

Office for
Students



Funding for 2019-20

Outcomes of consultation on terms,
conditions and methods

Reference OfS 2019.10

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Summary

1. In 'Funding for 2019-20: Consultation on terms and conditions and method'¹, the Office for Students (OfS) sought feedback on:
 - a. Terms and conditions of OfS funding for 2019-20.
 - b. A revised approach to monitoring recruitment against intake targets for pre-registration medical and dental courses.
 - c. Our proposed funding methods (both for capital and recurrent grants) for 2019-20.
2. The consultation ran from 11 February to 11 March 2019, and a consultation event was held with representatives from sector bodies on 13 March 2019. This document summarises the key themes from the feedback we have received, along with our responses to these themes.
3. We have reflected the responses to the consultation in the final terms and conditions of funding for 2019-20 and the decisions taken by the OfS board on funding for 2019-20, details of which we are publishing separately².

Action required

4. This publication is for information.

¹ Available at www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/.

² See 'Terms and conditions of funding for 2019-20' (OfS 2019.12), available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2019-20/, and 'Funding for 2019-20: OfS board decisions' (OfS 2019.11), available at www.officeforstudents.org.uk/publications/funding-for-2019-20-ofs-board-decisions/.

Background

5. During the transition period from 1 April 2018 to 31 July 2019, the OfS has been distributing funding to higher education providers under powers that formerly applied to the Higher Education Funding Council for England (HEFCE) arising from the Further and Higher Education Act 1992. During this period our direct funding powers have been limited to the same teaching and related activities and categories of providers as under HEFCE.
6. From 1 August 2019, the OfS's regulatory framework comes into full effect³. We will fund providers under powers arising from the Higher Education and Research Act 2017 (HERA). In particular, section 39(1) of HERA⁴ provides us with broad powers to fund education, and related facilities and activities, at registered 'eligible higher education providers' – that is, those in the Approved (fee cap) category on the OfS Register⁵.
7. Being registered as an Approved (fee cap) provider is a prerequisite for a provider to be eligible for OfS funding under Section 39(1) of HERA. The main requirements that the OfS places on Approved (fee cap) providers arise from the general ongoing conditions of registration that apply to them. These are set out in the OfS regulatory framework for higher education in England and in any specific ongoing conditions of registration that additionally apply to a provider, as separately communicated to it (whether or not such specific conditions are published on the OfS's Register).
8. In August 2018, we published 'Funding for academic year 2019-20: Approach and data collection' (OfS 2018.31)⁶. This set out, and invited comment on, our proposed approach to funding for 2019-20. It explained that this would be transitional, because two major reviews of funding would not be complete in time to inform these allocations. These are the government's review of post-18 education and funding⁷, and a fundamental review of our own funding method.
9. OfS 2019.02 invited comment on:
 - a. The draft terms and conditions of funding for the academic year 2019-20.
 - b. A revised approach to recruitment against intake targets for pre-registration medical and dental courses.
 - c. Proposed funding methods for capital and recurrent grant allocations for 2019-20.

³ See 'Securing student success: Regulatory framework for higher education in England' (OfS 2018.01), available at www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-highereducation-in-england/.

⁴ See www.legislation.gov.uk/ukpga/2017/29/part/1/crossheading/powers-to-give-financial-support/enacted.

⁵ See www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/.

⁶ Available at www.officeforstudents.org.uk/publications/funding-for-academic-year-2019-20-approach-and-data-collection/.

⁷ See www.gov.uk/government/publications/review-of-post-18-education-and-funding-terms-of-reference.

Responses

10. Feedback was invited from interested bodies, with 26 responses received. A consultation event was also held with representatives from sector bodies on Wednesday 13 March 2019.

Why did the OfS consult on this particular issue?

11. Under section 41 of HERA, the OfS must consult with appropriate parties before determining the terms and conditions on which it provides financial support. The consultation therefore invited comments on draft terms and conditions for academic year 2019-20. It also invited comment on revised arrangements relating to the monitoring of intake targets for pre-registration courses in medicine and dentistry: these were part of the terms and conditions of funding up to 2018-19, but will in future be a feature of the allocation method.

12. The consultation also invited comment on the approach to recurrent and capital funding for providers for 2019-20, to inform OfS board decisions.

What was proposed?

Terms and conditions of funding

13. In developing the terms and conditions of funding, we considered how they interact with the conditions of registration that apply to providers in the Approved (fee cap) category and tried to minimise any overlap between them. In particular, where requirements are a condition of registration, we sought to avoid replicating them as conditions of funding. The draft terms and conditions of funding focused on:

- a. The uses to which providers may apply OfS funding.
- b. The circumstances under which we may recalculate and adjust funding.
- c. A small number of requirements relating to specific grants, including their eligibility criteria.

Intake targets for medicine and dentistry

14. For 2019-20, as in previous years, providers with medical or dental schools have been required to comply with intake targets for pre-registration courses. These targets exist to support workforce planning in the NHS, recognise the very high cost to the government (including through the OfS) of training for doctors and dentists, and ensure that there is no mismatch between the numbers graduating and the number of foundation programme training places available. We do not count recruitment above intake targets towards our high-cost funding allocations.

15. For 2019-20, we proposed the following three modifications:

- a. Recruitment above intake targets should be counted neither towards our other recurrent targeted allocations, such as student premiums, nor to high-cost subject funding.

- b. We should generally assess over-recruitment by a provider over a rolling five-year period, rather than taking action for over-recruitment in a single year.
- c. We should no longer apply grant reductions where providers have exceeded their intake targets in two successive years.

Funding methods for 2019-20

- 16. We set out our intention largely to continue to apply existing funding methods for 2019-20, as these allocations will be announced before the completion of either the government's review of post-18 education and funding or our own fundamental review of teaching funding.
- 17. We proposed, however, to change the formula funding method for capital funding for 2019-20.
 - a. In 2018-19, such grants were calculated pro rata to recurrent resource, which comprised 2018-19 OfS recurrent grant plus an assumption of tuition fee income per full-time equivalent student (FTE). Allocations were not made to providers whose share of the capital funds would be less than £10,000.
 - b. For 2019-20, we proposed to calculate formula capital grants pro rata to weighted FTEs. The FTEs would be weighted by price group and level, a London weighting, and a specialist institution weighting. We also welcomed views on the impact of increasing the minimum threshold above £10,000.

Key points made in response to the consultation

- 18. Comments were received on all three areas and we have summarised the key themes below. Feedback on funding methods for 2019-20 was broadly split into comments on capital and recurrent funding, which have been discussed separately.

Terms and conditions of funding

- 19. There was considerable support for the proposed terms and conditions of funding for 2019-20. However, a number of particular issues were raised:
 - a. A small number of respondents indicated that it would be helpful for the OfS to make clear in the terms and conditions where there was an opportunity to appeal against a grant decision.
 - b. A small number of respondents requested greater clarity on the OfS's expectations for providers to ensure effective accountability. In particular, one respondent noted that the information previously provided in the terms and conditions for 2018-19 relating to assurance and accountability, such as the Audit Code of Practice, has been removed and is not included in the regulatory framework.
 - c. Several respondents had queries about the terms and conditions relating to student premium funding, in particular noting the reference that 'providers must therefore use student premium grants solely for these purposes'. These respondents expressed concern that it would be difficult to identify investments on initiatives or activities aimed at successful

outcomes for students covered by an access and participation plan as opposed to the generality of the student population. They felt that this wording would restrict cross-institutional initiatives and sought more flexibility.

- d. Several respondents expressed similar concerns about the wording of the terms and conditions relating to other targeted allocations, such as the targeted allocations for very high-cost science, technology, engineering and maths (STEM) subjects and the nursing, midwifery and allied health supplement. Comments included a concern that these allocations would not be provided for continuing students, if a provider ceased recruiting to the subjects concerned; and that the latter supplement was provided to support certain costs that would otherwise fall to students, as well as the direct costs of course teaching.
- e. Some respondents expressed concern that the terms and conditions relating to capital funding could be interpreted to mean that such funding could not be used to support new premises or infrastructure (rather than the replacement or refurbishment of existing facilities), or to contribute towards the costs of a capital project which was co-financed from other sources.

OfS response⁸

- 20. As noted in paragraph 13, when developing the terms and conditions of funding, we have attempted to consider them alongside the conditions of registration. This means that they have become much more focused, and no longer include, for example, requirements relating to provider governance.
- 21. Where concerns related to the terms and conditions attached to the use of the student premiums, the nursing, midwifery and allied health supplement, and capital funding, we recognised that the draft wording could be considered overly restrictive. We have made some small wording changes to clarify the range of activity that such funding can support.
- 22. We have not adjusted the wording relating to eligibility for the very high-cost STEM targeted allocation and the nursing, midwifery and allied health supplement, which require providers to be actively recruiting to the subjects or courses concerned. This requirement is consistent with previous practice.
- 23. We have also not adjusted the wording relating to appeals processes, as the terms and conditions limit these as intended. We do not invite appeals, for example, where formula-based allocations are recalculated as a result of data audit or reconciliation.

Intake targets for medicine and dentistry

- 24. The comments broadly supported the proposals for monitoring recruitment against the medical and dental intake targets. In particular, respondents welcomed the move to assess over-recruitment by a provider over a rolling five-year period, rather than immediately taking action

⁸ For further detail see OfS 2019.12.

for over-recruitment in a single year. Respondents indicated that this approach will encourage recruitment closer to targets and minimise the risk of under-recruitment across the sector.

25. A small number of respondents sought further clarity on the monitoring requirements for medical and dental targets, particularly for providers establishing new medical and dental schools that will have fewer than five years of recruitment data, to ensure a level playing field across the sector.

OfS response

26. We welcome the support for the proposed changes. The OfS will consider taking a flexible approach to monitoring providers establishing new medical and dental schools, as they build up sufficient recruitment data. Information on reporting student intakes for 2019-20 will be provided in our guidance for the Medical and Dental Students Survey 2019, due to be released in the summer.

Capital funding for 2019-20

27. There was broad support for the proposed approach to capital funding. However, the following specific comments and concerns were raised:

- a. Several respondents commented on the minimum capital allocation. The majority of these expressed the view that the threshold should not be raised above £10,000. It was noted that even relatively small levels of capital funding can produce a significant benefit at a provider, and that for some smaller providers, our funding stream may be one of their primary sources of capital funding. No respondents suggested lowering the minimum, but one respondent argued that the minimum capital grant of £10,000 is likely to have limited impact and suggested a threshold of £25,000 might be more appropriate.
- b. Respondents largely supported the proposed weightings. However, a number were concerned that we had not included weightings relating to our student premium funding, and in particular to the disabled students premium. These respondents expressed a view that our method should reflect the additional cost of supporting such students. One respondent also asked about any impact assessments that we had carried out when considering whether these should be included as weighting factors.

OfS response⁹

28. We have noted the arguments made for retaining the minimum allocation at £10,000, and we will retain this minimum for 2019-20.

29. We note that several respondents commented on the desirability of incorporating a disability weighting into the capital funding method, and have included one.

⁹ For further detail see 'Formula capital funding for 2019-20' (OfS 2019.13), available at www.officeforstudents.org.uk/publications/formula-capital-funding-for-2019-20/.

30. Though we note the argument for incorporating a weighting relating to other student premiums, respondents did not provide strong evidence for extra capital costs associated with the student populations (other than disabled students) that the premiums are intended to support.

Recurrent funding for 2019-20

31. There were fewer responses relating to our proposed recurrent funding methods. Several respondents welcomed our intention to avoid having to review grant allocations for providers whose grant has already been announced as a result of new providers being registered.

Other

32. Several respondents noted that it would have been helpful to have grant information released as early as possible, for planning purposes. Although there is a recognition that our ability to release information depends on a number of factors, any additional notice would be appreciated by the sector.

OfS response

33. We appreciate the sector's desire to receive funding information in a timely way. Though the timing of our grant announcements depends on a number of factors, we do attempt to release the information as early as possible.



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