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Tim Melville-Ross
Chair
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10 February 2014

Dear Tim,

HIGHER EDUCATION FUNDING 2014-15

We are writing with details of the allocations we will make to the Funding Council for 2014-15 under section 68 of the Further and Higher Education Act 1992 and the priorities we wish to set the Council for that year.

The progressive implementation of our higher education reforms has put the system on a sound foundation. Combining HEFCE recurrent grant for teaching and estimated fee income from students subject to regulated fees, the resource for teaching rose from around £7.9bn in 2011-12 to almost £8.5bn in 2013-14. The Chancellor's Autumn Statement provided further funding to enable an expansion of higher education places and to increase levels of resource for the teaching of high cost subjects such as science and engineering.


However, in the context of stretched public finances, it has been necessary to make reductions to the indicative recurrent teaching budget for 14-15. Further recurrent savings will be required in 15-16. It is for you to take decisions on how you allocate your budgets. But you should deliver savings in ways that protect as far as possible high cost subjects (including STEM), widening participation and small and specialist institutions.

Set against these reductions in recurrent teaching grant, we are increasing Government investment in teaching capital in both years. This includes a £200m investment in STEM capital to ensure cutting edge teaching facilities. Research capital spend is also increasing, and research resource spend is being maintained. This will enable you to deliver our agenda for research and economic growth.

Finally, we think the sector needs to make greater progress in delivering efficiencies. Students will rightly expect value for the fees they pay. We would like HEFCE to work with BIS and Treasury Ministers, the Research Councils and Vice Chancellors to build on the Diamond and Wakeham reviews to drive further and faster improvements. There are excellent examples of good practice to build on. We are very concerned about the substantial upward drift of salaries of some top management. We want to see leaders in the sector exercise much greater restraint as part of continuing to hold down increases in pay generally.


The annexes to this letter set out the funding figures for 2014-15 and indicative figures for 2015-16, the priorities we want you to address when allocating this funding and the conditions of grant.

This letter is being copied to Madeleine Atkins.

A handwritten signature in blue ink, appearing to be 'Vince Cable', written in a cursive style.

THE RT HON VINCE CABLE MP

Secretary of State for
Business, Innovation and Skills

A handwritten signature in black ink, appearing to be 'David Willetts', written in a cursive style.

THE RT HON DAVID WILLETTS MP

Minister of State for
Universities and Science