

Higher Education Funding Council for England

Title	Funding for universities and colleges for 2014-15 to 2016-17: Board decisions
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 – for contact details, visit www.hefce.ac.uk/contact/contactsforinstitutions/ .

Dear Vice-Chancellor or Principal

Funding for universities and colleges for 2014-15 to 2016-17: Board decisions

1. This circular letter sets out the decisions taken at the HEFCE Board meeting on 9 March 2016 on funding for 2016-17. It also confirms that:

- a. There are no changes to recurrent grant budgets for academic year 2015-16 following confirmation from Government of the grant available to us for the 2016-17 financial year.
- b. There are no changes either to overall budgets or scaling factors required at this point as a result of the recalculation of recurrent teaching grants for 2014-15 to reflect the latest student data for the year.

2. We will notify institutions individually of their recurrent grants for 2016-17 on **Tuesday 19 April 2016**, with all allocations and associated details embargoed until publication on **Friday 6 May 2016**. The delayed publication and lifting of the embargo are to ensure that these do not occur during the pre-election period leading up to local elections on 5 May. We will also announce updated recurrent teaching grant allocations for 2014-15 according to this timetable. We will announce formula capital allocations for teaching and research by the **end of March 2016**.

Budget decisions for 2016-17

3. The grant letter to HEFCE of 4 March 2016 from the Department for Business, Innovation and Skills (www.hefce.ac.uk/funding/govletter/) confirmed the funding available for the 2016-17 **financial year** (April to March) and provided confirmation of research funding for the 2017-18 financial year and indicative teaching funding for the same year. In addition the grant letter provided indicative funding from the science and research budget for the whole spending review period to 2019-20. The letter also identified the policies and priorities that should underpin our approach to funding.

4. In the light of the grant letter, the Board has agreed budgets for recurrent grant and funding for national facilities and initiatives for the 2016-17 **academic year** (August to July), as shown in Table 1. Further detail about these allocations is provided below. In making these decisions, the Board has assumed that the indicative grant for the 2017-18 financial year will be confirmed. As

usual, any future changes to the grant made available to us by Government could affect the funding we are able to distribute to institutions in the 2016-17 academic year, and this may include revising allocations after they have already been announced.

Table 1: Recurrent grants and funding for national facilities and initiatives for the 2016-17 academic year

Element of grant	Academic year budgets (£M)	
	2015-16*	2016-17
Recurrent research	1,558	1,578
Recurrent teaching	1,381	1,360
Recurrent knowledge exchange	160	160
Sub-total recurrent grant	3,099	3,098
Funding for national facilities and initiatives	117	98
Total non-capital grants	3,216	3,196

* Since they were first announced in 'Funding for universities and colleges for 2013-14 to 2015-16: Board decisions' (HEFCE Circular letter 03/2015) in February 2015, budgets for 2015-16 have been revised as a result of the reduction of £150 million to the funding available to us for the 2015-16 financial year. These changes were set out in 'Reductions to grants for 2014-15 and 2015-16 academic years' (HEFCE Circular letter 19/2015).

2016-17 recurrent funding for research

5. The Board has agreed that the budget for mainstream quality-related research (QR) should increase by £20 million in 2016-17 to a total of £1,070 million. The other separate streams within recurrent research funding will be maintained in cash terms at the same level as for 2015-16. These are:

- £240 million for QR research degree programme (RDP) supervision funding
- £198 million for QR charities research
- £64 million for QR business research
- £7 million for national research libraries.

6. There are no changes to research funding methods for 2016-17. We expect to consult later this year on the development of our research funding methods from the 2017-18 academic year. As in previous years, the RDP supervision, charities and business elements of QR funding for 2016-17 will be calculated to reflect the latest data available on postgraduate research student numbers and relevant elements of research income.

2016-17 recurrent funding for teaching

7. Recurrent funding for teaching for 2016-17 shows a reduction compared with 2015-16 of £21 million. In distributing the total, the Board has made the following decisions:
- a. We will maintain in real terms the total budgets for our main high-cost subject allocation and for the targeted allocation for very high-cost science, technology, engineering and mathematics (STEM) subjects (Physics, Chemistry, Chemical engineering and Mineral, metallurgy and materials engineering). In doing so, we will use a Gross Domestic Product deflator of 1.73 per cent for the 2016-17 academic year. The allocations for our main high-cost subject allocation will take into account the latest student numbers reported for 2015-16 in the Higher Education Students Early Statistics (HESES) survey submitted by higher education institutions (HEIs) and the Higher Education in Further Education: Students (HEIFES) survey submitted by further education and sixth form colleges (FECs).
 - b. The transitional supplement for old-regime students declines by £54 million from £91 million allocated in 2015-16 to £37 million in 2016-17. This reflects the continuing phasing-out of this funding as successive cohorts of students who started before 1 September 2012 finish their studies. The allocations are as indicatively notified to institutions following review last year. The final year that we will provide funding for this supplement is academic year 2017-18.
 - c. We will introduce a new stream of funding for a geographically-focused, national outreach programme that will target those places where students have the educational attainment or potential to succeed in higher education but where there is evidence that entry rates are below expectations. The funding for this will be £30 million for 2016-17, rising to £60 million from 2017-18. We will invite bids later in March from local consortia to conduct intensive outreach in these areas in order to address these gaps. This approach is designed to enable rapid progress towards meeting the Prime Minister's goal of doubling the proportion of young people from disadvantaged backgrounds entering higher education by 2020 compared with 2009, and increasing the number of students from black and minority ethnic communities studying in higher education by 20 per cent by 2020. Formula-driven institutional grants for widening access for students from disadvantaged backgrounds will also continue in 2016-17, but with an overall budget of £54 million (reduced from £68 million).
 - d. Funding for widening access and improving provision for disabled students will be doubled in 2016-17 to £40 million. The increase is to support institutions to meet the rapid rise in mental health issues and to transition towards an inclusive social model of support for disabled students as recommended in the recent HEFCE research reports 'Support for higher education students with Specific Learning Difficulties' and 'Understanding provision for students with mental health problems and intensive support needs' (available at www.hefce.ac.uk/pubs/rereports/Year/2015/spld/ and www.hefce.ac.uk/pubs/rereports/Year/2015/mh/ respectively). We expect to continue this funding at £40 million for the 2017-18 academic year, but with a view to reviewing progress in the sector to inform funding from 2018-19 onwards. The distribution of this funding will better reflect the actual numbers of disabled students at each institution, by no longer assigning institutions to quartile groups based on their proportions of disabled students as

a means of determining funding weights. The minimum institutional allocations in the formula funding method for this grant will be set at the same cash level as 2015-16.

e. Overall funding for improving retention for full-time and part-time students will be maintained in cash terms for 2016-17, and distributed according to the same formula as 2015-16 (using updated student data). We will consult later this year, in the context of a wider review of teaching funding, on how our funding approach to supporting successful student outcomes should develop from 2017-18 with a view to ensuring that a reducing level of funding is more closely focused on those institutions with high proportions of at-risk students from disadvantaged backgrounds.

f. We have reviewed allocations to support specialist institutions with world-leading teaching, in the light of submissions made in response to 'Institution-specific funding: Circular letter outcomes and invitation to make a submission' (HEFCE 2015/10). We will notify each institution concerned about the outcome for them, as part of the embargoed grant details we provide on 19 April 2016. In summary, we are making formula-based allocations for 2016-17 to those institutions that demonstrated that they met the criteria for funding. We will also provide transitional funding to:

i. Institutions that are due to receive a formula allocation for 2016-17 which is less than their allocation for 2015-16.

ii. Institutions that received an institution-specific targeted allocation for 2015-16 which accounted for at least 10 per cent of their total HEFCE recurrent grant, but which have a zero formula allocation for 2016-17.

g. Rates of funding per full-time equivalent student will be maintained in cash terms in 2016-17 for the targeted allocations for: Erasmus and other overseas study years abroad; part-time undergraduates; accelerated full-time undergraduate provision; and intensive postgraduate taught provision.

h. The budgets for other targeted allocations will be maintained in cash terms.

2016-17 funding for knowledge exchange (HEIF)

8. The total budget for knowledge exchange in 2016-17 is being maintained in cash terms at the level provided in 2015-16. We are expecting to use the latest data from the Higher Education-Business Community Interaction (HE-BCI) survey for 2012-13 to 2014-15 to update institutional allocations but subject to final verification and modelling of the data. We will consult later this year on the development of our funding approach for knowledge exchange from 2017-18 in line with the grant letter requirements.

2016-17 funding for national facilities and initiatives

9. The Board has agreed that funding allocations for museums, galleries and collections for 2016-17 will be the same as for 2015-16. This funding stream will be reviewed during this year with a view to informing funding decisions from 2017-18.

10. Other allocations within the total funding for national facilities and initiatives will be announced separately.

2016-17 capital grants

11. The Board has agreed capital grant budgets for 2016-17 as shown in Table 2. Our grant letter from Government showed total capital grants of £478 million. We have supplemented this with £20 million from receipts from earlier repayable capital grants.

Table 2: Capital grants for 2016-17

Element of grant	2016-17 Budget (£M)
UK Research Partnership Investment Fund	135
Formula-based research capital	189
Formula-based teaching capital	126
National facilities & initiatives	48
Total capital grants	498

12. We provide capital grants on a financial-year basis and thus require capital grants for 2016-17 to be spent in full by March 2017: we cannot provide funding in advance of need. Allocations from the Research Partnership Investment Fund for 2016-17 were announced in spring 2015, following the invitation in 'UK Research Partnership Investment Fund: 2016-17' (HEFCE 2014/17). Given the urgency with which 2016-17 capital funding should be spent, we will announce the distribution to institutions of formula-based capital allocations for teaching and research later this month. While our general approach is to keep changes to the formula method since 2015-16 to a minimum, we are unable to update allocations to reflect 2016-17 recurrent teaching and research allocations, as the distribution of these between institutions has not yet been agreed by the Board due to the late receipt of the grant letter. Preliminary modelling suggests that any changes would not in any case be material. We will therefore implement the following:

- a. Formula-based research capital will continue to comprise two separate elements:
 - i. 'Research Capital England', totalling £102 million, will be allocated pro rata to 2015-16 recurrent QR funding and research income from other (non-Research Council) sources. The latter will be updated to reflect the latest finance data from institutions.
 - ii. 'HEI Research Capital England', totalling £87 million, will continue to be allocated pro rata to research income from Research Councils, reflecting the latest finance data available.
- b. Formula-based teaching capital will continue to be determined on the basis of a main allocation reflecting teaching activity across all price groups (a total of £116 million), and a science and engineering allocation reflecting teaching activity in price group B only (a total of £10 million). The data sources for teaching capital will be the 2015-16 HEFCE recurrent teaching allocations and the latest student data from the 2015-16 HESES and HEIFES returns. Adjustments will be made to reflect any transfers between institutions that we expect to implement in our 2016-17 recurrent grant allocations, and for institutions that will be new to HEFCE funding from 2016-17.

Funding for 2015-16

13. The funding available to us for the 2015-16 academic year depends on our grant settlement from Government across the 2015-16 and 2016-17 financial years. We previously warned institutions that our allocations for the 2015-16 academic year could change if our grant for the 2016-17 financial year was not as expected. We can now confirm that **no change to 2015-16 academic year budgets** (and thus to funding parameters such as grant rates or scaling factors) is necessary following confirmation of our government grant settlement for the 2016-17 financial year.

Recurrent teaching grant for 2014-15

14. Recurrent teaching grants for 2014-15 continue to incorporate the three-stage approach to recalculating allocations as we receive updated student data for the year. In April, we will announce allocations under the third and final stage of this process, using 2014-15 student data submitted by HEIs to the Higher Education Statistics Agency (HESA) and by FECs to the Individualised Learner Record (ILR). We are not making any changes to 2014-15 funding parameters for this April announcement. Although we are slightly over-committed (by about £4 million) against the recurrent teaching budget, we anticipate that this will be reduced by October 2016, once we incorporate the outcomes of the Completion Status Survey for 2014-15.

15. Any questions about this letter should be addressed to HEFCE institutional teams.

Yours sincerely

Professor Madeleine Atkins

Chief Executive