

HEFCE 01/57

**October**

Report

# Recurrent grants for 2001-02: final allocations

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To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges Heads of universities in Northern Ireland
Of interest to those responsible for	Finance, planning
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### Executive summary

#### Purpose

1. This document gives our final allocations of recurrent funding to institutions for the academic year 2001-02.

#### Key points

2. We have updated a number of the allocations given in HEFCE 01/12. The main reasons for changes are:

- a. Increased formula allocations for widening access and participation.
- b. Revisions to funding for additional student numbers.
- c. Transfers of student numbers and funding between institutions, particularly where further education colleges have chosen to be funded indirectly through a higher education institution.

3. Total recurrent funding has increased by £5 million to £4,116 million. The total maximum student numbers (MaSNs) allocated have remained largely unchanged, although individual institutions may have more significant changes.

4. The financial memorandum between the Council and institutions specifies the terms and conditions governing our grants.

5. Institutions supply data to inform funding allocations. We will continue to audit these data selectively, and will also use data from the Higher Education Statistics Agency (HESA), and the Learning and Skills Council (LSC) to verify them. If we find that the data were inaccurate, so that institutions have received higher allocations than they should have done, we will reduce their funding.

#### Action required

6. No action is required.

## Introduction

7. HEFCE 01/12, 'Recurrent grants for 2001-02', issued in March 2001, announced provisional allocations of HEFCE funding for the academic year 2001-02. This report contains the final allocations.

8. All references are to academic years. There may be differences between individual figures and totals, due to rounding.

## Revisions to allocations

9. Table 1 in HEFCE 01/12 showed total grants for 2001-02 of £4,110,954,469. The revisions to those allocations are shown in Table A below.

**Table A Revisions to provisional allocations**

All figures in £	HEFCE 01/12 provisional allocations	Final allocations	Change
<b>Headings from Table 1</b>			
Changes to teaching funds:			
Core funding	3,028,945,408	3,029,209,181	263,773
Adjustments to core	4,425,511	5,352,325	926,814
Additional funded places	77,561,089	79,262,162	1,701,073
Widening access and participation	36,119,676	37,016,630	896,954
<b>Changes to total teaching funding</b>	<b>3,147,051,693</b>	<b>3,150,840,310</b>	<b>3,788,617</b>
Changes to research funds:			
Quality-related (QR)	867,999,998	868,091,097	91,099
Generic research (GR)	20,000,000	20,000,507	507
<b>Changes to total research funding</b>	<b>887,999,997</b>	<b>888,091,603</b>	<b>91,606</b>
Moderation of teaching and research	8,854,100	9,931,422	1,077,322
<b>Total changes to teaching and research grants</b>	<b>4,043,905,790</b>	<b>4,048,863,335</b>	<b>4,957,545</b>
Changes to special funding	67,048,679	67,269,594	220,915
<b>Changes in total grant 2001-02</b>	<b>4,110,954,469</b>	<b>4,116,132,929</b>	<b>5,178,460</b>

10. The changes to funding since March can be summarised under the following main headings:
- Revisions to funding for additional student numbers for 2001-02, following responses from institutions to the original allocations.
  - Increased formula allocations for widening access and participation.
  - Institutional mergers and transfers.
  - Adjustments to funding as a result of a recalculation of the pensions premium.
  - Corrections to underlying institutional data and other miscellaneous transfers and adjustments.
  - Consequential effects of the above on funding for migration, moderation and MaSNs.

#### Revisions to funding for additional student places for 2001-02

11. The allocations announced in March included the additional places offered to institutions in response to the bids invited in HEFCE 00/39, 'Additional student places and funds 2001-02'. Some of those allocations have been revised to reflect institutions' responses to those offers, particularly changes to the phasing of the additional places between academic years, and their attribution between price groups. We announced the places awarded for 2001-02 in HEFCE 01/44, 'Additional student places and funds 2001-02: outcome of bids'. The changes to funding relating to that bidding exercise are a reduction of £1,197,842.

12. Funding for additional medical student numbers has increased by £184,015. This incorporates additional places awarded for 2001-02 through the latest bidding exercise, the outcome of which was announced in HEFCE 01/31, 'Increasing medical student numbers in England 2001'.

13. The most significant single change in funding for additional student places is an allocation of £2,714,900 for the new Conservatoire for Dance and Drama, which became a designated institution in the HE sector in August 2001. The conservatoire is an affiliation of the London Contemporary Dance School and the Royal Academy of Dramatic Art.

#### Increased formula allocations for widening access and participation

14. Funding for widening access and participation comprises separate allocations for students from disadvantaged backgrounds and for students with disabilities. These allocations are made by formula on the basis of, respectively, postcode data and the numbers of students in receipt of the Disabled Students Allowance (DSA), which are taken from individual student record data reported to HESA or the Further Education Funding Council (FEFC). The allocations announced in March totalled £36.1 million. We have increased the final allocations by £896,954, to incorporate institutions' corrections to their data, and to use data for 1999-2000 rather than 1998-99 for further education colleges (FECs), as we have for higher education institutions (HEIs).

#### Institutional mergers and transfers

15. HEFCE 99/36, 'Higher education in further education colleges: guidance for colleges on funding options', set out the options for FECs to obtain HEFCE funding for their higher education programmes. This could be directly from us, or indirectly through either a franchise or a consortium arrangement. A number of FECs have now chosen to be funded indirectly from 2001-02. In addition, there are a small number of institutional mergers that will be effective in 2001-02. Annex A lists these new mergers and the changed funding routes for institutions that have been incorporated since our March grant announcement.

#### Adjustments to funding as a result of a recalculation of the pensions premium

16. HEIs that are part of the Universities Superannuation Scheme (USS) have to date received a 2 per cent pensions premium to reflect the additional costs of the USS relative to the Teachers Pensions Scheme. We have reviewed the size of this premium following actuarial advice, and from 2002-03 we intend to reduce the premium to 1.5 per cent. We have, however, decided to incorporate the funding implications of this from 2001-02, by providing additional funding for those institutions that would move outside the  $\pm 5$  per cent tolerance band around standard resource as a result of the change in the pensions premium. The additional funding provided for this comes to £360,766, and is included in the 'Adjustments to core' on Table 1.

Corrections to underlying institutional data and other miscellaneous transfers and adjustments

17. There have been a small number of changes to underlying data affecting allocations of teaching or research funding. There have also been miscellaneous changes affecting teaching or special funding. These are summarised in Table B.

**Table B Changes due to data corrections and other adjustments**

All figures in £s	Change to:		
	Teaching funds	Research funds	Special funding
Data corrections	-1,965,186	91,606	0
Other miscellaneous adjustments	2,830,169	0	220,915
<b>Total</b>	<b>864,983</b>	<b>91,606</b>	<b>220,915</b>

Consequential effects on funding for migration and moderation

18. We wish to ensure that institutions' resources for teaching (HEFCE grant plus an assumption of fee income) come within 5 per cent of standard levels. If their resources were outside this margin when we introduced our funding method, then we agreed a process of migration with the institution. This has involved adjusting their funding or student numbers to ensure they come within the  $\pm 5$  per cent tolerance band within an agreed period. The above changes affect our resource calculations and therefore can affect the adjustments to funding we make for migration.

19. To help maintain stability, we have continued our policy of phasing in changes by moderating the allocations. Institutions will not receive a reduction in resource (teaching and research grant, plus regulated fee income) of more than 2 per cent in real terms compared with the equivalent figure for 2000-01. The above changes can affect the need for moderation funding for individual institutions.

## Summary of changes to grant

20. The above changes to grant are summarised in Table C, which uses the column headings from Table 1.

**Table C Summary of changes to grants for 2001-02**

All figures in £s	Teaching funds					Research funds	Moderation of teaching and research	Special funding	Total grant
	Core funding	Adjustments to core funded places	Additional funded places	Widening access and participation	Total teaching funding				
<b>Reason for change</b>									
Revisions to funding for additional student numbers	0	0	1,701,073	0	1,701,073	0	-50,471	0	1,650,601
Increased formula allocations for widening access and participation	0	0	0	896,954	896,954	0	-55,522	0	841,432
Institutional mergers and transfers	-49,716	14,555	0	0	-35,161	0	0	0	-35,161
Adjustments to funding as a result of the pensions premium	0	360,766	0	0	360,766	0	0	0	360,766
Data corrections	-1,957,299	-7,887	0	0	-1,965,186	91,606	1,183,315	0	-690,265
Other miscellaneous adjustments	2,270,789	559,380	0	0	2,830,169	0	0	220,915	3,051,084
<b>Total</b>	<b>263,773</b>	<b>926,814</b>	<b>1,701,073</b>	<b>896,954</b>	<b>3,788,614</b>	<b>91,606</b>	<b>1,077,322</b>	<b>220,915</b>	<b>5,178,460</b>

21. Final grant allocations for 2001-02 are given in Table 1. Table 2 compares them with the allocations for 2000-01. Annex A of HEFCE 01/12 provided a full explanation of the column headings of these two tables.

### **Maximum student numbers (MaSNs)**

22. HEFCE 01/12 gave the MaSNs for 2001-02 as 812,970. The net change to MaSNs since then is a reduction of 146. The most significant reasons for changes are revisions to the additional student numbers awarded for 2001-02, and transfers between institutions. Table 3 shows the final MaSNs for each institution.

### **Conditions of grant**

23. HEFCE grants are conditional on the funds being used for the activities specified in section 65(2) of the Further and Higher Education Act 1992, and upon institutions delivering teaching and research. The conditions that apply to funding for 2001-02 are set out in HEFCE 00/25, 'Model financial memorandum between the HEFCE and institutions'.

24. In July, we sent each institution its funding agreement for 2001-02, which forms Part 2 of our financial memorandum. For FECs whose higher education provision we fund directly, there is a single funding agreement that incorporates relevant parts of the financial memorandum. The funding agreement specifies further conditions of grant governing our funding, and sets targets relating to student numbers that we expect institutions to meet in return for our funding for teaching. HEFCE 01/33, 'Holdback of HEFCE grant 2001-02', describes how we will monitor whether institutions have met the targets in their funding agreement, and the action we will take if they do not.

### **Audit of funding data**

25. 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.

26. We will also use data which institutions provide to HESA or the LSC to verify the data institutions send directly to us.

27. If we find that erroneous data have resulted in institutions receiving higher allocations than they should have done, then we will reduce their funding accordingly.

### **Further information**

28. Institutions requiring further information should contact their HEFCE higher education adviser.

## Annex A

### Institutional mergers and changes to funding routes for further education colleges

1. This annex lists institutional mergers and changes to FECs' choices of funding routes that we have incorporated since publishing our provisional recurrent funding allocations for 2001-02 in March (HEFCE 01/12).

2. The institutional mergers are as follows:

- University of Cambridge and Homerton College, Cambridge
- University of Leeds and Bretton Hall
- Abingdon College and West Oxfordshire College, to form Abingdon and Witney College.

3. The following FECs have chosen to be indirectly funded, either through a franchise or a consortium arrangement:

<b>Further education college</b>	<b>To be indirectly funded through:</b>
Bicton College of Agriculture	University of Plymouth
Bishop Auckland College	University of Teesside
Braintree College	Anglia Polytechnic University
Canterbury College	University of Kent at Canterbury
City College Norwich	Anglia Polytechnic University
City of Bristol College	University of Plymouth
Derby Tertiary College, Wilmorton	University of Derby
East Durham & Houghall Community College	University of Sunderland
Grantham College	De Montfort University
Hadlow College	University of Greenwich
Mid-Kent College of Further & Higher Education	University of Kent at Canterbury
North Devon College	University of Plymouth
South Devon College	University of Plymouth
South-East Derbyshire College	University of Derby
South-East Essex College of Arts & Technology	University of Essex
South Kent College	University of Kent at Canterbury
Stamford College	Loughborough University
Weymouth College	University of Plymouth

4. Finally, the Conservatoire for Dance and Drama has become a designated institution within the HE sector for 2001-02 and its funding is shown for the first time in this document.