

March 2015/06

**Core funding/operations**

**Allocation of funds**

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This report is for information

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This document summarises changes to our allocations of recurrent funding for the academic year 2014-15, primarily arising from our adjustments to teaching grant to reflect updated student numbers.

# Recurrent grants for 2014-15

## Adjusted allocations

## Recurrent grants for 2014-15: Adjusted allocations

|                                      |  |
|--------------------------------------|--|
| To                                   | Heads of HEFCE-funded higher education institutions<br>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 <a href="http://www.hefce.ac.uk/contact/search/">www.hefce.ac.uk/contact/search/</a> ) or email <a href="mailto:recurrentgrant@hefce.ac.uk">recurrentgrant@hefce.ac.uk</a> |

### Executive summary

#### Purpose

1. This document summarises changes to our allocations of recurrent funding for the academic year 2014-15, 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 2014-15' (HEFCE 2014/05). For teaching funding, we made initial allocations that were based on institutions' forecast student numbers for 2014-15, 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 2015 accordingly, including correcting for any over- or under-payment made earlier in the academic year. These allocations will not, however, be finalised until 2016, after we receive the individualised student data for 2014-15 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 not informed by student numbers. 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 2014/05 we announced a total recurrent grant for 2014-15 of £3,300 million, including £1,582 million for teaching. These total budgets remain unchanged. The scaling factors

that have applied in the teaching funding method to ensure allocations are within budget also remain unchanged.

**Action required**

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

## Introduction

7. 'Recurrent grants and student number controls for 2014-15' (HEFCE 2014/05)<sup>1</sup>, issued in March 2014, announced initial allocations of HEFCE funding for the academic year 2014-15. We updated some of these allocations in October 2014<sup>2</sup>.

8. This report shows how allocations for 2014-15 have changed since October 2014, 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 2015 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 2014-15.

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

10. From 2012-13, we 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.
- c. A **final** allocation announced after the end of the academic year, using end-of-year student numbers taken from institutions' individualised student data.

11. 2014-15 is the last year that teaching grants are subject to this three-stage recalculation process. We have been able to end it from 2015-16, because the number of old-regime students still remaining has significantly reduced. The changes we are making for 2015-16 are described in further detail in 'Guide to funding 2015-16' (HEFCE 2015/04).

12. Our 2014 funding agreement with institutions explained that certain teaching grant allocations for 2014-15 that were initially informed by forecast student numbers would be recalculated under the three-stage process described in paragraph 10. 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.

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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> The 2014-15 recurrent grant allocations announced in October 2014 are available at [www.hefce.ac.uk/funding/annalocns/1415/institutions/](http://www.hefce.ac.uk/funding/annalocns/1415/institutions/), by selecting 'October 2014 announcement'.

13. These elements of grant will now be informed by student volumes reported by institutions in the 2014 Higher Education Students Early Statistics (HESES14) survey by higher education institutions (HEIs) and in the Higher Education in Further Education: Students (HEIFES14) survey by further education and sixth form colleges (FECs).

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 2014. Where applicable, changes to targeted allocations resulting from data audit and reconciliation have been incorporated.

17. The total 2014-15 recurrent grant that we announced in March 2014 was £3,300 million, including £1,582 million for teaching. For our adjusted allocations the 2014-15 budget total remains the same, although there is currently a small over-allocation of £3 million in teaching grant. We have not changed the scaling factors that apply within the teaching funding method, but may do so subsequently as we finalise 2014-15 allocations during 2016. Rates of grant for old-regime students may also have changed for individual institutions since allocations were announced in October 2014. Such changes arise for two main reasons:

a. The incorporation of amendments to underlying individualised student data for 2011-12.

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 2014-15 between different elements of grant, including the total funding announced for the initial allocations in October 2014 and the adjusted allocations in March 2015. The figures do not include grant adjustments arising from recruitment against the student number control allocation for 2014-15.

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

|   | 2014-15<br>(Initial) | 2014-15<br>(Adjusted) |
|---|----------------------|-----------------------|
| <b>Elements of 2014-15 teaching grant subject to recalculation:</b>     |                      |                       |
| Funding for old-regime students (mainstream)                            | 500                  | 521                   |
| Funding for old-regime students (co-funded)                             | 1                    | 1                     |
| High-cost funding for new-regime students                               | 468                  | 450                   |
| New-regime students attending courses in London                         | 54                   | 53                    |
| <b>Sub-total elements subject to recalculation</b>                      | <b>1,023</b>         | <b>1,025</b>          |
| <b>Elements of 2014-15 teaching grant not subject to recalculation:</b> |                      |                       |
| Student opportunity*  | 366                  | 366                   |
| Other recurrent teaching grants that are not recalculated <sup>†</sup>  | 194                  | 194                   |
| <b>Sub-total elements not subject to recalculation</b>                  | <b>560</b>           | <b>560</b>            |
| <b>Total</b>  | <b>1,583</b>         | <b>1,585</b>          |

\* Includes £9 million for national networks for collaborative outreach which is not included in the published institutional 2014-15 recurrent grant allocations

<sup>†</sup> Comprises targeted allocations for: part-time undergraduates (£17M); accelerated full-time undergraduate provision (£2M); intensive postgraduate taught provision (£35M); institution-specific high-cost distinctive provision (£66M); very high-cost STEM subjects (£23M); Erasmus and overseas study programmes (£28M); clinical consultants' pay (£17M); senior academic GPs' pay (£1M); NHS pensions scheme compensation (£5M).

## Reductions to grant arising from over-recruitment

19. In HEFCE 2014/05 we published the 2014-15 student number control allocations and the flexibility available above them for each institution. Some of these allocations were updated in October 2014<sup>3</sup>. We are now reducing grant for those individual institutions whose student numbers, as reported in HESSES14 and HEIFES14, show that they exceeded the top of their flexibility range. We are also reducing grant for those institutions that over-recruited in 2012-13 or 2013-14 and have not taken sufficient action to offset that over-recruitment by recruiting below their student number control allocation for 2014-15.

20. As set out in our 2014-15 funding agreements with HEIs, we are also reducing grant if they exceeded their medical or dental intake targets in both 2013-14 and 2014-15, according to the data they submitted in response to the 2014 Medical and Dental Students survey (HEFCE 2014/19).

21. 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 website at [www.hefce.ac.uk/funding/annallocns/1415/institutions/](http://www.hefce.ac.uk/funding/annallocns/1415/institutions/).

<sup>3</sup> The 2014-15 student number control allocations announced in October 2014 are available at [www.hefce.ac.uk/funding/annallocns/1415/institutions/](http://www.hefce.ac.uk/funding/annallocns/1415/institutions/), by selecting 'October 2014 announcement'.

## Outcomes for institutions

22. While at the sector level the overall percentage change to 2014-15 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 HESES13 and HEIFES13 were significantly different to the numbers now reported in their 2014 returns. Institutions were asked to produce these forecasts of 2014-15 student numbers in December 2013, before the main UCAS deadline for 2014-15 applications had closed.

23. Table 1 at Annex A (see Excel file alongside this document at [www.hefce.ac.uk/pubs](http://www.hefce.ac.uk/pubs)) shows the percentage change in 2014-15 recurrent grant compared with the allocations announced in October 2014. 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 reported.

24. 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 2014-15

25. The adjusted teaching grant allocations announced in this document are informed by in-year student numbers for 2014-15, 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 2014-15 will therefore be confirmed only in the third stage of our allocation process during 2016, in light of end-of-year individualised student data for 2014-15.

26. In July 2014, we issued funding agreements for 2014-15 to each institution we fund<sup>4</sup>. For HEIs, the funding agreement is part 2 of the memorandum of assurance and accountability that we have with them (see 'Memorandum of assurance and accountability between HEFCE and institutions: Terms and conditions for payment of HEFCE grants to higher education institutions', HEFCE 2014/12). The conditions of grant specified in the 2014-15 funding agreement continue to apply.

27. 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 Skills Funding Agency to verify the data that institutions send directly to us. We will use the outcomes of these data audits

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<sup>4</sup> The 2014-15 funding agreements, issued separately for HEIs and FECs, are available at [www.hefce.ac.uk/funding/annalocns/1415/institutions/](http://www.hefce.ac.uk/funding/annalocns/1415/institutions/), by selecting 'July 2014 announcement'.

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.

28. 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).

29. 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**

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



## **Annex A**

### **Table 1: Recurrent teaching and research grant and transitional research funding for 2015-16**

Annex A is available to download as an Excel file alongside this document at [www.hefce.ac.uk/pubs/year/2015/201506/](http://www.hefce.ac.uk/pubs/year/2015/201506/).

## Notes to Annex A: Descriptions of columns in Table 1

**Table 1: Adjusted 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](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 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 (£67 million), widening access and improving provision for disabled students (£15 million), and improving the retention of students most at risk of not completing (£275 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 (£35 million)
  - d. Institution-specific high-cost distinctive provision (£66 million).
  - e. Very high-cost STEM subjects (£23 million).
  - f. Erasmus and overseas study programmes (£28 million).
  - g. New-regime students attending courses in London (£53 million).
7. **Other recurrent teaching grants (£)** comprise funding for:
  - a. Clinical academic consultants' pay (£17 million).
  - b. Senior academic GPs' 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. QR Research degree programme (RDP) supervision funds (£241 million).

- d. QR charity support fund (£198 million).
  - e. QR business research element (£64 million).
  - f. QR funding for National Research Libraries (£6 million).
10. **Knowledge exchange funding (£)** supports activities in HEIs 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 2014-15 (£)** is the sum of the previous three columns.
12. **Percentage change compared with 2014-15 initial recurrent grant** shows the difference between total adjusted recurrent grant for 2014-15 and initial recurrent grant for 2014-15 (as issued to institutions in October 2014), as a percentage of the latter.

## List of abbreviations

|                      |   |
|----------------------|---|
| <b>FECs</b>          | Further education and sixth form colleges                 |
| <b>HEI</b>           | Higher education institution                              |
| <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>           | The Skills Funding Agency's Individualised Learner Record |
| <b>QR</b>            | Quality-related research                                  |
| <b>RDP</b>           | Research degree programme                                 |
| <b>STEM subjects</b> | Science, technology, engineering and mathematics          |