

March 2013/05

Core funding/operations

Allocation of funds and student numbers

This document summarises our provisional allocations of recurrent funding for teaching, research and knowledge exchange, and our student number control allocations, for institutions for the academic year 2013-14.

This report is for information

Recurrent grants and student number controls for 2013-14

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Recurrent grant and student number controls for 2013-14

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Finance, planning
Reference	2013/05
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Enquiries to	HEFCE institutional teams (contact details at www.hefce.ac.uk/contact/contactsforinstitutions/) or e-mail recurrentgrant@hefce.ac.uk .

Executive summary

Purpose

1. This document summarises our provisional allocations of recurrent funding for teaching, research and knowledge exchange, and our student number control allocations, for institutions for the academic year 2013-14.

Key points

2. The overall budget we have set for the 2013-14 academic year is £4,472 million. This budget reflects the second year of the progressive shift of HEFCE grant to the student support budget, to meet the cost of increased tuition fee loans under the Government's new finance arrangements for higher education. While HEFCE teaching grant is being reduced, the overall resource rate for teaching is set to increase as a result of these higher tuition fee loans. The total HEFCE grant comprises:

- £2,325 million for recurrent teaching grant
- £1,558 million for recurrent research grant
- £160 million for knowledge exchange, through Higher Education Innovation Funding (HEIF)
- £429 million for earmarked capital grant and other non-recurrent special funding.

3. HEFCE will invest to ensure a high-quality student learning experience. Our funding will support Home and European Union (EU) students in all years of study. We are continuing to provide funding for students who entered under the previous fee and funding regime ('old-regime' students) at broadly the same level as before. Meanwhile, we are increasingly focusing funding for students under the new fee and funding regime ('new-regime' students) on areas where costs

incurred by universities and colleges cannot be met entirely by tuition fees, or where it is in the public interest that vulnerable provision receives additional support.

4. We wish to support institutions to adjust to the new finance arrangements for higher education, to minimise the administrative burden and to avoid unnecessary instability in the interest of students. Allocations to institutions are changing significantly between academic years, as we phase out funding for old-regime students and phase in funding for new-regime students. We are also routinely revisiting allocations for each academic year as we receive more up-to-date data on the numbers of old- and new-regime students in the year. These arrangements mean there is inevitably some complexity in our funding methods and processes, and in our data requirements. However, we consider that our approach to recalculating teaching allocations is the most appropriate way to balance the need to pay grant from the beginning of the academic year before student numbers are known, with the need to ensure, in the interests of fairness and accountability, that eventual allocations reflect the actual numbers of students in the year. We will look to simplify this approach as soon as we can, when funding changes between years become smaller in scale.

5. We are maintaining our commitment to funding high-cost and strategically important subjects, student opportunity and small and specialist institutions. We are also continuing to recognise the importance of postgraduate provision, by providing additional funding for taught postgraduate students within our high-cost teaching model. This consolidates the interim allocation we provided last year.

6. Although HEFCE's grant for teaching is continuing to reduce in 2013-14, we believe that the majority of institutions remain in strong financial health thanks to good management in the sector, and that the regulated fee limits for full-time undergraduates are generally sufficient to allow institutions to maintain or increase their income. We are maintaining budgets and allocation methods for research funding, providing a large level of stability and predictability in allocations of research grant.

7. We are directly funding an additional 19 further education colleges in 2013-14 as a result of a recent invitation to bid for full-time undergraduate places.

Funding for teaching

8. There are some significant changes to HEFCE teaching grant, following government reforms to the finance arrangements for higher education, and to the way in which student numbers are controlled from 2013-14.

9. The main changes to teaching grant for 2013-14 relate to:

- a. The continued phasing-out of teaching grant for old-regime students and the phasing-in of funding for new-regime students in high-cost subjects. This results in the most significant change to HEFCE funding for most institutions in 2013-14, although the overall impact will be very different because of the additional tuition fee income institutions will receive. Funding for new-regime students in high-cost subjects has been extended to certain subjects in price group C, and also consolidates additional funding for postgraduate taught students provided in 2012-13 through an interim allocation.

b. A review of targeted and other recurrent teaching allocations. Many of these are continuing in 2013-14 and will be paid in relation to old- and new-regime students, but some are being phased out.

10. The changes to HEFCE teaching grant will affect institutions in different ways. The speed of transition for individual institutions to the new finance arrangements depends on the average length of their courses: those with shorter average course lengths will move more quickly to the new funding environment. The overall impact on institutions will depend on:

- a. The extent to which they are able to compensate for the loss of HEFCE grant by charging higher fees (after waivers).
- b. The extent to which they are able to maintain, or increase, student numbers.
- c. Their ability to attract funding from other sources, including other HEFCE grants such as for research.
- d. The strength of their balance sheet, in particular their cash position.

11. The allocations of teaching grant that we are announcing are provisional, and the main allocations for old- and new-regime students will be recalculated to reflect actual student numbers in the year. We are continuing the three-stage process to calculate and review these allocations, so that they eventually reflect actual numbers of old- and new-regime students in the year. This iterative process will apply to any allocation that is initially informed by forecast student numbers for 2013-14. Final allocations for 2013-14 will be confirmed in the light of the end-of-year individualised student data for 2013-14.

12. Our grant letter of 11 January 2013 from the Department for Business, Innovation and Skills (BIS) gave only indicative recurrent teaching funding figures for the 2014-15 financial year (although the recurrent research and HEIF figures up to 2014-15 were confirmed). In order to announce funding for the 2013-14 academic year, which has a four-month overlap with the 2014-15 financial year, we have assumed that our allocation for the 2014-15 financial year is as indicated in the BIS grant letter. If we receive information regarding our grant for the 2014-15 financial year which suggests this assumption is no longer appropriate, we reserve the right to review our recurrent teaching and special funding allocations for the 2013-14 academic year. We would do this to smooth any change in funding for institutions that might be necessary by 2014-15.

Other recurrent grants: research and knowledge exchange

13. The total recurrent funding for research is £1,558 million. The ring-fenced settlement for science and research means that we will be able to maintain overall funding at this level, in cash terms, until 2014-15. This is the same cash total as for 2011-12 and 2012-13. The budgets for each stream of research funding are being maintained at 2012-13 levels and there are no changes to the research funding methods in 2013-14.

14. Mainstream quality-related research (QR) funding for each institution will be at the same cash level as in 2012-13, as this allocation is based on data from the 2008 Research Assessment Exercise (there may nevertheless be changes for individual institutions as a result of transfers between them). Allocations of QR funding for National Research Libraries have also been maintained in cash terms. All other research funding allocations will reflect updated underlying data, so institutions will see changes in these funding streams.

15. Total funding for knowledge exchange through HEIF is £160 million. Allocations totalling £150 million per annum for the four year period 2011-12 to 2014-15 were announced in 'Higher Education Innovation Funding 2011-12 to 2014-15: Policy, final allocations and request for institutional strategies' (HEFCE 2011/16) and are repeated in this publication. The balance of £10 million is a supplement to enable existing knowledge exchange strategies to be enhanced where there is evidence that the current cap on funding is a constraint to institutions' support of economic growth. This has not yet been allocated: its distribution will be confirmed at a later date.

Funding agreement requirements: the student number control

16. Because the main teaching grant allocations will be recalculated from first principles through the three-stage process, we no longer have as many funding agreement requirements as in previous years. There remain three funding agreement requirements affecting student numbers for 2013-14:

- a. The student number control, applying to all institutions.
- b. The medical intake target, representing the maximum intake to full-time undergraduate courses that lead to first registration as a doctor.
- c. The dental intake target, representing the maximum intake to full-time undergraduate courses that lead to first registration as a dentist.

17. There are a number of important changes to the student number control arrangements for 2013-14. Most of these arise from recent guidance from Government, particularly that allocations should better reflect student choice. Others follow our consultation in 'Student number controls and teaching funding: Consultation on arrangements for 2013-14 and beyond' (HEFCE 2012/04). In particular:

- a. Institutions have more flexibility, following the guidance in our grant letter from BIS which allows them limited scope to exceed their student number control allocation without incurring a reduction to their HEFCE grant.
- b. The exemptions list has been expanded, to include grades of ABB at A-level and certain other entry qualifications that, for the purpose of determining a student number control allocation, we treat as equivalent to, or higher than, ABB. This means that students with these entry qualifications do not count against the student number control allocation.
- c. In general, students who are topping up from a full-time foundation degree or a full-time HND to an honours degree no longer count towards the student number control allocation.
- d. We have allocated 5,000 places under the 'core and margin' policy. A large majority of these places have been distributed formulaically to institutions charging lower average tuition fees (after fee waivers) and meeting other criteria of quality and demand.

18. Excess recruitment may result in additional student support costs for the Government, which it may meet by reducing the grant it pays to HEFCE. To reduce this risk, HEFCE will reduce the grant it pays to any institution that exceeds its student number control allocation by more than the additional flexibility allows. The rate at which grant will be reduced for each excess student recruited will be confirmed in the light of any further guidance from BIS, but in the

meantime institutions should plan on the basis that a similar approach will be followed as in 2012-13 – that is:

- a. For institutions that charge average fees after fee waivers of up to £6,000, a rate of £5,000.
- b. For institutions that charge average fees after fee waivers (according to an Access Agreement with the Office for Fair Access) of more than £6,000, a rate of £1,000 less than that average fee.

19. The reduction may be repeated in subsequent years, to whatever extent we consider the excess students recruited in 2013-14 continue to contribute to excess student support costs at the institution.

20. The medical and dental intake targets are also maxima: institutions should ensure they do not exceed them. We may take further action against institutions that continue to do so. We will not count students recruited in excess of the student number control allocation plus the additional flexibility, or those recruited above medical or dental intake targets, towards our funding of new-regime students in high-cost subjects: this will apply to all years of study relating to the excess numbers recruited.

Action required

21. No action is required in response to this document.

Elements of grant

22. The total HEFCE grant to be distributed in 2013-14 is £4,472 million. This is broken down between our main strategic themes (taken from ‘HEFCE business plan 2011-2015: Principles, priorities and practices’, HEFCE 2011/34) and between recurrent and non-recurrent (earmarked capital grants and special funding) elements, as shown in Table A. There are rounding differences within the table.

Table A: HEFCE grant to be distributed in 2013-14

Main strategic themes	Recurrent grant (£M)	Non-recurrent grant (£M)	Total (£M)
Learning and teaching	2,325	58	2,383
<i>of which:</i>			
<i>Student opportunity</i>	332	0	332
Research	1,558	221	1,779
Knowledge exchange (Higher Education Innovation Funding)	160	0	160
Information, investment and partnership	0	150	150
Total	4,043	429	4,472

23. The distribution of recurrent funding to institutions announced in this publication totals £4,029 million. The balance is funding set aside for student opportunity and knowledge exchange that will be allocated later in the year. Unless otherwise stated, all years in this document relate to academic years – that is, 1 August to 31 July.

24. This publication is mainly concerned with the distribution of recurrent grant between institutions and student number control allocations for 2013-14. Annex A, comprising three tables, is available alongside this document as a separate download. Table 1 summarises the initial funding allocations for each institution. Table 2 provides a summary of the different allocations that make up the non-recurrent elements of grant for the higher education sector as a whole. Table 3 provides a comparison of student number control allocations for each institution for 2012-13 and 2013-14. The headings of these tables are explained in Annex B.

25. The HEFCE Board agreed the allocations of recurrent funding announced in this document on 7 March 2013. Institutions received details of their individual grant allocations on 18 March 2013.

26. The allocations announced in this document are highly provisional: in particular, most of the recurrent teaching grant allocations will be recalculated as we receive more up-to-date student number information for 2013-14. Institutions should also note that the grant letter received by HEFCE from the Department for Business, Innovation and Skills (BIS) of 11 January 2013 gave only indicative recurrent teaching funding figures for the 2014-15 financial year, although the recurrent research and Higher Education Innovation Funding (HEIF) figures up to

2014-15 were confirmed¹. In order to announce funding for the 2013-14 academic year, which has a four-month overlap with the 2014-15 financial year, we have assumed that our allocation for the 2014-15 financial year is as indicated. If we receive information that suggests this assumption is no longer appropriate, we reserve the right to review our recurrent teaching and special funding allocations for 2013-14. We would do this to smooth any change in funding for institutions which might be necessary by 2014-15.

27. There may be differences between individual figures and totals in this document, due to rounding.

2013-14 funding for teaching

Introduction to the method

28. In 2013-14, we continue the period of transition started in 2012-13. Government reforms of higher education financing mean that income for institutions is increasingly expected to come through students' tuition fees and much less through HEFCE grants. Reductions to HEFCE grant contribute to meeting the cost to Government of providing enhanced loans.

29. There continue to be some students who entered before the change to the undergraduate fee regime on 1 September 2012, and who are continuing under the previous finance arrangements ('old-regime' students); other students entering on or after 1 September 2012 are subject to the new fee and funding regime ('new-regime' students). Our references to old-regime and new-regime students apply to all categories of student, not just those who are subject to the regulated tuition fee regime or eligible for publicly funded student support.

30. We consulted the sector on how our allocation methods should change in 'Student number controls and teaching funding: Consultation on arrangements for 2013-14 and beyond' (HEFCE 2012/04). The consultation covered our approach to funding for new-regime students in high-cost subjects and for targeted and other teaching grants. Our previous consultation, 'Teaching funding and student number controls: Consultation on changes to be implemented in 2012-13' (HEFCE 2011/20), covered our approach to the phasing-out of funding for old-regime students.

31. In summary, our approach to teaching funding for 2013-14 is as follows:

- a. **Subject-based funding for old-regime students** is determined by applying 2011-12 rates of funding to the numbers of old-regime students continuing in 2013-14. The allocations are then scaled, as necessary, to ensure they remain within the overall budget available. The 2011-12 rates of funding vary by institution (to reflect, for example, their 'tolerance band' position, which applied under our previous funding method, and any receipt of London weighting) and by subject, mode (full-time, sandwich year-out or part-time) and level of study (undergraduate or postgraduate taught). Separate calculations are carried out for students previously funded through our 'mainstream' teaching grant up to 2011-12, and those who were employer co-funded (where grant rates have been lower).
- b. **Subject-based funding for new-regime students** is calculated by applying sector-wide rates of funding to the numbers of new-regime students in subjects where data show that average costs across the sector exceed £7,500. The allocations are then scaled, as necessary, to ensure they remain within the overall budget available.

¹ 'Funding for Higher Education in England for 2013-14: HEFCE Grant letter from BIS' available at www.hefce.ac.uk/whatwedo/invest/institns/annallocns/governmentgrantletter/

c. **Targeted allocations** have been reviewed. A new allocation of funding for student opportunity has been created, replacing the allocations previously provided for widening participation and improving retention within teaching enhancement and student success (TESS). Allocations for part-time undergraduates, accelerated full-time undergraduate provision, intensive postgraduate provision, Erasmus fee compensation and very high-cost science, technology, engineering and maths (STEM) subjects continue. The allocation previously provided for maintaining capacity in strategically important and vulnerable subjects (SIVS) following the equivalent or lower qualification (ELQ) policy ceases, as do the allocations within TESS for research-informed teaching and institutional learning and teaching strategies. A new variable allocation for new-regime students attending courses in London is being phased in from 2013-14, and a new allocation for specific institutions with high-cost and distinctive provision replaces the previous institution-specific allocation and the London Whole Institutions allocation within special funding.

32. The three-stage process that we introduced for 2012-13 of recalculating certain teaching allocations as we get more up-to-date student data continues. To avoid cash flow problems for institutions we need to start paying grant from August 2013, before we have any certainty about the old- and new-regime student numbers involved. This requires us to have an iterative process of refining allocations as we get more certainty over the student numbers involved. The allocations we are announcing in March 2013 are therefore highly provisional, and will only be confirmed once we have received the final student data for 2013-14. The three-stage process for 2013-14 applies to the main teaching allocations for old- and new-regime students and the new allocation for new-regime students attending courses in London weighting and comprises:

a. An initial allocation in March 2013, using forecast numbers of full-time equivalent students (FTEs) for 2013-14 as submitted in the 2012 Higher Education Students Early Statistics (HESES) and Higher Education in Further Education: Students (HEIFES) surveys (completed respectively by higher education institutions and further education colleges).

b. An adjusted allocation in March 2014, using updated 2013-14 student FTEs submitted by institutions in the 2013 HESES and HEIFES surveys.

c. A final allocation in 2015, using student numbers from the 2013-14 individualised student data reported to the Higher Education Statistics Agency (HESA) and the Data Service's Individualised Learner Record (ILR).

33. The student number control allocation (with the new flexibility around it) continues to be the main requirement with which we expect institutions to comply, coupled with maximum intake targets for undergraduate medical and dental students. Because funding will be recalculated to reflect actual student numbers there is no need to have further targets in the funding agreement for 2013-14.

34. Table B shows the disaggregation of our teaching funding for 2012-13 and 2013-14 between different elements of grant. The figures for 2012-13 are the adjusted allocations we are announcing alongside these initial allocations for 2013-14 (see 'Recurrent grants for 2012-13: Adjusted allocations', HEFCE 2013/06). Adjustments to grant arising from institutions' recruitment against the student number control are not reflected in this table. There are rounding differences within this table.

Table: B HEFCE recurrent teaching grant for 2012-13 and 2013-14 (£ million)

	2012-13	2013-14
Funding for old-regime students		
Phase out of mainstream teaching grant	2,433	1,420
Employer co-funded	11	3
Sub-total funding for old-regime students	2,444	1,424
Funding for new-regime students in high-cost subjects	131	330*
Student opportunity funding		
Widening access for people from disadvantaged backgrounds: full-time	60	62
Widening access for people from disadvantaged backgrounds: part-time	67	28
Widening access and improving provision for disabled students	13	15
Improving retention: full-time	172	174
Improving retention: part-time	53	54
Sub-total student opportunity	366	332
Other recurrent teaching allocations		
Research-informed teaching	5	0
Institutional learning and teaching strategies	14	0
Part-time undergraduates	52	26
Accelerated full-time undergraduate provision	} 39	3
Intensive postgraduate provision		36
Institution-specific high-cost distinctive provision	46 [†]	66
Maintaining capacity in SIVS following the ELQ policy	14	0
Very high-cost STEM subjects	23	23
Erasmus fee compensation	11	14
Interim postgraduate taught allocation	33	N/A*
Interim allocation for London weighting	19	0
New-regime students attending courses in London	0	44
Interim allocation for Open University new-regime students in Northern Ireland	2	0 [‡]
Clinical consultants' pay	18	18
Senior academic general practitioners' pay	1	1
NHS pensions scheme compensation	5	5
Transitional funding for ELQs	11	3
Sub-total other targeted allocations and recurrent teaching grants	292	240
Total	3,233	2,325

* The interim postgraduate taught allocation was provided for 2012-13, pending our consultation in HEFCE 2012/04. The equivalent sum for 2013-14 is shown as N/A (not applicable) in this table, but is provided within the £330 million total 2013-14 funding for new-regime students in high-cost subjects.

[†] A further £16 million was provided within special funding under the London Whole Institutions budget, making the comparison figure with the 2013-14 allocation £62 million.

[‡] Funding responsibility for taught Open University students in Northern Ireland has transferred to the Department for Employment and Learning in Northern Ireland from 2013-14.

Funding for old-regime students

35. Our funding for teaching up to 2011-12 comprised a large mainstream element, driven by subject-related costs (comprising, at the sector level, about 84 per cent of the total) and a number of targeted allocations that reflected other additional teaching or student-related costs. We also provided an allocation for some institutions to support provision co-funded with employers, for which HEFCE grant rates were lower.

36. In 2012-13, we began to phase out the mainstream teaching grant that institutions received in 2011-12, as successive cohorts of old-regime students complete their studies. Continuing this phasing-out in 2013-14 results in mainstream funding for old-regime students at the sector level reducing from £2,433 million in 2012-13 to an allocation of £1,420 million in 2013-14. In summary, we are allocating this using the following formula:

- 2011-12 institutional funding rates (by price group, mode and level and taking account of institutions' London and partial completion weightings, and their position in or outside the tolerance band), multiplied by
- 2013-14 old-regime student FTEs, multiplied by
- a scaling factor (to ensure total allocations remain within budget). This scaling factor has been set (for these March 2013 allocations) at 1.01, thus providing a 1 per cent uplift to the allocations.

37. We have now calculated 2011-12 institutional funding rates using institutions' 2011-12 HESA and ILR data. These rates will now be used for the remainder of the phasing-out of funding for old-regime students, subject to any amendments to HESA or ILR data. Initial allocations for 2013-14 have been determined using institutions' forecasts of 2013-14 old-regime student FTEs. Allocations are highly provisional and will be adjusted and finalised as we receive revised figures for 2013-14 old-regime student FTEs.

38. Funding for co-funded employer engagement is being phased out using a method that mirrors the phasing-out of mainstream teaching funding – that is, reflecting the average rates of grant in 2011-12, multiplied by 2013-14 old-regime co-funded student FTEs and a scaling factor of 1.01. Funding for co-funded old-regime students in 2012-13 was £11 million, while this allocation for 2013-14 is £3 million. As with the phasing-out of mainstream teaching grant, the impact on individual institutions will depend on their average course lengths and student continuation rates.

Funding for new-regime students

39. In 2012-13 we began to provide grant for new-regime students in high-cost subjects. This will increase as successive cohorts are recruited and continue.

40. The total allocated for high-cost provision has increased from £131 million in 2012-13 to £330 million in 2013-14. In summary, we are allocating this using the following formula:

- sector-wide funding rates by price group and level, multiplied by
- 2013-14 new-regime student FTEs, multiplied by
- a scaling factor (to ensure total allocations remain within budget). This scaling factor has been set (for these March 2013 allocations) at 1.01, thus providing a 1 per cent uplift to the allocations.

41. The sector-wide funding rates have been set at the levels provided for illustrative purposes in our consultation HEFCE 2012/04. After incorporation of the scaling factor of 1.01, this provides, for undergraduates, £10,100 for price group A; £1,515 for price group B; and £252.50 for price group C1 (comprising archaeology, design and creative arts, information technology, systems sciences and computer software engineering, and media studies). Undergraduates in price groups C2 (other price group C subjects) and D do not attract this element of funding.

42. Funding for postgraduate taught students is being provided at the rates that apply to undergraduates plus an additional £1,111 (after incorporation of the scaling factor of 1.01) for all those in price groups A to C2. This consolidates the 2012-13 interim postgraduate taught allocation into the 2013-14 funding for new-regime students in high-cost subjects.

43. Media studies and sports science were previously split between price groups B, C and D according to the outcome of individual institutional reviews. From 2013-14 new-regime students in these subjects are assigned wholly to price groups C1 and C2 respectively.

Targeted allocations

44. Following the consultations in HEFCE 2011/20 and HEFCE 2012/04, we are implementing several changes to targeted teaching grant allocations. The following allocations that were provided in 2012-13 have now ceased:

- a. Funding for research-informed teaching (which previously formed part of our funding for TESS).
- b. Funding for institutional learning and teaching strategies (which also previously formed part of our funding for TESS).
- c. Funding to maintain capacity in SIVS following the ELQ policy.
- d. The interim allocation for London weighting. We have introduced instead a new allocation for new-regime students attending courses in London.
- e. The interim allocation for Open University new-regime students in Northern Ireland. Funding responsibility for taught Open University students in Northern Ireland has transferred to the Department for Employment and Learning in Northern Ireland from 2013-14.

Student opportunity

45. We are introducing a new variable targeted allocation for student opportunity. This replaces the allocations previously provided for widening participation and improving retention. This allocation comprises:

- a. Separate elements for full-time and part-time undergraduate provision, reflecting the recruitment and retention of students from geographical areas with traditionally low educational achievement or higher education participation rates, who have the potential to succeed in higher education. The 2013-14 budgets for these two elements of the funding for widening access for people from disadvantaged backgrounds are £62 million for full-time undergraduates and £28 million for part-time undergraduates. Now that student support is available for undergraduates studying part-time, we have removed the £40 million uplift to the funding for part-time widening access that was introduced in 2006

when variable fees and tuition fee loans did not apply to part-time provision. Allocations reflect the latest information on participation of local areas².

b. An element for disabled students, totalling £15 million, allocated to reflect the student numbers at each provider and the proportions that are in receipt of Disabled Students' Allowance.

c. Separate elements for full-time and part-time undergraduate provision, reflecting the recruitment and retention of students who have the potential to succeed in higher education but are likely to need more support than others to complete their studies. The 2013-14 budgets for these two elements of funding for improving retention are £174 million for full-time undergraduates and £54 million for part-time undergraduates. The full-time allocation reflects the characteristics that we have observed are indicators that a student may require extra support: their entry qualifications and their age. These risk factors are determined in relation to students in all years of study, rather than (as in previous years) just new entrants. The part-time element is calculated pro rata to 2012-13 London-weighted part-time undergraduates reported on the 2012 HESES and HEIFES surveys.

46. In determining the budgets for student opportunity funding we have incorporated the scaling factor of 1.01 that applies to other elements of teaching grant. However, in our March 2013 allocations, we have not allocated the full £332 million available – we have set aside £5 million for distribution later in the year to allow for corrections to underlying data. The total allocation in March 2013 comprises:

- widening access (full-time): £60 million
- widening access (part-time): £28 million
- widening access and improving provision for disabled students: £15 million
- improving retention (full-time): £171 million
- improving retention (part-time): £53 million.

Part-time undergraduates

47. We are allocating £26 million through a variable allocation for part-time undergraduates. The allocation is based on old-regime students in all price groups, plus those new-regime students who are in price groups A to C1. We have phased out an element that was added from 2009-10 to reduce the impact of the ELQ policy on part-time provision.

Accelerated full-time undergraduate provision and intensive postgraduate provision

48. We are continuing to provide support for accelerated full-time undergraduate and intensive postgraduate provision. This was previously provided through the accelerated/intensive provision targeted allocation. The rates of funding we are providing vary by price group and reflect those shown in our consultation in HEFCE 2012/04, but also incorporate the 1.01 scaling factor:

- a. The targeted allocation for accelerated full-time undergraduate provision is allocated for full-time undergraduate student FTEs, in price groups B, C or D, on long years of study.

² 'POLAR3' instead of 'POLAR2', where 'POLAR' stands for 'Participation of Local Areas'. For further information see: www.hefce.ac.uk/whatwedo/wp/ourresearch/polar/

It is no longer provided for part-time undergraduates, as it is intended to support accelerated degrees. The total budget is £3 million.

b. The targeted allocation for intensive postgraduate provision is allocated for full-time and part-time postgraduate taught student FTEs, in price groups B or C, on long years of study. The total budget is £36 million.

Institution-specific high-cost distinctive provision

49. We are introducing a new allocation which replaces the previous institution-specific allocation and London Whole Institutions special funding. Institutions' allocations reflect the outcomes of a review of this funding in 2012 and incorporate the 1.01 scaling factor. In total, we are allocating £66 million through this allocation, an increase of £4 million compared with the combined institution-specific and London Whole Institutions allocations for 2012-13.

Very high-cost STEM subjects

50. We are continuing to provide £23 million for certain very high-cost STEM subjects (physics, chemistry, chemical engineering and minerals, metallurgy and materials engineering)³. This budget has been uplifted by 1 per cent from 2012-13. Institutions' allocations have been recalculated to reflect student numbers in high-cost STEM subjects from 2010-11 individualised student data.

Erasmus fee compensation

51. We are providing a variable allocation of Erasmus fee compensation in 2013-14 to support students taking a whole Erasmus⁴ year abroad. The budget has increased to £14 million to take account of an increase in the rate of compensation to £4,500 for the small proportion of students studying under the new fee and funding regime who take an Erasmus whole year abroad in their second year of study. The large majority of Erasmus students in 2013-14 will still be subject to the previous fee regime, with the rate of compensation remaining at £1,725. New arrangements to support institutions' participation in exchange programmes overseas will be introduced from 2014-15.

New-regime students attending courses in London

52. We are allocating £44 million through a new variable targeted allocation to recognise the additional costs associated with the provision of courses in London. The new allocation is being phased in for new-regime students, because London weighting is already included in the rates of grant provided for the phasing-out of old-regime student funding. The new allocation is based on forecast 2013-14 student FTEs to ensure consistency with the calculation of funding for old-regime students; it is therefore the only targeted allocation that is subject to our three-stage recalculation process. In general, the rates of funding for this allocation provide an uplift of 1 per cent to the rates shown in HEFCE 2012/04. They vary according to price group and whether institutions offer provision in inner or outer London.

³ Further information is available in 'Non-mainstream allocations to support very high-cost STEM subjects: Recalculation of allocations using most recent data' (HEFCE Circular letter 02/2013).

⁴ Erasmus is the European Union's Action Scheme for the Mobility of University Students, part of the EU's Lifelong Learning Programme. Students taking a whole year abroad under the scheme are subject to a zero tuition fee, with HEFCE providing compensation to their home institution for the 'half fee' that would otherwise be chargeable.

Other recurrent teaching grants

53. Funding for clinical consultants' pay (£18 million), senior academic GPs' pay (£1 million) and NHS pension scheme compensation (£5 million) continue in 2013-14. The budgets for these funding streams have been increased by 1 per cent since 2012-13 to reflect the uplift being applied to other elements of teaching grant for 2013-14.

54. Transitional funding for ELQ students continues to be phased out as previously notified and will cease from 2014-15. The allocation for 2013-14 totals £3 million.

2013-14 funding for research

Introduction to the method

55. There are no changes to the research funding methods for 2013-14, and we are maintaining budgets for the different elements of recurrent research grants at the same cash level as in 2012-13. This means there will be significant stability in our research funding for individual institutions.

56. The research funding method is designed to target funding where research quality is highest. We refer to the funding as quality-related research (QR) grant. Research quality in different subjects ('Units of assessment', UOAs) has been assessed periodically through the Research Assessment Exercise (RAE), which also collects information about the numbers of research-active staff. The RAE was a peer-review exercise which produced quality profiles for those research groups that institutions chose to submit for assessment in different subject areas, and was last conducted in 2008 (that exercise is referred to as RAE 2008). The RAE is being replaced by the Research Excellence Framework, which will be completed for the first time in 2014.

57. The main research funding method (known as mainstream QR) distributes grant based on the quality, volume and relative cost of research in different areas. After determining how much funding to provide for research in different subjects, we divide the total for each subject between institutions. These decisions take account of the volume of research (using research-active staff numbers), the relative costs (reflecting, for example, that laboratory-based research is more expensive than library-based research), any policy priorities for particular subjects, and the quality of research as measured in the RAE.

58. In addition to mainstream QR, other allocations are made to contribute towards other research-related costs. These are:

- a. Funding for research degree programme (RDP) supervision. This is allocated to reflect postgraduate research (PGR) student numbers in departments that attract mainstream QR funding, quality, the relative costs of the subjects they are studying, and London weighting.
- b. Charity-related funding. 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 institutions in proportion to the London-weighted income they receive from charities for research.
- c. Business-related funding. We also provide funding to support institutions undertaking research in collaboration with business and industry. This is allocated in proportion to the income they receive from business for research.

d. Research libraries funding. This is additional support for five libraries which we have designated as being of national importance.

59. The total recurrent funding for research for 2013-14 is made up of the following elements:

- £1,018 million for mainstream QR
- £32 million for London weighting on mainstream QR
- £240 million for the RDP supervision fund
- £198 million for the charity support element
- £64 million for the business research element
- £6 million for National Research Libraries.

Mainstream QR

60. Our first step in distributing mainstream QR is to decide how much to allocate to different subjects. The total available funding is divided between the subject fields of the 15 RAE main panels, in proportion to the volume of research in each field that was assessed as meeting or exceeding the 3* quality level in RAE 2008, weighted to reflect the relative costs of research in different subjects. However, since 2009-10 we have adjusted the totals for each of the 15 main panels in order to at least maintain the relative proportion of funding for subjects in science, engineering, medicine and mathematics (main panels A to G) compared with 2008-09. From 2010-11 we extended this to provide partial protection for research in geography and psychology, recognising that around half of the research activity in these disciplines returned to the RAE 2008 could reasonably be regarded as more analogous to work in science disciplines rather than in the other social sciences. We have continued these policies in 2013-14.

61. The relative cost weights remain unchanged since last year:

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

62. The next steps are to disaggregate the totals for each main panel subject group between its constituent UOAs, and then to disaggregate the totals for each UOA between institutions. For both calculations, this is in proportion to the volume of activity assessed as reaching each of the quality levels 3* and 4* in RAE 2008, multiplied by quality weightings, and also taking cost weightings into account where these vary within a main panel group. We apply the following weightings to research volume attributable to each RAE quality level:

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

63. We are continuing to provide London weighting on mainstream QR on the same basis as previously: 12 per cent of the mainstream QR for institutions in inner London and 8 per cent for those in outer London.

RDP supervision fund

64. Our first step in determining RDP supervision fund allocations is to calculate a quality score for each department⁵, determined as the amount of 3* and 4* activity as a proportion of total activity at 2* quality and above in its quality profile as produced by the RAE 2008.

65. For each eligible department, PGR FTEs, derived from HESA data for 2011-12 and earlier years, are weighted to reflect London weighting, the cost weightings given in paragraph 61 and the quality score. We then distribute the total available funding pro rata to these weighted FTEs. For each UOA the allocations thus determined are then divided by London-weighted FTEs to calculate an initial rate of funding per London-weighted FTE.

66. The next step is to apply a cap of 30 per cent above the 2011-12 RDP funding rate in each cost band to the initial rate of funding per London-weighted FTE. While we aim to incentivise the supervision of PGR students in high-quality research environments, we are mindful that this element in our grant is designed explicitly to support the education of all of the students counted in the allocation. We have therefore introduced a cap on the maximum amount of funding per London-weighted FTE, to limit the differentials in the rate of funding per student within a cost band.

67. Final rates of funding per London-weighted FTE are calculated to ensure that the full budget is allocated. These final rates of funding are then multiplied by London-weighted PGR FTEs to determine RDP supervision fund allocations.

68. The budget for RDP supervision has been set at £240 million. As a condition of grant we require all institutions to comply with chapter B11 of the Quality Assurance Agency for Higher Education (QAA) UK Quality Code for Higher Education on PGR programmes⁶, in respect of those departments that attract RDP supervision funding.

⁵ 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 is identified as a single administrative unit within the institution.

⁶ Chapter B11 of the UK Quality Code for Higher Education is available from www.qaa.ac.uk/Publications/InformationAndGuidance/Pages/quality-code-B11.aspx

Other elements of QR

69. The budget for the charities element of QR has been set at £198 million. The allocation is made in proportion to the average amount of eligible London-weighted income from charities reported for 2010-11 and 2011-12 on the HESA finance statistics return.

70. There has been no change to the allocation method for the business research element of QR. The budget has been set at £64 million.

71. Total funding for research libraries has also been maintained in cash terms at £6 million. This funding is allocated to five higher education institutions maintaining libraries that we have designated as being of national importance⁷.

Knowledge exchange/HEIF

72. HEIF supports knowledge exchange activities in higher education institutions and strengthens links with businesses, public services, communities and the wider public in order to increase economic and social impact. Allocations for 2013-14, totalling £150 million, were announced in 'Higher Education Innovation Funding 2011-12 to 2014-15' (HEFCE 2011/16). We are providing a further £10 million for 2013-14 and 2014-15, to enable existing knowledge exchange strategies to be enhanced where there is evidence that the current cap on funding is a constraint to institutions' support of economic growth. The distribution of that £10 million supplement between will be announced later in the year.

Recurrent funding outcomes for institutions

73. The continued phasing-out of teaching grant relating to old-regime students, coupled with the phasing-in of funding for new-regime students in high-cost subjects, results in the most significant change to HEFCE funding for most institutions in 2013-14. Other factors that may contribute to significant changes in teaching grant for individual institutions include the review of targeted and other recurrent teaching allocations. Many of these allocations are continuing in 2013-14 and will be paid in relation to old- and new-regime students, but some are being phased out. Institutions will see changes as a result of our use of updated student data to inform allocations: for targeted allocations, this will depend on changes in institutions' student numbers relative to the sector as a whole.

74. The changes to HEFCE teaching grant will affect institutions in different ways. The speed of transition for individual institutions to the new finance arrangements depends on the average length of their courses: those with shorter average course lengths will move more quickly to the new funding environment. The overall impact on institutions will depend on:

- a. The extent to which they are able to compensate for the loss of HEFCE grant by charging higher fees (after waivers).
- b. The extent to which they are able to maintain, or increase, student numbers.
- c. Their ability to attract funding from other sources, including other HEFCE grants such as for research.
- d. The strength of their balance sheet, in particular their cash position.

⁷ The institutions receiving these allocations are listed on our web-site at www.hefce.ac.uk/whatwedo/rsrch/rinfrastruct/nationalresearchlibraries/

75. There is significant stability in our funding for research and for knowledge exchange through HEIF. However, updated data that inform the research degree programme supervision, charities and business elements of research funding will result in some redistribution of their fixed budgets between institutions.

Non-recurrent grant (earmarked capital and special funding)

76. We aim to provide as much as possible of our funding for learning and teaching, research and knowledge exchange through the block grant. Further non-recurrent funding, in the form of special funding and earmarked capital, is provided for specific purposes and to promote change that cannot easily be achieved through other routes.

Earmarked capital

77. Earmarked capital funding totals £280 million and is mostly allocated by formula. The total includes £120 million for the second year of the UK Research Partnership Investment Fund, £35 million for the Teaching Capital Investment Fund and £89 million for the Research Capital Investment Fund. Capital is provided on a financial year basis. The BIS grant letter to HEFCE provides an indicative allocation for 2014-15 of £420 million, of which £160 million represents the third year allocation for the UK Research Partnership Investment Fund. The 2013-14 funding for teaching and research capital investment funding will follow the same allocation process as 2012-13, and will be announced separately.

78. We have maintained our commitment to helping universities and colleges reduce their carbon emissions, by providing a further £6 million for the Revolving Green Fund.

Special funding

79. We allocate a small proportion of our total funding to support special funding programmes, to promote specific policies or to contribute towards additional costs for institutions that are not recognised through our recurrent funding methods (such as support for national facilities). For the 2013-14 academic year we are allocating £149 million in special funding.

80. We are planning to maintain investment in Jisc (formerly the Joint Information Systems Committee), and the Catalyst Fund.

81. The distribution to institutions of special funding and earmarked capital is not shown in this publication. Table 2 shows a breakdown of non-recurrent funding, comprising special funding and earmarked capital, between the different programmes. These allocations are grouped by HEFCE strategic aim, as set out in HEFCE 2011/34.

2013-14 funding agreement requirements

82. Because teaching grant allocations will be recalculated from first principles through our three-stage process there are only three funding agreement requirements affecting student numbers for 2013-14:

- a. **The student number control**, applying to all institutions.
- b. **The medical intake target**, representing the maximum intake to full-time undergraduate courses that lead to first registration as a doctor.
- c. **The dental intake target**, representing the maximum intake to full-time undergraduate courses that lead to first registration as a dentist.

The student number control

83. The student number control serves to limit the number of students at an institution starting HEFCE-fundable full-time undergraduate studies, or a HEFCE-fundable Postgraduate or Professional Graduate Certificate in Education (PGCE), in the year. Some students starting such studies in the year are not counted against the control, either because they are exempt on the grounds of their entry qualifications and grades, or for some other reason (there are fewer exemptions for certain specialist institutions in the performing and creative arts). There are a number of important changes to the student number control arrangements for 2013-14. Most of these arise from recent guidance from Government, particularly that allocations should better reflect student choice. Others follow our consultation in HEFCE 2012/04. In particular:

- a. Institutions have more flexibility, following the guidance in our grant letter from BIS, which allows them some limited scope to exceed their student number control allocation without incurring a reduction to their HEFCE grant.
- b. The exemptions list has been expanded to include grades of ABB at A-level and certain other entry qualifications that, for the purpose of determining a student number control allocation, we treat as equivalent to, or higher than, ABB. This means that students with these entry qualifications do not count against the student number control allocation.
- c. In general, students who are topping up from a full-time foundation degree or a full-time HND to an honours degree no longer count towards the student number control allocation.
- d. We have allocated 5,000 places under the 'core and margin' policy. A large majority of these places have been distributed formulaically to institutions charging lower average tuition fees (after fee waivers) and meeting other criteria of quality and demand.

84. We wrote to institutions on 28 February 2013 to confirm their student number control allocation for 2013-14, incorporating places awarded under the core and margin policy and the outcome of any appeal. The allocations for all institutions are shown on Table 3. Further changes to the allocations for individual institutions may be incorporated later in the year, for example to reflect amendments to the underlying data and any requests for transfers of provision between institutions. More information about the student number control is available on our web-site at www.hefce.ac.uk/whatwedo/lt/howfund/studentgrades/.

85. As requested by the Secretary of State, we have allocated 5,000 places under the core and margin policy, but we have not made any reductions to student number control allocations in order to do so. Certain specialist institutions in the performing and creative arts have opted for a student number control allocation in which most categories of student exemptions do not apply. These institutions are not eligible for places awarded through the core and margin policy.

86. Of the core and margin places allocated, we have distributed 938 places to institutions that we did not directly fund for full-time undergraduate places in 2012-13 and that bid successfully in

response to 'Student number controls for 2013-14: Guidance and invitation to bid' (HEFCE 2012/17). The remaining places have been distributed by formula to institutions that meet the threshold criteria of demand and quality (as set out in HEFCE 2012/17, paragraphs 32 to 35), on the basis of the average full-time regulated fee (after fee waivers) charged to students starting in 2013-14, as follows:

- a. Institutions with an average fee of less than £7,500: 2,666 places, providing an increase of approximately 13 per cent.
- b. Institutions with an average fee of between £7,500 and £8,250: 1,287 places, providing an increase of approximately 6.5 per cent.
- c. Institutions with average fees higher than £8,250, but with such fees for franchised-out provision averaging below £7,500: 112 places, providing an increase of approximately 13 per cent for those franchised-out places. We expect these institutions to use these places to maintain or expand their franchised provision.

87. Institutions that are awarded student places through the 2013-14 core and margin exercise are expected to maintain average annual full-time regulated tuition fees, after fee waivers, at a level consistent with the one listed in paragraph 86 which informed the allocation. This applies to all years of the programmes of study taken by the cohort of full-time and sandwich students who start in the 2013-14 academic year and are subject to the new full-time regulated fee regime. Paragraph 25 of Annex B of HEFCE 2012/17 explains how this average fee should be calculated. We expect institutions to monitor average fee levels themselves, and contact us if they believe that they are at risk of exceeding the relevant average limit, to discuss options for addressing the position.

88. Most of the exemptions from the student number control are based on sets of particular entry qualifications and grades. These are exempt solely for the purpose of operating a workable student number control to help limit the risk that excess recruitment across the sector might lead to unplanned student support costs. The exemptions list in no way provides an exhaustive assessment of students' prior attainment. We do not expect institutions to use this list to inform decisions about the quality of students' qualifications, the admission of individual applicants, or eligibility for their own scholarship, bursary or fee waiver schemes. The list is not intended to influence the determination of individual applicants' suitability for admission, where the autonomy of institutions is always paramount.

89. Excess recruitment may result in additional student support costs for the Government, which it might meet by reducing the grant it pays to HEFCE. To reduce the risk of this, HEFCE will reduce the grant it pays to any institution that exceeds its student number control allocation plus the additional flexibility available above it. The rate at which grant will be reduced for each excess student recruited will be confirmed in the light of any further guidance from BIS, but in the meantime institutions should plan on the basis that a similar approach will be followed as in 2012-13 – that is:

- a. For institutions that charge average fees after fee waivers of up to £6,000, a rate of £5,000.
- b. For institutions that charge average fees after fee waivers (according to an Access Agreement with the Office for Fair Access) of more than £6,000, a rate of £1,000 less than that average fee.

90. We will give institutions an opportunity to appeal for mitigation before finalising any such grant adjustment. We will not count students recruited in excess of the 2013-14 student number control allocation plus the additional flexibility above it towards our funding of new-regime students in high-cost subjects. The rate at which grant will be reduced for over-recruitment is intended to provide a strong incentive for institutions not to over-recruit. If we find that institutions do so significantly or repeatedly, we may take further action. This may include, but not be limited to: further grant reductions, exclusion from the allocation of places under the core and margin policy, or reductions to their future student number control allocations.

91. Initially we will monitor compliance with the student number control through the HESSES and HEIFES surveys. We will also undertake further monitoring using HESA and ILR data for 2013-14. This may result in a further grant reduction, changes to any grant reduction we have previously confirmed, or changes to any student number control allocation already notified for later years.

Additional requirements on institutions that over-recruited in previous years

92. Where institutions exceeded their student number control limit for 2012-13, or exceeded their limit for 2011-12 and did not sufficiently offset that over-recruitment in 2012-13, they will again be required to offset the over-recruitment if they are to avoid incurring a further grant reduction in 2013-14. Offsetting is achieved by recruiting below the student number control allocation. Grant reductions for failing to offset in 2013-14 will be set according to guidance provided by BIS, but are expected to be no less than the relevant rates per excess student place in 2012-13: that is, at £3,800 for 2011-12 over-recruitment and the rates identified in paragraph 89 for 2012-13 over-recruitment. We are no longer seeking offset in 2013-14 for over-recruitment that arose in 2010-11.

93. Institutions which wish to offset in 2013-14 need to reduce the number of students who count against the 2013-14 student number control allocation. A reduction in the number of students recruited with, for example, entry qualifications included in our list of exemptions would not count as offsetting, as our assumption would be that such students will instead have been recruited by another institution, and will therefore continue to be a call on student support. Offsetting will be measured against the 2013-14 student number control allocation, not against the additional flexibility above it.

Implications of recruiting below the 2013-14 student number control allocation

94. We have previously indicated that we may need to reduce student numbers for institutions that recruit significantly below their student number control allocation. This is because it is not in the student interest for places to remain allocated to institutions that do not wish, or are unable, to fill them. For 2012-13, we regarded the point below the student number control limit at which recruitment shortfall becomes significant as 5 per cent, or 25 students (whichever is greater), once the limit has been adjusted to take into account any offset required as a result of past over-recruitment. We are adopting the same approach for 2013-14, and this lower threshold is

quantified in Table 3. This means that institutions which recruit below this level in 2013-14 **may** see their allocations for 2014-15 reduced.

Medical and dental intake targets

95. The medical and dental intake targets are maxima and apply to all home, EU and overseas students starting full-time undergraduate (including graduate-entry) programmes that lead on successful completion to first registration as a doctor or dentist respectively. Institutions should ensure they do not exceed their intake targets: we may take further action against those that continue to do so. We will not count students recruited in excess of the medical or dental intake targets towards our funding of new-regime students in high-cost subjects: this will apply to all years of study relating to the excess numbers recruited.

Conditions of grant

96. Our grants to institutions are conditional on the funds being used for the eligible activities set out in Section 65(2) of the Further and Higher Education Act 1992. The conditions of grant that apply to funding are given in 'Model Financial Memorandum between HEFCE and institutions' (HEFCE 2010/19).

97. In July we will send institutions their funding agreement for 2013-14. This will form Part 2 of the Financial Memorandum between HEFCE and each higher education institution. This will specify particular conditions attached to our teaching funding, including the student number control allocation and the medical and dental intake targets.

98. In counting the number of students to be included within a higher education institution's student number control allocation, and for its reporting obligations relating to students under the Financial Memorandum, students registered at the institution's connected undertakings must be included with the students registered at the institution, unless those connected undertakings are subject to a separate funding agreement directly with HEFCE. Connected institutions were defined in the 2012-13 funding agreements with higher education institutions and in the 2012 HESES survey.

99. Institutions should note the guidance on pay in our grant letter from BIS, specifically that they 'expect the sector to continue to operate restraint in relation to staff pay'.

100. The Secretary of State expects institutions not to charge qualifying persons on qualifying courses more than a prescribed amount in tuition fees. Qualifying courses and persons have the meaning prescribed in the Student Fees (Qualifying Courses and Persons) (England) Regulations 2007, as amended⁸:

- a. The prescribed amounts for 2013-14 for students starting their full-time courses before 1 September 2012 reflect provisions in the Higher Education Act 2004, and are subject to overall limits set out in the Student Fees (Amounts) (England) Regulations 2004⁹, as amended by Regulation 3 of the Student Fees (Basic and Higher Amounts) (Approved Plans) (England) (Amendment) Regulations 2012¹⁰. For these courses, the basic amount is £1,380 (£680 where Regulation 5 of the Student Fees (Amounts)

⁸ Statutory Instrument 2007/778, as amended, at the time of writing, by Statutory Instruments 2007/2263, 2008/1640 and 2011/87; all Statutory Instruments are available at www.legislation.gov.uk.

⁹ Statutory Instrument 2004/1932, also available from the web-site www.legislation.gov.uk.

¹⁰ Statutory Instrument 2012/433, also available from the web-site www.legislation.gov.uk.

(England) Regulations 2004 applies) and the higher amount is £3,465 (£1,725 where regulation 5 of the Student Fees (Amounts) (England) Regulations 2004 applies).

b. For students starting full-time courses on or after 1 September 2012, the prescribed amounts are subject to overall limits that are set out in the Higher Education (Basic Amount) (England) Regulations 2010¹¹ and the Higher Education (Higher Amount) (England) Regulations 2010¹², as amended by Regulations 4 and 5 of the Student Fees (Basic and Higher Amounts) (Approved Plans) (England) (Amendment) Regulations 2012.

c. For students starting part-time courses on or after 1 September 2012 the basic and higher amounts for these courses for the 2013-14 academic year, £4,500 and £6,750 respectively, are set out in the Higher Education (Basic Amount) (England) Regulations 2010 and the Higher Education (Higher Amount) (England) Regulations 2010, as amended by Regulations 4 and 5 of the Student Fees (Basic and Higher Amounts) (Approved Plans) (England) (Amendment) Regulations 2012.

101. HEFCE's grant letter from BIS of 11 January 2013 specified in Annex 2 a condition of grant requiring compliance with tuition fee regulations and the terms of any access agreement in force as agreed with the Director for Fair Access, and setting out the action that may be taken for any breaches of that condition. This condition of grant will be incorporated within institutions' funding agreements for 2013-14, to be issued by July 2013. Institutions should note that for the purposes of this condition of grant, 'tuition fees' has the meaning set out in Section 41 of the Higher Education Act 2004 and in the Education (Student Fees) (Exceptions) (England) Regulations 1999 (Statutory Instrument 1999 No. 2265)¹³, which continues to apply.

102. The additional funding for very high-cost STEM subjects within teaching grant is also subject to separate conditions of grant. These are described in HEFCE Circular letter 02/2013.

103. If an institution fails to recruit any HEFCE-fundable students, all its funding for teaching will be held back. This includes funding for student opportunity and other targeted allocations.

104. In 'Research integrity concordat: Consultation on proposed implementation from 2013-14' (HEFCE 2012/32), we consulted institutions on whether we should require compliance with the research integrity concordat by all institutions eligible to receive our grant for research. We will notify institutions of the outcome of that consultation in due course.

105. Funding for RDP supervision is subject to a separate condition of grant. We require all institutions to comply with chapter B11 of the QAA UK Quality Code for Higher Education on PGR programmes¹⁴ with respect to those departments that attract RDP supervision grant.

106. Our Financial Memorandum and funding agreement with institutions contain sections on providing information. These information requirements are part of the terms and conditions

¹¹ Statutory Instrument 2010/3021, also available from the web-site www.legislation.gov.uk.

¹² Statutory Instrument 2010/3020, also available from the web-site www.legislation.gov.uk.

¹³ The Higher Education Act 2004 and Statutory Instrument 1999/2265 are available at www.legislation.gov.uk.

Government guidance on the latter was provided in 1999 and is available at:

http://webarchive.nationalarchives.gov.uk/20021124183342/http://dfes.gov.uk/studentsupport/administrators/doc/Other_HEI_2.doc

¹⁴ Chapter B11 of the UK Quality Code for Higher Education is available from www.qaa.ac.uk/Publications/InformationAndGuidance/Pages/quality-code-B11.aspx

attached to the funding for 2013-14. Details are contained in '2013-14 Recurrent grant tables for higher education institutions: guidance' and the equivalent document for further education colleges, which were provided to institutions on 18 March 2013.

Audit of funding and student number data

107. Data collected from institutions inform our allocations of student numbers, recurrent funds for teaching and research, and some non-recurrent allocations relating to specific initiatives. We will continue to audit these data selectively in this and future funding exercises, through audit visits. We will also use data which institutions provide to HESA, the Data Service, and other data sources, to verify the data sent directly to us. We will use the outcomes of these data audits and reconciliations to review funding and student number allocations for the year in question and all subsequent years. We reserve the right to review allocations for the most recent seven-year period.

108. If we find, either through reconciliations with HESA, ILR or any other source of data, or through any data audit, that erroneous data have resulted in institutions receiving incorrect allocations, we will adjust their allocations accordingly (subject, where appropriate, to any appeals process and the availability of our funds).

109. We will seek assurances from accountable officers and audit committees about arrangements for the management and quality assurance of data submitted by higher education institutions to HESA, HEFCE and other bodies. This is imperative in order to improve the reliability of data, which is crucial for the efficiency of our funding and student number allocations and to reduce the number of significant adjustments arising from data corrections. Further guidance for audit committees on data assurance can be found on the HEFCE web-site, at www.hefce.ac.uk/whatwedo/reg/assurance/guidance/auditarrangements/.

Further information

110. Institutions requiring further information should contact their HEFCE higher education policy adviser. Contact details are available from www.hefce.ac.uk/contact/contactsforinstitutions/.

Annex A: Tables 1 to 3

Table 1: Recurrent grant for academic year 2013-14

Table 2: Non-recurrent funding for 2013-14

Table 3: Student number control allocations for 2013-14 and comparison with 2012-13

Tables 1 to 3 are available to download as separate Excel files alongside this document at www.hefce.ac.uk/pubs.

Annex B: Descriptions of columns and rows in Tables 1 to 3

Table 1 Recurrent grant for academic year 2013-14

1. **Funding for old-regime students (mainstream)** shows subject-based funding for old-regime students previously funded through our mainstream teaching grant who commenced their studies before 1 September 2012.
2. **Funding for old-regime students (co-funded)** shows subject-based funding for old-regime employer co-funded students who commenced their studies before 1 September 2012.
3. **High-cost funding for new-regime students** shows subject-based funding for new-regime students in high-cost subjects (price groups A to C1 for undergraduates, price groups A to C2 for taught postgraduates). This now incorporates the funding that was provided for 2012-13 as an interim postgraduate taught allocation.
4. **Student opportunity funding** shows the allocation to support the additional costs for institutions that reflect:
 - a. The recruitment and retention of students from geographical areas with traditionally low educational achievement or higher education participation rates, who have the potential to succeed in higher education (£88 million).
 - b. The recruitment and retention of students who have the potential to succeed in higher education but are likely to need more support than others to enable them to complete their studies (£224 million).
 - c. The student numbers at each provider and the proportions that are in receipt of Disabled Students' Allowance (£15 million).
5. **Other targeted allocations** comprise funding for:
 - a. Part-time undergraduates (£26 million).
 - b. Accelerated full-time undergraduate provision (£3 million).
 - c. Intensive postgraduate taught provision (£36 million).
 - d. Institution-specific high-cost distinctive provision (£66 million).
 - e. Very high-cost STEM subjects (£23 million).
 - f. Erasmus fee compensation (£14 million).
 - g. New-regime students attending courses in London (£44 million).
6. **Other recurrent teaching grants** comprise funding for:
 - a. Clinical academic consultants' pay (£18 million).
 - b. Senior academic GPs' pay (£1 million).
 - c. NHS pensions scheme contribution (£5 million).
 - d. Transitional funding for ELQs (£3 million).
7. **Total teaching funding** is the sum of the previous six columns.
8. **Total research funding** comprises:

- a. Mainstream quality-related research (QR) (£1,018 million).
 - b. London weighting on mainstream QR (£32 million).
 - c. Research degree programme (RDP) supervision funds (£240 million).
 - d. QR charity support fund (£198 million).
 - e. QR business research element (£64 million).
 - f. QR funding for national research libraries (£6 million).
9. **Higher Education Innovation Funding** supports knowledge exchange activities in higher education institutions and strengthens links with businesses, public services, communities and the wider public in order to increase economic and social impact.
10. **Total recurrent grant 2013-14** is the sum of the previous three columns.

Table 2 Non-recurrent funding for 2013-14

11. Table 2 shows a breakdown of non-recurrent funding, comprising special funding and earmarked capital, between the different programmes. These allocations are grouped by HEFCE strategic aim, as set out in 'HEFCE business plan 2011-2015: Principles, priorities and practices' (HEFCE 2011/34).

12. Learning, teaching and student choice:

- a. **Quality assurance** is funding to secure the assessment of the quality of education provided by individual institutions.
- b. **Higher Education Academy** is funding for the Higher Education Academy to develop as a major resource for the sector to support quality enhancement, professional development and the dissemination of good practice.
- c. **National Teaching Fellowship Scheme** recognises and rewards individual practitioners who have demonstrated excellence in learning and teaching.
- d. **Supporting professionalism in admissions** is funding to support the continuing development of fair admissions and good practice in admissions, student recruitment and widening participation across the sector.
- e. **Changing the learning landscape** is a new programme of activity aimed at consolidating and maximising the value of the 'open education resource' capital programme.
- f. **Strategically important and vulnerable subjects** refers to funding for centres of excellence in undergraduate teaching of quantitative methods.
- g. **Teaching Capital Investment Fund** is a formulaic distribution of earmarked capital funding to assist with improving the infrastructure for teaching and learning.

13. Research:

- a. **Museums, Galleries and Collections Fund** is funding to support museums, galleries and collections in the sector where the cost of stewardship goes beyond what universities could be expected to meet from mainstream funding for teaching and research.

- b. **Research Excellence Framework** is funding for the new system for assessing the quality of research in UK higher education institutions to be completed in 2014.
 - c. **Research Capital Investment Fund** is a formulaic distribution of earmarked capital funding to assist with improving the infrastructure for research and knowledge transfer.
 - d. **UK Research Partnership Investment Fund** is funding to support investment in higher education research facilities.
14. **Information:**
- a. **Promoting efficiency** is funding to support various initiatives to promote efficiency in the sector, including our costing and pricing activities, the Innovation and Transformation Fund and our ongoing support to the Higher Education Better Regulation Review Group.
15. **Investment:**
- a. **Inherited liabilities** refers to funding to meet the cost of certain historic staff-related commitments of higher education institutions that were previously local authority maintained. Upon its formation, the responsibility to reimburse institutions and local authorities for such liabilities transferred to HEFCE.
 - b. **Equal opportunities** refers to funding for the Equality Challenge Unit to support the work of higher education institutions in improving equal opportunities for their staff and to provide a sector-level view of progress.
 - c. **Leadership Foundation for Higher Education** is a resource to develop world-class programmes for leaders, governors and managers in higher education.
 - d. **Catalyst Fund** supports two broad streams of activity: managing transition and promoting and enhancing activities for the public benefit.
 - e. **Jisc (formerly Joint Information Systems Committee)** is recurrent funding to support strategic guidance, advice and opportunities in the use of information and communications technology in the higher education sector.
 - f. **Jisc capital** is capital funding to support the use of information and communications technology in the higher education sector.
 - g. **Revolving Green Fund** is funding to enable higher education institutions to overcome initial capital costs in order to implement sustainable development, undertaking projects which reduce greenhouse gas emissions.
16. **Partnership:**
- a. **International initiatives** refers to funding for specific projects to assist the promotion of UK higher education overseas.
 - b. **Higher education regional associations** refers to funding towards the costs of the higher education regional associations, which are membership organisations that represent higher education institutions in the regions.
 - c. **Policy ongoing services** refers to funding that contributes to the delivery of services directly to higher education institutions or other higher education sector bodies (such as hosting the Key Information Sets database).

Table 3 Student number control allocations for 2013-14 and comparison with 2012-13

17. **2012-13 Student number control limit** shows the final student number control limit set for 2012-13, excluding those categories of students that were covered by an exemption in that year. For most institutions these 2012-13 exemptions applied to students with entry qualifications considered, solely for the purpose of operating the student number control, as equivalent to AAB at A-level or higher. For some specialist institutions in the performing or creative arts, which recruit primarily on the basis of audition or portfolio, there were no exemptions that applied in 2012-13.

18. **Removal of newly exempt students for 2013-14** shows the adjustments made to the 2013-14 student number control allocations to remove categories of students that are newly exempt from 2013-14. For some specialist institutions in the performing and creative arts, the only exemption that applies relates to students topping up to an honours degree from a full-time foundation degree or full-time HND.

19. **Places allocated under the 2013-14 'core and margin' policy** shows the distribution to institutions of 5,000 places against criteria of fee level, demand and quality. Most of these places have been allocated by formula, but some were allocated in response to bids from institutions that we were not funding directly for full-time undergraduate provision in 2012-13. There was no deduction made to institutions' student number control allocations to release these 5,000 places.

20. **Other adjustments for 2013-14** shows other adjustments that we have made in making student number control allocations for 2013-14. These include:

- a. Transfers between institutions.
- b. Adjustments to 'core protection' for the most selective institutions. Core protection ensures that student number control allocations do not fall below a certain level. It helps to ensure that the most selective institutions are able to continue to provide fair access to highly qualified students whose entry qualifications are not included in our list of exemptions. As our exemptions list expands so that more students are outside the control, the level of core protection required is reduced.
- c. Adjustments made in response to appeals.

21. **2013-14 Student number control allocation** shows the allocation for 2013-14 as confirmed to institutions on 28 February 2013. It is the sum of the previous four columns.

22. **Top of the flexibility range** shows the further flexibility available to institutions to recruit above their student number control allocation without incurring a grant reduction from HEFCE.

23. **Bottom of the flexibility range** shows the level of recruitment required to avoid a reduction to the student number control allocation for 2014-15.

24. **Percentage increase from additional flexibility** shows, in percentage terms, how far above the student number control allocation an institution can recruit before a grant reduction from HEFCE would apply. Larger percentages apply to the most selective institutions, because the flexibility is calculated on the basis of exempt students (other than in medicine and dentistry) as well as those counting against the allocation. This provides further help to the most selective institutions to maintain fair access, including where they have been expanding intakes from exempt categories. The smallest percentages reflect where institutions have few intakes from

exempt categories and where there were some shortfalls against the 2012-13 student number control limit.

List of abbreviations

BIS	Department for Business, Innovation and Skills
ELQ	Equivalent or lower qualification
EU	European Union
FTE	Full-time equivalent
GP	General practitioner
HEFCE	Higher Education Funding Council for England
HEIF	Higher Education Innovation Funding
HEIFES	Higher Education in Further Education: Students survey
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics survey
ILR	The Data Service's Individualised Learner Record
PGCE	Postgraduate/Professional Graduate Certificate in Education
PGR	Postgraduate research
POLAR	Participation of Local Areas
QAA	Quality Assurance Agency for Higher Education
QR	Quality-related research
RAE	Research Assessment Exercise
RDP	Research degree programme
SIVS	Strategically important and vulnerable subjects
STEM	Science, technology, engineering and mathematics
TESS	Teaching enhancement and student success
UOA	Unit of assessment