

12 July 2011

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Dear <Salutation>

**Part 2 of the financial memorandum (funding agreement) between the HEFCE and institutions 2011-12**

1. I enclose part 2 of the financial memorandum (funding agreement) between the HEFCE and your institution for the academic year 2011-12. This specifies terms and conditions of grant applying for 2011-12 and the targets relating to student numbers that we expect your institution to meet. The funding agreement incorporates the recurrent grant tables, which have been updated since they were first issued on 14 March 2011.
2. An electronic version of this letter, the funding agreement and the accompanying annex and tables can be found on the HEFCE extranet in the same location as the letter and tables issued on 14 March 2011. My letter of 19 January 2011 contains details of how to access this information.

**Changes to recurrent grant since March**

3. All institutions have a change to their recurrent grant allocation. In total we are announcing an increase in recurrent funding of £157.6 million.
4. The reasons for changes across the sector can be summarised as follows:
  - a. Inclusion of allocations totalling £150 million to support knowledge exchange through higher education innovation funding. These have now been finalised following the consultation in Circular letter 06/2011 and were confirmed in HEFCE 2011/16 'Higher Education Innovation Funding 2011-12 to 2014-15'.
  - b. Allocation of £3.7 million for new co-funded employer engagement additional student numbers for 2011-12.
  - c. Changes to widening participation (WP) and teaching enhancement and student success (TESS) targeted allocations, including to reflect recruitment to co-

funded employer engagement provision and to allocate £5 million set aside in March for allocation by July.

d. Institutional transfers and other miscellaneous adjustments to mainstream teaching funding totalling an increase of approximately £156,000.

e. As a result of the above changes moderation funding provided to institutions to help manage reductions to teaching and research funding in 2011-12 has decreased by approximately £293,000.

5. We have taken into account 2010-11 recruitment data for co-funded employer engagement provision submitted by May 2011 in re-calculating allocations for WP and TESS. We have used the co-funded employer engagement (CFEE) monitoring return where this is available or HESES11 data otherwise. This has led to changes to WP and TESS funding for all institutions, because the rates of funding per FTE for these allocations have changed. Individual institutions with co-funded provision may also see a change because the total FTEs used to inform these allocations have been revised to reflect the differences between the employer co-funded student numbers awarded and those recruited.

6. The accompanying grant tables confirm the student number control limit on students starting HEFCE-fundable or employer co-funded full-time (FT) undergraduate (UG) and Postgraduate/Professional Graduate Certificate in Education (PGCE) study for 2011-12. For institutions which exceeded the 2010-11 student number control limit, or over-recruited in 2009-10 and did not deliver the required shortfall against the 2010-11 student number control limit to avoid a further reduction, the tables also specify the required shortfall against the 2011-12 student number control limit necessary to avoid any further reduction. HEFCE 2011/21 'HEFCE grant adjustments 2011-12' provides further information about our approach on this.

7. If you are unsure of the reasons for any changes to your allocations, please contact your HEFCE Higher Education Policy Adviser.

### **The funding agreement**

8. The funding agreement specifies particular conditions of grant that apply for 2011-12 and the various targets that we expect the institution to meet in return for the teaching funding that we allocate.

9. Please note that, where separately notified, further conditions of grant, beyond those specified in the funding agreement, may apply to particular Council initiatives or programmes. This applies in general to special funding allocations, but also to co-funded employer engagement allocations.

10. The funding agreement should be read alongside HEFCE 2011/21, 'HEFCE grant adjustments 2011-12', issued separately. This sets out the action we will take if institutions do not meet the targets specified on grant Table B of the funding agreement.

11. 2011-12 will be the final year in which we expect to provide funding under the Council's current teaching funding method. We published a consultation on teaching funding for 2012-13 on 30 June 2011 (HEFCE 2011/20). In previous years where institutions have holdback due to failing to meet targets for growth or contract range we have consolidated the reduction to grant into the following year's grant and institutions have had an opportunity to recover this funding. Our proposals mean that the concepts of consolidation of 2011-12 grant adjustments into 2012-13 grant, and opportunities to recover funding in 2012-13 arising from the consolidation of holdback no longer apply as previously. The funding agreement and publication HEFCE 2011/21 reflect this change.

12. Teaching funding for the University Modernisation Fund (UMF) was provided for 2010-11 only and this may result in institutions moving below their contract range for 2011-12 or later years. Continuing students in 2011-12 onwards are expected to be supported through savings made as a result of institutions' efficiency projects. If institutions believe that they will move below the tolerance band in 2011-12 they should discuss the situation at an early stage with their HEFCE Regional Consultant.

### **Further changes for 2011-12**

13. We do not intend any further general re-issue of the grant tables and, in particular, we will not consider any new changes to the mainstream and employer co-funded ASNs awarded for 2011-12. Summary grant tables for the sector as a whole and grant tables for each institution will be made available on our web site at [www.hefce.ac.uk](http://www.hefce.ac.uk), under 'Finance & assurance'. We will issue summary grant tables in a publication in October.

14. Institutions should note that our grant letter from the Department for Business, Innovation and Skills (BIS) of 20 December 2010 gave only indicative recurrent teaching funding figures for the 2012-13 financial year (though the recurrent research and higher education innovation funding figures up to 2014-15 were confirmed). In order to announce funding for the 2011-12 academic year, which has a four month overlap with the 2012-13 financial year, we have assumed that our allocation for 2012-13 is as indicated in the BIS grant letter. If we receive information regarding our grant for 2012-13 which suggests this assumption is no longer appropriate we reserve the right to review our recurrent teaching and special funding allocations for the 2011-12 academic year. This would be with a view to smoothing any change in funding for institutions, beyond that already being implemented, which might be necessary by 2012-13. We believe that institutions will need to be prudent in preparing their budgets and take note of any general guidance from the Government about public expenditure.

15. As CFEE monitoring returns are yet to be finalised and grant adjustments are subject to appeal recruitment to co-funded employer engagement provision has not yet been taken into account in determining funding and targets for this provision for 2011-12. Allocations and targets for co-funded provision will be confirmed in revised grant tables to be issued to individual institutions, as necessary, in October. Although we have incorporated the latest recruitment data we hold in revising WP and TESS allocations institutions should be aware that any changes to the reported employer co-funded student numbers recruited in 2010-11 are likely to result in changes to WP and TESS allocations.

## **Responses and further information**

16. We do not require a response to this letter. Please address any questions about the funding agreement or your recurrent grant allocations to your HEFCE Higher Education Policy Adviser, <Name>, (direct line: 0117 931 <XXXX>, e-mail: <xxx>).

Yours sincerely

Caroline Charlton  
Funding Round Manager