

Review of the Teaching Funding method: Consultation on key principles and features. HEFCE (2010/10)

Cover Letter to 1994 Group Response

5 July 2010

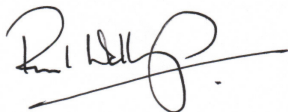
Dear Alan Palmer,

Please find attached a response from the 1994 Group to the Review of the Teaching Funding method: Consultation on key principles and features (HEFCE 2010/10).

Please note that the questions contained in this consultation have been, in many cases, difficult for us to answer due to the fact that we await the recommendations of the Browne Review and the outcomes of an extremely important Comprehensive Spending Review in the Autumn. Therefore, we must stress the fact that, while these are our current responses on the consultation questions, our positions may be subject to change following publication of the CSR and the Browne Review report, and when their implications for the future of HE funding are known.

We would want to see the full extent of anticipated change before really being able to comment, and so feel that the timing of this consultation is not ideal.

Yours sincerely,



Professor Paul Wellings
Chair 1994 Group
Vice Chancellor, Lancaster University

Review of the Teaching Funding method: Consultation on key principles and features. HEFCE (2010/10)

1994 Group Response

Submitted: 5 July 2010

Contact: Tom Norton, Director of Research (tom.norton@1994group.co.uk; 0207 872 5599)

Annex A Consultation questions

Responses should be made online by **Monday 12 July 2010** using the electronic response form, which can be accessed on the HEFCE web-site alongside this document at www.hefce.ac.uk under Publications.

Consultation question 1

Do you broadly agree with our statement of the purpose of HEFCE's funding for teaching?

Yes

Add any further comments below

We agree with the statement of the purpose of HEFCE's funding for teaching, and the three key purposes identified. When finalised, it is important that the statement is communicated much more widely, particularly in relation to the public benefits of higher education and the need to achieve the right levels of funding to achieve sustainability.

We strongly agree with the statement that public funding for teaching is indispensable, and, whatever the outcome of the Browne Review in terms of the graduate contribution level, this should continue to be complemented by HEFCE funding as part of a two-pronged approach to meet the costs of provision and ensure the sustainability of higher education.

It is essential that the future financial sustainability of the higher education sector is achieved, in order for the student experience to remain high quality. This means achieving additionality on the current income level per student.

Consultation question 2

Do you broadly agree that our funding method should give institutions the freedom to manage provision in a way that best responds to the needs of students, employers and society?

Yes

Add any further comments below

We strongly agree that the funding method should give institutions the freedom to manage provision in a way that best responds to the needs of students, employers and society. We support the continuation of a cost-based block grant which can be distributed internally in a flexible way, but which provides a stable core from which institutions can operate.

Diversity is a key strength of the UK higher education sector. The funding method must acknowledge that the needs of students, employers and society are different and may not always converge. Each university must have the autonomy to balance the relative priorities of those different needs in relation to their context and distinctive mission.

We expect there to be extensive consideration as to what costs should be funded and what costs left out of the model as part of the second stage of this consultation.

Consultation question 3

Do you broadly agree that our funding method should enable us to incentivise change which is in the public interest?

Yes

Add any further comments below

We agree with the principle that, given the substantial public funding the sector receives, the funding method should be able to promote change which is in the public interest. However, we also believe that this public benefit is most likely to be achieved by allowing a high degree of institutional autonomy and diversity of mission. This is an important balance that must be achieved.

We also stress that having a stable and sustainable higher education sector is very much in the public interest. It is vital that any incentivisation of change does not adversely affect this stability, and that there is a strong dialogue with the sector to determine the changes that are in the public interest.

Consultation question 4

Do you broadly agree that we should achieve this through a 'strategic margin'?

Don't know

Add any further comments below

While accepting that the principle of the core and strategic margin is sound, we feel that in order to make a considered evaluation of the proposal we need more information on how large the strategic margin would be, and how it will operate.

It is essential that the strategic margin does not damage the core unit of resource for teaching, and we would not be in support of the margin if the core grant was reduced further in order to fund it.

We are concerned that, as a targeted, fluid and 'short-term' funding stream, the strategic margin could inject instability and uncertainty in funding. Current targeted allocations provide a degree of stability which allows institutions to plan to meet specific policy objectives; our fear is that our best efforts to meet these objectives may be compromised by the priorities of the strategic margin changing from one year to the next. A concern is that this instability may also be felt within the student experience. Equally, we feel that it will be hard to respond quickly to the short term measures in the strategic margin and that account needs to be taken for the time required to make new teaching provisions and recruit students to the courses concerned. There is the chance, within this proposal, that lucky institutions who happen to have already made provisions aligning to a particular priority will be rewarded with extra funding.

We agree that the participation in the strategic margin must always be optional as not all policy changes are aligned with all HEIs strategic objectives. Also, it is important that the strategic margin takes account of the diversity of our higher education system and does not disadvantage more specialist institutions, which may not be able to partake in particular policy priorities due to the nature of their provision. Again, this links to the size of the strategic margin, which we believe should not be so large that institutions feel that they must participate.

Another key consideration is who decides the priorities to be reflected in the strategic margin. We feel it would be extremely important for HEFCE to have a dialogue with the sector as well as the Government in discussing these priorities.

Consultation question 5

Do you broadly agree that our funding method should be compatible with various modes of study, including flexible provision?

Yes

Add any further comments below

We would support a funding method that is compatible with various modes of study, including flexible provision, provided that this complies with the need to achieve a system which is simple and easy to understand.

We welcome the exploration of a credit-based scheme. However, we feel it is important this focuses on credits completed, rather than funding those who participate but do not complete. If funding is given simply on the basis of individual credits attempted the danger is that it will incentivise HEIs to recruit students who are unlikely to complete their modules.

We would also like to stress the importance of retaining an emphasis on the completion of a coherent scheme of study, which is of great benefit to students and to society. We believe that a continued incentive should be placed on maximising retention and completion rates, and retaining a reward for the outputs achieved by institutions.

Consultation question 6

Do you broadly agree that our funding method should be as simple and easy to understand as possible?

Yes

Add any further comments below

We strongly agree that the funding model should be as simple and easy to understand as possible. However, we would not support simplicity at the cost of a funding stream that is well thought out and effective, and which accurately funds the cost of activity.

In recent years the cumulative effect of a series of adjustments made to promote policy initiatives has resulted in a system which can be difficult to understand. If the system is simplified at this stage, it is important that this cumulative effect is avoided as far as possible in future.

As mentioned above, there will be a need to carefully balance the two objectives of making funding streams compatible with various modes of study and the desire to achieve a system which is simple and easy to understand. A simplified model may not be able to reflect the specific needs of more specialist institutions, and this should also be taken into account.

Consultation question 7

Do you broadly agree that our funding method should be responsive and dynamic?

Don't know

Give reasons for your answer.

Although there may be benefits to have a funding method that is more responsive and dynamic, we would support a funding stream that provided institutions with sufficient stability so long term planning can be effectively implemented and students receive the best possible provision.

We believe that the primary objective of the funding model, such as that provided through core funding, should be to ensure that institutions have a stable base-line from which to operate, and through which they can engage in extended dialogue with Government and funding bodies to deliver strategic change.

Consultation question 8

Do you broadly agree that, to achieve value for money, our funding method should continue to reflect the impact of income from tuition fees and contributions from employers?

No

Add any further comments below

We do not believe that HEFCE should have any interest in the fees charged by institutions when it considers its funding allocations.

We strongly agree with the statement that public funding for teaching is indispensable, and whatever the outcome of the Browne Review in terms of the graduate contribution level, this should continue to be complemented by HEFCE funding as part of a two-pronged approach. In order to meet the costs of provision and ensure the sustainability of higher education, this means achieving additionality on the current income level per student.

Should graduate contributions rise, institutions that can charge premium fees for a premium product should not be penalised by receiving less HEFCE funding. They will have to incur higher costs to meet higher student expectations. Also, institutions that put time, effort and resources into securing other sources of income (in this case contributions from employers) should not be penalised by receiving less public money.

Consultation question 9

Do you consider that any other principles or features should be fundamental to our teaching funding method?

Maintaining and enhancing quality of provision should be central to the recommendations for the teaching funding method.

Importance should be placed on maintaining a strong link between funding distribution and quality of outputs, such as students completing coherent and meaningful periods of study that also have a wider benefit to society.

The cost of change should be considered, and this is of particular importance if this funding method is going to be dynamic and short-term as suggested.

Consultation question 10

What are the advantages/disadvantages associated with each of the options in paragraph 60? Are there other effective alternatives?

Our comments on the four models are as follows:

(a) This would reward institutions that are able to respond well in specific areas and it would enable policy makers to plan well in advance to meet long-term future needs. It would provide the most stability of the four options. Where there is some concern is that it would mean a rise in the administrative burden on institutions and the need for additional monitoring requirements.

(b) A retrospective measure 'recognising change that has already occurred,' seems counterintuitive to 'securing dynamism and change' in the future.

(c) This suffers from the same problems as (b) in that they both reward institutions retrospectively. However, there are some positives to (c) as it enables universities to operate within their own long term objectives, but we would not support this measure if it diverts funds away from the core grant.

(d) We are concerned with the idea of 'discouraging action that is not compatible with policy objectives, or is of a lower priority.' This holds an inherent danger of the Government picking the wrong short-term winner, to the detriment of long-term objectives, leading to a destabilising of institutions and departments.