

March 2014/04

Core funding/operations

Allocation of funds

This report is for information

This document summarises changes to our allocations of recurrent funding for the academic year 2013-14, primarily arising from our adjustments to teaching grant to reflect updated student numbers.

Recurrent grants for 2013-14

Adjusted allocations

Recurrent grants for 2013-14: Adjusted allocations

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education 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/contactsforinstitutions/) or e-mail recurrentgrant@hefce.ac.uk

Executive summary

Purpose

1. This document summarises changes to our allocations of recurrent funding for the academic year 2013-14, primarily arising 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 2013-14' (HEFCE 2013/05). For teaching funding, we made initial allocations that were based on institutions' forecast student numbers for 2013-14, but explained that these would be recalculated as we received information on the actual numbers of students in the year. This document shows, for each institution, how some of those teaching allocations have now been adjusted to reflect the updated student numbers recently reported by institutions. We will adjust grant payments between April and July 2014 accordingly, including correcting for any over- or under-payment made earlier in the academic year. These allocations will not, however, be finalised until 2015, after we receive the individualised student data for 2013-14 at the end of the academic year.

3. This three-stage recalculation process 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.

4. Some of the 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 amendments, audit and reconciliation.

5. In HEFCE 2013/05 we announced a total recurrent grant for 2013-14 of £4,043 million, including £2,325 million for teaching. These total budgets remain unchanged. However, to remain within the overall budget, it has been necessary to review the scaling factor that applies in the teaching funding method. This has changed from 1.01 (which provided a 1 per cent uplift) to 0.985 (a 1.5 per cent reduction).

6. Alongside this document we are publishing:

a. Details of our provisional recurrent grant allocations for 2014-15 ('Recurrent grants and student number controls for 2014-15', HEFCE 2014/05). These include initial teaching grants for the year, which will also be subject to the three-stage recalculation process.

b. 'Guide to funding and student number controls 2013-14 and 2014-15: How HEFCE allocates its funds and controls student numbers' (HEFCE 2014/06), which explains how we calculate allocations for individual institutions.

Action required

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

Introduction

8. 'Recurrent grants and student number controls for 2013-14' (HEFCE 2013/05)¹, issued in March 2013, announced provisional allocations of HEFCE funding for the academic year 2013-14. We updated some of these allocations in October 2013².

9. This report shows how allocations for 2013-14 have changed since October 2013, primarily as we adjust certain teaching grant allocations to reflect updated student numbers reported by institutions. We will adjust grant payments between April and July 2014 accordingly, correcting for any over- or under-payment made earlier in the academic year. These recalculations and adjustments apply to every allocation that was initially informed by forecast student numbers for 2013-14.

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

11. From 2012-13, we have adopted a three-stage process to calculate and review teaching grant allocations. This balances the need to pay grant from the start of the academic year, before student numbers are known, with the need to ensure (in the interests of fairness and accountability) that allocations finally reflect actual student numbers in the year. The three-stage process comprises:

- a. An **initial** allocation in the March before the start of the academic year, informed by forecast student numbers for the academic year.
- b. An **adjusted** allocation in the following March, updated to reflect in-year student numbers submitted by institutions.
- c. A **final** allocation announced after the end of the academic year, using end-of-year student numbers taken from institutions' individualised student data.

12. Our 2013 funding agreement with institutions explained that certain teaching grant allocations for 2013-14 that were initially informed by forecast student numbers would be recalculated under the three-stage process described in paragraph 11. This applies to the following allocations:

- funding for old-regime students (mainstream)
- funding for old-regime students (co-funded)
- high-cost funding for new-regime students
- funding for new-regime students attending courses in London.

13. These elements of grant will now be informed by student volumes reported by institutions in the 2013 Higher Education Students Early Statistics (HESES13) survey by higher education institutions (HEIs) and in the Higher Education in Further Education: Students (HEIFES13) survey by further education colleges (FECs).

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

² The 2013-14 recurrent grant allocations announced in October 2013 are available at www.hefce.ac.uk/whatwedo/invest/institns/annallocns/, by selecting 'For institutions', then 'October 2013 announcement'.

14. Rates of funding for old-regime students are derived from 2011-12 allocations and student volumes reported for the year to the Higher Education Statistics Agency (HESA) by HEIs, and on the Individualised Learner Record (ILR) submitted by FECs to the Data Service.

Summary of changes since initial allocations

15. Our recalculations of teaching allocations that are subject to the three-stage recalculation process adopt the same methods as were used to calculate the initial allocations, but use updated data sources. They may also use revised scaling factors to ensure that total allocations remain within the budget we have available.

16. Most targeted allocations, including for student opportunity, are not subject to recalculation through the three-stage process. For nearly all institutions, these allocations remain unchanged from the initial allocations announced in October 2013. Where applicable, changes to targeted allocations resulting from data audit and reconciliation have been incorporated.

17. The total 2013-14 recurrent grant that we announced in March 2013 was £4,043 million, including £2,325 million for teaching. For our adjusted allocations the 2013-14 budget total remains the same, although there currently remains a small over-allocation. However, to remain within the overall budget, it has been necessary to review the scaling factor that applies in the method. This has changed from 1.01 (which provided a 1 per cent uplift) to 0.985 (a 1.5 per cent reduction). Rates of grant for old-regime students may also have changed for individual institutions since allocations were announced in October 2013. Such changes arise for two main reasons:

- a. The incorporation of amendments to underlying individualised student data for 2011-12, including updated information on whether students completed their year of study.
- b. Measures we have adopted to address data issues and inconsistencies in how old-regime students have been classified between 2011-12 and 2012-13. These measures were explained in 'Funding for universities and colleges for 2012-13 to 2014-15: Board decisions', HEFCE Circular letter 04/2014.

18. Table A shows the disaggregation of our teaching funding for 2013-14 between different elements of grant, including the total funding announced for the initial allocations in October 2013 and the adjusted allocations in March 2014. The figures do not include grant adjustments arising from recruitment against the student number control allocation for 2013-14.

Table A: HEFCE recurrent teaching grant for 2013-14 (£ millions)

	2013-14 (Initial)	2013-14 (Adjusted)
Elements of 2013-14 teaching grant subject to recalculation:		
Funding for old-regime students (mainstream)	1,421	1,446
Funding for old-regime students (co-funded)	3	3
High-cost funding for new-regime students	330	306
New-regime students attending courses in London	44	40
Sub-total elements subject to recalculation	1,798	1,795

	2013-14 (Initial)	2013-14 (Adjusted)
Elements of 2013-14 teaching grant not subject to recalculation:		
Student opportunity	332	332
Other targeted allocations that are not recalculated [†]	171	171
Other recurrent teaching grants that are not recalculated [‡]	28	28
Sub-total elements not subject to recalculation	531	531
Total	2,329	2,326

[†] Comprises targeted allocations for: part-time undergraduates (£26M); accelerated full-time undergraduate provision (£3M); intensive postgraduate taught provision (£36M); institution-specific high-cost distinctive provision (£69M); very high-cost STEM subjects (£23M); Erasmus fee compensation (£14M).

[‡] Comprises allocations for: clinical consultants' pay (£18M); senior academic GPs' pay (£1M); NHS pensions scheme compensation (£5M); transitional funding for equivalent or lower qualifications (ELQs) (£3M).

Reductions to grant arising from recruitment against the 2013-14 student number control allocation

19. In HEFCE 2013/05 we published the 2013-14 student number control allocations and the flexibility available above them for each institution. Some of these allocations were updated in October 2013³. We are now reducing grant for those individual institutions whose student numbers, as reported in HESES13 and HEIFES13, show that they exceeded the top of their flexibility range. We are also reducing grant for those institutions that over-recruited in 2011-12 or 2012-13 and have not taken sufficient action to offset that over-recruitment by recruiting below their student number control allocation for 2013-14. These reductions to grant are not reflected in the recurrent grant allocations shown in this document, as they are a supplementary adjustment, arising from conditions of grant rather than from the funding method itself. However, we are publishing details of the reductions for each institution on our web-site at www.hefce.ac.uk/whatwedo/invest/institns/annallocns/201314.

20. Where institutions over-recruited in 2012-13 or 2013-14, further grant reductions may arise in 2014-15, unless those institutions recruit sufficiently below their student number control allocation for 2014-15 to offset the over-recruitment that occurred in the earlier years. If institutions do not offset 2013-14 over-recruitment sufficiently in 2014-15, a further grant reduction is also likely to apply for 2015-16: there will be no opportunity to offset this, as there will be no student number control allocation to HEFCE-funded institutions for that year.

Outcomes for institutions

21. While at the sector level the overall percentage change to 2013-14 recurrent grant is not large, more significant changes arise for individual institutions. The largest changes in cash terms (whether positive or negative) generally reflect where institutions' forecasts in HESES12 and HEIFES12 were significantly different to the numbers now reported in their 2013 returns.

³ The 2013-14 student number control allocations announced in October 2013 are available at www.hefce.ac.uk/whatwedo/invest/institns/annallocns/, by selecting 'For institutions', then 'October 2013 announcement'.

Institutions were asked to produce these forecasts of 2013-14 student numbers in December 2012, before the main UCAS deadline for 2013-14 applications had closed.

22. The table at Annex A shows the percentage change in 2013-14 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.

23. The changes demonstrate why our three-stage approach to recalculating teaching grant has been 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. These student numbers will not be confirmed until the end of the academic year, so our grant payments from the beginning of the year need to be based on estimates or forecasts. We concluded that in the first instance, institutions were best placed to produce these forecasts, but that we would need to adjust funding to reflect the actual numbers in the year, to ensure that institutions did not benefit or suffer from forecasts that did not reflect the final outcome.

Finalising allocations for 2013-14

24. The adjusted teaching grant allocations announced in this document are informed by in-year student numbers for 2013-14, as reported in institutions' HESES and HEIFES returns. These still include some elements of forecasting (of withdrawals or late enrolments after the survey census dates). Final teaching grant allocations for 2013-14 will therefore be confirmed only in the third stage of our allocation process during 2015, in light of end-of-year individualised student data for 2013-14.

25. In July 2013, we issued funding agreements for 2013-14 to each institution we fund⁴. For higher education institutions, the funding agreement is part 2 of the Financial Memorandum that we have with them (see 'Model Financial Memorandum between HEFCE and institutions', HEFCE 2010/19). The conditions of grant specified in the 2013-14 funding agreement continue to apply.

26. Data collected from institutions inform our allocation of funds for teaching and research. We will continue to audit these data selectively in this and future funding exercises, through audit visits. We will also use data that institutions provide to HESA or the Data Service to verify the data that institutions send directly to us. We will use the outcomes of these data audits and reconciliations to review funding allocations for the year in question and all subsequent years. We reserve the right to review funding allocations for the most recent seven-year period.

27. If we find that erroneous data have resulted in institutions receiving incorrect funding allocations, we will adjust their funding accordingly (subject to the appeals process and the availability of our funds).

⁴ The 2013-14 funding agreements, issued separately for higher education institutions and further education colleges, are available at www.hefce.ac.uk/whatwedo/invest/institns/annallocns/, by selecting 'For institutions', then 'July 2013 announcement'.

28. We will continue to seek assurances from designated officers and audit committees about arrangements for the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies. This is to improve the reliability of data, which is crucial for the efficiency of our funding and to reduce the number of significant funding adjustments arising from data corrections.

Further information

29. 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/) or e-mail recurrentgrant@hefce.ac.uk.

Notes to Annex A: Descriptions of columns in Table 1

Table 1: Adjusted recurrent grant for academic year 2013-14

1. Table 1, at Annex A, is available to download as a separate Excel file alongside this document at 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 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, 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 (£89 million), widening access and improving provision for disabled students (£15 million), and improving the retention of students most at risk of not completing (£228 million).
6. **Other targeted allocations** comprise funding for:
 - a. Part-time undergraduates (£26 million).
 - b. Accelerated full-time undergraduate provision (£3 million).
 - c. Intensive postgraduate provision (£36 million)
 - d. Institution-specific high-cost distinctive provision (£69 million).
 - e. Very high-cost STEM subjects (£23 million).
 - f. Erasmus fee compensation (£14 million).
 - g. New-regime students attending courses in London (£40 million).
7. **Other recurrent teaching grants** comprise funding for:
 - a. Clinical academic consultants' pay (£18 million).
 - b. Senior academic GPs' pay (£1 million).
 - c. NHS pensions scheme contribution (£5 million).
 - d. Transitional funding for ELQs (£3 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 (£63 million).
 - f. QR funding for National Research Libraries (£6 million).
10. **Higher Education Innovation 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 adjusted recurrent grant 2013-14 (£)** is the sum of the previous three columns.
12. **Percentage change compared with 2013-14 initial recurrent grant** shows the difference between total adjusted recurrent grant for 2013-14 and initial recurrent grant for 2013-14, as a percentage of the latter.

List of abbreviations

ELQ	Equivalent or lower qualification
FEC	Further education college
FTE	Full-time equivalent
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
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	The Data Service's Individualised Learner Record
PGT	Postgraduate taught
QR	Quality-related research
RDP	Research degree programme
STEM subjects	Science, technology, engineering and mathematics