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**Core funding/operations**  
**Framework for accountability**

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This report is for information

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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 2009-10.

# HEFCE grant adjustments 2009-10

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# HEFCE grant adjustments 2009-10

<b>To</b>	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges Heads of universities in Northern Ireland
<b>Of interest to those responsible for</b>	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 2009-10.

### Key points

2. Within our funding agreements with institutions, we specify three targets that apply to student numbers funded through our mainstream teaching funding, although these targets will not all apply to every institution. They are:
  - a. 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 2009-10 must be within a given range – known as the contract range.
  - b. Funding conditional upon delivery of growth. This applies to institutions that are expected to increase student numbers in 2009-10, as a result of being awarded mainstream additional funded places. Funding for those places is contingent upon institutions actually recruiting additional students to fill the places.
  - c. The contract full-time equivalent (CFTE) number for students on undergraduate medical and dental courses to which a quota applies, setting minimum numbers.

3. These measures are designed:
  - a. To maintain broadly comparable resource levels per student so that the quality of the student experience is not put at risk.
  - b. To ensure that funds allocated for expansion do indeed deliver additional places.
  - c. 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:
  - a. Is found to have a level of assumed resource which takes it above its contract range.
  - b. Does not deliver the growth expected in 2009-10 – arising from an award of mainstream additional funded places.
  - c. Under-recruits against its CFTEs for medicine and dentistry.
5. Where an institution is found to be below its contract range, we will want to discuss the reasons with the institution, and to receive an action plan setting out how the institution will ensure it comes within the range in 2010-11. We expect that institutions will then take the necessary action to bring numbers into line with their targets.
6. In addition to the targets and monitoring arrangements that apply to our mainstream teaching grant, we are also funding some student numbers outside our mainstream teaching allocations. These include allocations for some Lifelong Learning Networks and for co-funded employer engagement. These allocations are subject to separate arrangements for monitoring and grant adjustments.
7. In relation to paragraphs 4-6, 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 holdback.

8. On 29 October 2008, the Secretary of State wrote to HEFCE asking us to allocate no more than 10,000 additional (fully-funded) student numbers for 2009-10. Our grant letter from the Secretary of State of 21 January 2009 provided further information on this and states that ‘any over-recruitment in the coming year could result in a transfer of HEFCE grant back to this Department in that or future years, in order to meet the consequent unanticipated student support costs’.

9. On 20 July, the Secretary of State announced the availability of 10,000 new student places for 2009-10. The Minister of State for Higher Education and Intellectual Property provided further guidance on this in a letter to our Chair on 23 July 2009. The 10,000 new places for 2009-10 are for full-time undergraduates in certain subject areas that will support the Government’s ‘New Industry, New Jobs’ policy.

10. Our allocations for 2009-10 make provision for growth in the sector that is consistent with the Government’s plans. To help manage the risk of over-recruitment we ask institutions to avoid increases in full time undergraduate and PGCE entrants above the level of their actual admissions in 2008-09 plus any additional student numbers (ASNs) allocated to them for 2009-10 by HEFCE or the Training and Development Agency for Schools, unless such increases:

- are of full-time undergraduates in the subjects specified in Annex A of HEFCE Circular letter 15/2009 and
- do not exceed the numbers confirmed in Circular letter 17/2009.

We expect institutions to recruit responsibly in 2009-10, but have not introduced any new specific targets through the funding agreement this year. Nevertheless, we may take further action if individual institutions or the sector as a whole significantly over-recruit in 2009-10 and if the Department for Business, Innovation and Skills (BIS) were to reduce HEFCE grant in order to meet its additional student support costs.

11. The Secretary of State's letter dated 6 May 2009 stated that efficiency savings of £180 million were required to be delivered by higher education as part of the additional efficiencies required in 2010-11 as set out in the 2008 Pre-Budget Report. In light of the Secretary of State's letter, the Board agreed that, as a contribution to the overall efficiency saving of £180 million required in the 2010-11 financial year, we will apply a £65 million saving to teaching grant in the 2009-10 academic year.

12. This efficiency saving has been applied pro-rata to all elements of recurrent teaching grant, after incorporating other changes to the allocations since March. The adjustment is 1.36 per cent of total teaching funding. We will also apply the same efficiency saving to any grant adjustment (whether positive or negative) arising from institutions' HESES09 and HEIFES09 data, or any other separate monitoring (such as of employer co-funded allocations, or following data audit or reconciliation). This is necessary to ensure the efficiency saving applies in equal measure to all institutions for the year, including where adjustments to teaching grant are subsequently necessary.

13. If an institution does not recruit any students in 2009-10 then all funding for teaching allocated for 2009-10 will be held back.

#### **Action required**

14. No response is required.

## Background: the funding agreement

15. 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 its student numbers. In most cases, the targets apply to our mainstream teaching grant: that is, the funding that is 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.

16. Within the mainstream teaching grant, there are up to three separate targets specified in the funding agreement for 2009-10, although not all apply to every institution. These are shown in Table 1.

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

18. Institutions should read this publication alongside their funding agreement for 2009-10, issued in July 2009. The funding agreement explains how we monitor whether institutions are meeting these targets, and the students who may count towards them. 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 the targets in the following order:

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

19. 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.

20. ASNs awarded outside the mainstream teaching grant include those for some Lifelong Learning Networks (LLNs) and for co-funded employer engagement. The monitoring and grant adjustment arrangements for these initiatives are described in paragraphs 45-51.

## Implementation of efficiency savings

21. The Secretary of State's letter dated 6 May 2009<sup>1</sup> stated that efficiency savings of £180 million were required to be delivered by higher education as part of the additional efficiencies required in 2010-11 as set out in the 2008 Pre-Budget Report. In light of the Secretary of State's letter, the Board agreed that, as a contribution to the overall efficiency saving of £180 million required in the 2010-11 financial year, we will apply a £65 million saving to teaching grant in the 2009-10 academic year.

22. This efficiency saving has been applied pro-rata to all elements of recurrent teaching grant, after

Table 1 **Targets for student recruitment**

Target	Applies to:
Contract range	All higher and further education institutions directly funded by HEFCE (see paragraphs 34-39)
Funding conditional upon delivery of growth	Those higher and further education institutions that are expected to increase student numbers in 2009-10 as a result of allocations of mainstream additional funded places (see paragraphs 25-31)
Medical and dental contract full-time equivalent (CFTE)	Only those higher education institutions with medical or dental schools (see paragraphs 32-33)

<sup>1</sup> Available from our web-site [www.hefce.ac.uk/news/hefce/2009/efficiency/letter.htm](http://www.hefce.ac.uk/news/hefce/2009/efficiency/letter.htm)

incorporating other changes to the allocations since March. The adjustment is 1.36 per cent<sup>2</sup> of total teaching funding.

23. In implementing this, we have sought to keep the presentation of the efficiency saving as simple as possible. We have therefore avoided recalculating the existing teaching model parameters that were used in the March 2009 grant announcement, such as the base price, fee assumptions and rates of funding for ASNs, and their consequent effects on institutions' positions in or outside the tolerance band and any requirements for migration funding.

24. In taking this approach, institutions should note that we will also apply the same efficiency saving to any grant adjustment (whether positive or negative) arising from institutions' HESES09 and HEIFES09 data, or any other separate monitoring (such as of employer co-funded allocations, or following data audit or reconciliation). This is necessary to ensure the efficiency saving applies in equal measure to all institutions for the year, including where adjustments to teaching grant are subsequently necessary.

## **Funding conditional upon delivery of growth**

25. Most allocations of ASNs form part of institutions' mainstream teaching grant. These include allocations awarded through historic bidding exercises, those to support major projects that have already secured funding through our Strategic Development Fund, and those to support growth that meets national or regional needs. The process for allocating additional places for 2009-10 and 2010-11 is set out in HEFCE Circular Letter 05/2008, 'Allocation of funds for additional student numbers in 2009-10 and 2010-11'.

26. Where we have awarded additional places through such exercises 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. We give institutions two opportunities to deliver the growth arising from such allocations of ASNs:

- a. Institutions awarded mainstream additional funded places for 2008-09 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 2009-10. Institutions can recover the funding deducted in 2009-10, if they make good the previous year's shortfall in recruitment.
- b. Institutions awarded mainstream additional funded places for 2009-10 will have holdback if they do not deliver sufficient overall growth. This holdback of grant will be consolidated into the baseline funding level that rolls forward into the allocations for 2010-11. Institutions will be able to recover the funding deducted in 2010-11, if they make good the previous year's shortfall in recruitment. Any funds recovered will be reduced by 1.36 per cent to incorporate the efficiency saving that we are implementing for 2009-10.

28. In assessing whether institutions have delivered the overall growth expected, we count any growth achieved firstly against the places 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 new additional places awarded for the current year.

29. The funding agreement specifies a baseline full-time equivalent (FTE) figure and two FTE targets for institutions that are expected to deliver growth in 2009-10.

- a. Unless institutions reach the baseline FTE figure, they will not be able to recover any 2009-10 funding deducted for not delivering expected growth in 2008-09. They will also have all the funding held back for any 2009-10 ASNs.
- b. The first FTE target shows the FTEs required to recover in full any 2009-10 funding already deducted owing to under-recruitment in

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<sup>2</sup> Throughout this document, references are made to adjusting figures to take account of a 1.36 per cent efficiency saving being applied for 2009-10. The figure of 1.36 per cent, wherever it occurs, has been rounded to aid reading of this document, but in adjusting figures in our actual calculations we will use an unrounded figure. This unrounded figure is 1.360827 per cent.

2008-09. The maximum funding that may be recovered, and the rate per FTE for any recovery of funds for recruitment above the baseline FTEs, are also shown. Neither of these figures have been adjusted to reflect the efficiency saving being implemented for 2009-10. The recovery of grant for recruitment above the baseline FTE figure will be at the rate per FTE, reduced by 1.36 per cent to reflect the efficiency saving, and up to the maximum level specified in the funding agreement, similarly reduced by 1.36 per cent.

- c. The second target shows the minimum FTEs required to avoid holdback of mainstream funding for ASNs awarded for 2009-10. This target may also incorporate student numbers that were previously outside the mainstream teaching grant, but which are being brought within it for 2009-10. The total funding that may be held back, and the rate of holdback per FTE, are also shown. Neither of these figures have been adjusted to reflect the efficiency saving being implemented for 2009-10. Any shortfall against this second FTE target will lead to holdback of grant at this rate per FTE, reduced by 1.36 per cent to reflect the efficiency saving, and up to the maximum level specified in the funding agreement, similarly reduced by 1.36 per cent.

30. For three institutions (Birkbeck College, the Conservatoire for Dance and Drama, and the Open University) a third FTE target is also specified. 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). Details about this were provided in the technical guidance for HEIs that accompanied the provisional recurrent grant letter of 2 March 2009. This third target also shows the total funding that may be held back, and the rate of holdback per FTE, although these have not been adjusted to reflect the efficiency saving being implemented for 2009-10. Any shortfall against this third FTE target will lead to holdback of grant at this rate per FTE, reduced by

1.36 per cent to reflect the efficiency saving, and up to the maximum level specified in the funding agreement similarly reduced by 1.36 per cent. However, in the event of such holdback, funding may instead be provided for 2009-10 as ELQ safety net funding to reflect what the institution would otherwise have been allocated for the year. The level of such ELQ safety net funding may not necessarily offset in full any holdback for shortfalls against this third FTE target. This reflects differences in how the associated ASNs are being phased and the levels of ELQ safety net funding that would have been provided in the absence of such ASNs.

31. Any holdback or recovery of funds will be applied in 2009-10 and consolidated into the following year's baseline allocation. For the future, we will continue to set FTE targets for those institutions that are expected to deliver growth as a result of an award of ASNs. Institutions that are awarded additional funded places will need to show an appropriate increase in total FTEs, otherwise they will be liable to holdback.

## **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 medical and dental courses. This is expressed as a minimum FTE, recruitment below which 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 £1,285 assumed fee income (giving £10,872), and then adjusted for the 1.36 per cent efficiency saving being implemented for 2009-10. The rate for 2009-10 is therefore £10,724. Any holdback will not be consolidated into institutions' baseline funding for 2010-11, since we would not expect the shortfall against the medical and dental CFTE to recur the following year.



## 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 resources 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 this 'assumed resource' comes within a tolerance band of  $\pm 5$  per cent of the standard resource. Where institutions fall outside the band, they are expected to move within it over an agreed period. The funding agreement seeks to support this objective.

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 those institutions that are moving towards the band.

37. To monitor institutions' positions against their contract range, we will recalculate assumed and standard resource for each institution, using 2009-10 FTE data returned in our December 2009 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 2009-10, and may help institutions to assess the effects of different recruitment patterns. The electronic grant tables for 2009-10 can be

found on the HEFCE extranet at <https://extranet.hedata.ac.uk>. The organisation and group keys for 2009-10 grant tables were provided in Caroline Charlton's letter to heads of institutions of 4 February 2009.

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. These figures for holdback or recovery of grant will not be adjusted at this point for the 1.36 per cent efficiency saving that we are applying for 2009-10. This is to ensure that we do not penalise institutions twice for a single instance of under-recruitment, and that institutions' ability to meet their contract range is not affected by the growth that we expect them to deliver to recover funding previously withheld.

## Institutions above their contract range

40. If, when we recalculate assumed and standard resource using 2009-10 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).

41. Any such holdback will be applied in 2009-10 and consolidated into baseline funding levels for 2010-11. Institutions will have the opportunity to recover some or all of the 2009-10 holdback consolidated into 2010-11, to the extent that the reinstatement of the funding keeps the institution within its 2010-11 contract range. The amount to be held back in 2009-10 and the amount

recoverable in 2010-11 will both be adjusted to reflect the 1.36 per cent efficiency saving being implemented in 2009-10. See paragraph 44 for an example of how such recovery will operate.

### **Institutions below their contract range**

42. We will not apply holdback in 2009-10 to institutions for coming below their contract range (though all institutions should note that adjustments to grant arising from over-recruitment may nevertheless be made, as described in paragraphs 55 to 59). We will, however, want to discuss with them why they have not met the contract range, and what action they will take to ensure they meet it in future. So long as the institution provides a credible action plan setting out how that will be done, and comes within the contract range set for the following year (2010-11), no further action will be taken. In the unlikely event that an action plan is either not provided or not implemented, we may take appropriate action at that stage.

43. We are continuing to monitor institutions' achievements against their contract range from year to year. We wish to ensure that institutions provide adequate resources for their programmes, so that the quality of the student experience is not put at risk. Furthermore, we do not expect an institution to move below its contract range by delivering significant unfunded growth, and would not wish to reward an institution for doing so when other institutions are behaving more responsibly in planning to meet their contract ranges. We therefore expect institutions to meet their contract range each year. If we consider that institutions have not acted responsibly in managing their recruitment and compliance with the contract range, we may take this into account when considering any forthcoming proposals for funded growth.

### **Consolidated 2008-09 contract range holdback recoverable in 2009-10**

44. Some institutions will have had holdback for failing to meet their 2008-09 contract range consolidated into 2009-10. They will have a chance to recover some or all of the funding, depending on their position relative to their contract range in

2009-10. Any recovery of funds will be applied in 2009-10 and consolidated into the following year's allocation. Funding will be repaid to the extent that its reinstatement keeps an institution within its 2009-10 contract range. For example:

- an institution had a contract range between -5 and +5 per cent in 2008-09
- its assumed resource was found to be 6.3 per cent above the standard resource so holdback of 1.3 per cent of the 2008-09 recalculated standard resource was applied and consolidated into 2009-10 grant
- in 2009-10 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 2009-10 of  $\pm 5$  per cent
- the institution therefore recovers some or all of the consolidated holdback in 2009-10. The amount recovered is the lesser of the cash sum held back in 2008-09 and 0.5 per cent of 2009-10 recalculated standard resource.

We will adjust any amount recovered to reflect the efficiency saving, to ensure that institutions recovering grant are treated in the same way as institutions not subject to holdback in 2008-09. We will calculate the amount repayable such that reinstatement keeps the institution within its 2009-10 contract range (further details are provided in the technical guidance that accompanied your grant letter dated 2 March 2009). We will then reduce this amount by 1.36 per cent to reflect the efficiency saving.

### **Moderation**

45. We have revised our moderation threshold to reflect the need to deliver efficiency savings. This has been necessary to ensure that the total funding for moderation remains affordable and does not exceed the £24 million that we originally set aside for this purpose in February. We have therefore now decided that moderation should be provided so that no institution sees a reduction in cash terms of more than 0.6 per cent compared with the equivalent, unmoderated figure for 2008-09, but that we should not provide moderation funding if it amounts to less

than £100,000. Any reduction in core funding for 2009-10 due to institutions exceeding their contract range will be subject to these moderation rules. We will not moderate other forms of holdback.

## **Monitoring of additional student numbers outside mainstream teaching grant**

46. Some allocations of ASNs are awarded outside the mainstream teaching grant. This means that they are not included in the main funding conditional upon delivery of growth targets, nor in assessing compliance with the contract range. Instead, they are subject to separate monitoring and grant adjustments. These ASNs include allocations for some LLNs (known as 'model 2' LLNs) and allocations for co-funded employer engagement.

### **Additional student numbers for model 2 LLNs**

47. The two models of funding arrangement for LLNs were described in a letter from John Selby of 2 May 2006. This is available from our web-site at [www.hefce.ac.uk](http://www.hefce.ac.uk) under Widening participation/Lifelong Learning Networks/Monitoring & evaluation/Monitoring LLNs. For those LLNs following 'model 1', allocations of ASNs are included in mainstream teaching grant and monitored through the main funding conditional upon delivery of growth targets and the contract range. For those following model 2, ASNs are allocated outside the mainstream teaching grant to a lead institution and subject to separate arrangements for monitoring and grant adjustments.

48. The funding agreement for these lead institutions specifies:

- a. The funding for ASNs delivered in 2008-09.
- b. The funding for new ASNs awarded for 2009-10.
- c. The funding for ASNs not delivered in 2008-09, but recoverable in 2009-10.

However, none of the above figures have been adjusted for the 1.36 per cent efficiency saving that we are applying for 2009-10.

49. We will use the December 2009 aggregate student number survey to recalculate the funding associated with the LLN student FTEs reported by the lead institution. This will be based on the standard resource minus the assumed fee income for the FTEs concerned, incorporating London weighting and the flexible study weighting if these apply to the lead institution. We will count this recalculated funding firstly towards the funding for ASNs delivered in 2008-09; secondly towards the funding for ASNs not delivered in 2008-09 but recoverable in 2009-10; and thirdly towards the funding for the new ASNs awarded for 2009-10. We will pay any funding recovered, and hold back any funding where there are shortfalls against the initial allocations for 2009-10 adjusting any amounts recovered or due to incorporate the 1.36 per cent efficiency saving being implemented in 2009-10. Further explanation of grant adjustments for model 2 LLN ASNs is given in the letter titled 'Holdback for LLNs with model 2 ASNs' which is available on our web-site at [www.hefce.ac.uk](http://www.hefce.ac.uk) under Widening participation/Lifelong Learning Networks/Monitoring & evaluation/Monitoring LLNs/Latest guidance on ASNs.

50. Any holdback or recovery of funds will be applied in 2009-10. Such grant adjustments will be consolidated into the following year's allocation for the LLN. Further details are provided in the recurrent grant letter to individual institutions of 2 March 2009.

### **Additional student numbers for co-funded employer engagement**

51. Where we have awarded ASNs for 2009-10 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. These amounts have not been adjusted to reflect the efficiency saving being implemented for 2009-10. We will monitor achievement of these FTEs through a separate monitoring return at the end of the 2009-10 academic year. Further details about the arrangements for monitoring and grant adjustments relating to co-funded ASNs will be notified to relevant institutions separately.

### **Other additional student numbers outside mainstream teaching grant**

52. Exceptionally, other allocations of student numbers may be made outside the mainstream teaching grant. For 2009-10 this includes some allocations made through the Economic Challenge Investment Fund. Such allocations will be subject to monitoring and grant adjustment arrangements as separately notified to the individual institutions affected.

### **Funding for widening participation and other targeted allocations**

53. Funding for teaching includes formula funding for widening participation, teaching enhancement and student success, and other variable targeted allocations. These are allocated to reflect expected FTE student numbers at each institution in 2009-10. We do not propose to recalculate this funding to reflect actual FTEs recruited in 2009-10. However, we may introduce measures for 2010-11 that could involve holdback of 2010-11 formula funding for variable targeted allocations, including widening participation and teaching enhancement and student success, if we find that significant under-recruitment at institutions warrants recalculation of these elements of grant.

### **Other conditions of recurrent grant**

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

- a. Additional funding for very high cost and vulnerable science subjects. We will withdraw some or all of this funding if the associated conditions are not met.
- b. Funding for widening participation. We will suspend some or all of this funding if the associated conditions are not met.

### **Student numbers for 2009-10**

55. On 29 October 2008, the Secretary of State wrote to HEFCE asking us to allocate no more than 10,000 additional (fully-funded) student numbers

for 2009-10. He also asked us to work up contingency measures that could be used to reduce the risk of institutions over-recruiting, with a view to avoiding unplanned growth undermining the Government's commitment on the unit of funding and its ability to manage expenditure on student financial support in a sustainable way.

56. Our grant letter from the Secretary of State of 21 January 2009 provided further information on this. He asked us to minimise and preferably eliminate over-recruitment and warned that any over-recruitment in 2009-10 could result in a transfer of HEFCE grant back to the Department in that or future years, in order to meet the consequent unanticipated student support costs.

57. On 20 July, the Secretary of State, Lord Mandelson, announced the availability of 10,000 new student places for 2009-10. The Minister of State for Higher Education and Intellectual Property, David Lammy, provided further guidance on this in a letter to our Chair on 23 July 2009. The 10,000 new places for 2009-10 are for full-time undergraduates in certain subject areas that will support the Government's 'New Industry, New Jobs' policy. These include, but are not limited to, science, technology, engineering and mathematics. The places are being supported by the Government through the provision of student support and loans towards the tuition fees that institutions will charge, but do not come with additional HEFCE grant.

58. Our allocations for 2009-10 make provision for growth in the sector that is consistent with the Government's plans. To help manage the risk of over-recruitment we ask institutions to avoid increases in full-time undergraduate and PGCE entrants above the level of their actual admissions in 2008-09 plus any ASNs allocated to them for 2009-10 by HEFCE or the Training and Development Agency for Schools, unless such increases:

- are of full-time undergraduates in the subjects specified in Annex A of HEFCE Circular letter 15/2009 and
- do not exceed the numbers confirmed in Circular letter 17/2009.

We expect institutions to recruit responsibly, but have not introduced any new specific targets through the funding agreement for 2009-10.

59. Nevertheless, we may take further action if individual institutions or the sector as a whole significantly over-recruit in 2009-10 and if BIS were to reduce HEFCE grant in order to meet its additional student support costs. The action to be taken, and the institutions to which it would apply, cannot be specified at this time. The further action may, depending on the circumstances, include, for example:

- a. Introducing a new student number control for 2010-11, recruitment above which would result in a reduction in HEFCE grant. The calculation of any reduction in HEFCE grant might be at a level to cover, for example:
  - i. A proportion of the average publicly-funded tuition fee for each student above the limit.
  - ii. A proportion of the average maintenance grants and loans payable from public funds for each student above the limit.
- b. If BIS were to reduce HEFCE grant either in-year or in 2010-11, because of excess student support costs in 2009-10, then we would pass that reduction on to institutions. This may be solely to those institutions that we consider responsible for the excess student support costs, or, if we consider we cannot identify those responsible satisfactorily, then it may be to all institutions. In either case, this might include reductions for institutions that have otherwise met their HEFCE funding agreement targets for 2009-10.

## **Conditions of recurrent grant relating to tuition fees and access agreements**

60. The Secretary of State expects institutions not to charge qualifying persons on qualifying courses more

than a prescribed amount in tuition fees. The prescribed amounts for 2009-10 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 2008<sup>3</sup>. Qualifying courses and persons have the meaning prescribed in the Student Fees (Qualifying Courses and Persons) (England) Regulations 2007, as amended<sup>4</sup>. HEFCE Circular Letter 15/2006<sup>5</sup>, 'New condition of grant about tuition fees and access agreements', sets out the arrangements for 2006-07, which also apply in 2009-10 subject to the updated prescribed fee limits and the revised definitions of qualifying persons and qualifying courses set out in legislation. Circular Letter 15/2006 also explains how institutions are required to comply with the provisions of any access agreement ('approved plan') in force, as approved by the Director for Fair Access. It also describes the action that HEFCE will take on its own account or on behalf of the Director for Fair Access if conditions of grant are breached. Any financial requirements may be applied in-year.

## **Institutions with no HEFCE-fundable students**

61. 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**

62. 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.

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<sup>3</sup> Statutory Instrument 2008/2507, available from the Office of Public Sector Information (OPSI) web-site, [www.opsi.gov.uk](http://www.opsi.gov.uk) under Legislation/Original/UK/Statutory Instruments.



<sup>4</sup> Statutory Instrument 2007/778, as amended by Statutory Instruments 2007/2263 and 2008/1640, also available from the OPSI web-site.

<sup>5</sup> Available at [www.hefce.ac.uk](http://www.hefce.ac.uk) under Publications.

## **Data audit and reconciliation**

63. Data collected from institutions inform our allocation of funds for teaching and research. We will continue to audit these data selectively in this and future funding exercises, through audit visits. We will also use data which institutions provide to the Higher Education Statistics Agency (HESA) or the FE Data Service to verify the data institutions send directly to us. We will use the outcomes of these data audits and reconciliations to review funding allocations both for the year in question and all subsequent years. We reserve the right to review funding allocations for the most recent seven-year period.

64. If we find, either through reconciliations with HESA or FE Data Service data, or any data audit, that erroneous data have resulted in institutions receiving incorrect funding allocations (including for widening participation and other targeted allocations), we will adjust their funding accordingly (subject to the appeals process and the availability of our funds).



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