

Contents

Executive summary	2
Background.....	6
Summary of responses to consultation and decisions made	6
Student number control and teaching funding: policy, priorities and principles	7
Student number controls	11
Proposals for funding teaching from 2013-14 onwards.....	22
High-cost subjects	22
Flexible learning: part-time and alternative modes of study.....	30
Allocation to recognise costs of London providers	33
Student Opportunity	35
Institution-specific allocation	38
Strategically important and vulnerable subjects	43
Minimising administrative burden.....	46
Further information	47
Annex A	48

Student number controls and teaching funding in 2013-14 and beyond

Summary of responses to consultation and decisions made

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Senior Management, Planning, Admissions, Finance
Reference	2012/19
Publication date	July 2012
Enquiries to	Tracy Allan, tel 0117 931 7234, e-mail t.allan@hefce.ac.uk

Executive summary

Purpose

1. This report describes and analyses the responses we received to 'Student number controls and teaching funding: Consultation on arrangements for 2013-14' (HEFCE 2012/04) and the decisions subsequently made by our Board. It explains in detail the reasoning behind our proposals, responds to alternative suggestions where they were made and outlines our plans for 2013-14.

Key points

2. The great majority of the responses we received agreed with our proposals. We therefore intend to implement our policies largely as proposed in HEFCE 2012/04. Some alterations have been made because respondents suggested ways in which we might modify certain policies or initiatives.

3. For the remainder of this spending review period (2013 to 2015), our primary objectives for student number controls and teaching funding will be to support higher education (HE) to adjust to the new finance system, and to minimise the introduction of further new methods. This is to limit administrative burden and avoid unnecessary instability in the interest of students and the wider public.

4. We will continue to invest to ensure a high-quality student experience. To achieve this we will focus on government priorities, and on areas where either tuition fees cannot cover costs or it is in the public interest that vulnerable provision receives additional support.

Responses

5. We received 176 responses to the consultation, comprising:

- 105 responses from HE institutions
- 22 responses from further education colleges

- five responses from other providers of HE
- one individual response
- 43 responses from 'other' organisations (representative bodies, mission groups and employer organisations).

6. Most respondents either agreed or strongly agreed with the majority of our proposals, although in some areas they requested a clearer explanation. In general respondents did not suggest alternative approaches, but some such suggestions were made. Paragraphs 21 to 229 of this publication analyse the responses, explain the detailed reasoning behind our proposals and respond to alternative suggestions where relevant.

7. With the support of the majority of the HE sector, therefore, we intend to proceed as outlined in the consultation document in the following areas¹:

- a. Continuation of the entrant control.
- b. Support for high-cost subjects.
- c. Our transitional approach to support for postgraduate provision.
- d. An approach based on the Transparent Approach to Costing for Teaching to inform the development of the future funding method.
- e. Support for part-time undergraduate provision in high-cost subjects only.
- f. Funding for flexible provision.
- g. Contributions towards the additional operational costs of London-based providers.
- h. Student opportunity.
- i. Strategically important and vulnerable subjects.
- j. Our approach to data reporting and monitoring.

8. In the following areas, we have modified or clarified our approach. This is in response to respondents' suggestions for modifications which might address inconsistencies or anomalies arising since the first stage of consultation.

Students topping-up to honours degrees

9. We will modify the definitions used in the student number control (SNC), to exclude students who:

- are topping up from a foundation degree or a Higher National Diploma
- are joining an honours programme that does not exceed 1.3 years of full-time study (the Quality Assurance Agency foundation degree qualification benchmark), and
- have been HEFCE-fundable (at any institution) during either of the preceding two academic years. Adjustments to SNC based on changes in average course duration

¹ Except where otherwise stated, all proposals in this document should be understood as applying in the academic year 2013-14 and beyond (subject to later modifications).

Average course length

10. We propose to monitor and review the average durations of courses once we have better long-term funding data. We do not envisage making immediate changes. In the longer term, we do not plan to make annual changes to institutions' SNCs on the basis of small changes in their average course durations, but we reserve the right to make appropriate adjustments where our monitoring indicates that there have been significant changes in course length.

Determining equivalent entry qualifications

11. We will add a small number of qualifications to the list of high-grade equivalences. This will be limited to the following standalone qualifications:

- the Access to HE Diploma
- the Cambridge Pre-U (not in combination)
- the Advanced Diploma
- the BTEC National in Early Years.

Determining grade combinations

12. We do not intend to expand the high-grade equivalences list to include grade combinations. The inclusion of combinations of any type was not supported by the majority of respondents.

'Small core' protection

13. We propose to continue with a minimum protected core of student numbers, to ensure that more selective institutions can continue to admit students on the basis of contextual information, to meet access agreement targets, or to admit students with qualifications or combinations which are not on the high-grade equivalences list.

Language years abroad

14. From 2014-15, if a student is taking a whole year abroad under an exchange programme, we will provide funding of approximately £2,250 to support their institution's participation in such exchange programmes.

Students on sandwich courses and placements

15. The Government has announced that tuition fees for those taking a sandwich year out from 2014-15 will be capped at 15 per cent of the maximum for a full-time undergraduate. (At 2013-14 prices this would amount to £1,350 or £900, depending on whether an access agreement was in force.) This will ensure consistency in the fee limits for study and work years out, whether in the UK or elsewhere.

Equality

16. There continue to be concerns over the potential implications of the SNC policies and their implementation for equality and diversity. We are developing appropriate robust monitoring mechanisms for assessing the impact of the changes on institutions, HE provision in general, student demand, and equality and diversity issues.

Action required

17. This publication is for information.

Background

18. In 2011, the Government published its higher education (HE) 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 of these documents are available at <http://discuss.bis.gov.uk/hereform/all-documents/> They set out proposals for fundamental changes to the financing and regulation of HE in England, and include a policy that, from 1 September 2012, students' tuition fees should be a much more significant source of teaching income for HE providers.

19. HEFCE 2012/04 consulted on how we proposed to allocate student numbers and fund HE teaching from the academic year 2013-14 and beyond. This was the second stage of a two-stage consultation about the ways in which HE teaching is funded and student numbers allocated in England. We published the outcomes of the first stage on our web-site in November 2011².

20. Our consultations were developed in the context of the aforementioned government policies. They set out how, in relation to the operation of student number controls (SNCs) and teaching funding grant, HEFCE would:

- a. Support student choice and encourage greater competition between HE providers.
- b. Create a level playing field for all HE providers (which may in the future include some whom we do not currently fund directly).
- c. Ensure that the overall public financing of HE remains affordable to the Government.
- d. Provide continuing support for those teaching disciplines and other areas which:
 - are priorities for the Government
 - are in the public interest, and
 - carry additional costs that cannot be met through tuition fees.

Summary of responses to consultation and decisions made

21. The total numbers of respondents to the consultation are set out in Table 1.

² 'Teaching funding and student number controls from 2012-13: summary of responses to consultation and decisions made' (HEFCE Circular letter 26/2011), November 2011, www.hefce.ac.uk/pubs/year/2011/cl262011/.

Table 1 Total responses to consultation

	Total responses
Higher education institution (HEI)	105
Further education college (FEC)	22
As an individual	1
Other provider of HE	5
Other	43

22. For Questions 1, 5, 6, 12 and 15, in addition to a longer qualitative response, respondents were asked to gauge their agreement with the principles on a five-part scale ranged from 'Strongly agree' to 'Strongly disagree'. The total numbers of such responses are set out in Tables 2 to 6.

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

Question 1 We have proposed a set of principles [...] to inform our approach. Do you agree with the principles we have outlined?

23. The principles in question, listed in paragraph 94 of the original consultation document, were as follows:

- 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 HE 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.

Table 2 Respondents by type – Question 1a

Respondent Type	Response	Number
HEI	Strongly Agree	9
FEC	Strongly Agree	5
Other	Strongly Agree	1
HEI	Agree	81
FEC	Agree	15
Other provider of HE	Agree	5
Other	Agree	24
HEI	Neither agree or disagree	11
As an individual	Neither agree or disagree	1
Other	Neither agree or disagree	9
HEI	Disagree	3
FEC	Disagree	1

24. The majority of respondents either agreed or strongly agreed that the set of principles was appropriate to inform our approach to implementing the Government’s reforms. Respondents particularly supported promoting and protecting the collective student interest alongside a well-managed transition to the new funding regime, and felt strongly that our approach must be transparent and fair. However, there was a broad consensus from a large majority of institutions that there might be conflict between a number of the principles, and that further principles should be added to the list, although there was no general agreement about what these should be.

25. Four respondents were in disagreement with the principles, mainly on the grounds that conflict between them might create a risk of disproportionate impact on certain groups. A small minority – about 8 per cent – neither agreed nor disagreed.

26. Several respondents questioned whether the principles outlined would be sufficient to preserve the widening participation (WP) agenda, which they felt should be core to the new funding system. There was a general anxiety that WP would be inadvertently affected by the changes, compromising HEFCE’s important role in promoting and protecting the collective student interest. Counter to this, a small number of respondents believed that the principles outlined would assist in creating a dynamic and responsive system that can respond to student demand and support social mobility.

27. Despite our efforts to minimise the administrative burden for providers, some respondents considered that the burden is increasing as the sector moves into the new fees and funding regime. There was general agreement that HEFCE should continue to work closely with other funders and relevant HE agencies to reduce administrative burden and ensure overall

institutional stability; this would include for example publishing a detailed timetable of the changes and key dates for planning purposes.

Competition

28. A number of respondents considered that our stated principle of promoting competition might conflict with other principles, particularly those relating to the student interest and funding interventions. These apparent conflicts would need careful management to avoid any potential deterioration in the quality of HE. One respondent supported the principle of promoting competition, but stressed that this role would need to be kept distinct and separate from our role as funder and regulator. Another respondent expressed concern over the expanding remit of HEFCE to encompass roles and responsibilities beyond those associated with its core function as a funding body.

Suggested additional principles

29. A large number of institutions believed that the principles should explicitly refer to quality, and the maintenance of high-quality provision. Several respondents were dubious about the implication that competition would lead to a rise in standards of quality. Separate groups suggested two further additional principles: helping to maintain the global reputation and value of English HE, and recognising the importance of institutional autonomy as a key factor in maintaining high-quality provision.

30. A small number of institutions stressed that these principles need to be seen in the wider context of the role that HE plays in economic growth, and suggested that the contribution of HE to wealth creation should be reflected in our principles. Several respondents also suggested adding a principle of recognising and maintaining the diversity in the English HE system that provides value for money for students and the taxpayer.

HEFCE response

31. The principles we have suggested were drawn from our July 2011 strategy statement 'Opportunity, choice and excellence in higher education' (HEFCE 2011/22) and from the 2012 grant letter³ from the Department for Business, Innovation and Skills (BIS). The strategy statement sets out our high-level aims and approach, guided by the core principles of opportunity, choice and excellence. A number of respondents to the consultation thought that there might be conflict between some of the principles.

32. As the majority of respondents supported these principles, we do not intend to amend them at this stage. We will of course consider the principles periodically to ensure they remain fit for purpose.

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?

33. There was a general consensus from the majority of respondents that the proposals outlined will favour young, high-achieving students. Such an effect would have a corresponding detrimental impact on mature students and those with non-standard qualifications and would lead to a restriction in choice for under-represented groups, compromising the diversity of the sector.

³ www.hefce.ac.uk/media/hefce/content/news/news/2012/fundingforhighereducationinenglandfor2012-13/grantletter1213.pdf.

34. A number of respondents focused on the policy of excluding students with high grades from the SNC (the 'AAB+ policy) and how HEFCE has chosen to implement it. They suggested that this policy would exacerbate the current concentration of students with a particular level of attainment in certain types of institutions. Since disadvantaged students are more likely to take vocational qualifications (either on their own or in combination with other qualifications), these students would not form part of HEFCE's uncontrolled population, and would therefore face greater competition for places from institutions' core numbers.
35. Several respondents were concerned about the AAB+ equivalences listing, which does not include combinations of qualifications and which omits certain European qualifications. They suggested that certain groups would be discriminated against through inequity of access. There was a suggestion that fewer offers are already being made to students from low-participation backgrounds, despite HEIs being encouraged to take contextual data into account.
36. On the other hand, several institutions supported the protection of a core to enable institutions to meet their access agreement targets and suggested that this should be maintained in future years, although three institutions considered that it should be linked to progress in widening participation.
37. There was concern from several respondents that part-time students would be disproportionately affected by the proposals outlined in the consultation. There was a suggestion that the removal of the £40 million uplift from the part-time widening access fund would have a detrimental impact on the ability of institutions to support part-time students. A few institutions highlighted the complexity and cost of supporting part-time provision, and considered that reducing any funding to part-time provision could lead to a reduction in the number of part-time courses available, leading to fewer opportunities for non-traditional learners who are more likely to study part-time.
38. Several responses focussed on the risk to local provision, especially for students who have disabilities or caring responsibilities, or who are from particular ethnic minority backgrounds. The suggestion was that the distribution of student numbers without reference to demography or demand would have unintended negative consequences for access and widening participation, and that HEFCE should monitor for these.
39. Several responses indicated that student opportunity funding is an essential component in maintaining WP, and there was continued support for the increase in the disabled students' allocation. A small minority requested that institutions be supported by an increase in the student opportunity allocation; they suggested that that the monitoring of participation rates was particularly important.
40. A handful of respondents focussed on the issue of debt, outlining how certain groups of students are more debt-averse and might be discouraged from applying to HE. Several institutions shared a concern that changes to the fees regime would make postgraduate education in particular unaffordable for certain groups. Two responses considered the possibility that institutions might decide that science programmes were unaffordable and subsequently reduce their teaching in this area, leading to a concentration of science in relatively few institutions with consequent geographical limitations for science provision. As certain protected groups are limited geographically, this could also have implications for WP.

41. A small number of respondents suggested that the proposals outlined would be unlikely to have any detrimental impact on equality and diversity which anyway, they claimed, was particularly difficult to predict. Nonetheless, there was a general desire to monitor changes.

HEFCE response

42. In the short term it will be difficult to determine how far such effects might result from our implementation of the Government's policies on student number controls rather than, say, students' responses to the new fee regime, or increasing competition for places (perhaps arising from improved attainment in schools or wider economic factors).

43. Nonetheless this is an important issue, and we consider that we are best placed to take the lead in assessing impact in this area. We will monitor and respond to any negative impact that the new proposals may have on certain groups of learners, such as:

- students with disabilities
- ethnic minority students
- mature and part-time students
- students from neighbourhoods where participation in HE has been traditionally low.

44. We have undertaken thorough Sector Impact Assessments (SIAs) at each stage in developing our teaching funding proposals. The most recent SIA – updated in January 2012 in preparation for the publication of the second stage consultation – can be read at: www.hefce.ac.uk/whatwedo/lt/howfund/newarrangementsforteachingandstudentnumbercontrols/.

45. Equality and diversity are a high priority in our regulation and in our SIA, which underpin our work in this area and which we update at regular intervals with current impact information as it becomes available. We will work with other organisations such as the Equality Challenge Unit, and are committed to supporting any review which may inform future advice to BIS.

Student number controls

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?

46. The majority of respondents were in favour of our proposal to continue to control the numbers of students starting HEFCE-fundable full-time undergraduate and Postgraduate Certificate of Education (PGCE) study at each provider. There was general recognition that continuing with the current system was beneficial to institutions in a time of change. Institutions also recognised that, compared to the alternatives, an entrant control offers a degree of simplicity to institutions: they can control the number of entrants they accept far more easily than they can control their overall student population.

47. A small minority of respondents felt that an all-year control was preferable. Other suggestions, which came from a very small number of institutions, included: that there should be no control at all; that entry to HE should be available to all students meeting a minimum threshold; or that institutions' SNCs should be linked to their fee levels.

48. Only four respondents commented on whether part-time student places should be part of the control. Three of these acknowledged the considerable difficulties in implementing such a control, due to the diversity of part-time students and the flexibility of their study pathways. The other institution thought that part-time provision should be brought into the control because of the risk that growth in this area might impact on the student support budget. This risk also led a number of respondents to request that the SNC be broadened to include all providers. At present it applies solely to those with a direct funding agreement with HEFCE, who are currently carrying all the risk of a potential overspend.

49. One respondent said that transfer students should be excluded from the control, pointing out that differences in how such students are counted by HEFCE and the Student Loans Company result in a lack of flexibility to transfer between programmes. This relates to a more widely-held view that, as more funding comes from fee loans, the SNC should be more closely linked to either the duration of students' eligibility for, or their uptake of, student support.

50. A minority of respondents argued that students who do not take out a loan should be outside the student number control, as they believed they would be studying at no cost to the public purse. Other respondents rejected this view because of the risk that students could be recruited based on their ability to pay, rather than on their ability to benefit from HE. A small number of institutions said that students whose study was sponsored by their employer should be outside the control.

51. Concerns were raised about the relationship between the AAB+ policy and the controlled population, particularly where a mismatch between predicted and actual grades made it difficult for institutions to manage their student places around the AAB+ 'boundary'.

52. A small number of respondents sought clarity about what HEFCE would do if institutions under-recruited, but there was no agreement about what the core issue was. One institution wanted a 'second chance' to recruit to their SNC; two others considered that the tolerance for under-recruitment of 5 per cent or 25 places was not sufficient; one respondent believed that no under-recruitment should be permitted without a reduction in SNC; and two asked for the reintroduction of a contract range. A small number of institutions also expressed concern about grant adjustments for over-recruitment, arguing that they should be as small as possible because of the difficulty institutions are facing in managing their student numbers. One institution proposed a system of tiered penalties to allow some recruitment above the maximum, but to penalise significant over-recruitment.

53. Several specialist institutions in the performing and creative arts welcomed the opportunity to opt out of the AAB+ and core and margin measures. Some felt that they should be allowed some degree of growth, or at least tolerance of some over-recruitment, if they adjusted their intakes in subsequent years. A similar argument was raised by one small institution, which felt that there was a need to recognise the difficulties small institutions face in meeting exact admissions targets and the disproportionate impact even small reductions in student numbers can have.

54. We did not specifically consult on the minimum protected core which we provided for the most selective institutions in 2012-13, but many respondents supplied a comment as part of their wider response. A number of the most selective institutions argued the continuing need for a minimum core number control, which allows them to continue to recruit high-achieving students with qualifications (including European qualifications) which are not on the list of equivalences,

and to ensure that they can meet their access agreement targets. One institution said that this would be particularly important if combinations were not included in the equivalences, to preserve the flexibility to make offers to a diverse range of students based on contextual data. On the other hand, one institution considered that a minimum core would be unnecessary after the change to the high-grades policy to cover students with grades of ABB+, as this would tie up student numbers which the most selective institutions would not use.

HEFCE response

Proposal to continue with a control on students starting HEFCE-fundable full-time undergraduate and PGCE study at each provider

55. This was supported by the majority of respondents to the consultation, and we therefore intend to continue with an entrant control. Respondents made many valuable comments but they were diverse.

56. HEFCE does not determine the level of grant adjustment for over-recruitment. BIS sets this, and tells HEFCE through our annual grant letter the amount of grant adjustment to make for over-recruitment by institutions.

Minimum protected core

57. We did not explicitly consult on the principle of the protected core number control, but many respondents offered comments as part of their wider answers. Our subsequent letter from BIS extending and widening the high-grades policy in 2013-14 now makes this a pressing issue.

58. For 2012-13 we have said that institutions will retain at least 20 per cent of their 2011-12 student numbers, to ensure that they can continue to admit students on the basis of contextual information, to meet access agreement targets, or to admit students with qualifications or combinations which are not on the high-grade equivalences list. For the most selective HEIs, this meant that we increased their existing SNC. This did not require a reduction in other institutions' number controls, as we bore the relatively small risk of over-recruitment ourselves.

59. For 2013-14, in order to continue to provide some protection to institutions less than 20 per cent of whose recruitment consists of students without grades of ABB+, we will not cut these institutions' core numbers below 20 per cent to create the margin. We will look at their actual recruitment in this category in the previous year, and adjust their protected core to *110 per cent of their actual numbers of non-ABB+ students, or 20 per cent of their total recruitment, whichever is the smaller*⁴. Again this will not require a reduction in other institutions' SNCs, as we can accommodate this risk for 2013-14.

60. From 2014-15 onwards our preference would be to continue to address the issue of small cores formulaically, but we will discuss this with the institutions affected, annually if necessary, to ensure that an appropriate control is set. Institutions that have more than 20 per cent non-ABB+ recruitment, but still claim to have problems maintaining their historical pattern of recruitment as a result of this policy, should enter into discussions with us through the annual appeals process.

⁴ For example, Institution X recruited 2,000 ABB+ students and 350 non-ABB+ students (16.1 per cent of its total) in 2012-13. Its student number control for 2013-14 would be 110 per cent of 350 = 385. Institution Y recruited 2,000 ABB+ students and 495 non-ABB+ students (19.8 per cent of its total), so its student number control would be 495 + 5 = 500, to bring it up to 20 per cent.

Institutions that are affected but have no Access Agreement in place with the Office for Fair Access (OFFA) should similarly use the appeals process.

61. If the Government asks us to free more student places from the control – for instance moving to BBB – we will need to take into account the size of any associated margin in deciding how we far can continue to provide protected minimum core numbers. The high-grades approach and the core-margin policies interact in how they affect institutions: a sizeable reduction in core numbers reduces an institution's ability to recruit non-ABB+ students, including those they admit on the basis of contextual data or qualifications which are not on our list. Taking additional numbers from other institutions to make them available to institutions affected in this way would have a further negative effect on the institutions from which we took the numbers. There is also a risk that some of the numbers may not be used.

5 per cent or 25 students tolerance for under-recruitment

62. We have indicated to institutions (in HEFCE 2012/08) that if they recruit significantly below their SNC limit in 2012-13 we may reduce their baseline control limit for future years. We explained that, in this context, 'significant' means by more than 5 per cent or 25 students, whichever is the higher, after adjusting the limit to take account of any offset required as a result of past over-recruitment. Some respondents suggested that this tolerance should be increased, due to the recruitment difficulties some institutions may have in 2012-13. Our response is that we wish to maintain the tolerance at 5 per cent or 25 students, on the grounds that it would not be in the student interest to have unused places at institutions.

Core and margin

63. We issued detailed guidance to institutions in late July explaining the process for the core and margin allocation⁵. At our consultation events some further education colleges (FECs) suggested that we could provide numbers where franchise partners have withdrawn them in the recent past and may continue to do so, but there are insufficient places available from the 5,000 to replace potential losses. Even if we had sufficient numbers, a guarantee that withdrawn franchised numbers would be replaced could potentially accelerate the withdrawal of franchised provision. Moreover, many affected FECs will have bid successfully for large numbers of places in the 2012-13 exercise and will also receive some formula-based numbers in 2013-14; others will be able to bid as new direct providers.

64. We intend to allocate the majority of the 5,000 places through a formulaic pro rata redistribution, as we advised the sector in May. The net result for most institutions will be a small adjustment to their SNC.

65. We will use Quality Assurance Agency (QAA) review results and National Student Survey (NSS) data to ensure that we do not offer a pro rata allocation to institutions where there are obvious quality-related concerns. We propose to exclude from the allocation institutions which received a 'no confidence' judgement in their most recent QAA audit or review, as well as those which received a 'limited confidence' judgement and have not had their action plan signed off by QAA. Any institution which has undergone the new Review method will be excluded if it has received any judgement other than 'commended' or 'meets UK expectations', unless the QAA has undertaken a successful reconsideration of this judgement.

⁵ Add publication reference

66. The 65 FECs which gained directly-funded places through the first core-margin round will not have their own NSS data when we make decisions about allocations, and a few will have no Integrated Quality and Enhancement Review data. As they all submitted evidence of quality in making their earlier bid, we propose to use these data. An alternative would be to ask these institutions to update and resubmit the quality data they previously submitted.

67. In assessing demand, we said in HEFCE Circular Letter 12/2012 that: 'For all institutions, we reserve the right not to offer an allocation to those who do not recruit to at least 95 per cent of their 2012-13 student number control limit (for reasons other than a need to offset over-recruitment that occurred in 2010-11 or 2011-12) or to those who significantly over-recruit'. We will make this assessment on the basis of Higher Education Students Early Statistics (HESES) survey and Higher Education in Further Education: Student Survey (HEIFES) data.

68. Several FECs have said they have significant recruitment in January, which will be after we have made a decision about their demand. For any institutions which appear to be under-recruiting, the relevant HEIFES/HESES return will identify whether they anticipate significant recruitment in the remainder of the academic year. Comparing this with previous HEIFES/HESES returns (validated by subsequent Individualised Learner Record or Higher Education Statistics Agency (HESA) data) will enable us to determine whether these institutions have historically recruited significant numbers between November and August, and whether they could therefore reasonably be expected to fall within 5 per cent or 25 numbers of their SNC by the end of the academic year.

69. We propose to protect the same Strategically Important and Vulnerable subjects (SIVS) as before from the effects of the cut to create the margin. For this purpose, SIVS include physics, chemistry, engineering, mathematics and modern languages. They exclude other science, technology, engineering and mathematics (STEM) subjects, such as clinical subjects, biosciences, earth sciences, agriculture and computer science. This means that quantitative social sciences (QSS) will not be protected from the cut to create the margin, because we already support QSS through other SIVS support mechanisms. Additionally, it is impossible to identify the relevant QSS provision with sufficient accuracy for the purpose of establishing a student number control, and thus a 'core'. This is consistent with the way we created the margin for 2012-13. A single consultation response disagreed with this approach for QSS.

70. Specialist institutions which recruit primarily on the basis of audition or portfolio and which have more than 60 per cent of their provision in HESA cost centres 30 (media studies) or 33 (design and creative arts) have been able to opt out of both the AAB+ and core-margin processes for 2012-13. We propose to allow institutions which meet these criteria to opt out from the ABB+ and core-margin processes in 2013-14. However, so that institutions make the decision based on their admissions needs and not on whether a particular initiative in any given year favours them, we propose that the opt-out should remain current for a period of not less than three years. In order to mitigate the effects on small institutions of the cut to create the margin, we propose to continue to exclude each institution's first 50 student places when creating the margin. This protection was welcomed by respondents to the 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, [Higher National Diplomas] and [Diplomas of Higher Education], but in ways which do not create a significant risk of unplanned student support costs?

71. The majority of respondents were in favour of the idea that students topping up from foundation degrees (FDs) and Higher National Diplomas (HNDs) should be excluded from the student number control, believing that it would have a beneficial effect on student choice, competition, progression, and WP. Several institutions were concerned that there would otherwise be a lack of progression routes for many foundation degree and HND students. A very small number of institutions also suggested that students with a Diploma of Higher Education (DipHE), a Certificate of Higher Education (CertHE) or a Higher National Certificate (HNC) should be excluded from the control.

72. A number of institutions pointed out that the scale of the problem was likely to increase as more than 10,000 places had been allocated to FECs through the core and margin process, and this shift of student numbers has increased the number of FD students now directly funded by HEFCE through the FEC. Other respondents argued that it was important to protect existing progression pathways, and that the risks of unexpected growth or significant changes in provision were low, given the characteristics of the students involved.

73. The main argument made against our proposal was its potential complexity, which may be disproportionate given the number of students involved. Some respondents requested that further monitoring be undertaken, to better understand the scale of the problem before any changes are made and to minimise risks to the student support budget. There was some concern, also raised at our consultation events, that excluding top-up students from the student number control might have unintended consequences, such as HEIs re-entering a market that they had previously considered unattractive, perhaps even withdrawing validation from FECs delivering top-ups so as to deliver the top-up year themselves.

74. A small number of respondents suggested that changing an institution's SNC in response to changes in their average course duration might be a better way to deal with the disincentive to recruit top-up students. Another suggestion, made by several institutions, was that students should count against the SNC on a percentage basis proportional to the duration of the course for which they registered.

75. The majority of respondents believed that there should be a time limit within which the top-up programme should follow the level 5 qualification – with most suggesting two or three years maximum, although suggestions ranged from one to five years. A very small number felt there should be no time limit at all. Some institutions said there should also be a limit on how long the top-up course itself should last – with one institution suggesting a 140 credit maximum.

76. There were a range of opinions about whether and how reductions to the SNC should be applied if students topping up were taken out of the control. Several institutions felt that there should be no reduction, on the grounds that these students are already 'in the system' and thus potentially eligible for up to four years of student support. A sector-wide pro rata reduction for all institutions was largely rejected as unfair to institutions which do not operate in this market, with most of the respondents who gave an opinion preferring a reduction related to the numbers of students currently topping up at each institution. The minority who were in favour of a pro rata reduction thought that acting otherwise would effectively be punishing HEIs that had chosen to maintain this provision despite the lack of incentives to do so.

77. A small number of respondents requested that the exclusion from the student SNC be extended to include students transferring between institutions, with the suggestion that there be a 'tolerance band' for transfers.

HEFCE response

78. We propose to modify our definitions to exclude from the SNC those students topping up from an FD or an HND to an honours degree programme which does not exceed 1.3 years of full-time study (the QAA Foundation Degree qualification benchmark), provided they have been HEFCE-fundable in either of the preceding two academic years, at any institution. Data from 2009-10 indicate that there are some 3,000 students annually who have been awarded an HND or FD during the previous two years, who then switch to another institution for their top-up final year.

79. We do not intend to extend this exclusion to students with DipHE, CertHE, or HNC qualifications. This is because they are usually not taken with the intention of topping up to a degree, and are not obliged to maintain a clear progression route as FDs are. Another reason is that managing this population will be more difficult and present a risk to the student support budget: it is potentially large, and the propensity of qualifiers to continue in HE is harder to predict. The greater risk relates to level 4 qualifications such as CertHE and HNC, as this would involve more years' exposure of the student support budget for each student topping up to a degree.

80. Nor do we intend to exclude transferring students, other than those topping up, from the student number control, as we do not want to encourage the development of a 'transfer market', where a student is encouraged to sign up for three weeks' study at one recruiting institution so that they could then be recruited outside the SNC by another. While these types of transfers increase the options available to students, and are desirable from a number of perspectives, they are relatively uncommon – especially outside London – and we believe that the SNC is sufficiently large and flexible to deal with small-scale institutional transfers of this nature.

81. Individual institutions' student number controls will be adjusted in relation to the extent of their intake of this type of top-up student in 2011-12. On this basis, there should be no significant impact for any individual institution if its historic pattern of recruitment continues.

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?

Table 3 Respondents by type – Question 5a

Respondent Type	Response	Number
HEI	Strongly Agree	7
FEC	Strongly Agree	3
Other	Strongly Agree	1
HEI	Agree	22
FEC	Agree	8
Other provider of HE	Agree	1
Other	Agree	11
HEI	Neither agree or disagree	20
FEC	Neither agree or disagree	4
Other provider of HE	Neither agree or disagree	2
Other	Neither agree or disagree	12
HEI	Disagree	31
FEC	Disagree	2
Other	Disagree	4
HEI	Strongly disagree	22
FEC	Strongly disagree	3

82. Among the third of respondents who were in favour of this proposal, there were concerns about the possibility of inflation in the duration of degree programmes, and the negative effect this would have on the student support budget. They were concerned that subsequent government actions to manage the budget would then affect all institutions, even those who had not generally increased their average course length. Some believed that an adjustment to the control might help to ensure that increases in course duration – for example, a growth in integrated Masters courses – would be for academic reasons and in response to student and employer demand, rather than driven by financial pressures. Some respondents were in favour of this proposal because they could see the benefit in increasing an institution's SNC if it increased its delivery of, for example, accelerated two-year courses or top-up programmes.

83. Slightly more than a third of respondents disagreed with this proposal, considering that it would be complex to measure and administer, and that it was in effect an all-years student numbers control superimposed on an existing entrant control. Others felt that institutions should

not be impeded from increasing their average course duration if this was done for academic reasons; they cited integrated Masters programmes, which may be the more affordable route to postgraduate study in the new fees regime and therefore in the student interest. They felt that adjustments to the SNC made in this way could limit both competition and student choice, and would not easily allow for natural changes in course duration which might be beyond the control of institutions. It could also penalise institutions which improved their student retention rates. One institution felt that student demand would discourage unreasonable increases in course duration.

Impact on areas of government priority

84. A large number of respondents were concerned that longer courses tended to be in government priority subject areas, such as languages and STEM, or in forms of provision that the government is keen to support, such as four-year courses with sandwich years out. They pointed out that in a number of STEM subjects an integrated Masters was the preferred qualification for employers and professional bodies, and that such courses therefore had significant employability benefits for students. One institution said that it wanted to increase the number of intercalating medical students, in order to develop more 'rounded' medical practitioners, which would be in both the public and the student interest. Similar points about employability were raised in relation to sandwich courses, where some institutions felt that we were proposing to add yet another barrier restricting growth. A suggestion was made that sandwich years out and placements might be excluded from measurements of average course duration.

Applying the adjustment

85. Only a small number of respondents made suggestions about how the number control might be adjusted: either by adjusting individual institutions' number controls to reflect changes in their own course durations, or by applying a pro-rata increase or decrease reflecting a sector-wide adjustment. Proponents of the latter argued that a sector-wide adjustment was the fairest means of applying a sector-wide cost control. A number of respondents requested clarification about how we intended to monitor and make adjustments: in particular, whether our intention was to make adjustments year on year, or to monitor trends and make periodic changes. A cautious approach, making changes only when strictly necessary, was favoured by several respondents, who requested that we monitor trends to understand the context for change, especially in a time of relative instability. A targeted approach in collaboration with institutions was suggested.

HEFCE response

86. Very few respondents made suggestions about how the number control might be adjusted. We are clear that this area remains a potential risk, and we therefore propose to monitor and review once we have better long-term funding data, but we do not envisage making immediate changes.

87. In the longer term, we do not plan to make annual changes to institutions' SNCs on the basis of small changes in their average course durations, but we reserve the right to make appropriate adjustments (to institutional or sector-wide numbers) where our monitoring indicates that there have been significant changes in course length.

Question 6 Do you agree with the proposed criteria for determining equivalent entry qualification and grade combinations?

Table 4 Respondents by type – Question 6a

Respondent Type	Response	Number
HEI	Agree	46
FEC	Agree	9
Other provider of HE	Agree	1
Other	Agree	9
HEI	Neither agree or disagree	28
FEC	Neither agree or disagree	6
Other provider of HE	Neither agree or disagree	2
Other	Neither agree or disagree	10
HEI	Disagree	22
FEC	Disagree	2
Other	Disagree	4
HEI	Strongly disagree	5
FEC	Strongly disagree	3
Other	Strongly disagree	4

88. Respondents were divided on our proposals for determining equivalent entry qualification and grade combinations. Arguments in favour of the proposal centred on the need for simplicity. Institutions considered that the AAB+ policy had already imposed a significant burden and that broadening the criteria to allow combinations of qualifications would add to this. There was also recognition that increasing the size and variability of the uncontrolled population by altering the criteria used to create the list of equivalences would require further reductions in the overall SNC to manage the financial risk, thus further restricting student choice for those in the core.

89. A variety of concerns were raised by respondents who disagreed with the proposed criteria. A general point was that attempts to manage the financial risk conflict with student choice by impacting on applicants' decision-making.

90. Although they did not offer alternate solutions, several respondents were concerned about using UCAS tariff points to determine equivalent qualifications, particularly given the likelihood that there will be significant changes to the tariff as a result of UCAS's current Qualifications Information Review,. On the other hand, some institutions favoured a system based entirely on UCAS tariff points, possibly with a limited number of admissible qualifications.

High-grade equivalences

91. There was considerable support for adding the Access to HE Diploma to the list of ABB+ equivalences in the interest of equality, in recognition that this qualification is often held by mature students and that the current ABB+ population is not representative of the wider population. There were mixed views about whether European qualifications should be added: some wanted to see them added on academic and fairness grounds; others disagreed and argued that this population should generally remain controlled, given its size.

92. Other comments were more varied. Eight institutions requested that the Cambridge Pre-U be added to the list of equivalent qualifications. Business and Technology Education Council (BTEC) Qualifications and Credit Framework (QCF) qualifications have replaced BTEC National Qualifications Framework (NQF) qualifications, and institutions requested clarification as to why the QCF qualification was included in the equivalence list, noting that for admissions purposes the QCF and NQF are identical. Three respondents felt that AS Levels should not be on the list, as their inclusion does not necessarily reflect the reality of entry requirements. An argument was also made that unusual combinations such as A*A*D should not be on the list.

Combinations of qualifications

93. It was the view of 24 respondents that the list of equivalent qualifications for the high-grades policy should include combinations of qualifications. This was seen largely as a WP issue, as the students who are more likely to have combinations of qualifications are mature students and those from minority ethnic or disadvantaged backgrounds. There were 15 requests that combinations of BTEC and A-levels be included, and it was noted that this combination was an important entry route for engineering and other STEM subjects. Five respondents (including University of Cambridge International Examinations itself) requested that a combination of the Cambridge Pre-U with A-levels should be included, as the Cambridge Pre-U was specifically designed to be a substitute for A-levels, and the population is small and typically drawn from the A-level cohort.

HEFCE response

94. Respondents were divided in their views on equivalences. Those who disagreed with the proposals voiced a range of concerns, mostly about the absence of certain qualifications from the list.

95. We propose to add a small number of qualifications to the high-grades equivalences list. This will be limited to the following stand-alone qualifications: the Access to HE Diploma; the Cambridge Pre-U (not in combination); the Advanced Diploma, and the BTEC National in Early Years. Particularly strong arguments were made for inclusion of the Access to HE Diploma on equality grounds, and all have good evidence of their equivalence. The proposed revised list of high-grade equivalences for 2013-14 is attached as part of Annex A.

96. The inclusion of any type of combination of qualifications was not supported by the majority of respondents, so we do not intend expanding the equivalences list to include them. Where a small number of respondents did support combinations it was predominantly the BTEC National in combination with A-levels, but this was by no means a majority view.

97. To manage as far as possible the potential size, and therefore cost, of the population excluded from the SNC, we need to define as robustly as possible which qualification and grade combinations will be equivalent to any A-level grades specified by the Government for exclusion

from the control. Any unexpected growth in the uncontrolled population would have to be offset by further reductions to the remaining controlled core.

98. To the general point that attempts to manage the financial risk conflict with student choice by impacting on applicants' decision-making, we would respond that this balance is the case with any student number control and is not the consequence of the AAB+ policy alone. Applicants' choices are also significantly constrained by institutions' own recruitment decisions.

99. Our list of high-grade equivalences has therefore been developed solely for the purpose of operating an SNC. It is not a comprehensive or exhaustive assessment of students' prior attainment, and we consider it too restrictive to use for other purposes, such as determining the suitability of individual applicants, or their eligibility for scholarship, bursary or fee waiver schemes. It is not intended as HEFCE's definitive view on the equivalences of all grade/qualification combinations. We consider that the best way of addressing combinations, contextual admissions and European equivalences is to allow institutions to retain a sufficient core number control that they can exercise autonomy and discretion in their admissions policies.

100. For the longer term, we propose to convene a working group made up of UCAS, Supporting Professionalism in Admissions, Universities UK, GuildHE, the Association of Colleges and other bodies as appropriate, with the aim of exploring what further adjustments to the list of equivalences might be considered for the 2014-15 academic year. This group would consider the arguments for and against changes and additions, and whether combinations should in principle be included. This approach and timescale will enable us to monitor admissions in 2012-13, and thus have real evidence to underpin our decisions for 2014-15 and beyond. The group will meet annually thereafter, or for as long as required.

Proposals for funding teaching from 2013-14 onwards

High-cost subjects

Question 7 Do you have any comments about our proposed approach to supporting high-cost subjects?

101. The overwhelming majority of respondents agreed with our proposed approach that HEFCE's reduced public funding should be targeted towards the subjects that cost the most to deliver. They were sympathetic to our attempts to ensure an orderly transition period for 2013-14 and 2014-15 by broadly continuing the funding methods we will be introducing in 2012-13. Additionally, they welcomed adjustments where we had been able to make them: the introduction of the new price group C1 category for example.

102. Despite this general support, there was a significant minority of comments which warned that the system, though transitional, should still retain an element of responsiveness, and that we should continue to review and make small adjustments where possible if there was evidence to justify them. Regular review was considered very important. Only one HEI expressed disappointment that the sector would have to wait until 2015-16 at the earliest for a more fundamental review of the teaching funding method, and in particular of how we deal with very high cost science in the longer term, as it felt that this was already overdue. Most respondents could see the benefits of waiting for the majority of old-regime students to have left the system before considering fundamental changes.

103. There was strong support for the general principle of an evidence-based approach to setting levels of support for high-cost subjects, as this was considered to be transparent and fair. While it was acknowledged that data from the Transparent Approach to Costing for Teaching (TRAC(T)) might usefully inform our development of a funding method, there were several warnings about their inherent limitations. Primary among these was the concern that using sector averages to determine subject-level costs ignores pockets of activity where specific areas of study within the same general discipline may cost more. On the other hand, others pointed out that using the sector average can smooth out instances where a higher cost base represents inefficiencies rather than real additional costs. There was support for an annual review of sector average costs to ensure that the system remains responsive to changes, especially in the years immediately ahead, which respondents expect to be volatile.

104. FEC respondents pointed out that they do not submit TRAC(T) data to HEFCE, and felt that they would be disadvantaged as the Learn Direct codes for high-cost subjects are not sufficiently flexible.

Fee threshold of £7,500

105. Most respondents did not comment on the establishment of £7,500 as the fee threshold above which a supplement would be paid for high-cost subjects. Of those that did respond, one commented that the fee differential between £7,500 and £9,000 meant that those who were charging the maximum fee already had a significant financial advantage, and that the supplement should be adjusted accordingly. Another questioned the threshold, arguing that if HEIs can charge the maximum £9,000 then they should do so for their high-cost subjects. Two HEIs warned that the high-cost subsidy must not be allowed to become a subsidy for inefficiency.

106. A handful of respondents mainly from research-intensive HEIs questioned how we had set the level of support, and felt that our assumptions about notional resource were misleading. As institutions must factor in their Office for Fair Access (OFFA) Access Agreement commitments and institution-wide WP activity, as well as reductions in capital funding and the eroding effects of inflation on the headline fee, the amount of tuition fee income left to spend on teaching is already much reduced. These respondents felt that we had not taken these other financial commitments fully into account in setting the funding rates.

Introduction of price group C1

107. Respondents' views about the introduction of a small subsidy for the more expensive price group C subjects (now designated price group C1) were divided according to their own institutional subject mix.

108. There was support for our recognition that these subjects have elements that are expensive to deliver, and agreement that a supplement of £250 per full-time equivalent (FTE) student was a welcome and 'appropriate' contribution, although it would be small and took no account of individual situations and costs. Many respondents took the opportunity to request that price group C1 be expanded to include more subjects: these ranged from architecture through maths, modern languages, music and nursing to social work.

109. There was stronger support (with seven respondents explicitly making this case) for physical geography, psychology and sports science being part of the new price group. This was on the basis of a claim that the higher costs of these subjects could be proven, given sufficient disaggregation of TRAC(T) costs to distinguish within cost centres as well as between them. On

the other hand, for many of the research-intensive HEIs the creation of a new supplement for price group C1 was seen as a potential threat; they thought that this added extra complexity and burden for little advantage, and that the money would be better directed towards higher-cost subjects in price groups A and B.

Level of supplement for price group B

110. Two subject bodies, 12 research-intensive HEIs and the Russell Group as a whole argued that the proposed funding levels for subjects in price group B were not sufficient. Their concern was that universities would not be able to sustain high-quality research-led provision in these subjects in the medium to longer term. They argued that there is little incentive to invest or expand provision in these higher-cost subjects when the funding differential is small compared with a classroom-based subject. Research-led education is resource-intensive and expensive, and our assumptions about resource had not taken other costs into account (see above). These respondents had concerns that the differential between price groups D and B is being eroded, with detrimental effects for HEIs that do not have a substantial lower-cost arts and humanities base from which to cross-subsidise.

111. There were various suggestions about how the price group B funding rate might be enhanced, with individual HEIs variously suggesting: shifting funds from the Student Opportunity allocation; re-directing the price group C1 supplement; or capping the London weighting and redirecting any money above the cap. There was support for our proposal to continue the additional allocation for undergraduate and postgraduate provision in four particularly expensive subjects whose costs are understated in our subject costing data: mineral, metallurgy and materials engineering, chemical engineering, chemistry, physics. While some HEIs would prefer this additional allocation to be incorporated, they welcomed the additional funding boost it provides.

112. There were suggestions that of earth, marine and environmental science and agricultural engineering might be included in price group B, and another institution requested that there be some scope in the system to consider individual arguments for allocation of provision to a different price group if there was sufficient evidence. Those offering a conservatoire-style education in the performing arts felt strongly that these subjects should be allocated their own price group rather than an institution-specific allocation; this would also acknowledge the pockets of very high-cost conservatoire provision in multi-faculty institutions.

HEFCE response

113. A number of research-intensive HEIs argued that the proposed funding levels for subjects in price group B would not be sufficient for them to sustain high-quality research-led provision in these subjects. We reject the claims that there will be little incentive to invest or expand provision in these higher-cost subjects. The costing evidence that universities themselves submit to us annually via TRAC(T) shows that our resource assumptions are generally sound. The research-intensive universities will generally be charging the maximum tuition fee, and this represents an increase in their total resource.

114. We do not plan to change our proposal in this area. The rates of grant we provide 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. Institutions should recognise 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 FTE student.

115. We do not intend to add further subjects to price groups B or C1. We have based our rates of funding for the high-cost subjects on an average of the most recent TRAC(T) data available (2007-08 to 2009-10), which we have increased based on an assumption for inflation to provide a fixed funding rate for 2013-14 and 2014-15. Our rates of funding are therefore fixed for this two-year transition period, but we will continue to check our assumptions annually against the TRAC(T) returns. Once the old-regime students have largely left the system, there will be an opportunity to reconsider the fundamental use of the remaining HEFCE grant from 2015-16 onward, and that will be the most appropriate time to look at this issue in more detail.

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?

Table 5 Respondents by type – Question 8a

Respondent Type	Response	Number
HEI	Strongly Agree	61
FEC	Strongly Agree	1
Other provider of HE	Strongly Agree	1
Other	Strongly Agree	14
HEI	Agree	40
FEC	Agree	6
Other provider of HE	Agree	2
Other	Agree	13
HEI	Neither agree or disagree	1
FEC	Neither agree or disagree	10
Other provider of HE	Neither agree or disagree	1
Other	Neither agree or disagree	5
FEC	Disagree	2

Vulnerability of postgraduate provision

116. The great majority (88 per cent) of respondents agreed or strongly agreed with this proposal. There were many statements of support for HEFCE’s proposed policies, and appreciation that HEFCE had recognised the need for further support for postgraduate provision, which is of great significance to the UK economy. About a fifth of respondents reiterated the view that increased undergraduate tuition fees were likely to make postgraduate provision more vulnerable, as students might be discouraged from postgraduate study by the prospect of further

debt. A few respondents particularly noted the risk that debt would disproportionately affect students from low-income backgrounds, with implications for WP and student diversity. Two respondents also noted the risk of increasing dependence on overseas students, particularly as other countries were investing more in postgraduate provision.

117. 23 respondents, mostly HEIs, also noted that the vulnerability of postgraduate provision was increased by the lack of student loans or support funding. In this respect they felt that the HEFCE proposals were more focused on maintaining supply at institutions than demand from students, and that this would need to be addressed if postgraduate provision was to be sustainable in the longer term. A compromise was suggested of offering loans to students studying certain strategically important subjects.

118. There was strong support for developing the evidence base for future investment. Several respondents noted that the current funding proposals were only a transition measure, with a few commenting that more work would be needed to develop sustainable proposals for a future funding methodology. Respondents stressed the importance of consulting formally and informally on a new funding method with a number of bodies, including the Government, students, employers and bankers as well as the sector itself, to ensure that HEFCE takes a holistic and strategic view of a very diverse sector. They welcomed our suggestion that we would review our approach, although there was some disagreement with the proposed review date of 2015-16. Some felt this work needed to commence before then to be sure of picking up trends – although conversely one respondent thought this would be too early to detect trends.

119. One FEC was concerned that additional funding for postgraduate provision should not draw funding away from the undergraduate sector.

Funding and fees

120. There was further discussion on the scope of the price groups. One agricultural college was concerned at the disparity between the levels of funding for groups A and B, commenting that subjects in price group B had very wide-ranging costs. A few respondents queried the splitting of price group C: some thought it should not be split, or that subjects had been incorrectly allocated between groups C1 and C2. Some respondents recommended extending support to postgraduates in band D, suggesting that a lack of funding would make these subjects, some of which do not offer salary returns commensurate with their value in the wider postgraduate context and whose fees vary widely, more vulnerable in a 'marketised' funding environment.

121. On the subject of fees, a few respondents considered that postgraduate fees needed to be closely monitored to ensure that they did not become so high that the market could not support it, or that a disproportionate number of lower-income students were put off. Just one respondent thought that a 'significant differential' between undergraduate and postgraduate levels of funding was a good thing.

122. Several respondents commented that the great diversity of the market in postgraduate taught provision, in terms of subject, delivery, teaching methods and other factors, made this issue more challenging. Particular concerns were raised about professional qualifications and employer-funded routes, as these were at risk in a recession. Subjects noted as being at risk included engineering, graduate-entry medicine and dentistry, and performing arts. Two respondents thought that part-time provision should be particularly targeted for support, and two

noted the need to continue to support integrated Masters degrees – currently funded as undergraduate provision – as an important route into postgraduate study. A few respondents feared that postgraduate provision might become less diverse, with knock-on effects on the student experience and WP.

HEFCE response

123. We are reassured that the sector is broadly in agreement with our funding plans for postgraduate students, but agree that the challenges and uncertainties surrounding postgraduate provision make planning for the future particularly problematic. In view of this, we have begun to work on developing an evidence base of postgraduate data, with the intention of setting up a baseline against which to monitor trends. As the first postgraduate students from the new system will not commence studies until 2015-16, we have some time to build this up and identify current trends, which will enable us to detect any changes quickly.

Fees and funding

124. Our future funding needs to be informed by robust information on the costs of postgraduate provision and the fees charged. We will commission a survey into the costs of postgraduate provision using the Transparent Approach to Costing (TRAC) methodology, and this will include the feasibility of collecting separate postgraduate costs in the longer term. From 2012 we will also collect data on fees charged, using the HESA return. With regard to respondents' comments on student loans, this is not an area we can directly influence as we are, by necessity, concerned with the supply side of HE. However, we are undertaking research into participation and demand (see below) and we will use this to advise BIS, with whom we are working closely as the body responsible for student finance.

Information

125. In 2012 we will commission two pieces of research on information needs: the information needs of potential postgraduate students, and the feasibility of developing a postgraduate student experience survey.

Widening participation and fair access

126. We are working to identify issues of WP and fair access in postgraduate study, to help us understand whether and how we might widen participation and promote fair access for students who might not otherwise have the chance to study at postgraduate level. We are currently using existing data to link undergraduate with postgraduate records and determine any trends in student demographics. This includes analysis of whether there is any difference in the types of study that students from such backgrounds undertake. In the longer term we are considering how to measure participation rates where such linkages are not quite so easily made, for example in students who begin postgraduate study several years after finishing their undergraduate degree.

Demand

127. We are considering options for how we might record and monitor student demand for postgraduate study. We are currently looking into the feasibility of linking such a demand survey to the NSS.

Impact on economy and society

128. – We use information from the Destinations of Leavers of Higher Education surveys, taken at six and 36 months after graduation (including from postgraduate degrees), to establish the

kind of employment and salary that postgraduates attain. This shows us how salaries compare between graduates of different subjects. We are also working with Research Councils UK on a study to understand the longer-term impact of doctoral graduates on the economy.

Overseas comparisons

129. In the longer term we are considering a study of how systems for postgraduate provision work in other countries, so that we can make comparisons between these and the UK system.

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?

130. The overwhelming response to this question was an acknowledgement that, while the TRAC(T) has limitations, it still offers the most appropriate basis to inform a future funding model, because it currently offers the most complete data set with respect to the costs of delivery. There were some strong supporters of our proposal, but the majority expressed more cautious support. While these data can usefully inform HEFCE with regard to the development of the funding method, TRAC(T) is considered by many to have a number of inherent weaknesses, not least that it is based on historic information.

131. Several respondents said that since TRAC(T) excludes many elements, it significantly understates the real teaching costs. Exclusions include: bursaries; targeted allocations (including exceptional funding, a point made by many of the small and specialist institutions); and capital. Some respondents suggested that, as teaching costs are under-stated, research costs therefore tend to be over-stated.

132. Many respondents preferred to refrain from a full endorsement of TRAC for funding purposes until the results of the TRAC review were known. A handful commented that it was difficult for them not to support the continued use of TRAC(T) because we had not suggested an alternative in our consultation. One HEI stated that TRAC(T) is a valuable tool for HEIs, a benefit to them in costing and pricing and a measure of financial sustainability.

133. Fewer than 10 respondents said they believed that TRAC was not fit for purpose, but they did not generally suggest alternative methods. They felt that TRAC(T) was never developed as a tool for understanding teaching costs in detail, and we would be attempting to use it for a purpose for which it was never designed. One HEI suggested that TRAC(T) would need to be subjected to the same audit and scrutiny (by the Research Councils for example) as TRAC Full Economic Costing for research projects has been before the sector could be assured that it was robust.

134. Several respondents queried whether the value of TRAC(T) might be devalued over the next three years, as the volatility in income streams may make institutions reluctant to make assumptions about trends in the data until they are sure such changes represent longer-term tendencies. This would lead to delays in adjusting the cost base, whereas many respondents expressed a wish for a responsive system that might be adjusted annually, if evidence existed to justify doing so.

135. The majority of respondents agreed that TRAC(T) cost data make it a practical source on which to base relative costs of subject delivery, and that its 'broad brush' approach is necessary in such a diverse sector. However, they commented that a number of its components (such as the use of specific streams of income as a proxy for the cost of non-teaching elements or the

assumption that certain activity can be separated and therefore separately costed from mainstream delivery), make it a flawed approach for many institutions due to scale or the use of integrated models of delivery and support. Some wondered whether we were placing too much confidence in TRAC(T). Supporters of the proposal considered that as long as data for each subject continue to be analysed at the level of the whole sector, it can help to avoid supporting entrenched inefficiencies.

136. Only one HEI stated that it would wish to see TRAC discontinued and for HEFCE instead to determine a price it is willing to pay for the delivery of high-cost subjects. 21 institutions did not offer a comment.

Further education colleges

137. The majority of FECs did not comment on this proposal. Those FECs who did reply were generally content in principle with the proposal, but cautious about agreeing before they fully understood the implications for them of adopting TRAC processes. Many commented that they understood from HEIs that the process was time-consuming and resource-intensive, and requested that a simplified version of the data collection might be made available to meet the needs of small-scale HE providers. There was agreement that the current system of using Learn Direct codes as identifiers of price group B courses within FECs needed to be replaced with a system which was open and transparent and reflected actual costs accurately – they were in favour of TRAC(T) if it could achieve this.

Data burden

138. There was some support for the need to obtain more granular information by subject for purposes of teaching funding. However, several respondents made a connection with Question 18, and pointed out the inherent contradiction between the need for greater granularity and our stated aim to simplify TRAC and reduce the data burden more generally.

139. There was some criticism of the mismatch between HEFCE and HESA categories and definitions, and a request that we work with other agencies to encourage reconciliation wherever possible – one example being to bring TRAC in line with the HESA finance return. One HEI suggested that submission of TRAC(T) data every three years might alleviate some of the burden, while only showing more ‘real’ changes in the costs of provision. Several respondents agreed with our proposal that we might need to request separate undergraduate and postgraduate data returns in the future, while although again acknowledging the wish to simplify. A small number of research-intensive HEIs considered that it would be challenging and over-complicated to separate undergraduate from postgraduate data in any meaningful way.

Subject-specific concerns

140. There were a handful of responses that addressed specific subject-related concerns at medical schools and performing arts conservatoires. One medical school highlighted the complexities of using TRAC information for medical education, given the close and complex interplay with the funding streams from the Department of Health. The conservatoires pointed out that TRAC does not deliver an effective measure of their costs, as the exceptional funding they receive from HEFCE to support the high cost of their specialist provision is excluded from their TRAC return.

HEFCE response

141. In view of the qualified majority support we received in response to this proposal, we intend to progress towards an approach based on TRAC(T) – with modifications – to inform our development of the future funding method for high-cost subjects.

142. The 2011 HE White Paper asked HEFCE to consult with the sector on a proposed streamlining of the TRAC reporting process. A small review group, chaired by a HEFCE Board member, has been established to consider this, establish a set of proposals to consult on with the sector, and report by the autumn of 2012. We have maintained close working links with this TRAC Review Group and have shared responses from the consultation with them.

143. Respondents suggested that since TRAC(T) excludes many elements, it significantly understates the real teaching costs. We are considering the need to collect the total costs of teaching per student and how this might be done.

144. Some respondents suggested that, as teaching costs are under-stated, so research costs tend to be over-stated. We think this represents a wider misunderstanding about TRAC, as the costs used in TRAC(T) include the Return for Financing and Investment adjustment. This is a proxy for the investment margin for sustainability and thus includes the requirement for capital investment. We believe that this misunderstanding relates to the view that academic time allocation tends to be biased towards research when assigning time and therefore costs. We would respond that this is not a flaw of TRAC itself, but of the implementation of TRAC in HEIs. It is the obligation of HEIs to confirm to us that their TRAC data are 'fair and reasonable', and this should be an issue they are addressing.

145. Some respondents sought greater 'scrutiny' of TRAC(T). We could consider applying more audit validation to TRAC(T), perhaps as part of HEFCE data assurance audits, but there would be burden implications. We emphasise that we are considering using TRAC(T) to inform teaching funding policy decisions at a sector level, not to calculate individual HEI allocations. The Research Councils base their actual project funding allocations on individual HEIs' TRAC data, hence the higher level of audit and scrutiny. The suggestion that TRAC(T) data might be returned only every three years was very much a minority view, and contradicts the advice from the HEIs on the steering group when TRAC was being established, that annual collection was required to ensure continuity and investment in the process.

146. All these issues will be considered by the HEFCE TRAC Review Group.

Flexible learning: part-time and alternative modes of study

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?

147. A slight majority of respondents disagreed with our proposal to provide an allocation for part-time undergraduate provision only for new regime students in high-cost subjects. A consistently strong argument throughout was that the consultation referred to issues relating to the universal costs of providing part-time provision rather than distinct factors that specifically affect high-cost subjects. Many respondents felt therefore that the case had not been made. A minority pointed out that HEIs and FECs do not distinguish between the mode of study when they provide generic services to students, and believed that public funding should be provided on

the same basis. Another significant view expressed was that the costs of part-time provision are significantly higher than for full-time courses and the ability to charge higher fees will still result in a funding shortfall. One respondent argued that the proposal was unfair and inequitable.

148. The majority of the research-intensive HEIs either supported the proposals or did not comment. Institutions from other sector groups were generally not supportive of the proposals. The majority of FECs expressed disappointment that the part-time premium would only be available for high-cost subjects and felt that this change would have a disproportionate impact on this part of the HE sector. The majority view among FECs called for a phased withdrawal of funding.

149. A very significant minority agreed with our proposals. Some noted that it was appropriate for HEFCE to prioritise funding in a time of limited resources, and that part-time provision should no longer be treated differently from full-time provision, particularly as fee loans will be made available to part-time students. A small minority requested that HEFCE monitor the impact on part-time provision, and make appropriate interventions if higher fees result in a significant reduction in part-time provision or a fall in demand from mature or work-based learners.

150. Almost as many respondents chose not to comment on our proposals as those that specifically agreed with them. The majority of these were sector representative groups or individual respondents.

HEFCE response

151. We do not plan to change our proposals for part-time undergraduate provision. It is appropriate for HEFCE to prioritise funding in a time of limited resources, and we consider that part-time provision should no longer be treated differently from full-time provision now that fee loans will be made available to part-time students. We will monitor the impact of our funding changes on part-time provision.

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?

152. The majority of respondents chose not to comment on this question. These were generally HEIs, professional bodies and sector representative bodies. A significant minority commented that these areas were not priorities in a time of limited resources.

153. Of those who did respond, the majority were supportive of our proposal to continue funding for students on accelerated undergraduate degree programmes or intensive postgraduate taught courses, as this appeared to fit with current government policy and priorities. There was some nervousness, however, that our support could be withdrawn or revised in future years should demand for accelerated provision increase, and thereby become more self sustaining. A significant minority requested more support for all forms of accelerated, flexible and blended learning, generally in the form of infrastructure and development costs. One respondent felt that these objectives could be supported by HEFCE's Catalyst Fund.

154. Another significant minority view was that HEFCE should provide greater support for work placements, sandwich year-out programmes and the Erasmus programme, and should monitor demand and intervene as necessary if this is significantly reduced from 2013-14 onwards. One

respondent specifically requested that HEFCE undertake a review of sandwich provision, given its importance to graduate employability and the economy. The majority of these respondents welcomed our support for Erasmus, and requested that it be continued in the longer term. A small minority linked potential support for work placements to the Wilson Review of Business-University Collaboration⁶, in anticipation of the Government's response.

155. There was a range of other views suggesting alternate approaches to flexible provision, principally relating to infrastructure and funding – for example, that the funding method be adapted to enable students to move between full-time and part-time study without institutions being penalised through the reporting regulations of HESES and HEIFES. A consistent argument was that such a change would better reflect the choice and possible behaviours of students from 2013-14, particularly mature or workplace learners. Other suggestions included:

- that part-time provision should not be included in the student number control
- that HEFCE should fund on the basis of credit
- that institutions be allowed to charge a flat fee of £27,000 at the beginning of the period of study, to reflect the higher costs of providing part-time provision.

156. One respondent felt that it was the sector's responsibility to drive innovative types of provision. A very small minority commented that our proposals are likely to have a negative impact on demand for flexible and diverse provision, student choice, access and participation, and part-time study generally.

HEFCE response

157. The HEFCE Board has recently agreed a package of support for students undertaking their language year abroad.

158. HEFCE will make provision for a fixed rate of £2,250 (equivalent to 25 per cent of the maximum tuition fee) for all students taking a year abroad, whether with the Erasmus programme or otherwise. We believe that any fee charged below 25 per cent would represent a reduction in resource for universities. We estimate that this allocation will benefit some 10,000 students. This figure is based on current assumptions about the level of our teaching funding grant, but in the event of any reduction we would need to review the continued affordability of funding the year abroad.

159. Measures will be taken to restrict the fee that may be charged for the year abroad to 10-15 per cent of the total maximum fee. This is normally the fee charged to students on sandwich years (whether or not the sandwich year is in this country or abroad) and we suggest that there are benefits to keeping this consistent for both groups of students. This is also in line with the recommendation in the recent Wilson review that universities should not charge more than £1,000 for the sandwich year out.

160. We are also considering the other aspect of the Wilson review recommendation, which is that the Government should provide an incentive to universities and students, possibly in the form of a £1,000 grant per student. This would remove the need for universities to charge any fee

⁶ 'A Review of Business–University Collaboration' – Professor Sir Tim Wilson DL February 2012
www.hefce.ac.uk/media/hefce/content/news/news/2012/wilson.pdf

for the sandwich year, and encourage its promotion to students. It is important to ensure that there is at least an equal incentive for students to undertake a sandwich year abroad as there is for them to take one in this country.

Allocation to recognise costs of London providers

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

Table 6 Respondents by type – Question 12a

Respondent Type	Response	Number
HEI	Strongly Agree	30
Other	Strongly Agree	2
HEI	Agree	11
FEC	Agree	4
Other provider of HE	Agree	1
Other	Agree	12
HEI	Neither agree or disagree	24
FEC	Neither agree or disagree	11
Other provider of HE	Neither agree or disagree	1
Other	Neither agree or disagree	10
HEI	Disagree	15
FEC	Disagree	1
Other provider of HE	Disagree	1
Other	Disagree	1
HEI	Strongly disagree	21
FEC	Strongly disagree	3
Other	Strongly disagree	1

161. A significant minority of respondents, about 40 per cent, either agreed or strongly agreed with our proposed approach to contributing to the additional costs of operating within London. A smaller number disagreed with our approach, and the remainder did not offer a view. There was generally a division in opinion along regional lines, with those in London upholding the continuation of support and those outside questioning its value; nonetheless there was some support from a handful of institutions outside London.

162. Those who were supportive said that the additional costs of operating in London were simply unavoidable, yet could not be met by the rise in fee income alone.

163. Several respondents who disagreed with our proposed approach indicated that London may have higher costs but that these come with greater benefits, and that providing an additional supplement in the form of London weighting would give London-based institutions a further competitive advantage, which would be unfair. They claimed, for example, that London-based institutions are able to recruit international students more easily, and that they are better placed to take advantage of opportunities such as shared services due to the close geographical proximity of institutions in the city. A few institutions suggested that institutions within London should be able to charge a fee above £9,000 but not receive London weighting, as this would be more consistent with a market approach. This was supported by a few responses suggesting that London weighting may not be necessary, as many private providers are currently operating within the city without additional support.

164. Responses from institutions in other cities – especially in the south east – pointed out that London was not the only expensive part of the country, and that HEFCE might respond to this by adopting a regional policy recognising additional costs in other parts of England. A few respondents objected to the proposal that London-based institutions should receive support for their students in bands C and D, and urged us to reconsider this approach. Some suggested that we should monitor the impact of our funding and keep our approach under review.

165. A very small number, about 6 per cent, thought our criteria for eligibility were potentially confusing and could be made more explicit. They suggested that inclusion for support should be based not on the location of the main campus, but on where the students are actually taught, as that is where the costs are incurred. At present, institutions with a main campus in London are eligible for support for provision occurring outside the London boundary.

HEFCE response

166. We intend to continue to contribute towards the additional costs of operating in London. 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.

167. 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, including universities and colleges, recognise these additional costs through higher salaries, either at a general higher level or through specific London allowances. In addition, the cap on undergraduate fees is the same irrespective of the providers' location. Evidence indicates that there is already a higher than 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.

168. A significant number of providers in London are both large and relatively specialised, with a strong focus on STEM and clinical subjects, which typically cost more 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 will cover some, but not all, of the additional costs associated with operating in London.

169. 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.

Student Opportunity

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?

170. Almost a third of respondents, across a range of HEIs, FECs and other representative groups, gave unqualified support for this proposal. Of these, about a third recognised our broad approach across the student life-cycle, or noted that the student opportunity allocation focuses on both widening access and student retention. A few institutions questioned or opposed the proposal, and others offered comments that supported the social mobility agenda more broadly without commenting on these proposals specifically. One respondent warned against policies that supported some institutions but undermined the efforts of others. Eight did not offer a comment.

171. There was some discussion about the difference in purpose between the student opportunity allocation and activity undertaken using funds earmarked in institutional Access Agreements. The majority of these respondents, while welcoming closer working between OFFA and HEFCE, requested that reporting requirements be aligned as far as possible to avoid duplication and disproportionate burden – establishing a single simplified reporting stream, for example. Some asked for further clarification on the specific roles and future strategy of the two bodies in this area, especially where there were perceived overlaps. One respondent pointed out that Access Agreements had to be submitted in advance of the outcomes of the teaching funding consultation.

172. Fewer than ten responses highlighted the complementary yet distinctive roles of this allocation and the use of Access Agreement funds. Some questioned the proportional cash value of this allocation compared with other HEFCE allocations and suggested that WP work would be better supported through Access Agreement commitments, or that there was overlap between the two funding streams. Four responses suggested that the allocation be considered in relation to funding for high-cost, SIVS and STEM subjects. Only one response suggested that the loss of student opportunity allocation would lead to a reduction in infrastructure support, leading to a decrease in mainstream WP activity. A small number of respondents noted that the student opportunity allocation could help to mitigate undesirable effects of the market, while others warned that external market pressures would militate against the aims of the allocation. For these reasons, a number of institutions would like HEFCE to work towards evidencing impact and demonstrating value for money in this area, perhaps by publishing institutional WP targets.

173. The proposal to calculate retention taking into account all years of study received cautious support. Respondents welcomed the increased emphasis on retention alongside recruitment, but

a handful warned that it might disadvantage institutions with a focus on WP, by providing a disincentive against recruiting students at greater risk of non-continuation. The recognition of particular groups of students was welcomed, specifically the additional support for disabled students and support for mature, postgraduate and part-time students (although there was some concern about the removal of the part-time uplift). One respondent requested that further consideration should be given to other under-represented groups of students, such as care-leavers.

174. Respondents were positive about the importance of central funding, as it allows providers to undertake longer-term strategic work in relation to WP which could not all be funded from fee income. They felt therefore that there should be a longer term commitment to this funding stream. This was accompanied by some general concerns that the allocation might be further reduced, or abolished altogether. Others thought that this funding should be directed at those institutions with a clear track record in WP. A few pointed out the distinction between outreach work that supports applications to individual institutions and work which raises aspirations more generally. The importance of fit-for-purpose data was discussed by three respondents, with one urging caution in the use of 2012-13 data.

175. There were also some subject-specific concerns, with some institutions highlighting that discipline-specific work, related to STEM or SIVS subjects for example, has broader benefits. A few respondents noted that it may be important to reconsider the use of WP terminology and 'branding'.

HEFCE response

176. In the light of the support received from the sector for our proposals, we do not intend to adjust our plans for the student opportunity allocation.

177. 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, thus contributing to social mobility and benefiting the economy and society. 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 HE.

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?

178. Slightly more than one-third of respondents, across a range of HEIs, FECs and other representative groups, agreed with the proposal. Of the remaining respondents, there was little consensus on any single issue, but various observations about the allocation's methodology. While only one institution suggested abolishing the allocation altogether, a few questioned its overall purpose. A number of respondents noted the similarity to the existing funding methodology, but some requested further technical clarification of the funding algorithms and the underlying data. Others questioned the use of postcodes as an indicator of deprivation; and while some championed the use of multiple indexes of deprivation, a number noted that income data

were already in use by OFFA and the Government. One institution warned against 'one size fits all' policies that could have unintended consequences.

179. Retention emerged as a key theme: the majority welcomed the all-year approach to calculation. Others looked for stability through minimum adjustments to the allocation. Concerns were expressed about the removal of the part-time uplift and about the calculation methodology for the part-time allocations, although a smaller number of respondents agreed with the rationale for removing the part-time uplift. Respondents discussed where the funding should be directed—some wanted to see funding supporting institutions which are achieving the WP objectives and which prioritise WP; others wanted to explore methodologies that reflected institutional size, activity and long-term engagement as well as outcomes. Our plan to review the 'at risk' categories was welcomed.

180. Around 9 per cent of respondents questioned the rationale for the overall amount of funding provided under this allocation. They sought clarification about the aims and purpose of the allocation, and an explanation of the how the funding methodology itself was fit for purpose. Two HEIs suggested that a better use for this allocation would be to increase support for high-cost subjects, although this was specifically opposed by one other institution. A small number of respondents suggested that the allocation should be reviewed regularly and remain flexible, to take into account potential impacts of the new fees and funding regime. Data issues were raised by a handful of institutions, some highlighting and supporting HEFCE's continued strategic role in monitoring and analysing participation data, while others raised technical concerns about the suitability of historical data for calculating allocations.

181. A small number of respondents asked HEFCE to further consider issues concerning postgraduate students, mature students, students from black and minority ethnic groups and others with protected characteristics under the Equality Act 2010.

HEFCE response

182. We do not intend to change our proposals as a result of the responses we have received. The majority of respondents either agreed with our proposed methodology, especially the all-year approach to calculating retention, or else did not present alternatives that attracted any significant support.

183. We are, of course, committed to monitoring and analysing participation data, and will assess the impact of the implementation of our proposals.

Institution-specific allocation

Question 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?

Table 7 Respondents by type – Question 15a

Respondent Type	Response	Number
HEI	Strongly Agree	11
Other provider of HE	Strongly Agree	1
Other	Strongly Agree	1
HEI	Agree	57
FEC	Agree	5
Other provider of HE	Agree	1
Other	Agree	10
HEI	Neither agree or disagree	22
FEC	Neither agree or disagree	12
Other provider of HE	Neither agree or disagree	2
Other	Neither agree or disagree	12
HEI	Disagree	8
FEC	Disagree	1
Other	Disagree	1
HEI	Strongly disagree	2

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

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

c. Other institutions or organisations.

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

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

186. We proposed that distinctiveness and public value, in addition to the assessment of additional costs, form the criteria for allocating funding. A handful of respondents offered individual suggestions for additional criteria, including: quality; the ability to generate economies of scale; the level and scale of provision in relevant subject areas and/or geographical areas; postgraduate provision; and continuity of provision. However, there was no widespread support for adding criteria over and above what we had proposed.

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

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

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

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

190. Several responses from multi-faculty institutions argued that part of their provision was comparable to that offered in specialist institutions, and that the focus should be on supporting high-cost subjects, not institutions, with high-cost subjects such as acting being supported

wherever this provision is available. One suggested that awarding high-cost support with regard to the type of organisation, rather than by subject area, may be viewed as anti-competitive. Two respondents considered that specialist subjects recruiting largely on the basis of audition or portfolio should be removed from the student number control wherever they are delivered, instead of this 'opt out' being offered only to specialist institutions.

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

Other institutions/organisations

192. We received well over 100 responses from institutions and other organisations which neither receive institution-specific funding nor suggested in their responses that they should do so. Although only just under half of these responses agreed or strongly agreed with the criteria for the review, a further large minority (almost 40 per cent) of respondents in this group selected 'neither agree nor disagree'. In addition to this, a majority of those agreeing did so with little or no further comment, suggesting that they did not have strong views on this question, or did not see it as relevant to them.

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

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

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

196. Finally, a few responses suggested additional ways in which the money spent on institution-specific allocations could be used. One FEC suggested that money should be channelled into the student loan system and that the market should decide how much funding institutions receive, apart from courses of strategic importance. Another college suggested that

small providers with fewer than 250 FTE students in HE have specific needs due to reporting and data requirements from HEFCE, and that an allocation to support staffing would be welcome.

HEFCE response

197. See the response to Question 16.

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

198. 131 institutions responded to this question, but the detailed comments came from institutions that will or could be involved in the review. The majority of the other institutions and organisations offered little or no comment, suggesting that they did not see these issues as relevant to them. The majority of comments focused on the review timetable, and the levels of external involvement proposed for the review panel. For this question, responses could broadly be divided into two groups:

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

Institutions planning or considering submitting to the review

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

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

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

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

some support for including HEFCE officers on the panel, who would have greater knowledge of individual institutions.

Other institutions and organisations

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

204. A small minority of responses from this group were more critical of the proposals or of the institution-specific allocation itself. One response suggested that it was important that institutions should not be compensated for characteristics of delivery or organisation which are not cost-effective. Another stated that it would be important to consider whether institution-specific funding should be used elsewhere, for example on widening access. One FEC suggested that increased WP could be a condition of continued funding. One institution suggested that it would be important that the distinctiveness and public benefit demonstrated were demonstrably different from provision in related subject areas at non-specialist institutions.

HEFCE response

205. We will write to institutions separately on this issue after the 12 July HEFCE Board meeting. As we said in the consultation document, we will start the review in August 2012, with a call for submissions from institutions who consider themselves to be eligible, with a deadline of 1st October 2012. Submissions will need to outline the provider's case against the criteria, including detailed cost and income information, distinctiveness and public value.

206. 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. We will 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. 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.

207. We are establishing an external review panel made up of experts from the sector, and chaired by a HEFCE Board member.

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

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

209. Provisional outcomes will be announced after the December 2012 HEFCE Board meeting.

Strategically important and vulnerable subjects

Question 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?

210. There was very broad support that HEFCE should continue to take steps to support SIVS. Respondents welcomed the breadth of our proposed approach and many noted the increased flexibility that it should bring. The majority of respondents welcomed our proposal to monitor the health of subjects in conjunction with partner organisations, making selective, collaborative interventions to address specific risks. They noted that our approach to SIVS should be transparent, based on robust, up-to-date evidence, and clearly communicated.

211. Our proposed new policy approach to SIVS is complex, particularly the move away from a single list of subjects, and the way our approach will interact with other policy areas (including high-cost subjects and postgraduate provision). A number of respondents expressed concern

that our proposals were too complex to be effective, and this may have been reflected in the very detailed responses we received – covering a very wide range of different issues, with some responses divided, as one might expect, along subject lines. While there was strong support for the continuation of measures to support vulnerable subjects (particularly those subjects currently classified as SIVS), alongside the broader package of support proposed for STEM and other high-cost subjects, there was no clear agreement on how HEFCE should do this. We will use the range of views expressed in the consultation responses to further develop the detail of our new policy approach.

212. It was apparent that our approach has not been fully understood by all respondents. For example, several responses suggested we need to set a clear definition of SIVS and apply this across all subjects (when in fact our proposal is to assess risks to subjects and then take steps to address these risks), while others requested that we should maintain on our web-site a list of subjects currently thought to be strategically important and vulnerable. Our analysis of this consultation question (below) will therefore still contain references from respondents to how we classify subjects as SIVS, even though this is not part of our proposed approach. There is obviously a need to clarify our messages and ensure these are communicated clearly.

213. A significant number of respondents (but by no means the majority) expressed concern about our proposal that there should no longer be a single list of SIVS. These respondents thought it was not clear how this approach would be managed, particularly in relation to determining any interventions that HEFCE might make and how these would be monitored; they also thought the lack of a list would tell against coherent planning within institutions. Several respondents stated it would be helpful for HEFCE to maintain, publish and regularly review a broad list of subjects that are potentially vulnerable. However, this was at odds with the view expressed by a similar number of respondents that subjects identified as SIVS should not change too frequently, in order to maintain some stability and allow longer-term planning.

214. Many responses indicated that more clarity and detail is needed about the overall proposed policy approach, including a clear definition of SIVS, how the monitoring of subject health will work and how this will inform any actions we take. Our proposals noted the need to look beyond the volume of activity at national level, and also to use an inclusive definition of 'subject', embracing sub-disciplines and different types and levels of provision. This was welcomed by respondents, although several thought it was unclear how we would be able to monitor and assess provision in this level of detail.

215. The majority of respondents felt strongly that the use of a robust evidence base would be essential, and that HEFCE should give careful consideration to the nature of the evidence it will use to monitor the health of subjects. Two respondents stated that they expect this to be the subject of further consultation with the sector. Others noted that there is a need for transparency in the information used to determine SIVS, to ensure decisions are based on clear evidence rather than lobbying. It was also considered important that as far as possible, existing data should be used, rather than introducing additional data requirements.

216. Several respondents felt that there was a need for immediate SIVS classification and resultant action, and expressed concern that the proposed annual cycle of monitoring would be based on retrospective information and data, and would not be swift enough to address issues as they arose. It was widely noted that it is difficult to rebuild capacity in a subject area once it has been lost.

217. There was general support for our commitment to work with the relevant stakeholders and partner organisations to understand the risks to subjects and to coordinate any necessary actions. It was felt important that a wide range of partner organisations with interests across all academic disciplines should be involved in this new approach, and that HEFCE should engage with stakeholders before arriving at any conclusions about what subjects are at risk. Some respondents suggested additional partner organisations which they felt we should not ignore. Several respondents noted the need to recognise the influence of research funding and strategy, including from the Research Councils, on the availability of subjects.

218. Several respondents were worried by the relative lack of incentive for delivering high-cost subjects such as engineering and the sciences, and some thought that higher-cost disciplines and research-intensive environments may become vulnerable. Related to this, a small number of respondents raised the issue of cross-subsidy between subjects, noting that not all institutions will be willing to do this, which could put higher-cost subjects into a more vulnerable position.

219. The various interventions that we have already made to address risks to specific subjects were broadly welcomed, including the core-margin protection for current SIVS, and the additional support proposed for the year abroad and for postgraduate taught provision. There was, however, a concern that a lack of availability of HEFCE funding may mean that any future interventions in this area weaken HEFCE's work in other areas. Several respondents thought it essential that SIVS continue to be protected from cuts in the student number control. Some felt that if the core and margin redistribution is repeated for 2013-14 and beyond, the impact on STEM generally will become more pronounced. These respondents felt that the redistribution of core and margin places to providers with lower fees is likely to lead to a shift away from STEM subjects to cheaper business and humanities subjects.

220. Several other interesting views were offered, although these often reflected the opinions of less than a handful of respondents. These opinions included: that HEFCE ought not to keep subjects alive in an artificial way through SIVS policy if there is low student demand; that the proposal to encourage partnerships for small areas of provision within larger institutions will impinge on institutional autonomy; and that SIVS should be concentrated in 'excellent' institutions. Others requested that we include joint honours courses when monitoring health of disciplines, particularly as a significant proportion of language provision is delivered through joint honours courses, or that we might consider offering fee remission or other incentives directly to students to encourage them to study certain SIVS.

221. FECs were concerned that the monitoring of JACS codes will not reflect the variety of courses in FECs because of the way the Learn Direct coding system maps onto the JACS coding.

HEFCE response

222. Our planned approach is to monitor the health of all disciplines, identifying specific risks to subjects and then addressing these risks and monitoring their impact. We will continue with the interventions to address risks to subjects, as set out in the consultation document, and we will consider the additional suggestions for interventions raised through the consultation responses. In addition we will publish, in the autumn, full details of our proposals for cyclical monitoring of subject health, which will include proposed timings for an annual report, information on the data we will use in our assessment, and details of our SIVS advisory group. We also propose to

maintain on our web-site an up-to-date list of interventions that we are making to address subject risks. These areas are still subject to further development and discussion with the Chair of the SIVS advisory group.

Minimising administrative burden

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

223. The majority of respondents agreed with our proposals to keep data monitoring to a sensible level wherever possible, and welcomed our wish to reduce the burden. There seemed to be an element of frustration, however, that we have often made this commitment in the past with no apparent reduction in our requests for information. There was a recognition that in the short term there may be an increase in overall demands, and many respondents reminded HEFCE to remain aware of the numerous requests also made by other bodies which, taken together, risked making the overall burden disproportionate. Many questioned why HEFCE data monitoring appeared to be increasing as our grant was reducing, without understanding the wider regulatory role we may play.

224. HEIs welcomed our work on the HE Landscape Project with other agencies, and encouraged us to move quickly in implementing better connections between agencies and hence more streamlined ways of working. There is an expectation that there will be more information to offer in due course about our proposals in this area.

225. Two HEIs suggested that data requests in future should be risk-based. One HEI made the comment that burden should not be reduced at the expense of the pace of change towards diversity, because understanding and encouraging student opportunity requires good data returns. Many of the FECs and some small institutions that responded made the point that the accountability burden feels particularly heavy for them, with fewer staff to manage the many requests. FECs new to direct funding also made a plea for more help in understanding the many requirements.

226. The great majority of respondents acknowledged the merits of a three-stage data-checking process during the transition period when both old- and new-regime students were in the system, without particularly welcoming it. There was recognition that the provision of data by HEIs for external stakeholders was a by-product of good internal systems. On the other hand, 10 respondents explicitly requested that we drop the three-stage process. A number agreed with our proposal to move to a credit-based funding method using retrospective HESA and Data Service data, but were relieved to hear that this would not be before 2015-16 at the earliest.

227. 20 institutions made no comment.

HEFCE response

228. The Government has asked HEFCE to monitor the impact of the funding reforms it has introduced and in the consultation document, we advised that we would be setting out in due course our plans for how we intend to do this. We pointed out that it would be important that we are ready to adjust our methods in future where data suggest it is in the public interest to do so. We already provide regular advice to the Government on various issues.

229. We pointed out that monitoring impact would not be straightforward, and that we would need to balance the need for minimal administrative burden against the imperative to develop a

robust evidence base. There was a common theme in all responses – not just in answer to this question – that HEFCE should take the lead in gathering a strong evidence base in order to monitor the impact of the reforms. But there were real concerns about what institutions perceived to be an already unreasonable accountability burden. We need to work effectively with the sector in gathering evidence without creating, or appearing to create, further burdens.

Further information

230. Annex A summarises the original consultation proposals and our final implementation plans. For further information please contact Tracy Allan, tel 0117 931 7234, e-mail t.allan@hefce.ac.uk.

Annex A

This annex is available to download alongside this document.

List of abbreviations

BIS	The Department for Business, Innovation and Skills
BTEC	Business and Technology Education Council
CertHE	Certificate of Higher Education
DipHE	Diploma of Higher Education
FD	Foundation Degree
FEC	Further Education College
FTE	Full-Time Equivalent
HE	Higher Education
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
HEIFES	Higher Education in Further Education: Student Survey
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics
HNC	Higher National Certificate
HND	Higher National Diploma
NQF	National Qualifications Framework
NSS	National Students Survey
OFFA	Office for Fair Access
PGCE	Postgraduate Certificate of Education
QAA	Quality Assurance Agency
QCF	Qualifications and Credit Framework
QSS	Quantitative Social Sciences
SIA	Sector Impact Assessment
SIVS	Strategically Important and Vulnerable Subjects
SNC	Student Number Control
STEM	Science, Technology, Engineering and Mathematics
TRAC	Transparent Approach to Costing
TRAC(T)	Transparent Approach to Costing for Teaching
WP	Widening Participation