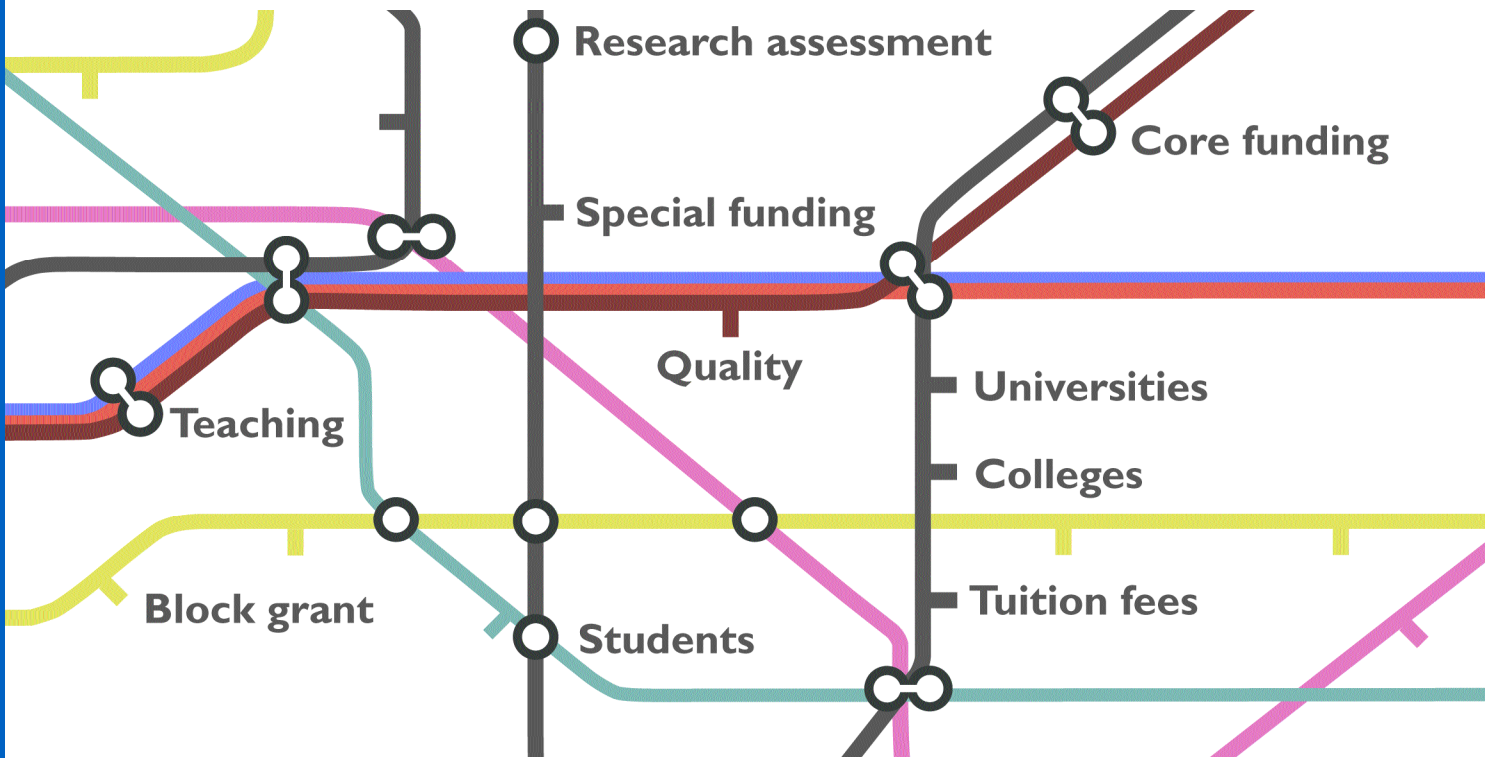


# Funding higher education in England

How the HEFCE allocates its funds



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# Introduction

Every March we announce the grant for the following academic year<sup>1</sup> to each university and college we fund.

This guide describes the principles that underpin the allocation of funding, and explains the components of an institution's grant. It is intended for those working in higher education and for others who wish to understand our funding methods.

We use formulae to determine how most of the money is allocated between institutions. These take account of certain factors for each institution, including the number and type of students, the subjects taught, and the amount and quality of research undertaken there. After we determine the amount of funding, it is provided in the form of a 'block grant' which institutions are free to allocate according to their own priorities within our broad guidelines. We do not expect institutions to model their internal allocations on our own funding method.

In 1996-97 we reviewed our funding methods for teaching and research, after extensive consultation with the higher education sector. The new funding method for research was first used to allocate grants for 1997-98. The new funding method for teaching was introduced for 1998-99.

We believe in being open about our allocation methods and policies, and we are keen that they are easy to understand.

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<sup>1</sup> The academic year is from 1 August to 31 July

# Background

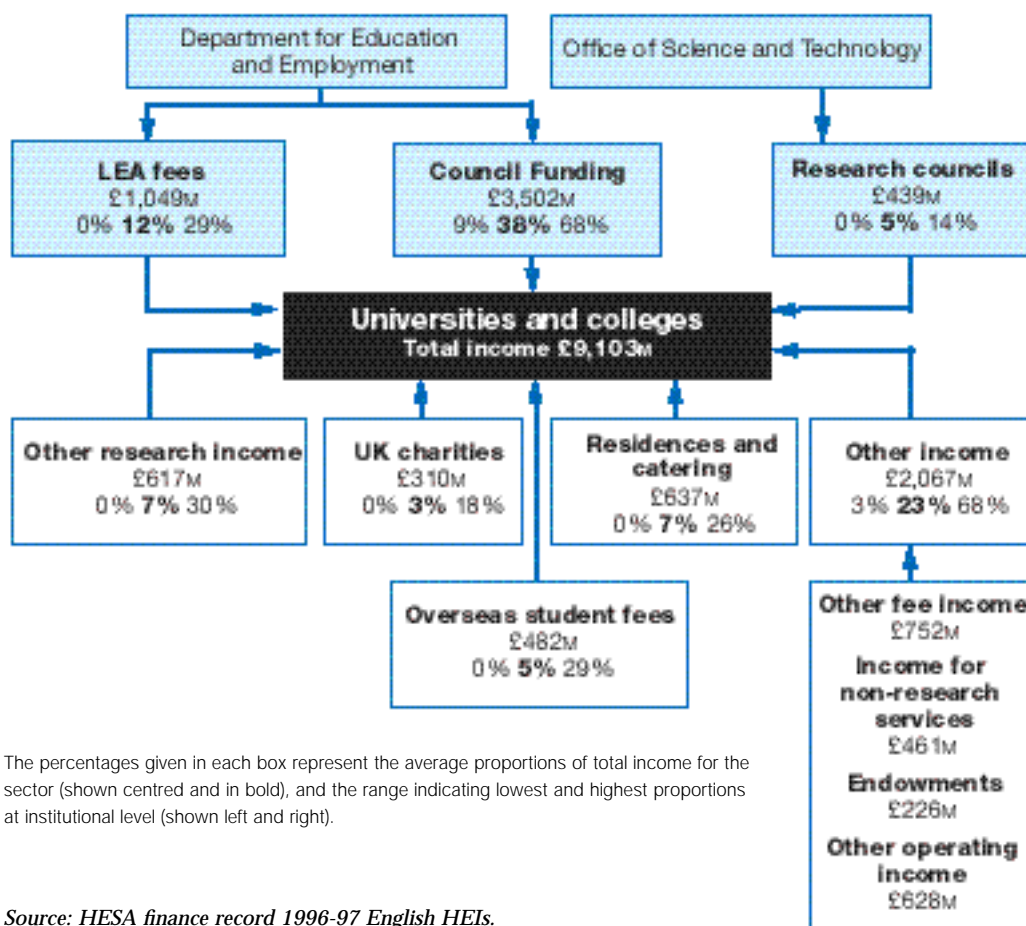
Each year we advise the Secretary of State for Education and Employment on the funding needs of higher education in England. The actual funding for higher education is decided by the Government and voted by Parliament.

We are responsible for distributing this money, within broad policy guidelines provided by the Secretary of State. At present we fund 135 higher education institutions (HEIs), and 72 further education colleges (FECs) that provide higher education courses. Following the recommendation of the National Committee of Inquiry into Higher Education (the 'Dearing Committee') and Government policy, we will fund courses in some additional 200 FECs from 1999-2000.

Institutions are accountable to the Council, and ultimately to Parliament, for the way they use Council funds. They are independent bodies and are free to raise money from other sources. This gives them scope to pursue activities alongside those for which they receive Council funds.

Figure 1 shows that HEIs receive funding from many different public and private sources. The HEFCE is the largest single source of income for the higher education sector. The proportion of an institution's total income allocated by the HEFCE will depend on its activities and money raised from other sources.

Figure 1 Main sources of funding for HEIs in 1996-97



Source: HESA finance record 1996-97 English HEIs.

After Council grant, tuition fees are usually the only other major source of funding for teaching. The bulk of the fees in 1996-97 were paid by local education authorities. From 1998-99, many new UK and European Union (EU) undergraduate students on full-time higher education courses will have to make a contribution towards the cost of their tuition. The fee level has been set at £1,000 per student per year, which represents about a quarter of the average cost of tuition. Fees are means tested so that students from poorer families are exempt, or pay only a proportion.

Public funds for research in universities and colleges are also provided by the Office of Science and Technology. These are distributed by the Research Councils, and support research projects and some postgraduate students.

We allocate funds to each university or college to support teaching, research and related activities. In doing so, we aim to:

- increase opportunities
- maintain and enhance quality
- support diversity
- encourage efficiency in the use of public funding
- provide stability in funding from year to year.

Funds are provided as a block grant. Institutions are free to distribute this grant internally at their own discretion, as long as it is used to support teaching, research and related activities.

## **Medical education and research**

Government funding of medical and dental education and research is distributed through a partnership between the HEFCE and the National Health Service (NHS). HEFCE-allocated funds underpin teaching and research in university medical schools, while NHS funds support the clinical facilities needed to carry out these activities. Funding for ancillary subjects such as nursing comes from the NHS.

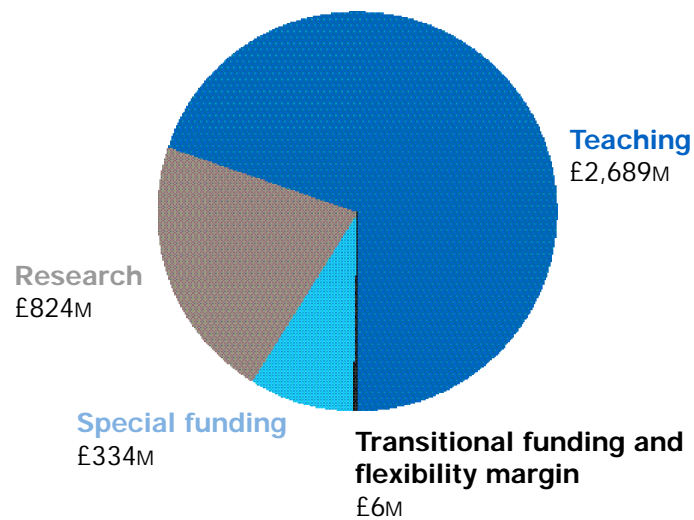
## **Teacher education and training**

The Teacher Training Agency (TTA) provides funding for education and training courses aimed at school teachers. In particular, it funds initial teacher training courses leading to qualified teacher status (QTS), and in-service education and training courses for teachers who hold QTS. The HEFCE funds other teacher education and training provision relating to the non-compulsory education sector.

# The annual funding cycle

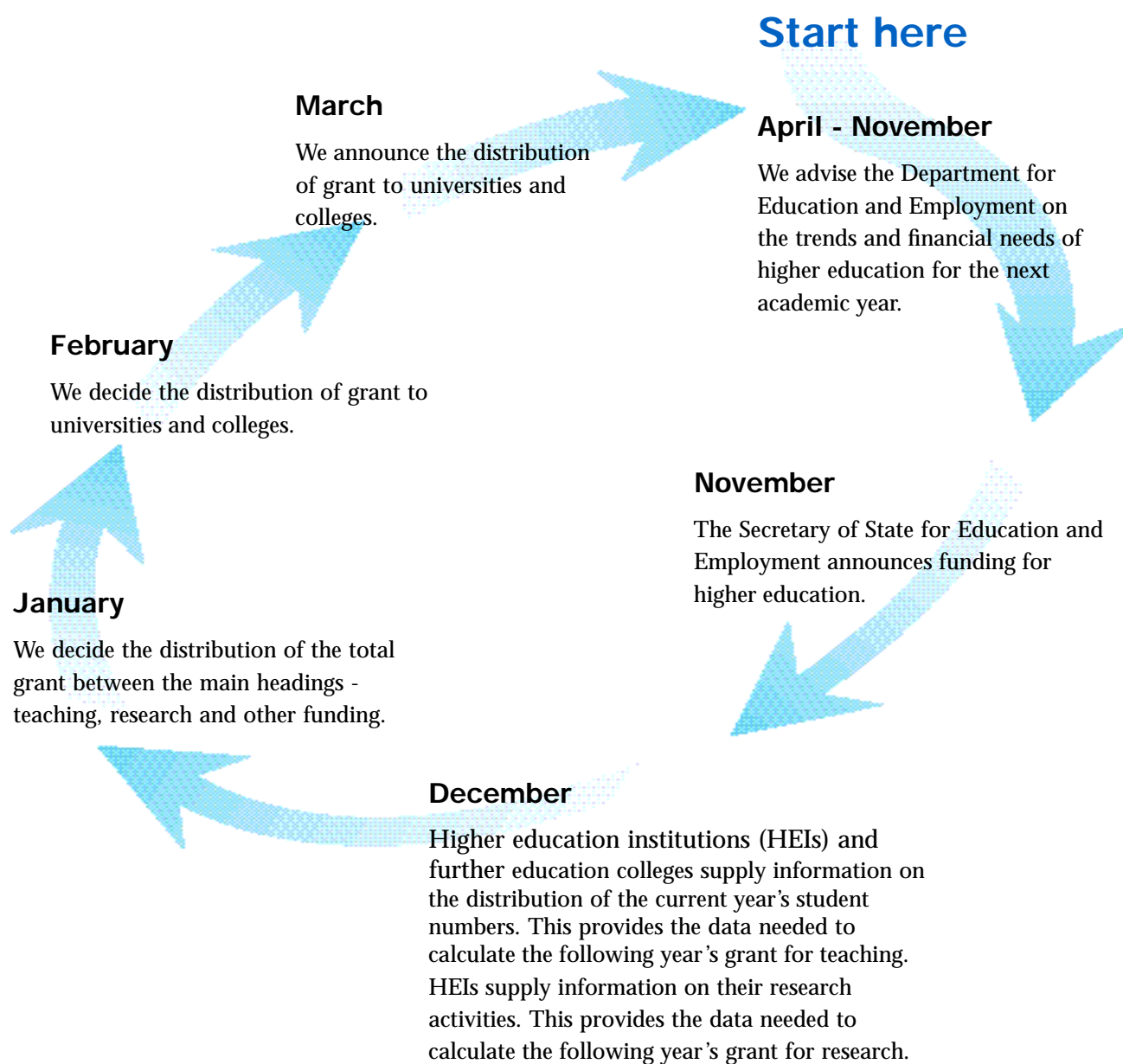
Each year we divide the total funds between teaching, research and special funding. The proportions are roughly the same from year to year. Figure 2 shows the breakdown for 1998-99.

Figure 2 Breakdown of HEFCE funding in 1998-99 – total £3,853 M



Most of these funds are distributed by formulae, which take account of the volume and mix of individual institutions' teaching and research. We publish the data on which calculations are based, so that institutions can check the outcomes each year.

Figure 3 The annual funding cycle



Each autumn the Secretary of State for Education and Employment confirms the total grant to be allocated to the HEFCE for the following year and guidance on spending priorities. We then determine the grants to individual institutions between December and February each year (see figure 3). Each December, universities and colleges provide the Council with a breakdown of their student numbers, together with information on research activities. The main return, the Higher Education Students Early Statistics Survey (HESES) collects information about the number of students studying at each HEI. A similar return is provided by further education colleges - the Higher Education in Further Education: Students Survey (HEIFES)

# Funds for teaching

**This part of the guide is divided into three sections:**

- general funding principles
- overview of the funding method
- detailed description of the method.

## The general funding principles

In distributing the funds, we aim to meet the needs of students, employers and the nation by promoting high quality teaching.

From 1998-99, we have used a new method to allocate funds for teaching. The old method provided stability for institutions, but in some cases maintained differing levels of funding for different institutions for historical rather than educational reasons. We aim to provide fairer funding for students with our new method.

The new method was developed in close consultation with universities and colleges. It funds similar activities at similar rates for all HEIs, and ensures that any variations are for explicit and justifiable reasons. In addition, the new method supports our policy to increase opportunities for a wide range of people to enter higher education. It takes account of the extra cost of providing for certain types of student, such as part-timers and mature undergraduates, and supports diversity by recognising the extra costs of specialist colleges.

The method also allows institutions to bid for additional funded students according to criteria that we determine each year.



# Overview of the funding method

Institutions receive teaching funds in the form of HEFCE grant and student fees. Full-time undergraduate students may receive assistance with their fees from the Government based on their financial circumstances. Postgraduate students on taught courses pay fees to institutions mostly from their own funds. Fees for most postgraduate research students are paid by the research councils. More than a third of the fees for part-time students are paid by employers. We do not provide grant for students from outside the EU and the fees for these students are not taken into account in the following calculations.

The sum total of grant and tuition fees is referred to as **teaching resource** or simply as **resource**.

$$\text{Resource} = \text{HEFCE grant} + \text{tuition fees.}$$

## Calculating the grant

In calculating HEFCE teaching funds for each university and college, there are four main stages:

- Stage 1 we calculate a **standard resource** for the institution, taking into account:
- the number of students
  - subject-related factors
  - student-related factors
  - institution-related factors.
- Stage 2 we calculate the **actual resource** based on the grant for the previous year, adjusted for factors such as inflation, and the assumed income from tuition fees.
- Stage 3 we compare the **standard resource** with the **actual resource** and work out the percentage difference between them.
- Stage 4 If the difference between the standard resource and the actual resource is no more than plus or minus 5 per cent, then the HEFCE grant will be carried forward from one year to the next. This will continue as long as the institution remains within that tolerance band of plus or minus 5 per cent. For institutions outside the tolerance band, we will adjust their grant and/or student numbers so that they move to within the tolerance band over an agreed period.

Each stage is described in more detail overleaf.

# Detailed description of the method

## Stage 1 **Calculating the standard resource**

### **Student numbers and volume of teaching activity**

Institutions receive funds from us to teach students. We fund the volume of activity not directly according to the number of students but according to the teaching load generated by these students (the percentage of time they are taught) in each of the four price groups (subject groupings).

The teaching load created by a part-time student is measured by comparing their learning activity with that of a full-time student. So full-time equivalents (FTEs) are created for every full-time and part-time student for each price group. Students who undertake practical work or industrial experience for a year outside the university or college (for example, sandwich year-out students) are counted at the rate of 0.5 FTE per student.

We do not fund certain categories of students through our allocations for teaching. These include overseas students and students whose funding is provided from other public sources, such as the NHS or the TTA. In addition, full-time postgraduate research students in years 2 and 3 and part-time postgraduate research students in years 3 to 6 are funded only through our funding method for research.

### **Premiums**

Clearly there are factors such as the types of student, and the nature of the subject, that call for different levels of resource. To take account of these factors, we attach funding premiums when we calculate the standard resource for each institution. These factors and the premiums are described in Table 1, overleaf. They relate to:

- the subject
- the student
- the institution.

Table 1

<b>Subject-related factors</b>		
<p>Different subjects require different levels of resource: some subjects need laboratories and workshops while others are taught wholly in lecture theatres and seminar rooms. We have defined four broad groups of subjects for funding and set relative cost weights for each, based on sector averages. These cost weights are translated into levels of resource which depend on the total amount of money available each year.</p>		
Price group	Description	Cost weight
A	Clinical subjects and veterinary science	4.5
B	Laboratory-based subjects (science, pre-clinical subjects, engineering and technology)	2
C	Subjects with a studio, laboratory or fieldwork element	1.5
D	All other subjects	1
<b>Student factors</b>		Applied to the un-weighted FTE
<p><b>Part-time students</b> There are extra costs associated with part-time students. For example, two 0.5 full-time equivalent students are counted as one FTE, but the institution's administration costs are higher than for one full-time student.</p>		5% premium
<p><b>Mature students</b> In their first year, mature full-time undergraduates often need extra support, as they return to studying. (We define mature students as being 25 or over in their first year.)</p>		5% premium (in first year only)
<p><b>Students on long courses</b> Some courses are taught over longer periods than others within the year and so cost more. Courses that last for 45 weeks or more within one academic year attract a premium of 25 per cent. This does not apply to courses in price group A, where the course length has already been taken into account within the cost weight.</p>		Applied to the cost-weighted FTE 25% premium
<b>Institutional factors</b>		Applied to the cost-weighted FTE
<p><b>Specialist institutions</b> Some specialist institutions (defined as having 60 per cent or more of their courses in one or two subjects only) have higher costs.</p>		Variable, usually 10% premium
<p><b>London premium</b> We pay a premium towards the higher costs of operating in London.</p>		8% inner London premium 5% outer London premium
<p><b>Pensions</b> Some institutions are paid a premium for staff pensions because of the higher costs of their pension schemes.</p>		2% premium

## Calculating the standard resource

The total sector resource for teaching is divided by the total sector weighted FTEs to give an underlying resource rate per FTE; this rate is the basic rate (ie the rate for a standard FTE) in price group D. The levels of resource for price groups A to C are calculated relative to the cost weights in Table 1. A full-time student who does not attract any premiums, in an institution that does not attract any premiums, will be funded at price group D.

Price group	Level of resource for 1998-99 <sup>2</sup>
A	£11,979
B	£5,324
C	£3,993
D	£2,662

For each institution we use the information on its student numbers and the relevant premiums, to calculate a standard resource for each of the four price groups. These are added to give the standard resource for the whole institution. A more detailed description of these calculations is given at Annex A.

## Stage 2 Calculating the actual resource

For each institution, we start with the baseline HEFCE grant for teaching they received the previous year. Then we make the following adjustments:

### Grant adjustments

- Adjust funding for non-fulfilment of contract. This usually arises because institutions are sometimes unable to recruit or retain the numbers of students on which the grant had been calculated.
- Adjust for increases due to inflation within the total funds provided by the Government.
- Adjust for underlying change in the level of funding per student.
- Add any funding for additional students. The Government has plans for expanding the higher education sector. Each year, over the next few years, the HEFCE will be providing funds to the sector for extra students. The extra student numbers will be allocated on the basis of a competition. (See HEFCE 98/56 'Additional student places and funds: Invitation to bid'.)

### Fee adjustment

- Add an assumed income from tuition fees paid by students, research councils, LEAs, employers etc.

<sup>2</sup> The level of resource is fixed in February. Subsequent changes to funding within the year do not change the level of resource.

For 1998-99 the assumed income from fees is calculated for full-time equivalents (FTEs) as follows:

Full-time undergraduates	£1,000 per FTE
Part-time undergraduates	£750 per FTE
Postgraduates on courses with regulated fees <sup>3</sup>	£1,000 per FTE
Other postgraduates	£2,610 per FTE

### Stage 3 **Calculating the percentage difference**

The next step is to compare the results of Stage 1, the **standard resource**, with the results of Stage 2, the **actual resource**. The percentage difference is calculated as follows:

$$\frac{\text{actual resource} - \text{standard resource}}{\text{standard resource}} \times 100$$

The funding method aims to ensure that similar activities are funded at similar rates, in all universities and colleges. Therefore we do not want to give individual institutions much more or much less money than their standard resource. We allow a 'tolerance band' or difference of 5 per cent above or below the standard resource.

### Stage 4 **Calculating the teaching grant**

If an institution is within the tolerance band, our funding will roll forward from the previous year. In other words, we will pay the amount calculated in Stage 2, less the assumed income from tuition fees. This applies to most universities and colleges. If institutions are outside the tolerance band, we will discuss with them how they can move to be within it.

In the first year of operation of this method, the actual resource being received by a few institutions was found to be outside the tolerance band. In consultation with institutions, a programme of migration was adopted in order to deal with these outliers. 'Expensive' institutions had options of losing grant or increasing their student numbers; a mixed option was also available. Similarly, 'cheaper' institutions lost student numbers and/or received extra funds. Migration trajectories were discussed and set for these institutions. As it affects only a minority of institutions and it is only a transitional arrangement, the details of the policy of migration are not discussed further here. The funding method, in its steady state, will ensure that actual resource will remain within an acceptable range of the standard resource.

<sup>3</sup> These are courses such as Postgraduate Certificate in Education and some architecture courses.

## The funding agreement

A funding agreement, also referred to as Part II of the Financial Memorandum, is drawn up each year between an institution and the HEFCE.

The funding agreement is constructed in broad terms. It refers to the weighted volume of activity which is being funded against the resource which is being allocated.

Institutions are allocated a grant on the supposition that a volume of teaching activity will take place in that academic year. When the funding announcements are made, well ahead of the start of the relevant academic year, institutions cannot be sure about the volume of teaching activity which will take place in the following academic year. Recruitment may be less than expected, and the number of students not completing the academic year may be different from expectations. Under the terms of the funding agreement, the rate can vary. However, if the actual rate of funding varies beyond the  $\pm 5$  per cent tolerance band, then action is taken to draw the actual rate back within that band.

The Council sets minimum contract numbers for students in quota controlled undergraduate medical and dental courses. If institutions fall short of the minimum numbers set then there is a deduction made to the actual resource.

The Government requires us to control the numbers of certain types of students. Included in this group are students who receive or are eligible to receive awards paid by either a local education authority (LEA), the Student Awards Agency for Scotland (SAAS), or the Department of Education Northern Ireland (DENI). For each institution we set a Maximum Student Number (MaSN) for such students. We impose a one-off penalty for institutions who exceed their MaSNs beyond a permitted margin. The penalty is equivalent to the fees attributable to these extra students.

# Funds for research

We are committed to promoting excellent research. Most HEFCE research funds are distributed selectively to higher education institutions that have demonstrated their strength in research by reference to national and international standards. This quality is measured in a periodic Research Assessment Exercise (RAE).

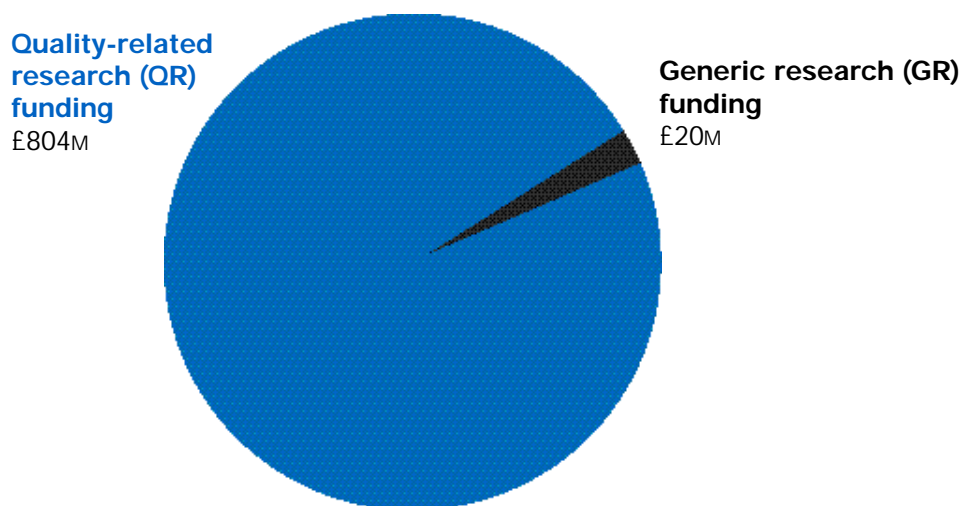
Public research funds are provided under a dual support system. The HEFCE provides funding towards the cost of the salaries of permanent academic staff, premises and central computing costs, while the Research Councils provide for direct project costs and contribute to indirect project costs.

The general funds provided by the HEFCE also support basic research in institutions and contribute to the cost of research training. This basic research is the foundation of strategic and applied work, much of which is later supported by Research Councils, charities, industry and commerce.

Our funding for research in 1998-99 is £824 million and is allocated to two main headings:

- quality-related research (QR) funding - £804 million
- generic research (GR) funding - £20million.

Figure 4 Breakdown of Research funding



## Quality-related research (QR) funding

### Determining the amount provided for each subject

In 1998-99, QR funding is £804 million (97.6 per cent of total research funding). The total QR funds are divided between 69 subject areas (Units of Assessment). Each subject is assigned to one of three cost weights and these are multiplied by the volume of research in each subject to work out the total funding for that subject.

The three cost weights are:

		weighting
A	high cost laboratory and clinical subjects	1.7
B	intermediate cost subjects	1.3
C	others	1.0

We measure the volume of research in each unit of assessment using five separate components. These volume components are weighted as follows:

- research active academic staff – 1 x number of FTE research active academic staff funded from general funds in departments rated 3b or above, selected for assessment in the RAE. It is up to the institution to decide which staff to enter in the RAE.<sup>4</sup>
- research assistants – 0.1 x number of FTE research assistants.
- research fellows – 0.1 x number of FTE research fellows.
- postgraduate research students – 0.15 x number of weighted headcounts of postgraduate research students in their second and third years of full-time study, or third to sixth years of part-time study.
- research income from charities – 0.25/25,000 x average of last two years' income from charities.<sup>5</sup>

The number of research active academic staff is the most important measure of volume: it accounts for about two-thirds of the total.

### **Distribution of the subject totals between institutions**

The volume of research for each institution in each subject is measured using the same indicators as are described above for the determination of the amount provided for each subject.

The 69 subject totals are distributed to institutions within each subject, in proportion to the amount of research multiplied by the quality of research in the subject for each institution.

Funding is proportional to Volume x Quality

The quality of research is assessed by peer review in a Research Assessment Exercise (RAE) conducted every four or five years. The last RAE was conducted in 1996 and will inform funding decisions until 2001-02. The next assessment will be in 2001.

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<sup>4</sup> For distributing the amount in clinical medicine subjects (UoAs 1-3), NHS-funded research active staff will be counted on the same basis as staff supported by an institution's general funds.

<sup>5</sup> Income from charities is divided by £25,000 (a researcher's average salary) to obtain a person equivalent.



In the last RAE, each institution was awarded a rating, on a scale of 1 to 5\* (five star), for the quality of its research in each unit of assessment in which it made a submission. Table 2 shows how these ratings relate to funding. Ratings 1 and 2 attract no funding, while a rating of 5\* attracts approximately four times as much funding as a rating of 3b for the same volume of research activity. As a result our funding of research is highly selective. In 1998-99, 75 per cent of HEFCE research funds will go to 26 higher education institutions.

Table 2 RAE ratings converted into funding weights for each unit of assessment

1996 research rating	Funding weights in QR model
1	0
2	0
3b	1
3a	1.5
4	2.25
5	3.375
5*	4.05

## Generic research funding

We introduced generic research (GR) funding in response to the theme of wealth creation in the 1993 Science and Technology White Paper 'Realising our Potential'. GR funding recognises collaborative research which does not have a single beneficiary.

In 1998-99 GR funding amounts to £20 million. Allocations are made in proportion to institutions' GR qualifying income. Qualifying income is the total received from users of research for collaborative projects where the institution retains the intellectual property and publication rights to the research.

# Other related funding

## Special funding

We recognise that not all teaching, research and related activities can be adequately supported through formula funding. Each year we provide special funding for a wide range of purposes. These funds are reviewed regularly and, wherever appropriate, new initiatives are introduced or the funds are phased out or incorporated into formula-based allocations. In 1998-99 special funding amounts to £334 million.

## Special initiatives

Special initiatives are supported within special funding. Current examples include: support for library developments; the Teaching and Learning Technology Programme; support for students with special needs; continuing vocational education development, the Fund for the Development of Teaching and Learning and infrastructure projects such as laboratory refurbishment and funding for poor estates.

Institutions may bid for special initiative funding individually or, for some projects, they are encouraged to submit joint bids with other institutions. It is a condition of funding for most projects that the results are widely available. Funding for special initiatives is for a specified length of time and is not incorporated into the following year's funding.

## Examples of Special Funding in 1998-99

Project	Funding in £ millions
Museums, galleries and collections	9
Humanities special research collections	6.6
Arts & Humanities Research Board	1.5
Joint Information Systems Committee	28
Joint Research Equipment Initiative	15
Laboratory Refurbishment	35
Teaching & Learning Technology Programme	3.6
Continuing Education	20
Fund for the Development of Teaching & Learning	4.5
Overseas Research Students Awards Scheme	10
Collaborative Research Scheme	16.3

## **Moderation**

To help maintain stability, we phase in changes by moderating increases or decreases in teaching and research funding to institutions that would otherwise be affected by large fluctuations. The amount of moderation funding the Council committed in 1998-99 totals £4.6 million, distributed to 12 universities and colleges.

# Annex A - funding of teaching, examples

## Calculating the standard level of resource for an institution

Step 1 **Calculate the number of students as full-time equivalents (FTEs) in each price group.**

Full-time and sandwich year-out FTEs:

on long courses (45 weeks or more)    **L**  
on standard courses    **S**

Part-time FTEs:

on long courses    **P<sub>L</sub>**  
on standard courses    **P<sub>S</sub>**

Total FTEs of students (T)    **T = L + S + P<sub>L</sub> + P<sub>S</sub>**

First year full-time undergraduate mature FTEs (M) are included in the total (T).

The additional student number bids and any other adjustments to FTEs are included in the total (T)

Step 2 **Apply the cost weights for each price group.**

Multiply the FTE student numbers in each price group (T) by the relative cost weights for that group (C), as shown in the table below.

Price group	Cost weight
A	4.5
B	2
C	1.5
D	1

FTE (cost-weighted) = T x C

### Step 3 Calculate the relevant premiums

#### Institution-related premiums

- The FTE relating to the London premium ( $W$ ) is calculated as follows:

$$\text{FTE (London)} = T \times C \times W$$

Where:  $W = 0$  for institutions not in London

$W = 0.05$  for institutions in outer London

$W = 0.08$  for institutions in inner London

- Pensions premium ( $X$ ):

$$\text{FTE (pensions)} = T \times C \times X$$

Where:  $X = 0$  if the institution is not eligible

$X = 0.02$  if the institution is eligible

- Specialist institution premium ( $Y$ ):

$$\text{FTE (specialist)} = T \times C \times Y$$

Where:  $Y = 0$  if the institution is not eligible

$Y \geq 0.1$  if the institution is eligible for the premium

#### Student-related premiums

- Long course premium ( $Z$ ):

$$\text{FTE (long)} = Z \times (L + P_L) \times C$$

Where:  $Z = 0$  for price group A

$Z = 0.25$  for price groups B-D

- Part-time premium:

$$\text{FTE (PT)} = 0.05 \times (P_L + P_S)$$

- Mature student premium:

$$\text{FTE (mature)} = 0.05 \times M$$

(NB: there is no extra subject weighting ( $C$ ) for part-time and mature student premiums.)

**Step 4 Calculate the standard resource for each price group**

Add the result of Step 2 above to all the premiums calculated in Step 3. Then multiply by £2,662 (for the 1998-99 academic year), the base level of resource for price group D.

$$\begin{aligned} \text{Total weighted FTE} = & \text{FTE (cost weighted) +} \\ & \text{FTE (London) +} \\ & \text{FTE (pensions) +} \\ & \text{FTE (specialist) +} \\ & \text{FTE (long) +} \\ & \text{FTE (part-time) +} \\ & \text{FTE (mature)} \end{aligned}$$

$$\text{Standard resource} = \text{total weighted FTE} \times \text{£2,662}$$

**Step 5 Calculate the standard level of resource for the institution**

Add together the results of Step 4 for all four price groups.

# Worked examples of the teaching funding calculations

## Example 1

University V and College W both have 1,200 full-time equivalent students (FTEs), with the same number of students in each of the four price groups A, B, C and D. In this example, both institutions have the same total resource of £6,550,000. College W is wholly part-time whereas University V has no part-time students.

The table below shows the effect on the percentage difference of the part-time weighting.

Institution	Price group	Mode	(a)	(b)	(c)	Total weighted FTE = (b) + (c)
			FTE	Cost weighted FTE	Part-time 5% x (a)	
University V	A	FTS	200 x 4.5	= 900	0	900
	B	FTS	300 x 2	= 600	0	600
	C	FTS	400 x 1.5	= 600	0	600
	D	FTS	300 x 1	= 300	0	300
<b>Total</b>			<b>1,200</b>	<b>2,400</b>	<b>+0</b>	<b>=2,400</b>
College W	A	PT	200 x 4.5	= 900	10	= 910
	B	PT	300 x 2	= 600	15	= 615
	C	PT	400 x 1.5	= 600	20	= 620
	D	PT	300 x 1	= 300	15	= 315
<b>Total</b>		<b>1,200</b>	<b>2,400</b>	<b>+ 60</b>	<b>= 2,460</b>	

The base price is £2,662

Institution	Actual resource £s	Standard resource £s	Percentage difference	Both institutions are within the tolerance band so no change in funding or student numbers will be needed
University V	6,550,000	6,388,800	2.5%	
College W	6,550,000	6,548,520	0.0%	
<b>Total</b>	<b>13,100,000</b>	<b>12,937,320</b>		

The table below shows the effect on the percentage difference of the part-time weighting and the long weighting

				(a)	(b)	(c)	(d)	
Institution	Price group	Mode	Length	FTE	Cost weighted FTE	Part-time 5% x(a)	Long 25% x (b)	Total weighted FTE (b) + (c) + (d)
<b>University V</b>	A	FTS	S	200 x 4.5	= 900	0	0	= 900
	B	FTS	S	300 x 2	= 600	0	0	= 600
	C	FTS	L	400 x 1.5	= 600	0	150	= 750
	D	FTS	L	300 x 1	= 300	0	75	= 375
<b>Total</b>				<b>1,200</b>	<b>2,400</b>	<b>0</b>	<b>175</b>	<b>2,625</b>
<b>College W</b>	A	PT	S	200 x 4.5	= 900	10	0	= 910
	B	PT	S	300 x 2	= 600	15	0	= 615
	C	PT	L	400 x 1.5	= 600	20	150	= 770
	D	PT	L	300 x 1	= 300	15	75	= 390
<b>Total</b>				<b>1,200</b>	<b>2,400</b>	<b>60</b>	<b>175</b>	<b>2,685</b>

The base price is £2,662

Institution	Actual resource	Standard resource	Percentage difference	
<b>University V</b>	6,550,000	6,987,750	-6.3%	University V and college W are outside the tolerance band. Both institutions may receive additional grant, and/or be expected to reduce their FTEs.
<b>College W</b>	6,550,000	7,147,470	-8.4%	
<b>Total</b>	<b>13,100,000</b>	<b>13,869,020</b>		



## Example 2

University X and University Y both have 1,000 FTE, but they have different weightings.

The table below shows the effect of the different weightings on the percentage difference.

University X is in outer London. University Y has pension premiums.

Institution	Price group	Mode	Length	(a) FTE	(b) Cost weighted FTE	(c) Part-time 5% x (a)	(d) Long courses 25% x (b)	(e) Pensions 2% x (b)	(f) London premium 5% x (b)	Total weighted FTE sum (b) to (f)
University X	A	FTS	L	200	900	0	0	0	45	945
	B	FTS	L	250	500	0	125	0	25	650
	C	PT	S	400	600	20	0	0	30	650
	D	FTS	S	150	150	0	0	0	8	158
<b>Total</b>				<b>1,000</b>	<b>2,150</b>	<b>20</b>	<b>125</b>	<b>0</b>	<b>108</b>	<b>2,403</b>
University Y	A	PT	S	150	675	8	0	14	0	696
		PT	L	50	225	3	0	5	0	232
	B	FTS	L	250	500	0	125	10	0	635
		FTS	S	150	300	0	0	6	0	306
	D	PT	S	350	350	18	0	7	0	375
<b>Total</b>				<b>1,000</b>	<b>2,050</b>	<b>28</b>	<b>125</b>	<b>41</b>	<b>0</b>	<b>2,244</b>

The base price is £2,662

Institution	Actual resource	Standard resource	Percentage difference
University X	7,034,598	6,395,455	10.0%
University Y	5,965,402	5,972,197	-0.1%
<b>Total</b>	<b>13,000,000</b>	<b>12,367,652</b>	

### Key

FTE = full-time equivalent

FTS = full-time and sandwich

PT = part-time

L = long course

S = standard course

## Glossary of terms

Actual resource	HEFCE grant for teaching plus assumed income from fees.
Block grant	The funding provided by the Council to an institution for teaching and research. This does not include special funding.
DfEE	Department for Education and Employment.
Dual support	The system of funding research partly by the HEFCE and partly by the Research Councils.
FEFC	Further Education Funding Council – the body responsible for the funding of further education provided in FE and HE institutions and sixth form colleges in England.
GR	Generic Research – the element of research funding that encourages institutions to carry out collaborative research with industry and commerce.
HEFCE	Higher Education Funding Council for England.
HEIFES	Higher Education in Further Education: Students Survey
HEI	Higher education institution – a university or college of higher education.
HESES	Higher Education Students Early Statistics Survey.
LEA	Local education authority – the County Council, Metropolitan District or London Borough with responsibility for education.
Level	Level of study refers to undergraduate (UG), postgraduate taught (PGT) and postgraduate research (PGR).
MaSN	Maximum student number.
Mature student	Full-time undergraduates aged 25 or over on entry.
Mode	Mode of study refers to full-time, part-time or sandwich. For funding purposes full-time and sandwich are combined.
QR	Quality-related Research (the largest component of research funding). It is allocated according to research quality and the amount of research carried out.
Research Assessment Exercise (RAE)	An exercise carried out periodically to determine the quality of research in UK HEIs. The results are used by the higher education funding bodies for England, Scotland, Wales and Northern Ireland to allocate QR funding.
Research Councils	There are six Research Councils. They are government-funded through the Office of Science and Technology to support research in their fields of interest, in both their own establishments and in universities.

Sandwich course	A course of study which includes periods of practical work in organisations outside the university or college.
Specialist institution	A university or college that has 60 per cent or more of its courses in one or two subjects only, such as music or art colleges.
Special initiatives	Special initiatives are funds for specific activities for a limited period not linked to formula funding allocations.
Tolerance band	This is the range from +5 per cent to -5 per cent of the standard resource.
Tuition fees	Fees paid to a university or college for a student to attend a course. From 1998-99 UK and EU students on full-time courses will have to pay fees. Other tuition fees include those paid by overseas students.

## Further reading

### **HEFCE**

98/09 - Recurrent grants for 1998-99

98/38 - Holdback of HEFCE grant 1998-99

98/41 - Recurrent grants for 1998-99: final allocations

98/48 - HESES98 Higher Education Students Early Statistics Survey

97/21 - Research activity survey 1997

### **RAE**

RAE96 2/95 - 1996 Research Assessment Exercise: Guidance on Submissions

RAE 1/98 - Research Assessment Exercise 2001: key decisions and issues for further consultation