



## **Affordability of the UKRI doctoral stipend uplift**

### **To approve**

**Committee Name:** Executive Committee, September 2022

Previously discussed by: Executive Committee, August 2022

Author: [REDACTED]

Cleared by: [REDACTED]

SRO: [REDACTED]

**Circulation:** Executive Committee, Strategy Committee, PFO, Council talent leads, Finance Business Partners

### **Summary**

At the end of August 2022, the Executive Committee (ExCo) agreed to the higher uplift for doctoral student stipends of £1,606 in Academic Year (AY) 2022/23 - a 10% uplift on the previously announced figure. The Chief Secretary to the Treasury agreed to this increase with an announcement made on the 2<sup>nd</sup> of September, causing an estimated pressure of c.£19m / £27m / £27m on budgets in this SR period ((FY022/23 to FY2024/25)<sup>1</sup>. ExCo agreed in principle that in the first instance we will not reopen the balance of allocations; so these costs should be met from the overall £2bn Collective Talent budget, but with the possibility of some elements coming from other budgets, to mitigate significant reductions in the number of students who can start their doctoral studies (i.e., student starts) in AY 2023/24

Inflation for 2023/24 is currently forecast at nearly 10%, 8% higher than the 2% baseline assumptions used for planning. Current work under the New Deal for post-graduate research (PGR) suggests the stipend should be even higher, so it is prudent to plan for a significant uplift now.

We are not asking ExCo to make a decision on the AY 2023/24 stipend now (and note that this would also need to be approved by HMT). However, there is a need to decide imminently whether we should make the space now in our budgets for this anticipated pressure. As student places for AY 2023/24 will be confirmed by Higher Education Institutions (HEIs) around January 2023, and recruitment processes begin in October/November 2022, we will need to be able to inform them by late autumn if they need to plan for reducing student numbers.

The Executive Committee is asked to:

- **Approve** use of over-profiling and Future Leaders Fellowships (FLF) slippages to mitigate student number reductions as far as possible in funding pressures relating to the £1,606 uplift in AY 2022/23, leaving a c£5.3m residual pressure in FY2024/25 that councils would need to manage through reductions to student starts in AY 2023/24 and/or AY 2024/25 (unless funding is found from other budgets)

<sup>1</sup> This assumes an inflation of c.2% for AY 2023/24 onwards which is considered the baseline for pressures analysis. These are lower than the maximum figures given in the August ExCo meeting as they take into account co funding, part time students and planned changes to student starts at council level.

- **Note** the potential pressures relating to further uplifts to stipends in AY 2023/24 of at least £0m / £15m / £30m, and that unless some funding is secured beyond Collective Talent in FY2023/24 and FY2024/25, student starts would need to be reduced by at least 24% and 45% respectively, assuming a minimum of a 10% uplift in AY2023/24.
- **Agree** that we should, therefore, signal to HEIs now that a reduction will be needed next year, i.e., the 2023/24 intake.
- **Discuss** the maximum percentage reduction in student starts that ExCo would be comfortable with
- **Approve** further work over the next month on ensuring UKRI's affordability plan builds in flexibility to increase stipends in future academic years, recognising this is prudent given inflation is currently expected to be around 10%, and we would need to act now to provide this headroom.

## 1. Issue

- 1.1. Following detailed analysis of council numbers, we estimate the agreed £1,606 uplift to the stipend in AY 2022/23 is causing a pressure of c.£19m / £27m / £27m on budgets across the Spending Review (SR) period<sup>2</sup>.
- 1.2. Additionally, inflation for next year is currently running at nearly 10%, 8% higher than the 2% baseline assumptions used for planning. If we continue to increase the stipend level in line with Consumer Price Inflation (CPI), the estimated level of the minimum stipend for AY 2023/24 would rise to £19,347 (from £16,062 in 2022/23 before August's uplift). In addition, current work under the New Deal for PGR suggests the stipend should be even higher, so it is prudent to plan for a significant uplift now, recognising that a decision on the AY2023/24 stipend will be taken later in the year and will be subject to HMT approval (a condition placed at the time the 10% uplift was approved). Another rise with inflation (to £19,347) would cause further pressures on budgets of at least c.£0m / £15m / £30m across the spending review period.
- 1.3. Projected stipend levels for these scenarios are given below:

| Academic Years  | Stipend value |         |         |         |         |
|---|---------------|---------|---------|---------|---------|
|   | 2021/22       | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Council baseline assumptions - c.2% increase each year                            | £15,609       | £16,062 | £16,365 | £16,673 | £16,996 |
| Stipend levels with increase of £1,606 in 22/23 with c.2% increase in future year | £15,609       | £17,668 | £18,021 | £18,382 | £18,749 |
| £1,606 uplift in 2022/23 + proposed c.10% uplift in 2023/24                       | £15,609       | £17,668 | £19,347 | £19,734 | £19,891 |

- 1.4. There are also several uncertainties related to Horizon Europe and work on the New Deal that will impact both options and their affordability.
- 1.5. If we do not associate with Horizon Europe, there may be opportunities to ease the pressures, both as part of the Transitions and Guarantees package and of the long-term alternatives work:
  - 1.5.1. Transitional Talent Uplifts: Additional funding will be available to support our most prestigious existing schemes for attracting, retaining and supporting talent. UKRI has identified a set of schemes to be uplifted (subject to the timing of non-association). At the moment, these do not include studentships but the option to include is being explored. At present BEIS has asked us to model on c.£200m this SR period with a further c.£200m in the subsequent SR period.

<sup>2</sup> this pressure is c.£10m lower than the *maximum* pressure estimated in August because of the number of students are co-funded or part-time.

1.5.2. Long Term Alternatives: UKRI is committed to delivering 800-1000 additional studentships per annum. In the first year we have indicated that this will be through our existing doctoral training investments with the flexibility to develop new opportunities in future years. This would help offset any reductions we might have to make in the number of students we support. In addition, a decision will need to be made on round 8 of the FLF scheme as the UKRI Global Discovery open award and the FLF round 8 are both currently planned for March 2023.

One option would be to combine FLF round 8 and Global Discovery Award (GDA) (potentially with a reduced commitment) or we could delay round 8, releasing spend within this SR, noting that deferring round 8 would only release funding in Financial Year (FY) 2024/25.

1.6. The New Deal for PGRs is currently considering stipend levels for doctoral students and it is planned that the AY 2023/24 stipend level will be informed by this work. Our analysis, in 2021, already showed that the stipend had decreased in value substantially, both against price inflation (the stipend is around 10% lower in real terms than it was in 2004) and compared to graduate starting salaries (the stipend was raised to the level of the median graduate starting salary in AY 2004/05 but is now around 40% lower than this measure). There is a risk that without a further increase to the stipend, it will become increasingly difficult for UKRI's postgraduate research programmes to be competitive and deliver against their objectives. While we can delay making a final decision on what the precise stipend level for AY 2023/24 should be, it should be noted that many of the suggestions for New Deal, such as pegging the stipend to the average graduate salary or to the UKRI band C salary, would result in a stipend level above that linked to inflation (£19,347).

## **2. Timing**

2.1. A decision on funding the £1,606 uplift this academic year is required now in order to update budgets to ensure we remain within our over-profiling limits and allow councils to plan for any reductions, particularly to core budgets. ExCo have agreed that the funding required for the 2022/23 financial year should come from the £104m BEIS additional allocation. However, the uplift also creates pressures in FYs 2023/24 and 2024/25 (as well as beyond this Spending Review period), requiring a decision on the number of new students we can support to begin their studies (i.e., student starts) in the 2023/24 AY onwards, and potentially a decision about utilising other budgets in order to make the necessary savings.

2.2. As the stipend levels for future academic years have not yet been agreed, a small delay in identifying how to fund these is theoretically possible. However, we cannot delay significantly as we will need to set council spend and university recruitment expectations imminently to ensure that we have the flexibility to respond to the high likelihood of above 2% increases being required due to the New Deal work and evolving economic situation (which has potential impacts on FY 2023/24 and FY 2024/25 budgets, and October 2023 student starts).

## **3. Recommendations**

3.1. We recommend that the impacts of the £1,606 uplift are funded through a combination of BEIS additional allocation of £104m, over-profiling and FLF slippages as well as some student reductions starting in AY 2023/24 as outlined in section 4.2 to 4.7. We seek agreement from ExCo that universities are advised now to prepare for a decrease in the number of offers they can make for AY 2023/24, with the expectation that we provide a firmer figure for the level of reduction required by the end of December.

- 3.2. For future academic years' stipends uplifts, we recommend finalising the affordability proposal over the coming month, aligning to work on Horizon Europe Talent proposals and the New Deal, recognising that if stipends remain linked to inflation it would likely mean further pressures of at least c.£0m / £15m / £30m across the SR period.
- 3.3. In considering reductions to student numbers or using core or other budgets to mitigate any reductions, ExCo will need to consider whether impacts are spread proportionately across council student budgets or in proportion to core budgets (which would support those councils that have a high proportion of studentship budgets compared to total core spend). Detail on council planned starts and studentship budgets as a proportion of total core budgets is given in Annex 1.

#### 4. Financial implications

- 4.1. Neither the £1,606 uplift, nor any further increases to stipends above baseline assumptions of c.2% a year are currently affordable within existing over-profiling limits in FY 2023/24 and 2024/25. ExCo previously agreed that pressures relating to the £1,606 uplift should be managed within Collective Talent budgets in the first instance. This section presents detailed options for funding in line with this steer.

##### *Funding the £1,606m uplift*

- 4.2. ExCo have agreed that the FY 2022/23 pressure is to be funded from the additional £104m. We can also increase our over-profiling by c.£13m in FY 2023/24 before we reach our over-profiling limit, noting that this limits our ability to use this lever for any further pressures or re-profiles should other issues arise.
- 4.3. The latest FLF forecast suggest slippages of c.£8m / £14m / £21m in this SR period in line with the FLF teams preferred scenario, with Round 8 launching in Spring/Summer 2023 with grants commencing in October 2024. Taking these forecasts into account, this leaves a further requirement of c.£5.3m in FY2024/25 to find from either studentship budgets or wider budgets.

| Financial Years                                       | 2022/23       | 2023/24       | 2024/25       |
|---|---------------|---------------|---------------|
| <b>Total pressure:</b>                                | <b>£19.4m</b> | <b>£26.8m</b> | <b>£26.6m</b> |
| <b>Funding Source:</b>                                |               |               |               |
| £104m   | £19.0m        |               |               |
| FLF Slippages   | £8.1m         | £14.2m        | £21.3m        |
| Overprofiling   | £0.0m         | £12.6m        | £0.0m         |
| <b>Total found</b>                                    | <b>£27.1m</b> | <b>£26.8m</b> | <b>£21.3m</b> |
| <b>Gap to find from Studentships or wider budgets</b> | <b>-£7.7m</b> | <b>£0.0m</b>  | <b>£5.3m</b>  |

- 4.4. If we were to fund the remaining gap from studentship budgets, we estimate that this would mean a reduction of around c.240 student starts in AY 2023/24<sup>3</sup>. This would be a reduction of around 5% compared to current planned student starts across councils (around 4,500 in total).<sup>4</sup> If we were to wait until AY2024/25 to make the reductions we would need to reduce by nearly 500 students (as reductions in any academic year only impact 1/2 of same financial year). This over an 12% reduction on planned starts in that year.
- 4.5. We therefore recommend considering some reductions in student numbers in AY2023/24 now, especially as these pressures are small relative to those relating to further increases to stipends next year. The alternative would be to fund the pressure through either core or strategic research budgets.

<sup>3</sup> Based on a total estimated cost per student of c£22k in AY 23/24.

<sup>4</sup> Based on data received from councils

- 4.6. To illustrate the impacts by council, we have modelled options to fund the pressure through either a) an equal distribution of student start reductions or b) proportionally from total core budgets (which would be top-sliced and redistributed to ensure no student start reductions). These are given in the table below. Whilst £m differences are small, each option impacts councils differently depending on their Talent spend as a proportion of their total core<sup>5</sup> research budget.

| Options to fund the £5.3m in 24/25 | A) from student budgets through start reductions ( in 23/24) |                        |                           |                           | B) proportionally from total core budgets in 24/25 |                        |
|------------------------------------|--|------------------------|---------------------------|---------------------------|--|------------------------|
|                                    | £m   | % of total core budget | Possible start reductions | % reduction in new starts | £m   | % of total core budget |
| AHRC                               | 0.6  | 0.5%                   | 27                        | 5.3%                      | 0.2  | 0.2%                   |
| BBSRC                              | 0.5  | 0.1%                   | 22                        | 5.3%                      | 0.6  | 0.2%                   |
| ESRC                               | 0.6  | 0.4%                   | 28                        | 5.3%                      | 0.3  | 0.2%                   |
| EPSRC                              | 2.5  | 0.3%                   | 113                       | 5.3%                      | 1.4  | 0.2%                   |
| MRC                                | 0.5  | 0.1%                   | 21                        | 5.3%                      | 1.1  | 0.2%                   |
| NERC                               | 0.3  | 0.1%                   | 14                        | 5.3%                      | 0.6  | 0.2%                   |
| STFC                               | 0.3  | 0.0%                   | 13                        | 5.3%                      | 1.1  | 0.2%                   |
| <b>Total</b>                       | <b>5.3</b>   |                        | <b>238</b>                |                           | <b>5.3</b>   |                        |

*\*possible start reductions are estimated as final numbers will be dependent on local factors such as co-funding.*

- 4.7. A further alternative would be to fund the pressure through reductions to one of SPF, FIC, Interdisciplinary Responsive Mode or Strategic themes programmes.

### **Funding further uplifts**

- 4.8. Looking beyond the immediate £1,606 uplift, the AY 2023/24 stipend level is likely to be influenced by inflation and the work currently done under the New Deal for PGR, both suggesting the stipend increase should be well above the c2% currently planned into budgets. This further pressure could be mitigated if we do not associate to Horizon Europe, but the risk is that the necessary decision does not come in time to address this pressure, given that we need to make decisions on student numbers by Autumn 2022. This would mean that any pressures would again have to come from further reductions in student numbers or wider research budgets.

- 4.9. If we increase the AY 2023/24 stipend by 10%, the additional pressure would total c£0m / £15m / £35m (£30m pressure + the £5m in 2024/25 from the £1,606 uplift). To fund this entirely from student budgets we would need to reduce student starts by 1,300 in 24/25 (30% of planned starts) and 2,110 in 24/25 (50% of planned starts).

- 4.10. As the decreases are so substantial, it places a significant burden on Collective Talent budgets to meet the pressure, especially in the short term. It would impact significantly on our student number commitment in AY 2024/25. We therefore recommend ExCo consider options for looking to either core budget or strategic programmes budgets to mitigate the impact. For example, if we wanted to minimise student start reductions to 10% we would need to find c£0m / c£10m / c£25m from other budgets in this Spending Review period.

- 4.11. For example, there may be potential emerging underspends in the Strategic Themes programme<sup>6</sup> that would help mitigate the pressure. We therefore recommend returning to ExCo next month once we have a mid-year forecast review of this and other programmes, as well as options for possible different levels of stipends.

## **5. Risk**

<sup>5</sup> Shadow allocations (i.e. core research budgets including council core Talent budgets).

<sup>6</sup> Based on early drafts of financial plans ahead of submission on 16 September

## OFFICIAL

5.1. The actions proposed in this paper support the mitigation of Risk 117 (Talent - failure to attract, reward and retain top talent within the UK knowledge base).

### **6. Conflicts of interest**

6.1. [REDACTED] has two family members who are in receipt of a UKRI stipend. [REDACTED] has a family member in receipt of a UKRI stipend.

### **7. Annex**

7.1. Detail of council studentship budgets and numbers, including as proportion of total core budgets

## OFFICIAL

**Annex 1** Detail of council studentship budgets and numbers, including as proportion of total core budgets

| Live + Planned studentship costs FY, £m | 2022/23 estimated* | 2023/24 | 2024/25 |
|---|--------------------|---------|---------|
| AHRC                                    | 34.1               | 35.6    | 36.3    |
| BBSRC                                   | 39.5               | 40.3    | 42.3    |
| ESRC                                    | 41.3               | 42.0    | 41.0    |
| EPSRC                                   | 208.1              | 199.1   | 189.4   |
| MRC                                     | 24.5               | 25.2    | 23.3    |
| NERC                                    | 28.1               | 24.3    | 23.8    |
| STFC                                    | 20.8               | 20.2    | 19.2    |

\* half year x 2

| Total Core Research FY (start of year figures)<br>£m | 22/23 | 23/24 | 24/25 |
|--|-------|-------|-------|
| AHRC   | 110.8 | 113.5 | 117.3 |
| BBSRC  | 356.5 | 378.6 | 391.2 |
| ESRC   | 162.0 | 161.4 | 167.2 |
| EPSRC  | 809.7 | 855.0 | 863.5 |
| MRC  | 631.8 | 660.9 | 688.9 |
| NERC   | 323.4 | 349.6 | 365.8 |
| STFC   | 603.6 | 625.5 | 652.2 |

| Planned studentship spend as proportion of<br>core research budget, FY £m | 22/23 | 23/24 | 24/25 |
|---|-------|-------|-------|
| AHRC  | 31%   | 31%   | 31%   |
| BBSRC   | 11%   | 11%   | 11%   |
| ESRC  | 25%   | 26%   | 25%   |
| EPSRC   | 26%   | 23%   | 22%   |
| MRC   | 4%    | 4%    | 3%    |
| NERC  | 9%    | 7%    | 7%    |
| STFC  | 3%    | 3%    | 3%    |

| Planned Student Start prior to uplift AY | 22/23    | 23/24        | 24/25        |
|--|----------|--------------|--------------|
| AHRC                                     | 0        | 500          | 550          |
| BBSRC                                    | 0        | 415          | 415          |
| ESRC                                     | 0        | 519          | 500          |
| EPSRC                                    | 0        | 2,114        | 1,681        |
| MRC                                      | 0        | 400          | 400          |
| NERC                                     | 0        | 259          | 259          |
| STFC                                     | 0        | 245          | 245          |
| <b>Total</b>                             | <b>0</b> | <b>4,452</b> | <b>4,050</b> |