



Information note

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Secretary of State's letter to HEFCE on higher education funding 2010/11

Reason for paper

1. This note sets out key points and issues arising from the annual grant letter from the Department of Business Innovation and Skills (BIS) to HEFCE, published on 22 December 2009 (<http://www.bis.gov.uk/wp-content/uploads/publications/Mandelson-Letter-to-HEFCE-Dec09.pdf>).
2. The Secretary of State's (SoS) letter is the first from BIS to HEFCE, and 2010-11 is the third year of implementation of the outcomes of the Government's Spending Review 2007.

Action

For information

Suggested distribution

Vice Chancellors; Directors of Finance; Academic Registrars; Heads of Planning

Executive summary

Summarises the key points of the Secretary of State's grant letter to HEFCE for 2010/11

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Key points

3. Aggregate public spending on institutions will decrease by 6.6% in 2010/11, from 2009/10. This top-line figure includes a decrease of 1.0% in recurrent funding for teaching, and an increase of 7.2% in recurrent funding for research.
4. The unit of resource for teaching will be reduced in real terms by 4.6% from £4,140 to £3,950, due to £164 million 'efficiency savings' announced in April 2009 Budget and £51 million reduction due to additional costs of student support at a time of economic downturn.
5. Capital funding decreased by 56.9% mainly due to £200 million of funding being brought forward from 2010/11 to 2009/10 during last year's settlement. When adjusted for this movement Capital funding shows a 18.2% reduction from 2009/10
6. Over recruitment has taken place within the sector and as a result the grant for teaching has been adjusted downwards to reflect this. HEFCE has been asked to make appropriate adjustments to the allocations of those institutions who were found to have over recruited in 2009/10, at a rate of £3,700 (the average cost to government of providing student support) per full time undergraduate and PGCE student recruited above the permitted level. Universities UK protested about this decision when it was first announced in January 2009 and pointed out that this was too late in the application cycle for many institutions to curb recruitment.
7. The letter announces just under £400 million of cuts from the 2009/10 allocation to HEFCE comprising £180million cuts previously announced in the 2009 Budget in April, £83 million following the October 2008 letter from the Secretary of state to HEFCE and a further £135 million (£51 million from the teaching grant and £84 million from capital spending) to meet additional pressures related to higher than expected costs for student support in the current downturn. It is not yet clear how this relates to the £600 million cuts announced in Pre-Budget Report 2009 for the period to 2013.
8. For 2010/11 18,000 additional funded places will be provided, made up of 10,000 FTEs through core funded places and 8,000 FTEs through employer co-funded places. There will be no repeat of the 2009/10 10,000 additional unfunded places in 2010/11. Over recruitment in 2010/11 will again result in a reduction in the HEFCE grant as has occurred this year.

The Grant Settlement

The overall grant settlement in cash terms for 2010/11 is:

HEFCE grant settlement - 2009/10 - 2010/11 (a-e and total are in £ million, cash terms)

	2009/10	2010/11	Total change from 2009/10 in cash terms	2009/10 to 2010/11 percentage change (cash terms)
a Recurrent grant for teaching	5,076	5,027	-49	-1.0%
b Recurrent resources for Research	1,509	1,618	109	7.2%
c Total capital grants	938	404	-534	-56.9%
<i>o/w teaching and other capital</i>	572	237	-335	-58.6%
<i>o/w Science and Research</i>	366	167	-199	-54.4%
d Science and Research funding	315	271	-44	
<i>o/w HEIF</i>	99	113	14	
<i>o/w RCIF and SRIF transitional</i>	216	158	-58	
e Non-cash budgets	-29	-29	0	0.0%
Total HEFCE (a+b+c+d+e)	7,809	7,291	-518	-6.6%
Additional Funding				
f Voluntary Matched Giving	23	62		
g Access to Learning Fund	45	Will be provided at a later date		
h DTLL Funding (FE Initial Teacher Training Bursaries)	12			
Growth in core fundable students (FTEs in thousands)	30	40		
Employer co-funded provision (FTE) numbers	7	15		
Planned minimum unit of funding for teaching for 2007 spending review period (£s real terms)	£4,140	£3,950		

9. The grant settlement for 2010/11 represents an overall decrease in cash terms between 2009/10 and 2010/11 of £518m (-6.6%). It should be noted that this includes the bringing forward of £219.3 million of capital expenditure from 2010-11 to 2009-10 (£200 million from the capital grant stream and £19.3m from the SRIF transitional fund) during the 2009/10 settlement.
10. Recurrent teaching grant decreases in cash terms between 2009/10 and 2010/11 by £49 million (-1.0%), with recurrent resources for research increasing by £109 million (+7.2%) over the same period.
11. The voluntary matched giving funding stream of £62 million represents the second year of this stream which totals £200 million over the three years to 2011-12 (2009-10 £23 million, 2010-11 £62 million and 2011-12 £115 million).

Priorities given to HEFCE for 2010-11

12. The grant letter outlines a number of objectives for HEFCE for 2010-11. These objectives relate closely to the long term goals outlined in the recently published framework for higher education *Higher Ambitions*. In headline terms, the emphasis is on public funding being more closely tied to Government objectives.

Social mobility and flexible provision

13. The letter reiterates the Government's commitment to widening participation. It is, however, noteworthy that the letter specifically refers to two aspects of the widening participation agenda a) 'opportunities for the most talented young people to go to highly selective universities' and b) 'vocational study opportunities for those with little recent educational experience'.
14. The grant letter goes on to ask HEFCE to provide advice, by summer 2010 about how to increase the volume of flexible and part-time programmes, including foundation and fast-track (2 year) degrees. The letter states that "over the next spending review period we will want some shift away from full-time three year places and towards a wider variety of provision." In our initial response, Universities UK has pointed to the rapid development of flexible forms of higher education provision, including a 101% increase in the number of undergraduate part-time students since 1994. 88% of institutions now provide short bespoke courses on company premises, compared to 63% in 2000-01. The number of students enrolled on Foundation Degree programmes was 87,339 for 2008/09, up from 71,999 in the previous academic year –well on the way to meeting the Government's ambition for 100,000 Foundation degree students by 2010, less than a decade after they were first introduced.
15. We have also pointed out that there have been a number of attempts to pilot two-year degrees in recent years. In Some of these have proved problematic - for reasons such as low student demand and funding constraints. Research published by HEFCE earlier this year, for example, found that there was "very little interest [among potential and current students] in a two year mode of study" and a "strong preference for three year over two year degrees" (Demand for flexible and innovative types of higher education, Report to HEFCE by SQW Ltd and Taylor Nelson Sofres, January 2006). This preference was partly due to the unfamiliarity of the accelerated degree, but also due to very practical reasons such as students needing to use the current long summer vacation in the three-year degree programme to earn money to support themselves for the rest of the year.
16. We are also concerned about the fit with the Bologna Process, which aims to make degrees easily comparable and to enhance freedom of movement around the European Higher Education Area. The UK has signed up to the Bologna Declaration, which requires an undergraduate cycle to last a minimum of three years, and whilst we believe that learning outcomes are more important than "time served", two year bachelor's degrees will not be easily reconciled with the Bologna framework. If the

outcomes are to be comparable the two year degree, if actually completed within two calendar years, will be an extremely high pressure qualification which would only be suitable for very particular kinds of student.

17. Alongside the 10,000 fully-funded ASNs announced in the grant letter, the Secretary of State makes provision for an additional 8,000 FTEs on a co-funded basis.

Contestability of teaching

18. Linked to the above, HEFCE is asked to report, by Spring 2010, on 'issues and options' for new funding incentives to grow programmes and activities 'that make a special contribution to meeting economic and social priorities.' This follows similar statements in the Higher Education Framework about providing 'economically valuable skills', which also particularly referred to STEM.
19. Also in line with references in the Framework to increasing the 'contestability' of teaching funding, the grant letter makes clear that the funding mechanism HEFCE devises should allow for the re-deployment of funds on a competitive basis – implying that this initiative will not only be concerned with allocating additional student numbers in particular subject areas, but could also mean reductions in student numbers in others areas deemed to be a lower priority. In this context, we also note that the overall reduction in real terms of the unit of funding for teaching could create additional funding pressures on the sector if it is accompanied by a switch in provision towards higher-cost subject.
20. Universities UK has already had some discussions with HEFCE about how they will take forward this instruction, and have stressed the need for an evidence-based approach, not least because according to the CBI and others, a relatively small proportion of employers cite degree subject studies as a critical factor in recruitment decisions.

Research and innovation

21. The grant letter repeats the Government's 'presumption in favour of more, rather than less research concentration, especially in the high cost, scientific disciplines'. The wording of this passage appears significant, suggesting a slightly more nuanced approach than set out in the Framework, and in particular that volume and research intensity may be more relevant in some disciplines than others. The grant letter also appears to clarify the timetable for decision making, asking HEFCE for its views 'in time to inform the 2010/11 allocations.
22. Funding for the HEIF stream is increased from £99 million to £113 million, albeit less than the £150 million projected in Spending Review 2007.

Student Experience

23. The grant letter refers to current work already underway to consult on improvements to quality assurance arrangements. This work is being undertaken jointly by HEFCE, Universities UK and GuildHE. The letter also refers to improving the information available to prospective students. HEFCE, supported by Universities UK, is already undertaking research on the information needs of students. Universities UK is also working to demonstrate how universities currently explain to prospective students what support that will be available to prepare them for employment in response to the recommendation in the Higher Education Framework, Higher Ambitions that all universities should be required to produce 'employability strategies'.
24. In developing proposals on information for students, HEFCE is asked to work with the QAA and the UK Commission for Employment and Skills (UKCES). Universities UK will seek clarification about the role of UKCES in this work. The Secretary of State has indicated that he hopes universities will make use of the new information resulting from this process in time for the applications round in 2011/12, with arrangements fully in place for the following year.

Community engagement

25. The grant letter also refers to the new International Education and Research Advisory Forum, on which Universities UK is represented, and Dame Lynne Brindley's Taskforce on global online learning, which will report in the autumn.
26. The letter also refers to HEFCE's work on carbon management strategies. Universities UK is working with HEFCE following our joint consultation on carbon reduction.

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