

October 2014/27

**Core funding/operations**

**Allocation of funds**

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This report is for information

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This document summarises final allocations of recurrent funding for the academic year 2012-13, subject to any further adjustments that may arise from data assurance work.

# Recurrent grants for 2012-13

## Final allocations

# Recurrent grants for 2012-13: Final allocations

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Finance and planning
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Enquiries to	HEFCE institutional teams (contact details at <a href="http://www.hefce.ac.uk/contact/contactsforinstitutions/">www.hefce.ac.uk/contact/contactsforinstitutions/</a> ) or e-mail <a href="mailto:recurrentgrant@hefce.ac.uk">recurrentgrant@hefce.ac.uk</a> .

## Executive summary

### Purpose

1. This document summarises final allocations of recurrent funding for the academic year 2012-13, subject to any further adjustments that may arise from data assurance work. Changes to figures previously announced arise primarily from adjustments to our teaching grant to reflect updated student numbers.

### Key points

2. We first announced provisional allocations of grant for the year in 'Recurrent grants and student number controls for 2012-13' (HEFCE 2012/08). We announced updated allocations in 'Recurrent grants for 2012-13: Adjusted allocations' (HEFCE 2013/06), issued in March 2013. In March 2014, we published on our web-site a summary of the allocations agreed at that time, which incorporated further changes arising largely from recalculations of teaching grant using end-of-year individualised student data. This document shows, for each institution, the final allocations for 2012-13, and summarises the reasons for changes since the allocations announced in 2013.

3. The main reasons for changes are the use in our teaching funding allocations of updated student data for 2012-13, recalculated grant rates for old-regime students derived from updated 2011-12 student data, and a revised scaling factor. Changes to teaching and research grants also arise from the outcomes of data audit and reconciliation exercises.

4. Changes to teaching grant reflect our three-stage recalculation process. This enables us to announce funding in advance of the academic year, before student numbers are known, but ensures that allocations eventually reflect the actual student numbers at each institution in the year. This is necessary so that grants to institutions are adjusted in line with the changing balance of their student numbers between those who entered before, and those who entered on or after, the change to the regulated fee regime on 1 September 2012. Institutions receive higher rates of HEFCE grant for the former than for the latter.

5. Some allocations of teaching grant are not subject to this three-stage recalculation process, because they are based on student numbers for earlier years, or are fixed allocations per institution. They, and the recurrent grants for research and knowledge exchange, have not been recalculated, except in a small number of cases to reflect the outcomes of data audit and reconciliation.

6. The total recurrent grant announced in this publication is £4,929 million, a reduction of 0.2 per cent compared with the total announced in October 2013. This is almost entirely attributable to changes to teaching grants.

**Action required**

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

## Introduction

8. 'Recurrent grants and student number controls for 2012-13' (HEFCE 2012/08), issued in March 2012, announced initial allocations of HEFCE funding for the academic year 2012-13<sup>1</sup>. 'Recurrent grants for 2012-13: Adjusted allocations' (HEFCE 2013/06), issued in March 2013, announced changes to those allocations, arising largely from recalculations of teaching grant to reflect updated student data. In March 2014, we published on our web-site a summary of the allocations agreed at that time, which incorporated further changes arising largely from recalculations using end-of-year individualised student data<sup>2</sup>.

9. This report shows the final allocations for 2012-13 and the main reasons for changes compared with previous announcements. While we do not intend any further general recalculation of 2012-13 recurrent grants, allocations may still change for individual institutions to reflect the outcomes of data audit and reconciliation work.

10. All references to years are to the academic year, 1 August to 31 July, unless otherwise stated.

## Funding for teaching

11. Government reforms of higher education financing mean that increasingly from 2012-13 much more income for institutions is expected to come through students' tuition fees, and much less through HEFCE block grants. Tuition fees are made affordable through the availability to most undergraduates of enhanced loans, which will generally be repayable after the student has finished their studies. Reductions to HEFCE grant contribute to meeting the cost to Government of providing these loans.

12. 2012-13 was the first year in a period of transition, with some students, who began their studies before the changes to the regulated undergraduate fee regime on 1 September 2012, continuing under the previous finance arrangements ('old-regime' students); and others, who began their studies on or after 1 September 2012, being subject to the new fee and funding regime ('new-regime' students). Old-regime students are generally subject to lower tuition fees than new-regime students, and attract higher rates of HEFCE grant for their institutions. There is a consequent phased reduction in HEFCE teaching grant as old-regime students complete their studies and successive cohorts of new-regime students are recruited. Our references to old- and new-regime students apply to all categories of student, not just those who are subject to the regulated tuition fee regime or eligible for publicly funded student support.

13. We consulted the sector on how our allocation methods for 2012-13 should change to reflect these new circumstances in 'Teaching funding and student number controls: Consultation on changes to be implemented in 2012-13' (HEFCE 2011/20). The main approach is as follows:

- a. **Funding for old-regime students** is determined by applying 2011-12 rates of funding to the numbers of old-regime students continuing in 2012-13. The allocations are then scaled, as necessary, to ensure they remain within the overall budget available. The 2011-12 rates of funding vary by institution, reflecting factors that applied under our previous funding method, and by subject, mode (full-time, sandwich year-out or part-time)

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<sup>1</sup> All HEFCE publications are available at [www.hefce.ac.uk/pubs](http://www.hefce.ac.uk/pubs).

<sup>2</sup> All the 2012-13 recurrent grant allocations and documentation are available at [www.hefce.ac.uk/whatwedo/invest/institns/annallocns/2012-13allocns](http://www.hefce.ac.uk/whatwedo/invest/institns/annallocns/2012-13allocns), by selecting 'For institutions'.

and level of study (undergraduate or postgraduate taught). Separate calculations are carried out for students who were funded through our 'mainstream' teaching grant up to 2011-12, and those who were employer co-funded (where grant rates have been lower).

b. **Funding for new-regime students** is calculated using sector-wide rates of funding, but is available only for those in high-cost subjects.

c. As well as the main allocations of teaching funding which reflect student numbers in different subject areas, we also have a number of **targeted allocations** that reflect other additional teaching or student-related costs.

### **The three-stage process**

14. We implemented a three-stage process to calculate and review 2012-13 teaching funding allocations. This has been to balance the need to pay grant from August 2012, before 2012-13 student numbers were known, with the need to ensure, in the interests of fairness and accountability, that the final allocations would reflect actual numbers of old- and new-regime students in the year.

15. The initial teaching allocations first announced in March 2012 formed the first stage of this three-stage allocation process. The main allocations for old- and new-regime students at that time were informed by the following.

a. Forecast student numbers for 2012-13 reported in the 2011 Higher Education Students Early Statistics survey (HESES11) for higher education institutions and the 2011 Higher Education in Further Education: Students survey (HEIFES11) for further education colleges.

b. Rates of grant for old-regime students based on the 2011-12 student numbers also reported in the HESES11 and HEIFES11 surveys.

16. The adjusted teaching allocations first announced in March 2013 formed the second stage of the allocation process. The main allocations for old- and new-regime students were then informed by the following.

a. In-year student numbers for 2012-13 reported in the 2012 HESES and HEIFES surveys.

b. Revised rates of grant for old-regime students, based on the 2011-12 student numbers reported in the individualised student record submitted by higher education institutions to the Higher Education Statistics Agency (HESA) and in the Individualised Learner Record (ILR) submitted by further education colleges to the former Data Service.

17. The final teaching allocations announced in this document are the third stage of the allocation process. The rates of grant for old-regime students are informed by the same 2011-12 HESA and ILR data sources as before, but the student numbers for 2012-13 are also taken from the final HESA and ILR data returns for that year.

18. At each stage of this recalculation process, we apply a scaling factor to ensure that the total allocated comes within the funding we have available. These scaling factors have changed with each recalculation, as a result of changes in the underlying student data reported by institutions and the funding available.

## Summary of changes to teaching grants

19. Teaching allocations that were, at least in part, informed by forecast student numbers for 2012-13 are subject to the formulaic three-stage recalculation process. These are:

- funding for old-regime students (mainstream)
- funding for old-regime students (co-funded)
- high-cost funding for new-regime students
- interim postgraduate taught allocation
- interim allocation for London weighting
- interim allocation for Open University new-regime students in Northern Ireland.

20. Our recalculations of these allocations adopt the same methods as were used to calculate the initial allocations, but use updated data sources. The first three allocations also use revised scaling factors. Further information about these allocations is provided in paragraphs 22 to 26.

21. Most targeted allocations, including those for widening participation and teaching enhancement and student success, are not subject to recalculation through the three-stage process. For nearly all institutions, these allocations remain unchanged, but we have incorporated adjustments to some arising from data audit and reconciliation.

22. Table A shows the disaggregation of our teaching funding for 2011-12 and 2012-13 between different elements of grant, including budgets for initial, adjusted and final allocations for 2012-13. The figures for 2011-12 incorporate adjustments to grant arising from institutions' student numbers in the year and subsequent changes from data audit and reconciliation, but exclude grant reductions arising from institutions' recruitment against the student number control limit. The figures for 2012-13 similarly do not include grant adjustments arising from recruitment against the student number control limit. The 2012-13 initial allocations shown are as of July 2012; the 2012-13 adjusted allocations are as of October 2013. There are rounding differences within this table.

**Table A: HEFCE recurrent teaching grant for 2011-12 and 2012-13 (£ millions)**

	2011-12	2012-13 (initial)	2012-13 (adjusted)	2012-13 (final)
<b>Elements of 2012-13 teaching grant subject to three-stage recalculation</b>				
Funding for old-regime students (mainstream)	3,631*	2,390	2,433	2,437
Funding for old-regime students (co-funded)	32	14	11	8
High-cost funding for new-regime students	N/A*	146	131	125
Interim postgraduate taught allocation	N/A*	39	33	31
Interim allocation for London weighting	N/A*	19	19	19
Interim allocation for Open University new-regime students in Northern Ireland	N/A*	1	2	1
<b>Sub-total elements subject to three-stage recalculation</b>	<b>3,663</b>	<b>2,609</b>	<b>2,628</b>	<b>2,621</b>
<b>Elements of 2012-13 teaching grant not subject to recalculation (except following data assurance)</b>				
Widening participation	141	141	141	139
Teaching enhancement and student success	264	243	244	242
Other targeted allocations that are not recalculated	203	185 <sup>†</sup>	185 <sup>†</sup>	184 <sup>†</sup>
Other recurrent teaching grants that are not recalculated	47	35 <sup>‡</sup>	35 <sup>‡</sup>	35 <sup>‡</sup>
<b>Sub-total elements not subject to recalculation</b>	<b>654</b>	<b>604</b>	<b>604</b>	<b>600</b>
<b>Total</b>	<b>4,317</b>	<b>3,214</b>	<b>3,232</b>	<b>3,222</b>

\* A number of new allocations were introduced for 2012-13, some as interim allocations. Equivalent sums for 2011-12 for these allocations are shown in this table as N/A (not applicable), but the areas in question were provided for in the £3,631 million total 2011-12 mainstream teaching grant.

<sup>†</sup> This comprises targeted allocations for: part-time undergraduates (£51 million in this latest announcement); accelerated and intensive provision (£40 million); institution-specific funding (£46 million); maintaining capacity in strategically important and vulnerable subjects following the equivalent or lower qualification (ELQ) policy (£14 million); additional funding for very high-cost and vulnerable science subjects (£23 million); and 2012-13 Erasmus fee compensation (£11 million).

<sup>‡</sup> This comprises allocations for: clinical consultants' pay (£18 million); senior academic general practitioners' pay (£1 million); NHS pensions scheme compensation (£5 million); and transitional funding for ELQs (£11 million).

## **Funding for old-regime students**

23. Almost all institutions have changes in their allocations for old-regime students compared with the adjusted allocations announced last year. The main reasons for changes are as follows.

a. Changes to grant rates derived from 2011-12 HESA and ILR data. These include the following adjustments.

i. To incorporate the outcomes of the 2011-12 Completion Status Survey. This asked institutions to confirm whether individual students had completed their year of study, where this was recorded as unknown at the time of the original HESA and ILR submissions. For most institutions, we incorporated the survey outcomes in the 2012-13 grant allocations that we announced in March 2014; however, we incorporated them for a very small number of institutions in October 2013, where the survey and any other amendments at that time had a significant impact on funding.

ii. To take account of changes in how institutions have classified their students according to their fundability status (as HEFCE-fundable or otherwise) and assignment to price groups. Further information about this was provided in 'Funding for universities and colleges for 2012-13 to 2014-15: Board decisions' (HEFCE Circular letter 04/2014) and in the March 2014 Technical Guidance for higher education institutions on the 2012-13 grant tables.

b. Changes to the student numbers reported for 2012-13. Our allocations in March 2014 were the first to use student numbers derived from 2012-13 HESA and ILR, rather than HESSES and HEIFES, data. Since then, we have incorporated further amendments to these data, as a result of the following.

i. Corrections identified by institutions.

ii. The outcomes of any data audit and reconciliation work that has been finalised.

iii. The submission of the 2012-13 Completion Status Survey. For many institutions, our allocations in March 2014 made assumptions (derived for higher education institutions from the 2011-12 Completion Status Survey) about the likely completion of students, where this was unknown at the time of the original HESA and ILR returns. We have now replaced these assumptions with the outcomes of the 2012-13 survey.

iv. Other miscellaneous changes, particularly as a result of recent institutional mergers.

c. Our March 2014 allocations incorporated a scaling factor of 0.986, equivalent to a 1.4 per cent reduction compared to the scaling factor used in the allocations announced during 2013. There has been no further change to the scaling factor since March 2014.

## **Funding for new-regime students in high-cost subjects**

24. Almost all institutions similarly have changes in their allocations for new-regime students in high-cost subjects compared with the adjusted allocations announced last year. These allocations apply, for 2012-13, only to those in price groups A (clinical years of study, applicable only to some higher education institutions) or B (laboratory-based science, engineering and



technology subjects). The changes are due to the use of updated 2012-13 student numbers, for the same reasons as apply to old-regime students (explained in paragraph 23.b) and the revised scaling factor of 0.986 applied in March 2014 (explained in paragraph 23.c).

### **Targeted allocations**

25. Three interim targeted allocations (for postgraduate taught provision, London weighting and Open University new-regime students in Northern Ireland) are subject to our three-stage recalculation process, because they were originally based, at least in part, on forecast student numbers for 2012-13. These have been recalculated to reflect updated student data for 2012-13 derived from HESA and ILR data, with changes since March 2014 arising for the same reasons as apply to the allocations for old-regime students and for new-regime students in high-cost subjects (explained in paragraph 23.b).

26. These three allocations have not been subject to a scaling factor, because they are allocated to maintain levels or rates of grant compared with 2011-12. The calculation of the interim London weighting allocation does, however, take account of how the scaling factor is applied to other allocations that incorporate London weighting, such as the main allocations for old- and new-regime students.

27. Other targeted allocations for 2012-13 are not subject to the three-stage recalculation process and remain largely as announced last year, except where adjustments have been made following data audit or reconciliation.

### **Other recurrent teaching grants**

28. Allocations for other recurrent teaching grants are not subject to recalculation through the three-stage process. Institutions' allocations in these areas are unchanged from the initial allocations announced in March 2012.

### **Funding for research and knowledge exchange**

29. Allocations for research and knowledge exchange through Higher Education Innovation Funding (HEIF) have not been routinely recalculated. For most institutions these recurrent grants remain unchanged from the initial allocations announced in July 2012. However, research allocations have been amended, as necessary, to reflect the outcomes of data audit. The allocation for HEIF shown in the grant tables does not include the further £6 million provided to 12 institutions for 2012-13 only, which was announced in September 2012 ([www.hefce.ac.uk/news/newsarchive/2012/name,75356,en.html](http://www.hefce.ac.uk/news/newsarchive/2012/name,75356,en.html)).

### **Reductions to grant arising from recruitment against the 2012-13 student number control limit**

30. In HEFCE 2012/08 we published the 2012-13 student number control limits for each institution. Some of these allocations were updated in July 2012<sup>3</sup>. We have reduced grant for those individual institutions whose student numbers, as reported in HES12 and HEIFES12, show that they exceeded those limits. We also reduced grant for those institutions that over-recruited in 2010-11 or 2011-12 and did not take sufficient action to offset that over-recruitment

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<sup>3</sup> The 2012-13 student number control limits announced in July 2012 are available at [www.hefce.ac.uk/whatwedo/invest/institns/annallocns/](http://www.hefce.ac.uk/whatwedo/invest/institns/annallocns/), by selecting 'For institutions', then 'July 2012 announcement'.

by recruiting below their student number control limit for 2012-13. These reductions to grant are not reflected in the recurrent grant allocations shown in this document, as they are supplementary adjustments arising from conditions of grant, rather than from the funding method itself.

## Outcomes for institutions

31. In HEFCE 2012/08 we announced a total recurrent grant for 2012-13 of £4,921 million, including £3,213 million for teaching. The adjusted allocations announced in HEFCE 2013/06 were £4,941 million, the additional £20 million being attributable to teaching grant (largely a result of using a higher scaling factor in our allocations for old- and new-regime students). The total recurrent allocations shown in this publication total £4,929 million, comprising:

- £3,222 million for teaching
- £1,557 million for research
- £150 million for knowledge exchange.

32. While at the sector level the overall percentage change compared with the allocations announced in 2013 is not large, more significant changes arise for individual institutions. As explained in paragraphs 23 to 25, the largest changes in cash terms (whether positive or negative) generally arise from using updated student data for 2012-13 in our teaching funding allocations, and from recalculating the grant rates for old-regime students based on updated 2011-12 student data. These reflect differences between the end-of-year individualised student data, and the in-year aggregate student data reported in HESSES and HEIFES, which still included some elements of forecasting. Changes to teaching and research grants also arise from the outcomes of data audit and reconciliation exercises.

33. Another factor in the number and scale of changes to grant is that we no longer have a  $\pm 5$  per cent tolerance band in our teaching funding method. In previous years, the tolerance band limited reductions in grant to instances where institutions' resources were more than 5 per cent above the standard level calculated by our funding model. It has not been possible to retain a tolerance band during the process of transition to the new finance arrangements. We have to implement specific reductions to teaching grant of about £1 billion per annum between 2012-13 and 2014-15. We do not have the scope to dampen these for institutions through the use of a tolerance band, nor should we seek to dampen changes that arise from differences between actual student numbers and institutions' own forecasts.

34. The table at Annex A shows the percentage change in 2012-13 recurrent grant compared with the allocations announced in October 2013. These percentage changes should not be interpreted as representing 'winners and losers' in our allocations. Rather, they represent adjustments that ensure that each institution receives the level of funding appropriate for the student numbers it has reported.

35. The extent of the changes at institutional level is therefore not unexpected, and institutions have been able to model the allocations as they prepared their student data returns. The changes demonstrate why our three-stage approach to recalculating teaching grant is necessary. Given the significant reduction to our budget arising from the new finance arrangements for higher education, it is in the interests of fairness and accountability that the year-on-year

changes to grant should reflect the changing balance between old- and new-regime students at each institution.

36. While we do not expect any further general recalculation of 2012-13 recurrent grants, changes for individual institutions may still arise as a result of any data assurance work that we are carrying out which has not been completed in time for this announcement.

### **Further information**

37. Institutions requiring further information should contact their HEFCE higher education policy adviser (contact details for each institution are at [www.hefce.ac.uk/contact/contactsforinstitutions/](http://www.hefce.ac.uk/contact/contactsforinstitutions/)) or e-mail [recurrentgrant@hefce.ac.uk](mailto:recurrentgrant@hefce.ac.uk).

## Annex A: Descriptions of columns in Table 1

**Table 1 Adjusted recurrent grant for academic year 2012-13**

1. Table 1 is available to download as a separate Excel file alongside this document at [www.hefce.ac.uk/pubs](http://www.hefce.ac.uk/pubs).
2. **Funding for old-regime students (mainstream)** shows adjusted subject-based funding for old-regime students previously funded through our mainstream teaching grant who are treated as having commenced their studies before 1 September 2012.
3. **Funding for old-regime students (co-funded)** shows adjusted subject-based funding for old-regime employer co-funded students who commenced their studies before 1 September 2012.
4. **High-cost funding for new-regime students** shows adjusted subject-based funding for new-regime students in high-cost subjects (price groups A and B).
5. **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 (£126 million), and widening access and improving provision for disabled students (£13 million).
6. **Teaching enhancement and student success** shows allocations of funding to recognise the extra costs associated with: improving the retention of students most at risk of not completing (£224 million), research-informed teaching (£5 million), and institutional learning and teaching strategies (£14 million).
7. **Other targeted allocations** comprise funding for:
  - part-time undergraduates (£51 million)
  - accelerated and intensive provision (£40 million)
  - institution-specific costs (£46 million)
  - very high-cost and vulnerable science subjects (£23 million)
  - maintaining capacity in strategically important and vulnerable subjects following the equivalent or lower qualifications (ELQ) policy (£14 million)
  - Erasmus fee compensation (£11 million)
  - adjusted interim allocation for London weighting (£19 million)
  - adjusted interim postgraduate taught allocation (£31 million)
  - adjusted interim allocation for Open University new-regime students in Northern Ireland (£1 million).
8. **Other recurrent teaching grants** comprise funding for:
  - clinical academic consultants' pay (£18 million)
  - senior academic general practitioners' pay (£1 million)
  - NHS pensions scheme contribution (£5 million)

- transitional funding for ELQs (£11 million).
9. **Total teaching funding** is the sum of the previous seven columns.
10. **Total research funding (£)** comprises:
- mainstream quality-related research (QR) (£1,018 million)
  - London weighting on mainstream QR (£32 million)
  - research degree programme supervision funds (£241 million)
  - QR charity support fund (£197 million)
  - QR business research element (£63 million)
  - QR funding for national research libraries (£6 million).
11. **Higher Education Innovation Funding (£)** supports knowledge exchange activities in higher education institutions and strengthens links with businesses, public services, communities and the wider public to increase economic and social impact.
12. **Total adjusted recurrent grant 2012-13 (£)** is the sum of the previous three columns.
13. **Percentage change compared with 2012-13 adjusted recurrent grant** shows the difference between total final recurrent grant for 2012-13 and adjusted recurrent grant for 2012-13, as a percentage of the latter.

## List of abbreviations

<b>ELQ</b>	Equivalent or lower qualification
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HEIF</b>	Higher Education Innovation Funding
<b>HEIFES</b>	Higher Education in Further Education: Students survey
<b>HESA</b>	Higher Education Statistics Agency
<b>HESES</b>	Higher Education Students Early Statistics survey
<b>ILR</b>	Individualised Learner Record
<b>QR</b>	Quality-related research