

## **Main grants for teaching 2005-06**

### **Introduction**

- 1 This annex:
  - summarises all teaching-related grants and explains how we allocate these;
  - explains changes to institutions' allocations of funded student places;
  - sets out the conditions of grant relating to teaching grants; and
  - outlines the arrangements for monitoring over-enrolment and under-enrolment.

You will find an overview of the key features of our funding allocations for teaching in academic year 2005-06 in the main grant letter. We have included sources of further information about our funding for teaching in annex E.

### **The purpose of our funding for teaching**

- 2 Our funding contributes towards the direct and indirect costs of providing learning and teaching for students studying in Scottish higher education institutions. These include the costs of:
  - academic, administrative, technical and support staff; and
  - facilities, accommodation, equipment and materials.
- 3 We do not require institutions to allocate funding internally using the same formula as we have used to determine their grants for teaching. This is a matter for institutions to decide in the light of their particular circumstances and priorities.

### **Main Teaching Grant**

- 4 The overall aim of the teaching funding method is to secure the higher education learning and teaching that students demand and Scotland needs, in terms of quantity, quality, accessibility and mix, whilst achieving value for money from public funds.

### ***Early Statistics Return and monitoring of 2004-05 student numbers***

#### *Conditions of grant for 2004-05*

- 5 Before calculating the amount of Main Teaching Grant for each institution for 2005-06, we needed to check that institutions had fulfilled the conditions of grant relating to student numbers in 2004-05. In the 2004-05 main grant letter we explained that we may apply financial penalties if institutions exceeded their indicative student numbers for

full-time and sandwich undergraduate students for 2004-05 by more than 3%. We also indicated that we might adjust the funding for teaching allocated to institutions for 2004-05 and funded student places for 2005-06 if there was under-enrolment against funded student places. We used institutions' Early Statistics returns to check that they had:

- adhered to the Scottish Executive's consolidation policy in terms of the total number of full-time and sandwich undergraduate students enrolled in the non-controlled subject areas; and
- filled the funded student places we allocated for 2004-05.

- 6 In order to determine whether an institution had under-enrolled against its funded student places for 2004-05, we needed to confirm the final funded student places for 2004-05. These are the funded student places announced in the 2004-05 main grant letter adjusted for agreed transfers of funded student places.
- 7 Column 3 of table A2a shows the final funded student places for 2004-05, and institutions have confirmed the accuracy of these.
- 8 Our policy for monitoring over and under-enrolment in 2005-06 is the same as in 2004-05, and we have outlined it at the end of this annex.

*Breaches of consolidation*

- 9 Six institutions have exceeded their indicative numbers for full-time and sandwich students in non-controlled areas by more than our agreed threshold of 3%. We have, therefore, applied a financial penalty for 2004-05 equivalent to the total amount of tuition fees associated with the number of students in excess of our 3% tolerance threshold. We show these financial penalties in column 4 of table A7.

*Clawback for under-enrolment against final funded student places in 2004-05*

- 10 We have clawed back Main Teaching Grant from two institutions because of under-enrolments in controlled funding subject groups. We have also clawed back Main Teaching Grant from three institutions for 2004-05 because of under-enrolments in non-controlled funding subject groups. In line with our policy for under-enrolment, we would normally withdraw 50% of the unfilled funded student places from those institutions in 2005-06. You will find details of the grant clawback and withdrawal of funded student places in columns 2 and 3 of table A7.
- 11 This is the first year which Bell College has breached the tolerance threshold for clawback for under-enrolment in non-controlled subject areas. This is the first time in recent years in which the University of Paisley has breached the tolerance threshold for clawback for under-enrolment in non-controlled subject areas. We have considered their individual cases and have decided to allow one year for them to

recover their enrolment levels before withdrawing funded student places.

### **Overview of our method for determining Main Teaching Grant for 2005-06**

- 12 Our method for allocating the Main Teaching Grant in 2005-06 is unchanged from 2004-05.
- 13 We use 13 funding subject groups (listed in the table below) in our allocation method. We distinguish between controlled and non-controlled funding subject groups. In response to the Scottish Executive's requirements, we seek to ensure that there are enough graduate entrants to the professions of medicine, dentistry, and teaching. The funding subject groups supporting these professions, together with Conservatoire Music and Veterinary Science, are controlled funding subject groups. The list below indicates whether a funding subject group is controlled or non-controlled. The classification of priority and non-priority funding subject groups is only of relevance to the transfer of funded student places. At the end of this annex, we describe how we use this distinction when considering whether we should clawback grant and withdraw funded student places for unfilled funded student places.
- 14 Within the non-controlled funding subject groups we make a distinction between priority and non-priority funding subject groups, and we also show this in the table below.

<b>Funding subject group</b>	<b>Funding subject group status</b>
1 Clinical & Veterinary Practice	controlled
2 Conservatoire Music	controlled
3 Engineering & Technology	non-controlled, priority
4 Science	non-controlled, priority
5 Computing & Information Science	non-controlled, priority
6 Pre-clinical	controlled
7 Creative Arts & Hospitality	non-controlled, non-priority
8 Education	controlled
9 Other Health & Welfare	non-controlled, non-priority
10 Built Environment	non-controlled, non-priority
11 Mathematics, Statistics & OR	non-controlled, priority
12 Humanities, Languages & Business	non-controlled, non-priority
13 Social Sciences	non-controlled, non-priority

- 15 Within most funding subject groups, we divide teaching provision into two different funding cells: taught postgraduate and undergraduate. Each funding cell has an associated unit of teaching resource, which reflects the broad relative costs of teaching that subject, and we have listed these in table A1. We show these units of resource in gross terms, that is, inclusive of fee income. For each funding cell we make

an assumption about the tuition fees that the institution will receive in respect of the funded student places allocated in that cell.

- 16 We calculate the Main Teaching Grant for individual funding cells by multiplying the funding cell's gross unit of resource by the number of full-time equivalent (FTE) student places that we intend to fund in that cell. We then subtract the assumed tuition fee income in order to determine institutions' allocations through our Main Teaching Grant.
- 17 For 2005-06, we have increased the units of teaching resource net of tuition fees by 2.5% from 2004-05. The following tuition fees will apply per FTE student in 2005-06:
- undergraduate £1,175
  - taught postgraduate £3,085

***Summary of the allocation of funded student places for 2005-06***

- 18 In addition to the student places which we fund through our Main Teaching Grant, for 2005-06 we have also allocated student places funded by the Scottish Executive Education Department (SEED) and the Scottish Executive Health Department (SEHD).
- 19 The following tables show the allocation of funded student places:
- table A2a – sector. This shows the allocation of funded student places across the sector for 2005-06 and the associated Main Teaching Grant;
  - table A2a – institutional supplements. These show the allocation of funded student places for each institution and the associated Main Teaching Grant; and
  - table A2b. This shows the allocation of student places funded by SEHD and SEED only, and the associated resources from SEHD and SEED which we will distribute to institutions.
- 20 Our starting point for establishing how many FTE student places we intend to fund in each funding cell in 2005-06 is our final 2004-05 funded student places for each institution, shown in column 5 of the institutional supplements to table A2a. We show our funded student places for 2005-06 in column 8 of table A2a.
- 21 Any changes in the number of funded student places which were allocated to a cell in 2005-06 from the final funded student places in 2004-05 are as a result of:
- changes to allocations of funded student places in controlled funding subject groups; and
  - any clawback of funded student places resulting from under-enrolment in 2004-05.

- 22 Column 6 of table A2a and the institutional supplements to this table shows the overall changes to funded student places in 2005-06, including those places funded by SEED and SEHD; and column 7 shows changes in the numbers of funded student places which generate Main Teaching Grant.

***Allocation of funded student places in controlled funding subject groups for 2005-06***

*Introduction*

- 23 In 2005-06 we have increased the number of funded student places allocated to the controlled funding subject groups by 1,100.6 FTE. These additional funded student places are to meet:
- any increases to intake targets for the controlled subjects, in particular the significant increases to intake targets for PGCE courses, which are being funded by SEED; and
  - additional funded student places required as a result of changing student populations in later years of the course.
- 24 We announced intake targets to the controlled subjects in circular letter HE/04/05.

*Undergraduate medicine*

- 25 From 1996-97 to 1999-2000, we allocated funded student places for medicine to institutions on the basis of intake targets, or actual intakes if these were below the target. We applied average Scottish estimators of year-to-year student population change ('survival rates') to these intakes to calculate the funded population for later years of the course. Early Statistics returns since 2000-01 have shown that the number of students enrolled on medical courses have led to variable 'survival rates' for medical undergraduates. Because of this we have retained funded student places at the same level since 2000-01.
- 26 The Scottish Executive is currently considering the recommendations of the Calman review of basic medical education. We await the Minister's response to this review. The Scottish Executive Health Department (SEHD) has indicated to us that there will be no additional funded student places in undergraduate medicine for 2005-06. Any additional student places funded by the Scottish Executive as a result of this review will be allocated strategically on the basis of expected yield to the Scottish NHS.
- 27 Funded student places for 2005-06 remain unchanged at 2,146 in clinical medicine, and 1,758 in pre-clinical medicine. Column 8 of table A2a shows the number of funded student places in pre-clinical and clinical medicine allocated in 2005-06; and column 8 of the institutional supplements to table A2a shows the funded student places allocated to individual institutions.

*Over-recruitment in medicine*

- 28 The Early Statistics for 2004-05 show significant over-recruitment against intake targets for the cohort of students commencing their studies in AY 2004-05.
- 29 Institutions will not receive any additional funded student places for students in excess of their total funded student places in 2005-06 and must therefore fund these students from their own resources. We will investigate the reasons leading to over-recruitment in 2004-05 with institutions. We will closely monitor the pattern of enrolments across the sector, with a view to penalising institutions which exceed their intake targets from AY 2005-06 onwards.

*Undergraduate dentistry*

- 30 We set intake targets for undergraduate dentistry to achieve the output of qualified dentists requested by SEHD. SEHD has indicated that they require an increased output to 134 qualified dentists and will pay for a cohort of 16 additional funded student places for five years, commencing in 2005-06. We will review the intake targets for undergraduate dentistry again next year.
- 31 As a result of changes to the student population, we have also allocated an additional 18 funded student places to clinical dentistry. This should achieve the output target in 2009.
- 32 We normally apply each institution's own survival rates of year-to-year student population change to the intakes to calculate the funded population for later years of the course. We adjust the funded student places allocated depending on survival rates. The table below shows the estimators of year-to-year student population change in dentistry.

Dentistry	Estimators of annual student population change			
	year 2 % of year 1	year 3 % of year 2	year 4 % of year 3	year 5 % of year 4
Dundee	100	90	99	98
Glasgow	98	97	98	99

These estimators, also called 'survival rates', are based on recent experience and take into account observed effects for student progression, transfer, direct entry to later years, intercalation, and repetition of a year.

- 33 Column 8 of table A2a shows the numbers of funded student places in pre-clinical and clinical dentistry allocated in 2005-06; and column 8 of the institutional supplements to table A2a shows the SHEFC-funded student places allocated to individual institutions.

*Undergraduate veterinary science*

- 34 We have maintained the number of funded student places in undergraduate veterinary science for 2005-06 at 695.1 FTE.

*Initial teacher education*

- 35 We receive annual guidance from SEED on initial teacher education (ITE). This year's guidance referred to the commitments of the Partnership for a Better Scotland agreement, to increase teacher numbers to 53,000 by 2007.
- 36 We have allocated an additional 1,050 PGCE funded student places in 2005-06 in order to increase intake targets to move towards meeting these commitments, and for specific policy priorities.
- 37 The supply of teachers able to teach in the medium of Gaelic continues to be a policy priority, and SEED has asked us in their guidance to ensure that there was no diminution of support for Gaelic-medium provision. Therefore, within the PGCE primary funded student places we have maintained the funded student places in support of Gaelic-medium provision to the University of Aberdeen (five funded student places) and the University of Strathclyde (20 funded student places). This is the same number of places allocated in 2004-05. We will consider with institutions possibilities for further avenues to increase the number of Gaelic-medium teachers.
- 38 To assist in meeting the targets for increased teacher numbers and in widening access to teaching, SEED has asked us to promote flexible routes in ITE. We have again allocated an additional 10 funded student places in support of the development of part-time PGCE provision to the University of Aberdeen (five primary funded student places) and the University of Dundee (five secondary funded student places). We also request that institutions promote flexible and innovative routes to teaching qualifications from within the overall significant increases in funded student places awarded. We will consider with institutions and SEED further ways of supporting part-time provision and more flexible routes into teaching as part of the 2006-07 teacher workforce planning exercise.
- 39 We have allocated an additional 19.6 funded student places required as a result of year-to-year population change in the ITE courses lasting for more than one year. As in previous years, we have calculated the number of funded student places for each institution by adding the intakes for 2005-06 to the projected numbers of students from 2004-05 who will still be in the system. We normally apply average Scottish estimators of year-to-year student population change ('survival rates') to these intakes to calculate the funded population for later years of the course. The table below shows the estimators of year-to-year student population change in ITE.

Initial teacher education course	Estimators of annual student population change		
	year 2 % of year 1	year 3 % of year 2	year 4 % of year 3
BEd Primary	89	91	95
BEd Physical Education	92	93	96
BEd Technology	102	94	90
BEd Music	91	84	100

These estimators, also called 'survival rates', are based on recent experience and take into account observed effects for student progression, transfer, direct entry to later years, and repetition of a year.

- 40 In cases where the students are from a cohort for which the institution's intake exceeded the recommended level, we will scale down the student numbers using the ratio of recommended to actual intakes. Where a cohort is below the target intake, we will reduce the funded student places for future years accordingly. This ensures that over-recruitment in previous years will not increase the number of funded student places, and under-recruitment will lead to reductions in funded student places, all other factors remaining equal.
- 41 The total number of funded student places allocated to institutions for ITE in 2005-06 is summarised in the table below. These places include 2,150 funded student places for PGCE provision funded by SEED. Column 8 of table A2a and the institutional supplements to this table shows the numbers of funded student places in ITE which generate funding through the Main Teaching Grant, allocated in 2005-06. Table A2b shows the allocations of those ITE student places which SEED are funding.

Course	2005-06	2004-05
BEd Primary	2,451.7	2,429.6
BEd Physical Education	353.9	365.7
BEd Technology	167.4	171.8
BEd Music/combined degrees with music	192.6	178.9
PGCE Primary	1,455.0	1,005.0
PGCE Secondary	1,905.0	1,305.0
Combined Degrees	481.7	481.7
<b>Total</b>	<b>7,007.3</b>	<b>5,937.7</b>

Includes the following PGCE numbers which are funded by SEED: 2,150 in 2005-06; and 1,100 in 2004-05

### ***Funded student places in the non-controlled funding subject groups for 2005-06***

- 42 There is no planned expansion in funded student places in the non-controlled subjects. Around 50% of young Scots now participate in higher education, and the policy of the Scottish Executive is that we should work with institutions to make the best use of the existing capacity of the Scottish higher education sector, rather than expanding the system.

- 43 In order to meet needs in the professions of physiotherapy, occupational therapy, radiography, and speech and language therapy, in 2002-03, SEHD provided resources to fund 65 additional funded student places in the allied health professions. The purpose of these places was to increase the cohort of students commencing their studies in these subjects in 2002-03.
- 44 For 2005-06, we have allocated these places on the same basis as in 2004-05. You will find details of these in table A2b. This is the last year that these additional funded student places will be allocated by SEHD. We explained the monitoring arrangements for these places in the 2004-05 Early Statistics Return Notes of Guidance, and these will continue to apply in 2005-06.

## **Grants for widening access and equal opportunities**

### ***Introduction***

- 45 Widening access to higher education for under-represented groups and closing the opportunity gap is one of our key policy priorities, and the Minister expects to see real improvement in the proportions of students from the most economically disadvantaged groups benefiting from higher education.
- 46 We have allocated the majority of our resources for widening access in 2005-06 through formula-based premiums. We have also continued to set aside resources in 2005-06 to support ongoing regional and sector-wide initiatives to assist institutions in implementing Universities Scotland's Social Inclusion Pledge.
- 47 We have undertaken a review of our approach to widening participation and we expect to publish the review's findings in spring 2005.

### ***Formula-based grants***

#### ***Part-time Incentive Premium***

- 48 The Part-time Incentive Premium is to encourage more part-time provision and increased part-time student enrolments. The method of calculating this premium is the same in 2005-06 as it was for 2004-05. The premium remains at 10% of the gross units of resource for teaching, for both undergraduate and taught postgraduate part-time students. Therefore, we have calculated the 2005-06 allocations of the Part-time Incentive Premium as 10% of the 2005-06 gross unit of resource for the appropriate funding cell, per part-time FTE enrolment in 2004-05. Institutional allocations for 2005-06 total £7.4 million, and are detailed in column 3 of table A5.

#### ***Widening Access Premium***

- 49 We introduced the Widening Access Premium in 2001-02. The premium is to support institutions in improving the retention and progression of students from under-represented areas. We calculate

institutions' allocations through this grant line by setting a premium and multiplying this by the number of FTE undergraduate students enrolled in 2003-04 who were from under-represented areas.

- 50 When the premium was introduced, we identified under-represented areas using similar procedures to those used by the four UK funding bodies to calculate performance indicators (PIs) for higher education in the UK, as follows:
- we used the classification used by the Claritas Super Profile postcode-referenced database to classify each unit postcode into one of 160 clusters, or neighbourhood types, on the basis of census and other variables; and
  - we referred to the work commissioned for the calculation of PIs, to obtain an estimate of participation in UK higher education for each of the neighbourhood types.
- 51 We chose to focus the premium on neighbourhood types with participation rates of less than half the UK average for all types. These are the under-represented areas.
- 52 We have decided to set the premium for 2005-06 at £308 per FTE, which is the 2004-05 amount enhanced by 2.5%. Column 3 of table A3 shows the institutional allocations for 2005-06, and these total £5.3 million.

#### *Disabled Students Premium*

- 53 We introduced the Disabled Students Premium in 2001-02, to assist institutions with the additional costs that they incur in providing additional materials and services for disabled students. Our method of allocation remains unchanged from 2004-05. We calculate institutions' allocations by setting a premium, and multiplying this by the number of students in receipt of Disabled Students Allowance (DSA) in 2003-04.
- 54 We have decided to set the premium for 2005-06 at £600, which is the premium for 2004-05 enhanced by 2.5%. Table A4 shows the institutional allocations for 2005-06, and these total £1.8 million.
- 55 When determining the 2004-05 allocations through the Disabled Students Premium, we used the latest Higher Education Statistics Agency (HESA) returns to obtain information about students in receipt of DSA. Because these returns had shown volatility in the past, in the 2003-04 main grant letter, we informed institutions that we would audit institutions' returns to HESA in respect of students receiving DSA. We carried out an audit in the autumn of 2003, and again in the autumn of 2004, and the results showed that institutions' returns to HESA on students in receipt of DSA appear to be accurate.
- 56 We will continue to work with institutions to disseminate good practice in record-keeping about students in receipt of DSA to further improve the accuracy of the HESA return.

*FE/HE Articulation Grant*

- 57 In 2003-04 and 2004-05 we allocated £2 million to the FE/HE Articulation Grant to encourage effective articulation links between further education colleges and higher education institutions to allow students with higher national qualifications to access degree level programmes. In 2005-06 we have again allocated £2 million to this grant line. We will write to institutions to announce allocations for 2005-06 later in the year.

***Funding in support of other widening access initiatives***

*Part-time Fee Waiver Scheme*

- 58 We will continue our Part-time Fee Waiver Scheme in 2005-06. This scheme supports wider access and lifelong learning, by waiving the fees of part-time undergraduate students from groups under-represented in higher education, including the unemployed, those from low-income groups and those in receipt of non-means tested DSA.
- 59 In 2004-05 the scheme had a budget of £2.4 million and benefited around 4,000 individual students. Based on previous demand, for 2005-06 we have allocated a budget of £2.2 million. We will issue a circular letter in the summer explaining how institutions should apply for funding under the scheme in the course of 2005-06.

*Widening Access Grant*

- 60 In 2005-06, we will continue to use the Widening Access Grant to support ongoing initiatives in support of widening access, including the regional forums for widening access. To support ongoing activities we have increased the budget for the Widening Access Grant by 2.5% to £2.4 million.

*Equal Opportunities Grant*

- 61 In 2004-05 we consolidated the Students with Disabilities grant, the Equality Challenge Unit grant and 50% of its funding for promoting human resource management into a single budget for promoting equal opportunities. This budget is to promote good practice in relation to all equal opportunities legislation in relation to both students and staff, through funding activities such as the development and dissemination of guidance and good practice, and research into equal opportunities issues. We will continue to fund such activities, in recognition that there has been and will be new equal opportunities legislation which will impose a wide range of new duties on institutions. We have set a budget of £427,000 for this grant line for 2005-06.

## Other teaching grants

### *Fee Anomalies Grant*

62 We recognise that anomalies in fee income may arise because, although the teaching funding method assumes fee income of £1,175 per FTE undergraduate, there are some full-time undergraduate courses where this fee assumption is not the same for all the awarding bodies in the UK. As in previous years, we will compensate institutions for shortfalls in funding arising from these anomalies, and we have set a budget of £750,000 for fee anomalies in 2005-06. We will ask institutions to make claims on a similar basis as for 2004-05 later this year. Since 1998-99 we have also used our Fee Anomalies Grant to provide fee compensation to institutions for students embarking on an Erasmus-Socrates exchange programme of study.

### *Small Specialist Institution Supplementary Grant*

63 In March 2001, we granted small specialist institution (SSI) status to Edinburgh College of Art (ECA) and Glasgow School of Art (GSA). The Royal Scottish Academy of Music and Drama already had this status. The SSI Supplementary Grant provides additional funds for teaching to these institutions.

64 As agreed at the time of granting this status to ECA and GSA, we carried out a review of SSI status and funding for all three institutions at the end of 2003. Our review concluded that the SSIs continue to face diseconomies of scale. In particular, they faced significant problems in the ability to support sufficient senior management capacity, to afford seedcorn funding and in meeting external and legislative requirements. We have increased the grant to each institution to £435,000 in 2005-06. The sum granted is in keeping with the principle that SSI funding should only fund part of the diseconomy faced by institutions in order to encourage and provide incentive for the institutions to address other aspects of the diseconomy. SSI funding will no longer be for a fixed period, but will continue indefinitely subject to the institutions retaining the characteristics that led to their designation and to our usual process of review of all grants. Column 6 of table A5 shows the allocations of this grant for 2005-06.

### *Scottish Teachers' Superannuation Scheme*

65 We announced in last year's main grant letter that we would embed additional resources for the Scottish Teachers' Superannuation Scheme (STSS) gradually into the general units of resource as part of the 2004-05 funding round. We will ring-fence additional resources until the end of academic year 2005-06. We will then embed 25% of these resources into the unit of resource for teaching each year from academic year 2006-07 over four years, that is 25% in academic year 2006-07, 50% in academic year 2007-08, 75% in academic year 2008-09, and 100% in academic year 2009-10. We will continue to review the year-on-year changes annually in the context of our overall

funding arrangements to ensure that this change is manageable for institutions. We will write to institutions shortly with AY 2005-06 allocations.

### **Teaching funding for the UHI Millennium Institute**

66 We became responsible for the funding of UHIMI from 1 April 2001. In 2003-04 we put the Institute on a two-year trajectory towards full integration into all formula-based grants from 2004-05. In 2004-05 we brought UHIMI into all formula-based grants, subject to certain conditions. The Institute has met all of these conditions and will continue to receive full formula funding from 2005-06 onwards, subject to the normal conditions of grant.

### **Conditions of grants for teaching**

67 In addition to the general conditions of grant which apply to all the grants announced in this letter, and which we describe in the main grant letter, we apply specific conditions of grant to our grants for teaching, which we outline in the paragraphs below.

68 Higher education institutions must use our grants for teaching in accordance with the statement of their purpose, which you will find in paragraph 2 of this annex.

### ***Overall student numbers***

69 The Scottish Executive's expenditure plans assume that the number of FTE students eligible for funding enrolled at Scottish higher education institutions in 2005-06 will be 133,500. There is a possibility that the Scottish Executive will reduce our grant in 2005-06 if there is significant under-enrolment by the sector as a whole. If the Scottish Executive does reduce our grant in 2005-06, we reserve the right to adjust the 2005-06 levels of teaching grant for institutions. Any such adjustment may also inform our decisions about the allocation of funded student places in subsequent years.

70 In 2004-05, the overall FTE number of students eligible for funding is about 136,700. This figure includes research postgraduate provision, supported through the Research Postgraduate Grant. You will find information about this grant in annex B.

### ***Funded student places***

71 We will use information on student enrolments from the 2005-06 Early Statistics returns to decide whether institutions have filled the funded student places that we provided for 2005-06. In the event that institutions have under-enrolled against funded student places, we reserve the right to adjust the 2005-06 allocations of Main Teaching Grant.

72 We will take final decisions on whether institutions have filled funded student places for 2005-06 once we have approved any transfers of

funded student places between funding subject groups and levels requested by institutions. We will issue information on permissible transfers of 2005-06 funded student places in autumn 2005.

73 We have set tolerance thresholds for under-enrolment against funded student places, which are summarised in the table below. If institutions under-enrol beyond the tolerance threshold, we may apply a financial penalty. We will do this by clawing back the Main Teaching Grant that relates to those under-enrolments that exceed the tolerance threshold. We establish whether we should consider clawback of grant for under-enrolment as follows:

(i) For non-controlled funding subject groups, we look at the total enrolments in each of the following four categories of funding subject group:

- undergraduate priority
- undergraduate non-priority
- taught postgraduate priority
- taught postgraduate non-priority

If an institution has under-enrolled by more than the tolerance threshold of 1.5% in any of these four categories, we may clawback grant.

(ii) For controlled subject groups we look at the enrolments in each funding cell. If an institution has under-enrolled by more than the tolerance threshold of 3% in any individual funding cell, we may clawback grant.

74 The tolerance thresholds are summarised in the table below:

<b>Categories of funding subject groups that will be considered</b>	<b>Under-enrolment tolerance threshold</b>
Non-controlled: Undergraduate priority Undergraduate non-priority Taught postgraduate priority Taught postgraduate non-priority	1.5%
Controlled: Individual funding cells	3.0%

75 Where we establish that a clawback of Main Teaching Grant is applicable, we will determine the reduction in grant on an individual funding cell basis as follows:

- (i) For each funding cell, we will multiply the shortfall of student numbers that exceeds the tolerance threshold, by the gross unit of resource for that cell.
  - (ii) We will then deduct the assumed tuition fee associated with this provision.
  - (iii) To determine the institutional level of clawback we will then sum the clawback calculated for each funding cell.
  - (iv) Finally, we will deduct a £20,000 institutional threshold from this total to determine the amount of Main Teaching Grant that we will clawback.
- 76 We will take account of under-enrolment when making decisions about the allocation of funded student places in subsequent years. Where an institution exceeds the under-enrolment threshold for non-controlled subjects, we will normally withdraw 50% of those unfilled funded student places that exceed the tolerance threshold, when determining allocations for the following academic year. We do this to reduce the likelihood of funding student places that institutions do not fill.

***Consolidation of student numbers and 2005-06 indicative numbers***

- 77 The purpose of this condition of grant is to ensure that institutions conform to the Scottish Executive's consolidation policy by limiting numbers of full-time and sandwich undergraduate students eligible for funding in the non-controlled funding subject groups. We therefore set an indicative number for each institution for full-time and sandwich undergraduate students eligible for funding in the non-controlled funding subject groups. We do not monitor indicative numbers against part-time or postgraduate students, or students in the controlled funding subject groups.
- 78 Table A6 shows institutions' indicative numbers for 2005-06 for full-time and sandwich undergraduate students eligible for funding in the non-controlled funding subject groups. The 2005-06 indicative numbers are the 2004-05 indicative numbers, adjusted for any strategic transfers of funded student places requested by institutions and approved by us.
- 79 We know that institutions may not be able to achieve the indicative student numbers with absolute accuracy. In monitoring student numbers in 2005-06 we will, therefore, continue to make some allowance for a degree of enrolment above the indicative level.
- 80 For 2005-06, we may penalise institutions where the total FTE numbers of full-time and sandwich undergraduate students enrolled in non-controlled subject areas exceed the indicative numbers shown in column 3 of table A6 by more than 3%. We may make exceptions where breaches of the indicative numbers are a result of clearly

exceptional circumstances that are beyond institutions' control. The penalty for breaches of consolidation will be a withdrawal of part of the Main Teaching Grant, equivalent to the estimated fee income generated by the student numbers in excess of the 3% threshold above the indicative numbers.

- 81 We may also exclude institutions in breach of this condition of grant from any competition for additional or re-allocated funded student places for 2006-07, if such places are available.

***Links between funding and quality***

- 82 We remain committed to the principle of not funding provision of unsatisfactory quality. We have maintained our condition of grant that all funded provision must be of satisfactory quality.

***Checking of student numbers***

- 83 We will carry out various checks of the data used to calculate teaching grants, including the 2004-05 Early Statistics data. For example, we will check student numbers against:
- final figures; and
  - figures derived from the Individual Student returns made to the Higher Education Statistics Agency (HESA).
- 84 For some institutions in 2005, we will check the accuracy of a sample of the HESA data, against which the Early Statistics figures are checked. We will notify those institutions chosen for sample checking separately. We may revise our grants for teaching for 2005-06 if our checking processes show differences in the numbers of students eligible for funding, or in other numbers that we have used to determine grants.