Office for Students

Chief Executive’s report

Purpose

1. This paper provides an update on work undertaken and issues that have arisen since the date of the last board meeting on 9 March 2021, to the extent that they are not covered in other board papers or by the recent extraordinary board meeting on 22 April 2021.

Recommendation

2. The board is invited to note the updates contained in this paper.

Further information

3. Available from Nicola Dandridge.

Summary of main activity

4. It has been an exceptionally busy period for the Office for Students, as reflected to a large degree in paper 4.1(Update on delivery of OfS activity). Our work from April 2021 onwards has been characterised by James' successful transition into the role of chair, involving a busy agenda of introductory meetings with external stakeholders as well as briefing meetings with OfS staff. Meantime, we continue our ongoing regulatory work, taking forward the reboot of our regulatory approach and the analysis of the quality and standards (and other) consultations, including the distribution of a further £15m tranche of coronavirus-related hardship funding for students and consultations on our approach to funding for 2021/22 (see paragraphs 13-20). We are also taking forward regular communication with the Department for Education (DfE) as they implement the reforms connected to the 'Skills for Job' White Paper (January, 2021) and the 'Higher education: free speech and academic freedom' policy paper (February, 2021).

Participation

5. We updated our A&P data dashboard alongside publishing an independent evaluation of our access and participation plan reforms on 11 March 2021. Associated commentary from the director for fair access and participation highlighted that the access gap to higher tariff universities has narrowed slightly; that the black attainment gap closed from 24.7% in 2015-16 to 18.3% in 2019-20; and that continuation and attainment gaps persist for groups of disabled students. These updates were reported in The Times, Daily Telegraph and Independent.

6. We continue to monitor admissions data and liaise with the DfE as they take forward their post-qualification admissions consultation. We published a blog on 17 March 2021 in which we described our approach to admissions this summer: cautioning universities and colleges to consider their admissions strategies carefully and setting out our expectation that providers should continue to meet commitments in their access and participation plans as well as ensuring that they are able maintain quality in the context of potential increased demand for higher education courses. The blog was extensively covered in the media, including The Times, Daily Telegraph, I, BBC News and Daily Mail.

Experience

7. We continue to consider information provided by students and other third parties through our notifications process. We are focusing on cases relating to the quality of teaching and learning during the pandemic and associated consumer protection issues. Some of the notifications relate to issues such as how assessments are being conducted, others to situations where providers have not effectively and clearly communicated with students as to what teaching was being provided. We anticipate that the majority of these issues will be dealt with by discussions with the providers concerned and our experience is that providers are generally responding positively to our informal engagement. There are, in addition, a small number of cases where a more formal approach is likely to be necessary and we are opening investigations where our compliance concerns are such that the use of our enforcement powers may be appropriate.

8. We published on 19 April, 2021 our statement of expectations in relation to harassment and sexual misconduct. The statement provides a clear and consistent set of standards for colleges and universities to help them to develop and implement effective systems, policies and

processes to prevent and respond to incidents of harassment and sexual misconduct. The proposals cover all forms of unlawful harassment, but allow focus on specific issues, such as sexual misconduct, and antisemitism. We will monitor closely how universities and colleges respond to this statement and will be following up as appropriate There was understandably substantial media coverage of this announcement, with reports in The Times, Daily Telegraph, Daily Mail, Sun, Independent and BBC News. Press Association coverage was covered by over 100 local and regional newspapers, and I have conducted a number of interviews, and participated in a 'Thinkin' for Tortoise Media looking at sexual harassment and misconduct– attended by students and sector representatives.

9. A new condition of registration, condition C4 (student protection directions), was imposed on 1 April, 2021, following the consultation process last year. The condition enables us to issue directions to a provider to take action where they are, in our view, at material risk of ceasing to provide higher education in England.

10. We published on 30 March 2021 the phase one report of our National Student Survey (NSS) review, which set out how we will consult on changes to the questions asked in the survey, remove references to 'satisfaction' in the survey questions, provide improved guidance on the responsible statistical use of NSS results and reduce any unnecessary duplication or burden within providers by way of better analysis of results from a central website. The 2020/21 NSS response window closed on 30 April 2021.

11. Our latest Insight Brief, published on 9 April 2021, 'Consistency needed: Care experienced students and higher education' set out the current picture in terms of the access to, experience of and outcomes from higher education for care experienced people. The briefing drew on case studies from across the sector as well as drawing on OfS's own data and highlighting the work the OfS has been doing to drive progress in the provision for these groups of students. It gained a positive reception in sector and social media.

Outcomes

12. We continue to review our work on ensuring that qualifications awarded to students hold their value over time, in the light of the impact of coronavirus. This may pose challenges this summer for some providers and students, given the need to adjust assessment approaches as a result of the various lockdowns during this year. We swiftly rebutted a misleading story last month suggesting we backed policies that regarded good spelling and grammar as 'elitist', with letters from Chris in the Times, Telegraph and Mail on Sunday, and ensuring that incorrect assertions in the Mail on Sunday were removed from stories on its website.

Value for money

13. On 26 March 2021 we published a consultation on recurrent funding for academic year 2021-22 and a consultation on the distribution of capital funding for financial year 2021-22. These consultations follow receipt of the DfE's guidance letter and a new condition of grant applied by the Secretary of State on the OfS.

14. The capital funding consultation closed on 23 April 2021. We received 108 responses, from providers, mission groups and sector bodies, with a very small number from students. We are

currently analysing the responses, and aim to complete our analysis later this month. In brief overview:

- Exempt from publication
- Exempt from publication
- Exempt from publication
- Exempt from publication
- Exempt from publication
- Exempt from publication
- Exempt from publication
- Exempt from publication

15. Once we have completed our analysis we intend to provide a summary to DfE, as they have requested. They had previously indicated they would consider imposing a direction under section 77 of the Higher Education and Research Act, 2017 (HERA) on the OfS to require us to implement any changes they want to see. We will await the DfE's decision before we decide on the distribution of capital funding for this year.

16. The recurrent funding consultation closed on 6 May 2021 and we are also currently analysing those responses.

17. As with capital funding, we understand that the Secretary of State may also use directions under s.77 of HERA relating to the approach to recurrent funding for 2021-22.

18. The targeted funding allocation for specialist providers is additional funding that has been provided to sixteen 'world leading' specialist providers previously funded by the Higher Education Funding Council for England (HEFCE)[1]. It recognises the higher cost and distinctive nature of (primarily small) specialist higher education providers, and the public value that they bring to the sector.

19. The OfS has committed to reviewing this funding, but this cannot be delivered for the 2021-22 academic year. In his guidance letter to us in March, the Secretary of State set out that:

    a. we should conduct our review at the earliest possible opportunity so that some funding can be made available to any providers newly deemed eligible.
    b. there should be no watering-down of the 'world-leading' criterion, and, accordingly, he would not expect to see a large-scale expansion of the list of eligible providers
    c. meantime, the OfS must allocate £43.4m (of a total of £53m available) to the existing 16 providers in the same way as in academic year 2020/21, plus an additional £5m for this group.
    a. we must reserve a further £5m to be allocated after the review. This money could be distributed to those on the current list or to providers who enter the list after the review.

20. We are currently identifying a proposed approach which we plan to consult on later this year. We aim to bring those proposals to the board in July.

[1] HEFCE was a predecessor body of the OfS, responsible for funding higher education teaching and research. See: https://webarchive.nationalarchives.gov.uk/20180508114509/http://www.hefce.ac.uk/

Efficient and effective

21. Annex B provides a snapshot of our regular corporate scorecard. The scorecard is produced quarterly and includes a selection of management information, with this version having been considered by the directors at its quarterly business plan review in April. The report is provided to the board for information, in response to recent board feedback that members wanted periodically to see OfS management information.

22. Following the March board meeting, a group comprising Gurpreet Dehal, Elizabeth Fagan, Kate Lander, Nicola Dandridge, Richard Puttock and Nolan Smith met on 17 March 2021 to finalise the approach to Data Futures to March 2022. The group agreed that:

    a. the programme should deliver the technology and data model aspects to the 2022-23 timetable as an annual retrospective and against the September 2020 budget. Delivery against this aim should be rigorously monitored and the burden review should not allow for any lack of clarity on delivery

    b. the group was content that the milestones provided in the paper gave sufficient detail to allow the programme to be monitored. Progress against these should be reported to the Risk and Audit Committee (RAC) at each meeting providing a RAG rating for each milestone

    c. HESA and Jisc should actively manage down the risk of potential future costs and should build flexibility into the designs where possible, producing suitable evidence of any future costs requirements

    d. the OfS should set an expectation for HESA that future development is funded from HESA subscriptions.

23. HESA and Jisc have since continued to deliver the Data Futures programme and have recruited 14 providers to participate in the Alpha pilot phase of the programme. Staff recruitment and retention continues to be the biggest challenge faced by the programme.

24. The RAC will discuss the OfS's Annual Report & Accounts at its meeting on 21 May 2021. We aim to send the final draft report to RAC members on 14 May 2021, circulating the draft to all board members at the same time to allow for board comments and input. Following amendments, we will circulate the final report to board members once signed off by Nicola as the accounting officer.

25. The OfS has launched a competency framework internally, that will underpin the way in which performance is understood and described across the organisation. The framework is being implemented through the objective setting process for the year ahead and will be integrated into job descriptions and future recruitment exercises.

26. Staff continue to work from home predominantly and in line with government guidance. We have launched a ways of working project that is currently consulting staff and working with the executive team to determine the approach that will be taken when working from home guidance is changed, following the outcomes of the review of social distancing measures due to report ahead of Step 4 of the government's roadmap.

27. We continue to grow our social media following. At the time of writing, the OfS has 17,000 followers on Twitter and 10,500 followers on LinkedIn, which remains an important channel – for example as we recruit for important new graduate roles at the OfS. There were almost 300,000 page views of the OfS website in March – with our student pages around the pandemic remaining one of the most visited sections.

28. Finally, board members will be aware that we have our annual board away day in the diary for Wednesday 22 September 2021, followed by a short board meeting on the following Thursday morning. Our current proposal is that we meet on the Wednesday afternoon and evening, in London, for three scheduled sessions: the first covering emerging thinking on regulatory policy and practice; the second comprising a discussion about the external political environment; the third covering our new 2022 strategy and 2022/23 business plan. The first two sessions would involve external speakers. We would then set aside time in the evening for general discussion.

Annex A – Sector financial sustainability update

Introduction

1 This annex provides a brief update on some of the analysis undertaken to date on the most recent finance data (Annual Financial Return (AFR20), collected in March 2021. We continue to collect updated data from providers throughout the year and this analysis will therefore change as and when updated data is returned.

2 The analysis presented here represents a snapshot of the sector data as at 30 March 2021. The data in this briefing, is derived from an HE provider population consisting of 202 provider returns of AFR20 (submitted since Jan21) and 17 provider returns from AFR19). At the time of the cut off for this data 30 HE providers have not yet been required to submit full, AFR20, 7-year forecasts and are not yet included in the data below.

3 Analysis is presented at aggregated sector and tariff peer group level. Tariff peer group allocations are subject to review and may therefore change in future analysis.

4 We are continuing to analyse the data and aim to publish a report on these trends in June.

Summary

Sector* (Figures in £'000)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total income	35,055,410	35,469,384	35,356,719	37,795,576	39,662,892	41,150,295	42,459,915
Surplus/(Deficit)	1,332,561	674,800	-258,168	744,071	1,253,933	1,533,024	1,688,122
Cash flow from operating activities	3,014,524	3,012,588	1,487,250	2,620,094	3,467,693	3,874,509	4,081,134
Net liquidity	11,621,735	12,410,597	11,077,284	10,574,620	10,978,630	11,786,427	12,589,421
External borrowing	12,971,962	13,629,616	13,960,999	13,856,616	13,625,728	13,367,334	13,066,358

**Excluding 30 providers yet to submit full AFR20 7 year data.*

5 The short-term position follows the conclusions we reported in January, following the collection of the interim financial return in Oct 20, which included the early draft figures for 2019-20 and early forecast for 2020-21. The conclusions remain as follows:

- Overall the sector is in a reasonable financial position at an aggregate level, albeit a forecast decline in financial performance and strength in 2020-21 relative to 2019-20.

- Evidence of prudent management of liquidity, building contingency to accommodate the financial pressure expected from coronavirus. This has been achieved through the generally effective management of cash outflow, including restraint on capital expenditure, where this has been possible.

- Positive student recruitment for the 2020-21 year, particularly from domestic students and despite present covid circumstances and limited ability to deliver on campus. This is expected to improve operating cashflow performance in 2020-21.
- Increased variability in financial metrics across provider landscape.

6 The medium and longer term – 2021-22 to 2024-25:

- Continued income growth, supported, primarily by growth (c14% between 2019-20 and 2024-25) in student numbers and the related income.
- Home (UK) and overseas (non-EU) recruitment is forecast to increase by 14.7% and 22.3% respectively. EU recruitment is expected to decline by 44.9%.
- The sector is hopeful of a recovery in financial performance, post Covid, from 2021-22, although there are a number of future risks/ financial challenges to overcome in the forecast period.
- Net liquidity is forecast to be lowest in 2020-21 and 2021-22 as the sector manages the financial implications from Covid. However, in aggregate, net cash holdings remain at reasonable levels and we know that the banking sector is providing short term finance facilities as contingency where this is needed in rare circumstances. All tariff groups expect forecast steady growth in net liquidity from 2022-23.

Future risks

7 Pensions – 2020 USS valuation is in progress and likely to have significant financial implications for scheme members and employers. Prospect of longer-term financial sustainability and the risk of disruption to HE operations, in the short term, from industrial action

8 Recovery of the UK economy and significant pressure on government spending at a time when 18-year-old population is increasing and demand for HE likely to be high.

9 The pandemic has accelerated the development of remote HE delivery models, which potentially provide opportunities for students to enter HE in a different way; and for providers to increase their provision. Providers will need to adapt their business models to the post covid demands, which will bring challenges alongside opportunities and market forces will be a factor.

Financial performance.

Overall income

10 The sector forecast income to remain broadly static in 2020-21, relative to 2019-20, despite the better than anticipated student recruitment, reductions are expected in other income (from

accommodation and commercial activities), investment income and sources of donations and endowments.

	Total income (year on year change)						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Change 2019-20 to 2024-25
Non-specialist: high	0.55%	-1.51%	7.30%	4.70%	3.25%	3.15%	**17.85%**
Non-specialist: medium	1.42%	1.56%	5.65%	4.90%	3.98%	3.52%	**21.15%**
Non-specialist: low	3.84%	0.12%	5.91%	5.75%	5.10%	4.04%	**22.61%**
Non-specialist: unc'd*	11.41%	-18.57%	36.66%	13.35%	11.79%	11.41%	**57.12%**
Specialist: all	0.00%	3.26%	6.89%	4.56%	3.45%	0.02%	**19.41%**
Sector	1.18%	-0.32%	6.90%	4.94%	3.75%	3.18%	**19.71%**

(Note that Non-Specialist: Unclassified category, consists of 22 financially small providers where relatively low, year to year monetary changes can appear as large % movements)

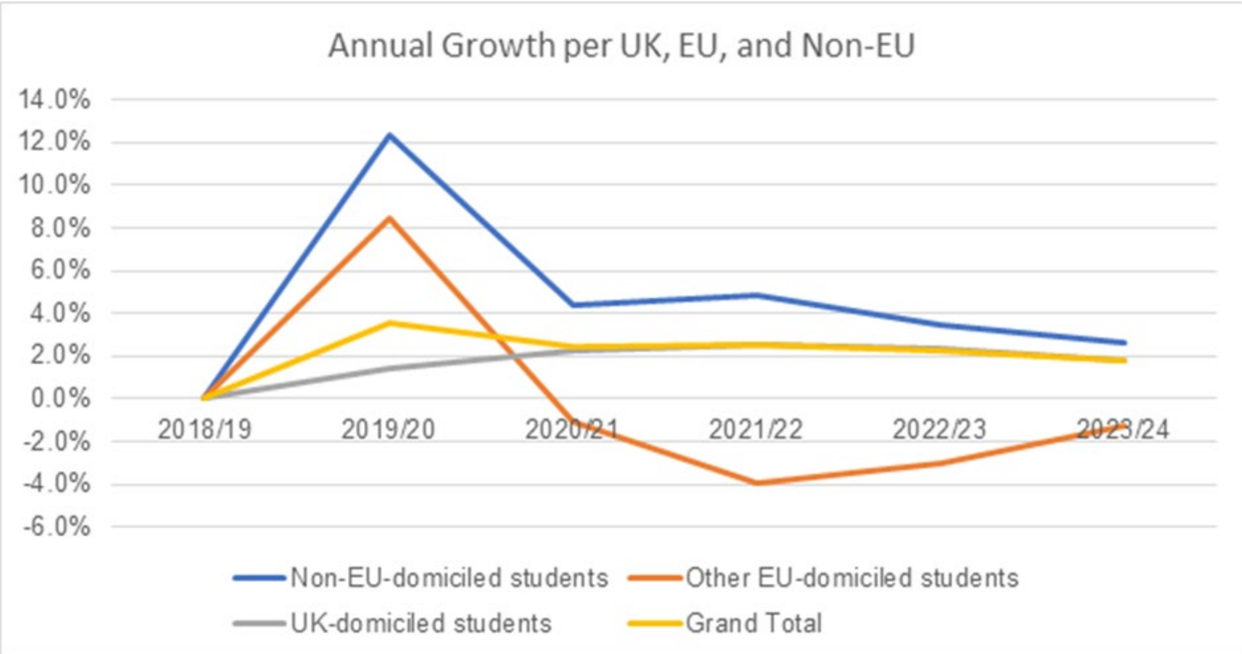
	Income £'000						
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Course fees and education contracts	18,045,861	19,158,496	19,533,409	20,925,510	22,216,366	23,216,565	24,196,997
Funding body grants	3,752,450	3,919,770	3,855,162	3,674,822	3,732,603	3,734,353	3,741,985
Research grants and contracts	5,382,615	5,171,539	5,402,723	5,561,980	5,768,146	5,987,056	6,202,480
Other income	6,829,416	6,211,703	5,784,962	6,821,447	7,137,808	7,387,535	7,492,703
Investment income	344,918	317,613	276,914	297,054	306,356	314,622	328,939
Donations and endowments	700,150	690,263	503,549	514,763	501,613	510,164	496,811
Total income	**35,055,410**	**35,469,384**	**35,356,719**	**37,795,576**	**39,662,892**	**41,150,295**	**42,459,915**

Student numbers

(Snapshot of AFR20 data taken on 31 March 2021)

11 Overall the sector expects student numbers to grow by 16.2% in the period between 2019/20 and 2024/25. Home (UK) and overseas (non-EU) recruitment is forecast to increase by 17.2% and 28.7% respectively. EU recruitment is expected to decline by 31%.

12 The chart below highlights the annual change in student numbers by domicile.



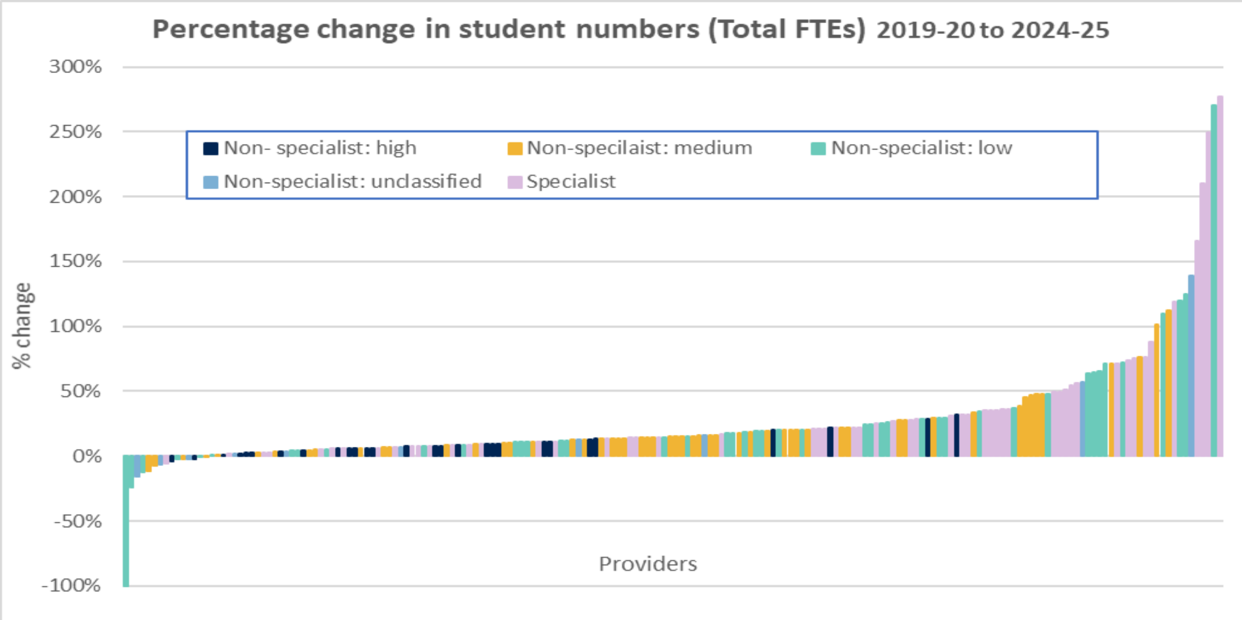
13 The tables below display student number data by domicile (UK, EU and non-EU) and tariff group.

UK Student number forecasts (FTEs)	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**Change 2019-20 to 2024-25**
Non-specialist: high	382,471	383,192	401,381	410,066	416,041	416,485	417,962	9.1%
Non-specialist: medium	544,850	550,626	568,986	584,764	604,599	621,030	638,150	15.9%
Non-specialist: low	266,224	275,869	289,006	298,861	318,388	333,921	346,176	25.5%
Non-specialist: unc'd	988	1,275	2,743	3,590	4,489	5,367	5,863	359.8%
Specialist: all	123,789	128,584	143,125	145,998	151,833	156,881	161,615	25.7%
Sector	1,318,322	1,339,546	1,405,241	1,443,279	1,495,350	1,533,684	1,569,766	17.2%

EU Student number forecasts (FTEs)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Change 2019-20 to 2024-25
Non-specialist: high	49,206	49,055	52,854	43,736	38,129	32,985	31,501	-35.8%
Non-specialist: medium	31,096	32,440	33,067	27,767	25,259	23,172	22,909	-29.4%
Non-specialist: low	18,796	20,587	21,611	18,556	16,011	13,899	13,421	-34.8%
Non-specialist: unc'd	1,541	1,556	1,826	1,813	1,769	1,846	1,925	23.7%
Specialist: all	8,066	8,220	8,327	7,725	7,486	7,327	7,455	-9.3%
Sector	108,705	111,858	117,685	99,597	88,654	79,229	77,211	-31.0%

Non-EU student number forecasts (FTEs)	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Change 2019-20 to 2024-25
Non-specialist: high	149,808	166,185	160,306	173,730	184,076	189,607	195,138	17.4%
Non-specialist: medium	78,276	88,494	89,249	98,842	106,870	114,619	121,473	37.3%
Non-specialist: low	26,598	36,486	38,979	44,850	48,634	52,510	54,592	49.6%
Non-specialist: unc'd	4,102	4,508	5,028	5,600	5,935	6,309	6,567	45.7%
Specialist: all	14,363	17,804	19,045	21,141	22,991	24,410	25,704	44.4%
Sector	273,147	313,477	312,607	344,163	368,506	387,455	403,474	28.7%

14 The chart below shows the forecast percentage change in total student numbers between 2019-20 and 2024-25, by provider and highlighted by tariff group.



Note: significant relative % movements either side may represent small numbers of students.

Fee income

15 Total tuition fee income is forecast to increase by nearly 26% between years 2019-20 and 2024-25. The table below displays this increase by domicile.

Change in tuition fee income by domicile	Forecast change year 2019-20 to 2024-25 £000s	% Change
Total	**£4,664,350**	**25.9%**
UK	£2,128,026	19.2%
EU	£31,922	1.2%
Non-EU	£2,523,381	43.4%

16 All tariff groups are forecasting an increase in Home and Non-EU tuition fee income over the period, displayed in the tables below.

Home tuition fees by tariff group	Forecast change year 2019-20 to 2024-25 £000s	% Change
Non-specialist: high average tariff	£475,286	14.5%
Non-specialist: medium average tariff	£829,789	17.9%
Non-specialist: low average tariff	£476,563	20.7%
Non-specialist: unclassified	£43,376	410.4%
Specialist: all	£303,012	36.1%
Total	**£2,128,026**	**19.2%**

Non-EU tuition fees by tariff group	Forecast change year 2019-20 to 2024-25 £000s	% Change
Non-specialist: high average tariff	£1,456,718	40.2%
Non-specialist: medium average tariff	£588,248	46.5%
Non-specialist: low average tariff	£259,357	55.9%
Non-specialist: unclassified	£54,859	59.6%
Specialist: all	£164,199	44.1%
Total	**£2,523,381**	**43.4%**

17 Despite the reduction in student numbers, fee income from EU students is expected to increase by a small margin (1.2%) between years 2019-20 and 2024-25, which, relative to the forecast decline in EU student numbers, indicates an anticipated higher fee per student. However, at a tariff group level there is a mixed picture. Medium average tariff and low average groups forecast a decline in EU fee income over the forecast period. All other groups expect EU fee income to increase, indicating a higher level of confidence that EU students will be willing to pay higher fees for their courses. The table below shows this forecast change by tariff group.

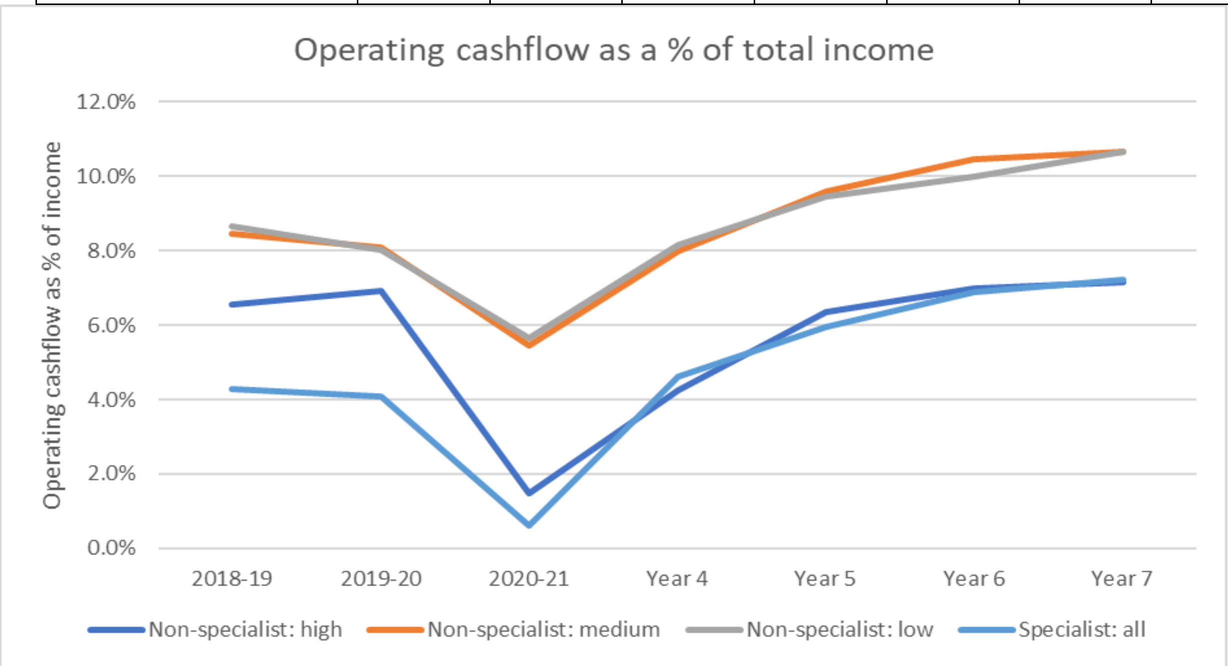
EU tuition fees by tariff group	Forecast change year 2019-20 to 2024-25 £000s	% Change
Non-specialist: high average tariff	£84,282	17.7%
Non-specialist: medium average tariff	- £ 42,511	-14.3%
Non-specialist: low average tariff	- £71,488	-34.1%
Non-specialist: unclassified	£10,738	69.6%
Specialist: all	£31,922	29.2%
Total	**£12,943**	**1.2%**

Operating cashflow performance %

18 Operating cashflow is expected to dip in 2020-21 as forecast income levels are expected to be affected by coronavirus, despite strong recruitment and evidence of restraint in operating costs during the year. For all peer groups, operating cashflow is expected to begin to recover to pre coronavirus levels from 2021-22 and strengthen thereafter.

19 Positive operating cashflow allows providers to bolster cash reserves and create funds for capital investment. Medium and Low tariff providers continue to deliver the strongest operating cashflow performance.

	Cash flow from operating activities as a % of total income						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Non-specialist: high	6.6%	6.9%	1.5%	4.2%	6.3%	7.0%	7.2%
Non-specialist: medium	8.4%	8.1%	5.4%	8.0%	9.6%	10.4%	10.7%
Non-specialist: low	8.6%	8.0%	5.6%	8.2%	9.5%	10.0%	10.6%
Non-specialist: unc'd	2.4%	2.1%	-8.2%	0.0%	6.1%	8.1%	9.7%
Specialist: all	4.3%	4.1%	0.6%	4.6%	6.0%	6.9%	7.2%
Sector	**7.1%**	**7.1%**	**2.8%**	**5.6%**	**7.5%**	**8.2%**	**8.5%**



Excludes Unclassified tariff group

Expenditure and Cash outflow trends

20 Whilst increasing year on year over the forecast period, total expenditure trends (adjusted to exclude depreciation and pension accounting adjustments) predict relative restraint in operating costs in 2020-21. This is particularly evident when overall student numbers have increased this year and alongside likely exceptional covid related operating costs.

21 The table below shows the relative year on year change in comparable adjusted expenditure over the forecast period.

	(Calculated) Adjusted expenditure % change year on year					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Non-specialist: high	3.3%	2.0%	3.8%	3.5%	2.9%	3.2%
Non-specialist: medium	1.5%	3.4%	3.6%	3.4%	3.1%	3.4%
Non-specialist: low	6.8%	0.7%	3.3%	4.3%	4.0%	3.5%
Non-specialist: unc’d	4.5%	2.5%	21.4%	7.7%	8.1%	7.5%
Specialist: all	1.9%	4.0%	4.4%	3.6%	2.3%	-1.2%
Sector	**3.1%**	**2.4%**	**3.9%**	**3.7%**	**3.1%**	**3.0%**

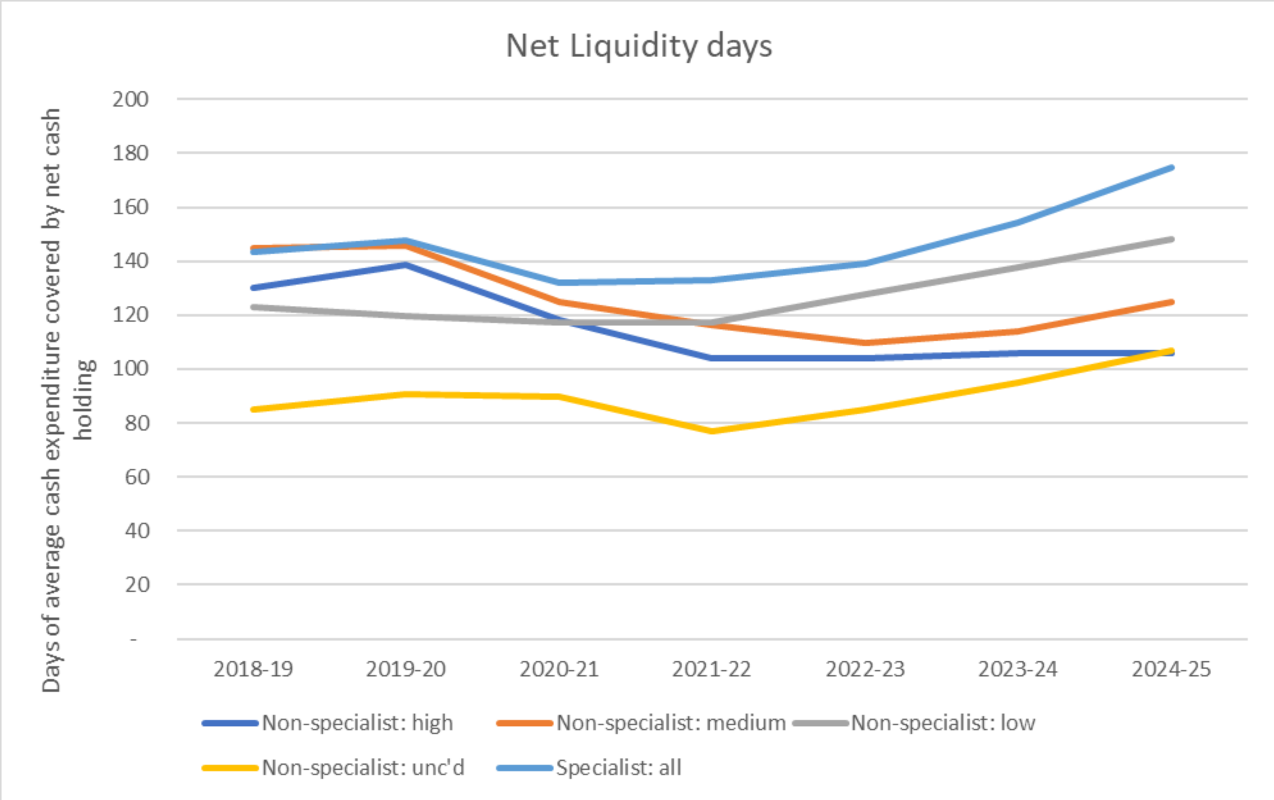
Note: adjusted expenditure is total expenditure excluding significant non cash accounting entries (Depreciation and Pension adjustments)

Financial position – Strength and resilience

Cash holding

22 The sector has typically held reasonable levels of cash reserves to secure its sustainability. This trend, in aggregate, remains through these forecasts and cash holding increased overall at the end of 2019-20 as the sector prudently held increased levels of cash reserves to address financial challenges in 2020-21. As expected, the impact on coronavirus will marginally reduce cash levels in the short term.

Liquidity – days average cash expenditure covered by net liquidity holding							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Non-specialist: high	130	139	118	104	104	106	106
Non-specialist: medium	145	146	125	116	110	114	125
Non-specialist: low	123	120	117	117	128	138	148
Non-specialist: unc'd	85	91	90	77	85	95	107
Specialist: all	143	148	132	133	139	154	175
Sector	**134**	**138**	**121**	**111**	**111**	**116**	**121**



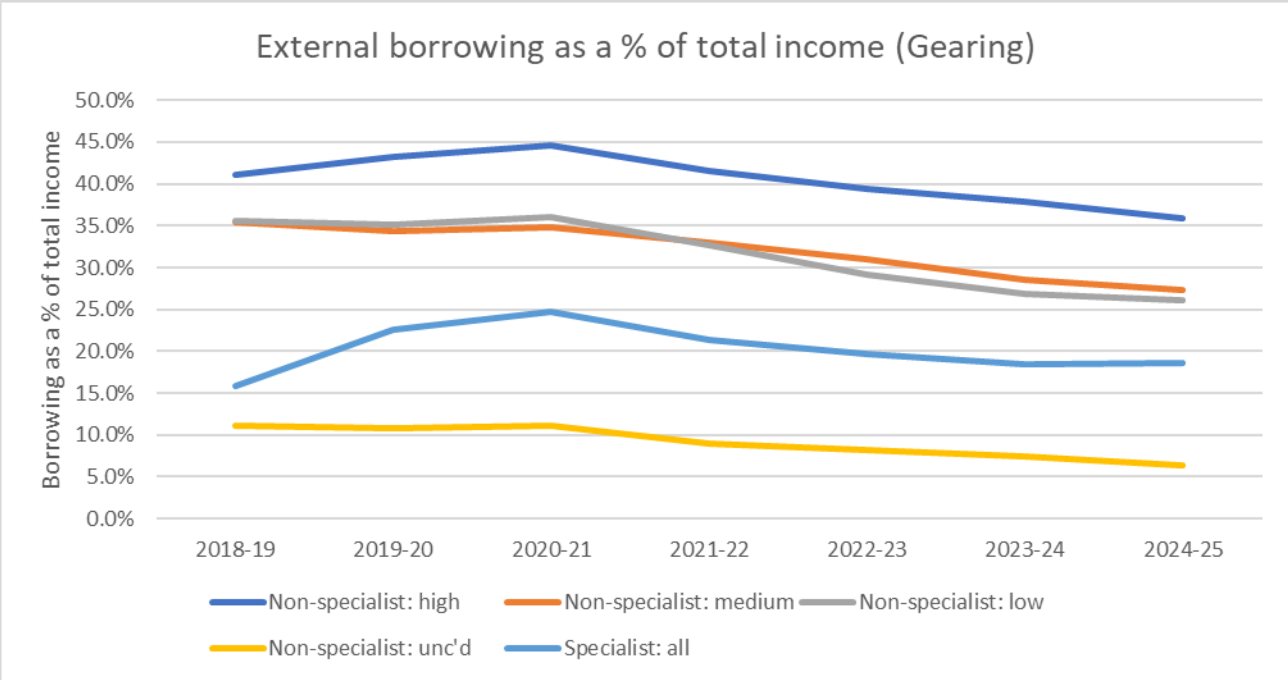
Borrowing

23 Overall, gearing levels (borrowing and other financial commitments relative to total income) have increased in 2019-20, although this is in the high and specialist tariff groups. The table below includes all borrowing drawn down by providers. We know that a number of providers have taken out coronavirus support loans which remain undrawn at the end of 2019-20.

24 Further increase to gearing is expected in 2020-21 across all tariff groups, although overall, total income remains static in this year. Gearing is expected to reduce steadily from 2022-23.

	Borrowing £'000						
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Non-specialist: high	7,859,864	8,326,139	8,458,733	8,463,084	8,394,556	8,333,518	8,129,160
Non-specialist: medium	3,130,581	3,083,738	3,159,422	3,174,401	3,117,278	2,989,128	2,967,725
Non-specialist: low	1,491,822	1,531,808	1,570,175	1,502,905	1,415,222	1,364,747	1,307,588
Non-specialist: unc'd	35,327	38,679	32,783	33,596	34,945	35,151	31,867
Specialist: all	454,368	649,252	739,886	682,630	663,727	644,790	630,018
Sector	12,971,962	13,629,616	13,960,999	13,856,616	13,625,728	13,367,334	13,066,358

	Borrowing as a % of total income						
	2018-19	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Non-specialist: high	41.0%	43.2%	44.6%	41.6%	39.4%	37.9%	35.8%
Non-specialist: medium	35.4%	34.4%	34.7%	33.0%	30.9%	28.5%	27.4%
Non-specialist: low	35.5%	35.1%	36.0%	32.7%	29.2%	26.8%	26.0%
Non-specialist: unc'd	11.1%	10.8%	11.0%	9.0%	8.3%	7.5%	6.4%
Specialist: all	15.9%	22.6%	24.8%	21.3%	19.7%	18.5%	18.5%
Sector	**36.7%**	**38.1%**	**39.1%**	**36.3%**	**34.0%**	**32.2%**	**30.8%**

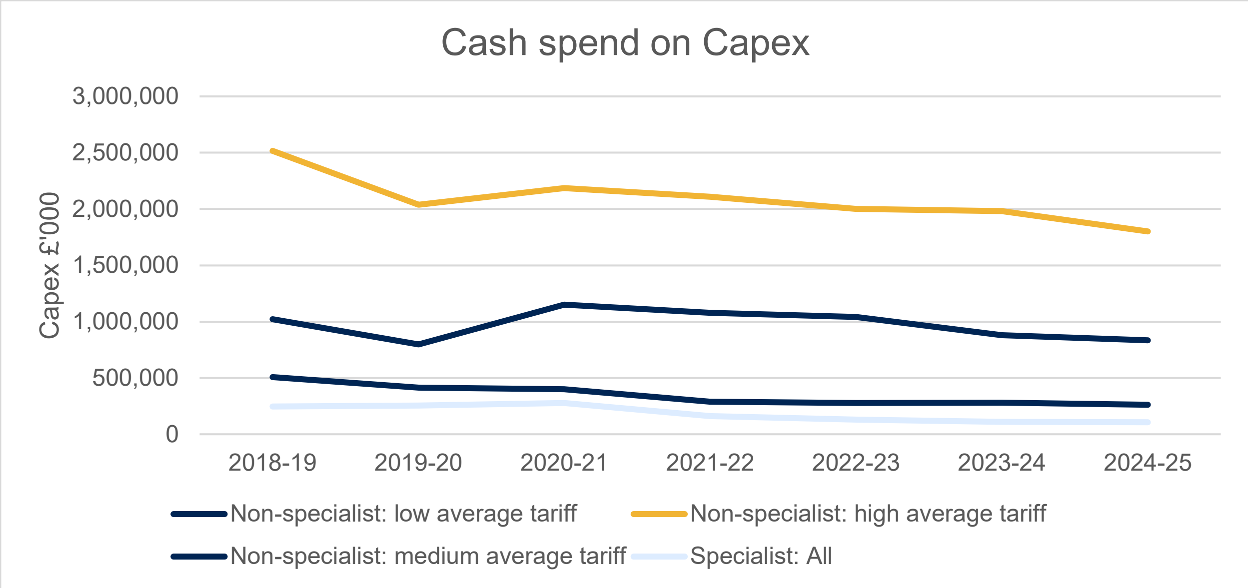


Capital expenditure.

25 As previously reported, capital expenditure reduced in 2019-20 as many providers paused intended capital plans to protect cashflow while managing operations through coronavirus.

26 Capital spend is expected to increase in 2020-21 as many providers begin to plan for post covid investment plans. This is consistent with reports from many lenders.

27 The longer-term expectation is for annual capital investments to begin to steadily reduce from 2021-22, and at an overall lower level than we have seen in recent, pre-coronavirus years.



Pensions

28 At a sector level, accounting rules have meant there has been a exceptional non-cash adjustment to reflect the changes in provision for future pension deficit reductions. This adjustment is reflected in the staff costs and had the effect of increasing staff costs accounted for in 2018-19, by £3,987m; and then in the most recent year, 2019-20, reducing staff costs by £2,229 million.

29 Annual cash contributions to the USS by employers (£1,463m) have increased in 2019-20 and will increase further from Oct 2021 (by approx. £200m) under the stepped increase agreed as part of the 2018 valuation.

30 The 2020 valuation, which is ongoing, currently proposes further and more significant increases to cash contributions in the future. A range of scenarios have been proposed, involving various increases to contributions alongside various degrees of other mitigating covenant assurance measures (e.g., debt monitoring/ pari pasu etc).

31 The sector has assumed a small increase in USS contributions over the forecast period; however, this is not as significant as the contributions currently proposed under the 2020 valuation. Costs of other pension schemes continue to increase at the same time.

Annex B – Corporate Scorecard

Annex C – OfS communications overview

Annex D – Report on use of delegated decision making relating to funding

1. The scheme of delegation, approved on 22 September 2020, specifies that:

   a) (Part 8, row 11) "Any decision to give financial support under sections 39 and 40 of HERA (and determine terms and conditions for such financial support under section 41 of HERA)" has been delegated to the Chief Executive and the Director of Resources and Finance. With the written permission of the Chief Executive or Director of Resources and Finance, this may also be delegated to any director.

   b) (Part 6, paragraph 2) "Apart from Reserved Matters (which are dealt with separately in this scheme of delegation and include other delegations to directors), each director has individual authority to exercise, and make decisions in respect of, any other Functions of the OfS without any limitation whatsoever (irrespective of whether or not such Functions: are in force at the time this scheme of delegation was made; involve matters of policy; or may have serious consequences for any natural or legal person)."

2. This report covers decisions and exercise of delegated authority for the period of 19 November 2020 to 29 April 2021.

Recurrent and capital funding allocations

3. The Director of Resources and Finance agreed changes to recurrent grant allocations on 14 February 2021. The changes related to:

   a. Adjustments to recurrent funding for 2018-19 and 2019-20 for seven providers, arising from student data audit and reconciliation.

   b. Approval of recurrent allocations for four providers newly registered in the Approved (fee cap) category.

   c. Approval of zero funding allocations for two providers that have confirmed that they have no OfS-fundable students in 2020-21.

4. The Director of Resources and Finance agreed changes to capital grant allocations on 14 and 15 February 2021, to distribute an additional £10.6 million of capital funding for the 2020-21 financial year. After recalculation, eight providers were eligible to receive an allocation of capital funding for the first time. This included four providers newly registered in the Approved (fee cap) category and four providers that, following recalculation, now exceeded the minimum capital allocation threshold. Of the remaining providers:

   - 283 other providers received an increased allocation

   - One provider, the London Institute of Banking and Finance, received a slight decrease (-£538), due to amendments to their HESES19 data

   - The remaining 45 providers retained zero capital allocations, as they did not meet the minimum £10,000 threshold.

5. Details of the funding changes noted in paragraph 2 are set out in **Table 1** below, though due to the number of providers involved, capital changes have not been included in the table. The changes to 2020-21 funding are reflected in updated annexes to 'Recurrent funding for 2020-21' (OfS 2020.24)[2] and 'Formula capital funding for 2020-21' (OfS 2020.17).[3]

Table 1: Formulaic grant adjustments for 2017-18 to 2020-21

Provider	Total adjustment to recurrent grant for 2017-18 to 2019-20	Total change to 2020-21 recurrent funding
Bournemouth University	-£230,956	
Coventry University	-£669,763	
The University of Essex	-£421,896	
London Metropolitan University	-£374,035	
New City College	-£631,374	
New College Swindon	-£22,144	
The WKCIC Group	£9,966	
Bloomsbury Institute Limited		£489,044
British Academy of Jewellery Limited		£87,312
The College of Health Ltd		£442,233
Kaplan Open Learning (Essex) Limited	£3,128	£102,620
New Model Institute for Technology and Engineering (NMITE)		-139,175
Sandwell College		-59,751
Total	**-£2,474,846**	**£1,770,250**

6. On 14 September 2020, the government made available to us up to £10 million in additional recurrent funding and up to £10 million in additional capital funding[4]. This was distributed to providers registered in the Approved (fee cap) category to support increased student numbers in 2020-21 due to the joint agreement of the government and Ofqual that students in England would receive centre assessment grades for GSCE, A- and AS-level qualifications in summer 2020.

7. We consulted on how this funding should be distributed in October 2020. Recurrent funding allocations were calculated by formula and providers were invited to bid for a share of the capital funding available.

8. The Director of Resources and Finances was asked to approve final allocations of recurrent and capital funding on 16 February 2021. The funding was distributed in full, with 212 providers meeting the criteria to receive a recurrent funding allocation and 41 providers successful in

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2 www.officeforstudents.org.uk/publications/recurrent-funding-for-2020-21/.

3 www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/.

4 This is not the same as the additional £10.6 million of capital funding mentioned in paragraph 4.

bidding a capital funding allocation. Allocations were published as an annex to ‘Additional recurrent and capital funding for 2020-21 and monitoring of medical and dental intake targets: Outcomes of consultation’ (OfS 2021.03)[5] on 23 February 2021.

Student hardship funding for the financial year 2020-21

9. The government made available a total of £70 million of funding for the financial year 2020-21 to support students facing hardship as a result of the COVID-19 pandemic, which was distributed to providers in the Approved (fee cap) category. This funding was made available in two separate announcements:

    a. An allocation of £20 million for the financial year 2020-21 announced on 14 December 2020.

    b. An allocation of £50 million for the financial year 2020-21 announced on 2 February 2021.

10. Providers were required to distribute this funding to their students in full by the end of the financial year (31 March 2021). Where they could not do this, they were asked to report any unspent funding to us, so that it could be reallocated to other providers.

11. The Director of Resources and Finance approved:

    a. Funding allocations to providers on 17 December 2020 and 4 February 2021.

    b. The reclamation of all hardship funding from four providers and partial reclamation of hardship funding from a further four providers. These providers had either confirmed that they had no students in 2020-21 or informed us that they could not distribute their full allocation in the time available.

    c. Increased hardship funding allocations for six providers, to redistribute the reclaimed funding noted in paragraph 7b, totalling £126,515.

    Decisions on reclaiming and reallocating hardship funding were taken on 4 February, 1 March, 5 March, 7 April and 14 April.

12. The Director of Resources and Finance also made decisions under delegated authority on the terms and conditions applied to this funding on 6 January 2021.

Student hardship funding for the academic year 2020-21

13. On 27 April 2021 the government made available an additional £15 million of funding to support students facing hardship as a result of the COVID-19 pandemic, for the rest of the academic year 2020-21.

[5] www.officeforstudents.org.uk/publications/additional-funding-for-2020-21-and-monitoring-of-medical-and-dental-intake-targets-outcomes-of-consultation/.

14. The Director of Resources and Finance approved allocations of this funding to providers on 29 April 2021. Providers are required to distribute this funding to their students in full by the end of the academic year (31 July 2021), and to contact us if they will not be able to do this in full.

Challenge competitions

Mental health funding competition: Using innovation and intersectional approaches to target mental health support for students

15. On 12 April 2021 the Director for Fair Access and Participation, under the delegated authority of the Director of Resources, approved funding of £991,788 for six projects under this scheme. The funding has been provided by the Department of Health and Social Care. All bids were required to focus on intersectional approaches to providing targeted support for particular groups of students with characteristics identified as increasing the risk of poor mental health (e.g. ethnicity, socioeconomic background), or groups of students who might experience barriers to accessing support due to their course, mode of study, or other characteristics (e.g. those on placements as part of their course, commuters, mature students, part-time students, postgraduate taught students, international students, first in family, carers, care leavers, LGBT+).

16. The Director for Fair Access and Participation also provisionally approved additional funding of £2 million for a further 12 projects, subject to the outcomes of the consultation on recurrent funding for the academic year 2021-22.[6] Decisions will be confirmed in early June, after the consultation responses have been analysed. If additional funding is provided, the Director of Resources and Finance will formally confirm this when he agrees all the outcomes of the funding consultation. We are in contact with all the bidders to advise them of the current situation about their bids.

[6] www.officeforstudents.org.uk/publications/consultation-on-recurrent-funding-for-2021-22/.