

February 2012/04

Policy development

Consultation

This consultation seeks views on changes to student number controls and teaching funding in higher education from academic year 2013-14.

Responses should be made online
by Friday 25 May 2012

Student number controls and teaching funding

**Consultation on arrangements for
2013-14 and beyond**

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Student number controls and teaching funding: consultation on arrangements for 2013-14 and beyond

To	Heads of further education colleges Heads of HEFCE-funded higher education institutions Heads of non-HEFCE-funded providers of higher education
Of interest to those responsible for	Senior management, Finance, Governance
Reference	2012/04
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Enquiries to	HEFCE-funded colleges and universities should raise any questions with their HEFCE institutional team (see www.hefce.ac.uk/aboutus/cop/contact/ for a searchable list of contacts) Higher education providers which are not currently funded by HEFCE should contact Derek Hicks, Regional Consultant, e-mail d.hicks@hefce.ac.uk Queries from other interested parties should be sent to tfundingconsultation@hefce.ac.uk

Executive summary

Purpose

1. This consultation seeks views about changes to student number controls and teaching funding policy for implementation from 2013-14.
2. The proposals cover all aspects of our teaching grant except the method for phasing out the subject-related elements of funding for students who began their courses before 1 September 2012 which has already been agreed following consultation in 2011 ('Teaching funding and student number controls: Consultation on changes to be implemented in 2012-13', HEFCE 2011/20, available at www.hefce.ac.uk).
3. We aim to continue to ensure a smooth transition to the new finance arrangements for higher education introduced by Government from 2012-13.
4. We encourage responses to the consultation from all higher education providers, including potential providers of higher education and those we do not currently fund, because the developments we propose may affect them in the future.

Background

5. In 2011, the Government published its higher education White Paper, 'Students at the heart of the system', and a technical consultation 'A new, fit-for-purpose regulatory framework for

the higher education sector' (both available at <http://discuss.bis.gov.uk/hereform/>). These documents set out proposals for fundamental changes to the financing and regulation of higher education in England including a policy that, for students entering higher education from 1 September 2012, tuition fees should be a much more significant source of teaching income for higher education providers. A new role was also proposed for HEFCE as independent lead regulator for higher education.

6. Our consultation has been developed in the context of those government policies. It sets out, in relation to the operation of student number controls and teaching funding grant, how HEFCE will:

- support student choice and encourage greater competition between higher education providers
- create a level playing field for all higher education providers (which may in the future include those we do not currently fund directly)
- ensure the overall public financing of higher education remains affordable to Government
- provide continuing support for teaching disciplines and other areas which are a priority to Government and in the public interest, and which carry additional costs that cannot be met through tuition fees.

7. We are consulting now so that funding changes for 2013-14 can be agreed in time to enable the usual timetable of grant announcements.

8. Public funding for teaching costs comes from two main sources: tuition fees paid by students; and grants from public sources including HEFCE. For students entering higher education from 1 September 2012, tuition fees will become a much more significant source of teaching income.

9. For some groups of students attending publicly funded institutions (mostly undergraduates), there are overall limits set out by law on the fees that can be charged. Publicly funded tuition fee loans will be available to these students, so that there is no up-front cost to them. These loans are repayable once the student is earning above a certain amount. Publicly funded maintenance grants and loans are also available to help with the living costs of those studying full-time.

10. Providing loans and grants to students has a cost for Government, which it needs to control. It does this by limiting the overall number of students that can be recruited and who may be a call on student support. Thus, currently, HEFCE sets a 'student number control' limit on entrants for each provider that we fund.

11. From 2012-13 undergraduates with entry qualifications equivalent to grades AAB at A-level, or higher, are excluded from the student number control. Providers are therefore unrestricted in how many students with these qualifications they can recruit.

Key points

Student number control

12. This consultation seeks views on how the student number control should be implemented from 2013-14.

13. Government is expected to issue further guidance to HEFCE about its exact policies for 2013-14. Once we receive this guidance we will consult about how these are implemented in as timely and effective manner as can be achieved. Meanwhile, we consider there are some aspects of implementation that lie within known policy about which we can consult now.

14. We propose to continue to operate a student number control on full-time undergraduate students expressed in terms of entrants, rather than students in all years of study. It would apply to the population of students eligible to claim student support, rather than those that actually claim it.

15. We also seek views about freeing-up the admission of certain groups of 'top-up' students, and about establishing a clear process for determining equivalent qualifications for entrant-control purposes.

Funding for teaching

16. HEFCE's funding responsibility is to fund the activity of providers. We do not fund individual students, although we count students in our funding method as a proxy measure for providers' activity.

17. In future a much more significant proportion of public funding for teaching will come through tuition fee loans. However HEFCE will still have a budget to support teaching, albeit reduced in scale. Our funding interventions will need to be carefully focused in order to make the best use of public funds.

18. Our role will be to invest on behalf of students to ensure a high-quality experience for them. We will prioritise funding on government priorities and invest where tuition fees cannot cover costs, or where it is in the public interest to support provision that is vulnerable.

19. We wish to minimise major changes to funding mechanisms in these early years of implementing the Government's funding reforms. This will avoid additional volatility in funding which may affect students, and will limit the complexity for providers in managing two finance and funding regimes simultaneously (one relating to students that start before 1 September 2012 and one relating to those who start after this date).

20. In particular, we wish to:

- ensure that annual funding changes reflect the shift in the balance of student numbers between old- and new-regime students, so our allocations need to reflect the student numbers reported in the year and be reviewed as more accurate data becomes available about those numbers
- be consistent, wherever possible, with previous approaches, particularly in our method for counting students, so as to limit complexity and burden on providers.

21. In the consultation we discuss rates of grant and total allocations. **All of these figures are indicative only and are very likely to change.** They do not represent a commitment by

HEFCE, but indicate our broad intentions and the comparative scale of allocations, to clarify our proposals. Our total budget, provided by Government, is fixed each year. So we will adjust allocations and funding rates as necessary to ensure they remain affordable within that total, and taking account of the student numbers that providers report in future data returns.

22. Initial rates of HEFCE grant to providers for academic year 2013-14 will be published in March 2013.

High-cost subjects

23. We propose to fund provision only in subjects where data show that average costs for providers exceed £7,500.

24. The rates of grant for different subject-related price groups will broadly reflect average costs, but with a reduction to reflect that tuition fees pay a significant part of these costs, and also to reflect our level of grant from the Department for Business, Innovation and Skills.

25. We propose that rates of funding for high-cost part-time provision should be the same, pro rata, as for full-time provision.

26. From 2013-14, we propose to provide higher rates of grant for postgraduate (PG) taught provision than for undergraduate (UG) provision. This is prompted by the lack of loan facilities for postgraduate students. It is an interim approach which we will review after the transitional period, in around 2015-16. The rates of grant for postgraduate taught students will comprise:

- the same rates of grant provided for undergraduate provision, **plus**
- a further supplement for all subjects in price groups A to C, other than where students have access to the undergraduate student support regime (PGCE students and some studying architecture).

27. Funding for high-cost subjects will be as follows (see paragraph 186 for an explanation of 'price groups'):

Price group	Subjects	
A	Clinical years of study in medicine, dentistry and veterinary science	UG and PG
B	Laboratory-based science, engineering and technology Agriculture and forestry	UG and PG
C1	Archaeology Design and creative arts Information technology and systems sciences, software engineering Media studies	UG and PG
C2	Other intermediate cost subjects with a laboratory, studio or fieldwork element. This includes sports science, which previously was split for some providers between price groups B, C and D. It	PG only

	also includes all students on sandwich year-out placements	
D	Classroom-based subjects	No allocation

Allocations to support clinical subjects

28. We have historically provided some additional funding for providers to help them meet the additional costs of pay settlements from 2003-04 for clinical academic staff and of increases in employers' contributions from 2004-05 to the National Health Service (NHS) pension scheme. We will continue to allocate these to providers at the same levels as before. They comprise:

- clinical consultants' pay
- senior academic general practitioners' pay
- NHS pension scheme compensation.

Allocations to support highest-cost science, technology, engineering and mathematics subjects

29. We propose to continue to provide an additional allocation for undergraduate and postgraduate provision in four subjects (chemistry; physics; chemical engineering; and mineral, metallurgy and materials engineering) which are particularly expensive and whose costs are understated in our subject costing data. This will be at the same levels as 2012-13.

Flexible learning: part-time and alternative modes of study

30. We propose to provide funding where students are on accelerated undergraduate degree programmes or intensive postgraduate taught courses, recognising the additional costs that these types of provision incur each year. This will be available in relation to undergraduates in price groups B, C1, C2 and D and to postgraduates in price groups B, C1 and C2. This will be at the same levels as 2012-13.

31. There are extra costs associated with part-time provision. Providers can meet some of these costs through tuition fees, but the scope for this is more limited in higher-cost subjects. We therefore propose to provide additional funding for part-time undergraduate students in price groups A, B and C1. Funding will no longer be provided for students in price groups C2 and D.

Costs of providers in London

32. Teaching at campuses in London incurs additional costs, relating mainly to staff salaries and estates. We therefore propose to provide funding for providers in relation to students attending courses in London. This will apply to subjects in all price groups at broadly the same rates as 2011-12.

Student opportunity

33. We propose to provide funding for providers to recognise their additional costs in addressing inequalities in higher education, and of raising the attainment of students from disadvantaged backgrounds and enabling them to succeed in higher education. This funding is distinct from, but complementary to, the expenditure arising from access agreements with the Office for Fair Access, which is provided predominantly in the form of direct financial support to students through fee waivers, bursaries and scholarships. Many providers do not have access agreements.

34. We propose two main elements to this funding:
- a. A Student Opportunity allocation. This will comprise separate elements for full-time and part-time undergraduate provision and separate calculations to reflect:
 - i. The recruitment and retention of students from geographical areas with traditionally low educational achievement and/or higher education participation rates, who have the potential to succeed in higher education.
 - ii. The recruitment and retention of students who have the potential to succeed in higher education but are likely to need more support than others to enable them to complete their studies. This will reflect the characteristics that we have observed are indicators that a student may require extra support.
 - b. A Student Opportunity allocation for Disabled Students. This will be allocated to reflect the student numbers at each provider and the proportions that are in receipt of Disabled Students' Allowance.
35. Our proposals for student opportunity funding include the withdrawal in 2013-14 of £40 million of additional funding for widening access for part-time students that was introduced in 2006-07, when part-time provision did not benefit from the introduction of variable fees and increased tuition fee loans for full-time undergraduates. Student support arrangements have now been extended to part-time undergraduates so this additional funding is no longer required.

Funding for providers with distinctive provision: institution-specific allocation

36. We recognise that some higher education providers, particularly specialist institutions with distinctive provision of public value, have costs that cannot reasonably be met through tuition fees and which our main funding allocations do not adequately address.
37. We propose to review, during 2012, which providers have a case for exceptional support in our allocations from 2013-14. The review will consider both the existing recurrent institution-specific and non-recurrent 'London whole institutions' allocations.
38. This consultation invites comments on the main criteria that we propose for that review, relating to public benefit and distinctiveness, as well as evidence that exceptional costs arise that cannot be met through other income sources.

Strategically important and vulnerable subjects

39. The consultation outlines how we propose to identify, monitor and support strategically important and vulnerable subjects (SIVS) in our approaches to funding, student number controls and providing information.
40. In the new funding context we will no longer have a single list of SIVS: we will continue to support those subjects which have until now been identified as strategically important and vulnerable, but we will also monitor the health of all subjects and make selective interventions targeted on the specific risks to those subjects¹.

¹ Subjects which have until now been identified as SIVS are chemistry, physics, engineering, mathematics, modern foreign languages and related area studies, and quantitative social sciences.

41. Our support for SIVS is a cross-cutting priority and reflected throughout this consultation, including in our proposals relating to high-cost subjects and postgraduate taught provision.

Responding to this consultation

42. Responses should be made by **1700 on Friday 25 May 2012** using the online form, which can be accessed alongside this document at www.hefce.ac.uk/pubs .

43. We will hold consultation events during March and April 2012. We have sent invitations to HEFCE-funded higher education institutions, further education colleges and non-HEFCE-funded providers of higher education. Further places are available but limited, so early booking is advisable. To book, e-mail fundingconsultation@hefce.ac.uk. For further information contact Nicholas Dibley (n.dibley@hefce.ac.uk, 0117 931 7414).

Introduction

44. This consultation invites views about changes to, and the implementation of, student number controls and teaching funding policy from 2013-14 for higher education in England.

45. It is the second part of a two-stage consultation; the first part, published in June 2011, concerned arrangements for academic year 2012-13 ('Teaching funding and student number controls: Consultation on changes to be implemented in 2012-13', HEFCE 2011/20²). This second stage sets out proposals for student number controls and teaching funding for 2013-14 onwards.

46. Government has indicated it will advise us of its specific student number policy for 2013-14. If this includes changes to current policy, and timing allows, we will publish a supplementary part to this consultation about how we propose to implement the policy changes.

Consultation aims

47. HEFCE's overarching aim is to ensure a smooth transition to the new financial and regulatory arrangements set out in the Government's higher education White Paper, 'Students at the heart of the system' (available from www.discuss.bis.gov.uk/hereform/).

48. Subject to the timing and scope of possible legislation, this may include bringing providers that do not currently have a funding relationship with HEFCE into the publicly funded and regulated system, if they wish to join it.

49. We have listened carefully to concerns expressed by respondents to HEFCE 2011/20 that substantial, simultaneous changes to funding and student number controls may create difficulties. Our view is that the student and wider public interest will be best served by an approach which limits financial volatility, minimises administrative burden for providers as far as possible, and creates time for the impact of the reforms to be better understood.

Controls on student numbers

50. This consultation sets out some proposals relating to the implementation of student number controls from 2013-14. These aim to reduce the risk to Government of unplanned student support costs, while also supporting competition and dynamism in line with the direction outlined in the White Paper.

51. This document:

- a. Makes proposals on the method for controls on full-time entrants to higher education.
- b. Seeks views on whether it might be possible to exclude 'top up' programmes from the student number control.

² We published the outcomes of the consultation in HEFCE Circular letter 26/2011. All HEFCE publications are available at www.hefce.ac.uk/pubs

- c. Makes proposals about the criteria we should adopt in determining equivalent qualifications to certain A-level grades, so as to exclude students with these entry qualifications from the control.

Funding for teaching

52. This consultation also describes how we propose to allocate funding for teaching from 2013-14 onwards.

53. Over the next few years HEFCE's funding for teaching will reduce considerably as increased student tuition fees become a much more significant source of income for publicly funded providers. With this change, we are focusing on providing grants for providers, in line with government priorities, where they are needed most. We believe that we have developed a positive and fair set of proposals around seven key themes which will support a high-quality educational experience for students and which bring wider public benefit:

- a. Funding for high-cost subjects
- b. Additional priority to postgraduate provision to ensure it is not adversely affected by the changes to student finance.
- c. Continued support for specific forms of flexible provision including part-time, accelerated and intensive provision.
- d. Supplementary funding to recognise the additional costs of providers operating in London.
- e. Funding to support student opportunity, social mobility and successful completion.
- f. Support for providers with distinctive forms of high-value, high-cost provision.
- g. A new strategy for strategically important and vulnerable subjects (SIVS), building upon past good practice.

Scope and timing

54. This consultation is concerned with controls on student numbers and HEFCE funding for teaching from 2013-14. It covers subject-related funding ('mainstream funding') for new-regime students, including those who enter in 2012-13, and other allocations for old- and new-regime students. It does not cover the subject-related element of funding for students who began their courses before 1 September 2012, because this has already been agreed following consultation in HEFCE 2011/20.

55. Government has not yet advised HEFCE of any proposed changes to its policies on student number controls for 2013-14, so this consultation only covers changes to the student number controls that do not depend on further guidance from Government about its policy.

56. HEFCE also provides funding for research, knowledge exchange and other activities in higher education. This funding is not part of this consultation. Information about these other funding streams is available at www.hefce.ac.uk.

57. Our proposals on teaching funding focus on priorities and methods. We have included figures for proposed teaching grant rates and totals, but these are indicative only and are very

likely to change. They do not represent a commitment by HEFCE; we have included them to give a sense of our broad intentions and the comparative scale of the allocations we are proposing. Our total budget is fixed each year by Government (although we do not have firm figures beyond the 2012-13 financial year) so we will adjust our allocations and funding rates for teaching as necessary to remain within the total funding we have available each year. We will also take account of the numbers of students that providers report in future data returns.

58. We have developed proposals with the overarching aims of smoothing transition and minimising bureaucracy. For the next few years, providers will be running two parallel systems relating to students who entered before the change to the fee and funding regime and those who entered afterwards. Our expectation is that the arrangements that will be put in place following the consultation will span at least the remainder of the current spending review period (that is, for the academic years 2013-14 and 2014-15).

59. Our proposals will be finally determined during a period when some aspects of the Government's reforms to the funding and regulation of the higher education system may still be subject to changes in legislation. However, we must consult now to ensure that providers have sufficient notice of changes for 2013-14.

Structure of the consultation

60. Part 1 covers background information and context. It explains HEFCE's high-level approach and asks for views on the principles that should inform our approach.

61. Part 2 outlines some aspects of implementing controls on student entrant numbers for 2013-14 onwards.

62. Part 3 explains how we propose to allocate HEFCE teaching grant in future: that is, subject-related grant funding from 2013-14 related to students who enter higher education from 1 September 2012 onwards, and other types of funding related to students who entered before 2012-13 and afterwards.

Terminology

63. We use the term 'regulated higher education system' to refer to the Government's proposed regulatory framework for higher education.

64. We use the term 'higher education providers' (or 'providers') to refer to all bodies that, from 2013-14 onwards, are or may become part of the regulated higher education system, subject to the timing and scope of possible legislation.

65. In 2013-14 there will be two distinct groups of students in higher education in England:

- a. 'Old-regime' students: those who entered before 1 September 2012 and are therefore subject to the current fee and funding regime. They include both those whose fees are limited by law (mostly full-time undergraduates in 2011-12) and those whose fees are not limited in this way (such as most postgraduates and part-time undergraduates).
- b. 'New-regime' students: Those who enter on or after 1 September 2012 and who are therefore subject to the new fee and funding regime. They include both those whose fees are limited by law and those, such as most postgraduates, whose fees are not limited in this way.

66. In defining which student numbers are controlled, we refer to 'HEFCE-fundable' students. HEFCE does not fund individual students, but we count student numbers as a way of measuring the activity of higher education providers. A 'HEFCE-fundable' student is one who could be counted in these funding calculations. In terms of teaching funding, this generally refers to all higher education students domiciled in the UK or another EU country ('home and EU' students), with the following exceptions:

- students whose provision is funded by another public source within the EU
- students on a course provided exclusively for employees of a particular organisation
- students aiming for a qualification no higher than one they already have (with certain exceptions)
- postgraduate research students.

67. Some of these students will not in fact attract HEFCE funding for their providers, for example those whose tuition fees we expect to cover the full cost of provision or those who do not complete their year of study and are therefore not counted in our funding calculations

68. All references to years are to academic years (1 August to 31 July) unless otherwise indicated. References to financial years mean 1 April to 31 March.

69. We have explained other terminology relating to our funding and student number control methods as it arises in the course of the consultation.

70. Annex F contains a glossary of terms and abbreviations used in this document.

Providers unfamiliar with HEFCE

71. Responses to this consultation from providers that we do not currently fund or have a relationship with are welcome, because our proposals may affect them in the future. We have attempted throughout to ensure that the implications of our proposals for them are clear, insofar as this is possible at this stage.

72. Such providers may be unfamiliar with HEFCE processes and terminology. Annex F may assist.

73. We encourage all providers, particularly those unfamiliar with HEFCE, to subscribe to the 'admin-HEFCE' e-mail list which gives updates on our publications and other work: to subscribe, visit www.hefce.ac.uk and follow the link to e-mail alerts.

Responding to this consultation

74. The closing date for responses to this consultation is **1700 on Friday 25 May 2012**. Please use the online form that can be accessed alongside this document at www.hefce.ac.uk.

75. We will hold consultation events during March and April 2012. We have sent invitations to HEFCE-funded higher education institutions, further education colleges and non-HEFCE-funded providers of higher education. Further places are available but limited, so early booking is advisable. To book, e-mail fundingconsultation@hefce.ac.uk. For further information contact Nicholas Dibley (n.dibley@hefce.ac.uk, 0117 931 7414).

Freedom of information

76. The Freedom of Information Act 2000 provides a right of access to information held by a public authority (in this case, HEFCE). This includes information provided in response to a consultation. HEFCE has a responsibility to decide whether any responses to this consultation, including information about respondents' identity, should be made public or treated as confidential. We can refuse to disclose information only in exceptional circumstances. This means that responses to this consultation are unlikely to be treated as confidential except in very particular circumstances. Further information about the Freedom of Information Act is available at www.ico.gov.uk.

Next steps

77. The HEFCE Board will consider the responses to the consultation, and agree the way forward, at its July and October meetings. Following this, we will announce its decisions. We will also publish an analysis of responses to the consultation. We will announce funding allocations for 2013-14 in March 2013.

Part 1: Student number control and teaching funding: policy, priorities and principles

78. This section sets out the broad policy context for the consultation, describes HEFCE's high-level approach to implementing the Government's reforms, and asks for views on the principles that we propose should inform that approach.

79. It outlines government policies and includes a brief introduction to teaching funding and student number control processes for those unfamiliar with them. There are more details in Part 2 (for student number controls) and Part 3 (for teaching funding).

Policy context

80. The policy context for this consultation is set out in the Government's White Paper, 'Students at the heart of the system'; the Department for Business, Innovation and Skills' (BIS') technical consultation 'a new, fit-for-purpose regulatory framework for the higher education sector' (both available from <http://discuss.bis.gov.uk/hereform/>); and the BIS grant letter to HEFCE for 2012-13 (available at www.hefce.ac.uk).

81. The Government's vision is for a diverse, innovative, high-quality higher education system which is more responsive to the needs and choices of students. The White Paper emphasises a greater role for competition between providers in order to improve student experience and choice, and to drive up efficiency. It proposes that HEFCE should have a duty to take competition implications into account when making decisions on funding. It sets out the Government's plans for a new, fit-for-purpose regulatory framework, including a role for HEFCE as 'lead regulator' for the higher education system, and with an explicit remit to protect and promote the interests of students. It suggests that HEFCE would also be responsible for the operation of a 'single gateway' into the higher education system, managing the registration of providers for student support purposes, grant funding, degree-awarding powers and university title. However, these changes are in the main subject to legislation.

Teaching funding

How teaching in higher education is financed

82. Providers of higher education in England meet their teaching costs from two main sources: tuition fees charged to students, and grants from public bodies such as HEFCE, the NHS and the Training and Development Agency for Schools (TDA, soon to become the Teaching Agency).

83. From 2012, following the introduction of the Government's reforms to student finance, providers will increasingly receive a much more significant proportion of their income from tuition fees and correspondingly less through HEFCE teaching grant (HEFCE's grant for teaching will reduce between 2011-12 and 2014-15 by approximately £3 billion).

84. Tuition fees for most undergraduates are limited by law (although providers may choose to charge below the maximum level). For these undergraduates entering higher education from 1 September 2012, the limits will rise: a maximum basic fee level of £6,000 per year for a full-time undergraduate student, and a higher rate of up to £9,000 permitted for providers that have an access agreement with the Office for Fair Access (OFFA).

85. Most undergraduates will be able to access publicly funded tuition fee loans, which they will begin to repay when they are earning above a stipulated income threshold. The Government also provides maintenance grants and loans to help with the living costs of full-time undergraduates.

86. Currently HEFCE is empowered to fund teaching, research and related activity at higher education institutions, and 'prescribed courses of higher education' at further education colleges. We are not currently empowered to fund other providers of higher education, such as private providers. A broader range of providers may become eligible for HEFCE funding in future years, if they join the regulated higher education system.

87. As our teaching grant reduces commensurate with the increase in tuition fees, we will carefully focus our funding interventions to make the best use of public funds. We will invest on behalf of students and the wider public in areas, such as high-cost subjects, where tuition fees alone cannot meet all costs.

Government priorities for teaching funding

88. In its higher education White Paper, the Government asked HEFCE to allocate teaching grant to support a 'healthy mix of subjects, students and types of providers'. In its most recent grant letter (25 January 2012), the Government asked us to prioritise the following areas for support over the next few years:

- additional costs of high-cost subjects at undergraduate and postgraduate levels, including (but not limited to) medicine, science, engineering and agriculture
- subjects which are strategically important to the nation and which require support to avoid undesirable reductions in the scale of provision ('strategically important and vulnerable subjects')
- additional costs associated with attracting and retaining students from non-traditional backgrounds and disabled students, including the funding HEFCE provides to support widening participation and retention
- additional costs of high-cost specialist providers, such as arts institutions, some of which are relatively small
- costs associated with the transition to the new funding arrangements
- postgraduate provision, pending a review of this provision.

Student number controls

Controlling student numbers

89. In addition to grant funding to providers, longer-term costs to the public purse arise:

- from maintenance support provided as a grant rather than a loan
- where fee and maintenance loans will not be repaid to meet in full the cost to Government of providing them (unpaid loans are written off after 30 years).

90. In the shorter term the public purse has to find the funds to meet up-front costs of all fees and maintenance grant payments.

91. The Government currently seeks to manage the calls on the public purse to what it can afford by limiting the overall number of students that can be recruited. It has asked HEFCE to reduce the risk of over-recruitment, which would result in unplanned costs to Government. We therefore set a limit on the number of students that providers can recruit and who may be a call on student support. This limit is called the 'student number control'. For 2012-13 the control applies in general to students who may count towards HEFCE funding allocations ('HEFCE-fundable students', see glossary for more details) starting full-time undergraduate or Postgraduate/Professional Graduate Certificate in Education (PGCE) study.

92. Although a control is necessary to limit costs, the Government wishes to increase competition between providers by freeing up recruitment within the regulated system as much as possible. Its aim is to improve student choice by enabling popular providers to grow and encouraging them to respond to student demand, including in the level of fees they charge. It also wishes to create a common regulatory framework for all providers, including those that do not currently receive HEFCE grant. Currently providers who are not directly funded by HEFCE do not have a student control limit.

HEFCE's approach to implementation of the reforms

93. HEFCE's July 2011 strategy statement, 'Opportunity, choice and excellence in higher education' (HEFCE 2011/22) sets out our high-level aims and approach to the implementation of the Government's reforms. HEFCE will be guided by the principles of opportunity, choice and excellence. We will continue to respect the autonomy of providers and the contribution that knowledge makes to the intellectual development of individuals and society as a whole. We recognise and will respond to the interdependencies of teaching, research and knowledge exchange. We will remain resolutely committed to our core values of openness, impartiality, fairness and objectivity. Our role is to take a comprehensive view of the higher education system. We will invest on behalf of students to secure a high-quality experience for them. In doing so we will balance the interests of providers of higher education alongside those of the beneficiaries of teaching and research.

94. For 2013-14 onwards we have identified a number of principles, drawn from our strategy statement and from the 2012 BIS grant letter, which will guide our approach. We will:

- promote and protect the collective student interest
- support a well-managed transition to the new funding and regulation arrangements as a primary aim
- endeavour to minimise administrative burden for providers including where complex policy objectives have been set
- support government funding priorities (high-cost subjects, vulnerable subjects, widening participation, specialist institutions and postgraduate provision)
- be fair across the higher education system, transparent in our methods and accountable for our funding
- reflect our duty to promote competition, and consider the need to take competition into account in allocating funding

- make funding interventions only where there is a strong case that competition will not produce outcomes that are either to the public's benefit, or in the collective student interest.

We discuss these principles in more detail below.

Protecting the collective student interest

95. HEFCE already acts in the student interest, but the White Paper places a new and welcome emphasis on this aspect of our work.

96. Our focus is on the collective interests of students (as distinct from individual interests, which are the remit of other organisations and of providers themselves), while recognising that students are not a homogenous group.

97. Most, if not all, of our work touches on this role. Through our funding allocations and student number controls, we aim to promote:

a. **Confidence in the system** – ensuring that:

- providers are sufficiently stable that students can complete their chosen course (in effect, protecting the students' investment). In the highly unlikely event that a provider did fail, we would seek to ensure that students had reasonable alternatives to enable them to complete their studies
- graduates can be confident that their qualifications will hold value in the future.

b. **Fair access for those with potential to benefit from higher education.** Although entry to higher education will continue to be a competitive process, some students who have the potential to succeed in higher education, including those protected by equality legislation, may experience disadvantage in achieving formal qualifications and competing for places. We need to ensure that, in our implementation of the Government's student number control policies and allocation of funding, such groups of students are not unfairly disadvantaged in accessing higher education, while recognising that admissions decisions are entirely a matter for providers.

c. **Protection of a high quality student experience and sufficient availability of courses.** We expect tuition fee costs to largely cover providers' programme delivery costs. However, where provision is very high cost and a government priority, we will need to ensure that it is adequately resourced and that there is no financial incentive for substantial closures of this provision. In some cases, we may seek to ensure that specific outcomes are delivered in return for our funding.

d. **Choice.** Students should have a reasonable choice of higher education programmes which will meet their needs in relation to location of study, affordability, subject and mode of delivery. We would expect increased competition in the system to meet these needs, but it may be necessary to provide short-term interventions to 'pump prime' the higher education system.

e. **Support to succeed.** We need to ensure that our funding method supports all students to succeed on their programmes. Although tuition fee loans will generally cover

the costs of support routinely given by providers to all their students, some students may need further support, at extra cost which is not met through fees alone.

Supporting a well-managed transition and minimising burden

98. For the remainder of this spending review period, there will be two fee and funding regimes – the ‘old’ and ‘new’ regimes – operating in parallel, although towards the end of this period, an increasingly large proportion of students will have begun their studies under the new arrangements. Our view is that the public and student interest will be best served during this time by limiting, as far as possible, changes to HEFCE systems and processes. Our aim is to implement the Government’s reforms in ways that avoid the creation of new administrative burden for providers, limit financial volatility and otherwise minimise disruption for providers and students.

99. It will be important to develop an evidence-based understanding of the impact of the reforms. In its 2012 grant letter, the Government asked HEFCE to provide an initial assessment, by December 2012, of how the new funding arrangements are affecting students and providers. This will allow us to refine our approach, as necessary, in response to emerging issues. It will also inform our longer-term interventions and the advice we provide to Government.

100. We will support change and a smooth transition not only through the effective deployment of our teaching funding, but also: by providing information and guidance; by working in partnership with providers, other higher education organisations and stakeholders; and through our regulatory activities.

Priorities for funding

101. HEFCE’s teaching grant will reduce over the next few years as more students pay increased fees. This means that we will not be able to continue to fund all of the areas of activity that we currently support.

102. The Government’s expectation is that income from tuition fees will cover the majority of providers’ teaching costs for ‘new-regime’ students. Our funding will therefore provide a supplement: it is not intended to meet all costs.

103. We will prioritise those areas where tuition fees alone cannot meet the costs, and which the Government has asked us to support in the student and public interest.

104. We may offer short-term (non-recurrent) funding, on a case-by-case basis and in exceptional circumstances, where providers experience substantial difficulty in managing changes to their overall finances. In considering the case for such support, we will avoid undermining competition between providers. We are not asking for views on this funding in this consultation.

Fairness and accountability

105. Subject to the timing and scope of possible legislation, from 2013-14 a wider range of higher education providers may join the Government’s proposed regulatory framework: for example, private not-for-profit providers who may become eligible for HEFCE teaching grant. We are committed to implementing a fair and equitable approach across the whole higher education system. We recognise the benefits of a diverse system operating on a ‘level playing field’ and we seek to support this aim in how our policies and implementation approaches operate.

106. Where new providers meet the requirements of the proposed regulatory framework and become eligible for HEFCE funding, they will receive teaching funding in the same way and on the same criteria as providers who already do so. We expect this will include a requirement to give us appropriate data on which we can base our calculations, and in due course we will outline what we expect this to be.

107. In allocating funding, we aim to allow providers as much flexibility as possible in how they use teaching grant. However, we are accountable for the funding we provide – to Government, to students and the wider public – so providers need to assure us that they are delivering desired outcomes: this is done through specific requirements where appropriate, or through monitoring of overall student numbers.

Promoting competition

108. The White Paper proposes that HEFCE should take competition implications into account when making decisions on funding.

109. Competition is not new in higher education funding: research funding, special initiatives and student number bidding rounds have all harnessed it to encourage excellence and innovation. However, we need to ensure that our funding interventions do not distort the effects of competition unduly, or unfairly advantage particular groups of providers or students. Therefore our interventions will be related to cost and target specific public benefit objectives. We will also be mindful of any unintended consequences that competition, or its absence, might produce that would not be in the student or public interest (for example, a decline in high-cost provision).

Supporting activity for public benefit

110. Higher education makes an important contribution to society. HEFCE will act in an independent capacity to secure the wider benefits of higher education in the public interest. For example, there is a clear rationale to invest in some types of activity such as medicine that cost more to deliver than they attract in tuition fee income. We may also invest in the provision of a service or outcome that is more efficient for a central agency to deliver on behalf of the system; or a service that may not be available unless providers are required, or receive funding, to support it.

111. Our investment to date in strategically important and vulnerable subjects shows the way our funding may operate in alignment with a competitive system (see the evaluation of our SIVS programme at www.hefce.ac.uk/pubs/rdreports/2011/rd05_11/). We will need a similar, evidence-based approach to inform our resource allocation decisions in the medium to longer term. In the shorter term (until 2014-15), the priority is to ensure a smooth transition to the new fees and funding regime and wider regulatory framework. This may require us to anticipate consequences or other risks of the new regime.

Consultation question 1

We have proposed a set of principles (listed in paragraph 94) to inform our approach. Do you agree with the principles we have outlined?

Equality and diversity

112. We have carried out an initial assessment of the impact on equality and diversity of the proposals in this consultation which we will publish on our web-site in March 2012. We would like to gather further evidence through this consultation. We are particularly interested in the impact of our proposals on the nine protected characteristics described in the Equality Act 2010: disability; race; sex; gender reassignment; sexual orientation; pregnancy and maternity; age; marriage and civil partnership; religion or belief.

Consultation question 2

Do you have any comments on the impacts, positive or negative, that the proposals in this consultation might have on equality and diversity?

Part 2: Student number controls

113. This section outlines some proposals relating to student numbers for 2013-14 onwards. The approach reflects government policy for student numbers outlined in its higher education White Paper and most recent grant letter to HEFCE (available from the HEFCE web-site) but does not incorporate any further guidance from Government about specific policies for 2013-14 which we may receive.

114. We propose that we should, for the time being, continue to operate a control on full-time entrants only, rather than students in all years of their courses.

115. Although we do not propose to change the method of control in 2013-14, we discuss alternative models that we have currently rejected, and explain our rationale for continuing with an entrant control. We intend this to inform understanding of approaches to controlling student numbers in the new policy environment.

116. This section covers:

- background:
 - the purpose of controls on student numbers
 - how HEFCE currently manages the control
 - mechanisms to support dynamism
- proposed student number control for 2013-14 onwards
 - scope of the proposals
 - summary of proposals for consultation
- methods to control expenditure: strengths and weaknesses of alternative systems
 - key requirements of any control system
 - measurement of the control
- types of provision within the control
- possible extension of the control to providers who do not have a funding relationship with HEFCE
- criteria for determining equivalencies
- core and margin policy.

Background

The purpose of controls on student numbers

117. From 2012-13 the Government expects that the costs of higher education teaching will primarily be funded through tuition fees paid by students. Most students are eligible for up-front

loans, financed by Government, to pay these fees, and the Government also provides maintenance grants and loans for full-time undergraduates to support their living costs³.

118. Government must cover the full cost of providing maintenance grants and the Resource Accounting and Budgeting (RAB) charge on fee and maintenance loans⁴. To keep control of this student support expenditure and avoid unplanned costs, the Government limits the overall number of students that can be recruited.

119. Following a request from Government, HEFCE introduced controls on the numbers of entrants to higher education (the 'student number control') in 2010-11. In 2011-12 this applies to students starting full-time undergraduate study or a Postgraduate/Professional Graduate Certificate in Education (PGCE) who may count for funding purposes ('HEFCE-fundable'). Although we cannot control all costs, by limiting recruitment of these students at each provider we reduce the risk of over-recruitment that results in unplanned costs to Government.

How HEFCE manages the control

120. BIS has indicated that, if student support costs exceed its plans, it may cover these increased costs by reducing the grant it makes available to HEFCE to fund higher education providers. Therefore, where providers exceed their student number controls, we reduce their grant. In 2011-12 this reduction was £3,800 (at 2011-12 prices) for each student recruited above the limit: this rate, set by BIS, represents the average cost to Government of providing tuition fee loans and maintenance grants/loans in that year. We repeat this grant reduction in following years where the excess student numbers recruited in that year continue to contribute to excess student support costs at the provider. Providers can avoid a repeated grant reduction if they take sufficient steps to offset over-recruitment by recruiting below their limit in a later year.

Mechanisms to support dynamism

121. Although a control is necessary to limit costs, in its 2011 higher education White Paper the Government indicated that it wishes to increase competition by freeing up control as much as possible within the regulated system. The aim is to improve student choice by enabling popular providers to grow and encouraging them to respond effectively to student demand.

122. The Government therefore asked HEFCE to implement two changes to the controls in 2012-13:

- a. For most providers, the student number control will no longer apply to students who enter with qualifications equivalent to or higher than AAB grades at A-level (known as 'AAB+ equivalent' students). This will increase the opportunity for these students to go to their first-choice provider if that provider wishes to take them.
- b. In addition, 20,000 places have been redistributed between providers through a competitive process, on the basis of demand, quality and average fee (the 'core and

³ In general terms, students taking certain undergraduate qualifications that are of a higher academic level than any they already hold are eligible for a tuition fee loan and (if studying full-time) to a means-tested maintenance grant and/or loan.

⁴ The RAB charge is calculated as a proportion of the value of the loan, reflecting what proportion of the loan will be repaid before it is written off. If all the loans are repaid with interest at the Government's cost of borrowing, then the total RAB charge is zero. If more than this is repaid, the RAB is negative. If no repayments are made the RAB charge is 100 per cent of the value of the loan.

margin process'). Only providers charging a net average fee (after waivers) of no more than £7,500 per year are eligible for a share of the redistributed places (the 'margin' created by reducing the 'core' student number control limits of all providers).

123. As well as excluding AAB+ equivalent students from the student number control, we also exclude all students on medical and dental courses leading to first registration as a doctor or dentist, because separate intake controls apply to them.

124. The precise definition of the 2012-13 student number control will be available on our website in March 2012. For more information on the core and margin process see 'Student number controls for 2012-13: Invitation to bid for student places' (HEFCE 2011/30).

Proposed student number control for 2013-14 onwards

Scope of the proposals

125. The Government's technical consultation that followed the higher education White Paper explained that HEFCE would consult on options for ensuring continuing control under the new funding system, to help manage overall government expenditure on higher education. It stated this would include:

- a. The precise system of expenditure controls (whether through a form of control on the number of student entrants, a financial control or another form of limit on the costs of student support to affordable levels).
- b. The forms of study to be included, such as part-time provision.
- c. The inclusion in the control system of providers that are not currently in receipt of HEFCE grants, including some further education colleges and other organisations that are not currently publicly funded higher or further education providers.
- d. Measures to free the control of student numbers to allow a more dynamic allocation system.

126. Because the Government has not yet confirmed its policies on student number controls for 2013-14, we make proposals in this consultation only on the method for controlling full-time students, and the criteria we should adopt in determining equivalent qualifications for certain A-level grades, so as to exclude students with these entry qualifications from the control. We also seek views on whether it might be possible to exclude 'top up' programmes from the student number control. Subject to government advice, we may publish a supplementary part to this consultation to address any further measures Government wishes to prioritise in 2013-14.

127. In developing our proposals for controls on full-time numbers we have examined a range of options, which we present in paragraphs 131 to 145. These reflect the wider reforms to higher education funding, including the significant increase in the size of tuition fee loans available (up to £9,000 per year for a full-time undergraduate).

Summary of proposals for consultation

128. In view of the uncertainty of future student demand, and the potential for further changes to the specification of the controlled population for full-time students in future years, we propose to adopt the following approach:

- a. **Methods to control expenditure:** We should continue to operate a control relating to HEFCE-fundable entrants who may be eligible for student support. Although there are some benefits of changing to other forms of control, these would result in significant complexity and practical difficulties.
- b. **Types of provision within the control:**
 - i. We should continue to operate a control for full-time undergraduate and PGCE students until we receive any different guidance from Government.
 - ii. We should explore ways of removing the current disincentive to recruit students topping up to an honours degree from a Level 5 qualification such as a foundation degree by excluding top-up programmes from the controlled population. We propose to deal, if necessary, with incentives and disincentives around course lengths by monitoring changes to providers' average course lengths, and adjusting their student number controls accordingly.
 - iii. The Government has not indicated if it wishes for 2013-14 to control other provision which is currently outside the control. We will consult on these issues if changes are required.
- c. **Increasing dynamism:** We should apply a set of agreed criteria to determine which combinations of qualifications and grades would be treated as equivalent to any specified high grades that are freed from control (currently AAB+ at A-level and equivalent).

129. We explain our rationale for our consultation proposals in more detail in paragraphs 131 to 163.

130. There is no perfect system, and a balance must be struck between the need to control costs and to keep mechanisms relatively straightforward for providers and students. Any system of control may have unintended or undesirable consequences. We aim to minimise the risk of unintended consequences, and we will monitor changes and make adjustments where necessary and possible.

Methods to control expenditure: strengths and weaknesses of alternative systems

Key requirements of any control system

131. In assessing different options for controlling expenditure, we have identified a set of requirements that any control methods should meet. Our proposals seek to strike an appropriate balance between them. The control should:

- a. **Minimise the risk of unplanned student support costs.** For example, we should exclude from the control only categories of students whose numbers are stable and already have high participation rates in higher education, not categories that could leave

the student support budget exposed to very much larger home and EU populations than currently participate.

b. **Support student choice and encourage greater competition between providers.**

This may involve leaving some student populations uncontrolled, where the risk of excess student support costs is low. For example, removal of AAB+ equivalent students from the control is relatively low risk, because this population is quite small, predictable and stable. Similarly, the core and margin mechanism encourages a greater variation in tuition fee levels, as well as potentially opening up the availability of places to new providers.

c. **Allow uncontrolled ('off-quota') recruitment of students whose costs are fully met by employers/charities** – but not of students who are able to finance their own study without accessing student support, because Government has indicated that access to higher education should depend on an individual's capacity to succeed and not their ability to pay.

d. **Prioritise or support certain types of provision.** For example, for 2012-13 we have offered some protection to SIVS in implementing the core and margin policy for that year.

e. **Be expressed in a straightforward way**, so that providers understand what is expected of them and the implications for funding. It should allow providers to make recruitment decisions aware of the possible financial consequences, and based on their assessment of students' aptitude and potential to successfully complete a higher education course.

f. **Minimise the administrative burden associated with accountability requirements**, for example in the data that providers need to submit and the complexity of the calculations involved in setting the limits.

Measurement of the control

132. We have considered the following three questions about how any control mechanism should work and assessed them against the requirements we outline in paragraph 131.

- a. Should the control apply to a population aligned to those **eligible to claim** student support (as for 2012-13), or the numbers that **actually claim** student support?
- b. Should the control be measured in terms of **student numbers** (as for 2012-13) or **finances** (for example by placing a limit on the amount that could be drawn down from the Student Loans Company (SLC))?
- c. Should the control be on the population of **entrants** (as for 2012-13) or on students in **all years of study**?

We discuss the strengths and weaknesses of these and our proposed approach in each case below.

Controls on students who are eligible for or who claim student support

133. The current student number control has a close, but not exact, correlation with the population of students who are eligible to claim student support. This reflects the potential risk to

the student support budget when providers are making decisions about which students to admit. It should be noted it is limited to HEFCE-fundable students⁵, so the control does not include:

- most students aiming for an equivalent or lower qualification (ELQ) compared to one they already hold, who are also generally ineligible for student support
- students funded by the NHS, where NHS bursaries, rather than SLC loans/grants, are commonly available
- students funded by the TDA (or Teaching Agency from April 2012), which exercises separate controls on the numbers of students on initial teacher training courses for school teachers
- students on 'closed courses' – that is, those not open to any suitably qualified candidate. In general, this applies to courses that are offered solely to employees of particular companies, where those companies are expected to meet the full costs of the course.

134. A control on actual claimants would more closely reflect the actual call on the student support budget, rather than just the potential risk to that budget. However, this advantage is reduced if certain parts of the claimant population remain outside the control and thus continue to represent a risk of excess costs: this would apply in the case of, for example AAB+ equivalent students. This approach also has other disadvantages:

- a. It would be very difficult for providers to operate this system, because they would need to predict during recruitment which students will take out loans and grants.
- b. It could provide an undesirable incentive for providers to prioritise students based on their ability to pay without student support, rather than their potential to benefit from a higher education course. The Government has indicated that access to university should be about the ability to learn, not the ability to pay.

135. We therefore propose to continue to implement a control that applies generally to a population of students eligible to claim student support.

Control on finance or student numbers

136. The current entrant control method solely limits the number of students recruited; it cannot control the amount of financial support provided per student. Although the Government has planned on the basis that average tuition fees for full-time undergraduates will rise to about £7,500⁶ per year, legislation permits providers to charge up to £9,000. This leaves a risk that the budget could be exceeded because providers charge higher fees than are planned by Government. There is also a risk that the amount available to students from public funds to pay for living costs could also vary.

137. A finance control would enable a limit to be set in cash terms relating to the amount of tuition fee loans that a provider could draw down. The provider would be responsible for

⁵ HEFCE funds support the activity of providers; we do not fund individual students. However, in calculating our funding, we use student numbers as an indication of the volume of providers' activity.

⁶ Speech by Minister of State for Universities and Science David Willetts to Universities UK Spring Conference, 25 February 2011, available at www.bis.gov.uk/news/speeches/david-willetts-uuk-spring-conference-2011.

balancing the levels of fees they charged and the numbers of students they admitted. If the overall limit was exceeded, money would have to be repaid.

138. While this approach would manage costs directly, it has several weaknesses:

- a. Providers might increase their fees and recruit fewer students, disadvantaging other students, particularly those from lower socio-economic backgrounds.
- b. Providers might reduce their fees and recruit more students, potentially increasing the draw upon maintenance grants and loans. (A control on maintenance costs as well as tuition fees might disincentivise recruitment of students with eligibility for higher maintenance loans and grants. The use of a notional calculation of maintenance costs to avoid this outcome would offer only a similar level of control to a student number control.)
- c. To allow off-quota provision without students self-funding, the control would have to apply to the population of students eligible for student support, not just actual claimants. This would require more complex monitoring of average fees per eligible student (compared with monitoring SLC payments). This method would offer a similar level of finance control offered by a student control.
- d. A finance control, as with a student number control, can only partially control costs when a proportion of students remain outside any control (such as AAB+ equivalent students).
- e. It would be highly complex and difficult for providers to assess the implications of their recruitment decisions as they are being made.

139. For these reasons, we propose that the control should continue to be based on student numbers, rather than on student finance.

Entrants or an all-years control

140. The current student number control limits the numbers of students starting HEFCE-fundable full-time undergraduate and PGCE study. As students continue their studies they will continue to be a call on the student support budget. While there are mechanisms (described in paragraph 120) to ensure that adjustments are made where providers over-recruit, as tuition fees increase there is a risk of over-commitment of funds particularly if course lengths change.

141. Potentially, a new system could control the number of students in all years, not just entrants. There are strengths and weaknesses of each approach:

	Strengths	Weaknesses
Entrants	<p>Offers a relatively clear guide to providers for admissions processes</p> <p>More amenable to changes to the control population (for example changes to the AAB+ threshold for exclusion from the control)</p> <p>Does not disadvantage providers who reduce their student withdrawal rates</p>	<p>Requires separate targets to deal with the knock-on effects into subsequent years of over-recruitment in one year</p> <p>May incentivise recruitment of students to longer courses (such as integrated masters programmes instead of bachelors degrees)</p> <p>May disincentivise recruitment of students to shorter courses (for example top-up courses to an honours degree from a Level 5 course such as a foundation degree, HND or DipHE taken at a different provider)</p> <p>Only partially includes students who are eligible for student support</p>
All years	<p>Relatively easy to operate with a stable controlled population</p> <p>Better reflects the population eligible for student support, reducing the risk of an overspend</p> <p>Does not incentivise recruitment to longer courses</p>	<p>Complex to establish; cannot deal easily with the transition period.</p> <p>Not amenable to year-on-year changes in controlled population (such as changes to the AAB+ threshold)</p> <p>May disadvantage providers who reduce their student withdrawal rates</p>

142. We consider that, at the current time, the complexity of an all-years control would outweigh benefits, because the Government has indicated it wishes to see further changes to free up the controlled population. A change in the entry qualification threshold for exclusion from the control (for example from AAB+ and equivalent in one year to ABB+ and equivalent in the next) would mean either an all-years control comprising students with different definitions, or that we would need to rebase the already recruited population according to the new definition. If there had been over-recruitment in the earlier year, rebasing the population might retrospectively legitimise some of that and help a provider avoid further grant reductions, even though the excess student numbers were still a call on student support.

143. Most significantly, an all-years number control cannot deal easily with the period of transition when we have students under both the pre- and post-1 September 2012 fee regimes. In general terms excess students recruited up to 2011-12 give rise to a reduction in grant of £3,800, whereas excess students recruited from 2012-13 should lead to much larger reductions, reflecting the higher costs of the new fee regime. If we were to move immediately to an all-years number control, we might no longer be able to apply differential reductions according to whether excess numbers related to a new case of over-recruitment, or the effects of historical over-recruitment in 2011-12. To avoid this, we would need to gradually build up to an all-years control

with successive cohorts of students who entered from the 2012-13 academic year. This would make any transition significantly more complex.

144. So, although there are advantages in moving to an all-years student number control in future, we do not believe we should do so in the short term. We therefore propose to continue for the time being with a student number control that applies to entrants only.

145. We believe this will benefit providers during a period of significant change in higher education because they should find this easiest when making decisions on admissions.

Types of provision within the control

'Top up' programmes

146. In continuing with an entrant control on full-time students, however, we hope to improve how it operates.

147. The current entrant control system may disadvantage providers which recruit students onto shorter courses – in particular, it may produce a disincentive to recruit students topping up to honours degrees from Level 5 qualifications such as foundation degrees, HNDs and DipHEs (at least where there is a change of provider or a significant gap between completion of the Level 5 qualification and the top-up to the honours degree). We wish to explore how far it may be possible to remove this disincentive by not counting such students within the controlled population. However, we need to do so in a way which will not expose the Government to significant unplanned student support costs. The Labour Force Survey (January-March 2011) indicates that there may be a large number of people in the UK population whose highest qualification is a HND or foundation degree. If we were to exclude students topping up to an honours degree from the control, we would need measures to ensure that this did not represent an open-ended commitment. Issues we may therefore need to consider, and on which we invite views in the consultation, include:

- a. Which entry qualifications at Level 5 might exclude a student from the control, for example should foundation degrees, which have to have a progression route, be treated differently from other qualifications?
- b. Whether exclusion from the control should be limited to students topping up through a one-year course, rather than undertaking a whole honours degree.
- c. Whether there should be some time limit within which the top-up programme should follow the previous Level 5 qualification.
- d. How far it would be justified to further reduce each provider's entrant control population to release numbers that could be uncontrolled.

148. Based on the responses and suggestions made in this consultation and our own further modelling of possible 'top-up' populations we will make a recommendation to our Board on this matter.

149. We will also undertake further monitoring of how providers' overall average course lengths change over time. Where this was a significant concern, we could adjust entrant control limits to address it, either reducing limits where average course lengths were increasing, or increasing limits where average course lengths were reducing.

Possible extension of the control to providers that do not have a funding relationship with HEFCE

150. Student number controls currently apply only to providers who are directly funded by HEFCE. Subject to the timing and scope of possible legislation, the Government may ask HEFCE to bring providers or provision not already subject to the control into the system.

151. If this happens, although HEFCE may not now have a formal relationship with such providers we may need to gather data from them in order to establish that formal regulatory and/or funding relationship.

152. We encourage all providers of higher education, including those that we do not currently fund, to respond to this consultation.

153. We will consult as necessary on how we implement any changes BIS asks us to make.

Criteria for determining equivalences

154. In HEFCE 2011/20 we sought views on the entry qualification and grade combinations that we should treat as equivalent to AAB and better at A-level. In future we may be asked to extend the range of qualifications and grades to be excluded from the student number control. Even if there is no policy change we still need to be able to review and adjust equivalences as necessary against clear criteria.

155. We therefore wish to consult on the criteria we should adopt to implement any further changes to qualification and grade combinations.

156. We need to define as robustly as possible the qualification and grade combinations that are equivalent to any A-level grades specified by Government for exclusion from the control. This will enable us to manage as far as possible the potential size, and therefore cost, of the population excluded from student number controls. Any unexpected growth in the uncontrolled population would have to be offset by further reductions to the remaining controlled core.

157. Our list of AAB+ equivalences has been developed solely for the purpose of operating a student number control. It is not a comprehensive or exhaustive assessment of students' prior attainment and we consider it too restrictive and inappropriate to use for other purposes, such as determining the suitability for admission of individual applicants or eligibility for providers' own scholarship, bursary or fee waiver schemes. It is not therefore intended as a definitive HEFCE view on the equivalences of all grade/qualification combinations.

158. There are likely to be other qualification sets and combinations which providers consider to be equivalent to AAB+ for their own admissions purposes, but we consider that all providers should retain a sufficient core number for them to be able to maintain fair access and their recruitment of students with other high-grade entry qualifications that they consider to be equivalent.

159. We propose to use the following criteria to decide which qualification sets are on our list:

- a. Equivalences should consist of a certain type of qualification (such as A-levels, Scottish Highers, International Baccalaureate) in which grades have been independently determined to be equal to, or greater than, the A-level threshold. To date, we have primarily used the UCAS tariff points for each qualification set. We have not included Level 3 qualifications which are not included in the UCAS tariff, but would consider other

independent determination of equivalency for qualifications which are not in the UCAS tariff.

b. Equivalences must contain only qualifications of one type (for example, only A-levels or only Scottish Highers). This is necessary because many students have other combinations of qualifications; allowing all these combinations would result in substantial unpredictability in the potential size of the uncontrolled population, and risk excessive costs.

c. It should consist of a standard number of qualifications. For instance, no more than three A-levels for any one student, and no more than five Scottish Highers. Again, this is to ensure that the size and cost of the system are predictable.

d. Equivalences should avoid excluding from the control categories of students that could leave the student support budget exposed to large home and EU populations that do not currently participate in higher education in England, but might choose to do so in the future.

160. If asked to extend the uncontrolled population further, for example from AAB+ and equivalent to ABB+ and equivalent, we propose that we would use the same criteria. It would be even more important to manage the predictability of the size of the population if we move to ABB+ or beyond: the rates of progression to higher education from these qualifications is lower, and unexpected increases in participation would be a further source of unpredictability.

Core and margin policy

161. The White Paper signalled that the arrangements for a 20,000 margin for 2012-13 would be a starting point and that the size of the margin should grow in future years to create greater dynamism in the allocation of places.

162. The core and margin policy applies to students entering higher education, so it has a continuing effect in subsequent years on all-year student numbers as successive cohorts are recruited.

163. We will consult as necessary on the implementation of any further policy changes if these are proposed by Government.

Consultation question 3

Do you agree with our proposal to continue from 2013-14 to control the numbers of students starting HEFCE-fundable full-time undergraduate and PGCE study at each provider? If you disagree with this proposal, what alternative approach would you suggest?

Consultation question 4

Do you have any views on steps we might take to exclude from the controlled population students topping up to honours degrees from Level 5 qualifications such as foundation degrees, HNDs and DipHEs, but in ways which do not create a significant risk of unplanned student support costs?

Consultation question 5

Do you agree that we should consider making adjustments to providers' number controls, where necessary, to take account of changes in their average course duration?

Consultation question 6

Do you agree with the proposed criteria for determining equivalent entry qualification and grade combinations?

Part 3: Proposals for funding teaching from 2013-14 onwards

164. This section outlines the funding we propose to provide to support teaching from 2013-14 onwards, in line with the principles we outlined in Part 1 of this document. It covers subject-related funding ('mainstream funding') for new-regime students and other allocations for old- and new-regime students.

165. In future, higher education providers' primary source of income for teaching will be tuition fees. HEFCE will have a fixed budget to support teaching which will need to be focused on priority areas where tuition fees alone may not meet all costs.

166. Our proposals for 2013-14 onwards therefore cover:

- a. **Funding for high-cost subjects** (including those high-cost subjects which have until now been already identified as strategically important and vulnerable, and others where support is needed to avoid undesirable reductions in the scale of provision).
- b. **Taught postgraduate courses** to ensure this provision is not adversely affected by the changes in student-led finance.
- c. **Flexible learning: part-time and alternative modes of study** (accelerated undergraduate and intensive postgraduate courses, approach to sandwich placements and whole years abroad under the Erasmus programme).
- d. **Additional funding for providers operating in London.**
- e. **A Student Opportunity allocation** to help ensure successful outcomes for students, particularly those from disadvantaged backgrounds, and to widen participation and improve social mobility.
- f. **Funding for providers with distinctive provision** (those typically specialist providers with distinctive provision of public benefit, including those providing national resources).
- g. **Strategically important and vulnerable subjects.**

Background

167. In developing our proposals, we have considered: responses to HEFCE 2011/20⁷; the interrelationships between funding streams; and the wider funding environment for providers.

168. HEFCE 2011/20 determined the way we will phase out the main element of teaching funding for old-regime students: that continues to apply for old-regime students and is not subject to further consultation here. The approach to old-regime students does not, however, affect providers that we did not fund in 2011-12, because it only applies to the phase out of funding we provided in that year.

169. HEFCE 2011/20 also determined our approach to 2012-13 funding for new-regime students and non-mainstream allocations (formerly 'targeted allocations', see Annex B of this

⁷ For further details of those responses see 'Teaching funding and student number controls from 2012-13: summary of responses to consultation and decisions made' (HEFCE Circular letter 26/2011).

publication or 'Funding for universities and colleges for 2012-13: Board decisions', HEFCE Circular letter 03/2012, for a list of targeted allocations which are continuing in 2012-13). This is an interim approach intended to cover one year only, and to be reviewed in this second stage.

170. From 2012-13 we will implement substantial changes to recurrent funding for providers, reflecting the progressive shift in the balance between old-regime and new-regime students. To support providers' cash flow, we also need to continue paying grants from the beginning of the academic year, before their student numbers in the year are known.

171. We therefore established, through our first-stage consultation, a way to determine initial allocations based on providers' forecasts of student numbers before the start of the academic year. This informs grant payments for the first part of the academic year. Allocations are then reviewed at two further points when more up-to-date data are received: firstly when aggregate student numbers are reported during the academic year in December; then when we receive final individualised student data after the end of the academic year⁸.

172. This approach is necessary in the early, transitional years of the new finance arrangements to ensure that the substantial year-on-year funding changes for providers are based on the most up-to-date data, and it applies both to how we calculate the phase-out of funding for old-regime students and our allocations for new-regime students in high-cost subjects.

173. We will look to simplify this approach as soon as we can, when the year-on-year funding changes are reduced in scale and in the light of student number policies in operation at that time.

174. In these early years of the implementation of the Government's finance reforms, we also wish to minimise burden and complexity for providers in managing two finance and funding regimes simultaneously. In particular, we wish to:

- use a similar method to count students for funding purposes in our old-regime and new-regime approaches
- maintain consistency in our approaches towards old-regime and new-regime students where this ensures a smooth transition for providers. For example, where undergraduates studying medicine and dentistry currently attract different rates of funding for different years of study, this may need to continue during the transitional period when there are both old-regime and new-regime students (rather than, say, moving to an amalgamated funding rate for all years), otherwise providers' income might fluctuate inappropriately.

175. Our proposals therefore retain elements of the method for allocation of funding in 2012-13. As the transitional period ends and we are nearer to a steady state, there will be greater scope for developing our approaches to reducing the data collection and administrative burden on providers.

⁸ In-year data in December is collected from higher education institutions by HEFCE through the Higher Education Students Early Statistics (HESES) survey; the end of year out-turn data is collected by the Higher Education Statistics Agency. There are equivalent returns for further education colleges (the Higher Education in Further Education: Students (HEIFES) survey collected in-year in November) and the end-of-year Individualised Learner Record (ILR) collected by the Data Service.

176. HEFCE's responsibility is to fund the activity of providers. We do not fund individual students, although we count students as a proxy measure for the activity of providers. When we use the terms 'funding for students' or 'HEFCE-fundable students' we are referring to funding allocated on the basis of the students that we have counted, rather than funding to support particular individuals.

177. Because we use student numbers only as a proxy measure for providers' activity, we determine rules about which students we count (following consultation where appropriate), and how we count them. We do this in line with wider policy intentions and aiming always to minimise the data burden. For example, we may choose to use historical data to inform allocations where we consider it would be over-burdensome and disproportionate to request new data from providers; similarly we need to determine rules for defining if and when students are counted, depending on what activity they undertake in the year.

178. Our general approach is to count students only where they complete (though not necessarily pass) their study intentions for the year. This recognises that we consider it important for providers to support students through to completion of all that they intended in the year and for which they will commonly have paid a tuition fee. We propose to continue this approach during this transitional period, but will review it when the finance system is nearer to a steady state.

179. Providers will, of course, still receive significant tuition fee income for students that we do not count.

Indicative funding available for each funding stream

180. We provide in this document figures that relate to rates of grant and total allocations. **All these figures are indicative only and are very likely to change.** They are not a commitment by HEFCE. We will adjust allocations and funding rates as necessary to ensure they remain affordable, depending on the level of the fixed grant allocated to us by Government (for which we do not have firm figures beyond the 2012-13 financial year) and on the student numbers that providers report in future data returns. Where we have stated that funding will remain at previous levels, figures provided are in cash terms and not in real terms. Initial rates of grant for universities and colleges will be confirmed in March 2013.

181. Table 1 shows approximate, indicative budgets that we are using for planning purposes. They relate to teaching allocations to support new-regime students, discussed in this consultation. This is not the totality of our teaching grant in those years: we have not shown allocations which relate only to old-regime students. Within the figures in Table 1, the budgets which are shown to remain fixed between 2013-14 and 2015-16 effectively apply to both old-regime and new-regime students, but will clearly increasingly support the latter as the balance of numbers between these students shifts.

182. Note that there is no proposed single stream of funding that supports SIVS. Instead, our support for these subjects is integrated into many of our funding streams. We have provided approximate figures based on subjects currently deemed to be SIVS (which can be identified for the purpose of recurrent funding): physics, chemistry, mathematics, engineering and modern foreign languages. In addition, we provide at least £330 million for these subjects through our research funding allocations, which means that across both teaching and research, support for

these subjects will be about £550 million. As outlined in paragraphs 307 to 324 we may, in future, identify further areas which require support.

Table 1 Indicative funding to support new-regime students

Funding stream	Total indicative funding available in 2013-14 (£M)	Total indicative funding available in 2015-16 (£M)	Indicative funding for SIVS within overall 2015-16 funding stream (£M)
High-cost subjects	384	594	163
of which:			
Funding for new-regime undergraduates in high-cost subjects	254	458	125
Funding for new-regime postgraduates in high-cost subjects	82	88	15
Allocations for clinical subjects	25	25	0
Additional funding for highest-cost STEM ⁹ subjects	23	23	23
Flexible learning	68	49	12
of which:			
Accelerated undergraduate provision allocation	4	4	0
Postgraduate intensive course allocation	36	36	8
Part-time undergraduate allocation	28	9	4
London additional costs allocation	47	66	10
Student Opportunity	329	329	36
of which:			
Student Opportunity allocation	314	314	34
Student Opportunity for Disabled Students allocation	15	15	2

⁹ STEM refers to science, technology, engineering and mathematics. The highest-cost subjects that we are supporting through this allocation are physics, chemistry, chemical engineering and mineral, metallurgy and materials engineering.

Funding stream	Total indicative funding available in 2013-14 (£M)	Total indicative funding available in 2015-16 (£M)	Indicative funding for SIVS within overall 2015-16 funding stream (£M)
Institution-specific and London whole allocations	62	62	Cannot be separately identified
Total	874	1,100	221

High-cost subjects

183. This section sets out our proposals to provide funding to meet some of the additional costs of teaching new-regime students in high-cost subjects. The Government's White Paper identifies the additional costs of higher-cost subjects at undergraduate and postgraduate levels 'such as medicine, science and engineering that cannot be recovered through income from graduate contributions' as a priority for HEFCE funding. In its June 2011 letter to HEFCE (available at www.hefce.ac.uk) it also asks that funding should reflect the additional costs of subjects 'including, but not limited to, medicine, science, engineering and agriculture', and this was reiterated in our latest grant letter from BIS in January 2012.

184. Our calculations indicate that there will be approximately £336 million HEFCE teaching grant available for new-regime students (both undergraduate and postgraduate) in high-cost subjects in 2013-14.

- a. For undergraduates we propose to provide high-cost funding for subjects with sector average costs of more than £7,500.
- b. Pending a review, taught postgraduate provision will qualify for a higher rate of funding, which will apply across a broader range of subjects than at undergraduate level. This is because postgraduates do not generally have access to publicly funded loans to meet their tuition fees and therefore there is likely to be more limited scope for providers to increase their fee income.
- c. We also propose to continue to provide additional allocations for very high-cost subjects and clinical medicine.

Mainstream funding for 2013-14 and 2014-15

185. We have reviewed the costs of teaching different subjects using data from the Transparent Approach to Costing for Teaching (TRAC(T)) for the years 2007-08 to 2009-10 – the most recent years available. TRAC is an activity-costing system which draws on expenditure information in higher education institutions' accounts to derive the costs of teaching, research and other activity, and TRAC(T)¹⁰ is the national framework for costing teaching in different subjects. We have used these data both to assign different subject areas (known as 'cost centres') to broad price groups and to determine which subject areas should attract HEFCE grant.

¹⁰ Further information about TRAC(T) is available at www.hefce.ac.uk/trac-t

186. Historically, we have grouped cost centres into four price groups, which have then attracted different rates of funding:

- Price group A – the clinical years of study for the subjects of medicine, dentistry and veterinary science. This price group has applied only to higher education providers that provide training for students seeking a first registrable qualification as a doctor, dentist or veterinary surgeon or who are already qualified in those professions.
- Price group B – laboratory-based subjects in science, engineering and technology.
- Price group C – intermediate-cost subjects with a laboratory, studio or fieldwork element, such as geography, art and design, languages or computing. This price group also includes all students on a sandwich year-out placement.
- Price group D – classroom-based subjects such as humanities, business or social sciences.

187. In broad terms, the Government is reducing HEFCE's grant in a way which will remove all funding from price groups C and D and which will reduce the funding for price groups A and B by an amount equivalent to the funding formerly available for price group C. More funding will instead be provided through student support, including larger tuition fee loans.

188. As a result, in general our teaching funding will be limited to the high-cost subjects in price groups A and B. However, we will provide limited support for provision of higher-cost subjects in price group C, which will help address concerns expressed to us about future SIVS policy (see paragraphs 307 to 332).

Proposed approach to funding undergraduate provision

189. Our proposals for supporting undergraduate provision in high-cost subjects are that:

- a. We should fund subjects only where the TRAC(T) data show that sector average costs exceed a threshold, which we propose to be £7,500.
- b. In general, we do not see a case for substantially changing how we assign individual cost centres to price groups. However, there are some cost centres within price group C with costs above our proposed threshold, and for these we propose to provide a small supplement. This means splitting price group C between these higher-cost subjects and the rest. The higher-cost subjects in price group C are:
 - archaeology
 - design and creative arts
 - information technology and systems sciences, software engineering
 - media studies.
- c. The rates of grant that we provide for the different price groups should broadly reflect the average TRAC(T) costs that we observe, but with a reduction to reflect what we can afford, given our significantly smaller fixed budget, recognising that we are only making a contribution to the costs of provision and that most of the subject costs will be met from tuition fees. Based on fee data provided to OFFA, we expect fees to average over £8,000 per full-time equivalent student (FTE).

- d. Rates of funding for part-time provision should be the same, pro rata, as for full-time provision.

190. This approach will lead to funding rates similar to those for 2012-13, but also provides funding for four subjects in price group C. We believe that continuing to use our current price groups minimises additional administrative burden. Our rationale for providing teaching grant to high-cost subjects only is that these subjects should be able to maintain reasonable resource levels without charging higher fees than lower-cost subjects. We assume that in subjects with average costs of less than £7,500 (in price groups C and D), tuition fees will generally cover those costs, even when allowance is made for fee waivers and bursaries.

Proposed approach to funding postgraduate taught provision

191. Although the Government's new student support arrangements will enable providers to sustain and develop their undergraduate offer by increasing their income from tuition fees, there has been no comparable change to the student support arrangements for postgraduate taught students from 2013-14, other than for those on courses that are subject to the undergraduate student support regime, such as PGCEs and some architecture courses. Therefore a new approach to funding postgraduate taught provision is needed.

192. Our SIVS review (see paragraphs 307 to 332) has also identified postgraduate taught provision as a key risk area. In particular, there is a risk that funding changes will impact disproportionately on those subjects and sectors for which postgraduate study is an established route into a profession. As student support arrangements for postgraduates are not to change in 2013-14, we cannot assume that the provision will accommodate any increase in tuition fees in the way they will at undergraduate level.

193. There is also a risk that new-regime students may be deterred from going on to postgraduate education, but this may not transpire, at least for some time, and is an issue we intend to monitor.

194. Postgraduate taught courses are highly diverse and students take them for a variety of reasons, including professional training, changing skills and expertise, preparation for research and personal interest. Continued HEFCE funding of postgraduate taught provision beyond the high-cost subjects would bring public benefit by: supporting a smooth transition to the new finance arrangements; sustaining the diverse, successful postgraduate sector needed to underpin the research base and wider economy; and protecting choice and opportunity for students from different backgrounds to study at postgraduate level.

195. In this context, we propose to provide funding to help sustain provision, without constraining the dynamism of the postgraduate taught economy. The aim is to provide a level of stability for a fixed period; we have also considered affordability, given reductions in overall HEFCE teaching grant.

196. The approach set out here will be transitional. We will review it once we have more up-to-date information about fees and costs of taught postgraduate provision. We plan to increase our understanding of the taught postgraduate market through research including: current and potential fees chargeable; any case for public support for this provision; and levels of demand for taught postgraduate provision from 2012-13 onwards, at system level, at subject level, and in terms of student diversity.

197. We will also review information provision for prospective taught postgraduate students.

198. Academic year 2015-16 will generally be the first in which new-regime students may progress to taught postgraduate study: this, or shortly thereafter, may be an appropriate point at which to review our approach.

199. From 2013-14, we propose to provide higher rates of grant for postgraduate taught provision than for undergraduate provision. The aim is to mitigate the risk to postgraduate provision if providers are unable to increase fees in the absence of publicly funded tuition fee loans, or are unable to maintain student numbers.

200. The rates of grant for postgraduate taught students should reflect:

- the same rates of grant provided for undergraduate provision, **plus**
- additional funding for all subjects in price groups A to C, other than where students have access to the undergraduate student support regime (in other words, PGCE students and some studying architecture).

201. The additional funding will minimise any reduction in income, so far as is affordable, for postgraduate taught provision. This supplementary funding may therefore be up to £1,100 per FTE, representing the 2011-12 basic rate of grant that we provided for a price group C postgraduate taught student not subject to regulated fees¹¹. (We have already announced that from 2012-13 we will provide additional funding of £1,100 per FTE across price groups A to C to return high cost funding broadly to 2011-12 rates.)

202. Postgraduate taught students in price group D have generally not attracted HEFCE grant up to 2011-12 and we do not propose to introduce funding for them. We expect that tuition fees will continue to meet their teaching costs.

203. Postgraduate research students are not funded through our teaching funding method, but instead through our research funding method. We consulted on our approach towards them in 'Consultation on allocation method for postgraduate research funding from 2012-13' (HEFCE 2011/09).

Indicative funding

204. Our proposals imply the following approximate, indicative rates of grant from 2013-14, which are **illustrative rates only** and subject to change. These proposed rates represent an estimate of what is affordable. However, confirmation of final levels of funding for high-cost subjects in 2013-14 will depend upon the number of students studying these subjects and the grant made available to us by Government.

205. The list of subjects which will qualify and the indicative rates of funding are provided in Table 2. This list is fixed for 2013-14 and 2014-15 during which period we do not intend to extend the subjects eligible for high-cost teaching funding.

206. Table 3 compares notional basic rates of resource (that is, HEFCE grant plus fee income) for full-time undergraduates in each price group in 2011-12 and 2013-14, reflecting our proposals.

¹¹ See Table C of 'Recurrent grants for 2011-12' (HEFCE 2011/07).

Table 2 Illustrative rates of HEFCE funding per FTE for price groups from 2013-14

Price groups	Undergraduates and postgraduates on courses subject to the undergraduate student support regime (£)	Postgraduate taught students on courses not subject to the undergraduate student support regime (£)
A	10,000	11,100
B	1,500	2,600
C1: Subjects in price group C with average costs greater than £7,500	250	1,350
C2: Subjects in price group C with average costs no more than £7,500	0	1,100
D	0	0

207. The figures for HEFCE teaching grant in 2011-12 do not include the variable partial completion weighting that we have provided, nor reflect providers' positions in or outside the 'tolerance band' that applied in our previous method (for more information see 'Guide to funding: How HEFCE allocates its funds', HEFCE 2010/24). The figures for both years exclude London weighting. The figures do not take account of where providers have already had reductions in funding up to 2011-12, or are having other further reductions in their HEFCE income, such as other elements of teaching grant and capital funding.

Table 3 Notional full-time undergraduate rates of resource (HEFCE grant + fee income) for 2011-12 and 2013-14

Price group:	A	B	C1	C2	D
2011-12 resources for old-regime students (up to 2011-12 entry)					
HEFCE teaching grant	£13,335	£4,894	£3,426	£3,426	£2,325
Maximum regulated fee	£3,375	£3,375	£3,375	£3,375	£3,375
Total	£16,710	£8,269	£6,801	£6,801	£5,700
2013-14 resources for new-regime students (from 2012-13 entry)					
Approximate HEFCE teaching grant	£10,000	£1,500	£250	£0	£0
Maximum regulated fee (2012-13 prices)	£6,000 - £9,000	£6,000 - £9,000	£6,000 - £9,000	£6,000 - £9,000	£6,000 - £9,000
Total	£16,000 - £19,000	£7,500 - £10,500	£6,250 - £9,250	£6,000 - £9,000	£6,000 - £9,000

208. It is not possible to produce a similar comparison for part-time undergraduates, because their fees in 2011-12 are not subject to regulation and there is greater uncertainty about the fees that will be charged per FTE from 2012-13, because the overall limits do not vary according to intensity of study above 0.25 FTE. Our proposals will broadly maintain grant rates for postgraduate taught courses that are not eligible for undergraduate student support.

209. Annex C gives an analysis of TRAC(T) data including costs of both undergraduate and postgraduate provision.

Clinical subjects

210. The three clinical subjects – clinical medicine, dentistry and veterinary science – absorb a large proportion of any total funding available for high-cost provision. In order to ensure we provide the right level of funding for them, we commissioned a review of the clinical subject weightings to determine whether TRAC(T) is a sufficiently reliable source of data to use for our funding method. The review found that:

- TRAC(T) is a reliable method for determining funding weightings
- current costs in medical, dental and veterinary science schools relative to price group D are very similar to the resource – HEFCE grant and tuition fee – they receive for those subjects (taking into account reasonable institutional variables across the sector)
- improving providers' TRAC implementation practices would lead to even more consistent and usable TRAC data to inform HEFCE funding policy.

The full report, 'Review of clinical subject weightings: report to HEFCE by J M Consulting' is available at www.hefce.ac.uk/pubs/rereports/2012/rd02_12/.

211. Our proposals will result in similar rates of resource for these subjects. We may not provide an allocation for students recruited in the clinical subjects over and above providers' medical and dental intake targets.

Non-mainstream allocations to support clinical subjects

212. We currently provide the following non-mainstream allocations (estimated 2012-13 budgets in brackets):

- clinical consultants' pay (£18 million). This funding, first provided in 2003-04, recognises the additional costs that arise from applying the Consultant Contract (England) 2003 to clinical academics
- senior academic GPs' pay (£1 million). This funding, first allocated in 2005-06, enables senior academic general practitioners to be paid in line with their hospital-based colleagues
- NHS pension scheme compensation (£5 million). This funding, first allocated in 2004-05, reflects the increase in employers' contributions to the NHS pension scheme (from 7 per cent to 14 per cent from April 2004).

213. As some of this funding relates to long-term agreements about pay and pensions associated with specific subjects, we propose that we carry forward these allocations but consider them again if we review the longer-term funding method for high-cost subjects.

Sports science and media studies

214. At present some elements of sports science and media studies provision are funded as high cost. This was determined for individual providers following a review of their provision and the extent to which it takes place in specialised, or highly specialised, facilities.

215. The TRAC data now show average costs in sports science falling below the proposed £7,500 threshold, and under our proposals this subject would not be eligible for a high-cost supplement from 2013-14. It will instead be treated as entirely within price group C2. The TRAC data show average costs in media studies above the proposed £7,500 threshold, and under our proposals this subject would be eligible for a high-cost supplement from 2013-14. All provision in media studies will be treated as entirely within price group C1.

Non-mainstream allocations to support the highest-cost science, technology, engineering and maths subjects

216. We currently allocate approximately £23 million (at 2012-13 prices) as additional support for four subjects (chemistry; physics; chemical engineering; and mineral, metallurgy and materials engineering). This funding was introduced in 2007-08 to help maintain capacity in these particularly expensive and strategically important subjects (see 'Additional funding for very high-cost and vulnerable laboratory-based subjects', HEFCE Circular letter 13/2007).

217. The allocation is removed from the TRAC(T) costs of these subjects that providers report, and therefore those TRAC(T) costs will understate the total costs of providing these subjects. We believe we should continue to support this allocation through the transition period, and will review this when we revisit the broader high-cost funding method.

218. These changes outlined for high-cost funding will require minor changes to HESES/HEIFES data and we will seek to issue further guidance in 2012. We will work with the sector to keep any increase in data requirements to a minimum.

High-cost funding beyond 2015-16

219. In developing a funding method for high-cost subjects that will be transparent and sustainable in the longer term, we would like to make more extensive use of the costing and pricing data that universities give us through their annual TRAC(T) returns.

220. To date we have used subject-related costs data from TRAC to review the assignment of subjects to price groups and their weightings in our teaching funding method. As we outlined in HEFCE 2011/20, given the reduced budget available to support high-cost teaching, we may wish in future to differentiate further the level of funding between subjects (rather than using broad price groups), potentially linking our funding more closely to average costs.

221. However, at present we have largely retained our method for 2012-13 to reduce the burden of having two systems running while there are old-regime students in the system. Once most of these students have graduated it is likely we will reconsider our approach.

222. HEFCE is undertaking a review of TRAC which is due to report later in 2012. We believe that modifying the TRAC(T) data collection method, without increasing administrative burden, could support the development of a sustainable funding method. For example, we believe it would be valuable to collect costing data on postgraduate provision separately from undergraduate provision, in a form that will be useful to providers.

223. We would welcome views about potential changes to TRAC to feed into the development of the TRAC review consultation proposals.

Consultation question 7

Do you have any comments about our proposed approach to supporting high-cost subjects?

Consultation question 8

Do you agree that we should provide funding support for postgraduate provision including for price group C, as a transitional approach, together with further development of the evidence base for future investment?

Consultation question 9

Do you have any comments about our proposal to use an approach based on TRAC(T) – with modifications – to inform our development of the future funding method for high-cost subjects?

Flexible learning: part-time and alternative modes of study

224. This section outlines the support we will provide for particular forms of flexible, accelerated or intensive provision, and modes or types of study other than full-time attendance.

225. Flexible learning allows students greater choice of where and when they study (at home, on campus or in the workplace), and how long they take to complete their study, which may be either more quickly or more slowly than the traditional pattern. It aims to attract and meet the needs of a wider range of students and stakeholders – including employers – and make full use of the opportunities to enhance learning and teaching offered by learning technology. Flexible learning covers a range of different types of provision including: part-time study, accelerated and intensive learning, online learning and distance learning.

226. Within the new student-led funding system, the expectation is that student demand will drive the diversity of higher education provision, and any interventions by HEFCE will be targeted at provision where some form of support is required to maintain student choice or access to higher education. We will monitor what happens to flexible provision within the higher education system in case we need to intervene in future.

227. From 2013-14 we propose further supplements (beyond the allocations for high-cost subjects described in paragraphs 183 to 223) to support three areas of provision where we believe additional costs arise:

- a. Accelerated provision for full-time undergraduate students.
- b. Intensive provision for postgraduate students.
- c. Part-time provision for undergraduate students.

228. We invite comments through the consultation about whether there are other innovative types of flexible provision that might warrant funding, recognising the overall limited resource and the many priorities competing for it.

Accelerated provision for full-time undergraduate students

229. Accelerated honours degrees are delivered over two years but cover the same curriculum and content, and deliver the same number of credits (360), as a conventional three-year degree.

They are innovative and provide more affordable, flexible higher education in some subject areas and for some students.

230. There is evidence that two-year accelerated honours degrees cost providers more to deliver within the teaching year¹². However, these cost pressures are outweighed over the duration of the course by the savings from delivering the degree over two rather than three years. A small-scale study conducted on costs of this provision estimated the overall cost of an accelerated degree to be 71-74 per cent of the cost of a traditional three-year degree, implying additional costs per year of 6-11 per cent. Our data do not include higher-cost subjects: we are not currently aware of any such accelerated provision in the HEFCE funded sector. Such cost reductions were only achieved where provision was of sufficient scale to make changes to traditional systems possible.

231. Up to 2012-13, we have recognised the additional in-year costs of delivering accelerated degrees through a non-mainstream targeted allocation for accelerated and intensive provision, which in general terms is allocated to provision which requires attendance at the provider for 45 weeks or more in the year. This totals about £4 million for all such undergraduate students and will typically provide an increase in resource (compared to a standard length course) of 16-18 per cent for each year, fully meeting the additional costs of this type of provision. It is not available for students in price group A, because the high rate of funding provided for clinical years of study already reflects that they are inherently intensive. The rates of funding vary by price group, and in 2011-12 were approximately:

- £1,528 for price group B
- £1,169 for price group C
- £899 for price group D.

232. The tuition fee regulations do not allow providers to charge fees for accelerated undergraduate provision above the overall £9,000 limit that applies to providers with an access agreement with OFFA, or the £6,000 limit that applies to those without an access agreement. Although we believe that the £9,000 limit generally provides sufficient scope for providers to charge fees that allow them to maintain income for accelerated undergraduate programmes, we nevertheless propose to continue to provide this allocation to recognise the additional costs, because:

- a. Providers may be disadvantaged if they seek to charge higher fees for accelerated degrees. This disadvantage may occur in a number of ways:
 - i. If a provider is charging at or just below £6,000 for a three-year degree, charging a higher annual fee for an equivalent accelerated degree would take them over the threshold for an access agreement.
 - ii. A provider with an access agreement is required to contribute matched funding to the National Scholarship Programme at a rate of 100 per cent, whereas the

¹² See Liz Hart Associates, 'Costing study of two-year accelerated degrees', 2011, available at www.hefce.ac.uk/pubs/rereports/2011/rd03_11/

matched funding requirement on a provider without an access agreement is only 50 per cent.

iii. Providers with an average annual net tuition fee of £7,500 or less have been eligible to bid for a share of places from the student number control 'margin' (see HEFCE 2011/30); higher fees for accelerated courses may unfairly exclude some providers from any future bidding process.

b. There is currently limited demand from students for accelerated programmes, but this may change with the new fee regime for undergraduates. One of the attractions to students of an accelerated degree may be its lower costs, and we do not want to undermine this incentive given the savings in student support costs that accelerated degrees also provide.

233. The appropriate additional allocation will be provided for any full-time years of undergraduate study in price groups B, C or D lasting 45 weeks or more in the year.

234. Continuing with this allocation means that providers should not need to charge higher fees for accelerated provision. We also believe that we should encourage greater publicity and information about accelerated provision aimed at prospective students, employers and the general public to stimulate demand. At present there is a relatively small amount of accelerated provision being offered in a few publicly funded and private providers. This could be due to low demand, but we believe that low demand could in itself result from the fact that this type of provision is not well known or understood.

235. We do not expect the total additional funding available to support these types of courses to increase if the amount of provision in the sector increases. We will instead expect to reduce the level of funding we offer towards the costs of intensive full-time undergraduate degrees if the scale of provision grows substantially. However, it should be noted that the rate of funding we propose is currently higher than the additional costs per year that we observe in the sector.

Intensive provision for postgraduate students

236. Many postgraduate courses have additional costs, because they require more intensive study in a 12 month period. This applies particularly to one-year masters courses requiring completion of 180 credits (compared to a typical full-time undergraduate load of 120 credits).

237. As with accelerated undergraduate degrees, we have recognised the additional costs of such intensive programmes through the non-mainstream targeted allocation for accelerated and intensive provision, which provided about £36 million in 2011-12 for postgraduate taught students in price groups B and C (the rates of additional funding are the same as for undergraduate programmes, being approximately £1,528 for price group B and £1,169 for price group C). Postgraduate students in price group D have not attracted this funding since 2010-11: we assume that the higher fees that providers have commonly charged for such subjects are sufficient to meet their costs. Postgraduate students in price group A have never attracted this funding: we assume that almost all provision in clinical subjects is intensive, and therefore the costs are already reflected in the higher rate of grant we provide for them.

238. As explained in paragraphs 191 to 203, as an interim measure we wish to avoid any risk to postgraduate taught provision that might arise from a reduction in funding. This applies equally to the additional funding we have provided for intensive postgraduate taught programmes, and we

therefore intend to continue this allocation. We will review it again when we review our approach to postgraduate taught provision once the current transitional period is complete.

Years abroad taken under the Erasmus programme and sandwich placements

239. HEFCE currently provides fee compensation to providers so that they do not charge tuition fees to students taking a whole year abroad under the EU's Erasmus scheme. Although legislation permits providers to charge such students a fee (subject, under the new fee regime, to maxima of £4,500 for providers with an access agreement or £3,000 for those without), no fee loan is currently available to students. HEFCE's fee compensation means providers do not charge such fees. Providers are prohibited under the terms of the Erasmus scheme from charging fees to incoming students undertaking placements at UK providers.

240. The Department for Business, Innovation and Skills is seeking advice on the continuation of the Erasmus fee waiver arrangements from the UK Higher Education Student Mobility Joint Working Group. We expect to revisit our current approach following publication of the report and the Government's response.

Students on sandwich years-out

241. We recognise the value of sandwich courses in preparing students for working life, providing opportunities to apply their learning in practice and improving their employability skills.

242. Students taking a sandwich placement year-out have been counted for funding purposes as half a full-time equivalent student in price group C. They are also liable to a tuition fee which is capped at approximately half of the amount that can be charged to a full-time undergraduate student.

243. The fee limits for such placement years are increasing under the new student finance arrangements to £4,500 for providers with an access agreement or £3,000 for those without, although many providers are setting their fees for placement years below these limits. The Wilson Review of Business-University Collaboration published in February 2012 suggests that Government, providers and employers should develop a new covenant to support this activity.

244. Given the funding made available to HEFCE we do not at this stage propose to allocate additional funding for sandwich courses and placements. We will monitor the take-up of sandwich courses and placements, and will consider the case for further action should there be a significant fall in demand for them. We may, however, review our approach following the Government's response to the Wilson review later in 2012.

Part-time provision for undergraduate students

245. Part-time provision offers greater flexibility in how and when students study, to fit around existing work or family commitments.

246. However, delivering part-time provision costs more than full-time provision: for example the costs of keeping premises open later, providing services over extended hours, and staff working outside normal teaching hours. Part-time students can also be more expensive to recruit because they do not apply directly through UCAS; and a provider's administration costs for a part-time student, will be higher, on a pro rata basis, than for a full-time student.

247. Our funding method currently includes an allocation for part-time undergraduates, which recognises the additional costs. This is allocated pro rata to part-time undergraduate FTEs.

Following HEFCE 2011/20 we are reducing the total to phase out an element of this funding relating to the introduction of the ELQ policy. (We also provide allocations for widening participation and improving retention of part-time undergraduates within our teaching grant (see paragraphs 264 to 274).)

248. From 2013-14, we propose to maintain a non-mainstream allocation for undergraduate part-time provision; but this will be targeted at part-time provision in high-cost subjects (see paragraph 189).

249. This will result in a reduction in this funding to about £9 million in steady state. We propose to phase this reduction as the balance between old-regime and new-regime students changes. For old-regime students we will continue to provide funding for students in all price groups A to D, while for new-regime students it will be based only on those in high cost subjects (price groups A to C1).

250. This funding reduction reflects the proposed changes to fee regulations for part-time students: providers will be able to charge a fee for part-time provision of up to 75 per cent of the full-time fee, provided the student studies at an intensity of at least 0.25 FTE. There is therefore greater scope within the part-time fee to cover the additional costs of provision, particularly at a lower intensity of study. We believe that the proposed part-time fee limits (£4,500 or £6,750) are generally sufficient to cover the additional costs of part-time provision within lower-cost subjects.

251. We do not know how the demand for part-time study might be affected in 2013-14 and beyond. We will monitor part-time student numbers to determine whether or not we need to intervene in the future.

Consultation question 10

Do you have any comments on our proposal to provide an allocation for part-time undergraduate provision from 2013-14 which for new-regime students will only apply if they are in high-cost subjects?

Consultation question 11

Are there other innovative types of flexible provision that might warrant funding to widen the choices students have as to where, when and how they study, given the overall limited resource and the many priorities competing for it?

Funding to recognise costs of London-based providers

252. This section sets out our proposal to contribute towards the additional costs of providers teaching in London. This forms part of a total package of funding for London providers we provide which also includes approximately £44 million for research funding and £4 million as part of the Student Opportunity allocation.

253. Until recently, we applied a weighting in our main calculations of teaching grant to recognise the higher costs of operating in London (at different rates for inner and outer London). The weighting for teaching was applied to both mainstream funding and the targeted allocations for widening participation and improving retention. In HEFCE 2011/20, we initially proposed to remove London weighting for new-regime students in price groups C and D and to align the London weightings to those used within our research funding method.

254. Respondents to HEFCE 2011/20 raised concerns about the impact of this on providers, particularly because the cap on undergraduate fees is the same irrespective of the providers' location. In response to these concerns we put in place an interim arrangement for 2012-13 so that providers did not generally see a reduction compared to 2011-12 in the funding we provide for London weighting.

255. For 2013-14 onwards we propose to create a separate allocation for providers in relation to new-regime students attending courses in London. This will apply to price groups A to D. We expect this supplement to be at broadly comparable rates to those that applied in 2011-12. Old-regime students will continue to be funded on the basis of the method outlined in HEFCE 2011/20 for the duration of their programmes.

Rationale for recognising additional costs

256. There is clear evidence that there are unavoidable costs associated with operating in London which relate predominantly to salaries and estate costs. Most private and public sector organisations recognise these additional costs through higher salaries, either as a general higher level or through specific London allowances.

257. In view of the shift in the balance of funding from HEFCE grant to student fees, we have considered the extent to which the additional costs of operating in London should be met through the fees charged by London providers. We believe we should continue to make a contribution because:

- a. Evidence indicates there is already a higher average fee level in London than elsewhere in the country, which is significantly above the Government's planning assumption of an average fee level of around £7,500. Substantial reductions in income from the London weighting element of the existing grant could increase the pressure to make up this reduction through raising fees further.
- b. A significant number of providers in London are both large and relatively specialised, with a strong focus on science, technology, engineering and maths (STEM) and clinical subjects, which are typically higher-cost subjects to deliver. Such providers have limited scope to rebalance their provision from these higher-cost areas to lower-cost areas. Further, we would not wish to provide any disincentive for London-based providers to continue to offer provision in strategically important subject areas. Our support for high-cost subjects (see paragraphs 183 to 223) will cover some of, but not all, of the additional costs associated with operating in London.

258. We therefore propose to provide an additional supplement for all students in price groups A to D. It would be based on the current (2011-12) rates of grant per FTE, differing, as now, between inner and outer London. For 2013-14 we estimate the rates will be approximately:

Price group	Inner London rate	Outer London rate
A	£1,174	£734
B	£499	£312
C1 and C2	£382	£239
D	£294	£184

259. In steady state, we expect funding for London weighting associated with new-regime students in high-cost subjects to reach about £66 million. This will be phased in with successive cohorts of new-regime students, while the current allocation made in relation to old-regime students will be phased out.

260. In addition, London weighting will continue to be a feature of the funding method to support student opportunity and will be calculated using the existing method but using weights of 12 per cent for inner London and 8 per cent for outer London. Funding for this element will be approximately £4 million.

261. This approach will minimise administrative burden because no new data collection is required.

262. In establishing a specific funding allocation to meet these costs, we are responding to the current fee environment and government priorities. We will monitor activity and may revisit our approach to funding in the future, for example, if more providers join the regulated system.

263. Providers would in general be eligible for this allocation only where students are attending campuses within the London boundaries defined by the Nomenclature of Territorial Units for Statistics. We have previously made some exceptions to this for individual institutions and we expect to continue these.

Consultation question 12

Do you agree with our proposed approach to contribute to the additional costs of operating for London-based providers?

Student Opportunity

264. This section sets out how we propose to allocate funding to improve student opportunities in higher education. This will support additional infrastructure costs to make national progress in widening participation, improving student success and social mobility. The section covers:

- the purpose of our Student Opportunity allocation
- the proposed funding method
- understanding outcomes and progress
- impact.

Purpose of our Student Opportunity allocation

265. As outlined in Part 1 of this document, increasing opportunity is a key principle underpinning HEFCE's work. We are committed to supporting providers to deliver a high-quality experience for all students regardless of their background, contributing to social mobility and benefiting the economy and society.

266. To achieve this all providers within the regulated system, irrespective of the tuition fee they charge, should be able to undertake long-term, strategic work across all aspects of the student lifecycle – including progression into further study or employment. This will ensure that all students from under-represented groups can successfully participate in higher education.

267. To ensure that all providers are well equipped to do this, particularly in the early years of the new finance system, we propose a new Student Opportunity allocation. It will contribute to sustaining national progress in widening participation and help providers offer additional support to their students where needed to achieve successful outcomes. This will ensure providers can meet the higher costs of delivering support for disadvantaged and under-represented students throughout the student life-cycle.

268. We are committed to working in partnership with OFFA, the regulator of fair access for providers charging above the basic fee level of £6,000 for full-time undergraduates in 2012-13. The roles and responsibilities of HEFCE and OFFA, and the funding attached to the activity we support, are distinctive but complementary. OFFA helps safeguard fair access for those from low-income backgrounds or other under-represented groups. All English higher education providers wishing to charge fees above the basic level must have an annual 'access agreement', approved by OFFA, in which they must commit a proportion of their higher fee income to outreach or retention activity, or financial support for individual students. These agreements include targets to reflect each provider's circumstances.

269. With variations in the level and balance of expenditure across the sector, over two-thirds of providers' total expenditure under their access agreements is committed to direct financial support for students in the form of fee waivers, bursaries and scholarships in 2015-16¹³, rather than the costs of supporting outreach and retention.

270. HEFCE's funding underpins all aspects of providers' work to deliver their widening participation aims and activities, by ensuring that they have a strong foundation and infrastructure on which to build: it enables providers to support activities across the student lifecycle, including raising attainment and aspirations in schools, and help for students to reach their full potential. Most of the funding is associated with the additional costs providers face in supporting students through to successful completion of their courses. This continues to be very important to protect students' interests.

271. It is essential that providers do all they can to retain and support their students through to completing their studies. There is evidence that those who entered higher education but did not achieve a qualification have lower wages than those who did not enter higher education at all¹⁴. Nevertheless, people who do not qualify will still be expected to repay their loans on the same terms as graduates.

272. Our funding for student opportunity therefore complements, but is distinct from, any additional commitments providers may make through an access agreement with OFFA. It allows providers to engage in activity which delivers longer-term outcomes rather than year-on-year progress against targets, and which may apply more generally to the sector and students outside

¹³ Source: 'Updated access agreement data tables for 2012-13' (OFFA 2011/06)

¹⁴ Source: Richard Blundell, Lorraine Dearden, Alissa Goodman and Howard Reed, 'The returns to higher education in Britain: evidence from a British cohort', 2000 (Economic Journal 110 F82-F99). This found that: 'For men, there seems to be a negative return to non-completion of a higher education course: men who started but did not complete such a course had at least 9 per cent lower wages on average than those who never attempted a higher education course, controlling for other factors.'

the individual provider's targets. For example, providers could use their Student Opportunity funding for:

- long-term collaboration/engagement with schools and communities
- specific interventions for mature learners
- development of ways to support part-time students from disadvantaged backgrounds more effectively
- activities to ensure inclusive teaching and learning for all those with 'protected characteristics' under the 2010 Equality Act
- evaluating, and gathering/analysing evidence on the impact of, widening participation activities
- tracking and supporting the transition of students from disadvantaged backgrounds into postgraduate study or employment including into the professions
- collaboration to support progression for learners with vocational or other alternative qualifications
- a strategic programme of interventions throughout the student lifecycle to improve retention and completion
- additional teaching for students requiring more support.

Proposed funding method

273. From 2013-14, we propose providing funding through:

- a. A Student Opportunity allocation, totalling about £314 million. This will comprise separate elements for full-time and part-time undergraduate provision and separate calculations to reflect:
 - i. The recruitment and retention of students from geographical areas with traditionally low educational achievement and/or higher education participation rates, who have the potential to succeed in higher education.
 - ii. The recruitment and retention of students that are likely to need more support than others to complete their studies. This will reflect the main characteristics that we have observed to be indicators that a student may need extra support: their entry qualifications type and/or level and their age.
- b. An increased Student Opportunity allocation for disabled students, totalling £15 million. This will be allocated to reflect the student numbers at each provider and the proportions receiving Disabled Students' Allowance.

274. Our funding for student opportunity for 2013-14 will be based upon the method used for widening participation and improving retention up to and including 2012-13 (see Annex D), with the following changes:

- a. To reflect recent increases in pre-higher education attainment levels, we will update the risk groups used to assign weightings to qualifications on entry within the improving retention calculation.

- b. We will count students in all years of study, rather than just entrants, in determining the institutional weighting factor in the improving retention calculation for full-time undergraduates, to further recognise retention beyond year one.
- c. Now that student support is to be available for undergraduates studying part-time, we will remove the £40 million uplift to the funding for part-time widening access that was introduced in 2006 when variable fees and tuition fee loans did not apply to part-time provision.
- d. We will increase by £2 million funding to support disabled students.

Understanding outcomes and progress

275. We need to continue to make national progress in widening participation and to understand better how that progress is achieved. To support progress, we require providers to submit strategies setting out their medium- to long-term approach to enhancing student opportunity and the aims which our funding will be used to support. In 2012 there will be a light-touch, interim request for information. Further information about this request will be published in due course.

276. These strategies, together with annual monitoring we already undertake, will remain a condition of grant for the receipt of Student Opportunity funding. The focus will be on the outcomes that providers deliver rather than simply the volume of activity they undertake.

277. Monitoring the use of our funding ensures that we understand the difference that it makes. We already know from Widening Participation Strategic Assessments that providers use their HEFCE funding in a number of ways, not solely for activity which we count in our funding method (access or retention work). So our monitoring will seek to understand the full contribution that our funding makes.

278. The monitoring process will be vital in demonstrating the public benefit of our continued investment. We will use it to build up an accurate, robust picture of progress in widening participation and student success, which we can use to inform and advise Government and our regulatory partners.

279. We will also produce timely thematic analysis to help inform providers' future approaches. This will exist alongside our ongoing data analysis, for example of participation rates (see 'Trends in young participation in higher education: core results for England', HEFCE 2010/03), and maps showing higher education participation among young people (available at www.hefce.ac.uk/polar/).

280. Our institutional teams will continue to discuss matters arising from the strategies (and their analysis), or how other developments may affect progress in widening participation and student retention and success. We will publish updated guidance on targeting students and evaluating widening participation interventions. This will support providers in preparing their strategies, building on our experience from programmes such as Aimhigher and Lifelong Learning Networks (see www.hefce.ac.uk/widen/).

281. We do not wish to over-burden providers with monitoring requirements. Therefore we will work very closely with OFFA to ensure as far as possible that our requests are integrated, proportionate and complement – rather than duplicate – the work of access agreements where providers have both.

Impact

282. We believe that these proposals will have a positive impact on groups that have protected characteristics under the Equality Act 2010, and other under-represented groups in higher education. In continuing to provide funding for widening participation, retention and a separate allocation for disabled students, we continue to positively promote equality and diversity in higher education and to enable all providers, regardless of the tuition fee they charge, to meet the higher costs associated with delivering support for such students through the whole student lifecycle.

Consultation question 13

Do you have any comments on our proposal that the role of HEFCE funding for student opportunity should be to enable providers to underpin their continued commitment to widening participation and student retention and success and to contribute to further national progress on social mobility?

Consultation question 14

Do you agree with our funding method for the Student Opportunity allocations? If not, do you have alternative suggestions that would provide relative stability and support for the infrastructure for widening participation and retention, bearing in mind burden and complexity?

Providers with distinctive provision: institution-specific allocation

283. This section sets out how we propose to review our current institution-specific allocation and London whole institution non-recurrent grant, to create a streamlined and consistent approach to providers with distinctive provision. We intend to conduct a review in summer 2012 after the close of this consultation in time to inform funding for 2013-14; we seek views in this consultation on the scope and approach of that review.

284. Institution-specific funding recognises the additional costs, essential to securing public value, that cannot reasonably be met from other sources. It is provided when other options for these costs are not sufficient but is not provided in perpetuity: it is 'funding of last resort'. The amounts we will be able to offer will be based on the funding available and the case made.

285. Higher education providers vary in mission and size, so some incur costs that are not covered by the level of funding available and which fees, combined with other HEFCE grant allocations, do not adequately address. To recognise the additional costs and the additional public benefit delivered, HEFCE currently provides an institution-specific targeted allocation to 19 providers (see list in Annex E): in 2012-13 this will total approximately £46 million. These allocations reflect providers' different historical funding levels and were last reviewed in 2008.

286. In view of the Government's reform of higher education we propose to undertake a light-touch review to ensure funding is allocated appropriately.

287. We also currently provide funding to five providers (see list in Annex E) via the London whole institution non-recurrent grant, primarily to support national resources based in London. In 2012-13 we expect this to total approximately £15.6 million. We propose to include this allocation in the review of institution-specific funding, in order to adopt an integrated approach to funding distinctive provision with additional costs.

288. In so doing, we would take account of the recommendations of the review that is currently under way of the School of Advanced Study, University of London, and the possible impact on the individual providers currently receiving funding through this route. We expect the School of Advanced Study review to consider its proposals in the context of the general policy direction for distinctive provision.

289. We do not intend to review the funding of the Institute of Zoology (the London whole institution non-recurrent grant allocated to University College London) because a separate review was undertaken in 2010.

Aims of the review

290. The review will consider whether, in the new fees and funding regime, an additional allocation is necessary and appropriate for providers which make a case for it.

291. We aim to be consistent and transparent in our approach, but not formula-based; the nature of additional costs we wish to support means judgement will be needed to determine how each applicant meets the review criteria.

292. We will take into account the additional income resulting from higher fees, changes to our funding method and the amount of funds available to us.

293. We will minimise instability, which is particularly important for those providers which already receive a relatively large proportion of their income through this funding route.

294. Providers not currently in receipt of an institution-specific allocation may feel that they meet the criteria for it. In order to receive funding, a very strong case will need to be made. We do not aim to meet all additional costs, just to contribute to them, and we expect only a few providers to receive these allocations. Also, we anticipate that only providers with more than 250 FTE higher education students (including postgraduate research students) would be eligible, so that any exceptional funding is targeted at providers which have a critical mass of distinctive higher education provision rather than, for example, providers with little higher education provision, but which happens to be offered in limited areas.

Criteria

295. We propose that, in assessing additional costs, the review should consider two criteria: distinctiveness and public benefit (detailed below) which relate to the provider rather than to subjects. We will only provide specific funding to a provider where we are satisfied that it meets both criteria and has convincing evidence that its additional costs cannot be met from other sources, including fees and other HEFCE funding.

296. As part of this consultation, we would like views on the appropriateness of these criteria and any other areas the review should cover.

Public benefit

297. We would expect a provider to explain how this additional resource enables it to generate public benefit that cannot be delivered from either fees or other funding streams, and to define the significance of that benefit.

298. In view of limited resources, HEFCE cannot provide funding to cover all such cases or all the associated costs, so this funding will only be provided on an exceptional basis where it will be most effective in significantly increasing demonstrable public benefit.

Distinctiveness

299. The funding is intended to recognise a provider's specific characteristics and to be used to support high-quality, distinctive provision or activity that it could not otherwise provide through the new fees and funding regime.

300. We would not expect the funding to support the additional costs of teaching a particular subject or other more general activity, when these costs are also incurred by other providers, because these should be covered through fees, from alternative sources of income, or by other HEFCE funding streams.

Cost information

301. We propose to invite providers to quantify: costs per FTE student, income, income-generating capacity of the provider as a whole and the potential funding gap.

302. Any funding we provide would be unlikely to meet the entire funding gap, but should be seen as a significant contribution towards the additional costs compared with the public benefit delivered. Information should be consistent with TRAC full economic costing approaches.

Proposal and timings

303. We propose to start the review in July 2012 to take account of any funding adjustments as a result of this consultation and to reflect the additional income available from undergraduate fees from 2012-13.

304. A call for submissions will be made in August 2012 with a deadline of October 2012. Submissions will need to outline the provider's case against the criteria, including detailed cost and income information.

305. Recommendations for funding will be made by an external panel for agreement by the HEFCE Board in December 2012 in time for the March 2013 grant announcement. If allocations are reduced or removed following the review, we will work with the provider to ensure a smooth transition to the new funding arrangements.

Providers who are new to the higher education system

306. Should new providers enter the system from 2013-14, we will consider cases for institution-specific funding against the same criteria as applies to the providers we currently fund.

Consultation question 15

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

Consultation question 16

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

Strategically important and vulnerable subjects

307. This section outlines HEFCE's revised strategy for supporting SIVS, and the support we will provide through funding and other policies such as student number controls and the provision of information for prospective students and others.

308. Our support for SIVS is a priority and reflected throughout our proposals (see Table 1 at paragraph 182). The approach has been developed through a separate consultation process (see paragraph 312).

309. Since 2005 we have had a policy framework and programme of work to sustain SIVS¹⁵. Over this period, the Government has defined which subjects are strategically important, and HEFCE has identified if they are also vulnerable. We have done this by considering whether there is compelling evidence of a need for action to enable them to be available at a level and in a way that meets the national interest. An important element of this policy has been to recognise that the success of higher education in England is founded on the ability of autonomous providers to respond dynamically to changing circumstances, and our interventions have been highly selective.

310. The Government's aspiration is for teaching in higher education from 2012-13 to be student-led, with the supply of subjects driven by the expectations of informed, fee-paying students, and the employment prospects and salaries available to graduates in different subjects. This will be coupled with greater competition due to changes to controls on student numbers and the potential entry of new providers into the higher education system. In some subject areas, this system may not always deliver a sustained flow of graduates, or a supply of programmes and expertise, in the national interest. In addition, the sustainability of provision is often influenced by the alignment between undergraduate teaching, postgraduate education and research, and the needs and integrated nature of all of these activities must be taken into account.

311. Government has specifically asked HEFCE to consider whether further support may be required for subjects that are both strategically important and vulnerable to avoid undesirable reductions in the scale of provision. We therefore now propose a revised approach to the policy framework to reflect the higher education reforms.

312. The availability of subject provision will be influenced by many factors, and at this early stage it is difficult to predict how the reforms will influence student choices and institutional behaviour. Given this uncertainty, we have not attempted to predict the outcomes of the new system in subject terms. Instead we have assessed the level of risk to broad subject areas and formed proposals to address these. These proposals have been developed with advice and evidence from partner bodies with an interest in this area, including the Research Councils, the Royal Society, the Royal Academy of Engineering, the British Academy and the Government Office for Science. This information is available at www.hefce.ac.uk/aboutus/sis/.

313. The Government, rather than specifying a group of subjects, has asked HEFCE to consider which subjects should in future be considered to be strategically important and vulnerable. It has also introduced greater dynamism within undergraduate provision, with a view where possible to self-correction rather than government intervention. The new approach proposed for SIVS is based on these assumptions, and on the advice we have received from partner organisations.

314. We will continue to support those subjects which have until now been identified as strategically important and vulnerable. However, given the new funding context, we do not propose to have a single list of SIVS. Instead, we will monitor the health of all subjects in

¹⁵ See www.hefce.ac.uk/aboutus/sis/

conjunction with partner organisations and will make selective, collaborative interventions to address specific risks to particular aspects of subject provision. We expect that this will extend beyond the subjects we have supported to date.

315. Our proposals cover the following areas:

- support for subjects that have until now been defined as SIVS
- identifying vulnerability and the scale of risk
- the scope of the new strategy
- specific interventions to address risk:
 - student number controls
 - higher-cost undergraduate subjects
 - specialist providers
 - development of a new approach to support for postgraduate provision
 - critical mass of small areas of provision within larger providers
 - work placements and international placements/years abroad.

Support for subjects that have until now been defined as SIVS

316. We propose to continue to support mathematics, physics, chemistry, engineering, modern foreign languages (MFL) and related area studies and quantitative social sciences (QSS). These are subjects that have until now been defined as SIVS and our interventions have helped to sustain provision in these areas, resulting in significant increases in student numbers.

317. Our continued support for STEM is reflected in the level of funding for high-cost provision proposed in paragraphs 183 to 223, plus the specific allocation of an additional £23 million per year for the very highest-cost STEM subjects. We also protected mathematics, physics, chemistry, engineering and MFL from the reduction necessary to create a margin of places for re-allocation in 2012-13.

318. We believe that our proposals for the support of high-cost subjects and specialist providers, allied with increased fee income, should be sufficient to address the recurrent requirements of these subjects. However, our proposals do not preclude other funding initiatives outside recurrent funding.

319. The HEFCE Board has reaffirmed its commitment to continue to work with the subject bodies in STEM, MFL and QSS to promote demand and attainment. Any further non-recurrent interventions in these subjects would be made through discretionary investment with partner organisations to address specific concerns.

Identifying vulnerability and the scale of risk

320. Any subject could at some point become vulnerable in the future; for example, due to concerns about that subject's accessibility, or about the availability of a particular sub-discipline, or of a particular academic level of provision, or other factors such as the need for work placements or years abroad. This is why we believe that we should no longer focus on a discrete group of subjects, although we propose to continue to support a portfolio of activities addressing subject vulnerability.

321. We would instead monitor the higher education system to:

- identify risks to the continued availability of any subject and the likelihood of these risks occurring, using quantitative and qualitative evidence
- consider the significance of these risks, if they were to occur, taking advice from Government and Research Councils on their priorities, and bodies such as the CBI and the UK Commission for Employment and Skills on the labour market
- determine those areas where the scale and materiality of risk suggests that HEFCE should initiate a response, normally in collaboration with other funders and stakeholders.

The scope of the new strategy

322. Our approach will be more inclusive than previously, reflecting the new policy and risk environment. Given the constraints on HEFCE's funding and powers, and the Government's preference where possible for self-correction, we anticipate a highly selective approach to intervention.

323. We propose an inclusive definition of 'subject', embracing sub-disciplines and different types and levels of provision.

324. We propose to adopt the following principles:

- a. Our activity should be founded on a strong evidence base which: embraces the progression of students from schools and colleges through to postgraduate study and employment; seeks (within reason) to forecast trends and requirements; and includes international comparisons.
- b. We should look beyond the volume of activity at national level to consider issues such as the quality of outcomes and, as more students may seek local study options, location and accessibility of provision, including cross-border issues where appropriate.
- c. We should involve industry, and other graduate employers and users of research, in the identification of, and response to, risks.
- d. We should monitor the diversity of subject take-up and advise Government and the sector of any apparent barriers to access for particular groups.

Specific interventions to address risks

325. Given the risks we have identified to date, we propose the following actions.

Student number controls

326. We have already taken steps to ensure that the implementation of the Government's proposals for controlling undergraduate student numbers in 2012-13 do not provide incentives for providers to move provision away from subjects previously identified as SIVS.

327. We will consider how further proposals might affect subject provision, and aim to mitigate these risks where appropriate.

Higher-cost undergraduate subjects

328. There is a risk that the replacement of block grant by student fees at undergraduate level may reduce providers' willingness and capacity to cross-subsidise between subjects, leading to a

decline in provision of higher-cost subjects. We propose a new approach to the support for higher-cost subjects, as set out in paragraphs 183 to 223, which will allocate funding to all subjects in current price groups A and B, plus the higher-cost subjects from price group C. There will be additional funding for clinical subjects and for the highest-cost STEM subjects.

Specialist providers

329. We recognise the risk that provision at specialist providers may become more vulnerable because of these providers' additional costs, which cannot be covered by fee income or cross-subsidisation. We propose an allocation for providers with distinctive provision (institution-specific allocation), as set out in paragraphs 283 to 306.

Development of a new approach to support for postgraduate provision

330. There is concern that levels of undergraduate student debt, combined with higher fees and the absence of student support arrangements for postgraduate study, could lead to a reduction in the volume and diversity of taught postgraduate activity and participation. Recognising the public benefit that arises from postgraduate study, we propose a new approach to supporting taught postgraduate provision, which will allocate funding to subjects in current price groups A, B and C, effectively maintaining the previously provided level of HEFCE support for postgraduate taught provision. This complements increasing support for research students through our research funding method. Details of our new approach are set out in paragraphs 191 to 203.

Small areas of provision within larger providers

331. Small areas of provision within larger providers could become vulnerable due to a level of specialism that hampers critical mass and the sharing of resources. We will work with the Research Councils, government departments, graduate employers and users of research to identify provision of this kind, and develop partnership approaches to providing support that encourage collaboration and efficiency. Any such support would be provided through discretionary rather than recurrent investment.

Work placements and international placements/years abroad

332. Work and international placements are central to many STEM and MFL programmes, and are recognised as enhancing employability. As discussed in paragraphs 239 to 244, we will monitor the take-up of such opportunities and work with the Government, providers and employers to try to ensure that current levels of such placements are maintained following the fee and funding reforms.

Consultation question 17

We have been asked by the Government to consider a new approach to strategically important and vulnerable subjects and whether any subjects may require support to avoid undesirable reductions in the scale of provision. Do you have any comments on our proposed new approach to supporting this area through recurrent funding?

Monitoring use of funds and accountability

333. Providers are responsible for monitoring and accounting for the use of HEFCE funding. This includes collecting fit-for-purpose data for internal decision-making and external reporting. Data submitted for funding purposes should comply with directions published from time to time

by HEFCE. We may check these data and, where errors are found, we may reduce previous and/or future HEFCE funding or take other action.

334. Under our current teaching funding method, providers are funded on the basis of a block grant principle. Providers are free to spend this funding according to their own priorities within broad guidelines. Within the new finance regime, we will have much less funding and will need to make investments which are clearly linked to the public interest, including government funding priorities.

335. While we will aim to give providers as much flexibility as possible in the use of teaching grant, we will also need to be assured that they are delivering the outcomes for which the funding is provided.

336. We will continue to monitor amounts of activity in subject areas using individualised student data submitted after the end of the academic year to the Higher Education Statistics Agency (HESA) or the Data Service. As outlined in paragraphs 170 to 174, we will adjust the funding we provide using forecast data to reflect the actual level of student FTE activity. However, for some streams of funding, we will need to collect additional evidence about delivery:

- Student Opportunity
- institution-specific funding (through the review process).

337. We intend to provide further information about the specific conditions which we attach to our funding, including changes to the Financial Memorandum we have with current providers. The exact timing of any changes may be affected by the scope and timing of government legislation on higher education and, of course, we would expect to consult on any substantive changes.

Minimising administrative burden

338. We will seek to keep the administrative burden of allocating and monitoring funding at a sensible level as our funding reduces.

339. In HEFCE 2011/20 we proposed a three-stage method for allocating funding in 2012-13 for old-regime and new-regime students. This aims to ensure providers receive funding from the beginning of the academic year, before student numbers are known, and so that we can adjust funding to reflect more accurate out-turn figures when we have aggregate recruitment data and final student-level data. Many respondents to HEFCE 2011/20 expressed concern that this three-stage approach would be complex to administer and created planning uncertainties.

340. We have not discounted these comments but still consider our proposed approach is the most appropriate because in the early years of the new arrangements, the three-stage approach will ensure the large year-on-year funding changes for providers are based on the most up-to-date data. The additional data that we have asked providers to report are limited to a table of forecast student numbers in our aggregate student number surveys.

341. We will look to simplify this approach as soon as we can, when the year-on-year funding changes become smaller in scale.

Counting student numbers

342. As explained in paragraphs 176 to 178, we fund the activity of providers, not individual students, although we count students as a proxy measure for providers' activity. Our general

approach has been to count students only where they complete (though not necessarily pass) their study intentions for the year.

343. We propose to continue with this approach during the transitional period, but will review this as the new funding and finance system approaches steady state. Providers will still receive substantial tuition fee income for students that we do not count.

344. In 2012-13 we will remove from our funding method a 'partial completion' weighting which had previously been applied to grant calculations. This weighting reflected the costs to providers where students failed to complete their years of study and therefore were not otherwise counted for HEFCE funding. We do not propose to take account of such partially completed activity in our funding calculations from 2013-14 because providers will receive tuition fees which we expect to cover their costs.

345. The arrangements for counting students against the student number control limit differ from those used in our funding calculations. The student number control applies to certain students starting study in the year (subject to them completing at least two weeks of study), and therefore includes students who subsequently withdraw.

Longer-term changes in the use of data to allocate funding

346. HEFCE 2011/20 explained that in this consultation on our funding method from 2013-14 onwards we would explore whether we should make more fundamental changes to the use of data in our funding methods, specifically a move to a credit-based funding method using retrospective HESA and Data Service data, rather than HESSES and HEIFES forecast data, to calculate allocations. Longer term, this approach has advantages over the current volume measure: it reflects more closely the way in which many students undertake their programmes; it would enable us to reflect students' variable study patterns more accurately in our funding; and it could reduce the overall burden of data collection.

347. However, while we are running two funding systems in parallel, it would increase complexity for providers to adopt two different reporting methods. Also, retrospective data which relate to a period before the introduction of the new fee regime would not give a sufficiently robust basis on which to make funding allocations for new-regime students.

348. We therefore propose to revisit the use of credit-based funding and retrospective data for potential introduction from 2015-16, once the majority of old-regime students have left the system.

Monitoring the impact of government reforms

349. The Government has asked HEFCE to monitor the impact of funding reforms it has introduced and, alongside monitoring for accountability purposes, it will be important that we are ready to adjust our methods in future where data suggest it is in the public interest to do so.

350. Evidence about the impact of the higher education reforms introduced by the White Paper will be key in informing our longer-term interventions, and the advice we provide to the Government about changes which may need to be made.

351. Monitoring impact will not be straightforward. We will have to balance the need for minimal administrative burden against the imperative to develop a robust evidence base. Significantly, individualised student data on activity in the first year of the Government's reforms (2012-13) will

not be available until 2014, and individualised data on 2013-14 and 2014-15 are unlikely to be available in time to inform the next anticipated spending review (2015-16 onwards).

352. We will set out in due course our plans to monitor the impact of funding changes.

Consultation question 18

Do you have any comments on the approach to data reporting and monitoring outlined in this document?

Annex A Consultation questions

Part 1: Student number control and teaching funding: policy, priorities and principles

1. We have proposed a set of principles (listed in paragraph 94) to inform our approach. Do you agree with the principles we have outlined?
2. Do you have any comments on the impacts, positive or negative, that the proposals in this consultation might have on equality and diversity?

Part 2: Student number controls

3. Do you agree with our proposal to continue from 2013-14 to control the numbers of students starting HEFCE-fundable full-time undergraduate and PGCE study at each provider? If you disagree with this proposal, what alternative approach would you suggest?
4. Do you have any views on steps we might take to exclude from the controlled population students topping up to honours degrees from Level 5 qualifications such as foundation degrees, HNDs and DipHEs, but in ways which do not create a significant risk of unplanned student support costs?
5. Do you agree that we should consider making adjustments to providers' number controls, where necessary, to take account of changes in their average course duration?
6. Do you agree with the proposed criteria for determining equivalent entry qualification and grade combinations?

Part 3: Proposals for funding teaching from 2013-14 onwards

High-cost subjects

7. Do you have any comments about our proposed approach to supporting high-cost subjects?
8. Do you agree that we should provide funding support for postgraduate provision including for price group C, as a transitional approach together with further development of the evidence base for future investment?
9. Do you have any comments about our proposal to use an approach based on TRAC(T) – with modifications – to inform our development of the future funding method for high-cost subjects?

Flexible learning: part-time and alternative modes of study

10. Do you have any comments on our proposal to provide an allocation for part-time undergraduate provision from 2013-14 which for new-regime students will only apply if they are in high-cost subjects?
11. Are there other innovative types of flexible provision that might warrant funding to widen the choices students have as to where, when and how they study, given the overall limited resource and the many priorities competing for it?

Allocation to recognise costs of London providers

12. Do you agree with our proposed approach to contribute to the additional costs of operating for London-based providers?

Student Opportunity

13. Do you have any comments on our proposal that the role of HEFCE funding for student opportunity should be to enable providers to underpin their continued commitment to widening participation and student retention and success and to contribute to further national progress on social mobility?

14. Do you agree with our funding method for the Student Opportunity allocations? If not, do you have alternative suggestions that would provide relative stability and support for the infrastructure for widening participation and retention, bearing in mind burden and complexity?

Institution-specific allocation

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?

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

Strategically important and vulnerable subjects

17. We have been asked by Government to consider a new approach to strategically important and vulnerable subjects and whether any subjects may require support to avoid undesirable reductions in the scale of provision. Do you have any comments on our proposed new approach to supporting this area through recurrent funding?

Minimising administrative burden

18. Do you have any comments on the approach to data reporting and monitoring outlined in this document?

Annex B Comparison of non-mainstream funding streams 2012-13 and 2013-14

Following HEFCE 2011/20 we are funding a number of non-mainstream allocations in 2012-13 (previously known as ‘targeted allocations’) subject to review in this current consultation. The table below indicates funding streams continuing in 2012-13, and our proposed approach for 2013-14.

Non-mainstream allocations may be calculated in respect of both old- and new-regime students. We have indicated where the methods differ for these groups of students.

Details of the allocations for 2012-13 will be published on 29 March 2012 and available from www.hefce.ac.uk.

Activity supported through a targeted allocation in 2012-13	2013-14 onwards	Application to old- and new-regime students
Additional funding for very high-cost and vulnerable science subjects	Will continue unchanged in 2013-14 onwards.	The allocation is based on student numbers in all years of study so applies equally to old- and new-regime students.
Clinical consultants’ pay	Will continue unchanged in 2013-14 onwards.	The allocation has been informed by staff costs, not student numbers.
Senior academic General Practitioners’ pay	Will continue unchanged in 2013-14 onwards.	The allocation has been informed by staff costs, not student numbers.
NHS pension scheme compensation	Will continue unchanged in 2013-14 onwards.	The allocation has been informed by staff costs, not student numbers.
Accelerated and intensive provision	We propose to provide funding where students are studying on accelerated undergraduate degree programmes or intensive postgraduate taught courses, recognising the additional costs per year they incur. This will be available in relation to undergraduates in price groups B, C1, C2 and D, and to postgraduates in price groups B, C1 and C2.	We will split the funding into two allocations. The 2013-14 method will apply to all old- and new-regime students.

Activity supported through a targeted allocation in 2012-13	2013-14 onwards	Application to old- and new-regime students
Part-time undergraduates	Following HEFCE 2011/20 we are already reducing the total to phase out an element of this funding relating to the introduction of the equivalent or lower qualification (ELQ) policy. We propose to maintain a non-mainstream allocation for undergraduate part-time provision; however, this will be targeted at part-time provision in high-cost subjects. We propose to phase out the consequent reduction of grant associated with non-high cost subjects.	The allocation is calculated annually on the basis of students in all years. However, from 2013-14 the allocation will be based on old-regime students in all price groups A to D, but for new-regime students only in high-cost subjects (price groups A to C1).
London weighting	This has previously been provided within mainstream teaching and for 2012-13 we introduced an interim targeted allocation to ensure institutions did not see an overall reduction in London weighting compared to 2011-12 (see HEFCE Circular letter 26/2011). From 2013-14 we will phase in a new allocation which will provide similar rates of funding to those that applied to students in price groups A to D in 2011-12.	Funding relating to old-regime students is being phased out as part of the mainstream teaching. Funding for new-regime students will be phased in through the new allocation for all price groups (A B, C1 C2 and D) at rates that reflect those that have applied to old-regime students. London weighting will also continue to be provided within the Student Opportunity allocations.
Widening participation (comprises the widening access for people from disadvantaged backgrounds and the component of the Teaching Enhancement and Student Success allocation relating to improving retention)	To continue in 2013-14 as a Student Opportunity allocation that is an amalgamation of the widening access and improving retention allocations. There is a reduction in the total relating to funding previously provided for the widening participation of part-time undergraduates.	Funding is calculated in relation to undergraduates in all years of study so applies equally to old- and new-regime students.

Activity supported through a targeted allocation in 2012-13	2013-14 onwards	Application to old- and new-regime students
Widening access and improving provision for disabled students	To continue in 2013-14 with an increased budget.	Funding is calculated in relation to students in all years of study so applies equally to old- and new-regime students.
Institution-specific	We propose to review this allocation in summer 2012 in time to inform funding from 2013-14. This will ensure funding is allocated appropriately.	This allocation supports providers as a whole – it is not formula-driven on the basis of student numbers.

Annex C Summary of TRAC(T) costing data 2007-08 to 2009-10

Cost data have been inflated to 2013-14 prices.

Cost Centre		Current price group	Proposed price group	Average cost (£)
3	Veterinary science	A/B	A/B	19,673
2	Clinical dentistry	A/B	A/B	16,460
1	Clinical medicine	A/B	A/B	14,936
18	Mineral, metallurgy & materials engineering	B	B	10,818
12	Physics	B	B	10,619
14	Earth, marine & environmental sciences	B	B	10,138
16	General engineering	B	B	10,006
21	Mechanical, aero & production engineering	B	B	9,935
20	Electrical, electronic & computer engineering	B	B	9,933
11	Chemistry	B	B	9,842
8	Pharmacy & pharmacology	B	B	9,741
17	Chemical engineering	B	B	9,695
10	Biosciences	B	B	9,195
4	Anatomy & physiology	B	B	9,127
19	Civil engineering	B	B	8,906
13	Agriculture & forestry	B	B	8,784
37	Archaeology	C	C1	8,567
25	Information technology & systems sciences, computer software engineering	C	C1	8,557
33	Design & creative arts	C	C1	8,376
28	Geography	C	C2	7,380
26	Catering & hospitality management	C	C2	7,355
35	Modern languages	C	C2	7,255
7	Psychology & behavioural sciences	C	C2	7,250
6	Health & community studies	C	C2	7,201
23	Architecture, built environment & planning	C	C2	7,108
5	Nursing & paramedical studies	C	C2	7,065

Cost Centre	Current price group	Proposed price group	Average cost (£)
24 Mathematics	C	C2	7,062
27 Business & management studies	D	D	6,719
31 Humanities & language-based studies	D	D	6,404
29 Social studies	D	D	6,281
41 Continuing education	D	D	6,073
Not included in price group calculations			
30 Media studies	B/C/D	C1	7,688
38 Sports science and leisure studies	B/C/D	C2	6,786
34 Education	C/D	C2/D	6,668
		A	18,426
		B	9,685
		C1	8,433

The average costs for the proposed new price groups A, B and C1 are calculated as the weighted averages of the costs for each constituent cost centre. In calculating the costs for price group A, we have assumed that 67 per cent of students in cost centres 1 to 3 are assigned to price group A, with the balance to price group B. We have then deducted costs, reflecting the calculated average price group B costs for the 33 per cent of students assigned to price group B. This therefore means that the average costs for students in those cost centres that are funded at price group A rates are generally higher than the observed average costs for the cost centres as a whole.

Annex D Summary of method for calculation of widening participation funding 2012-13

1. This annex explains the method used to calculate HEFCE funding for widening participation (WP) up to and including 2012-13.
2. **Allocations for widening access** recognise the extra costs associated with recruiting and supporting undergraduate students from disadvantaged backgrounds who are currently under-represented in higher education.
3. They reflect levels of participation in higher education in different Census wards and are calculated – separately for full-time and part-time – pro rata to weighted student full-time equivalents (FTEs), where the weightings reflect the broad institutional mix of students from different Census wards and London weighting.
4. We use postcode information from individualised student records to map each undergraduate new entrant to a Census ward. We weight these students according to the young higher education participation rate (for young full-time undergraduates) or the proportion of adults with a higher education qualification (for part-time and mature full-time undergraduates) by 2001 Census ward. Students from wards with the lowest rates of higher education participation or qualification receive the highest weightings, while other students may receive a weighting of zero.
5. However, students who already hold a higher education qualification at the same level as, or higher than, their current qualification aim, or have unknown entry qualifications, are given a weighting of zero, irrespective of their ward.
6. The overall institutional weightings reflect the number of full-time or part-time undergraduate new entrants weighted by ward, divided by the unweighted full-time or part-time undergraduate new entrants. Only students who complete their year of study are included in these calculations.
7. **Funding for improving retention of full-time undergraduates** is allocated pro rata to weighted undergraduate FTE student numbers. We use institutional weighting factors that reflect the broad characteristics of students which give rise to additional costs.
8. The main indicators that a student is likely to need more support to complete their studies are their entry qualifications and their age: in general terms, those with lower entry qualifications are more likely not to continue than those with higher; mature students are more likely not to continue than young entrants. We therefore weight students according to these two factors and determine an overall average weight for the institution as a whole. In total there are six student weighting categories: two age categories (young and mature), multiplied by three risk categories (low, medium and high) associated with entry qualifications.
9. We also provide London weighting where appropriate.
10. **Funding for improving retention of part-time students** is allocated pro rata to part-time undergraduate FTE student numbers, incorporating London weighting.
11. **Allocations for disabled students** reflect providers' success in recruiting and retaining disabled students. The funding is calculated pro rata to weighted (undergraduate and

postgraduate) student FTEs, where the weight for a provider reflects one of four weighting bands according to the proportion of their students who receive the Disabled Students' Allowance, determined from individualised student data.

12. The calculations also include London weighting where appropriate.

Annex E Providers currently in receipt of funding after review of exceptional funding for providers in 2008

Central School of Speech and Drama

Conservatoire for Dance and Drama

Courtauld Institute of Art

Cranfield University

Harper Adams University College

Institute of Education

Liverpool Institute for Performing Arts

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 Drama

School of Oriental and African Studies

London School of Hygiene and Tropical Medicine

Royal Agricultural College

University College Falmouth

University of Cambridge

University of Oxford

Providers currently in receipt of 'London whole institution' allocation

Institute of Cancer Research

Royal College of Art

School of Advanced Studies

School of Oriental and African Studies

University College London

Annex F Glossary of terms and abbreviations

Access agreements	Agreements submitted to OFFA by higher educating providers wishing to charge tuition fees to undergraduate and PGCE students above the basic amount permitted by law (£6,000 for full-time students), which indicate how the provider intends to: support improvements in participation rates in higher education from under-represented groups; where appropriate, increase the amount of funding available for bursaries and/or for outreach work with schools, further education colleges and so on.
Accountability	The process through which institutions and individuals are expected to demonstrate the fulfilment of their obligations, including the proper use of public funds.
Benchmarking	A process through which practices are analysed to provide a standard measurement ('benchmark') of effective performance within an organisation (such as a university). Benchmarks are also used to compare performance with other organisations and other sectors.
BIS	The Department for Business, Innovation and Skills: the government department to which HEFCE is accountable, but we operate at arm's length from it.
Block grant	Recurrent funding that providers are free to spend according to their own priorities within broad guidelines.
Data Service	An organisation that acts as a single, central point of information for further education. It collects student-level data from further education colleges in the individualised learner record (ILR).
Diversity	A broad term to describe the range of visible and invisible differences between people and institutions. It can mean the varieties of learners with different backgrounds, requiring varied methods of entry to courses and of instruction. It is also used to describe the variety of provision available in the higher education sector and the different types of institution that deliver it.
ELQs	Equivalent or lower qualifications. This refers to the government policy that HEFCE should not count for funding purposes those students aiming for a qualification equivalent to, or lower than, one they already hold. Students aiming for an ELQ may also be ineligible for student support.
EU	European Union.
Fees	See 'tuition fees'.
Full economic cost	The full economic cost of an activity incorporates all direct and indirect costs, including all cost adjustments required under the Transparent Approach to Costing (TRAC) methodology.

Full-time equivalent (FTE)	Full-time students count as 1 full-time equivalent. Students on their sandwich year-out count as 0.5 full-time equivalent. The full-time equivalence for part-time students is measured by comparing their learning activity with an equivalent full-time course.
Further education	Further education is for people over compulsory school age (currently 16 in England) which does not take place in a secondary school. It may be in a sixth-form college, a further education college or a higher education institution. Further education courses are generally up to the standard of GCE A-level or NVQ Level 3.
Graduate	Someone who has attained a bachelors or higher degree.
HEFCE	Higher Education Funding Council for England.
HEFCE-fundable students	Students who may be counted within HEFCE funding calculations. For teaching funding, this broadly means all higher education students domiciled in the UK or another EU country ('home and EU' students) other than: those whose provision is funded by another EU public source; those on a course that is not open to any suitably qualified candidate; students aiming for a qualification no higher than one they already have (with some exceptions); and postgraduate research students. The term encompasses some students that may not in fact attract HEFCE funding to their providers, for example where we expect tuition fees to cover the full cost of provision, or where students who do not complete their year of study are not counted in our funding calculations. Further information about this definition is available from our annual HESES/HEIFES publication.
HEIFES	Higher Education In Further Education: Students survey (an annual aggregate student data return provided by further education colleges to HEFCE).
HESA	The Higher Education Statistics Agency, which collects, analyses and reports on higher education statistics for universities and colleges in the UK. References to HESA data in this document relate to student data, but HESA also collects data on staff and finance in higher education institutions.
HESES	Higher Education Students Early Statistics survey (an annual data return provided by higher education institutions to HEFCE).
Institutions	A general term for higher education providers, which may include universities, other higher education institutions and further education colleges.
Knowledge exchange	The process by which institutions' knowledge, expertise and intellectually linked assets are constructively applied beyond higher education for the wider benefit of the economy and society, through two-way engagement with business, the public sector, cultural and community partners.

Level	Level of study refers to undergraduate, postgraduate taught and postgraduate research.
Mainstream funding	Subject-related funding.
MFL	Modern foreign languages.
Mode	Mode of study refers to full-time, part-time or sandwich.
New-regime students	Students who start courses on or after 1 September 2012 and who are subject to the new fee and funding regime. They include both those whose fees are limited by law and those, such as most postgraduates, whose fees are not limited in this way.
NHS	National Health Service.
Nomenclature of Territorial Units for Statistics	A classification system established by the statistical office of the European Union to provide a single uniform breakdown of territorial units for the production of regional statistics.
OFFA	The Office for Fair Access: a non-departmental public body that promotes and safeguards fair access to higher education for under-represented groups. See also 'access agreements'.
Old-regime students	Students who started courses before 1 September 2012 and are subject to the current fee and funding regime. They include both those whose fees are limited by law (mostly full-time undergraduates in 2011-12) and those whose fees are not limited in this way (such as most postgraduates and, in 2011-12, part-time undergraduates).
PGCE	Postgraduate or Professional Graduate Certificate in Education.
Postgraduate (PG)	Study on courses that normally require a first degree as a condition of entry.
QSS	Quantitative social sciences.
Recurrent funding	HEFCE's yearly allocations to support ongoing activities.
Research Councils	There are seven subject-specific Research Councils. They are funded by the Government to support research in their own establishments and to fund research projects in universities. RCUK is the strategic partnership of the UK's seven Research Councils.
SIVS	Strategically important and vulnerable subjects.
Specialist institution	Within our funding method, a higher education institution that has 60 per cent or more of its courses in one or two subjects only, such as music or art colleges.
SLC	Student Loans Company.

Steady state	Used to describe funding when all students in the higher education system are new-regime.
STEM	Science, technology, engineering and maths.
Student number control	A limit which HEFCE places on the numbers of students which providers can recruit and who may be eligible for student support.
Student support	Financial help available from the Government to certain students in higher education.
TDA	Training and Development Agency for Schools (will become the Teaching Agency in 2012).
Top-up programmes	In this document this generally refers to one-year full-time courses leading to an honours degree provided for students who have already successfully completed a two-year (when offered full-time) undergraduate course in the same subject area, such as a Foundation degree, higher national diploma (HND) or Diploma of Higher Education (DipHE).
Transparency	Making processes visible and comprehensible to interested parties outside an organisation, such as quality control committees and the general public.
Transparent Approach to Costing (TRAC)	A consistent approach to the costing of activities undertaken by all UK higher education institutions since 2002. More information is available at www.hefce.ac.uk/finance/fundinghe/trac/
TRAC(T)	The national framework for costing teaching in different subjects (see 'Transparent Approach to Costing (TRAC)').
Tuition fees	Students have to pay tuition fees to a university or college to attend a course there. For academic year 2011-12, tuition fees can be charged to a maximum of £3,375 per year of study. From 2012-13, this maximum will increase to £9,000.
UCAS	The organisation responsible for managing applications to higher education courses in the UK.
Undergraduate (UG)	Study towards a first degree, foundation degree, higher education certificate or diploma, or equivalent.
Universities and colleges	This includes higher education institutions, colleges of higher education and further education colleges.
Widening participation	Activities undertaken and policies implemented with the aim of ensuring that everyone with the potential to benefit from higher education has the opportunity to do so, whatever their background and whenever they need it.

**Widening Participation
Strategic Assessment
(WPSA)**

Assessments that institutions submit to HEFCE to demonstrate the work they are doing in respect of widening participation, showing how it is embedded in institutional missions and policies. The submission of a WPSA is a condition for the continued receipt of funds for widening participation and institutions are expected to report annually on the progress made against milestones and targets set out in their WPSA.