Item 9
Paper 2023-E049

UKRI minimum stipend for academic year 2023/24

To agree

Committee Name: Executive Committee March 2023
Previously discussed by: Executive Committee, 1 February 2023
Author: [redacted]
Cleared by: [redacted]
SRO: [redacted]

Circulation: Executive Committee, senior leadership teams including the Talent Strategic Leadership Team

Summary

On 1 February 2023, the Executive Committee discussed proposals for the annual uprating of the UKRI minimum stipend and fee for UKRI funded doctoral students. It decided that the minimum stipend should maintain its value in real terms in 2023 as measured by forecast Consumer Price Index, or by the forecast National Living Wage, whichever the higher.

This paper reflects updated inflation forecasts published by the Office of Budget Responsibility alongside the Budget statement. It presents options for funding the increase in the stipend.

This paper addresses **strategic objective 1.1.** (Make the UK the most attractive destination for talented people and teams from the UK and around the world).

The Executive Committee is asked to:

- **Agree** how to fund the change to studentship costs.
- **Agree** to prioritise the increased legal commitment to existing grants in the next SR, which results from the funding option chosen

1. **Issue**

1.1. UKRI sets a minimum stipend that is paid by Research Organisations (ROs) to students to cover their maintenance while undertaking postgraduate research training. We also set a tuition fee level that can be drawn by the RO to cover associated training costs. On 1 February 2023, Executive Committee (ExCo) agreed that the 2023-24 stipend should be based on whichever was higher of the forecast Consumer Price Index (CPI) or National Living Wage (NLW). ExCo further agreed that the minimum fee be uprated by the HMT GDP Deflator. The options were agreed subject to a suitable financial plan being put in place.

1.2. On 15 March the Office for Budget Responsibility (OBR) published a revised forecast. Whereas it had previously forecast in the 12 months to Q3 2023 CPI would be 6.9% and the GDP deflator for 2023-24 to be 3.2%, the OBR now expects CPI to be 5.4% and the GDP deflator to be 2.5%. In line with ExCo's decision on 1 February, we will increase the stipend by 6.3% to attempt to ensure that the value of the stipend for a full time student is not lower than the take-home equivalent of the National Living Wage.

1.3. The proposed stipend level for the 2023-24 academic year is £18,781 (previously £17,668) and fee level is £4,712 (£4,596). As these are significantly higher than councils' investment planning assumptions, this paper discusses options for ensuring that training grants are able to fund students at these levels, either through additional funding or agreeing to reduce student recruitment. Unless the increases are fully supported through student reductions (Option A), the additional funding required ranges from £3.3m (Option B) to £19.3m (Option D) in this SR. Our recommended option (C) will require £12.5m (£4.3m / £8.2m).

2. **Timing**

2.1. Grant holders are currently recruiting students and require a timely decision in order to make their final offers around the end of March. Communicating any reduction in student recruitment is particularly important. We will communicate ExCo's decision to ROs and UKRI's grant holders as soon as we have agreed our next steps with HMT, with a public announcement a week after we have communicated to ROs.

3. **Recommendations**

3.1. Following ExCo's decision to maintain the value of the stipend in 2023, we recommend Option C. This largely mitigates the need to reduce student recruitment by providing some additional funding, created by reducing the number of fellowships we fund with some additional support in the first year from the RE Lever. This is a proportionate response that allows us to protect the value of the stipend and largely maintain student numbers while being cognisant that this decision does add additional pressure in the next Spending Review (SR) period. This and other options are outlined in section 4.

3.2. Option C reduces the pressure on the next SR period compared to fully funding the increase. However, the total pressure for next SR, when combined with that of the 2022 uplift decision, is more significant. We recommend prioritising some funding for studentships in the next SR such that any changes resulting from a flat settlement can be made in a sustainable manner. Without this, councils will need to further reduce student recruitment in this SR to decrease our financial exposure in the next. This is discussed in section 7.

3.3. ExCo is asked to:

- **Agree** how to fund the change to studentship costs.
- **Agree** to prioritise the increased legal commitment to existing grants in the next SR, which results from the funding option chosen

4. **Options**

4.1. The following analysis gives an indication of the impact of the proposed 2023 uplift to the stipend, against a new baseline set by the 2022 uplift, set out in section 7. The analysis model used is based on UKRI's studentships spending to estimate the impact of ExCo's decision, but cannot fully reflect the complexity of the portfolio. We propose four options:

- **Option A: reduce students for a cost-neutral approach (<u>not recommended</u>).** This means keeping studentship spend unchanged and reducing the number of students we fund accordingly. Universities would need to implement the reduction through their 2023-24 academic year recruitment exercises. There is significant administrative and reputational burden to this option. Grants that are no longer recruiting students ("non-recruiting grants") would still need additional funding, requiring those grants that are still recruiting ("recruiting grants") to be cancelled and reissued at a lower value. Compared to the baseline scenario, recruitment over the period 2023-24 to 2026-27 would be a total of 3%[1] lower. However, the reductions in recruitment may be front-loaded with 11% fewer Full Year Equivalent[2] (FYE) students recruited across UKRI in 2023-24. There is a risk that such a reduction could undermine any government announcement to increase studentships as part of its Horizon Europe alternatives.

- **Option B: fund only grants that cannot reduce recruitment.** An increase in the overall studentship budget of £0.9m in FY2023-24 and a maximum of £2.4m in FY2024-25 would allow us to support the non-recruiting grants without taking funding from recruiting grants, thus mitigating the operation issues set out in Option A. Recruiting grants would still need to reduce their recruitment but could do so within their existing funding profiles, resulting in a 3% cumulative reduction over the period 2023-24 to 2026-27 with total reduction in recruitment in AY2023-24 of 10% compared to the baseline scenario. As we reduce student numbers, this limits the financial risk in the next SR period.

- **Option C: partially mitigate reduction in student recruitment by reallocating funding from within Collective Talent Funding (CTF) (<u>recommended</u>).** By making a decision to reduce rounds 7 and 8 of the Future Leaders Fellowships (FLF) by 5%, and defer round 8 by one quarter, we can reallocate £2.7m to studentships in FY2023-24 and £8.2m in FY2024-25. The majority of the funding we can release from fellowships comes the year after student recruitment has already been cut. Hence, to make full use of the £2.7m in FY2024-25, we would supplement the funding in FY2023-24 with £1.6m from the RE Lever. The cumulative reduction in students against the baseline is limited to 2% with a 5% reduction in new students in 2023-24. By reallocating funding from fellowships, we limit the additional pressure on UKRI in the next SR.

- **Option D: fully fund the change to stipend and fee.** To maintain planned student numbers, we would incur additional costs of around £6.6m in FY2023-24 and £12.8m per financial year thereafter. In addition to the changes within CTF described in Option C, we would reduce rounds 7 and 8 of FLF by 10%, and the additional £4.6m needed in FY2023-24 could be funded as a priority through the RE lever. In FY2024-25, it is possible that the outstanding £5.2m pressure could be met from emerging underspend in the interdisciplinary responsive mode budget (see section 5). This option increases the pressure in the next SR more significantly (see section 7).

[1] All studentship reductions modelling in the paper are relative to the baseline (council planning assumptions). The assumptions and uncertainty associated with the modelling are detailed in Annex 1.
[2] FYE students are all students funded at any point in the year, each weighted according to the proportion of the year they are funded. For example, 1 FYE student might be 2 students funded for half the year each.

		Contribution of Collective Talent Funding (£m)		Cost outside of CTF (£m)		Combined pressure next SR
	Student reduction against planned	23/24	24/25	23/24	24/25	25/26 etc[3]
Option A	2023/24 recruitment reduction: 11% Overall reduction in students: 3%	None	None	None	None	£17.2
Option B	2023/24 recruitment reduction: 10% Overall reduction in students: 3%	£1	£2.4	None	None	£19.0
Option C	2023/24 recruitment reduction: 5% Overall reduction in students: 2%	£2.7	£8.2	£1.6	None	£23.6[4]
Option D	None	£3.1	£9.8	£4.6	£5.2	£25.7[44]

5. **Changes to numbers of students supported**

5.1. As outlined in section 4, we can create headroom to fund the increase to the fee and stipend by reducing the number of students we recruit in AY2023-24. While we see reasonably significant reductions in new students starting in 2023/24, the overall reduction in the total student population is more modest.

6. **Current UKRI financial situation and Collective Talent Funding (CTF)**

6.1. UKRI's budgets are fully allocated in FY2023-24, and we are at the over-profile limit agreed with DSIT (3.5%). However, UKRI is looking to utilise the RE Lever with a value of up to £75m from 2023-24 into 2022-23, resulting in the same level of budgetary headroom becoming available in 2023-24. There are at least £80m-£100m of potential pressures facing UKRI in 2023-24, and ExCo will be asked to prioritise how the headroom will be allocated. ExCo could prioritise the pressure created by the stipend increase in 2023-24 which is unmet through the CTF budget (£1.6m in Option C). Note that as of 14 March 2023, discussions are ongoing with DSIT about their overall position in 23/24 and 24/25, and we understand 24/25 is heavily constrained.

6.2. In FY2024-25 we have reached our limit on over-profiling and would likely require an approach that combines:

- (i) reallocation of funding from other areas of Collective Talent Funding (CTF) to studentships. Underspend from the Future Leaders Fellowships (FLF) has already been used to support the 2022 stipend uplift. As discussed in Option C, we could create headroom of £2.7m / £8.2m in 2023-24 / 2024-25 to use in support of the 2023-24 stipend uplift. Doing so would require a reduction of rounds 7 and 8 FLF awards from 100 per round to 95 each (190 in total), and delaying round 8 by one quarter. For option D, we would reduce rounds 7 and 8 each by a further 5 fellows to

[3] As discussed in section 7, all options except A will create additional legal commitments for existing grants into the next SR. In addition there is the remaining pressure of the 2022-23 stipend uplift. This column shows the combined impact, for existing grants only.

[4] A 5% reduction in rounds 7 and 8 of the FLF would carry through headroom into the next SR, covering £5.2m / £4.8m / £4m in 2025-26 / 2026-27 / 2027-28. A 10% reduction in FLF awards (option D) would carry through £8m / £7.7m / £6.2m.

90 (180 in total). Some councils also have fellowship schemes that sit within CTF but are they currently unlikely to yield significant headroom.

- (ii) use of an emerging underspend in the interdisciplinary responsive mode pilot. There is an emerging underspend from the interdisciplinary responsive mode pilot so it would be possible to find £5.2m from this budget to support Option D in 2023/24. However, fully committing this reduces UKRI's flexibility in 2024/25, reducing the funding available to support other pressures, both emerging from existing activity (e.g. inflation related) and potential additional commitments (e.g. from any future announcements).

6.3. As highlighted at ExCo on 1 February, we have also discussed with DSIT whether funding could be allocated from a pre-decision spend on Horizon Europe alternatives. Following recent developments, DSIT has indicated that this is no longer an option that it is exploring.

7. **Future Spending Review (SR) periods**

7.1. To date, ExCo has steered that we should seek to maintain the value of the stipend and supported efforts to increase training grants in the 2022-25 SR period to support this. However, for the 2022 increase we have not adjusted budget lines in future SR periods, on the basis that all funding for the next SR is yet to be decided. The announced intent of the government is to keep capital budgets at flat cash at the next SR.

7.2. ExCo are asked to prioritise the additional costs of the stipend level decisions (both 2022-23 and 2023-24 stipends) for our existing training grants as part of the next SR allocation. If we do not and plan to maintain the original grant spend profiles of the next SR, grant holders will need to reduce student numbers in this SR significantly over and above those discussed in sections 1 to 6 of this paper.

7.3. For the 2022-23 stipend decision, the additional pressure created for existing training grants is a maximum of £17.2m per year next SR while Option C for the 2023-24 stipend would create an additional pressure of maximum 6.4m per year[5]. If we fully mitigate the student reductions resulting from the 2023 stipend decision (Option D), the additional pressure increases to max. £8.5m per year. The total per year in the next SR is therefore a maximum of either £23.6m under Option C or £25.7m under Option D.

7.4. If we were to maintain baselines (with 2% indexation) and meet existing project commitments, we expect that in a flat cash allocation we would not have enough headroom to fully fund future waves of programmes such UKRPIF, Digital Research Infrastructures, Carbon Zero Fund, Infrastructure Fund, or Leaders Fellowships / New Top Talent, so any additional commitments on stipends will mean further prioritisation between these programmes. Again, impacts of recent announcements on additional programmes will also impact this headroom.

7.5. In asking ExCo to agree to prioritise the cover of the additional legal commitments created in the next SR from the next allocation, we are restricting this ask to existing grants and the pressures agreed through ExCo discussions. Some councils are expecting to award new

[5] These figures are based on live grant information provided by councils in October 2022 so some movement between planned and live spend is expected. These figures include accounting for the student reductions expected in this SR period to meet remaining pressures of the stipend uplifts. Note that in addition to those detailed in this paper, a £5m pressure remains in FY2024-25 as a result of the 2022 stipend uplift.

training grants in this SR period which will, by their nature, create legal commitments in the next SR. Councils may also wish to maintain their student numbers at a higher level and reprioritise their budgets to mitigate remaining pressures in this SR to do so. We are not proposing that councils' powers to make such decisions are curtailed. They will do so with knowledge of the stipend level decisions and the impact of such decisions on legal commitments into the next SR would form part of that council's normal risk management for investments spanning multiple SR periods.

7.6. Figure 1 shows the impact of both the 2022 and 2023 stipend changes:

- Projected recruitment based on the previous 2022 uplift and 2% thereafter is shown by the darker, blue line. The reduction in students at point C reflects that budget lines have not been increased for the next SR. The changes at point A are unrelated to stipend policy.

- The lighter, orange line shows projected recruitment from the proposed 2023 uplift under option A.

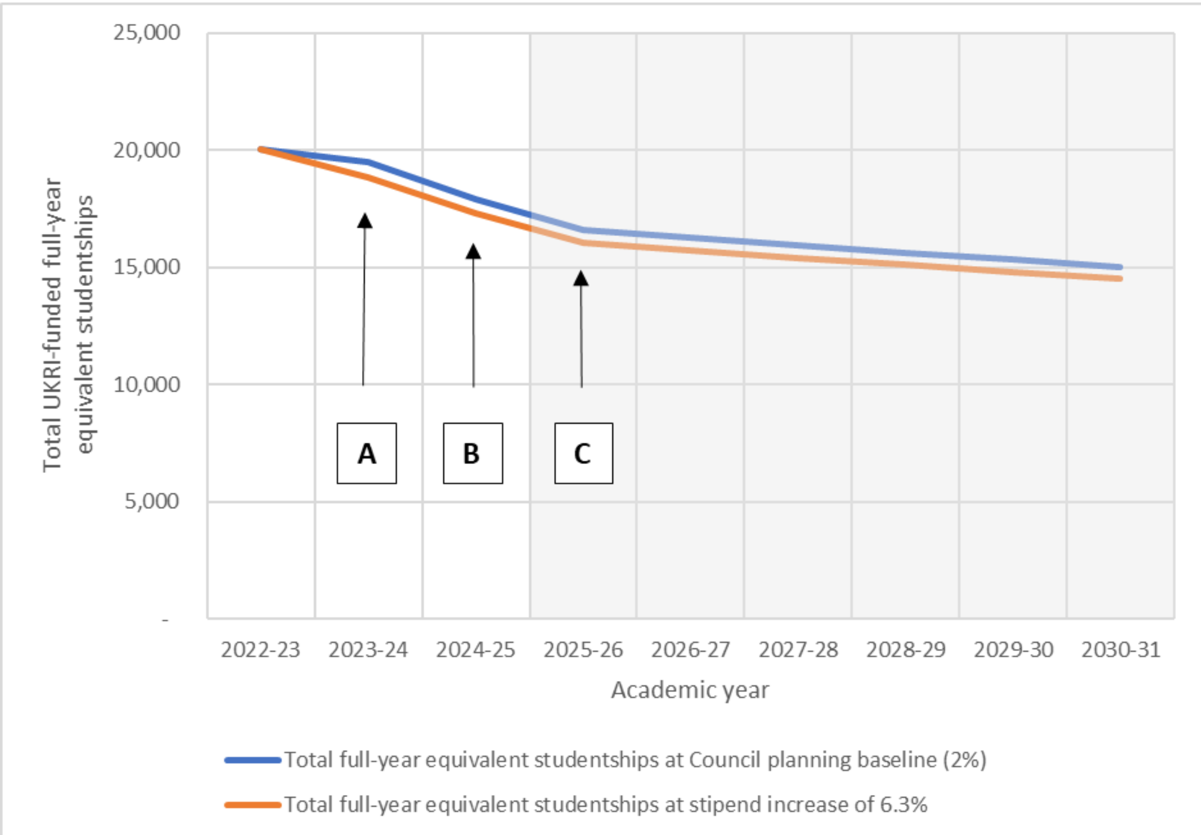

Figure 1: Estimated total UKRI-funded full-year equivalent studentships 2022-23 to 2030-31

8. **Other implications**

8.1. The balance of studentships and fellowships. CTF's budget was formed by pooling research council spending on studentships and fellowships. CTF includes support for the FLF, a flagship programme that is developing the next wave of world-class research and innovation leaders in academia and business. The FLF is one of the only fellowships schemes accessible by researchers based in businesses and also addresses known issues with precarity in early careers. Across all of UKRI's fellowships schemes, we support significantly fewer fellows than doctoral students and fellowships are in strong demand. There is no direct advantage to reducing the number of fellowship awards and we need to consider the extent to which we prioritise funding for students over other career stages. That said, of the 550 fellowships envisaged in the original 6 rounds, UKRI has 487 live awards. The suggested reduction in rounds 7 and 8 could be made in line with the award rates from those rounds.

8.2. Equality, diversity and inclusion. UKRI recently commissioned AdvanceHE to revise the Equality Impact Assessment (EIA) of the UKRI Standard Terms and Conditions of Training Grant and associated guidance. AdvanceHE's report notes that the 'level of stipend paid is particularly likely to impact on the ability of people from lower socio-economic groups to undertake a studentship' and that for these groups financial concerns in relation to existing undergraduate and taught postgraduate loans are likely to be compounded. There is some correlation between socio-economic group and ethnicity. Some protected groups – including LGBTQ+ (e.g. where estranged from family support), disabled people (who have additional costs not covered by DSAs) may be particularly impacted. Reducing student numbers may also have an impact on EDI, for example, if reducing the total number of students leads ROs to focus recruitment on less diverse groups. However, this has not been fully assessed.

8.3. In 2022, BEIS was concerned that the 10% uplift might be novel, contentious or repercussive and referred the issue to HMT. HMT agreed to the uplift 'subject to the stipend level for 23/24 also requiring HMT approval'. We have engaged with colleagues at DSIT (who are supportive of our work) and have reached out to HMT to ensure that our final decision on the stipend rate for the coming academic year can be communicated with ROs as quickly as possible.

9. **Risks**

9.1. UKRI is currently developing an alternative doctoral funding programme to complement the Horizon Europe Marie Sklodowska-Curie Actions (MSCA). In the event of non-association, the government (via UKRI) will provide funding to recruit an additional 800-1000 postgraduate research students in academic years 2023/24 and 2024/25 (1600-2000 students in total). This may mitigate reductions in student numbers made elsewhere across UKRI's studentship investments. That said, if UKRI reduces the number of students it funds, we may create a reputational risk to the government's ambitions for additional funding available through the alternative MSCA programme. DSIT is aware of this risk.

9.2. If the stipend does not maintain its value there is a material risk of impact on students' ability to complete their degree, for instance, because they cannot afford to continue or because they take on additional work that limits their ability to complete. There is also a reputational risk if students and those who support students feel the stipend undervalues their contribution.

10. **Conflicts of interest**

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

11. **Annexes**

Annex 1: Trends in studentship budgets

Annex 1

Trends in studentship budgets

The changes to studentship recruitment and totals in this paper are based on modelling recruitment possible given the headroom available in each academic year under each stipend uplift scenario. It uses Single Source of Data (SSD)[6] data on student numbers, along with budget forecasts for each council provided by Finance. It assumes that universities spend all training grant funding in the year it is issued and that all available headroom is used to recruit new studentships (each lasting 4 years). There is some variation between councils which reflects the different positions and priorities of councils before the changes to stipends. Further, the figures do not seek to take account of any additional mitigation that may take place, e.g. some university departments may decide to maintain student numbers with their own funds.

All models are subject to the accuracy of their input data and their ability to reflect the reality of any system. Studentship funding is complex, and there are limits to our understanding of the relationship between university recruitment and UKRI funding, the behaviour of different grants and the link between financial and academic reporting periods which inhibit the ability of our model to reflect that complexity.

Figure 2 sets out current estimated budget across the research councils for stipends and fees. As set out in section 7 of the main paper, to date, we have largely uplifted the grants within this SR to reflect stipend increases, but have made no adjustments in the next SR to reflect the 2022 uplift. UKRI's budget lines are therefore fairly level in this Spending Review period (Points A and B), but show a significant decrease in studentship funding from the beginning of Financial Year 2025/26 (point C).

Figure 3 shows the implications for the total number of students funded by UKRI. Because budget for the 2024/25 academic year is drawn from both the last six months of this SR, and the first six months of the next SR, on current planning we will have to reduce the number of studentships we support from October 2024 (point B). Note that the majority of this trend is from the 2022 uplift and decisions unrelated to stipends; the effect of ExCo's decision on the 2023 uplift is within the difference between the two lines.

Figure 4 shows the impact on the number of new starts each year, assuming no mitigation. Of note is that where there is a significant financial shortfall we also see a significant reduction in new students. Our model assumes that this reduction in student numbers creates enough headroom for recruitment to return to near-planned levels (sometimes slightly above) the following 2-3 years. It is possible that actions at UKRI, council, university or grant holder level might mitigate this cyclical effect, but with no mitigation there is a risk that further reductions are needed after this period (point D).

[6] Full Year Equivalent (FYE) studentship figures are based on an analysis of UKRI's Single Source of Data (SSD), itself based on Je-S and Oracle reports. This captures all students linked to grants claimed by a research council in SSD. There are currently a small number of grants not claimed in SSD, including UKRI AI Centres. The numbers are FYE, that is each individual funded in a particular year is weighted according to the proportion of that year they are funded. This means figures are not comparable with e.g. Annual Report counts of active studentships.

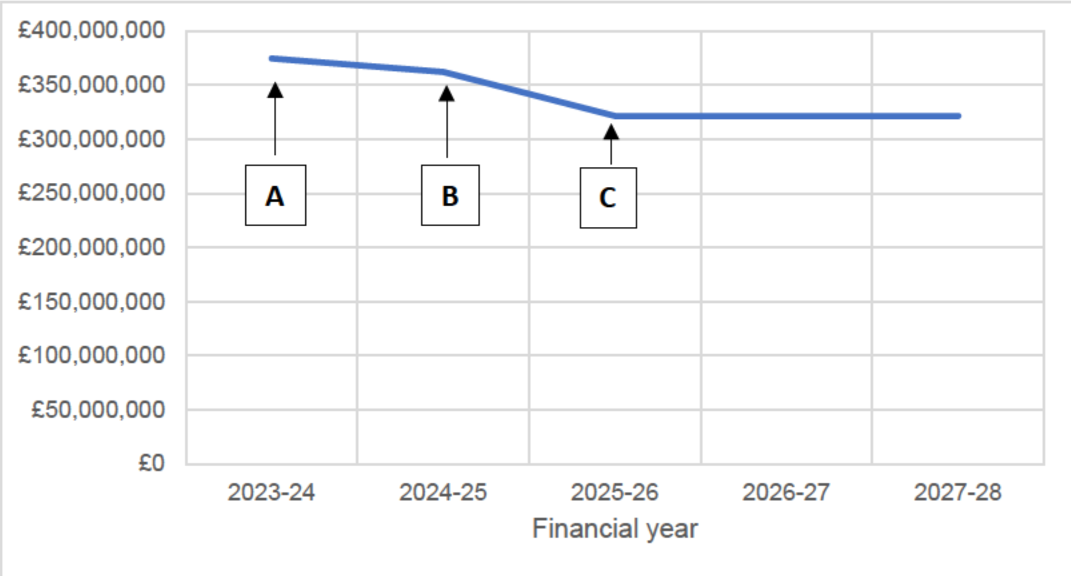

Figure 22: Estimated budget for stipends + fees

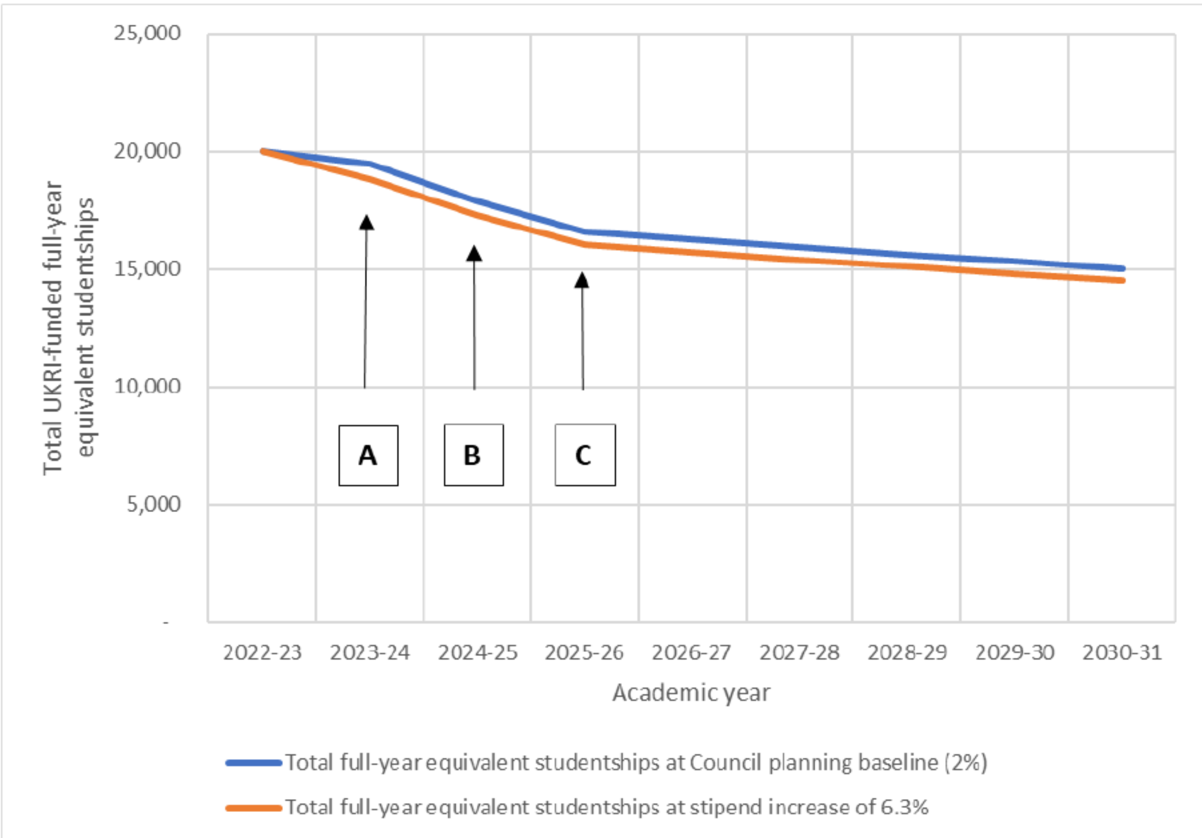

Figure 33: Estimated total UKRI-funded full-year equivalent studentships 2022-23 to 2030-31

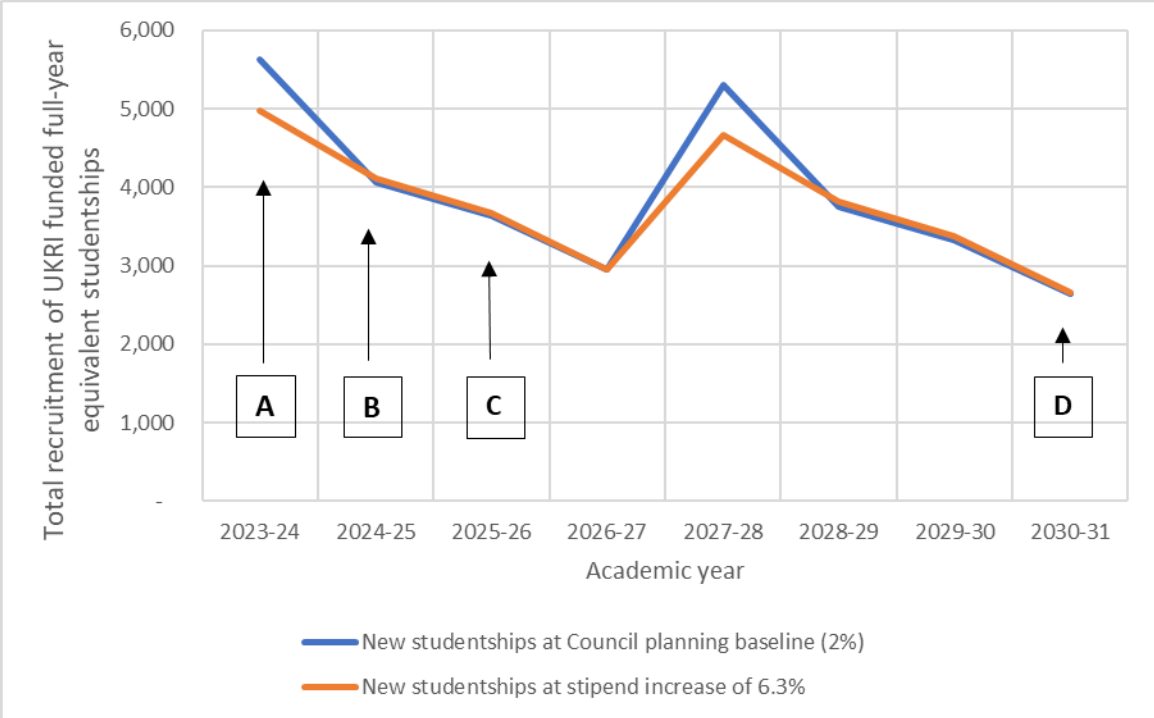

Figure 44: Estimated new UKRI-funded studentships 2022-23 to 2030-31, without further mitigation