



Rt Hon Gavin Williamson CBE MP
Secretary of State

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Dear Nicola

Notification to the Office for Students (OfS) by the Secretary of State for Education to set terms and conditions for the allocation by OfS of Strategic Priorities Grant funding for the 2021/22 Academic Year

On 19th January 2021, I issued guidance to the Office for Students (OfS) setting out the funding available to OfS for the 2021/22 financial year, and guidance on how the OfS should plan to allocate funding across the 2021/22 academic year, noting that future funding will be determined at the next spending review.

This letter contains further guidance to the OfS under section 2(3) of the Higher Education and Research Act 2017, and terms and conditions of funding under section 74(1) of that Act. In giving this guidance and determining the terms and conditions of funding, I have had regard to the need to protect the institutional autonomy of English higher education providers.

My guidance of 19th January said that the OfS should, subject to consultation, reprioritise funding towards the provision of high-cost, high-value subjects that support the NHS and wider healthcare policy, high-cost STEM subjects and/or specific labour market needs and in doing so the OfS should therefore reduce funding by 50% for high-cost subjects that do not meet these priorities. The guidance also stated that the OfS should remove weightings for London providers across the Strategic Priorities Grant (SPG), including the students attending courses in London supplement, and weightings within the student premiums.

The SPG is a limited funding pot provided by Government to support the provision of higher education. I consider that a reprioritisation of this funding is needed to ensure that it is best aligned with Government priorities and supports them. The OfS has publicly consulted on changes to reprioritise the SPG. I have considered the consultation responses, including the potential impacts on providers and students of the proposed changes, as well as the equality implications and proposed timings for the changes.

In particular, some consultation respondents raised concerns over the impacts of reduced grant funding to some providers. I note that recent OfS analysis of the financial returns and forecasts for the HE sector shows that the sector on the whole remains financially sound and resilient, despite the challenges caused by the pandemic¹. In addition, today, the SPG accounts for a relatively small proportion of the total income of higher education providers², although I recognise that for some providers the impact will be greater than

¹ OfS report: Financial sustainability of higher education providers in England
<https://www.officeforstudents.org.uk/publications/financial-sustainability-of-higher-education-providers-in-england-2021/>

² Higher Education Statistics Agency: What is the income of HE providers? <https://www.hesa.ac.uk/data-and-analysis/finances/income#sources>

for others.

Having considered the consultation responses and the issues they highlighted, I have concluded that archaeology should be included within the OfS's Price Group C1.1 subject list. With regard to other aspects of the reform of grant funding, I consider that the changes I proposed in my 19th January guidance are justified to support Government priorities. These changes will help ensure that increased grant funding is directed towards high-cost provision that supports key industries and the delivery of vital public services, reflecting priorities that have emerged in the light of the coronavirus pandemic. I also asked you to invest an additional £10m in our world-leading specialist providers, many of which specialise in arts provision, including some of our highest quality and most renowned creative arts institutions, and look forward to the OfS's review of specialist providers later this year. The proposed changes are intended to help maintain the UK's position as a leader in science and innovation and deliver better value for money for students and the taxpayer.

My guidance also asked the OfS to increase funding for student hardship and mental health support, whilst maintaining funding for student premiums. I look forward to your response to these proposals shortly as they will directly benefit students in higher education.

Accordingly, I set out in Annex A the terms and conditions of funding, made under section 74(1) of the Higher Education and Research Act 2017, that apply to the Strategic Priorities Grant funding allocated to the OfS for this financial year.

A handwritten signature in blue ink, appearing to read 'G. Williamson', with a long horizontal stroke extending to the right.

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Annex A: Additional Terms and Conditions of funding

1. These terms and conditions apply to the strategic priorities grant (the **Grant**) of £1,480,000,000 allocated by the Secretary of State to the Office for Students (**OfS**) for the financial year 2021/2022. The Grant is for distribution pursuant to section 39 of the Higher Education and Research Act 2017.
2. The Grant is made to the OfS subject to the following terms and conditions:
 - (a) The OfS must allocate funding to eligible higher education providers (**Providers**) for recurrent High-Cost Subject Funding for the academic year 2021/22.
 - (b) When determining the amount to be allocated to Providers for recurrent High-Cost Subject Funding in academic year 2021/2022, the OfS must ensure that any subject not specified in paragraph 2(d) below is funded at half the rate at which it was funded during the academic year 2020/2021.
 - (c) When determining the amount to be allocated to Providers for any purpose other than recurrent High-Cost Subject funding, the OfS must not directly or indirectly take into account the reduction required by paragraph 2(b) without written agreement by the Department.
 - (d) The subjects, for the purpose of paragraph 2(b) above, are:
 - I. Anatomy and Physiology, Pharmacy and Pharmacology;
 - II. Archaeology
 - III. Clinical Dentistry, Dental Hygiene and Therapy;
 - IV. Clinical Medicine;
 - V. Engineering subjects;
 - VI. Information Technology
 - VII. Nursing and allied health professions (pre-registration courses);
 - VIII. Sciences (Agriculture; Forestry and Food Science; Earth, Marine and Environmental Sciences; Biosciences, Chemistry, Physics);
 - IX. Veterinary Science.
 - (e) When determining the amount of any grant to Providers (except for grants made or to be made in respect of academic year 2020/2021), the OfS must not directly or indirectly vary any rates of grant on the basis of the region of the UK in which providers and/or students are located or courses offered.
3. If the OfS does not comply with any of the requirements in paragraph 2 the Secretary of State may require the repayment of the whole or any part of the Grant still held by the OfS.
4. The Secretary of State may revise these terms and conditions as appropriate, including, but not limited to, to take account of changes to the funding allocated by HMG to the OfS for distribution to Providers in the 2022/2023 financial year.