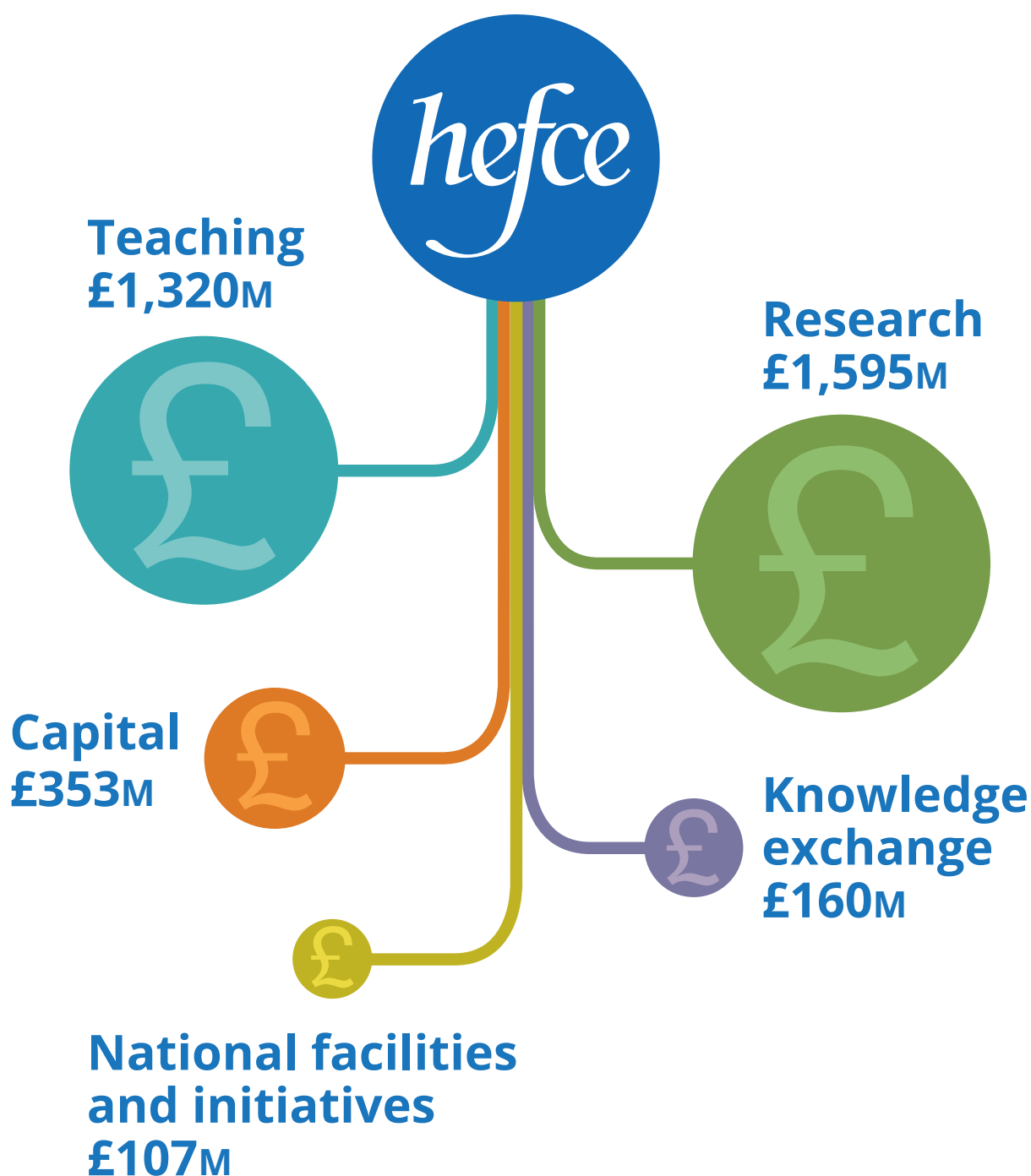


Guide to funding 2017-18

How HEFCE allocates its funds

April 2017/04



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Introduction

1. HEFCE distributes government funding for higher education. This guide explains how we calculate how much each university or college gets, the principles that underpin those calculations, and the components of an institution's grant.
2. This guide is intended for those working in higher education, and others who wish to understand our funding methods. It gives an introduction to those methods, but does not provide the full technical definitions and specifications used in our allocation and monitoring processes.
3. It is our practice to be open about our allocation methods and policies, and this guide is intended to explain them. It is divided into three main sections.
 - a. **Section 1: Overview** gives a basic summary of how we distribute funding, why we do it this way and how we ensure the money is well spent.
 - b. **Section 2: HEFCE's funding methods** contains more detail about each funding stream, our methods and the principles behind them. However, it does not include comprehensive technical details: more information is in the further reading suggested at the end of this guide.
 - c. **Section 3: Conditions of funding** contains more detail about the requirements that institutions must abide by to receive funding from us. This includes the assurance and accountability measures that institutions must comply with to receive funding, along with other funding conditions such as medical and dental intake targets.
4. Some terms are explained in 'jargon busters' throughout the document, and there is an explanation of terms and abbreviations near the end.

Higher Education and Research Bill

5. The Higher Education and Research Bill will establish, subject to the will of Parliament, the Office for Students (OfS) and UK Research and Innovation (UKRI) from April 2018. OfS will take on most of the existing functions of HEFCE and OFFA alongside new funding and regulatory responsibilities. UKRI will take on HEFCE's research and knowledge exchange functions (through Research England) alongside those of the seven Research Councils and Innovate UK.

Section 1: Overview

6. The total public funding for higher education in England is decided annually by the Government. For the 2017-18 academic year, this is provided through a variety of sources:

- tuition fee loans and maintenance grants and loans to students
- grants to universities and colleges from HEFCE
- grants to institutions and bursaries to students from other public bodies, such as the UK Research Councils and the Department of Health.

7. We are responsible for distributing grants to universities and colleges. Our grants to universities and colleges do not fully meet their costs: we make only a contribution towards their teaching, research, knowledge exchange and related activities.

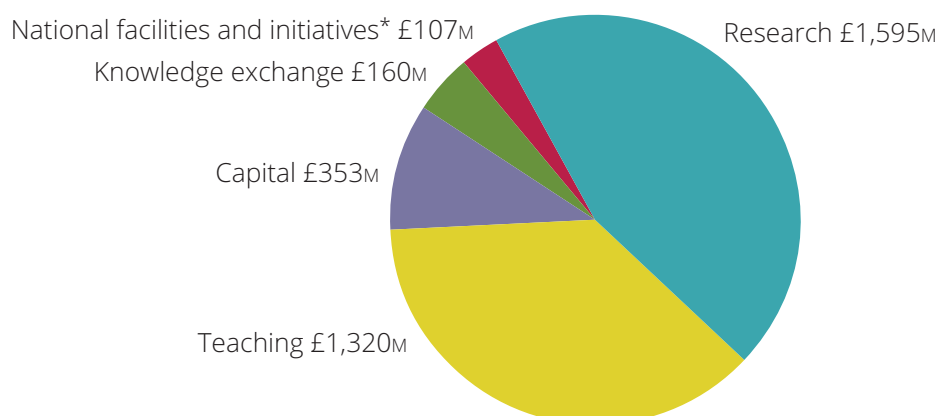
8. Each academic year (which runs from 1 August to 31 July), we distribute billions of pounds to English universities and colleges. For academic year 2017-18, the total is £3,536 million. We divide the total into money for teaching, research, knowledge exchange, funding for national facilities and initiatives, and capital grants.

9. Money for teaching, research and knowledge exchange is referred to as 'recurrent funding', and is by far the majority of what we distribute. Every spring we notify universities and colleges of how much recurrent funding they will receive for the coming academic year. (These announcements are provisional, and figures are finalised later.) In 2017-18 we are directly funding 133 higher education institutions (HEIs) and over 200 further education and sixth form colleges (FECs) that provide higher education courses.

10. The remainder is referred to as 'non-recurrent funding'. It comprises grants for capital projects and other development initiatives, and to support national facilities. These grants include funds designed to provide incentives for institutions, such as the Catalyst Fund, which supports projects that help us deliver our strategic aims and government priorities for higher education. These grants are announced as they are allocated, which may be at any time of the year.

11. Figure 1 shows the breakdown of total HEFCE grant in 2017-18.

Figure 1: HEFCE grant 2017-18 (£3,536 million)



* includes £10 million for the Institute of Coding competition and £4 million for 2017-18 expenditure relating to the Degree Apprenticeships Development Fund (see paragraph 151).

12. Under higher education finance arrangements introduced in September 2012, more public funding is provided directly to students (in the form of upfront tuition fee loans, repayable when the student's income is above a certain level), and less funding is provided to institutions through HEFCE teaching grants. This means that a high proportion of public funding for teaching is channelled through the Student Loans Company. HEFCE's teaching grant is directed towards areas where tuition fees alone may be insufficient to meet institutions' full costs: high-cost subjects; postgraduate provision; supporting students who are at risk of withdrawing from their studies or who may need additional support to succeed (such as those with disabilities); and specialist institutions with world-leading teaching. From 2017-18, teaching funding also includes support for students starting undergraduate pre-registration courses in nursing, midwifery and allied health professions (see paragraph 36).

13. Fees for most students are subject to regulation, with limits on what institutions may charge. This applies to most UK and European Union (EU) undergraduates, and to students on teacher training courses. Fees for most postgraduate students are not regulated.

14. Our aim, as described in 'Business plan 2015-2020: Creating and sustaining the conditions for a world-leading higher education system' (HEFCE 2015/01), is to create and sustain the conditions for a world-leading system of higher education which transforms lives, strengthens the economy, and enriches society¹. We will achieve this by:

- funding excellence in research wherever it is found, and the collaborative processes and infrastructure which support an efficient, world-leading research environment
- funding innovation and excellence in knowledge exchange
- incentivising excellence in teaching and learning (education)
- evaluating, promoting and funding practices in the sector which best address the issues of social mobility, participation, retention, achievement and progression
- having a deep 'real-time' understanding of the opportunities and risks facing the full range of higher education providers
- collecting, analysing and benchmarking data, and synthesising evidence, to provide a unique authoritative voice on higher education
- informing, developing, and implementing government policy to benefit the sector and students
- being an intelligent lead regulator of the sector, one which respects the autonomy of higher education providers and protects the interests of students
- working in partnership with others to influence and lever the investment in, and thereby to maximise the success of, English higher education.

15. We allocate funds to institutions to support teaching and, for HEIs only, to support research, knowledge exchange and related activities. We use formulae to divide the majority of the money between institutions. These formulae take into account certain factors for each institution, including the number and type of students, the subjects taught, and the amount and quality of research undertaken.

¹ See www.hefce.ac.uk/about/plan/.

16. Institutions receive most of their teaching, research and knowledge exchange funding as a grant that they are free to spend according to their own priorities, within our broad guidelines. We do not expect them, as autonomous bodies that set their own strategic priorities, to model their internal allocations on our calculations. However, certain conditions are attached to funding and are specified in institutions' funding agreements with us.

17. In addition to funding teaching, research and knowledge exchange activity, HEFCE has always worked to protect the interests of students (past, present, and future).

18. Institutions are accountable to HEFCE, and ultimately to Parliament, for the way they use funds received from us. As independent bodies, they receive funding from many other public and private sources. This gives them scope to pursue other activities alongside those for which they receive HEFCE funds.

How is teaching funding calculated?

19. Recurrent funding for teaching comprises a main element to support **high-cost subject funding**, informed by student numbers in different subject areas, plus a number of other **targeted allocations**.

20. The main high-cost subject funding allocation is calculated by multiplying together:

- **student numbers** in different subject groupings, known as price groups
- various **rates of grant** that apply to those student numbers
- a **scaling factor**, which ensures that the total allocated matches the sums we have available.

21. There are price groups (listed in order of reducing cost) for:

- the clinical years of medicine, dentistry and veterinary science courses
- laboratory-based science, engineering and technology subjects and pre-registration courses in midwifery and other allied health professions
- computing, archaeology, art and design, media studies and pre-registration courses in nursing
- other intermediate-cost subjects with a laboratory, studio or fieldwork element
- classroom-based subjects.

22. The targeted allocations reflect particular additional costs affecting certain types of student or provision, and include allocations to support:

- those institutions that recruit the highest proportions of students deemed to be most 'at risk' of withdrawing from their studies
- improving provision for disabled students
- postgraduate taught students (except those in classroom-based subjects)
- students attending courses in London
- students who started their studies before the higher education finance arrangements were introduced in September 2012
- students on exchange programmes with institutions abroad
- very high-cost science, technology, engineering and mathematics (STEM) subjects
- intensive postgraduate and accelerated undergraduate provision

- specialist institutions with world-leading teaching
- additional pay and pension costs of staff in medicine or dentistry
- the sustainability of certain professions in nursing, midwifery and allied health.

23. Calculations for allocations take account of students in different modes of study (full-time, 'sandwich year out' and part-time) and levels of study (undergraduate and taught postgraduate).

How is research funding calculated?

24. We aim to target funding where research quality is highest. Our main research funding method allocates 'mainstream quality-related research (QR)' funding. This distributes grant money based on the quality, volume and relative cost of research in different subject areas, with separate calculations to reflect research outputs, environment and impact.

25. First we determine how much funding to provide for research in different subjects, then we divide the total for each subject between HEIs. These decisions take into account:

- the volume of research (based on numbers of research-active staff)
- the relative costs (reflecting, for example, the fact that laboratory-based research is more expensive than library-based research)
- the quality of research.

Quality has been measured in the 2014 Research Excellence Framework, which informs research funding for 2017-18².

26. In addition to mainstream QR funding, other allocations contribute towards research-related costs. These are as follows.

- QR research degree programme supervision.** This allocation reflects postgraduate research student numbers, the relative costs of the subjects they are studying and a measure of relative quality at HEIs.
- QR charity support fund.** Many charities support research in higher education, particularly in medical disciplines, but they are not always able to meet the full economic costs of research. We therefore provide additional funding to HEIs in proportion to the income they receive from charities for research.
- QR business research element.** We also provide funding to support HEIs undertaking research with business and industry. This is allocated in proportion to the income they receive from business for research.
- QR funding for National Research Libraries.** This is allocated to five research libraries on the basis of a review carried out during 2007.

How is knowledge exchange funding calculated?

27. We aim to target knowledge exchange funding where the greatest positive impact on the economy and society can be achieved, based on higher education knowledge and skills. We use data on the income received by an HEI from its users – businesses, public and third sector services, the community and wider public – as a proxy measure for the impact of its knowledge exchange performance.

² See www.ref.ac.uk/.

28. We calculate allocations for individual HEIs by adding together their main knowledge exchange income indicators. This data is collected through the Higher Education – Business and Community Interaction survey and other data submitted to the Higher Education Statistics Agency. Only HEIs with evidence of performance above a certain level gain funding. There is also a cap on allocations. Funding is used to create and sustain a range of knowledge exchange activities in response to demand across the economy and society.

29. In August 2016, we asked HEIs to submit a five-year strategy covering all their knowledge exchange activities, including use of our knowledge exchange funding. Strategies are assessed and published to spread good practice and provide assurance of effective use of public funding, and used as the basis for release of future allocations.

Section 2: HEFCE's funding methods

2A Background

HEFCE's funding powers and responsibilities

30. HEFCE was established by the Further and Higher Education Act 1992, which sets out our powers. In broad terms, we are empowered to fund teaching, research and related activities of higher education institutions (HEIs), and prescribed courses of higher education at further education and sixth form colleges (FECs)³. We are also empowered to fund other organisations that carry out work for the benefit of the higher education sector as a whole. We can pay grants, whether recoverable or non-recoverable, to these other organisations on the basis of expenditure that they incur.

31. The funding methods described here will apply for the 2017-18 academic year. Subject to the will of Parliament, the Office for Students (OfS) and UK Research & Innovation (UKRI) will be established from 1 April 2018, when they are expected to take on responsibility for funding and regulation.

32. We do not directly fund students – we fund the activities of institutions. However, we do count students in our funding methods, as a proxy measure for the level of teaching and research activities taking place at institutions. This is an important distinction, and we discuss it further in paragraphs 47 to 50.

33. There are also distinctions between:

- what we are empowered to fund (arising from the 1992 Act)
- what we are responsible for funding (which is a policy decision of Government)
- what we choose to count for funding purposes.

34. Although we still have wide funding powers, a number of public bodies other than HEFCE have responsibilities to fund certain aspects of higher education, as outlined below:

- a. **Research.** The Research Councils distribute public funds for research to HEIs, to support specific research projects and some postgraduate students (HEFCE's research funding, on the other hand, supports the continued maintenance of research capacity and infrastructure in HEIs). Research Councils are funded by the Department for Business, Energy and Industrial Strategy (BEIS)⁴ and other government departments.

³ **Prescribed courses of higher education** are defined in separate legislation, but broadly relate to courses of at least one year's duration when studied full-time, or two years part-time, and which lead, on successful completion, to the award of certain higher education qualifications by certain awarding bodies. For more information see paragraph 34.d and 'Higher education in further education colleges: HEFCE's funding powers – prescribed courses of higher education' (HEFCE Circular letter 22/2008), available online at http://webarchive.nationalarchives.gov.uk/20120118164921/http://www.hefce.ac.uk/pubs/circlets/2008/cl22_08/.

⁴ See <https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>.

- b. **Medical and dental education and research.** Government funding for medical and dental education and research is distributed through a partnership between HEFCE and the NHS. HEFCE-allocated funds underpin teaching and research in university medical schools, while NHS funds support the clinical facilities needed to carry out teaching and research in hospitals and other parts of the health service. Funding for pre-registration courses in nursing, midwifery and allied health professions has, up to 2016-17, generally come from the NHS. This is changing from 2017-18, with HEFCE taking responsibility for allocating funding for new entry cohorts of students (see paragraph 36).
- c. **Teacher education and training.** The National College for Teaching and Leadership (NCTL) is responsible for supporting education and training courses aimed at school teachers, including initial teacher training (ITT) courses leading to qualified teacher status, and in-service education and training courses for those who hold this status. HEFCE has responsibility for other teacher education and training provision outside the schools sector, although finance is largely provided through students' tuition fees.
- d. **Higher education in further education and sixth form colleges.** As explained in paragraph 30, in FECs we are only empowered to fund 'prescribed' courses of higher education. These include HNCs, HNDs, foundation degrees, bachelors degrees, postgraduate degrees and certain teacher training qualifications. The awarding bodies for such courses include institutions with degree-awarding powers and (for HNCs and HNDs only) Pearson Education Limited. Prescribed courses do not include other higher education courses at FECs, such as some professional courses, or modules taught to students who may be taking parts of a prescribed course but have not declared an intention to complete the whole qualification. These other higher education courses are the funding responsibility of the further education funding body, the Education and Skills Funding Agency.
- e. **Loans for tuition fees.** Publicly funded loans to students to meet the costs of tuition fees, as well as grants and loans to support living costs, are administered by the Student Loans Company (SLC), which is government-funded and non-profit-making. Student loans are repayable only once the student's income is above a certain level.
- f. **Apprenticeships.** Finance for the delivery of apprenticeships is provided through the Education and Skills Funding Agency, with contributions to costs made by employers. This supports the delivery of apprenticeships for individuals studying in the year and is analogous to finance that for other higher education provision would be provided through tuition fees or SLC student support. HEFCE counts recognised higher education undertaken as part of an apprenticeship towards its allocations of teaching grant, where eligibility criteria are met. This provides support for high-cost activities, in the same way as for other higher education teaching. HEFCE is also providing separate development funding for degree apprenticeships in 2016-17 and 2017-18.
- g. **Knowledge exchange and innovation.** This is funded from a variety of sources:
 - i. The Research Councils support a range of schemes for knowledge exchange to further the impact of their funded research.
 - ii. Innovate UK is the UK's main funder of business innovation.

- iii. Universities and colleges play a significant role in local growth partnerships and can receive funding to support their knowledge exchange and skills activities, such as via European Structural and Investment Funds.
- iv. Funding from the beneficiaries of knowledge exchange in the economy and society provides a significant source of support to many institutions.

35. While we retain the funding responsibility for a wide range of activities, the finance arrangements for higher education and the limitations of our budget mean that only a subset of what is potentially fundable actually attracts grant through our funding method. For example, within teaching we primarily provide funding only in relation to activities where costs exceed the level that tuition fees could generally be expected to cover, and within research we continue to prioritise funding towards activity that meets a high quality threshold.

Pre-registration courses in nursing, midwifery and allied health professions

36. For 2017-18, students starting undergraduate courses that on successful completion lead to first registration as a professional in nursing, midwifery and certain allied health professions (pre-registration courses) will be supported through the higher education finance system – that is, through tuition fees supported by SLC loans, and HEFCE grants, instead of NHS bursaries. HEFCE has £32 million to support these courses in 2017-18 for the first entry cohort of students under the new finance arrangements. More details about this are available in ‘Funding for universities and colleges for 2017-18: Board decisions’ (HEFCE Circular letter 06/2017)⁵.

HEFCE recurrent funding

37. The Government sets public expenditure across all departments, by carrying out periodic spending reviews that set expenditure levels for certain years. The most recent spending review in 2015 set public expenditure up to the financial year 2019-20. To inform these spending reviews, we provide confidential advice to Government about the financial needs of higher education.

38. Every year in a grant letter to HEFCE the Government confirms the funding available for the following financial year, and provisional funding for any remaining years of the spending review period, along with policy priorities⁶. We then determine the grants to individual institutions, which we generally allocate on an academic year basis.

39. The money we allocate for teaching, research and knowledge exchange is referred to as ‘recurrent funding’ and is by far the majority of what we distribute. Institutions may spend this recurrent funding largely as they choose; they are not expected to mirror our calculations in their own internal spending. This allows institutions to target spending towards their own priorities, as long as these relate to the activities that we are empowered to fund: teaching, research, knowledge exchange and related activities. The grant allows institutions to be autonomous and does not impose the burden of accounting in detail for expenditure.

40. HEFCE’s funding for teaching is prioritised towards areas where tuition fees alone may be insufficient to meet institutions’ full costs: high-cost subjects; postgraduate provision; supporting students from disadvantaged backgrounds or

⁵ See www.hefce.ac.uk/pubs/year/2017/CL_062017/.

⁶ See www.hefce.ac.uk/funding/govletter/.

who may need additional support to succeed; and specialist institutions with world-leading teaching. It is important that institutions are able to demonstrate effective and efficient use of our teaching grant to support these priority areas in their internal resource allocations.

41. Other HEFCE funding is 'non-recurrent'. It comprises grants for capital projects, and funding for other development initiatives and to support national facilities. These grants are announced as they are allocated, which may be at any time of the year.

What are we trying to achieve?

42. We have identified a number of principles which guide our approach. We will:

- promote and protect the collective student interest
- endeavour to minimise administrative burden for institutions, including where complex policy objectives have been set
- support government funding priorities (including high-cost subjects, widening participation and specialist institutions with world-leading teaching)
- be fair across the higher education system, transparent in our methods and accountable for our funding
- reflect our duty to promote competition, and consider the need to take competition into account in allocating funding
- make funding interventions only where there is a strong case that competition will not produce outcomes that are either to the public's benefit, or in the collective student interest.

43. We want to make the best use of taxpayers' money – prioritising funding where we can get the best value and ensuring that we deliver the Government's policy aims and that institutions are accountable for the money they get, but without creating an excessive burden on them. The different elements of our budget have different purposes.

- a. For **teaching**, we invest in the interests of students and for wider public benefit. We want to ensure the availability of high-quality, cost-effective higher education across the country, so we invest in high-cost subjects at undergraduate and postgraduate levels, including (but not limited to) medicine, science, engineering and agriculture. We support subjects which are strategically important and vulnerable, as well as high-cost specialist institutions such as arts institutions. We target funding towards teaching for students who are new to higher education, rather than for those studying for qualifications that are equivalent to, or lower than, ones they already have (though some qualifications are exempt from this policy). We are committed to enabling institutions to attract and retain students from non-traditional backgrounds and disabled students, and to support postgraduate provision.
- b. For **research**, our funding method is designed to target funds where research quality is highest – we do not have sufficient money to support all the research that HEIs do.

Jargon buster

Knowledge exchange:

Knowledge-based interactions between higher education and the economy and society. Universities have considerable knowledge, expertise and assets that are put to use through engaging with businesses, public services, charities and communities. Examples include: setting up businesses to develop new technologies grounded in university research; enabling small businesses to use specialist equipment and other facilities; delivery of professional training, consultancy and services; supporting graduates to set up their own business; and contributing to social innovation.

Recurrent funding:

Yearly allocations aimed at ongoing core activities rather than shorter-term projects.

Funding for national facilities and initiatives, and capital funding:

Allocations used to secure change or fund activities that cannot be addressed through recurrent teaching or research funding.

- c. **Knowledge exchange funding** is focused in high-performing HEIs and aims to achieve maximum impact on the economy and society.
- d. **Funding for national facilities and initiatives** is (along with capital funding) broadly intended to support the development of the national infrastructure. Funding for national facilities and initiatives supports facilities such as Jisc (which funds development and champions the use of digital technologies in UK education and research). Another example of how this funding is used is to support innovation and dynamism in the higher education sector through the Catalyst Fund.
- e. **Capital funding** helps universities and colleges invest in their physical infrastructure so it remains fit for purpose. It includes:
 - i. Funding to support sustainability commitments and investment plans relating to teaching and research, provided under HEFCE's Capital Investment Framework. This is for institutions that manage their physical infrastructure in an environmentally sustainable way as an integral part of planning.
 - ii. The UK Research Partnership Investment Fund, which supports investment in higher education research facilities, to stimulate additional investment in higher education research and strengthen its contribution to economic growth.

How do we do it?

44. Each year we divide the total funds between teaching, research, knowledge exchange, and other funding, following any guidance from Government. The breakdown of HEFCE funding available for 2017-18 is shown in Table 1. There are rounding differences within the table.

Table 1: Breakdown of HEFCE funding for 2017-18

Element of grant	2017-18
Research	£1,595 million
Teaching	£1,320 million
Knowledge exchange	£160 million
Sub-total: Recurrent grant	£3,076 million
Funding for national facilities and initiatives*	£107 million
Capital funding	£353 million
Total	£3,536 million

* Includes £10 million for the Institute of Coding competition and £4 million for 2017-18 expenditure relating to the Degree Apprenticeships Development Fund (see paragraph 151).

Jargon buster

Catalyst Fund: Funding to promote and enhance innovative activities that address the Government's key policy priorities.

Capital Investment Framework (CIF): A method of assessing HEIs' approaches to investing their capital. It was developed to encourage institutions to manage their physical infrastructure as an integral part of their strategic and operational planning. HEIs that have satisfied the requirements of the CIF receive their formula capital allocation from HEFCE without the need to apply: the grants are paid directly in instalments.

UK Research Partnership Investment Fund (UKRPIF): A fund to support investment in higher education research facilities. The fund was set up in 2012 and awards are made through a competitive bidding process. There is no funding for UKRPIF in 2017-18, but funding resumes in 2018-19.

Formula funding

45. Our recurrent grants to institutions are almost entirely allocated by formula, which means that each institution receives a proportion of funding based on the measures outlined below. This ensures we are fair, transparent and efficient in how we distribute grants to institutions.

46. Any funding formula will generally require:

- a. A measure of volume. (For example, how many students or research-active staff does an institution have?)
- b. A measure of cost. (For example, how does the cost of providing a physics course differ from that of geography or business studies?)
- c. In some instances, a consideration of particular policy priorities. (For example, is there a national need to prioritise some activities above others? Should we take account of the relative quality of activity in prioritising funds?)

The first two components are discussed in detail in paragraphs 47 to 54. Our policy priorities are described in paragraphs 42 to 43 above.

Measures of volume: the distinction between what we fund and what we count for funding purposes

47. In calculating recurrent grant for each institution, we adopt certain measures of volume. In general, these measures act as proxies for all the teaching, research, knowledge exchange and related activities that we are funding, but they do not in themselves define what we fund or what our funding should be used for. For example, our volume measures are generally defined in terms of the activities of academic departments – how many students or research-active staff they have in a particular subject – but the funding may support the activity of institutions more generally, not just within those academic departments. We generally categorise our volume measures in terms of subject groupings, but these could be considered proxies for the different ways in which institutions undertake their teaching and research activities – for example, reflecting how some activity needs to take place in laboratories, some on field trips, some at the computer and some in lecture theatres.

48. In deciding what we count it is important to remember that we have a fixed budget provided to us by Government and that we are funding institutions, not individual students. Our budget does not change just because we choose one measure of activity rather than another. Our concern, therefore, is to ensure that institutions receive an appropriate, fair share of that fixed budget, in a way that supports accountability but avoids an excessive burden or unwelcome effects such as pressure on academic standards.

49. We therefore choose our volume measures to reflect factors that are important in higher education, and to take into account the following considerations:

- the extent to which a particular factor can be measured and audited reliably
- the accountability burden on institutions in providing the data
- the extent to which a volume measure will influence the distribution of grant
- the messages and incentives that any particular volume measure may give to institutions and the behaviours (desirable or undesirable) it might therefore encourage.

50. These issues are considered further in sections 2B and 2C, where we describe how we fund the separate elements within teaching and research.

Measures of cost

51. Periodically, we review information about the relative costs of different types of activity. These reviews are informed by data provided by HEIs on their expenditure in academic departments, or on the full economic costs of their teaching. We may also commission separate costing studies of particular aspects of provision, having most recently undertaken a study of pre-registration courses in nursing, midwifery and allied health professions. The main variation in costs relates to subject: we need to recognise, for example, that it costs more to teach medicine than chemistry, which in turn costs more than geography, which in turn costs more than history.
52. Most of the current subject groupings and weightings in our teaching funding method were informed by a 2012 review of the relative costs of teaching different subjects using data from the Transparent Approach to Costing for Teaching (TRAC(T)). The Transparent Approach to Costing is an activity-based costing system which derives the costs of teaching, research and other activity from HEIs' finance information, and TRAC(T) is the national framework for costing teaching in different subjects. We use TRAC(T) data to review the assignment of different subject areas (known as 'academic cost centres') to broad price groups, and whether and how those price groups should attract HEFCE grant. Our review is then the subject of consultation with the sector.
53. Our concerns are not limited to how much things cost: we also need to take account of how those costs are met – recognising in particular that students' tuition fees are expected to meet most teaching costs. We therefore determine rates of grant for teaching by identifying where costs for different subjects exceed the average level that we assume will be met through fee income (though we do not take account of variations in the fees charged by individual institutions). This approach ensures that we are able to prioritise our funding in those areas where it is most needed, without either disadvantaging those institutions that are able to charge higher fees than the sector average, or subsidising those that might seek a competitive advantage by charging lower fees.
54. Subject fields where the relative costs of research are higher attract a higher rate of HEFCE research funding: for example, laboratory-based research is more expensive than library-based research.

2B Teaching funding

55. Our teaching funding is provided through:
- a main allocation for high-cost subjects that supports the extra costs of teaching particular subjects
 - targeted allocations, to help meet additional costs that apply to certain types of student or provision and support areas of strategic importance.
56. Our funding method for teaching is designed to have the following five features:
- a. **Transparency.** The funding method should be clear and public. The data on which allocations are based should be auditable and, wherever possible, public.
 - b. **Predictability.** The method and its parameters should be predictable, so that an institution knows how decisions it might take, and changes in its circumstances, may affect its funding.

- c. **Fairness.** Differences in funding between institutions should be for justifiable reasons.
- d. **Efficiency.** The funding method should impose as small an administrative burden on institutions as the need for accountability allows.
- e. **Flexibility.** The method should be flexible enough to respond in a strategic manner to external policy changes, and particularly to developments in HEFCE's own policies.

57. The majority of institutions' income for teaching comes through students' tuition fees. The affordability to students of tuition fees is met (for most undergraduates) through the availability of enhanced loans, which are generally repayable after the student has finished their studies.

58. From August 2016, eligible postgraduates have also been able to obtain a loan of up to £10,000 to help cover fees and assist with living costs when starting a full-time or part-time masters course.

Data sources

59. For HEIs, we use two main data returns to inform our teaching grant allocations. These are as follows.

- a. The **Higher Education Students Early Statistics (HESES) survey**⁷. This is a return submitted directly to us that provides aggregate information on numbers of students. It is submitted by HEIs each year in December and reports on the student numbers in the current academic year. This ensures our funding decisions are based on the most up-to-date information available. However, because it is provided in-year, it includes elements of forecasting relating to students' activity up until the end of the academic year.
- b. The **Higher Education Statistics Agency (HESA) individualised student record**⁸. This is submitted after the end of the academic year. We use it to gain information about student characteristics that is used in some targeted allocations. We may also reconcile it against the HESES data previously provided to us by HEIs, and use it as a basis to review other teaching grant allocations. We receive the HESA data approximately 12 months after the equivalent HESES data.

60. FECs make equivalent data returns. These are the **Higher Education in Further Education: Students (HEIFES) survey** (the equivalent of HESES) and the **individualised learner record (ILR)**, which is submitted to the Education and Skills Funding Agency (formerly the Skills Funding Agency) and is the equivalent of the HESA individualised student record⁹.

The volume measure for teaching grant

61. The volume measure for our teaching funding method is based on the number of students at the institution.

⁷ See www.hefce.ac.uk/data/collect/heses/.

⁸ See <https://www.hesa.ac.uk/>.

⁹ See www.hefce.ac.uk/data/collect/HEIFES/ and <https://www.gov.uk/government/organisations/education-and-skills-funding-agency>.

Which students do we count?

62. In general terms, we count students from the UK and other EU countries (but not from outside the EU), if:

- a. They are on a recognised taught course of higher education or, in the case of students at HEIs, they are studying credits at higher education level¹⁰. We do not count postgraduate research students for teaching funding purposes.
- b. Funding responsibility does not rest with another EU public source. For example, the NCTL has responsibility for school teacher training; also funding responsibility for taught Open University students in Scotland, Wales and Northern Ireland rests with the devolved administrations, rather than HEFCE.
- c. They are on a course open to any suitably qualified candidate. If, for example, a course was available only to candidates from a particular employer, we would not consider the course to be open.
- d. They are not aiming for an equivalent or lower qualification (ELQ), or are exempt from the ELQ policy (see paragraph 63).
- e. They are studying at least 3 per cent of a full-time year of study – equivalent to about one week's study in the year.

63. Students aiming for an ELQ are generally not counted towards our funding allocations unless they are covered by an exemption. Current exemptions, for our funding purposes, include:

- students aiming for foundation degrees
- those aiming for a qualification in certain public sector professions, such as medicine, nursing, social work or teaching
- those receiving Disabled Students' Allowance (DSA)¹¹.

64. Not all countable students will attract funding for their institution through every element of HEFCE teaching grant. For example, an undergraduate in a classroom-based subject does not attract funding through the main allocation for high-cost funding (because the rate of grant for these students is zero) but may do so through the funding for some targeted allocations.

How do we count these students?

65. In general, students are counted only if they complete their full year of study. To count as completing for funding purposes, a student must normally undergo the final assessment for each module that they intended to complete, within 13 months from the start of that year. If the student misses the final assessment, but nevertheless passes the module, this also constitutes completion. Institutions receive income through tuition fees for students reported as non-completions.

66. Students are counted in terms of full-time equivalents (FTEs). FTE is a measure of how much a student studies over a year, compared with someone studying full-time. A full-time student counts as one FTE. Students on a 'sandwich year out' are counted as 0.5 FTE. The FTE of part-time students depends on the intensity of their study by comparison with an equivalent full-time student, based either on how long it takes them to complete their qualifications, or on how many credit points they study in the year.

¹⁰ Broadly speaking, 'higher education level' means an academic level above A-level standard.

¹¹ The Disabled Students' Allowance is a government grant to help meet the extra costs students can face as a direct result of a disability or specific learning difficulty.

Teaching funding streams

Table 2: Elements of teaching grant for 2017-18 (£1,320 million)

Elements of teaching grant	2017-18
Main teaching allocation for students in high-cost subjects	£652 million
<i>Of which funding for nursing, midwifery and allied health professions</i>	<i>£16 million</i>
Targeted allocations	£608 million
<i>Of which funding for nursing, midwifery and allied health professions</i>	<i>£15 million</i>
National collaborative outreach programme	£60 million
Total	£1,320 million

High-cost subject funding

67. High-cost subject funding for students is a **subject-based allocation**, which uses sector-wide funding rates that vary by price group.

68. This is allocated using the following formula:

- **sector-wide funding rates** by price group
multiplied by
- **student FTEs** reported to us by institutions
multiplied by
- a **scaling factor** (to ensure total allocations remain within budget). For 2017-18, this scaling factor has been set at 1.0165, providing an uplift of 1.65 per cent. Scaling factors are explained in paragraph 72.

69. Sector-wide funding rates for students are informed by the assignment of subject areas (known as 'academic cost centres') to five price groups:

- a. **Price group A.** The clinical years of study for medicine, dentistry and veterinary science. This price group applies only to HEIs that provide training for students seeking a first registrable qualification as a doctor, dentist or veterinary surgeon, or who are already qualified in those professions.
- b. **Price group B.** Laboratory-based science, engineering and technology subjects and pre-registration courses in midwifery and certain other allied health professions¹².
- c. **Price group C1.** Intermediate-cost subjects of archaeology; design and creative arts; information technology, systems sciences and computer software engineering; media studies; and pre-registration courses in nursing.
- d. **Price group C2.** Other intermediate-cost subjects with a laboratory, studio or fieldwork element, such as geography, mathematics, languages or psychology. This price group also includes all students on work experience placement years of sandwich courses ('sandwich year out').
- e. **Price group D.** Classroom-based subjects such as humanities, business or social sciences.

70. The subject-based allocation provides funding for students only in price groups A to C1.

¹² These allied health professions are dietetics, occupational therapy, operating department practice, orthotics, orthotics and prosthetics, physiotherapy, podiatry and chiropody, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

71. Table 3 shows rates of grant for students for the academic year 2017-18. Funding rates for part-time provision are the same, pro rata, as for full-time provision.

Table 3: Rates of high-cost subject funding for price groups per student FTE (before incorporating the scaling factor)

Price group	Subject-based allocation (£)
A	10,000
B	1,500
C1	250
C2 and D	0

Scaling factors

72. Scaling factors are multipliers that we apply in the teaching funding method to ensure that our overall allocations match the funding we have available. They are necessary because we have a fixed budget provided by Government, which we use to support provision for a variable number and mix of students. If our calculations – which are based on the student FTEs reported by institutions, multiplied by the relevant rates of funding – result in a total higher than we can afford, then a scaling factor will be used to reduce the total allocation to the sum available. This might arise, for example, if there were a large increase in student numbers or in the proportions reported in the highest cost price groups. Equally, a scaling factor can be used to scale up allocations when we can afford to. Scaling factors can be applied differentially to different elements of teaching grant, depending on spending priorities. The scaling factor in the high-cost subject method for 2017-18 is 1.0165. This is slightly less than the equivalent scaling factor for 2016-17 of 1.018 and therefore implies a small (0.15 per cent) year-on-year reduction in funding per FTE.

Targeted allocations

73. As well as the main element of teaching grant relating to high-cost subjects, we provide targeted allocations which support important or vulnerable features of higher education in accordance with key policy initiatives (although many of the activities involved are likely to be supported by the main teaching grant and fee income as well). We review the total amount allocated through each targeted allocation, and the distribution of many of them between individual institutions, each year.

74. Within the targeted allocations we provide funding each year to recognise the additional costs of supporting students who are most at risk of withdrawing from their studies and students with disabilities. The funding contributes towards institutions' costs in supporting widening access and helping students to achieve successful outcomes.

75. The targeted allocations that apply for 2017-18 are shown in Table 4, and are described further in paragraphs 76 to 106.

Table 4: Targeted allocations for 2017-18

	Total 2017-18 allocation (£ million)	Paragraph reference
Premium to support successful student outcomes: Full-time	195	76-78
Premium to support successful student outcomes: Part-time	72	79-80
Disabled students' premium	40	81-82
Postgraduate taught supplement	47	83-84
Intensive postgraduate taught provision	35	85-87
Accelerated full-time undergraduate provision	2	85-87
Students attending courses in London	65	88-90
Erasmus+ and overseas study programmes	29	91-93
Very high-cost STEM subjects	24	94-95
Specialist institutions	57	96-97
HEIs' costs relating to medical and dental staff (Clinical consultants' pay, senior academic general practitioners' pay, NHS pensions scheme compensation)	23	98-100
Supplement for old-regime students	14	101-103
Nursing and allied health supplement	6	104-106

Premium to support successful student outcomes: full-time

76. Following consultation (in HEFCE 2016/10), HEFCE is providing a targeted allocation to enable institutions to support undergraduate students who are deemed to be most at risk of withdrawing from their studies as a result of their qualifications and age profile and who therefore require additional investment to ensure their retention and success. This allocation includes a supplement that also recognises students from disadvantaged backgrounds who are currently under-represented in higher education.

- a. The main element, comprising 90 per cent of the allocation, is calculated in proportion to weighted student FTEs. We use institutional weighting factors that reflect those broad characteristics of their students which give rise to additional costs. We have found that the main factors affecting the likelihood of a student continuing their studies are entry qualifications and age. In general terms, those with lower entry qualifications are less likely to continue than those with, say, high A-level grades, and mature students are less likely to continue than young entrants. We therefore weight students according to these two factors and determine an overall average weighting for the institution as a whole. In total there are 12 student weighting categories, reflecting age (young (up to age 21) and 'mature', defined as aged 21 or over on entry), qualification aim (those aiming for a first degree and those aiming for another undergraduate

qualification) and risk associated with entry qualifications (low, medium and high). We also apply London weighting where appropriate.

- b. The supplement, comprising 10 per cent of the allocation, focuses funding on institutions with the most students from disadvantaged backgrounds (see paragraph 77). This incorporates three institutional weightings:
 - i. A weighting based on the proportion of students who are at risk.
 - ii. A weighting based on the proportion of students who are both at risk **and** from the most disadvantaged backgrounds.
 - iii. A London weighting, where appropriate.

77. Students from disadvantaged backgrounds are identified based on their postcode using 'participation of local areas' (POLAR)¹³ and 'HE-qualified adult classification' data. POLAR classifies local areas or 'wards' into quintiles based on the proportion of 18 year-olds who enter higher education (HE) aged 18 or 19. The HE-qualified adult classification assigns wards to quintiles based on the proportion of people aged 16 to 74 with an HE qualification. Quintile 1 areas are the most disadvantaged; quintile 5 areas are the least disadvantaged. The supplement recognises students from quintile 1 and quintile 2 areas.

78. The total funding for the premium to support successful student outcomes for full-time undergraduates in 2017-18 is £195 million.

Premium to support successful student outcomes: part-time

79. For part-time students, HEFCE is providing an allocation pro rata to undergraduate FTE numbers, incorporating any relevant London weighting, to enable institutions to support successful outcomes for all part-time students. This is because HEFCE considers all part-time provision to be at risk, and there have been significant reductions in part-time student numbers in recent years.

80. This allocation totals £72 million for 2017-18.

Disabled students' premium

81. This allocation reflects institutions' success in recruiting and supporting disabled students. We increased this funding from £20 million in 2015-16 to £40 million in 2016-17 and 2017-18, with the aim of supporting institutions to move towards inclusive models of support and to meet the rapid rise in students reporting disabilities and mental health issues.

82. Following consultation on the funding method in 2016, we calculate an institutional weighting that reflects the proportion of UK students who are in receipt of DSA (weighted at 2) or who self-declare a disability (weighted at 1). This weighting, together with London weighting where appropriate, is applied to the institution's 'Home and EU' student FTEs. A minimum allocation applies, and year-on-year changes to the allocation for individual institutions are capped at ±£100,000.

Postgraduate taught supplement

83. This allocation has previously been shown as part of the high-cost subject allocation, but is a separate targeted allocation for 2017-18. It is provided for postgraduate taught students in price groups A to C2 who are not on courses eligible under the undergraduate student support scheme. The funding rate per eligible FTE is approximately £955.

84. This allocation totals £47 million for 2017-18.

¹³ See: www.hefce.ac.uk/analysis/yp/POLAR/.

Accelerated full-time undergraduate and intensive postgraduate taught provision

85. Some courses are taught over longer periods within the year than others, and so cost more. Students studying on courses that last for 45 weeks or more within one academic year attract a targeted allocation, on top of any teaching grant provided through the main allocation for students studying high-cost subjects. This does not apply to courses in price group A, where the intensity of study has already been taken into account in the high-cost funding rate, or to postgraduate taught provision in price group D, because tuition fees are generally expected to meet costs.

86. The rates of funding we are providing per FTE for 2017-18 are approximately as follows.

Price group	Accelerated undergraduate	Intensive postgraduate taught
A	£0	£0
B	£1,439	£1,177
C1 and C2	£1,100	£900
D	£846	£0

87. We are allocating the following funds in 2017-18:

- a. £2 million to support full-time accelerated provision for undergraduates. This is not provided for part-time undergraduates, as it is intended to support accelerated degrees such as two-year honours degrees.
- b. £35 million to support intensive postgraduate taught provision.

Students attending courses in London

88. We provide a separate allocation relating to students attending courses in London, to contribute to meeting the additional costs for institutions of operating in London. This applies to all students in all price groups, with rates differing between price groups.

89. The rates for 2017-18 for institutions whose activities are wholly within inner or outer London are approximately as follows.

Price group	Inner London rate	Outer London rate
A	£1,073	£671
B	£456	£285
C1 and C2	£349	£218
D	£269	£168

90. Where institutions have activities that span boundaries between inner, outer and outside London, rates are varied to reflect the proportion of activity in each area. This allocation totals £65 million for 2017-18.

Erasmus+ and overseas study programmes

91. Erasmus+ is the EU's framework programme for education, training, youth and sport. Part of the programme provides opportunities for higher education students to take study or work placements abroad, but institutions may also establish exchange programmes for their students with overseas institutions outside the Erasmus+ programme.

92. The allocation for 2017-18 is informed by student numbers reported in 2016-17 as spending a whole year abroad. These numbers are counted as a proxy measure for the activity of institutions in exchange programmes. Further information is provided in 'Finance arrangements for Erasmus and other student mobility years abroad from 2013-14' (HEFCE Circular letter 14/2013)¹⁴.

93. This allocation totals £29 million, and is based on providing £2,315 per student taking a study year abroad (either under the Erasmus+ scheme or otherwise), or a work placement (sandwich) year abroad under the Erasmus+ scheme.

Very high-cost STEM subjects

94. We are providing funding to help secure the provision of four very high-cost STEM subjects. These are: chemistry; physics; chemical engineering; and mineral, metallurgy and materials engineering. This allocation supplements the standard HEFCE funding for price group B subjects in the main allocation for high-cost subjects.

95. This allocation totals £24 million for 2017-18.

Specialist institutions

96. The targeted allocation for specialist institutions recognises that, due to the nature of their provision and their institutional circumstances and characteristics, certain institutions face higher costs which cannot be met solely through tuition fees. Formula allocations were calculated in 2016-17 for those institutions identified through a review in 2015-16¹⁵ as having world-leading teaching. These allocations continue in 2017-18. Transitional funding was provided in 2016-17 for those institutions with significant reductions compared to 2015-16 allocations, and is being phased out.

97. The allocations for specialist institutions total £57 million for 2017-18.

Clinical consultants' pay

98. We are providing a targeted allocation totalling £17 million for 2017-18 to recognise the additional costs that arise from applying the Consultant Contract (England) 2003 to clinical academics.

Senior academic general practitioners' pay

99. This funding is allocated to enable senior academic general practitioners to be paid in line with their hospital-based colleagues. This allocation totals £1 million for 2017-18.

NHS pensions scheme compensation

100. Employers' contributions to the NHS pension scheme increased from April 2004. This allocation compensates HEIs for this increased cost, and totals £5 million for 2017-18.

Supplement for old-regime students

101. Following changes to higher education finance arrangements in 2012, HEFCE's teaching grant differentiated between 'old-regime' students who commenced their studies before 1 September 2012, and 'new-regime' students who started on or after this date. Institutions historically received higher rates of grant for old-regime students, whose tuition fees are generally lower than those of new-regime students.

¹⁴ See www.hefce.ac.uk/pubs/year/2013/cl,142013/.

¹⁵ See www.hefce.ac.uk/lt/howfund/institution/.

102. Since 2015-16 the number of old-regime students still studying at institutions has significantly decreased. We provide a transitional supplement to reflect both the remaining numbers of old-regime students we expect individual institutions to have and the difference between the grant rates they have historically received and those provided through the main allocation for high-cost subjects and other targeted allocations.

103. This allocation is being phased out over time. It totals £14 million for 2017-18, the final year that we are providing it.

Nursing and allied health transitional supplement for 2017-18

104. For 2017-18, students starting undergraduate courses that on successful completion lead to first registration as a professional in nursing, midwifery and certain allied health professions (pre-registration courses) will be supported through the higher education finance system. To inform our funding decisions, we commissioned a study¹⁶ to identify the costs of teaching for the relevant professions. In light of the evidence from the costing study, and other work considering the sustainability of training for different professions, we are providing a transitional supplement in 2017-18 to support further the sustainability of certain professions, conditional on institutions maintaining provision in those professions.

105. The allocation is calculated using the following rates per FTE:

- i. £200 for adult nursing, mental health nursing, unclassified nursing, and speech and language therapy.
- ii. £400 for child nursing and learning disability nursing.
- iii. £1,200 for therapeutic and diagnostic radiography, and podiatry and chiropody.
- iv. £3,500 for orthotics and prosthetics, and orthoptics.

106. This allocation totals £6 million for 2017-18.

National collaborative outreach programme (NCOP)

107. The NCOP¹⁷ is a four-year programme, which aims to support the most disadvantaged young people in England to progress into HE. The programme consists of 29 consortia undertaking outreach activity in geographical areas where the HE participation of young people is both low and much lower than expected given Key Stage 4 GCSE (and equivalent) attainment levels. The consortia comprise HE providers, schools, colleges and other organisations such as employers, third sector bodies, and local enterprise partnerships.

108. The programme aims to support the Government's goals to double the proportion of young people from disadvantaged backgrounds in HE by 2020; increase by 20 per cent the number of students in HE from ethnic minority groups; and address the under-representation of young men from disadvantaged backgrounds in HE.

109. The allocation totals £60 million in 2017-18.

¹⁶ See www.hefce.ac.uk/funding/costing/.

¹⁷ See www.hefce.ac.uk/sas/ncop/.

2C Research funding

Jargon buster

Research Excellence Framework (REF): A periodic, peer-review exercise that provides a profile of research quality in UK HEIs and the numbers of research-active staff they have submitted for assessment across 36 different subject areas. For each submission by an HEI to a subject area, quality is assessed for three separate elements covering research outputs, impact and environment, which are combined into an overall quality profile for the submission.

110. Public research funds are provided to HEIs under a system known as ‘dual support’:

- a. **HEFCE** provides funding to ensure that the research base has the capacity to undertake high-quality innovative research, and to contribute to supporting the research infrastructure. Our funds are not allocated to any specific activity – they may go towards the costs of salaries for permanent academic staff, premises, libraries or central computing, among other things. They support fundamental and ‘blue skies’ research in HEIs, and contribute to the cost of training new researchers. This research is the foundation of strategic and applied work, much of which is later supported by Research Councils, charities, industry and commerce.
- b. The **Research Councils** provide funding for specific programmes and projects. This is calculated as a proportion of the full economic cost of the work to be done. They also provide funding for research studentships.

111. The Higher Education and Research Bill will establish, subject to the will of Parliament, UK Research and Innovation (UKRI) from April 2018, to take on HEFCE’s responsibilities for research (through Research England) alongside those of the seven Research Councils and Innovate UK.

112. We aim to target funding where research quality is highest. Our main research funding method distributes grant based on the quality, volume and relative cost of research in different subject areas.

113. Since we are committed to promoting excellent research, HEFCE research funds are distributed selectively to HEIs that have demonstrated the quality of their research with reference to national and international standards. Quality is measured in a periodic Research Excellence Framework (REF) which is a system for assessing research in HEIs. This UK-wide peer-review exercise produces quality ratings for research groups that institutions choose to submit for assessment in their respective subject areas. Information about the REF is available at www.ref.ac.uk. The latest exercise was completed in December 2014, and its assessments of quality in HEIs have informed research funding from 2015-16.

114. FECs are not eligible for our research funding, because we are only empowered to fund them for prescribed courses of higher education (see paragraphs 30 and 34.d).

115. Our recurrent funding for research in 2017-18 is £1,595 million. This figure may change once the Government has finalised how additional funding for research and development announced in the 2016 Autumn Statement¹⁸ will be distributed through different bodies.

¹⁸ See: <https://www.gov.uk/government/publications/autumn-statement-2016-documents/autumn-statement-2016>. Section 4.2 and Table 3.1 identify funding for a National Productivity Investment Fund, which includes £4.7 billion over the period 2017-18 to 2020-21 in research and development funding.

How recurrent research funding is calculated

116. Our recurrent research funding is known as quality-related research (QR) funding. The main research funding method distributes grant (known as 'mainstream QR') based on the quality, volume and relative cost of research in different areas. Together with a London weighting on mainstream QR, it accounts for about two-thirds of the total QR funding we allocate.

117. Mainstream QR funding is first separated into three 'pots' according to the contribution that the three elements of research assessed in the REF make to overall quality profiles. These pots are then further divided by subject, and finally distributed to HEIs. The distribution between subjects and HEIs is informed by:

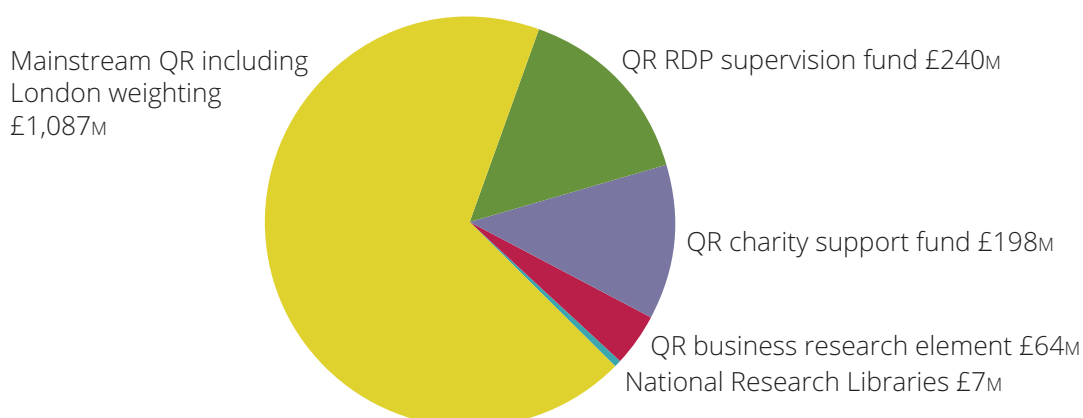
- the **volume of research** (based on numbers of submitted research-active staff)
- the **subject cost weights** (reflecting, for example, the fact that laboratory-based research is more expensive than library-based research)
- the **quality of research** as measured in the REF.

118. In addition to mainstream QR, allocations are made to contribute towards other research-related costs. These are as follows.

- a. **QR research degree programme (RDP) supervision fund.** This allocation reflects postgraduate research student numbers in departments that attract mainstream QR funding, the relative costs of the subjects they are studying, quality and London weighting.
- b. **QR charity support fund.** Many charities support research in higher education, particularly in medical disciplines, but they are not always able to meet the full economic costs of research. We therefore provide additional funding to HEIs in proportion to the London-weighted income they receive from charities for research.
- c. **QR business research element.** We also provide funding to support HEIs undertaking research with business and industry. This is allocated in proportion to the income they receive from business for research.
- d. **QR funding for National Research Libraries.** This is additional support for five research libraries which we designated as being of national importance on the basis of a review in 2007.

119. Budgets for the separate components of QR funding are shown in Figure 2.

Figure 2: Elements of recurrent research funding for 2017-18: total £1,595 million



Note: Amounts do not add up, because of rounding differences.

Mainstream QR funding

120. A number of different components are used in our mainstream QR funding method. These are:

- a volume measure
- quality profiles for each HEI
- subject cost weights
- London weighting.

The volume measure

121. The volume measure in our research funding method is the number of research-active staff employed by the HEI and submitted to the REF (counted in FTE terms), multiplied by the proportion of research that meets a quality threshold in the REF. This threshold is explained below.

122. The quality ratings and staff volume were determined from the 2014 REF. As with teaching grant, the volume measure for research determines what we count for funding purposes, but does not define what we fund (or what our funding should be used for).

Quality profiles

123. The 2014 REF reviewed research in all disciplines, divided into 36 subject areas, known as units of assessment (UOAs). A two-tier panel structure was used to determine the profile of research quality in each submission. Each UOA was assessed in one of 36 sub-panels, with four main panels (A to D) co-ordinating and advising on the work of the sub-panels in related disciplines. It was for HEIs to decide which (if any) academic staff to submit for assessment in these UOAs.

124. For each submission made, the panels determined a quality profile, identifying what proportion of the research met certain quality thresholds. This profile was on a five-point scale:

- **four-star (4*)** – quality that is world-leading
- **three-star (3*)** – quality that is internationally excellent
- **two-star (2*)** – quality that is recognised internationally
- **one-star (1*)** – quality that is recognised nationally
- **unclassified** – quality that falls below the standard of nationally recognised work.

125. Each overall quality profile is composed from sub-profiles reflecting the three elements assessed in each submission. Each element is given a different weighting towards the overall profile. These elements are:

- the quality of research **outputs** – predominantly publications (65 per cent)
- the social, economic and cultural **impact** of research (20 per cent)
- the research **environment** – the resources and infrastructure that support research (15 per cent).

126. The following is an example of an institutional quality profile identified from the REF.

Table 5: Example institutional quality profile from REF 2014 for UOA3

UOA3 – Allied Health Professions, Dentistry, Nursing and Pharmacy	Percentage of research activity in the submission judged to meet the standard for:					FTE staff submitted: 52.70
	4*	3*	2*	1*	U/C	
Overall	49%	44%	5%	1%	1%	
Outputs	40.5%	52.3%	5.3%	1.0%	0.9%	
Impact	58.2%	36.8%	5.0%	0.0%	0.0%	
Environment	70.3%	20.7%	4.1%	4.9%	0.0%	

Subject cost weights

127. There are three subject cost weights¹⁹.

	Weighting
A High-cost laboratory and clinical subjects	1.6
B Intermediate-cost subjects	1.3
C Others	1.0

London weighting

128. This is 12 per cent for institutions in inner London and 8 per cent for institutions in outer London.

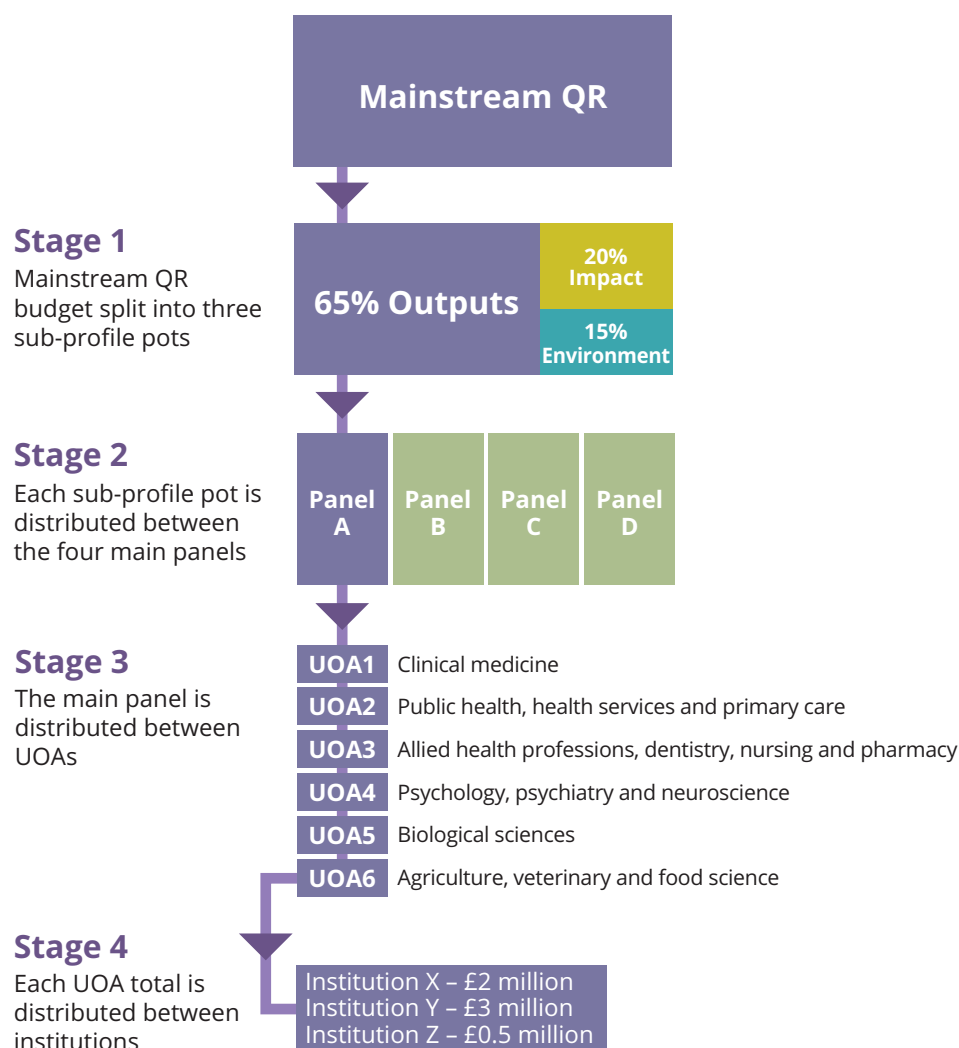
Calculating mainstream QR funding

129. There are four stages to the allocation of mainstream QR funds (summarised in Figure 3):

- **Stage 1** – separating the mainstream QR total into three pots, reflecting the weight given to each sub-profile element in determining the overall quality profile
- **Stage 2** – distributing the three pots between the four REF main panel disciplines
- **Stage 3** – distributing the main panel totals between the 36 UOAs
- **Stage 4** – distributing the totals for each UOA between HEIs.

¹⁹ UOA4 (Psychology, Psychiatry and Neuroscience) has a cost weight of 1.42 to recognise that about 40 per cent of research in the UOA is high-cost and the other 60 per cent intermediate-cost.

Figure 3: Allocation of mainstream QR funding



Note: Sizes of allocations are for illustrative purposes only.

Stages 1 and 2: Determining the amount provided for the four main REF panel disciplines

130. The total mainstream QR allocation is separated into funding pots for each sub-profile element. This reflects the weighting given to the elements submitted to the REF in determining the overall quality profile:

- outputs – 65 per cent
- impact – 20 per cent
- environment – 15 per cent.

131. The next stage is to decide the amounts that will be allocated from these separate pots to the main subject panels. The total in each pot is divided in proportion to the volume of research in each panel that met or exceeded the 3* quality level in the REF, weighted to reflect the relative costs of research in different subjects.

Stages 3 and 4: Distributing the main panel totals between UOAs and then HEIs

132. In the final stages the totals for each main panel are distributed, firstly between its constituent UOAs, and finally between HEIs. The shares for each UOA, and within them for each HEI, are in proportion to their volume of activity reaching the 3* and 4* quality levels in the REF, multiplied by quality and cost weights.

133. In stages 3 and 4, we apply weightings to the volume of research attributable to each quality rating, as shown in Table 6. This ensures that our funding of research is highly selective.

Table 6: Research funding quality weightings

Quality rating (with abbreviated description)	Quality weighting
4* (world-leading)	4
3* (internationally excellent)	1
2* (recognised internationally)	0
1* (recognised nationally)	0
Unclassified (below the standard of nationally recognised work)	0

134. The cost weights used in the funding method for mainstream QR (shown in paragraph 127) are unchanged from previous years, except for UOA4.

135. For UOA17 (Geography, Environmental Studies and Archaeology), we recognise that around half of all the research activity submitted in this UOA could reasonably be regarded as more closely analogous to science. To account for the varying costs in this UOA, we are funding it using the rates of funding per submitted staff FTE used for 2014-15, uplifted to reflect subsequent increases in mainstream QR.

London weighting on mainstream QR

136. We provide London weighting as a percentage of an HEI's funding for mainstream QR (see paragraph 128). This is calculated separately after Stage 4.

QR RDP supervision fund

137. Funding for RDP supervision is provided on the basis of postgraduate research (PGR) student FTEs in all departments that receive mainstream QR funding for research²⁰. These are derived from HEIs' HESA data for previous years. When determining RDP supervision fund allocations we calculate a quality score for each department. This consists of the amount of 3* and 4* activity as a proportion of total activity at 2* quality and above, in its REF overall quality profile. For each eligible department, PGR student FTEs are subject to London weighting (using the percentages given in paragraph 128), the cost weightings given in paragraph 127 and the quality score. We then distribute the total available funding in proportion to these weighted FTEs.

²⁰ The term 'department' means a group of staff and their research activity returned in a single submission within one subject UOA, irrespective of whether this forms a single administrative unit within the institution.

138. For 2017-18, we have changed the method for counting PGR students that inform QR RDP supervision funding. We are counting PGR students only if they are in years 1 to 3 of their full-time study, or in years 1 to 6 of their part-time study, and, as a transitional measure, up to a total 3.0 FTE over a six-year period. This 3.0 FTE limit applies to any single PGR student's research masters and research doctoral study taken together, should they have chosen to do both.

139. From 2017-18, we are also taking account of new data that enables us to recognise the contribution of more than one HEI associated with a formal collaborative research training programme and, in specific cases, directly fund the different institutions. This is because we recognise that collaborative research training programmes involving more than one HEI are increasing in number. Data on these collaborative programmes was captured for the first time on the 2015-16 HESA student record.

140. Further detail on these changes can be found in 'Board decisions on changes to QR RDP supervision funding'²¹ (HEFCE Circular letter 34/2016).

QR charity support fund

141. The QR charity support fund is provided to HEIs in proportion to the amount of eligible research income from charities reported in their four most recent HESA finance records, subject to London weighting (see paragraph 128). There is no minimum quality threshold for eligibility for this funding.

QR business research element

142. The QR business research element supports HEIs undertaking research with business and industry. The allocation is provided in proportion to the amount of research income HEIs receive from industry, commerce and public corporations, using data reported by HEIs on their four most recent HESA finance records. There is no minimum quality threshold for eligibility for this funding.

2D Knowledge exchange funding (Higher Education Innovation Funding, HEIF)

143. Our knowledge exchange funding provides incentives for and supports HEIs to work with business, public and third-sector organisations, community bodies and the wider public, with a view to exchanging knowledge and thereby increasing economic and social benefit.

144. We provide recurrent funding of £160 million for knowledge exchange, of which £113 million is from ring-fenced science and research funding, and £47 million from the teaching budget. These funds are allocated by formula to all eligible HEIs, subject to acceptance by HEFCE of an institutional strategy for knowledge exchange. Of the £160 million total, we distribute £150 million as a main allocation and £10 million as a supplement for those HEIs whose main allocation is capped, to enable their knowledge exchange strategies to be enhanced where there is evidence that the cap on funding is a constraint on their support of economic growth.

145. We are introducing a new approach from 2017-18 onwards, with annual recalculations of allocations based on the latest data to increase dynamism and to reward recent performance, but also providing some predictability. Predictability is

²¹ See www.hefce.ac.uk/pubs/year/2016/CL342016/.

achieved by moderating year-on-year changes, which provides HEIs with a planning assumption to use in drawing up their five-year knowledge exchange strategies, and will apply for the period of the strategies.

146. The key features of our main allocation method for knowledge exchange are as follows:

- a. All funding is allocated on the basis of performance, using a combination of measures of income as a proxy for impact on the economy and society. This aims to achieve the greatest impact from public funding of knowledge exchange. We take account of income over a three-year period, weighted towards the latest year of performance. Income from small and medium-sized enterprises is given a double weighting within this component, to signal the importance of working with such businesses and to recognise the higher costs involved.
- b. There is an allocation threshold for all HEIs. Institutions that do not achieve an allocation of at least £250,000 per year through the formula do not receive an allocation. This is intended to ensure that our funding for knowledge exchange is efficient, through being targeted at institutions with significant knowledge exchange performance and partnerships.
- c. There is a cap of £2.85 million on individual allocations.
- d. Year-on-year changes to allocations are moderated so that, subject to being above the minimum £250,000 threshold, and below the £2.85 million cap, no institution has a change of more than ± 10 per cent compared to their previous year allocation.

147. The £10 million supplement is split between the HEIs at the cap of allocations, based on their shares of qualifying income (calculated according to the main knowledge exchange allocation method), with a minimum of £200,000 and a maximum of £500,000.

148. 'Higher Education Innovation Funding (HEIF): Institutional five-year knowledge exchange strategies' (HEFCE 2016/16)²² sets out in more detail the policies and processes for allocating formula funding for knowledge exchange. Additional funding of £100 million, to incentivise collaboration between universities in research commercialisation to contribute to the delivery of the Government's Industrial Strategy, is to be allocated up to 2021.

2E Funding for national facilities and initiatives and capital funding

149. Funding for national facilities and initiatives and capital funding are used to secure change or fund activities that cannot be addressed through our recurrent formula funding to institutions.

150. We aim to provide as much as possible of our funding for learning and teaching, research, and knowledge exchange through recurrent grants. We continually review the level of funding for national facilities and initiatives to ensure that it is justified, and that the amount of funding that comes from the recurrent baseline is limited.

²² See www.hefce.ac.uk/pubs/year/2016/201616/

²³ More information at www.hefce.ac.uk/skills/apprentice/dadf/.

151. For 2017-18, we are allocating £107 million in funding for national facilities and initiatives. This includes £4 million for 2017-18 expenditure relating to the Degree Apprenticeships Development Fund²³ and £10 million for the Institute of Coding competition. The latter was first announced in the 2015 Spending Review and Autumn Statement, and aims to increase the quality of digital skill provision through innovative teaching models. Further details can be found in 'Institute of Coding competition: Invitation to submit applications for funding to enhance higher-level digital skills provision' (HEFCE Circular letter 08/2017)²⁴.

152. A further £353 million is allocated for capital grants.

Funding for national facilities and initiatives

153. We allocate a small proportion of our total funding to support special programmes, promote specific policies and contribute towards additional costs that are not recognised through our recurrent funding methods.

154. This funding includes the Museums, Galleries and Collections Fund which supports museums and galleries in the HE sector that have research significance beyond their home institution. Funding for national facilities and initiatives also supports work commissioned from some sector bodies, such as Jisc.

155. This funding also includes support for the Catalyst Fund, which provides exceptional funding to support key objectives that address the Government's policy priorities. Funds are awarded following a formal assessment and approval of proposals from institutions. For 2017-18 we have £20 million to allocate through the Catalyst Fund for non-capital projects and £10 million for capital (as explained in paragraph 163).

Capital funding

156. Capital funding is additional funding provided by the Government to support sustainable investment in higher education. It totals £353 million for 2017-18. Table 7 shows the breakdown of this total between different capital funding streams.

Table 7: 2017-18 Capital funding allocations

Strategic aim	Funding (£ million)
Teaching Capital Investment Fund (TCIF)	135
Research Capital Investment Fund (RCIF)	189
UK Research Partnership Investment Fund (UKRPIF)	0
Jisc	20
Catalyst Fund	10
Total	353

Capital Investment Framework

157. The Capital Investment Framework (CIF) aims to assess the way HEIs approach capital investment by asking them to demonstrate that they are:

- managing their physical infrastructure as an integral part of their strategic and operational planning
- ensuring that their plans in this area are environmentally sustainable.

²⁴ See www.hefce.ac.uk/pubs/year/2017/CL082017/.

158. HEIs that meet the requirements of the CIF receive funds directly on a grant profile in two elements, Research Capital Investment Framework (RCIF) and Teaching Capital Investment Framework (TCIF), allocations for which are made by formula. HEIs and FECs that receive recurrent teaching funding are eligible for a TCIF allocation and HEIs that receive recurrent research funding are eligible for an RCIF allocation. We are not providing allocations under either programme for 2017-18 if an institution's share would fall beneath a threshold of £10,000.

Teaching Capital Investment Framework

159. Of the total £135 million for TCIF, £124 million is allocated in proportion to teaching resource (HEFCE recurrent teaching grant plus an assumption of tuition fee income) for each institution. A further £11 million is allocated in proportion to teaching resource for price group B activity only.

160. As students undertaking undergraduate pre-registration courses in nursing, midwifery and allied health professions from 2017-18 will be supported through the higher education finance system, the distribution of TCIF now reflects data provided by institutions on students starting such courses.

Research Capital Investment Framework

161. RCIF funding has two elements, 'Higher Education Research Capital England' (HERC) and 'Research Capital England'. Of the total £189 million for RCIF:

- a. £87 million is allocated to HERC in proportion to institutions' research income from Research Councils UK averaged over three years.
- b. £102 million is allocated to Research Capital England in proportion to institutions' total QR funding plus research income from UK and EU charities, government bodies and industry, and other EU sources, all averaged over two years.

UK Research Partnership Investment Fund

162. UKRPIF supports large-scale projects to enhance research facilities and strategic partnerships at UK HEIs that can attract substantial co-investment from private sources. It is allocated through a competitive bidding process. As expected, there is no funding for UKRPIF in 2017-18, but additional funding for UKRPIF projects will be available from 2018-19.

Catalyst Fund

163. In addition to the above sums, we are providing £10 million in 2017-18 for the capital projects supported through the Catalyst Fund (see paragraph 155).

Section 3: Conditions of funding

Accountability for funding

164. Institutions need to be accountable for the funding they receive, but should also be able to demonstrate more broadly the value they provide. We seek this accountability, and to influence the behaviour of institutions, in a number of ways. These can apply individually or in combination.

- a. **Through the funding method itself.** The way in which we calculate the funding will influence how institutions respond: all other things being equal, institutions may concentrate their efforts on those activities that will increase their income. This means that we need to think carefully about how we fund institutions. We need to consider the desirable behaviours we want to encourage, but equally importantly we need to avoid creating unintended incentives that could lead to undesired behaviours. While the funding method is one means of influencing the sector's behaviour, it is not always the best way of achieving a particular outcome.
- b. **Through conditions of grant.** These require institutions to behave in a particular way, or provide something specific, in return for the grant. If they fail to do so, their grant may be reduced. We expand on conditions of grant in paragraphs 165 to 170.
- c. **Through providing information.** Increasing the transparency of what institutions deliver for the funding they receive improves their public accountability but can also encourage improved performance through greater competition. Examples include the performance indicators published by the Higher Education Statistics Agency, the National Student Survey and the data provided on the Unistats website, www.unistats.com.

165. We allocate substantial amounts of taxpayers' money to institutions every year. It is important, therefore, that institutions are well managed and accountable for the funding they receive, and that we are accountable, ultimately to Parliament, for the funding we allocate.

166. Our formal relationship with higher education institutions (HEIs) is governed by a memorandum of assurance and accountability²⁵. It reflects our responsibility to provide assurances to Parliament that:

- funds provided to us are being used for the purposes for which they were given
- risk management, control and governance in the higher education sector are effective
- value for money is being achieved.

²⁵ See 'Memorandum of assurance and accountability between HEFCE and institutions: Terms and conditions for payment of HEFCE grants to higher education institutions' (HEFCE 2016/12), available online at www.hefce.ac.uk/pubs/year/2016/201612/.

167. The memorandum of assurance and accountability is in two parts. Part 1 sets out terms and conditions of grant that apply in common to all HEIs. We review this periodically and consult the sector on its contents. Part 2, known as the 'funding agreement', is issued annually and gives conditions specific to each HEI. It includes details of the recurrent grant that we are providing and of the requirements that HEIs are expected to meet in return for their grant. For further information on the funding agreement see paragraphs 171 to 173.

168. We do not have a memorandum of assurance and accountability with further education and sixth form colleges (FECs) because they are accountable to the Education and Skills Funding Agency, not to HEFCE. Instead we issue an annual funding agreement to the FECs that we fund directly: this is similar to that for HEIs, but incorporates those sections of Part 1 of our memorandum of assurance and accountability with HEIs that are relevant to FECs.

169. We may make certain elements of our grant subject to specific conditions. For example, when we provide capital grants, we expect them to be spent on the capital projects detailed in institutions' investment plans.

170. Just as we have a memorandum of assurance and accountability with HEIs, so the Department for Education (DfE) has a similar formal relationship with us, which is set out in a Framework Document²⁶. This places requirements on us as a condition of the funding we receive from Government, and can be read on our website at www.hefce.ac.uk/about/unicoll/government/. Further policy guidance and requirements may be set out in the annual grant letter we receive from the Government.

The funding agreement

171. The funding agreement sets out the amount of recurrent funding that we will provide to an institution for the academic year, and the other terms and conditions of grant that apply. Institutions have discretion as to how they internally distribute the funding we provide, except where funding has been earmarked for a specific purpose, and as long as the funding is used to support the activities that are eligible for our funding (for HEIs, teaching, research and related activities; for FECs, prescribed courses of higher education). Terms and conditions set out in the funding agreement include, for example, requirements to:

- make certain data returns, including those that inform our allocations or that are used for public information purposes, such as the Unistats data collection
- comply with regulated tuition fee limits and any access agreement with OFFA
- provide monitoring information about student opportunity activities and make annual monitoring returns
- comply with the Quality Assurance Agency (QAA) UK Quality Code for Higher Education as it relates to postgraduate research programmes²⁷.

²⁶ Following the machinery of government changes in 2016, the 2012 Framework Document between the former Department for Business, Innovation and Skills and HEFCE continues in force as the effective agreement between DfE and HEFCE.

²⁷ Chapter B11 of the QAA UK Quality Code for Higher Education on postgraduate research programmes is available at www.qaa.ac.uk/publications/information-and-guidance/publication?PubID=2901.

172. The funding agreement also sets out circumstances under which formulaic changes to recurrent grant allocations may be made. These include:

- recalculations of recurrent grant to reflect the findings of any audits or reconciliations of the data provided by institutions that inform funding
- adjustments to allocations arising from HEIs' recruitment against intake targets for undergraduate medicine and dentistry (see paragraph 173).

Medical and dental intake targets

173. For HEIs offering undergraduate medical and dental courses, the funding agreement specifies maximum medical and dental intake targets. For 2017-18, these intake targets apply to all Home, EU and overseas students starting full-time undergraduate (including graduate-entry) programmes that on successful completion lead to first registration as a doctor or dentist. The Government proposes that from 2018-19, HEIs should not have a limit on the number of overseas medical students they can recruit²⁸. HEIs must not exceed their intake targets: we may reduce grant if they do so in two successive years. We also do not count students recruited in excess of the medical or dental intake targets towards our funding of high-cost subjects.

²⁸ See 'Expansion of undergraduate medical education', a consultation document from the Department of Health, available at <https://www.gov.uk/government/consultations/expanding-undergraduate-medical-education>. The consultation closes on 2 June 2017.

Summary explanation of terms and abbreviations

Accountability burden

The work that institutions must do to demonstrate that they are spending HEFCE funds appropriately. We strive to achieve a fair balance between minimising this burden and ensuring that public money is properly accounted for.

Allied health professions

For teaching funding purposes, references in this document to allied health professions are generally to dietetics, occupational therapy, operating department practice, orthoptics, orthotics and prosthetics, physiotherapy, podiatry and chiropody, radiography (diagnostic), radiography (therapeutic) and speech and language therapy. From 2017-18 students starting undergraduate courses for these professions will be supported through the higher education finance system. It is expected that students studying postgraduate courses for these professions and students studying courses in dental hygiene and dental therapy will transfer to the higher education finance system for a later year. For research funding purposes (Unit of Assessment 3), allied health professions may also include other health specialisms.

BEIS

Department for Business, Energy and Industrial Strategy²⁹. This is the government department that provides the research funding which HEFCE distributes.

Capital funding

Part of non-recurrent funding to help universities and colleges invest in their physical infrastructure so it remains fit for purpose.

Catalyst Fund

Non-formula recurrent and capital funding to promote and enhance innovative activities that address the Government's key policy priorities.

CIF

Capital Investment Framework. A methodology for assessing higher education institutions' approaches to investing their capital funding. It was developed to encourage institutions to manage their physical infrastructure as an integral part of their strategic and operational planning. Institutions that have satisfied the requirements of the CIF will receive their capital funding without the need to apply for the funds; the grants will be paid directly in three instalments. Institutions still working towards the CIF requirements need to meet specific application conditions.

DfE

Department for Education³⁰. This is the government department to which HEFCE is accountable, but as a non-departmental public body we operate at arm's length from it.

²⁹ See <https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>.

³⁰ See <https://www.gov.uk/government/organisations/department-for-education>.

DSA

Disabled Students' Allowance. Grants to help meet the extra costs students can face as a direct result of a disability or specific learning difficulty.

ELQ

Equivalent or lower qualification. Most students who are studying for a qualification equivalent to, or lower than, one they already hold are not counted for HEFCE funding purposes.

Erasmus+

The European Union's framework programme for education, training, youth and sport.

EU

European Union

FECs

Further education and sixth form colleges.

FTE

Full-time equivalent. FTE is a measure of how much a student studies over a year, compared with someone studying full-time. Someone studying full-time counts as one FTE, whereas a part-time learner doing half that amount of study counts as 0.5 FTE. For research funding purposes, the FTE of research-active staff submitted to the REF is used.

Funding for national facilities and initiatives

Allocations used to secure change or fund activities that cannot be addressed through recurrent teaching or research funding, including support for national facilities, such as museums and galleries and Jisc.

HEFCE-fundable students

Students who may be counted within HEFCE funding calculations. For teaching funding, this broadly means all higher education students domiciled in the UK or another EU country ('Home and EU' students) other than:

- those expected to be the funding responsibility of another EU public source
- those on a course that is not open to any suitably qualified candidate
- students aiming for an ELQ (with some exceptions)
- postgraduate research students.

The term encompasses some students who may not in fact attract HEFCE funding to their institutions, for example where we expect tuition fees to cover the full cost of provision, or where students do not complete their year of study and are therefore not counted in our funding calculations. Further information about this definition is available from our annual HESes and HEIFES publications.

HEI

Higher education institution – a HEFCE-funded university or college of higher education.

HEIF

Higher Education Innovation Fund – to provide funding for knowledge exchange and develop a broad range of knowledge-based interactions between universities and colleges and the wider world, which result in economic and social benefit to the UK.

HEIFES

Higher Education in Further Education: Students survey³¹. The annual aggregate student number survey completed by FECs, which informs our funding for teaching.

HESA

Higher Education Statistics Agency³². HESA collects a number of different data returns from HEIs. The one that is most relevant for our teaching funding is the individualised student record, which we use in calculating funding for some targeted allocations, and to reconcile with the HESES return. We also use data from the HESA finance record to inform some of our research funding, and to review the cost weights in our teaching and research funding methods.

HESES

Higher Education Students Early Statistics survey³³. The annual aggregate student number survey completed by HEIs, which informs our funding for teaching.

ILR

Individualised learner record. This is collected from FECs by the Education and Skills Funding Agency (formerly the Skills Funding Agency) and is the equivalent of HESA's individualised student record.

Institution

An HEI or an FEC that offers higher education courses.

Jisc

Formerly known as the Joint Information Systems Committee, Jisc funds development and champions the use of digital technologies in UK education and research³⁴.

Knowledge exchange

HEIs increasingly engage with businesses, public and third sector services, the community and wider public, transferring or exchanging knowledge with the aim of delivering external impact, such as improving products, services, profitability and so on. This is linked with research and teaching and includes consultancy and advisory work, the creation of intellectual property, the development of academic and student entrepreneurship, and a variety of other activities.

Level

Level of study can be undergraduate, postgraduate taught or postgraduate research.

Mode

Mode of study can be full-time, part-time or 'sandwich year out'.

NCTL

National College for Teaching and Leadership.

New-regime students

Students who are treated as having started their courses on or after 1 September 2012 and who are subject to the current fee and funding regime.

³¹ See www.hefce.ac.uk/data/collect/HEIFES/.

³² See <https://www.hesa.ac.uk/>.

³³ See www.hefce.ac.uk/data/collect/heses/.

³⁴ See www.jisc.ac.uk/.

Non-recurrent funding

Funding for national facilities and initiatives and capital funding. It is used to secure change or fund activities that cannot be secured through core teaching or research funding.

OFFA

Office for Fair Access. An independent public body that regulates fair access to higher education in England.

OfS

Office for Students. A new higher education regulatory and funding body that, subject to the will of Parliament, will be established by the Higher Education and Research Bill.

Old-regime students

Students who are treated as having started their courses before 1 September 2012 and are subject to the previous fee and funding regime.

PGR

Postgraduate research.

Price group

A group of subjects that have broadly similar costs, used in our teaching funding method. The price groups attract different rates of funding in the method.

QR funding

Quality-related research funding, encompassing all our recurrent research funding.

RCIF

Research Capital Investment Fund, part of our formula capital funding.

RDP

Research Degree Programme.

Recurrent funding

Yearly allocations aimed at ongoing core activities.

REF

Research Excellence Framework³⁵. A periodic, peer-review exercise that provides a profile of research quality in UK HEIs and the numbers of research-active staff they have submitted for assessment across 36 different subject areas. For each submission by an HEI to a subject area, quality is assessed for three separate elements covering research outputs, impact and environment, which are combined into an overall quality profile for the submission. The first REF was completed in 2014 and is used to inform research funding from 2015-16.

Research Councils

The seven UK Research Councils are funded by Government to support research in their fields of interest, both within their own establishments and in HEIs.

³⁵ See www.ref.ac.uk/.

Sandwich course

A full-time course of study which includes periods of work experience in organisations outside the university or college. 'Sandwich year out' means a year spent away from the institution on a work experience placement in business or industry.

STEM

Science, technology, engineering and mathematics. In the case of research funding, this also includes clinical subjects such as medicine.

TCIF

Teaching Capital Investment Fund, part of our formula capital funding.

Tuition fees

Fees paid to a university or college for a student to attend a course. Fees for most undergraduates and for postgraduate initial teacher training courses are subject to limits set out in regulations.

TRAC(T)

A national framework for costing teaching in different subjects, based on Transparent Approach to Costing (TRAC) principles.

UKRI

UK Research and Innovation. A new research and innovation funding organisation being established, subject to the will of Parliament, by the Higher Education and Research Bill.

UKRPIF

UK Research Partnership Investment Fund. A fund to support investment in UK higher education research facilities.

UOA

Unit of assessment. Used in the REF to define broad subject areas.

Further reading

HEFCE publications (all available at www.hefce.ac.uk/pubs)

'Funding for universities and colleges for 2017-18: Board decisions' (HEFCE Circular letter 06/2017)

'Recurrent grants for 2016-17' (HEFCE 2016/09)

'Recurrent grants for 2016-17: Final allocations' (HEFCE 2016/31)

'Higher Education Innovation Funding: Institutional five-year knowledge exchange strategies' (HEFCE 2016/16)

'HESES16: Higher Education Students Early Statistics survey 2016-17' (HEFCE 2016/22)

'HEIFES16: Higher Education in Further Education: Students survey 2016-17' (HEFCE 2016/23)

'Memorandum of assurance and accountability between HEFCE and institutions: Terms and conditions for payment of HEFCE grants to higher education institutions' (HEFCE 2016/12)

'Institution-specific funding: Circular letter outcomes and invitation to make a submission' (HEFCE 2015/10)

'Board decisions on changes to QR RDP supervision funding' (HEFCE Circular letter 34/2016)

'Formula capital allocations for teaching and research 2017-18' (HEFCE Circular letter 07/2017)

'Business plan 2015-2020: Creating and sustaining the conditions for a world-leading higher education system' (HEFCE 2015/01)

Information on REF 2014 (available at www.ref.ac.uk under Publications)

'REF 2014: Panel criteria and working methods' (REF 01.2012)

'REF 2014: The results' (REF 01.2014)

Other HEFCE pages

'Annual funding allocations' at www.hefce.ac.uk/funding/annallocs/

'How we fund research' at www.hefce.ac.uk/rsrch/funding/

'How teaching is funded' at www.hefce.ac.uk/lt/howfund/

'Healthcare, medical and dental education and research' at <http://www.hefce.ac.uk/lt/Healthcare/>

'Knowledge exchange funding – Higher Education Innovation Funding (HEIF)' at www.hefce.ac.uk/ke/heif/

'National collaborative outreach programme' at www.hefce.ac.uk/sas/ncop/