



Allocation of funds

October 2016/30

Recurrent grants for 2014-15

Final allocations

This document summarises final allocations of recurrent funding for the academic year 2014-15, subject to any further adjustments that may arise from data assurance work.

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Recurrent grant for 2014-15: Final allocations

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education and sixth form colleges
Of interest to those responsible for	Finance, Planning
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Enquiries to	HEFCE Institutional teams (contact details at www.hefce.ac.uk/contact/search/) or email recurrentgrant@hefce.ac.uk

Executive summary

Purpose

1. This document summarises final allocations of recurrent funding for the academic year 2014-15, 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 2014-15' (HEFCE 2014/05). We announced updated allocations in 'Recurrent grants for 2014-15: Adjusted allocations' (HEFCE 2015/06), issued in March 2015. In May 2016, we published on our website 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 2014-15, and summarises the reasons for changes since the allocations announced in 2015.

3. The main reasons for changes since the allocations announced last year are the use in our teaching funding allocations of updated student data for 2014-15. 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, for which 2014-15 is the final year. This process enabled us to announce funding in advance of the academic year, before student numbers were known, but has ensured that allocations eventually reflect the actual student numbers at each institution in the year. This has been necessary so that grants to institutions were 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 have not been 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 £3,238 million, a reduction of 0.3 per cent compared with the total announced in October 2014. 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 2014-15' (HEFCE 2014/05), issued in March 2014, announced initial allocations of HEFCE funding for the academic year 2014-15¹. 'Recurrent grants for 2014-15: Adjusted allocations' (HEFCE 2015/06), issued in March 2015, announced changes to those allocations, arising largely from recalculations of teaching grant to reflect updated student data. In May 2016, we published on our website a summary of the allocations agreed at that time, which incorporated further changes arising largely from recalculations using end-of-year individualised student data².

9. This report shows the final allocations for 2014-15 and the main reasons for changes compared with previous announcements. While we do not intend any further general recalculation of 2014-15 recurrent grants, allocations may still change for individual institutions to reflect the outcomes of data audit and reconciliation work. The funding methods that we have applied for 2014-15 are described in 'Guide to funding and student number controls 2013-14 and 2014-15: How HEFCE allocates its funds and controls student numbers' (HEFCE 2014/06).

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 comes through students' tuition fees, and much less through HEFCE 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. 2014-15 was the third 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 has been 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 should change to reflect these new circumstances in:

- a. 'Teaching funding and student number controls: Consultation on changes to be implemented in 2012-13' (HEFCE 2011/20). This consultation made proposals on how the main subject-based element of teaching grant for old-regime students should be phased out over a number of years; proposals about other elements of teaching grant were solely

¹ All HEFCE publications are available at www.hefce.ac.uk/pubs.

² All the 2014-15 recurrent grant allocations and documentation are available at www.hefce.ac.uk/funding/annalocns/1415/institutions/.

in relation to 2012-13. The outcomes of the consultation were reported in 'Teaching funding and student number controls from 2012-13: summary of responses to consultation and decisions made' (HEFCE Circular letter 26/2011).

b. 'Student number controls and teaching funding: Consultation on arrangements for 2013-14 and beyond' (HEFCE 2012/04). This consultation made proposals on how teaching grants should be allocated from 2013-14, but did not cover the main subject-based allocation for old-regime students, which had been determined following the previous year's consultation. The outcomes of the second consultation were reported in 'Student number controls and teaching funding in 2013-14 and beyond: Summary of responses to consultation and decisions made', (HEFCE 2012/19).

14. The main approach to teaching funding for 2014-15 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 2014-15. 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) 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

15. We continued the three-stage process to calculate and review 2014-15 teaching funding allocations. This has been to balance the need to pay grant from August 2014, before student numbers in 2014-15 became 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.

16. Teaching allocations that were, at least in part, informed by forecast student numbers for 2014-15 have been 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
- targeted allocation for new-regime students attending courses in London.

17. Our recalculations of these allocations have adopted the same methods as were used to calculate the initial allocations, but use updated data sources and, where necessary, revised scaling factors.

18. The initial teaching allocations first announced in March 2014 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 2014-15 reported in the 2013 Higher Education Students Early Statistics survey (HESES13) for higher education institutions (HEIs) and the 2013 Higher Education in Further Education: Students survey (HEIFES13) for further education and sixth form colleges (FECs).
- b. Rates of grant for old-regime students based on the 2011-12 student numbers reported by HEIs in the Higher Education Statistics Agency (HESA) individualised student record and by FECs in the Individualised Learner Record (ILR) submitted to the Skills Funding Agency. These rates have also incorporated certain adjustments to address changes, evident from institutions' 2012-13 HESA and ILR returns, in whether students were recorded as being HEFCE-fundable, or in how they were assigned to price groups. These adjustments were first notified in 'Funding for universities and colleges for 2012-13 to 2014-15: Board decisions' (HEFCE Circular letter 04/2014).

19. The adjusted teaching allocations first announced in March 2015 formed the second stage of the allocation process. The main allocations for old- and new-regime students were then informed by in-year student numbers for 2014-15 reported in the 2014 HESES and HEIFES surveys.

20. All 2014-15 teaching grants were subject to a 2.4 per cent pro rata reduction during 2015, because of a £150 million cut to the funding made available to us by Government for the 2015-16 financial year (which has a four-month overlap with the 2014-15 academic year). This reduction was announced in 'Reductions to grants for 2014-15 and 2015-16 academic years' (HEFCE Circular letter 19/2015). This saved £38 million from the teaching grant previously announced and affected elements of grant that were not subject to the three-stage recalculation process, as well as those that were. The 2.4 per cent pro rata reduction continues to apply in our final allocations for the year.

21. The final teaching allocations announced in this document are the third stage of the allocation process. The student numbers for 2014-15 are now taken from the final HESA and ILR data returns for that year.

22. 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 changed between the first and second stages of the process, as a result of changes in the underlying student data reported by institutions and the funding available, and changed again during 2015 when we had to implement the 2.4 per cent pro rata reduction to all elements of teaching grant. However, they have not changed further since last year.

23. 2014-15 is the last year for which our three-stage recalculation process applies. Teaching grants for 2015-16 onwards are informed by student numbers in the previous year. 'Recurrent grants for 2015-16: final allocations' (HEFCE 2016/08), was published in May 2016. 'Recurrent grants for 2016-17: final allocations' (HEFCE 2016/31), is being published in October 2016.

Summary of changes to teaching grants

24. Table A shows the disaggregation of our teaching funding for 2014-15 between different elements of grant, and between the initial, adjusted and final allocations. The figures exclude grant reductions arising from institutions' recruitment against the student number control allocation. The 2014-15 initial and adjusted allocations shown are as of October 2014 and October 2015 respectively. There are rounding differences in this table.

Table A: HEFCE recurrent teaching grant for 2014-15 (£ millions)

	2014-15 (initial)	2014-15 (adjusted)	2014-15 (final)
Elements of teaching grant subject to three-stage recalculation			
Funding for old-regime students (mainstream)	500	509	505
Funding for old-regime students (co-funded)	1	1	0.3
Funding for new-regime students in high-cost subjects	468	440	437
Targeted allocation for new-regime students attending courses in London	54	52	51
Sub-total: elements subject to three-stage recalculation	1,023	1,001	993
Elements of teaching grant not subject to three-stage recalculation			
Student opportunity*	366	357	357
Other targeted allocations	194	189	189
Sub-total: elements not subject to three-stage recalculation*	560	547	546
Total*	1,583	1,548	1,539

* Includes £8.8 million for national networks for collaborative outreach, not included in institutional grant tables

25. Almost all institutions have changes in their allocations that are subject to the three-stage recalculation process compared with the adjusted allocations announced last year. The main reason for changes is because the allocations in May 2016 used student numbers derived from 2014-15 HESA and ILR, rather than HESES and HEIFES, data. Since then, we have incorporated further amendments to the data, as a result of the following:

- a. The submission of the 2014-15 Completion Status Survey (CSS). We fund on the basis of students who complete their year of study, but the completion status for some students was undetermined at the time the HESA and ILR returns were made. For our May 2016 allocations, we treated all students with an undetermined completion status as if they had completed. Subsequently, the CSS asked institutions to confirm whether these students had completed. The incorporation of the CSS reduces allocations, as more students are treated as non-completions because institutions have either identified them as such, or not provided any CSS return that we requested.
- b. Corrections identified by institutions.
- c. The outcomes of any data audit and reconciliation work that has been finalised.

d. Other miscellaneous changes, particularly as a result of recent institutional transfers or mergers.

26. Most targeted allocations, including those for student opportunity, 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.

Funding for research and knowledge exchange

27. 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 October 2014. 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 £10 million supplement provided for 2014-15 (see 'Knowledge Exchange funding – HEIF: additional allocations 2012 to 2015' at www.hefce.ac.uk/kess/heif/).

Reductions to grant arising from recruitment against the 2014-15 student number control allocation

28. In HEFCE 2014/05 we published the 2014-15 student number control allocations for each institution, some of which were updated later in the year³. We have reduced grant for those institutions whose student numbers, as reported in HESES14 and HEIFES14, show that they exceeded those allocations. We also reduced grant for those institutions that over-recruited in 2012-13 or 2013-14 and did not take sufficient action to offset that over-recruitment by recruiting below their student number control allocation for 2014-15. 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

29. While at the sector level the overall percentage change compared with the recurrent grant allocations announced in 2015 is not large, more significant changes arise for individual institutions. As explained in paragraph 25, the largest changes in cash terms (whether positive or negative) generally arise from using updated student data for 2014-15 in our teaching funding allocations. These reflect differences between the end-of-year HESA and ILR data, and the in-year aggregate student data reported in HESES14 and HEIFES14, which still included some elements of forecasting. Changes to teaching and research grants also arise from the outcomes of data audit and reconciliation exercises.

30. The table at Annex A shows the percentage change in the 2014-15 recurrent grant compared with the allocations announced in October 2015. 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.

31. 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

³ 2014-15 student number control allocations are available at www.hefce.ac.uk/funding/annalocns/1415/institutions/, by selecting 'October 2014 announcement'.

changes demonstrate why our three-stage approach to recalculating teaching grant was necessary during the transitional period 2012-13 to 2014-15. Given the significant reduction to our budget arising from the finance arrangements for higher education introduced in 2012, it has been 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.

32. While we do not expect any further general recalculation of 2014-15 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

33. Institutions requiring further information should contact their HEFCE higher education policy adviser (contact details for each institution can be found at www.hefce.ac.uk/contact/search/), or email recurrentgrant@hefce.ac.uk.

Notes to Annex A: Descriptions of columns in Table 1

Table 1: Final recurrent grant for academic year 2014-15

1. Table 1, at Annex A, is available to download as a separate Excel file alongside this document at www.hefce.ac.uk/pubs/year/2016/201630/.
2. **Funding for old-regime students (mainstream) (£)** shows subject-based funding for old-regime students previously funded through our mainstream teaching grant who commenced their studies before 1 September 2012.
3. **Funding for old-regime students (co-funded) (£)** shows 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 subject-based funding for new-regime students in high-cost subjects (price groups A, B and C1 for undergraduates and price groups A, B, C1 and C2 for taught postgraduates).
5. **Student opportunity (£)** 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 (£65 million), widening access and improving provision for disabled students (£15 million), and improving the retention of students most at risk of not completing (£268 million).
6. **Other targeted allocations (£)** comprise funding for:
 - a. Part-time undergraduates (£17 million).
 - b. Accelerated full-time undergraduate provision (£2 million).
 - c. Intensive postgraduate provision (£34 million)
 - d. Institution-specific high-cost distinctive provision (£64 million).
 - e. Very high-cost science, technology, engineering and mathematics (STEM) subjects (£22 million).
 - f. Erasmus and other overseas study programmes (£27 million).
 - g. New-regime students attending courses in London (£51 million).
7. **Other recurrent teaching grants (£)** comprise funding for:
 - a. Clinical academic consultants' pay (£17 million).
 - b. Senior academic general practitioners' pay (£1 million).
 - c. NHS pensions scheme contribution (£5 million).
8. **Total teaching funding (£)** is the sum of the previous six columns.
9. **Total research funding (£)** comprises:
 - a. Mainstream quality-related research (QR) (£1,018 million).
 - b. London weighting on mainstream QR (£32 million).
 - c. Research degree programme (RDP) supervision funds (£241 million).

- d. QR charity support fund (£197 million).
- e. QR business research element (£64 million).
- f. QR funding for National Research Libraries (£6 million).

10. **Knowledge exchange funding (£)** supports knowledge exchange activities in higher education institutions and strengthens links with businesses, public services, communities and the wider public in order to increase economic and social impact.

11. **Total final recurrent grant 2014-15 (£)** is the sum of the previous three columns.

12. **Percentage change compared with 2014-15 adjusted recurrent grant** shows the difference between total final recurrent grant for 2014-15 and adjusted recurrent grant for 2014-15, as a percentage of the latter.

List of abbreviations

CSS	Completion Status Survey
FECs	Further education and sixth form colleges
HEIs	Higher education institutions
HEFCE	Higher Education Funding Council for England
HEIF	Higher Education Innovation Funding
HEIFES	Higher Education in Further Education: Students survey
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics survey
ILR	Individualised Learner Record
QR	Quality-related research
RDP	Research degree programme
STEM	Science, technology, engineering and mathematics