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Core funding/operations

Framework for accountability

This report is for information

We have a funding agreement with each institution that we fund, which specifies targets relating to student numbers. This document explains what action we will take if institutions do not meet their targets for 2011-12.

HEFCE grant adjustments 2011-12

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HEFCE grant adjustments 2011-12

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges Heads of universities in Northern Ireland
Of interest to those responsible for	Finance, Student data, Planning
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Executive summary

Purpose

1. We have a funding agreement with each institution that we fund, which specifies targets relating to student numbers. This document explains what action we will take if institutions do not meet their targets for 2011-12.

Key points

2. Within our funding agreements with institutions, we specify four targets that apply to student numbers funded through our mainstream teaching funding, although these targets will not all apply to every institution. They are:
- The contract range.** Under our funding method for teaching, we calculate a standard level of resource for each institution, and an assumed resource (actual HEFCE teaching grant plus an assumption of income from fees). The percentage difference between assumed and standard resource for the academic year 2011-12 should be within a given range – known as the ‘contract range’.
 - The student number control.** Our allocations for 2011-12 make provision for student numbers to be consistent with the Government’s plans. To help manage the risk of over-recruitment, we have specified a limit for each institution of HEFCE-fundable and employer co-funded students starting full-time (FT) undergraduate (UG) and Postgraduate/Professional Graduate Certificate in Education (PGCE) study in academic year 2011-12. Institutions recruiting above this limit will incur a reduction in grant.
 - Funding conditional upon delivery of growth.** This applies to institutions that are expected to increase student numbers in 2011-12, as a result of being awarded mainstream additional student numbers (ASNs). Funding for those places is contingent upon institutions actually recruiting additional students to fill the places.

- d. **The contract full-time equivalent (CFTE)**. This is a minimum number for students on UG medical and dental courses to which a quota applies.
3. These measures are designed, respectively:
 - a. To maintain broadly comparable resource levels per student so that the quality of the student experience is not put at risk.
 - b. To reduce the risk of HEFCE's grant being reduced by Government in order to meet unplanned student support costs.
 - c. To ensure that funds allocated for expansion do indeed deliver additional places.
 - d. To ensure that the intended number of medical and dental students required to meet national needs is delivered, in return for the exceptionally high level of funding provided for such students.
4. To achieve these objectives we will withhold grant from an institution which meets one or more of the following criteria:
 - a. The institution is found to have a level of assumed resource which takes it above its contract range.
 - b. The institution exceeds its permitted level of HEFCE-fundable and co-funded students starting FT UG or PGCE study in the academic year 2011-12 (the student number control).
 - c. The institution does not deliver the growth expected in 2011-12 arising from an award of mainstream ASNs.
 - d. The institution under-recruits against its CFTE target for medicine and dentistry.
5. In addition to the targets and monitoring arrangements that apply to our mainstream teaching grant, we also fund some student numbers outside our mainstream teaching allocations. These include allocations for co-funded employer engagement. These allocations are subject to separate arrangements for monitoring and grant adjustments.
6. In relation to paragraphs 4-5, before taking any action we will give institutions an opportunity to tell us about any material changes in definitions or mitigating factors that may have influenced the calculated level of grant adjustment.
7. We allocated £4 million in 2010-11 to support institutions that are shifting the balance of their provision towards strategically important and vulnerable subjects. We invited bids for this initiative in 'Support for moving full-time undergraduate numbers into strategically important and vulnerable subjects (SIVS) in 2010-11' (HEFCE Circular letter 06/2010). For 2011-12 we are providing a further allocation under this initiative, which will enable institutions that were successful in their bids to maintain their intakes in these subjects at the higher levels they planned for 2010-11. The subjects in question are certain science, technology, engineering and mathematics subjects and modern foreign languages. We reserve the right to withdraw funds in the event that the proposed recruitment does not occur.
8. If an institution does not recruit any students in 2011-12 then all funding for teaching allocated for 2011-12 will be held back.

Action required

9. No response is required.

Background: the funding agreement

10. We expect each institution to provide a certain level of teaching activity in return for our funding. Each July we issue a funding agreement which specifies targets that we expect the institution to meet in the coming academic year. These targets set overall controls on student numbers. In most cases, the targets apply to our mainstream teaching grant: that is, the funding included in our calculations of standard and assumed resource. However, some additional student numbers (ASNs) are allocated outside the mainstream teaching grant and are therefore subject to separate monitoring arrangements.

11. Within the mainstream teaching grant, there are up to four separate targets specified in the funding agreement for 2011-12, although not all apply to every institution. These are shown in Table 1.

Table 1 Targets for student recruitment

Target	Applies to:
Contract range	All higher and further education institutions directly funded by HEFCE (see paragraphs 34-40)
Student number control	All higher and further education institutions directly funded by HEFCE (see paragraphs 46-52)
Funding conditional upon delivery of growth	Those higher and further education institutions that are expected to increase student numbers in 2011-12 as a result of allocations of mainstream ASNs (see paragraphs 24-31)
Medical and dental contract full-time equivalent	Only those higher education institutions with medical or dental schools (see paragraphs 32-33)

12. If an institution does not meet one or more of its targets, we may withhold some of its grant. This is known as holdback.

13. The contract range, funding conditional upon delivery of growth and medical and dental contract full-time equivalent (CFTE) targets are minimum levels that each institution must meet.

14. The student number control target represents a maximum level; recruitment above this level will result in holdback. It applies both to students funded through the mainstream teaching grant and to others funded outside the mainstream who are co-funded by employers.

15. Institutions should read this publication alongside their individual funding agreement for 2011-12, issued in July 2011. The funding agreement explains how we monitor whether institutions are meeting their targets, and the students who may count towards them.

16. Individual students may count towards more than one target, which means that there is an interaction between the different targets. To take account of this interaction, we will monitor against three of the targets in the following order:

- a. Funding conditional upon delivery of growth.
- b. Medical and dental CFTE.
- c. Contract range.

17. Where appropriate, we will take account of adjustments to funding arising from institutions' recruitment against one target, before we make further adjustments because of their recruitment against a subsequent target.

18. Independently, we will monitor each institution's compliance with the student number control that we have specified for them. Where we find that an institution has exceeded its limit, this will result in a reduction to grant, which may be applied in the 2011-12 and/or 2012-13 academic year. In addition, where an institution has not sufficiently offset in 2011-12 any over-recruitment that arose in 2009-10 and/or 2010-11, this will also result in a reduction to grant.

19. We will give institutions an opportunity to appeal for mitigation before finalising any such grant adjustment. Institutions should assume that no margin above the limit specified for 2011-12 will apply before we seek to apply grant reductions.

20. Co-funded employer engagement ASNs are awarded outside the mainstream teaching grant. The monitoring and grant adjustment arrangements for this initiative are described in paragraphs 55-61.

21. If an institution does not recruit any students in 2010-11, then all funding for teaching allocated for 2010-11 will be held back.

Implications of 2011-12 grant adjustments on funding in 2012-13

22. We are currently consulting on proposals for teaching funding for 2012-13 (see 'Teaching funding and student number controls: Consultation on changes to be implemented in 2012-13' (HEFCE 2011/20)¹). Our proposals include phasing out funding in relation to continuing students subject to the current fees and funding regime; and introducing funding in relation to new students subject to the fees and funding regime being introduced from 2012-13. These proposals mean that the concepts of consolidation of 2011-12 grant adjustments into 2012-13 grant, and opportunities to recover funding in 2012-13 arising from the consolidation of holdback, no longer apply as previously:

a. Rates of grant for the phase-out of funding will be based on 2011-12 allocations after incorporation of any teaching grant adjustments that arise from compliance with funding agreement targets, other than for exceeding student number control limits. These rates of grant will be applied (along with a scaling factor to ensure total allocations remain within budget) to the continuing student numbers reported for 2012-13.

b. Rates of grant for funding relating to new students will be at reduced sector-wide rates (subject to London weighting) in respect of students in price groups A and B only, and will be applied to the students subject to the new fees and funding regime reported for 2012-13. For this purpose, we reserve the right not to count students that we attribute to over-recruitment against the student number control or intake targets for quota-controlled medical and dental courses.

23. Institutions will have scope to generate additional income through this approach and the charging of tuition fees, if they make good in 2012-13 shortfalls in student numbers that occurred in 2011-12. However, they will still be subject to a student number control in 2012-13. It is not

¹ All HEFCE publications can be read at www.hefce.ac.uk/pubs/

necessary to increase student number control limits to provide opportunities to make good shortfalls in recruitment in the previous year and therefore we will not do so in 2012-13.

Funding conditional upon delivery of growth

24. Most allocations of ASNs form part of institutions' mainstream teaching grant. These include allocations awarded through historic bidding exercises (as described in 'Allocation of funds for additional student numbers in 2009-10 and 2010-11', HEFCE Circular letter 05/2008, and 'Additional student numbers for 2010-11', HEFCE Circular letter 22/2009), those to support major projects that have secured funding through our Strategic Development Fund, and those to support growth that meets national or regional needs.

25. We have prioritised the allocation of additional places on economic priority areas such as science, technology, engineering and maths (STEM) subjects and the higher skills priorities identified in the UK Commission for Employment and Skills National Strategic Skills Audit.

26. Where we have awarded ASNs as part of mainstream teaching grant, we expect institutions to deliver corresponding growth in their overall student numbers. If they do not, they will be liable to holdback. Growth in individual programmes offset by reductions in recruitment to other programmes is not sufficient: the growth must be additional to the institution's previous total student numbers.

27. In previous years we have given institutions that have failed to secure the required overall growth in the year for which it is first awarded, one further opportunity to deliver growth and retain the associated funding. This means that if institutions did not achieve all the growth expected in 2010-11, they have a further opportunity to do so in 2011-12. However, this does not apply where there were shortfalls in the delivery of University Modernisation Fund (UMF) places – those allocations were for 2010-11 only and there is no second chance in 2011-12 to make good any shortfalls in UMF student numbers that may have occurred. Paragraphs 22-23 explain the implications for 2012-13 funding if institutions have holdback of ASN funding allocated for 2011-12.

28. In assessing whether institutions have delivered the overall growth expected, we count any growth achieved firstly against the ASNs awarded for the previous year – that is, growth delivered at the second opportunity. Any remaining growth is then counted towards delivery, at the first attempt, of any fully funded ASNs for the current year.

29. The funding agreement therefore specifies a baseline full-time equivalent (FTE) figure and two FTE targets for institutions that are expected to deliver growth through fully funded ASNs in 2011-12. Also shown are the total funding and the funding rates per FTE associated with each of the FTE targets. The baseline and targets, which relate to funding conditional upon delivery of growth, comprise:

- a. **A baseline FTE.** Unless institutions reach the baseline FTE figure, they will not be able to recover any 2011-12 funding deducted for not delivering expected growth in 2010-11. They will also have all the funding held back for any 2011-12 ASNs.
- b. **A first FTE target representing the numbers required to deliver fully funded growth at the second attempt** (generally, allocations of ASNs awarded for 2010-11, other than through the UMF, still to be delivered in 2011-12). Institutions awarded mainstream ASNs for 2010-11 will already have had some of their funding held back if they did not

deliver sufficient overall growth in that year. That holdback of grant will have been consolidated into the baseline funding that rolls forward into the allocations for 2011-12. Institutions can recover the funding deducted in 2011-12, if they make good the previous year's shortfall in recruitment. The recovery of grant for recruitment above the baseline FTE figure will be at the rate per FTE, and up to the maximum level specified in the funding agreement. Any funding recovered will be incorporated in our calculations of teaching grant allocations for 2012-13. All teaching funding allocated through the UMF for 2010-11 has been withdrawn from all institutions for 2011-12, because it was provided for one year only. There is therefore no opportunity in 2011-12 for institutions to recover UMF funding if they under-recruited against their associated FTE targets in 2010-11: the funding conditional upon delivery of growth targets we have set for 2011-12 reflect this.

c. **A second (higher) FTE target representing the numbers required to deliver fully funded growth at the first attempt** (new ASN allocations for 2011-12 or student number allocations that are being brought within mainstream teaching grant from 2011-12). Institutions with such allocations for 2011-12 will have grant held back if they do not deliver sufficient overall growth. Any shortfall against this second FTE target will lead to holdback of grant at the rate per FTE, and up to the maximum level specified in the funding agreement. This holdback will be incorporated in our calculations of teaching grant allocations for 2012-13.

30. For two institutions (Birkbeck, University of London, and the Conservatoire for Dance and Drama) a further FTE target is also specified: 'FTEs required to retain 2010-11 ELQ safety net ASN funding'. This shows the minimum FTEs required to avoid holdback of ASN funding that has been allocated in place of safety net funding arising from the policy on equivalent or lower qualifications (ELQs). Further details about this were provided in paragraph 76 of the technical guidance for HEIs that accompanied the provisional recurrent grant letter of 14 March 2011. The guidance is available at www.hefce.ac.uk/finance/recurrent/2011/notify/. This further target also shows the total funding that may be held back, and the rate of holdback per FTE. Any shortfall against this further FTE target will lead to holdback of grant at the rate specified per FTE and up to the maximum level specified in the funding agreement, and will be incorporated in our calculations of teaching grant allocations for 2012-13.

31. Any holdback or recovery of funds will be applied in 2011-12 and will be incorporated in our calculations of teaching grant allocations for 2012-13.

The medical and dental CFTE

32. The Government expects HEFCE to control student numbers in medicine and dentistry because of the exceptionally high cost of the programmes. For this reason, we will continue to set a separate target for students on quota-controlled undergraduate (UG) and graduate entry medical and dental courses. This is expressed as a minimum FTE; recruitment below this level will lead to holdback of grant.

33. Any shortfalls against the medical and dental CFTE will be subject to holdback at an average rate based on the standard five-year medical course. This is calculated as two-fifths of the standard price for price group B, and three-fifths of the standard price for price group A, minus £1,345 assumed fee income (giving £9,959). Any holdback will be incorporated in our calculations of teaching grant allocations for 2012-13. This is necessary to reflect that 2011-12

mainstream funding will be phased out from 2012-13, while we intend to fund new entrants to quota-controlled medical and dental courses in 2012-13 under the proposed new funding method for high-cost subjects.

The contract range

34. Our mainstream funding method for teaching is designed to fund similar activities at similar rates across the universities and colleges we fund. To do so, we calculate a standard level of resource for each institution and compare it with the 'assumed resource' that the institution receives (actual HEFCE teaching grant plus an assumption of income from fees). The method is designed to ensure, for all institutions, that assumed resource comes within a 'tolerance band' of ± 5 per cent of the standard resource.

35. The funding method regulates the resource per student. Resources will vary according to the mix of students between subject, mode and level of study. This means that we cannot ensure similar levels of resources for similar activities merely by setting a minimum number of FTEs to be taught by each institution.

36. Instead, we set a target that specifies an acceptable percentage difference between an institution's assumed and standard resource. This is known as the 'contract range'. For most institutions, this will be the same as the tolerance band; that is, between -5 per cent and +5 per cent of the standard resource. However it may be extended for some institutions.

37. To monitor institutions' positions against their contract range, we will recalculate assumed and standard resource for each institution, using 2011-12 FTE data returned in our December 2011 aggregate student number surveys. The funding agreement explains in detail how we calculate these resource figures, and which students are counted towards them. We express assumed resource as a percentage of standard resource. We expect this percentage difference to come within the institution's contract range.

38. The electronic versions of the grant tables for individual institutions include worksheets that can be used to recalculate standard and assumed resource for 2011-12, and may help institutions to assess the effects of different recruitment patterns. The electronic grant tables for 2011-12 can be found on the HEFCE extranet at <https://extranet.hedata.ac.uk>. The organisation and group keys for 2011-12 grant tables were provided in Caroline Charlton's letter to heads of institutions of 19 January 2011.

39. In recalculating assumed resource, we will incorporate any holdback, or any recovery of funds, arising from institutions' recruitment against their FTE targets for funding conditional upon delivery of growth, or against their medical and dental CFTE.

40. We incorporate the holdback or recovery of funds arising from these other targets to ensure that we do not penalise institutions twice for a single instance of under-recruitment, and that an institution's ability to meet its contract range is not affected by the growth that we expect it to deliver to recover funding previously withheld.

Institutions above their contract range

41. If, when we recalculate assumed and standard resource using 2011-12 FTE data, the percentage difference is above the contract range, institutions will be liable to holdback. This will

be calculated as the variance between the percentage difference and the contract range, multiplied by the recalculated standard resource. For example:

- an institution has a contract range between -5 and +5 per cent
- its assumed resource is found to be 6.3 per cent above the standard resource (the percentage difference is +6.3 per cent)
- therefore holdback equals the difference between 6.3 and 5 = 1.3 per cent of recalculated standard resource (the variance multiplied by the institution's recalculated standard resource).

42. Any such holdback will be applied in 2011-12 and will be incorporated in our calculations of teaching grant allocations for 2012-13. Paragraphs 22-23 explain the implications for 2012-13 funding if institutions have contract holdback in 2011-12.

Institutions below their contract range

43. We will not apply holdback in 2011-12 to institutions for coming below their contract range.

44. The teaching element of UMF was included as part of recurrent mainstream teaching grant for 2010-11 only. Institutions are, however, required to include the associated students as HEFCE-fundable (assuming they meet all criteria for that status) in their Higher Education Students Early Statistics (HESES) returns while they remain at the institution. The UMF may therefore result in some institutions being positioned below the ± 5 per cent tolerance band in 2011-12 and subsequent years. We will suspend the conditions that apply to the lower limit of the tolerance band in order to accommodate these students, recognising that institutions are being required to secure efficiency savings as part of this process. We will not expect institutions to migrate back within the tolerance band in 2011-12.

Consolidated 2010-11 contract range holdback recoverable in 2011-12

45. Some institutions will have had holdback, for failing to meet their 2010-11 contract range, consolidated into 2011-12. They will have a chance to recover some or all of the funding that has been deducted in 2011-12, depending on their position relative to their contract range in this year. Any recovery of funds will be applied in 2011-12 and will be incorporated in our calculations of teaching grant allocations for 2012-13. Funding will be repaid to the extent that its reinstatement keeps an institution within its 2011-12 contract range and will be incorporated in our calculations of teaching grant allocations for 2012-13. For example:

- a. An institution had a contract range between -5 and +5 per cent in 2010-11.
- b. Its assumed resource was found to be 6.3 per cent above the standard resource so holdback of 1.3 per cent of the 2010-11 recalculated standard resource was applied and consolidated into 2011-12 grant.
- c. In 2011-12 assumed resource is found to be 4.5 per cent above the standard resource (the percentage difference is +4.5 per cent), within its contract range for 2011-12 of ± 5 per cent.
- d. The institution therefore recovers some or all of the consolidated holdback in 2011-12. The amount recovered is the lesser of the cash sum held back in 2010-11 and 0.5 per

cent of 2011-12 recalculated standard resource (the difference between the institution's percentage difference of +4.5 per cent and the top of its contract range).

The student number control

46. For 2011-12 we have set for each institution a specific number indicating the maximum number of HEFCE-fundable and employer co-funded students starting full-time (FT) UG and Postgraduate/Professional Graduate Certificate in Education (PGCE) study in the academic year 2011-12.

47. The 2011-12 student number control has been derived from the 2010-11 limit, adjusted for institutional transfers and ASN allocations. Institutions that exceed their student number control limit for 2011-12 will be liable for a reduction in HEFCE grant.

48. We wrote to institutions on 31 January 2011 to announce provisional limits for institutions for 2011-12. The provisional limits have been revised for individual institutions in the light of any appeals, corrections to underlying Higher Education Statistics Agency (HESA) or Data Service individualised student data, or other changes to grant. Updated student number control limits are specified in institutions' funding agreements. 'Student number control limits for 2011-12' (HEFCE Circular letter 02/2011) gives further details on our approach to setting provisional limits for each institution.

49. We will monitor each institution's compliance with the student number control specified in the funding agreement, or as subsequently amended. Where we find that an institution has exceeded its limit, this will result in a reduction to grant, which may be applied in the 2011-12 and/or 2012-13 academic year. This will be at a rate of £3,750 for each student above the limit, or such other rate as may be separately specified by the Department for Business, Innovation and Skills (BIS). This reduction may be repeated in subsequent years to the extent that the institution continues to contribute to excess student support costs. We will give institutions an opportunity to appeal for mitigation before finalising any such grant adjustment.

50. Institutions should assume that we will seek to implement grant reductions for any recruitment in excess of the limit specified for 2011-12, and that no minimum threshold will apply to such adjustments.

51. In addition, we are applying grant reductions to institutions that exceeded the 2010-11 student number control limit, or over-recruited in 2009-10 and did not sufficiently offset this by recruiting below their student number control limit for 2010-11. Where any such reduction applies, it may be repeated in whole or part in subsequent years unless the institution takes action to offset the over-recruitment in earlier years by recruiting below its 2011-12 student number control limit. Institutions' funding agreements specify what shortfall against the 2011-12 student number control limit is necessary to avoid any further grant reduction arising from previous over-recruitment. We have calculated this using individualised HESA or Data Service data to reflect the proportion of the excess student numbers recruited in 2009-10 and/or 2010-11 that we estimate will still be continuing their studies on similar programmes in 2011-12.

52. Where institutions do not sufficiently offset their over-recruitment from those earlier years, we will reduce their grant. This will be at a rate of £3,750 for each excess student recruited, or such other rate as may be separately specified by BIS, and may be applied in the 2011-12 and/or 2012-13 academic year.

Moderation

53. For 2011-12 we have set aside £30 million for moderation funding to smooth the most significant reductions to teaching and research grant. Moderation funding will be provided so that no institution sees a reduction in its recurrent teaching and research grant of more than 3.9 per cent in cash terms compared with the equivalent, unmoderated figure for 2010-11, but we will not provide moderation funding if it amounts to less than £100,000.

54. Any reduction in core funding for 2011-12 due to institutions exceeding their contract range will be subject to these moderation rules. We will not moderate other forms of holdback or grant adjustments arising from recruitment against the student number control.

Monitoring ASNs for co-funded employer engagement

55. Where we have awarded ASNs for 2011-12 that are to be co-funded with employers, the ASN FTEs, the associated HEFCE grant and the rate of grant per FTE are confirmed in institutions' funding agreements.

56. We propose to monitor achievement of these FTEs through the 2011 HESES and Higher Education in Further Education: Student (HEIFES) surveys. As stated in 'Changes to co-funding conditions of grant and monitoring arrangements' (HEFCE Circular letter 20/2010), we are monitoring 2010-11 recruitment of co-funded students in 2010-11 through the 2010 HESES/HEIFES surveys and the end of year co-funded employer engagement monitoring return (CFEE). We will then compare the two returns, and if we are satisfied that robust data can be collected through HESES/HEIFES, we will discontinue the CFEE.

57. For 2011-12 co-funding will follow the principles of mainstream ASN funding: each institution will be allocated a co-funding 'core', and funding will be adjusted on the basis of any under-recruitment against target and whether the institution has successfully bid for co-funded ASNs.

58. In the July funding agreements we present funding and targets for co-funding in the same way as previous years. However, we will issue revised allocations and targets in October to take account of any adjustments arising from institutions' 2010-11 co-funded student numbers reported in the CFEE.

59. Where institutions under-recruited against their 2010-11 co-funding target, this reduction will be consolidated into reduced funding for 2011-12 but the institution may recover the consolidated holdback deducted in 2011-12 if it makes good the shortfall in student numbers. Such institutions will then be set an FTE target to recover the funding removed from core for 2011-12. If this target is not met there will be no further opportunity to recover the funding.

60. The revised grant tables issued in October 2011 will therefore include up to three FTE targets and associated co-funding allocations:

- a. **2011-12 core FTEs.** This will show the FTEs delivered in 2010-11, the associated funding at 2011-12 prices (incorporating any pro rata reductions that apply) and the rate of funding per FTE. If institutions do not maintain this level of FTEs, then this 'core' funding will be held back at the rate per FTE shown for each FTE below the target.
- b. **FTEs required to recover reduction in core.** This will show the FTE total required to make good a shortfall in 2010-11, the total funding that may be recovered and the rate

of funding per FTE at which we will repay funding for each FTE above the 2011-12 core FTE total. If institutions do not meet this FTE total, there will be no further opportunity to make good the shortfall and recover any residual balance.

c. **FTEs required to avoid reduction in ASN funding.** This will show the FTE total required to avoid a reduction in funding for any further ASNs allocated for 2011-12, the associated ASN funding that is conditional on the total FTEs being achieved and the rate of funding per FTE. If institutions do not meet this FTE total, then we will hold back funding at the rate per FTE shown for each FTE below the target and up to the maximum of the associated ASN funding provided.

61. In each case, any grant adjustments arising from compliance with the three FTE targets will be applied in 2011-12 and will be incorporated in our calculations of allocations in respect of continuing students on employer co-funded courses in 2012-13. Paragraphs 22-23 explain the implications for 2012-13 funding if institutions have holdback of additional student number funding allocated for 2011-12.

Funding for widening participation and other targeted allocations

62. Funding for teaching in 2011-12 includes formula funding for widening participation, teaching enhancement and student success, and other variable targeted allocations. These are allocated in 2011-12 to reflect adjusted FTE student numbers at each institution in 2010-11. We will not recalculate this funding to reflect actual FTEs recruited in 2011-12.

Other conditions of recurrent grant

63. The funding agreement also specifies particular conditions that apply to certain elements of recurrent grant, including:

- Higher Education Innovation Funding
- additional funding for very high-cost and vulnerable science subjects
- funding for research degree programme (RDP) supervision. We require all institutions to comply with the revised Section 1 of the Quality Assurance Agency for Higher Education code of practice on postgraduate research programmes² in respect of those departments that attract RDP supervision grant
- additional funding to support institutions that are shifting the balance of their FT UG provision towards strategically important and vulnerable subjects in 2011-12. The subjects in question are certain STEM subjects and modern foreign languages.

In each case, we will withdraw some or all of the funding if the associated conditions of grant, specified in the funding agreements or elsewhere, are not met.

² 'Code of practice for the assurance of academic quality and standards in higher education' is available from www.qaa.ac.uk/academicinfrastructure/codeOfPractice/

Conditions of recurrent grant relating to tuition fees and access agreements

64. The Secretary of State expects institutions not to charge qualifying persons on qualifying courses more than a prescribed amount in tuition fees.
65. The prescribed amounts for 2011-12 reflect provisions in the Higher Education Act 2004 and are subject to overall limits that are set out in the Student Fees (Amounts) (England) (Amendment) Regulations 2011³. Qualifying courses and persons have the meaning prescribed in the Student Fees (Qualifying Courses and Persons) (England) Regulations 2007, as amended⁴.
66. 'New condition of grant about tuition fees and access agreements' (HEFCE Circular letter 15/2006) describes:
- the arrangements for 2006-07, which also apply in 2011-12 subject to the updated prescribed fee limits and the revised definitions of qualifying persons and qualifying courses set out in legislation
 - how institutions are required to comply with the provisions of any access agreement ('approved plan') in force, as approved by the Director of Fair Access
 - the action that HEFCE will take on its own account or on behalf of the Director of Fair Access if conditions of grant are breached. Any financial requirements may be applied in-year.

Institutions with no HEFCE-fundable students

67. If an institution fails to recruit any HEFCE-fundable students, all its funding for teaching will be held back. This includes mainstream teaching funding and funding for widening participation and other targeted allocations. We will not provide moderation funding in these circumstances.

Verification

68. Where our calculations suggest that grant should be withheld, we will notify institutions of the amount. We will give them the opportunity to verify the data used, and to tell us about any material changes in definitions or mitigating factors that may have influenced the calculated level of holdback.

Data audit and reconciliation

69. Data collected from institutions inform our allocation of recurrent funds for teaching and research, and some non-recurrent allocations in response to specific initiatives. The Council will continue to audit these data selectively in this and future funding exercises, through audit visits and other processes. We will also use data that institutions provide to HESA, the Data Service and other organisations to verify the data institutions send directly to us. We will use the

³ Statutory Instrument 2011/432, available from www.legislation.gov.uk/uksi

⁴ Statutory Instrument 2007/78, as amended, at the time of writing, by Statutory Instruments 2007/2263, 2008/1640 and 2011/87, also available from www.legislation.gov.uk/uksi

outcomes of these data audits and reconciliations to review funding allocations both for the year in question and all subsequent years.

70. If we find, either through reconciliations with HESA, Data Service or other organisations' data, or any data audit, that erroneous data have resulted in institutions receiving incorrect funding allocations (including for widening participation, teaching enhancement and student success and other targeted allocations), then we will adjust their funding accordingly (subject to any appeals process that may apply and the availability of our funds). We will recover funding from an institution from the year of audit/reconciliation unless there is evidence that an institution has deliberately not complied with the funding rules or has ignored previous HEFCE advice/recommendations. In these exceptional circumstances we may recover funding over a longer period, up to a maximum of seven years. The year of audit/reconciliation is the academic year which the data returns relate to, not necessarily the year the audit or reconciliation work is carried out. This is a revision to the previous approach on funding implications from audit.

71. We will continue to seek assurances from accountable officers and audit committees about the management and quality assurance arrangements for data submitted to HESA, HEFCE and other funding bodies. This is imperative in order to improve the reliability of data which is crucial for the efficiency of our funding and to reduce the number of significant funding adjustments arising from data corrections. Further guidance for audit committees on data assurance can be found at www.hefce.ac.uk/finance/assurance/guide/arrange.asp.

List of abbreviations

ASNs	Additional student numbers
BIS	Department for Business, Innovation and Skills
CFEE	Co-funded employer engagement (monitoring return)
CFTE	Contract full-time equivalent
ELQ	Equivalent or lower qualification
FT	Full-time
FTE	Full-time equivalent
HEFCE	Higher Education Funding Council for England
HEIFES	Higher Education in Further Education: Student
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics
PGCE	Postgraduate/Professional Graduate Certificate of Education
RDP	Research degree programme
STEM	Science, technology, engineering and maths
UG	Undergraduate
UMF	University Modernisation Fund