

The Rt Hon David Lammy MP

Minister of State for Higher Education and
Intellectual Property

Department for
**Innovation,
Universities &
Skills**

Tim Melville-Ross Esq
Chairman
Higher Education Funding Council for England
Northavon House
Coldharbour Lane
Bristol
BS16 1QD

Dear Tim

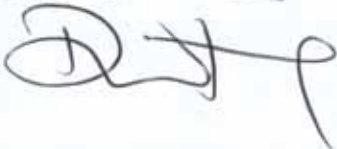


January 2009

REDISTRIBUTING FUNDING FOR EQUIVALENT AND LOWER LEVEL QUALIFICATIONS

1. In January 2008 the Secretary of State, John Denham, wrote to you about the Government's policy on the redistribution of institutional funding for students doing equivalent and lower level qualifications (ELQs). Your redistribution of ELQ funding began at the start of the 2008/09 academic year, and is then set to scale up over time. In his letter John said that the impact of the policy should be reviewed annually by the Council, and the Council should be prepared to act on the findings of these reviews to improve the implementation of the policy.
2. We have always been aware that the scope of this first annual review, scheduled for December 2008, would inevitably be limited. We are only in the first year of the new arrangements, only a minority of the overall redeployment of funds have taken place and limited data regarding 2008-09 entry will be available at this point in time. One role of this initial investigation is therefore to provide a baseline for future reviews, but this should not rule out appropriate changes, if they are justified by the evidence.
3. I am, however, also conscious that the economic climate has changed since John announced the Government's new policy on ELQ funding in September 2007. In an economic downturn it is more important than ever that individuals and businesses have access to high quality, affordable educational provision to improve competitiveness and to enable workers to enter growth areas in the labour market.
4. As you review the implementation of ELQs, I would like the Council to consider whether there is evidence that any modification to the approach decided on earlier this year will help universities respond more effectively to the challenges of the economic downturn.

5. The review should not, however, lead to a significant net increase in the overall number of ELQ students studying exempt or protected subjects because we will continue to give priority for public funding to those who have not yet obtained a first higher education qualification.
6. As part of the review, I would like the Council to investigate whether there is any evidence available of changes in the flow of students as a result of ELQ policy. If there is concrete evidence of a large fall in demand at national level for a subject of national strategic importance, I would like the Council to advise us on:
 - a. the scope to increase demand for that subject from those without an equivalent or higher level qualification
 - b. whether there is adequate provision of Foundation Degrees - as the hallmark vocational qualification – in that subject
 - c. the scope for labour market demand for graduates in that discipline to translate into increased employer funding to support students in that discipline; and only then
 - d. whether there is a case for exempting entrants to the subject who have an ELQ from the general ELQ funding rule or protecting it in other ways.
7. In any such cases, the Council should also advise on the scope for removing exempted or protected subjects from the list. We will then work with you to agree any changes to the subjects that are exempted or protected.
8. It is, of course, for the Council to decide on the best way of conducting this review but I would like it to take an evidence-based approach. I imagine the review will exclude Strategically Important and Vulnerable Subjects because the health of these disciplines rightly falls under the remit of your new Strategically Important Subjects advisory group, chaired by Peter Saraga. And, given your additional support for SIVS, it would be difficult (if not impossible) to establish a baseline for the review that would be comparable with other subjects. You will, no doubt, work with Peter's group as and when it is necessary.
9. I am very grateful to the HEFCE Board and its officers for their work on the implementation of the policy and I look forward to continuing to work closely with the Council on this and other issues.

Best wishes


DAVID LAMMY