

**Office for  
Students**



# **Funding for academic years 2019-20 and 2020-21**

**OfS board decisions and outcomes of  
consultation**

**Reference** OfS 2020.21

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# Summary

1. This document reports the decisions taken by the Office for Students (OfS) board on funding for 2019-20 and 2020-21. These decisions follow the strategic guidance letter in January 2020 from the Secretary of State for Education, which announced a reduction to recurrent teaching grant for the financial year (April to March) 2020-21 of £58 million and an increase in capital funding of £50 million. We consulted on our approach to securing savings to recurrent grant during January and February 2020, and this document summarises the responses we received and the decisions we have taken.

## Implications of the coronavirus (COVID-19) pandemic for OfS funding

The OfS board's decisions on funding were taken at its meeting on 16 March 2020 and made in the context of the funding settlement from government announced to us in January 2020 for the financial year 2020-21 and of our consultation. That grant settlement was determined before the onset of the coronavirus pandemic in the UK, the full implications of which are not yet known.

The OfS is working closely with the government to monitor the effects of the pandemic on higher education providers, recognising the exceptional steps they are having to take to protect their students and staff, and the implications for their financial sustainability. We will continue to work with the government to support higher education providers in managing the effects of the pandemic and, where necessary, will keep our funding decisions under review. This document should be read in that context.

2. We will secure savings of £26 million in the academic year (August to July) 2019-20 from funds not yet committed. We will not secure these savings by reducing grants already announced for higher education providers for the year, as we recognise they may have limited scope to adjust their spending plans quickly.
3. Recurrent grant to providers for the academic year 2020-21 will total £1,255 million, a reduction of £48 million compared with the revised budget for the previous year. This reduced total has to support an increase in the numbers of students who count towards OfS grants, including those arising from the government's health education reforms. Within the total:
  - a. The various elements of funding that support high-cost courses reduce overall by £33 million (3.6 per cent), from £928 million to £895 million.
  - b. The largest element of this, high-cost subject funding, is reduced by 3.2 per cent to £690 million. Because of the increases in student numbers that this funding has to support, the rate of high-cost subject funding per student will fall in cash terms by 5.2 per cent.
  - c. We are maintaining in cash terms the overall rate of funding for pre-registration courses in nursing, midwifery and allied health disciplines, which is provided through the high-cost subject allocation and the separate nursing, midwifery and allied health supplement. This applies to all disciplines other than those that attract price group A funding. To do this, we will increase the rates of grant provided through the supplement, compared with the

academic year 2019-20, to offset the lower rates of grant provided through the high-cost subject allocation.

- d. Funding for student access and success reduces overall by £16 million (4.8 per cent) from £332 million to £316 million. Within the total, we are maintaining in cash terms both the funding for Uni Connect (formerly the National Collaborative Outreach Programme) and the disabled students premium. The £16 million saving arises from a reduction of 6.8 per cent to the student premiums for full-time and part-time undergraduates.
- e. We are maintaining in cash terms, at £43 million, the targeted allocation for world-leading specialist providers. This is a transitional measure for academic year 2020-21, pending a review of this funding which we intend to undertake later this year.

4. In addition, we are providing:

- a. £21 million in academic year 2020-21 to support national facilities and regulatory initiatives, a reduction of £19 million compared with our original budget plans for the previous year. This funding supports a variety of activities including Jisc and OfS challenge competitions.
- b. £150 million in financial year 2020-21 for capital funding, of which £10 million is allocated to Jisc and up to £140 million through formula-based allocations to providers. We announced an initial distribution to providers totalling £136 million in 'Formula capital funding for 2020-21' (OfS 2020.17).<sup>1</sup>

5. We intend to notify providers in confidence of their initial allocation of recurrent grant for academic year 2020-21 on Tuesday 12 May 2020, and will publish all allocations on Wednesday 13 May 2020. These initial allocations will be made to providers that were registered with us in the Approved (fee cap) category on 14 April 2020. We will make budget provision to enable us to fund providers subsequently registered in this category.

6. Any questions about this document should be sent to [recurrentgrant@officeforstudents.org.uk](mailto:recurrentgrant@officeforstudents.org.uk).

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<sup>1</sup> Available at [www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/).

## Background

7. In this document, references to ‘financial year’ mean the 12-month period from 1 April to 31 March; references to ‘academic year’ mean the 12-month period from 1 August to 31 July. Figures are normally rounded to the nearest £1 million, except where necessary to avoid showing a figure that would otherwise be rounded down to zero, but allocations to providers and their totals will be rounded to the nearest £1. There are therefore some rounding differences in the document and its tables.
8. The strategic guidance letter in January 2020 from the Secretary of State for Education<sup>2</sup> set out the funding available to the OfS for the financial year 2020-21 and the government’s priorities. Table 1 summarises the totals available to us for financial years 2019-20 and 2020-21.

**Table 1: OfS teaching grants from the government (£M)**

Financial year	2019-20	2020-21
Recurrent grant	1,387	1,329
Capital grant	100	150
<b>Total</b>	<b>1,487</b>	<b>1,479</b>

9. The total recurrent grant for each year includes approximately £57 million that relates to funds administered by Research England, thus reducing (to £1,272 million for financial year 2020-21) the total available for distribution by us.<sup>3</sup> The £57 million comprises funding for:
- University College London relating to the Institute of Zoology.
  - The University of London relating to the School of Advanced Studies.
  - Teaching-related knowledge exchange activities. These have been supported through a £47 million contribution from the teaching budget towards the Higher Education Innovation Fund.
10. The total recurrent grant for financial year 2020-21 is a reduction of £58 million compared with financial year 2019-20, but includes funding for additional student numbers in medicine, following the expansion of intakes from 2018-19<sup>4</sup>. This means an underlying gross reduction of about £70 million (5 per cent) to the figure we had assumed when we set budgets for academic year 2019-20.
11. We allocate recurrent grants on an academic year basis, and therefore the funding for financial year 2020-21 affects the amounts we can distribute in both academic years 2019-20 and 2020-21. This means that approximately £26 million of the reduction in financial year 2020-21

<sup>2</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

<sup>3</sup> These sums were shown in the guidance letter from the Department for Business, Energy and Industrial Strategy to Research England in July 2019, available at: <http://re.ukri.org/finance/guidance-from-beis-to-re-for-2019-20/>.

<sup>4</sup> See <https://webarchive.nationalarchives.gov.uk/20180405121740/http://www.hefce.ac.uk/It/healthcare/>.

is attributable to the four-month period, from April to July 2020, that falls within the 2019-20 academic year. This is an in-year reduction of about 2 per cent on the original non-capital budget of £1,349 million for academic year 2019-20.

12. Although we do not know what funding may be available to us for financial year 2021-22, we believe it prudent to assume that the funding reduction will not be restored in that year. This means that savings for the full sum need to be made in academic year 2020-21.
13. In January we issued 'Consultation on implementing savings in academic years 2019-20 and 2020-21' (OfS 2020.03).<sup>5</sup> This set out, and invited comment on, our proposals for making the required savings to recurrent grant in both academic years. We received 108 responses to our consultation and these are summarised in Annex A.
14. The guidance letter confirmed a budget for capital grants in financial year 2020-21 of £150 million. This is a £50 million increase compared with financial year 2019-20, but the same cash total as for financial years 2017-18 and 2018-19. We allocate capital grants on a financial year basis, so there is no requirement to review capital grants already announced.
15. This document announces the OfS board's decisions, having regard for the responses to our consultation and the government's strategic guidance letter, on:
  - a. The approach to securing savings of £26 million in academic year 2019-20.
  - b. The budgets for and approaches to recurrent grants for teaching and for national facilities and regulatory initiatives for academic year 2020-21.
  - c. The budgets for and approaches to capital grants for financial year 2020-21.

## Funding for academic year 2019-20

16. Our consultation in OfS 2020.03 proposed to secure the savings of approximately £26 million required to non-capital grants in academic year 2019-20, in priority order as follows:
  - a. From funds not yet committed. Where these were originally planned to support challenge competitions, we will defer the activity to academic year 2020-21, rather than cease it.
  - b. If any residual saving is small, by deferring it until academic year 2020-21.
  - c. Otherwise by reducing, broadly on a pro rata basis, the 2019-20 recurrent grant allocations for all providers. (However, we did not expect to need to do this.)
17. Our proposals were intended to avoid, as far as possible, reducing grants already announced, recognising that we are already well into the 2019-20 academic year and that providers may have limited scope to adjust their spending plans quickly. Respondents to OfS 2020.03 expressed strong support for our proposed approach to securing savings in academic year 2019-20 – in particular that we should not reduce grants already announced (see paragraphs 5

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<sup>5</sup> Available at [www.officeforstudents.org.uk/publications/consultation-on-implementing-savings-in-academic-years-2019-20-and-2020-21/](http://www.officeforstudents.org.uk/publications/consultation-on-implementing-savings-in-academic-years-2019-20-and-2020-21/).

to 7 of Annex A) – and therefore the board has agreed we should make the savings as proposed.

18. The main sources used to secure the £26 million saving in academic year 2019-20 are:

- a. Recurrent funding set aside for providers that may join the OfS register in the Approved (fee cap) category before the end of the 2019-20 academic year. We are still making some provision for these, but this is less than the sum that still remained unallocated from the original recurrent grant budget.
- b. Challenge competitions.<sup>6</sup> We are still providing £5 million towards the joint funding competition with Research England on the impact of student involvement in knowledge exchange, for which providers submitted bids in December 2019.<sup>7</sup> We will continue to develop new competitions to address priority issues, but the budget provision for these is deferred to the 2020-21 academic year. We are also re-profiling the budget provision for the strategic interventions in health education disciplines<sup>8</sup> to reflect expected spending.
- c. Funds that have become available from the outcomes of data audit and reconciliation and other underspending against budgets, such as by partnerships against their Uni Connect allocations.

## Funding for academic year 2020-21

19. OfS 2020.03 set out our proposed approach to achieving savings of around £70 million in academic year 2020-21 as follows:

- a. To reduce funding for national facilities and regulatory initiatives as far as possible, primarily to reflect a review of the contributions made to Jisc and to reduce the budget for challenge competitions. We expected the saving from this to be £15 million to £20 million.
- b. To maintain funding for Uni Connect (formerly known as the National Collaborative Outreach Programme) at existing levels, but to recover funding from partnerships in the event that they underspend against their allocations.
- c. To make additional budget provision within recurrent funding for providers in a small number of high-cost and high-priority areas – primarily to reflect additional students on pre-registration courses in medicine, nursing, midwifery and allied health professions. The expected cost of this was £9 million to £12 million.
- d. To maintain the current level of funding for the specialist institution targeted allocation.

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<sup>6</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/ofs-challenge-competitions/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/ofs-challenge-competitions/).

<sup>7</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/joint-funding-with-research-england/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/joint-funding-with-research-england/).

<sup>8</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/strategic-interventions-in-health-education-disciplines/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/strategic-interventions-in-health-education-disciplines/).

- e. To make all other elements of recurrent grant for providers subject to a broadly uniform reduction, which we expected to be around 6 per cent. In practice, we expected the overall reduction to the high-cost subject funding budget to be around 3 per cent, because of provision we will make for the additional student numbers in medicine and health disciplines. We expected the saving from this to be £59 million to £67 million.

20. Table 2 sets out the budget that the OfS board has set for the academic year 2020-21 and compares it with both the original budget set for 2019-20<sup>9</sup> and the revised 2019-20 budget after implementation of the £26 million savings announced in this document.

**Table 2: Overall budget for academic years 2019-20 and 2020-21 (£M)**

Academic year	Original 2019-20 £M	Revised 2019-20 £M	2020-21 £M
Recurrent teaching	1,309	1,303	1,255
National facilities and regulatory initiatives	40	29	21
Underspending and recoveries from data audit and reconciliations		-9	
<b>Total recurrent funding</b>	<b>1,349</b>	<b>1,323</b>	<b>1,276</b>
Capital funding	100	100	150
<b>Total funding distributed by the OfS</b>	<b>1,449</b>	<b>1,423</b>	<b>1,426</b>
Other funding within Department for Education teaching grant distributed by Research England	58	58	57

21. The budget of £21 million for national facilities and regulatory initiatives is a saving of £19 million compared with that originally set for academic year 2019-20, with the main changes attributable to a saving of £13 million from the recurrent grant allocation to Jisc and £6 million from challenge competitions. We received a number of responses to OfS 2020.03 expressing concern about cuts to Jisc, both on the basis of the very important service it provides to the sector and because reductions to Jisc's grant would be likely to lead to increased subscriptions from providers, and thus would not serve to reduce the requirement on providers to make savings. Nevertheless, the OfS board has agreed the reduction to Jisc's recurrent funding for the reasons set out in paragraph 22.

22. Jisc is funded through grants from higher and further education funding bodies across the UK, and through member subscriptions from providers. In its final years, the Higher Education Funding Council for England (HEFCE) provided £40 million to Jisc, split equally as £20 million recurrent and £20 million capital. However, for historical reasons, £18 million recurrent and £10 million capital were attributed to teaching grant, and these sums have continued to be paid up to 2019-20 by the OfS; the balances were attributed to research grant and have continued to be paid up to 2019-20 by Research England. During 2018, a review was undertaken into the budgeting and costing of Jisc services, monitoring which parts of the higher education

<sup>9</sup> See 'Funding for 2019-20: OfS board decisions' (OfS 2019.11), available at [www.officeforstudents.org.uk/publications/funding-for-2019-20-ofs-board-decisions/](http://www.officeforstudents.org.uk/publications/funding-for-2019-20-ofs-board-decisions/).



community were using those services and the value derived from them. It proposed that a fair allocation of funding between research and teaching would be 60:40 respectively, and this has been our expectation for the Research England / OfS split following the 2019 spending round. This means the OfS contribution towards Jisc – all other things being equal – would be £16 million, an overall reduction of £12 million. In addition, we are also:

- a. Applying an overall 5 per cent (£800,000) reduction to our total recurrent and capital grant to Jisc, consistent with the reduction that has applied to our teaching grant.
- b. Shifting the balance of our funding for Jisc from recurrent to capital. Much of our funding for Jisc is used to support the Janet network and English regional network upgrades, cybersecurity and learning analytics. Some respondents to OfS 2020.03 argued that we should allocate more funding for providers as recurrent, rather than capital grant – that instead of increasing capital grants, we should lessen the cuts to recurrent grant. We are not permitted to shift our overall funding from capital grants to recurrent grants, as this split is determined by government. However, within the overall totals, we can reduce the impact of reductions to recurrent grant on providers by providing more of our grant to Jisc as capital funding. The board has therefore agreed to allocate Jisc £5.2 million in recurrent grant and £10 million in capital grant.

## **Recurrent grant to providers for academic year 2020-21**

23. In setting recurrent grant budgets in previous years, we have provided an uplift for inflation to high-cost subject funding and an addition for the expected increases in student numbers on pre-registration medicine and health courses. The starting point for setting recurrent grant budgets for academic year 2020-21 has been to take a similar approach, but then to apply a uniform reduction to all elements of grant with the exception of funding for specialist providers.
24. In light of the responses to OfS 2020.03, the board has agreed that we should modify this approach in two ways:
  - a. We will protect the disabled students premium at the level allocated for 2019-20 (£39.7 million). We believe this is appropriate given our public sector equality duty and the concerns expressed in response to our consultation about the impact of cuts on students with protected characteristics, in particular those with disabilities.
  - b. We will protect in cash terms the rates of grant for pre-registration courses in nursing, midwifery and allied health subjects that do not attract price group A funding. This will apply to the overall total provided through the allocations of high-cost subject funding and the nursing, midwifery and allied health supplement. We believe this is appropriate given the significant concerns expressed by respondents to our consultation about the impact of cuts on providers' ability to meet the government's priority to increase student numbers on these courses. To protect funding for them, we will increase the rates of grant provided through the nursing, midwifery and allied health supplement, to offset the reductions to rates of grant provided through high-cost subject funding. The budget for the supplement therefore increases accordingly.
25. The decision to protect the rates of grant for certain nursing, midwifery and allied health professions reflects the exceptional circumstances that apply, with a number of professions

facing significant recruitment challenges, and increasing the NHS workforce a high government priority. Given the savings we have to make, we do not have sufficient funds to protect high-cost subject funding more generally, including for courses that attract price group A funding (medicine, dentistry and veterinary science, as well as allied health courses in dental hygiene and dental therapy). These subjects do not generally experience the same recruitment challenges, and the cost of protecting funding for them would require significantly greater cuts to other high priority and high-cost activities.<sup>10</sup>

26. Table 3 summarises the recurrent grant budgets for academic year 2020-21 that the board has agreed, and provides a comparison with the revised totals that we expect to allocate for academic year 2019-20.

**Table 3: Disaggregation of recurrent grant for academic year 2020-21 (£M)**

Elements of recurrent teaching grant	2019-20 revised total	2020-21 budget	Percentage change to budget
<b>Funding for high-cost courses</b>	<b>928</b>	<b>895</b>	<b>-3.6%</b>
Of which:			
High-cost subject funding	713	690	-3.2%
Nursing, midwifery and allied health supplement	20	23	+13.7%
Very high-cost science, technology, engineering and maths subjects	25	24	-4.9%
Erasmus+ and overseas study programmes	30	28	-6.4%
Postgraduate taught supplement	8	8	-6.8%
Intensive postgraduate provision	35	33	-6.8%
Accelerated full-time undergraduate provision	4	3	-6.8%
Students attending courses in London	69	64	-6.8%
Clinical consultants' pay	17	16	-6.8%
Senior academic general practitioners' pay	1	1	-6.8%
NHS pensions scheme compensation	5	5	-6.8%
<b>Funding for student access and success</b>	<b>332</b>	<b>316</b>	<b>-4.8%</b>
Of which:			
Premium to support successful student outcomes: full-time	161	150	-6.8%
Premium to support successful student outcomes: part-time	71	66	-6.8%
Disabled students premium	40	40	0.0%
Uni Connect	60	60	0.0%
<b>Funding for specialist providers</b>	<b>43</b>	<b>43</b>	<b>0.0%</b>
<b>Total recurrent grant</b>	<b>1,303</b>	<b>1,255</b>	<b>-3.7%</b>

Note: Sums may not add up because of rounding differences.

<sup>10</sup> For example, it would cost £14 million to maintain the rate of funding for price group A in cash terms.

27. Table 3 shows the percentage change to each budget in cash terms, but changes to the rates of grant per full-time equivalent student (FTE) will differ according to how student numbers counted towards each allocation have changed. Paragraphs 28 to 42 provide further detail of the changes for different elements of grant.

### Funding for high-cost courses

28. Overall, the elements of grant that fund high-cost courses have an average reduction to budget of 3.6 per cent in cash terms (a cut in real terms of 5.5 per cent based on the estimated gross domestic product (GDP) deflator for the academic year<sup>11</sup>).

29. The large majority (77 per cent) of our funding for high-cost courses is allocated through the main high-cost subject funding stream, which, in line with the proposals in our consultation, has a 3.2 per cent budget reduction in cash terms (5.1 per cent in real terms). However, this budget needs to support additional student numbers, not just arising from the government's health education reforms, but also as reported more generally in providers' latest student data surveys.<sup>12</sup> Taking this increased volume into account, the rate of funding per FTE is reduced by approximately 5.2 per cent in cash terms (7 per cent in real terms). The changes to the rates of grant for each price group are shown in Table 4, and reflect a change to the scaling factor from 1.025 for academic year 2019-20 to 0.972 for academic year 2020-21.

**Table 4: High-cost subject funding – grant rates per FTE for academic years 2019-20 and 2020-21**

Price group	Academic year 2019-20 grant rate	Academic year 2020-21 grant rate	Percentage change to grant rate for academic year 2020-21
A	£10,250	£9,720	-5.2%
B	£1,537.50	£1,458	-5.2%
C1	£256.25	£243	-5.2%
C2	£0	£0	0.0%
D	£0	£0	0.0%

30. Respondents to our consultation emphasised the adverse effects of cuts to funding for high-cost subjects – but also of cuts to other elements of grant. Given the scale of savings we have to make, against a background of increased student numbers, we do not consider that we can protect funding for high-cost subjects further. To protect the rate of grant for this element of funding in cash terms would cost a further £36 million, and in real terms £50 million.

<sup>11</sup> Comparisons of changes to grant in real terms use a forecast GDP deflator for the academic year 2020-21 of 2.02 per cent. This is derived from the GDP deflators for the financial years 2020-21 and 2021-22 forecast by the Office for Budgetary Responsibility for the 11 March 2020 Budget.

<sup>12</sup> Providers reported their latest student data for the current academic year in response to the 2019 Higher Education Students Early Statistics (HESES19) survey. The data for providers already registered with us in the Approved (fee cap) category is available at [www.officeforstudents.org.uk/data-and-analysis/data-collection/get-the-heses-data/](http://www.officeforstudents.org.uk/data-and-analysis/data-collection/get-the-heses-data/).

31. As explained in paragraph 24.b, however, we will protect in cash terms the rate of grant for pre-registration courses in nursing, midwifery and allied health subjects that do not attract price group A funding. The main subject-based funding for these courses comes through two routes: high-cost subject funding and the nursing, midwifery and allied health supplement. The latter was introduced to bring support for these courses up to a level that better reflected the cost for each discipline, given what was expected to be met by course fees, high-cost subject funding and other allocations. To protect the rate of grant for these disciplines, we will increase in cash terms the 2019-20 rates of grant provided through the nursing, midwifery and allied health supplement with a sum that will compensate for the reductions that will arise through the main high-cost subject element (shown in Table 4). This requires increases to those rates of grant of £79.50 for courses in price group B (midwifery and other allied health professions) and £13.25 for courses in price group C1 (nursing). These courses will, however, still be affected by reductions to other elements of grant, such as student premiums and the allocation that supports students attending courses in London.
32. Funding for very high-cost science, technology, engineering and maths (STEM) subjects reflects the high delivery costs that have been associated with chemistry, physics, chemical engineering, and mineral, metallurgy and materials engineering. It supplements the standard high-cost subject funding for price group B. To receive an allocation for one of these subjects, a provider must have at least 30 FTE in the subject area concerned. This funding was introduced to support providers to maintain activity in subjects that were vulnerable because of low student demand, and thus it has not been recalculated afresh each year to reflect the latest student numbers – although this was done for academic year 2019-20. The allocations for academic year 2020-21 for each provider will be a reduction compared with the previous year of 4.9 per cent (as shown in Table 3).
33. Finance arrangements for students undertaking a year abroad under Erasmus+<sup>13</sup> or other exchange programmes were developed following a 2012 report which made recommendations to support UK students' outward mobility<sup>14</sup>. In summary, the main income available to providers in relation to outgoing students has been set at 40 per cent of the standard higher fee cap for full-time undergraduates (currently 40 per cent of £9,250, i.e. £3,700). Of this, £1,385 is assumed to come through tuition fees (this being the relevant higher fee cap for such a year) and £2,315 through the OfS targeted allocation. Although the OfS budget for the Erasmus+ and overseas study programmes allocation is reducing broadly in line with other allocations, we will maintain the rate of grant in cash terms at £2,315, because the student numbers reported by providers to be taking such a year abroad have fallen by a similar amount. We recognise that there is uncertainty about student participation in study abroad in academic year 2020-21, because of both the coronavirus pandemic and questions concerning the UK's involvement in

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<sup>13</sup> Erasmus+ is the EU's framework programme for education, training, youth and sport. Part of the programme provides opportunities for higher education students to take study or work placements abroad, but institutions may also establish exchange programmes for their students with overseas institutions outside the Erasmus+ programme. For more information on Erasmus+ see <https://erasmusplus.org.uk/>.

<sup>14</sup> See the government announcement at <https://www.gov.uk/government/news/report-recommends-measures-to-support-and-increase-outward-uk-student-mobility> and HEFCE Circular letter 14/2013 at [http://webarchive.nationalarchives.gov.uk/20170110104959/http://www.hefce.ac.uk/pubs/year/2013/CL\\_142013/](http://webarchive.nationalarchives.gov.uk/20170110104959/http://www.hefce.ac.uk/pubs/year/2013/CL_142013/).

the Erasmus+ programme beyond the end of the current EU budget plan in 2020.<sup>15</sup> However, we do not wish to pre-empt developments in this area or add to the challenges that providers are already facing in maintaining their exchange programmes. Our funding recognises the costs to providers of participation in student exchange programmes generally, not just Erasmus+.

34. All other elements of grant that support high-cost courses (as shown in Table 3) are subject to a uniform 6.8 per cent budget reduction in cash terms. Some of these allocations – those that recognise particular NHS pay and pension costs – are informed by historic staff numbers, rather than student numbers. However, they primarily support the costs of staff involved in teaching medicine, where student numbers are increasing as a result of the 2017-18 competition for the expansion of medical intakes, and therefore the implicit reduction to the rate of grant per FTE is greater. For other allocations, the change to the rates of grant per FTE varies according to changes to the student numbers that count towards those grants.
35. Many respondents to our consultation commented on the importance of the targeted allocation for students attending courses in London in contributing to the higher costs that providers there have. This was also argued in relation to support for providers of courses in medicine and other health professions. Providers outside London also argued that they faced higher costs, although evidence from recent studies<sup>16</sup> suggest that these are not comparable with those in London and that the level of support provided through the OfS allocation falls significantly short of the additional costs that London providers face. There are also benefits to providers of operating in London, although these benefits are not shared uniformly. The consultation responses confirm the complexity of this issue, which we believe requires full consideration as part of the longer-term review of our approach to funding. The pro rata reduction that we propose to the budget for this London allocation results in a reduction to the rate of funding per FTE of over 8 per cent in cash terms – about 10 per cent in real terms.

### **Funding for student access and success**

36. As proposed in OfS 2020.03, the OfS board has agreed that we should maintain funding for Uni Connect in academic year 2020-21: respondents to our consultation who commented on Uni Connect mostly supported this. Uni Connect provides project-based funding to partnerships delivering outreach programmes to young people. It is an important part of the support we provide to improve access for underrepresented groups, recognising our public sector equality duty, and complementing the funding we provide through student premiums to support successful outcomes for students. We will therefore continue the £60 million total allocations already announced for these partnerships, recognising that to do otherwise would risk undermining the achievements they have made to date. However, we will continue to recover any unspent grant from them should this situation arise.

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<sup>15</sup> See [www.erasmusplus.org.uk/brexit-update](http://www.erasmusplus.org.uk/brexit-update).

<sup>16</sup> See 'Regional variation in costs and benefits for higher education providers in England' (December 2017), available at <https://webarchive.nationalarchives.gov.uk/20180405115447/http://www.hefce.ac.uk/pubs/rereports/year/2017/regional/>; and section 7.10 of 'Understanding costs of undergraduate provision in Higher Education' (May 2019), available at <https://www.gov.uk/government/publications/cost-of-undergraduate-higher-education-provision>.

37. Our consultation had proposed that funding allocated through student premiums should be subject to the same pro rata reduction as most other elements of recurrent grant for providers. Respondents to our consultation expressed concern about the adverse impacts on students with protected characteristics, including disabled students, arising from the cuts to grant and in particular to student premium funding. In response to the comments, the board has agreed to protect in cash terms the total funding for the disabled students premium at the level allocated for academic year 2019-20 (£39.7 million). This allocation is designed to support providers to meet the rapid rise in mental health issues and to move towards an inclusive social model of support for disabled students.<sup>17</sup> It complements reforms to disabled students allowances, introduced (for new entrants) in academic years 2015-16 and 2016-17, which limited how much might be provided for computing equipment and certain categories of non-medical help.<sup>18</sup>
38. The board has agreed that the budgets for the full-time and part-time student premiums should be subject to the 6.8 per cent reduction that applies to most other targeted allocations. For academic year 2019-20, the total allocated for the full-time student premium is £161 million, made up of two elements:
- a. £142 million through the main element allocated to support those undergraduate students most at risk of not completing their studies (this risk being assessed according to students' qualification aim, entry qualifications and age).
  - b. £19 million through a supplement, which incorporates weightings based on the recruitment of students who are both 'at risk' (as for the main element) and from the most disadvantaged backgrounds. This supplement focuses funding more towards those providers that do most to improve access and participation.
39. While the total budget for the full-time student premium will reduce to £150 million for academic year 2020-21, this reduction will be made entirely through the main element of the allocation, to maintain the total for the supplement at £19 million. This will continue to prioritise providers that do most to improve access and support students to achieve successful outcomes.
40. While we recognise the concern of many providers about the impact of cuts to student premiums, the board also recognised that protecting the full-time and part-time student premiums (at a cost of £16 million) would require significantly greater cuts to other high-priority and high-cost activities. Although, as Table 3 shows, the -4.8 per cent year-on-year change to funding for student access and success is greater than the change to funding for high-cost courses and for specialist providers, we are continuing to give high priority to this area of activity. The proposed total for academic year 2020-21 of £316 million is a reduction of approximately 17 per cent in cash terms compared with academic year 2015-16, within the reduction of 'up to 50 per cent' that was expected by academic year 2019-20 as a

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<sup>17</sup> As recommended in the HEFCE research reports 'Support for higher education students with Specific Learning Difficulties' (available at <http://webarchive.nationalarchives.gov.uk/20170110102359/http://www.hefce.ac.uk/pubs/rereports/Year/2015/spld/>) and 'Understanding provision for students with mental health problems and intensive support needs' (available at <http://webarchive.nationalarchives.gov.uk/20170110102332/http://www.hefce.ac.uk/pubs/rereports/Year/2015/mh/>)

<sup>18</sup> See [www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2015-12-02/HCWS347/](http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2015-12-02/HCWS347/).

consequence of the 2015 Spending Review and Autumn Statement.<sup>19</sup> We recognise that the requirement to make savings in academic year 2020-21 will have an adverse effect on all the providers that we fund, but our assessment is that our approach to implementing those savings does not have a disproportionate impact on students with protected characteristics.

41. Some comment was provided in response to our consultation to the effect that cuts to funding, and in particular to student premium funding, would have an adverse impact on providers' ability to meet the commitments in their access and participation plans. We do not accept this. Our guidance on access and participation plans states<sup>20</sup>:

'There is no set expectation on the amount of money providers must invest to support delivery of their access and participation plan, because the primary focus for the OfS is on the outcomes achieved for students.

'Providers are required to take "all reasonable steps" to comply with their plans and, in line with the approach taken in other legal and regulatory contexts, the OfS takes the view that, to some extent, this compliance standard is likely to require the provider to sacrifice commercial or monetary interests.'

## **Funding for specialist providers**

42. The board has agreed to maintain in cash terms the targeted allocation that supports certain specialist institutions with world-leading teaching, as identified through an international peer review panel exercise in 2015-16<sup>21</sup>. This is a transitional measure for 2020-21 pending our review of this funding. OfS 2020.03 noted that for many providers that receive this funding, OfS grant is a much larger proportion of their overall income for higher education teaching than is commonly the case for other providers. Providers receiving this targeted allocation will still face reductions in other OfS funding allocations, on the same basis as all providers. Respondents to our consultation who commented on the proposal to protect this element of grant were generally supportive, but a range of views was expressed and was considered by the OfS board before it agreed to maintain the same level of funding.

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<sup>19</sup> The government's spending review and autumn statement in November 2015 announced that the funding previously known as the student opportunity fund might need to reduce by up to half by 2020-21 and that it should be focused on those providers with the most effective outcomes. This fund covered what is now provided through the student premiums for full-time undergraduates, part-time undergraduates and disabled students, as well as Uni Connect. Reductions to this element of funding were expected to contribute most of the gross cash reduction to teaching grant between financial years 2015-16 and 2019-20 of £200 million (the net reduction was £120 million after including the transfer of funding responsibility for nursing, midwifery and allied health, which was expected to cost an additional £80 million). See the section on 'Efficiency and reform' at <http://webarchive.nationalarchives.gov.uk/20151202184345/https://www.gov.uk/government/news/department-for-business-innovation-and-skills-settlement-at-the-spending-review-2015>. Funding for student opportunity in 2015-16 totalled £380 million (see <https://webarchive.nationalarchives.gov.uk/20180319123337/http://www.hefce.ac.uk/funding/annalocns/1516/lt/>).

<sup>20</sup> Paragraphs 146 and 147 of 'Regulatory notice 1: Access and participation plan guidance' (OfS 2019.05), available at [www.officeforstudents.org.uk/publications/regulatory-notice-1-access-and-participation-plan-guidance/](http://www.officeforstudents.org.uk/publications/regulatory-notice-1-access-and-participation-plan-guidance/).

<sup>21</sup> See <http://webarchive.nationalarchives.gov.uk/20170712123151/http://www.hefce.ac.uk/lt/howfund/institution/>.



## Overall impact of changes to grant for academic year 2020-21

43. The overall OfS funding settlements for financial years 2019-20 and 2020-21 result in significant reductions to the unit of funding per student FTE that we are able to provide. These reductions reflect not just the amount of funding available to us, but also the increased student numbers that our funding has to support. These arise from:
- a. The phased transfer of funding responsibility relating to courses in nursing, midwifery and allied health that were previously funded by the Department of Health and Social Care.
  - b. Increases in numbers of students on pre-registration medical courses, as a result of the phased increase in intakes from 2018-19.
  - c. The extension of funding from 2019-20 to providers that the OfS and HEFCE were not previously empowered to fund.
  - d. Other increases in student numbers reported by providers.
44. Table 5 summarises our assessment of the changes to the average unit of funding<sup>22</sup> between academic years 2018-19 and 2020-21. These calculations are based on student numbers at the providers that are already registered with the OfS in the Approved (fee cap) category – reductions to the unit of funding will be larger if there are substantial increases to the student numbers that we count for funding purposes as a result of further registrations in the Approved (fee cap) category. These reductions are in the context of regulated fee limits for academic year 2020-21 that (other than for accelerated courses) are still capped at the same level in cash terms as academic year 2017-18, and a decline in the overall unit of resource through grants and fees since academic year 2015-16.<sup>23</sup>

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<sup>22</sup> The average unit of funding is calculated as the total budget for recurrent grant for providers divided by the total OfS-fundable student FTEs that we count in our recurrent grant allocations.

<sup>23</sup> Our analysis of how the unit of resource for higher education has changed over time up to academic year 2017-18 was reported to the OfS board in July 2019 and is available in 'Annex B' under the heading '6.1 Review of the OfS's approach to funding' at [www.officeforstudents.org.uk/about/who-we-are/board-papers/ofs-board-meeting-3-july-2019/](http://www.officeforstudents.org.uk/about/who-we-are/board-papers/ofs-board-meeting-3-july-2019/).



**Table 5: Changes to the average unit of OfS funding for providers in academic years 2018-19 to 2020-21**

	Total recurrent budget	Total fundable FTEs	Unit of funding (cash terms)	Unit of funding (real terms)
2018-19	£1,290M	1,147,863	£1,124	£1,169
2019-20	£1,303M	1,197,346	£1,088	£1,110
2020-21	£1,255M	1,217,024	£1,031	£1,031
Percentage change 2018-19 to 2019-20	1.0%	4.3%	-3.2%	-5.0%
Percentage change 2019-20 to 2020-21	-3.7%	1.6%	-5.2%	-7.1%
Percentage change 2018-19 to 2020-21	-2.7%	6.0%	-8.2%	-11.8%

Note: 'Real terms' are calculated at academic year 2020-21 prices.<sup>24</sup>

45. The outcomes for individual providers for academic year 2020-21 will be variable, because these depend not just on changes to our budgets and rates of grant, but also on how their student numbers in different categories have changed relative to all other providers – each provider is competing for a share of our funding through its ability to recruit and retain students.

## Capital grants to providers for financial years 2019-20 and 2020-21

46. In March 2020, we announced:

- a. Final formula capital allocations for financial year 2019-20, for those registered with us by 31 March 2020 in the Approved (fee cap) category.<sup>25</sup>
- b. Initial formula capital allocations for financial year 2020-21, for those registered with us on 17 March 2020 in the Approved (fee cap) category.<sup>26</sup>

47. As in previous years, there is a minimum threshold of £10,000 to receive an allocation for either year – providers whose share of the total funds would be less than this do not receive an allocation, so we can avoid distributing relatively small sums that are likely to have limited impact.

48. For financial year 2019-20 we have now distributed the full £90 million budget for formula capital allocations. When updated allocations were announced in October 2019, the total distributed was £88.6 million, with the balance set aside as provision for other providers that might join the OfS register in the Approved (fee cap) category by the end of the financial year. Not all of the money previously set aside was needed for that purpose, and therefore there

<sup>24</sup> Using an estimate of the GDP deflators for academic years 2019-20 and 2020-21 derived from the forecast deflators for financial years 2019-20 to 2021-22 published in March 2020 at [www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp](http://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp).

<sup>25</sup> See 'Formula capital funding for 2019-20' (OfS 2019.13) at [www.officeforstudents.org.uk/publications/formula-capital-funding-for-2019-20/](http://www.officeforstudents.org.uk/publications/formula-capital-funding-for-2019-20/).

<sup>26</sup> See 'Formula capital funding for 2020-21' (OfS 2020.17) at [www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/).

have been increases for providers that were included in the previous announcements, as well as a small number of other adjustments for individual providers arising from transfers, mergers and data amendments.

49. Capital funding for financial year 2020-21 totals £150 million, of which £10 million is allocated to Jisc (see paragraph 22) and up to £140 million through formula-based allocations to providers. We announced an initial distribution to providers totalling £136 million in ‘Formula capital funding for 2020-21’ (OfS 2020.17). The balance is set aside as provision for providers that may join the OfS register in the Approved (fee cap) category before the end of the financial year (31 March 2021) and to support development costs for the Higher Education Statistics Agency data futures.

## Funding for national facilities and regulatory initiatives

50. We aim to distribute as much as possible of the funding for core higher education activity through the recurrent grant. However, a small proportion of our funding is provided for specific purposes and to promote change that cannot easily be achieved through other routes. As shown in Table 2, the OfS board has sought to minimise the impact on providers of the savings required to non-capital grants by reducing how much it allocates to support national facilities and regulatory initiatives. Table 6 shows how the budgets that comprise this funding have changed between the academic years 2018-19 and 2020-21.

**Table 6: Funding for national facilities and regulatory initiatives (£M)**

	2018-19	2019-20 original budget	2019-20 revised budget	2020-21 budget
Provision of student information <sup>27</sup>	3.5	3.0	3.0	3.0
Strategic interventions in health education disciplines <sup>28</sup>	1.0	1.0	0.2	0.8
Transforming Access and Student Outcomes <sup>29</sup>	1.5	1.5	1.5	1.5
Challenge competitions <sup>30</sup>	20.0	15.0	5.0	9.0
Jisc <sup>31</sup>	18.0	18.0	18.0	5.2

<sup>27</sup> This includes the annual cost of running the National Student Survey. It also funds Discover Uni (<https://discoveruni.gov.uk/>) which is the official, authoritative source of information and guidance on higher education in the UK and is designed to support prospective students in deciding whether, where and what to study.

<sup>28</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/strategic-interventions-in-health-education-disciplines/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/strategic-interventions-in-health-education-disciplines/).

<sup>29</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/transforming-access-and-student-outcomes/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/transforming-access-and-student-outcomes/).

<sup>30</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/funding-competitions/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/funding-competitions/).

<sup>31</sup> See <https://www.jisc.ac.uk/about>.

	2018-19	2019-20 original budget	2019-20 revised budget	2020-21 budget
Professional and operational services <sup>32</sup>	4.0	1.5	1.5	1.5
Other programmes	3.0	0	0	0
<b>Total non-institutional funding</b>	<b>51.0</b>	<b>40.0</b>	<b>29.2</b>	<b>21.0</b>

## Recurrent grant announcements to providers

51. We intend to announce initial allocations of recurrent grant for academic year 2020-21 to providers on 12 May 2020, for publication on 13 May 2020. Our calculations for that announcement will include all those in the Approved (fee cap) part of the OfS register on 14 April 2020.
52. Subject to providers meeting all eligibility criteria for funding and our having sufficient funding available, we will make further recurrent funding allocations to providers that are registered in the Approved (fee cap) category after 14 April 2020 and before the end of the academic year (31 July 2021), and will make budget provision for this purpose. We will not reduce allocations announced to providers on 12 May 2020 to extend funding to providers that join the OfS register later. In line with our approach for academic year 2019-20, we propose, subject to adequate funding being available, to provide funding for eligible providers registered in the Approved (fee cap) category between 15 April 2020 and 31 July 2021, as follows:
- For a provider that submits its application to register in the Approved (fee cap) category **by 30 April 2020**, a full allocation of recurrent funding for the whole academic year.
  - For a provider that submits its application to register in the Approved (fee cap) category **after 30 April 2020**, an allocation of recurrent funding, which will be reduced pro rata to reflect the number of days in academic year 2020-21 before it becomes registered in this category<sup>33</sup>.
53. Only those providers that have successfully completed registration by 31 July 2021 will receive recurrent funding for 2020-21.

<sup>32</sup> This is funding for a programme of smaller-scale facilitation activities that support the OfS's core regulatory functions. It includes funding for work commissioned by our Student Panel; to support the OfS's contractual commitment relating to quality assessment activities; to support the management and oversight of the Transparent Approach to Costing system (<https://www.trac.ac.uk/about/>); and market assessments and evaluation studies.

<sup>33</sup> For example, if a provider joins the OfS register in the Approved (fee cap) category on 1 January 2021, its recurrent funding will be reduced by  $153 \div 365$  (to reflect the 153 days of the 365-day 2020-21 academic year during which it is not registered).

# Review of the OfS's approach to funding from 2021-22 onwards

54. We are committed to reviewing our approach to funding for the longer term, reflecting the purpose of OfS funding for providers as one of the regulatory levers through which we can support our strategic objectives and general duties. However, the development of the OfS's funding method has to be set in the context of the wider finance arrangements for higher education as a whole, recognising, for example, the balance of contributions expected to come through course fees and OfS grants; and equally the balance of funding responsibilities between the OfS and other public bodies such as the Education and Skills Funding Agency and the Department of Health and Social Care. There remains continuing uncertainty about this wider context, pending the government's response to the report of the independent panel chaired by Philip Augar for the post-18 education and funding review<sup>34</sup> and the outcomes of the next spending review, the timing for which is not yet fixed.
55. In reviewing our funding method, we cannot pre-judge the outcomes of the spending review or the post-18 education and funding review. This means that we cannot consult on much of the technical detail of our approach – such as how much funding to provide for particular subjects or activities – until we have certainty about that wider financial and policy context. This will not be in time to inform funding for academic year 2021-22, because the time required to develop, model and consult on the detail of a new approach will not fit with our need to collect academic year 2020-21 student data to inform academic year 2021-22 funding allocations. We would expect to notify providers of substantive changes to 2020-21 data requirements (such as how student activity will be counted and categorised for funding purposes) by early summer 2020.
56. We are therefore now aiming to develop our funding method so that changes are generally introduced for academic year 2022-23, but we will keep this timetable under review to reflect the context of wider government developments. We would note in particular that the effects of the current coronavirus pandemic could well further delay our review. While we have had some informal discussions with government and sector bodies as we look to develop our thinking on the new approach, we will be keen to consult widely on proposed changes once these are clear. We will not consult while the current government measures to address the pandemic remain in force.
57. We recognise that there may be some areas where earlier decisions may be required, to inform funding prior to academic year 2022-23. We will continue to progress these as soon as we can, subject to any constraints arising from the coronavirus pandemic.

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<sup>34</sup> See <https://www.gov.uk/government/publications/post-18-review-of-education-and-funding-independent-panel-report>.

# Annex A: Responses to consultation on implementing savings in academic years 2019-20 and 2020-21

1. We published 'Consultation on implementing savings in academic years 2019-20 and 2020-21' (OfS 2020.03)<sup>35</sup> on 17 January 2020. This set out our proposed method of implementing the required savings to Office for Students (OfS) teaching budgets for the academic years 2019-20 and 2020-21. Interested parties were given until 17 February 2020 to respond.
2. In addition, we held discussions with various sector bodies on 5 February 2020. This event was primarily concerned with seeking feedback on our early thinking on the development of our future approach to funding (beyond academic year 2020-21), but included a session specifically on implementing savings arising from our grant settlement for financial year 2020-21.

## Responses to the consultation

3. We received 108 responses to the consultation. Of these:
  - 92 were from providers registered with the OfS in the Approved (fee cap) category
  - one was from a provider registered in the Approved category
  - 12 were from sector representative bodies
  - one was from a trade union
  - two were from individuals not responding on behalf of a larger organisation.
4. Respondents were asked for their views on five specific questions through an online form, but were also able to respond by email or letter. Respondents may have commented on similar topics in different questions. Where this has happened, we have summarised all such concerns in one place.

## Question 1: To what extent do you agree with our proposed approach to securing savings in the academic year 2019-20?

5. If using the online form, respondents were required to provide a Likert-type response to this question. Of these:
  - 93 per cent agreed (strongly agreed or tended to agree) with our proposed approach
  - 5 per cent disagreed (strongly disagreed or tended to disagree) with our proposed approach
  - 2 per cent were neutral (did not know or preferred not to say).

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<sup>35</sup> See [www.officeforstudents.org.uk/publications/consultation-on-implementing-savings-in-academic-years-2019-20-and-2020-21/](http://www.officeforstudents.org.uk/publications/consultation-on-implementing-savings-in-academic-years-2019-20-and-2020-21/).

6. 90 respondents provided further comments. These were supportive of our approach to making savings, with a substantial number of providers commenting on the difficulty to providers in accommodating savings when funding had been committed for the year. Comments included:

‘Reducing amounts already budgeted for the current year would be very unhelpful, and the proposed approach aims to minimise this.’

‘The approach to proposed savings seems reasonable and since it appears to affect funds yet to be committed and budget underspends we expect it to be unlikely that that [the provider] will be adversely affected.’

‘It would be extremely difficult at this late stage to respond to a cut in funding during the current year. Any steps that the OfS can take, along those outlined, to avoid the need for any cuts can only be welcomed.’

7. A small minority of providers noted that deferring all savings to 2020-21 would necessitate a larger reduction in that year. They suggested that we consider the impact of the proposed savings, and if necessary, make more savings to budgets in 2019-20 if this would result in an overall reduction in the direct impact to students.

## **Question 2: To what extent do you agree with our proposed approach to securing savings in the academic year 2020-21?**

8. If using the online form, respondents were required to provide a Likert-type response to this question. Of these:

- 64 per cent agreed with our proposed approach
- 32 per cent disagreed with our proposed approach
- 4 per cent were neutral.

9. Further comments were provided by 92 respondents. The majority of providers recognised our need to make savings in the budget for 2020-21 and were supportive of our approach. A number of respondents specifically noted that:

‘the approach is fair, simple and transparent, with clear exceptions and justification why the proposals have been made. There is balance between the need to make savings and fund priority areas.’

10. A number of common themes were identified in the comments received, summarised in paragraphs 11 to 20.
11. Concerns about the proposed reduction in funding provided to Jisc and other national facilities and initiatives were expressed by 16 respondents. Respondents were concerned about the potential for cuts to Jisc funding having an adverse impact on the integrity of the Janet network, which fundamentally underpins the UK education and research environment; and also recognised Jisc’s critical role in protecting the whole UK’s education and research network from increasing cybersecurity threats. Many of these respondents questioned whether this reduction would subsequently be passed on to providers in the form of increased subscription fees charged by Jisc.

12. The ability of the OfS to absorb part of the cuts to recurrent funding budgets from other sources was queried by nine respondents. In particular, it was asked whether savings could be made to the OfS central budget, or through a reduction in the capital funding budget. **[OfS comment:** The OfS is not permitted by government to vire funding from its overall capital budget into recurrent grant. Its running costs are met through providers' registration fees, and do not affect the grant it has available from government for distribution to providers and others.] It was noted that:

'it may be easier for institutions to delay or modify planned capital works than to respond quickly to reductions in revenue funding which will have an impact in less than six months' time'.

13. It was noted by 10 respondents that the proposed savings, along with other factors such as growth in student numbers, would act to reduce the unit of resource that providers receive. The rate of funding that providers receive per full-time equivalent student will be reduced as a result of these factors, and pressure will be put on provider finances as a result. Providers noted that: 'these funding reductions may impact on the number of places [the provider] is able to offer for next generation scientists and engineers in order to maintain teaching quality whilst costs increase and funding reduces.' Several providers noted that they would 'prefer to see an approach where the unit of funding for high-cost provision is protected.'

14. 12 respondents also commented on the differences between the costs of teaching particular subjects and the income that they receive per student, counting both OfS grant and tuition fees, referencing analysis on the cost of funding undertaken by KPMG on behalf of the Department for Education<sup>36</sup>, and by the Russell group<sup>37</sup>. Providers commented on the shortfall in funding, particularly for high-cost science, technology, engineering and maths (STEM) and healthcare subjects:

'Frozen fees and grant income have already placed financial pressure on the delivery of [STEM] subjects and funding reductions will further increase these deficits and financial pressures on the university'

'As [shortfalls in funding] increase, there will be increasing difficulties in delivering the government's priorities for a highly skilled workforce to drive our economy and research base forward, and to hit the long-term target for [research and development] of 2.4 per cent of [Gross Domestic Product].'<sup>38</sup>

15. A substantial number of respondents (27) commented on the proposals to maintain the current level of funding for the specialist institution targeted allocation, with a majority (17 respondents) in favour of this approach.

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<sup>36</sup> See <https://www.gov.uk/government/publications/cost-of-undergraduate-higher-education-provision>.

<sup>37</sup> See <https://russellgroup.ac.uk/policy/policy-documents/t-grant-briefing/>.

<sup>38</sup> The government's Industrial Strategy announced a commitment 'to reach 2.4 per cent of [Gross Domestic Product] investment in [research and development] by 2027 and to reach 3 per cent of [Gross Domestic Product] in the longer term, placing us in the top quartile of [Organisation for Economic Co-operation and Development] countries.' See <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>.

- a. Those in favour of our proposals noted that, for providers receiving specialist institution funding, the targeted allocation tends to make up a much larger proportion of their overall income for higher education teaching than is commonly the case for other providers. They also noted that it would be undesirable for changes to be made to this funding stream ahead of our funding review. One provider also noted that:

‘the consultation does not recognise that simply maintaining the level of specialist institution targeted allocations, given that more providers may bid for and be awarded this funding, could lead to a funding reduction for world-class specialist institutions. We believe that this vital funding stream should be increased to protect such provision and to accommodate any growth in the number of institutions in receipt of the targeted funding allocation.’

- b. Respondents that were not in favour of protecting the specialist institution allocation noted that the proposed approach did not seem equitable, with other providers having to shoulder a greater burden. A small number of providers also noted that, for various reasons, they had not been able to apply for specialist institution funding when it was last reviewed and believed that protecting the allocation provided an unfair advantage to their competitors.

16. The proposals to maintain funding for Uni Connect (formerly known as the National Collaborative Outreach Programme) at existing levels were commented on by 18 respondents, with a large majority (15 respondents) in favour. Comments noted the impact of Uni Connect projects on outreach work and of improving access to higher education by underrepresented groups. Providers also noted that Uni Connect funding is already committed, not least to staff salaries, and that it would be difficult to absorb any reductions to this funding stream. Of the three respondents that did not fully support the proposal to maintain Uni Connect funding, two felt that it would be possible to review the existing spending of Uni Connect partnerships to identify where savings could be made. The remaining provider objected on the grounds that ‘only universities receive Uni Connect funding’. [**OfS comment:** Uni Connect provides funding for 29 local partnerships of universities, colleges, local authorities, local enterprise partnerships, employers and others who work together to develop and deliver Uni Connect locally. Grant payments to partnerships are made through a lead university, but there are, for example, 148 further education colleges involved in Uni Connect partnerships.] One respondent noted that the funding commitment to Uni Connect is due to end in 2020-21, and asked that consideration be given to using any savings made from not continuing with the program to restore funding in other areas for 2021-22.
17. Specific comments were made by 22 respondents on how the proposed approach would affect the delivery of courses in medicine, nursing, midwifery and allied health professions, including several higher education and health sector representative bodies. Respondents welcomed the proposal to make additional budget provision to reflect additional students on these courses, but noted that this would be balanced by the overall reductions to the grant. One respondent noted that the proposed approach:

‘also brings unintended consequences for providers delivering medical education. The funding for consultants’ and GPs’ pay ensures that we are able to recruit academics in critical medical subjects by matching their dual contract salary with the NHS trusts. Reducing this alongside the reduction in overall funding for high-cost medical subjects has a double impact and greatly affects the cost of delivering these subjects. Institutions delivering STEM courses are placed at particular disadvantage as a result of these



proposals as there are already shortfalls between the available funding and the cost of delivery.’

18. Many respondents noted that the proposals might affect their ability to increase recruitment to these courses, in line with government priorities and the NHS People Plan. Several respondents expressed concerns about the impact of any reductions to these subjects, noting that:

‘If universities are forced to subsidise the costs of providing healthcare courses expansion will become significantly less likely, particularly where cuts to other OfS funding streams reduce universities’ income overall and therefore their ability to cross-subsidise provision. This would threaten the government’s nursing recruitment plans.’

‘The costs of sustaining small programmes within universities are proportionately higher. Smaller programmes, such as learning disability nursing, could therefore be under more immediate threat from funding cuts than the larger subjects, particularly where recruitment is already difficult. This could ultimately have an uneven impact on the provision of education for healthcare professions across England’s regions.’

‘This reduction in funding could impact on the ability of institutions to deliver on requirements set out by the relevant regulatory bodies. It could also undermine the ability to deliver the innovative provision required to train the next generation of healthcare professionals. This includes using the latest advanced technology and infrastructure, as well as maintaining the additional contact hours and smaller group sizes typical of, and necessary for, this type of training.’

19. Comments were received from 14 respondents on the proposals to include the targeted allocation for students attending courses in London within the scope of the overall savings. Those commenting generally represented providers based in London and noted the increased costs associated with operating in London, as found in various studies such as the ‘2019 KPMG study for the Department for Education’. Respondents asked that this be borne in mind when making budgetary decisions now, and in any future review of our funding methods. Our consultation document noted that providers operating in London ‘have a much higher proportion than the national average of students from black and minority ethnic backgrounds’. Respondents noted that savings made to this targeted allocation would have an associated effect on the experience of these students.
20. Concerns were expressed by 10 respondents that reductions to the student premium allocations were included in the proposals. They noted that this would have an impact on their ability to support underrepresented groups, and this was expanded on in their answers to Questions 3 and 4.

**Question 3: Do you have any comments about any unintended consequences of these proposals, for example, for particular types of provider or for particular types of student?**

21. This question was completed by 80 respondents, who provided further comments. Common themes are discussed in paragraphs 22 to 30.
22. Comments were received from 16 respondents on the impact of the proposals on the student experience. Respondents noted that reductions in funding would:

‘impact on our ability to support our students more broadly overall and current initiatives that we put in place to support student welfare, student employability [and] support for

mature students could be affected. There will be less money to spend and we will have to determine our priorities.'

23. The impact of the proposals on students supported by the student premium was commented on by 36 respondents. This represents about a third of all those who responded to the consultation request and just under half of those who commented on this question. Providers flagged their concerns that the measures would impair their capacity to attract and support a diverse range of students, including those from underrepresented groups. They commented that:

'Given that a significant proportion of students at the university are from underrepresented groups or those which are considered priority groups within the OfS's plans and the university's access and participation plans, we are concerned about the impact that the reduction in student premium funding will have on these students.'

'By making cuts to all elements of recurrent grant, including the student premium funding, there will be challenges in maintaining the high level of spend that we currently invest in improving access and participation for disadvantaged students, many of whom have protected characteristics.'

24. Respondents commented on the impact of the proposals on specific student groups. These concerns are discussed further in the responses to Question 4.

25. 10 respondents commented that the proposed savings might have a disproportionate effect on providers that offer a high proportion of courses in high-cost subjects, particularly STEM and health provision. Respondents noted that for such providers high-cost subject funding may make up a higher proportion of their overall OfS grant and that:

'the proposals could impact significantly on those colleges offering significant technical, science and health care-based provision such as the newly created Institutes of Technology.'

'These cuts could also have a negative impact on the delivery of the government's ambitions in the Industrial Strategy, which recognises the need for more high-skilled training in subjects such as engineering and computer science.'

26. Several also discussed the pressures on funding rates mentioned in paragraphs 13 and 14.

27. Several more respondents commented that the proposed savings might have a disproportionate effect for smaller providers, or those that tend to specialise in a smaller range of subjects. Respondents noted that such providers:

'often have high numbers of widening participation and disabled students [...] the reduction in recurrent funding could have genuinely negative consequences on the quality of education we can provide to students.'

...and that:

'Small providers with a teaching focus are likely to be more reliant on the teaching grant and are more likely to be disproportionately impacted by the proposals.'

28. In the themes discussed in paragraphs 26 to 27, respondents also commented that such providers might have fewer income streams to draw upon, and that they would also have less ability to cross-subsidise their provision between subjects. One respondent noted that these providers:

‘do not have as much capacity as larger multi-faculty institutions to cross-subsidise their provision and absorb the proposed funding cut. The cost base is not only increasing with regard to inflation in teaching costs, but also in terms of employer pension contributions, other costs associated with changes in employment conditions, management of the regulatory environment and statutory subscriptions.’

29. A small number of providers asked about the scope for the OfS to consider measures to mitigate the effects on providers that are disproportionately heavily affected by the proposed savings.

30. Many respondents commented on how the proposed savings might impact their provision in the future.

- a. Several comments noted that providers might seek to refocus their admissions towards students who are not subject to tuition fee limits, particularly international and postgraduate students. One provider commented that:

‘There is a significant danger that, with the scope to expand overall numbers constrained due to the necessarily intensive and costly nature of our teaching facilities, financial imperatives will require additional international student recruitment that will be at the cost to the UK student proportion of our cohorts.’

- b. Respondents also noted that providers would need to assess the sustainability and longer-term viability of courses and alternative learning pathways (such as online and distance learning). Any subsequent reduction of provision would have the effect of reducing the choice available to students, and in particular would have an effect on underrepresented groups who might be less geographically mobile and more reliant on local provision. Respondents noted that:

‘If current government policy in relation to Level 4/5 higher technical and professional provision is to be implemented, which is predominantly delivered by local [further education colleges], then a pro rata reduction could leave them unable to maintain current provision or to prepare to deliver new provision.’

[The proposed approach] ‘could hasten the closure of [higher education] provision in [further education] environments thereby reducing access to [higher education] to an element of the population and thereby narrowing participation nationally.’

‘There must be a risk that certain high-cost subjects will cease to exist (given reduced funding and flat fees). Therefore, it would be interesting to know if there are subjects that the OfS would “ring-fence” in order to ensure their continuation.’

#### **Question 4: Do you have any comments about the potential impact of these proposals on individuals on the basis of their protected characteristics?**

31. This question was completed by 59 respondents who provided further comments. It was noted that the impact of the proposals on widening participation work undertaken by providers would mean that:

‘those groups who have lower participation and lower achievement in [higher education], many with protected characteristics, will be disproportionately affected, as [higher education institutions] will have to reduce their outreach, support and enhancement work. For example, support to close the [black, Asian and minority ethnic] attainment gap and to

assist the growing student population with disabilities will be affected. This would be counter to OfS' objectives.'

32. Respondents to this question also discussed the impact the proposals would have on specific student groups.

a. Some respondents discussed the effect of the proposals on disabled students. As well as the reduction in the disabled students premium, it was also noted that:

'Providers have to maintain support for disabled students as required by law; if less money is available from student premium funding it will have to come from elsewhere. We believe that an unintended consequence may therefore be less money being spent on supporting students from other underrepresented groups.'

'Part-time study attracts a higher number of students with disabilities than full-time study. This is so they can study at a different pace but still complete degree level study. This has been encouraged through the development of part-time maintenance loans which interact with the benefits system. Disabled students require additional learning support at an institutional level and we would not want to see strides taken in this area reversed.'

b. Several providers expressed concerns about the impact of the proposals on part-time and mature students. It was noted that such students:

'may be less geographically mobile and are often more reliant on small, local [higher education] providers [...] Any impact on the viability of [higher education] provision, could "close the door" to such groups.'

33. Several providers called for some protection of the student premium funding streams.

34. A small number of providers commented on how the proposals might impact their ability to deliver targets agreed in their access and participation plans, and suggested that reductions 'may undermine the work [the provider] and the sector [have] done in this area' and that it 'will impact on the ability of providers to achieve [access and participation plan] outcomes, or at least have the potential to slow down progress in this area'.

35. Several providers noted the need for the OfS to fully understand the effects of the proposed savings on providers and specific student groups and commented on the expectation that:

'a full Equality and Diversity Impact Assessment will have been undertaken by the OfS prior to any cost savings being implemented.'

### **Question 5: Do you have any other comments on the proposals?**

36. This question was completed by 53 respondents who provided further comments. Many of the issues raised in these responses have already been discussed, but other common themes are summarised in paragraphs 37 to 41.

37. Several providers commented on how the proposals might affect challenge competitions. Generally respondents supported the approach, but noted that:

'challenge competitions are valuable opportunities for the sector to focus on national priorities, combine resource, and collaborate effectively.'

[challenge competitions] 'have previously addressed significant sector issues, such as student mental health provision and it should be made clear the potential negative impact withholding funding in these areas could have.'

38. Several respondents specifically mentioned that they welcomed the opportunity to comment on the proposals and that they 'looked forward to being able to contribute to the upcoming major review of funding'.

39. Following on from the issues discussed under Questions 1 to 4, providers reiterated their concerns about the financial burden for providers, both of the proposed savings and of the general reduction in available teaching funding. Respondents reflected on decreases to the unit of resource caused by:

'a tuition fee freeze which does not account for inflationary pressures [which will be] further compounded with the reduction in OfS grant'.

40. Several respondents also noted that, though they might consider the proposals an equitable approach to implementing savings, they still had concerns and that:

'any support for these proposals is not advocacy for this reduction to the teaching grant, nor for any recurrent cuts in future budgets'.

41. Several respondents commented on the timing of the proposals. It was noted that many providers have just submitted their five-year financial forecasts to the OfS, which are now likely to need adjustment. It was also noted that, given the upcoming government response to the independent panel chaired by Philip Augar for the post-18 education and funding review and the upcoming review of our funding methods, respondents felt less able to comment on the potential longer-term effects of the proposals.



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