

2014/9

11 Feb 2014

Pocket Watch – HE's funding settlement for 2014/15

Introduction

This week the annual **Grant Letter** for HE (in England) at last arrived, delayed it seems over wrangling as to where further cuts should fall. It doesn't make for particularly comfortable reading rather vindicating George Osborne's assertion last month that 2014 would be *'the year of hard truths.'* This is how it's looking.

Big picture on English HE funding for 2014/15

- The Government case: *"the progressive implementation of our higher education reforms has put the system on a sound footing...however, in the context of stretched public finances, it has been necessary to make reductions to the indicative recurrent teaching budget for 14/15"*
- HEFCE's reaction: *"We will work to implement the settlement in as fair and sensible a way as possible"*
- The headline figures
 - Total funding allocation: £4.1bn (£5bn last year, indicative £4bn next year)
 - Estimated fee income: £7bn (£5.6bn last year, indicative £8.2bn next year)
 - Total funding: £7bn + £4.1bn so £11.1bn
 - Allocation for teaching and research within the total grant figure: £3.6bn (£4.5bn last year, indicative £3.3bn next year)
- So where have the cuts come from? Well, science and research remains ring fenced and HEFCE is asked to protect *"as far as possible"* high-cost subjects, widening participation and small and specialist institutions so it's the teaching grant, down anywhere between nearly half a billion to a billion depending on the figures used that seems to have been hit hardest. Seems to, because various emollients have been applied to relieve some of the pain. For example, £185m over four years *"to allow HEFCE to increase the unit of funding delivering high quality STEM provision."* No mention, however, of MOOCs
- What about the promised increase in places and gradual lifting of the cap on numbers? The Government is sticking with its pledge, announced by the Chancellor in December, to allow for a further 30,000 full-time places for this year and the lifting of the cap altogether where possible the year after. There are still concerns about how this will be paid for, from the sale of the Student Loan Book or from other measures but for the moment, the Government is relying on a mix of careful husbandry and cash back from over recruitment. Issues like any increase in non-repayment of loans, future graduate earnings let alone the Loan Book are for another day
- What about other costs and efficiencies? The Letter delivers a shot across the bows of what it calls *"the upward drift of salaries of some top management"* and confirms that Sir Ian Diamond has been called on to carry out a further efficiency review of the sector which will report next February. Equally HEFCE itself can expect to have to contribute to the Dept's dwindling budget by making further cuts to its admin budget
- Where does all this leave widening participation? Broadly with the Government still committed but looking for more efficient distribution of funds through consolidation of grants. So for example the Student Opportunity Fund and the Access to Learning Fund are to be merged and OFFA to consider the impact of a more open market on student access
- Any light at the end of the tunnel? Hardly, *"Further recurrent savings will be required in 2015/16"*

Steve Besley

Head of Policy (UK and International)
Pearson Think Tank



Pocket Watches are intended to provide quick, informal updates on national developments. Information is correct at the time of writing and is offered in good faith. No liability is accepted for decisions made on the basis of information given.

HE Annual grant Letter Feb 2014