested more clarity on criteria for the review and the information they will need to supply, particularly financial data, at an early stage. There were requests that we engage with institutions on the specifications for financial information.

19. Many respondents emphasised the need for the external review panel to have credibility within the sector as well as the necessary subject expertise, and some offered nominees as potential panel members. One institution asked for the opportunity to review the composition of the panel, and another suggested incorporating an 'expressions of interest' stage into the review process. There was an emphasis, particularly from institutions not currently in receipt of the allocation, on the need for transparency and independence in the composition of the panel, and some support for including HEFCE officers on the panel, who would have greater knowledge of individual institutions.

Other institutions/organisations

20. Most institutions and organisations who would not expect to be involved in the review made little or no comment. These respondents echoed requests for more information and greater transparency about the composition of the external review panel and outcomes. One institution queried the need for a review so soon after 2008, although another suggested that given the changes to the funding regime since then, a more rigorous review than the proposed light-touch one would be appropriate.

21. A small minority of responses from this group were more critical of the proposals or of the institution-specific allocation itself. One response suggested that it was important that institutions should not be compensated for characteristics of delivery or organisation which are not cost-effective. Another stated that it would be important to consider whether institution-specific funding should be used elsewhere, for example on widening access. One FEC suggested that increased widening participation could be a condition of continued funding. One institution suggested that it

would be important that the distinctiveness and public benefit demonstrated were demonstrably different from provision in related subject areas at non-specialist institutions.