

March 2007/06

**Core funding/operations**  
**Allocation of funds**

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This document summarises our provisional allocations of recurrent funding to institutions for the academic year 2007-08. Final allocations will be announced in July 2007.

This report is for information

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March 2007/06

# Recurrent grants for 2007-08

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# Recurrent grants for 2007-08

<b>To</b>	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges Heads of universities in Northern Ireland
<b>Of interest to those responsible for</b>	Finance, Planning
<b>Reference</b>	2007/06
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<b>Enquiries to</b>	HEFCE higher education advisers

## Executive summary

### Purpose

1. This document summarises our provisional allocations of recurrent funding to institutions for the academic year 2007-08.

### Key points

2. The total HEFCE grant available for the 2007-08 academic year is £7,137 million. This represents an overall cash increase of 6.4 per cent compared with 2006-07. The total includes recurrent funding of £4,510 million for teaching (of which £354 million is for widening participation), and £1,415 million for research. In addition, we are providing a further £738 million for earmarked capital grants, £449 million for special funding, and £25 million additional funding for very high cost and vulnerable science subjects.

3. The institutional allocations for teaching and research announced in this publication show an average 5.3 per cent increase in recurrent grant for the sector. If funding for additional student numbers is excluded, the average increase is 3.1 per cent, a real-terms increase in funding for the sector as a whole. None of the increases referred to in this document take account of the additional fee income in 2007-08 that is expected following the introduction of variable fees for full-time undergraduates. Our recurrent grant allocations therefore provide stability and some financial security while the more dynamic environment created by the 2004 Higher Education Act is introduced.

4. There are substantial increases in funding for research, in keeping with the Government's commitment to enhancing the research base through both sides of the dual support system.

5. We have provided a full uplift for inflation to the main teaching grant allocation for each institution. Many institutions have also gained significant additional funded student numbers. The total funding for widening participation is also being increased for inflation.

6. Funding for earmarked capital has increased by 4.8 per cent compared with last year. The distribution of this funding between institutions has been announced separately and is not included in this document (paragraphs 50 and 51 provide further information).

### **Teaching**

7. The total recurrent funding for teaching that is available has increased by 7.2 per cent over the equivalent figures for 2006-07. This has allowed us to provide for a significant number of additional full-time equivalent (FTE) student places, while providing an uplift for inflation to teaching grant, including widening participation. We have made commitments for approximately 33,000 FTE additional funded places for 2007-08, and will shortly allocate a further 16,000 FTE across the two academic years 2007-08 and 2008-09. The overall rate of grant per FTE student for teaching has increased in cash terms by 2.75 per cent compared with 2006-07.

8. The total of £4,510 million for teaching includes the following:

- a. £354 million to support widening participation for students from under-represented groups or who are at greatest risk of not completing their studies.
- b. £176 million for additional funded places awarded mainly through our initiatives for managed and strategic growth, or through earlier exercises to distribute additional student numbers.
- c. £11 million for increases in medical and dental student numbers.

### **Research**

9. A total of £1,415 million is allocated for research. This is an increase of 5.4 per cent compared with the equivalent funding for 2006-07. Within this overall increase we have:

- a. Established a business research element within quality-related research (QR).
- b. Increased the total of the QR charity support fund to £180 million.
- c. Increased the average rate of grant by 4.9 per cent for departments rated 4, 5 and 5\* in the 2001 Research Assessment Exercise (RAE). This takes account of all the main recurrent elements of QR with the exception of the new business research element.
- d. Maintained in real terms the total recurrent funds for research degree programmes (RDPs).

### **Moderation of teaching and research**

10. We have continued our policy of phasing in changes by moderating the allocations. In general, institutions will receive an increase in resource (teaching and research grant, plus regulated fee income) of at least 2 per cent, compared with the equivalent unmoderated figure for 2006-07.

### **Special funding and earmarked capital**

11. Funding for earmarked capital has increased by 4.8 per cent compared with last year. Special funding has increased by 3.9 per cent, but continues to represent a declining proportion of our total budget.

### **Action required**

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

## Elements of grant

13. The total distribution of HEFCE grant to institutions in 2007-08 is £7,137 million. This is broken down between our main strategic themes, and between recurrent and non-recurrent (earmarked capital grants and special funding) elements, as shown in Table A below.

14. Unless otherwise stated, all years in this document relate to academic years – that is, 1 August to 31 July. References to percentage changes in real terms use a GDP uplift of 2.7 per cent on the equivalent figures for 2006-07.

15. This publication is mainly concerned with the distribution of recurrent grant between institutions. Table 1 summarises those allocations for each institution; Table 2 provides a comparison for each institution between their recurrent allocations for 2006-07 and 2007-08. In addition, a summary of the different allocations that make up the non-recurrent elements of grant for the sector as a whole is provided in Table 3.

16. The HEFCE Board agreed the allocations of recurrent funding announced in this document on

22 February. All institutions received details of their individual grant allocations on 26 February.

17. Our funding methods for teaching and research, as they applied in 2006-07, are described in HEFCE 2006/17, 'Funding higher education in England: how HEFCE allocates its funds'. An updated version of this document will be available later in the year. We have implemented some minor changes to our recurrent funding methods since HEFCE 2006/17 was published, which are described in paragraphs 37 to 42 below.

18. Our funding methods operate in broad terms and are designed to be efficient in distributing funding between institutions in the sector, not between departments within an institution. It is not necessarily appropriate for individual institutions to replicate our funding methods when allocating funds internally.

19. The allocations announced in this document are provisional. We will finalise them by July 2007, when we issue each institution's funding agreement. There may be differences between individual figures and totals, due to rounding.

Table A **HEFCE grants to institutions 2007-08**

<b>All figures in £ million</b>				
<b>Main strategic themes</b>	<b>Recurrent grant</b>	<b>Fixed-term supplement to recurrent grant</b>	<b>Non-recurrent grant</b>	<b>Total</b>
Learning and teaching	4,510	25	517	5,052
<i>Of which, widening participation</i>	354		36	390
Research	1,415		296	1,711
Business and the community	0		120	120
Sustaining a high quality sector	0		173	173
Excellence in delivery	0		1	1
Joint Information Systems Committee	0		80	80
<b>Total</b>	<b>5,925</b>	<b>25</b>	<b>1,187</b>	<b>7,137</b>

## Funding for teaching

20. The allocations of recurrent funding for learning and teaching shown in Table 1 total £4,438 million, made up as follows:

	£M
Core funding	3,940
Mainstream additional funded places	103
Non-mainstream funded places	22
<i>Of which, additional for 2007-08</i>	<i>17</i>
Widening participation	349
Other recurrent teaching grants	22
<b>Total</b>	<b>4,438</b>

21. A full explanation of the data in Table 1 is at Annex A. The balance of £72 million from the £4,510 million available as recurrent funding for teaching comprises:

- a. £67 million set aside to provide funding for further additional student numbers (ASNs) across the two academic years 2007-08 and 2008-09.
- b. £5 million for widening participation set aside for allocation by July to allow for corrections by institutions to their underlying data.

22. Core funding for teaching includes an uplift for inflation of 2.7 per cent on sums rolled forward from 2006-07. We have not implemented any significant changes to the main teaching funding method for 2007-08. We are, however, consulting on changes to our funding method from 2008-09 (see HEFCE 2007/02, 'Review of the teaching funding method: second consultation on changes to the method').

23. Table B below shows notional rates of HEFCE teaching grant per FTE student for 2007-08. The figures are based on the main teaching funding method, and exclude other elements of teaching grant such as for widening participation. The rates of standard resource and notional HEFCE grant incorporate subject weightings and the part-time premium, but exclude other institutional and student-related premiums. For example, rates for

foundation degrees are £383 higher than those for other undergraduates (not applicable to price group A). The table presents a simplification of the different fee types that are possible for different categories of student. For example, it does not take account of different fees that may be chargeable for students undertaking language years abroad.

## Funding for additional student numbers

### Mainstream additional funded places

24. Within Table 1, the funding of £103 million for mainstream additional funded places comprises:

- a. £89 million for new places allocated through ASN exercises, with the majority for strategic and managed growth following HEFCE 2005/14, 'Allocation of funds for additional student numbers 2006-08'. This excludes, however, non-mainstream ASN funding for some initiatives – see paragraph 25.
- b. £3 million for ASNs included in baseline FTEs. These generally relate to transfers – either of students between institutions, or of new institutions into the higher education sector. The latter include Guildhall School of Music & Drama and Heythrop College.
- c. £8 million for increases in intakes to undergraduate medical courses.
- d. £3 million for increases in intakes to undergraduate dental courses.

### Non-mainstream additional funded places

25. Funding for non-mainstream places shown on Table 1 includes both funding for new 2007-08 ASNs and funding for places for 2006-07 continuing into 2007-08. Funding for places that are new for 2007-08 totals £17 million (as shown on Table 2) and comprises:

- a. £14 million to support Lifelong Learning Networks (LLNs) that have opted for their ASN funding to be held outside the mainstream teaching grant by a single lead institution. Where LLNs inform us that they wish the 2007-08 allocations to be brought within the mainstream, and disaggregated between the partner institutions, this will be implemented in time for the final allocations in July.

- b. £3 million to support higher level skills pathfinders, co-funded employer engagement, and other initiatives.

26. All funding for non-mainstream places shown on Table 1 is subject to separate conditions of grant and monitoring arrangements.

#### Further places to be allocated

27. In addition to the allocations set out above, we have set aside £67 million (not included within Table 1) to provide further funded growth in 2007-08 and 2008-09 – see paragraph 21a. Circular Letter 04/2007 provides details of the allocation process for the further additional places available to institutions for 2007-08 and 2008-09.

#### Widening participation

28. The funding of £349 million for widening participation announced in this publication comprises:

- £39.7 million for widening access of full-time undergraduates
- £53.6 million for widening access of part-time undergraduates
- £186.5 million for improving retention of full-time undergraduates
- £56.3 million for improving retention of part-time undergraduates
- £12.9 million for students with disabilities.

Table B **Notional rates of HEFCE teaching grant per FTE student for 2007-08**

Price group	Mode	Level	Fee type	Standard resource (£)	Assumed fee income (£)	Notional HEFCE grant rate (£)
A	FTS	UG	Regulated	15,332	1,225	14,107
A	FTS	PGT	Non-regulated	15,332	3,833	11,499
A	PT	UG	Non-regulated	15,715	1,225	14,490
A	PT	PGT	Non-regulated	15,715	4,216	11,499
B	FTS	UG	Regulated	6,516	1,225	5,291
B	FTS	PGT	Non-regulated	6,516	3,833	2,683
B	PT	UG	Non-regulated	6,899	1,225	5,674
B	PT	PGT	Non-regulated	6,899	4,216	2,683
C	FTS	UG	Regulated	4,983	1,225	3,758
C	FTS	PGT	Non-regulated	4,983	3,833	1,150
C	FTS	PGT	Regulated	4,983	1,225	3,758
C	SWOUT	UG	Regulated	4,983	1,220	3,763
C	PT	UG	Non-regulated	5,366	1,225	4,141
C	PT	UG	Regulated	5,366	1,220	4,146
C	PT	PGT	Non-regulated	5,366	4,216	1,150
C	PT	PGT	Regulated	5,366	1,220	4,146
D	FTS	UG	Regulated	3,833	1,225	2,608
D	FTS	PGT	Non-regulated	3,833	3,833	0
D	PT	UG	Non-regulated	4,216	1,225	2,991
D	PT	PGT	Non-regulated	4,216	4,216	0

29. We have set aside a further £5 million, for allocation by July, to allow for institutions correcting their underlying individualised student data, which are used in calculating the allocations.

### Other recurrent teaching grants

30. Other recurrent teaching grants comprise funding for:

- the additional costs of clinical academic consultants' pay (£19 million)
- Dance and Drama Awards (£4 million).

31. Total grant for teaching, including the £67 million set aside for further growth in 2007-08 and 2008-09, represents an increase in cash terms of 7.2 per cent compared with the equivalent figures for 2006-07. If all the £67 million was allocated for 2008-09, instead of 2007-08, the increase in recurrent teaching grant would be 5.3 per cent. Once increases in student numbers are taken into account, the rate of grant per FTE student for teaching has increased by 2.75 per cent (0.05 per cent in real

terms) compared with 2006-07. This real-terms increase is attributable to a higher average rate of grant for 2007-08 ASNs compared with overall student recruitment in 2006-07. The rate of grant relates only to undergraduate and postgraduate taught students, as postgraduate research students are funded through the research funding method. None of the increases referred to in this document take account of the additional fee income in 2007-08 that is expected following the introduction of variable fees for full-time undergraduates.

### Student numbers

32. The allocations announced in this document provide for an additional 26,000 FTE student numbers in 2007-08, awarded mainly through managed and strategic growth or previous ASN exercises, and for increases in medicine and dentistry places. The distribution of these student numbers is shown in Tables C and D below (figures have been rounded to the nearest 100 and there are some rounding differences within the tables).

Table C **Additional funded student numbers, by allocation route**

	Full-time	Part-time		Total	
		Headcount	FTE	Headcount	FTE
Mainstream additional funded places allocated mainly through ASN exercises	15,000	11,700	6,000	26,700	20,900
Non-mainstream additional funded places for LLNs, employer engagement and other initiatives	1,600	5,000	2,500	6,600	4,000
Medical/dental expansion	900	0	0	900	900
<b>Total</b>	<b>17,400</b>	<b>16,700</b>	<b>8,400</b>	<b>34,200</b>	<b>25,900</b>

Table D **Additional funded student numbers, by mode and level**

	Full-time	Part-time		Total	
		Headcount	FTE	Headcount	FTE
Foundation degree	7,000	10,300	5,600	17,300	12,600
Other undergraduate	9,600	5,100	2,300	14,700	11,900
Postgraduate taught	800	1,400	500	2,100	1,300
<b>Total</b>	<b>17,400</b>	<b>16,700</b>	<b>8,400</b>	<b>34,200</b>	<b>25,900</b>

33. In addition to these allocations, some institutions also have an opportunity to recover funding deducted from their baseline for 2007-08 as a result of shortfalls in recruitment in 2006-07, most of which is attributable to additional funded places awarded for 2006-07. Institutions can be expected to deliver approximately a further 7,000 FTEs if they recover all the funding available.

34. Institutions are required to remain within their contract range. This means that there is a limit to which institutions can recruit students without securing additional grant, and institutions wishing to expand recruitment significantly should do so by securing ASNs from us. In 'HEFCE grant adjustments 2006-07' (HEFCE 2006/33), paragraph 32, we warned institutions that we expect them to meet their contract range each year. Later in the year we will publish the rules governing holdback of grant for 2007-08.

35. In 2000-01, we introduced overall targets for FTE numbers for institutions that had been awarded additional funded places through our ASN exercises. We have again set such targets for 2007-08 to ensure that, where we have provided additional funding, institutions deliver the expected increases in their overall student numbers. The grant letters to individual institutions specify overall FTE targets if either the growth in 2006-07 has not yet been delivered, or we have awarded additional places for 2007-08. The grant letters also identify the funding that is contingent upon those FTEs being delivered.

## Funding for research

36. Total recurrent funding for research in 2007-08 is £1,415 million. This represents an increase compared with 2006-07 of 5.4 per cent. The total is made up of the following elements:

- quality-related research (QR) funding of £1,391 million, comprising:
  - £892.1 million for mainstream QR
  - £27.7 million for London weighting for mainstream QR

- £24.6 million for the 'best 5-star' departments, as rated in the RAE
- £193.3 million for the RDP supervision fund for departments rated 4 and above in the RAE
- £180 million for the charity support element
- £60 million for the new business research element
- £10 million for supplementary allocations to maintain QR in real terms
- £1.5 million transitional RDP supervision fund for departments with RAE ratings of 3a in subjects not eligible for the Research Capability Fund
- £1.7 million transitional special funding for research libraries
- Research Capability Fund of £22 million, comprising:
  - £18 million allocated according to staff FTEs
  - £4.1 million supplementary funds for RDP supervision
- funding of £2 million for the joint veterinary science research initiative with the Department for Environment, Food and Rural Affairs (DEFRA). The allocation of this £2 million is not included in the institutional grant tables in this publication.

37. For 2007-08, we have established a new business research element within QR. It is based on an average of 2003-04 and 2004-05 'Research income from UK industry, commerce and public corporations', taken from the HESA Finance Statistics Return Table 4 for academic departments. In setting the overall budget for 2007-08, we have had to be cautious about the funding that may be available from the 2008-09 financial year. This has meant that the total of £60 million for the new element has been found from within existing QR for 2007-08.

38. As well as establishing this new business research element, in distributing QR funding, we are:

- a. Increasing the total of the QR charity support fund to £180 million.
- b. Maintaining in real terms the total of the RDP supervision funds for departments rated 4 and above (with the exception of the transitional element for the 3a-rated departments, which is being phased out).
- c. Increasing the average rate of grant by 4.9 per cent on a like-for-like basis for submissions rated 4, 5 and 5\*. The increase takes account of:
  - mainstream QR funding
  - London weighting on mainstream QR
  - QR charity support fund
  - funds for the ‘best 5-star’ departments
  - RDP supervision funds for departments rated 4 and above.

Because of the establishment of the new business research element within QR, we have excluded the £60 million from both the 2007-08 and 2006-07 comparison figures (we cannot include it in both, because it is not calculated by unit of assessment, UOA).

39. Institutions are reminded that these changes in the rate of grant are averages across all UOAs, but may not hold for individual UOAs because of the variation in volume changes between them. There has been a modest increase in the steepness of the selectivity scale within mainstream QR, to counterbalance the fact that RDP supervision and QR charity support funds are not quality weighted, other than for the threshold criterion that activity must be in departments rated 4 or above.

40. The first stage in the method for distributing mainstream QR is to determine the total funding for each UOA. This is pro rata to the cost-weighted volume of research in each UOA. Because the new business research element has been found from within existing monies and is allocated on an entirely different basis to mainstream QR (see paragraph 37 above), the totals for each UOA have been smoothed to ensure that no large subject group receives a cash reduction following the

introduction of the new funding stream. It should not be assumed that we will continue to smooth the totals for each UOA in future years. Our Board will make decisions about funding for future years after the outcome of the Comprehensive Spending Review is known.

41. The following table shows how the mainstream quality weightings have changed between 2006-07 and 2007-08, as explained in paragraph 39 above.

RAE rating	Funding weights for:	
	2006-07	2007-08
5*	3.9478	4.036
5	3.1198	3.175
4	1	1
3a, 3b, 2, 1	0	0

42. In setting the overall budget for 2007-08, we have had to be cautious about the funding that may be available from the 2008-09 financial year. The combination of this and the establishment of the new business research element has led to a reduction in the total available for mainstream QR. We do not want some institutions to see a short-term cut in their research grants in 2007-08, which might prove unnecessary once we know the next spending review settlement. Therefore we are allocating supplementary funds to ensure that all institutions’ recurrent QR grant is maintained in real terms compared with 2006-07 (that is, a cash increase of 2.7 per cent). However, in order to avoid allocating small sums from this supplementary fund, we are only making allocations where they amount to at least £100,000. The total of the supplementary fund in this provisional March announcement is £10 million, but institutions should note that any subsequent changes to research funding for 2006-07 or 2007-08 could cause a change to their supplementary allocation. This supplementary funding stream is transitional and HEIs should not assume that it will continue in future years. Our Board will make decisions about funding for future years after the outcome of the Comprehensive Spending Review is known.

43. We have also maintained in cash terms the total funding for the Research Capability Fund.

## Moderation

44. As in previous years, we are providing funds to moderate significant changes in funding.

Moderation funding is a short-term measure. It is not an entitlement or general subsidy, but is intended to support actions that will enable institutions to secure change and manage the transition to lower funding levels.

45. The HEFCE Board decided in February that the thresholds for moderation should be set at a cash increase of 2 per cent compared with the equivalent figures for 2006-07, but that we should not provide moderation where it amounts to less than £100,000.

46. In all cases where the moderation funding is significant, we need an assurance that it is being used appropriately. We will therefore ask institutions with significant levels of moderation funding to explain how they are using the allocation to secure necessary change arising from the reduction in recurrent resource.

47. Allocations of moderation funding for 2007-08 are shown in Table 1. As with other allocations in this document, these figures remain provisional until our allocations are finalised later in the year. Any changes to grant for 2006-07 or 2007-08, or to underlying data, may result in a change (up or down) to the moderation funds. In particular, some moderation funding may be attributable to reductions in widening participation funding that arise because of poor underlying institutional data. As explained above, we have set aside £5 million for allocation by July to allow for corrections by institutions to their data. The distribution of this £5 million may result in reductions to moderation funding.

## Additional funding for very high cost and vulnerable science subjects

48. In November 2006 we announced that we would allocate an additional £75 million over the three year period 2007-08 to 2009-10 to support very high cost science subjects, which are strategically important to the economy and society but vulnerable because of relatively low student demand. The funding will support chemistry; physics; chemical engineering; and mineral, metallurgy and materials engineering, to help maintain capacity in these subjects in universities and colleges while demand from students grows. Allocations for 2007-08 in this provisional announcement are shown on Table 1 and total £23 million. We have set aside £2 million for allocation by July to allow for cases where institutions can demonstrate that they have very high cost activity in the subject areas concerned and which we have not already counted in the allocation method described below.

- a. The allocation is based on HEFCE-fundable FTEs returned on the 2005-06 HESA student record that meet certain criteria. Where a student meets a criterion for the subject code of their programme of study, any of their FTE returned in four qualifying cost centres will count towards the allocation.
- b. There is also a threshold whereby institutions with fewer than 30 FTEs in a cost centre do not receive a share of the funding for that cost centre. This ensures that we do not allocate funding where there is very little activity in the cost centres concerned. At this point, the total allocated per FTE student is £1,250. This figure may change once the full distribution of £25 million is finalised in July.

49. The additional funding is intended to maintain capacity by stabilising resource levels in the medium term. Therefore we do not intend to recalculate funding each year to reflect changes in student numbers. The funding is, however, conditional upon

institutions maintaining capacity in these subject areas, and will be monitored separately. We will issue a circular letter to institutions shortly to set out the separate monitoring arrangements, and give details of the process for making adjustments to allocations.

## **Earmarked capital and special funding**

### **Earmarked capital**

50. We are allocating £738 million for earmarked capital grants. This is an increase of £34 million (4.8 per cent) compared with 2006-07. Most of our earmarked capital is allocated by formula, the two main elements being learning and teaching capital and our contribution to the Science Research Investment Fund. Capital funding under these two streams for the financial years 2006-08 was announced in HEFCE 2005/08, 'Capital funding for learning and teaching, research and infrastructure: 2006-08' and HEFCE 2006/27, 'Additional capital funding for learning and teaching 2006-08'.

51. We are also allocating separate additional funding for research capital, including equipment. This totals £44 million for the sector as a whole in 2007-08. It is being allocated on a formula basis that reflects 2006-07 allocations of recurrent QR and research capability funding. Further information is available in HEFCE Circular Letter 03/2006.

### **Special funding**

52. We allocate a small proportion of our total funding to support special funding programmes, to promote specific policies (such as widening participation), or to contribute towards additional costs for institutions that are not recognised through our recurrent funding methods (such as support for national facilities).

53. For 2007-08, we are allocating £449 million in special funding. This covers recent government initiatives for which we have received additional money, such as the Higher Education Innovation Fund and Centres for Excellence in Teaching and

Learning. It also covers other allocations that we fund from the overall grant available to us. The total special funding budget has increased by £17 million (3.9 per cent) since last year. This represents a real-terms increase of 1.2 per cent. However special funding continues to represent a declining proportion of our overall budget.

54. The distribution to institutions of special funding and earmarked capital is not shown in this publication. We will publish in due course a separate report detailing payments made to institutions for the completed academic year. Table 3 shows a breakdown of special funding and earmarked capital between the different programmes. These allocations are grouped by HEFCE strategic aim, as set out in our 2006-11 strategic plan (HEFCE 2006/13).

## **Conditions of grant**

55. 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 the model Financial Memorandum between HEFCE and institutions (HEFCE 2006/24).

56. In July we will send institutions their funding agreement for 2007-08. This will form Part 2 of the Financial Memorandum between HEFCE and each institution. It will specify the conditions attached to our teaching funding, in terms of the levels of teaching activity that must be provided.

57. Institutions are expected to follow government policy on public sector pay by taking account of fairness; the need to recruit, motivate and retain staff; and affordability.

58. The Secretary of State expects institutions not to charge qualifying persons on qualifying courses more than a prescribed amount in tuition fees. The prescribed amounts for 2007-08 reflect provisions in the Higher Education Act 2004 and are set out in the Student Fees (Amounts) (England) (Amendment) Regulations 2006<sup>1</sup>. HEFCE Circular Letter 15/2006

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<sup>1</sup> Statutory Instrument 2006 No. 2382, available from the Office of Public Sector Information web-site at [www.opsi.gov.uk/stat.htm](http://www.opsi.gov.uk/stat.htm)

'New condition of grant about tuition fees and access agreements' sets out the arrangements for 2006-07, which also apply in 2007-08 subject to the updated prescribed fee amounts. The circular letter defines qualifying persons and qualifying courses and explains how institutions are required to comply with the provisions of any access agreement ('approved plan') in force, as approved by the Director of Fair Access. It also describes the action that HEFCE will take on its own account or on behalf of the Director of Fair Access if conditions of grant are breached. Any financial requirements may be applied in-year if necessary.

59. For institutions that have not yet completed self-assessment of their progress in people management, funding for round 2 of the Rewarding and Developing Staff initiative remains subject to separate conditions of grant and monitoring arrangements, as set out in HEFCE 2004/03.

60. Research capability funding is allocated to institutions on the basis of approved strategies, submitted by them for each UOA for which they receive this funding. As set out in HEFCE Circular Letters 10/2003, 'Research Capability Fund: request for strategies' and 29/2005, 'Continuation of research capability funding until 2008-09', progress will be monitored through the annual monitoring statements that institutions submit to us each year, with particular reference to indicators and milestones included in the strategies.

61. The additional funding for very high cost and vulnerable science subjects is also subject to separate conditions of grant. We will notify the institutions concerned in due course about the monitoring arrangements and conditions of grant.

62. Our Financial Memorandum with institutions contains sections on providing information. These information requirements are part of the terms and conditions attached to the funding for 2007-08. Details are contained in the grant letters that were sent to institutions on 26 February 2007.

## **Audit of funding data**

63. The allocations of funds for teaching and research are informed by the data we collect from institutions. We will continue to audit these data selectively in this and future funding exercises. We will make a number of audit visits, covering the full range of data provided by institutions to inform the 2007-08 funding allocations.

64. In addition, we will use data which institutions provide to the Higher Education Statistics Agency (HESA) or the Learning and Skills Council to verify the data they submit directly to us. If we find that erroneous data have resulted in institutions receiving incorrect funding allocations, then we will adjust their funding accordingly. This is subject to the appeals process and the availability of our funds.

## **Further information**

65. Institutions requiring further information should contact their HEFCE higher education adviser. A full list of contacts is on the web at [www.hefce.ac.uk](http://www.hefce.ac.uk) under About us/Contact us.

# Annex A

## Descriptions of columns in Tables 1 and 2

**Table 1 Recurrent grant for academic year 2007-08**

### Teaching funds

1. **Core funding** is derived from the previous year's core. The 2007-08 core funds comprise:

	<b>£M</b>
2006-07 Core funding	3,753
2006-07 Additional funded places	96
Adjustments to 2006-07 baseline because of the consolidation of grant adjustments	-15
Increase for inflation	103
Additional funding for mainstreamed model 2 LLN FTEs	1
Miscellaneous adjustments	2
<b>Total</b>	<b>3,940</b>

2. **Mainstream additional funded places** shows funds for:

- a. New places allocated through ASN exercises, with the majority for strategic and managed growth following HEFCE 2005/14, 'Allocation of funds for additional student numbers 2006-08', but excluding non-mainstream ASN funding for some initiatives (£89 million).
- b. ASNs included in baseline FTEs, generally relating to transfers – either of students between institutions, or of new institutions into the higher education sector (£3 million).
- c. Increases in intakes to undergraduate medical courses (£8 million).
- d. Increases in intakes to undergraduate dental courses (£3 million).

3. **Non-mainstream funded places** shows funds for:

- a. LLNs that have opted for their funding to be held outside mainstream teaching grant by a single lead institution (£18 million).
- b. Higher level skills pathfinders, co-funded employer engagement, and other initiatives (£4 million).

4. **Widening participation** shows allocations of funding for teaching to recognise the extra costs associated with: recruiting and supporting students

from disadvantaged backgrounds currently under-represented in higher education (£93 million); improving the retention of students most at risk of not completing (£243 million); or supporting students who have a disability (£13 million).

5. **Other recurrent teaching grants** comprise funding for clinical academic consultants' pay (£19 million) and Dance and Drama Awards (£4 million).

### Research funds

6. Quality-related research comprises:

- a. Mainstream QR (£892 million).
- b. London weighting for mainstream QR (£28 million).
- c. The supplement for the 'best 5-star' departments (£25 million).
- d. RDP supervision fund for departments rated 4 and above (£193 million).
- e. QR charity support fund (£180 million).
- f. QR business research element (£60 million).
- g. Supplementary allocation to maintain funds in real terms (£10 million).
- h. Transitional RDP supervision fund for departments rated 3a in subjects not eligible for the Research Capability Fund (£2 million).

i. Transitional special funding for research libraries (£2 million).

**7. Capability fund** comprises:

- a. Funding allocated (as in previous years) in respect of staff in departments rated 3a or 3b in the 2001 RAE in seven specific UOAs (£18 million).
- b. Supplementary funds for RDP supervision within those same departments (£4 million).

**Other funds**

8. **Moderation of teaching and research** is a short-term measure to smooth changes in grant. A minimum allocation threshold of £100,000 has been applied.

9. **Additional funding for very high cost and vulnerable science subjects** is a fixed-term supplement to recurrent grant to help maintain capacity in chemistry, physics, chemical engineering and mineral, metallurgy and materials engineering, while demand from students grows in these subjects.

**Table 2 Comparison with 2006-07 academic year recurrent grant**

10. **Recurrent funding for teaching and research from HEFCE 2006/43** shows 'Total teaching funding' plus 'Total research funding' taken from Table 1 of HEFCE 2006/43 'Recurrent grants for 2006-07: final allocations'.

11. **2006-07 Adjustments to mainstream teaching grant** includes:

- a. Adjustments to grant for 2006-07 in the light of recruitment that year. This comprises:
  - i. Holdback of grant for exceeding the contract range.
  - ii. Any recovery of funding originally deducted in 2006-07 because of contract range holdback in 2005-06.
  - iii. Holdback for shortfalls against the ASNs awarded for 2006-07.
  - iv. Additional funding for delivery of 2005-06 ASNs at the second attempt.
- b. Deduction of 2006-07 fee compensation for outgoing ERASMUS/SOCRATES students.
- c. Other miscellaneous adjustments and transfers for 2006-07.

12. **2007-08 Adjustments to mainstream teaching grant** includes:

- a. Addition of 2007-08 fee compensation for outgoing ERASMUS/SOCRATES students.
- b. Funding for mainstreamed model 2 LLN FTEs.
- c. Other miscellaneous adjustments and transfers for 2007-08.

13. **2007-08 Mainstream additional funded places** are taken from Table 1 (see paragraph 2 of this annex).

14. **2006-07 Adjustments for non-mainstream funded places** shows any 2006-07 non-mainstream ASN funding not included in Table 1 of HEFCE 2006/43, and any holdback of 2006-07 non-mainstream LLN ASN funding.

15. **2007-08 Adjustments for non-mainstream funded places** shows all 2007-08 non-mainstream additional funding for model 2 LLNs; higher level skills pathfinders; co-funded employer engagement; and other initiatives.

16. **Adjustments to other recurrent grants** comprises miscellaneous changes to recurrent grant since HEFCE 2006/43. It also includes an adjustment for lead institutions of model 2 LLNs that have opted to mainstream 2006-07 funding consolidated into 2007-08.

17. **2006-07 Moderation** shows, for comparison purposes, any moderation funding provided in 2006-07, either as previously announced in HEFCE 2006/43, or newly allocated in-year as a result of 2006-07 contract range holdback.

18. **2006-07 Total adjusted grant** is the sum of the previous eight columns.



19. **2007-08 Total grant** is taken from the penultimate column of Table 1.

20. **Percentage change adjusted for volume** shows the percentage change in recurrent grant between 2006-07 and 2007-08 for reasons other than the award of additional funded places in 2007-08.

21. **Percentage change in total grant** shows the percentage change including the effects of funding for ASNs for 2007-08. The comparison is with the '2006-07 Total adjusted grant' minus both '2007-08 Mainstream additional funded places' and '2007-08 Adjustments for non-mainstream funded places'.

# List of abbreviations

<b>ASNs</b>	Additional student numbers
<b>FTE</b>	Full-time equivalent
<b>FTS</b>	Full-time and sandwich
<b>GDP</b>	Gross domestic product
<b>HE</b>	Higher education
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HESA</b>	Higher Education Statistics Agency
<b>LLN</b>	Lifelong Learning Network
<b>PGT</b>	Postgraduate taught
<b>PGR</b>	Postgraduate research
<b>PT</b>	Part-time
<b>QR</b>	Quality-related research
<b>RAE</b>	Research Assessment Exercise
<b>RDP</b>	Research degree programme
<b>SWOUT</b>	Sandwich year-out
<b>UG</b>	Undergraduate
<b>UOA</b>	Unit of assessment



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