

Technical notes on the modelling of teaching grant

1. These technical notes accompany the workbook 'Modelling of the revised funding method for teaching'. The modelling was undertaken in the context of our consultation document, 'Review of the teaching funding method: second consultation on changes to the method' (HEFCE 2007/02). The workbook is available with the consultation document on the web at www.hefce.ac.uk under Publications.
2. These notes:
 - a. Explain which elements of our proposals in HEFCE 2007/02 are included in the modelling and which are not.
 - b. Explain the column headings in the workbook.
 - c. Provide important health warnings about the modelling.
3. The notes are essential to gain a proper understanding of the modelling, and to avoid misinterpretations or erroneous conclusions.

What is included in the modelling

4. The modelling illustrates the effects of replacing some of the existing student-related and institutional premiums within the calculation of standard resource, with new targeted recurrent allocations that are outside the tolerance-banded part of the teaching funding method. The modelling incorporates the following:
 - a. A targeted allocation for part-time undergraduate students, using funds currently associated with the part-time premium which undergraduate students attract. (Paragraph 40 of HEFCE 2007/02.)
 - b. The removal of the part-time premium for both undergraduate and postgraduate taught students within the tolerance-banded part of the method; and the reduction in the assumed fee income for part-time postgraduate taught students to match that for full-time postgraduate taught students (that is, the same level as the standard resource 'base price'. (Paragraphs 15 and 41 of HEFCE 2007/02.)
 - c. A targeted allocation for old and historic buildings, using funds currently associated with the old and historic buildings premium. (Paragraph 48 of HEFCE 2007/02.)
 - d. A targeted allocation for foundation degree students, using funds currently associated with the foundation degree premium. (Paragraph 54 of HEFCE 2007/02.)

e. A targeted allocation for accelerated and intensive study, using funds currently associated with the long course premium. (Paragraph 57 of HEFCE 2007/02.)

5. The modelling illustrates the effect on the residual resource-based element of the teaching funding method and, in particular, institutions' positions within or outside the ± 5 per cent tolerance band. It illustrates the new targeted allocations, and any additional migration funding that might be required for institutions that move (further) below the -5 per cent threshold of our tolerance band, if we were to move them back by providing additional funding.

6. All funding figures are based on the final 2006-07 recurrent grant allocations published in October 2006 (HEFCE 2006/43), and assume the existing parameters of our funding method are maintained, except where otherwise stated.

What is not included in the modelling

7. We have not attempted to model the effect of:

a. Any review of the application of London weighting to students that are franchised out or on campuses in or outside London. (Paragraph 44 of HEFCE 2007/02.)

b. Any future targeted allocations for small and specialist institutions to replace the existing premiums. (Paragraphs 49-51 of HEFCE 2007/02.)

c. Any outcomes from the development of the Transparent Approach to Costing (TRAC) for teaching. These will clearly not be known for some time. (Paragraphs 71-84 of HEFCE 2007/02.)

d. The proposal to take account of the volume of activity completed by students who complete something other than their initial study intentions. At present, few institutions report data to HESA in sufficient detail to allow us to model this reliably. It would be misleading to take account of such activity at a small number of institutions but not for the rest of the sector, as the effect for any individual institution will depend on their position compared to the sector as a whole. (Paragraphs 64-66 of HEFCE 2007/02.)

e. Any changes in student numbers or funding compared with those that underpin our announced recurrent grant allocations for 2006-07. In particular, we have not reflected the data submitted by institutions in their 2006-07 HESSES and HEIFES returns, nor any changes to grant that may be agreed after HEFCE 2006/43, including any further additional student numbers that institutions may be expecting from 2006-07 onwards.

Column headings in the workbook

8. The first two columns of figures show outputs from the recurrent grant announcement for 2006-07 (as published in HEFCE 2006/43). Please note that there may be minor differences between the sums given in the modelling and in HEFCE 2006/43 because of rounding.
- a. 2006-07 Total teaching grant. This is the 'Total teaching funding' in Table 1 of HEFCE 2006/43.
 - b. Position in tolerance band. This is the percentage difference between standard and assumed resource shown on the final issue of each institution's individual recurrent grant, Table B.
9. Columns 3 and 4 show output from the residual tolerance-banded part of the teaching funding method, once the funding associated with the targeted allocations that have been modelled has been removed.
- a. Tolerance-banded part of the method. This includes any additional migration funding that the modelling suggests might be required. It equals the '2006-07 Total teaching grant' (Column 1) minus the total targeted allocations (Column 11) plus 'Additional migration funds required' (Column 13).
 - b. New position in tolerance band. This is the percentage difference between standard and assumed resource for the tolerance-banded part of the new method. For institutions whose percentage difference from standard resource differs by more than 5 per cent, there may be migration implications. Migration back within the tolerance band can be achieved by changing student numbers or by changing funding. In the past, we have commonly expected full migration to be achieved over a period of three years, although this has been extended in individual cases.
10. The only changes to parameters that underpin this model compared with the current model for 2006-07 are set out in the table below. The difference in the base price is likely to be the result of changes to the 2006-07 funding allocations and student numbers between the initial allocations announced in February (HEFCE 2006/08) and the final allocations in October 2006 (HEFCE 2006/43), rather than the effects of the new model.

	Current model	New model
Base price	£3,721	£3,720
Fee assumptions per FTE		
FT and sandwich UG	£1,200	£1,200
PT UG	£1,200	£1,200
FT PGT	£3,721	£3,720
PT PGT	£4,093	£3,720
Price group weightings	A: 4; B: 1.7; C: 1.3; D: 1	Unchanged

11. Columns 5 to 11 show the targeted allocations outside the tolerance-banded part of the method.

- a. Widening participation allocation. This is the 'Widening participation' allocation in Table 1 of HEFCE 2006/43.
- b. Part-time undergraduate allocation. This is the new targeted allocation for part-time undergraduates that replaces the current premium for such students.
- c. Foundation degree allocation. This is the new targeted allocation for foundation degree students that replaces the current premium for such students.
- d. Accelerated/intensive allocation. This is the new targeted allocation that replaces the current long course premium.
- e. Old and historic buildings allocation. This is the new targeted allocation that replaces the current old and historic buildings premium.
- f. Other recurrent teaching funding. This is the 'Other recurrent teaching grants' shown in Table 1 of HEFCE 2006/43. It comprises funding for clinical consultants' pay (£18 million), Dance and Drama Awards (£4 million) and 'model 2' Lifelong Learning Networks (£6 million).
- g. Total. This is the sum of the preceding six columns.

12. The final two columns are:

- a. New total teaching grant. This is the sum of 'Tolerance-banded part of the method' (Column 3) plus the total of the targeted allocations (Column 11).
- b. Additional migration funds required. This shows any requirement for additional migration funding for institutions that move (further) below the ± 5 per cent tolerance band. The amount of funding shown is sufficient to bring the institution back to minus 5 per cent or their 'Position in tolerance band' under the current model (Column 2), whichever is the lower. The column therefore shows the requirement for further migration funding beyond what we are already committed to providing. We would not necessarily commit at this stage to providing all additional migration funding in a single year. Funds may be phased over a three year period, consistent with recent practice.

Health warnings

13. This modelling is provided for illustrative purposes only. It is based on the student numbers that institutions reported for 2005-06 in their HESES and HEIFES surveys; information on the attributions of students derived from HESA and ILR data for 2004-05;

and any additional student numbers that had been awarded for 2006-07 by October 2006. Funding is shown at 2006-07 prices.

14. Institutions' teaching grant is likely to differ from the figures shown for many reasons, such as:

- any funding for additional student numbers that may be provided
- any grant adjustments, such as holdback, because of changes in institutions' student numbers, including those arising from 2006-07 HESES and HEIFES returns and any data reconciliations and audits
- the outcomes of the Government's forthcoming comprehensive spending review
- the outcomes of the current consultation exercise on the teaching funding method
- changes to parameters (such as the base price and fee assumptions) to reflect, for example, the outcomes of this consultation, changes in student numbers across the sector, and inflation.

15. Institutions' percentage differences from standard resource in subsequent years are also likely to differ from those shown in the modelling for many reasons. These include:

- changes to institutions' student numbers in subsequent years, both in absolute terms and relative to the sector as a whole
- any additional student numbers awarded for subsequent years
- changes to the proposed funding method following responses to the consultation
- changes to parameters, such as fee assumptions and the base price.

Further information for institutions

16. The modelling we have provided can only represent one snapshot in time – that is, the position that reflects the announced 2006-07 student numbers and funding. Any other modelling would introduce greater uncertainty, because of the need to make assumptions about, for example, future changes in student numbers and in overall funding. Any such assumptions might give the appearance of greater certainty or credibility than could be justified at this time. It is important to remember that the extent to which an institution's position may vary will depend on changes (in funding and student numbers) relative to the sector as a whole, as well as in absolute terms.

17. We do not expect to have sufficient staff resources to comment on modelling that institutions carry out themselves, and we do not take responsibility for such modelling (whether we have commented on it or not).

18. If institutions are unsure about any aspect of the modelling that we have provided, or wish to discuss it, they should contact their HEFCE higher education adviser in the first instance. A list of HEFCE contacts for each institution is on our web-site under About us/Contact us.

19. For more general queries on the review of the funding method, not related to this modelling, please contact either Chris Taylor on c.taylor@hefce.ac.uk (0117 931 7264) or Anna Sherratt on a.sherratt@hefce.ac.uk (0117 931 7236).