



The Rt Hon Gillian Keegan MP
Secretary of State for Education

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30 March 2023

Dear Lord Wharton,

Guidance to the Office for Students on the Higher Education Strategic Priorities Grant for the 2023-24 Financial Year

I want to thank the Office for Students (OfS) for implementing the reforms for the 2022-23 financial year proposed in last year's Strategic Priorities Grant (SPG) guidance to ensure funding represents value for money, supports Government's priorities across the sector, including subjects vital for the economy and labour markets, and provides continued support for disadvantaged students and under-represented groups.

Additionally, I would like to congratulate the OfS on running a successful competition to allocate almost £400m in capital funding for the 2022-23 to 2024-25 period, and for completing its review of world-leading specialist providers. This work will benefit students by allowing them to access world-class facilities across England, and will enable universities and colleges to offer more high-quality training opportunities that enhance the career prospects of their students.

As announced last year, we are investing an additional £750m in SPG funding across the 2022-23 to 2024-25 financial years to support high quality teaching and facilities - including in science and engineering, in subjects that support the NHS, and in degree apprenticeships. This represents the largest increase in Government funding for the HE sector to support students and teaching in over a decade.

I am writing to set out the Higher Education Strategic Priorities Grant budget for the 2023-24 financial year with my funding priorities. This letter provides guidance from me to the OfS under section 2(3) of the Higher Education and Research Act 2017.

Your Strategic Priorities Grant budget for the 2023-24 financial year is set out in Annex 1. The guidance set out below is for the 2023-24 financial year. We will continue to communicate Strategic Priorities Grant funding for future years on an annual basis.

Guidance on the Government's broader priorities for the OfS will be communicated separately.

Strategic Priorities and Funding Changes for the 2023-24 Financial Year

I am clear that it is now more important than ever for students to pursue HE studies which are in their own best interest, and that of the wider economy. The courses they undertake should give them the skills they need to secure gainful employment, supporting a high-wage high-skill economy. The OfS has a key role to play in ensuring that HE provision is of the highest quality. This means ensuring that high-priority subjects remain appropriately funded, but also that funding is directed to incentivise a broad range of pathways into HE. A three-year degree is not the only route to success. Higher technical education, including level 4/5 courses, and degree apprenticeships, have an important role to play in giving students the skills employers need, thereby ensuring that everyone can progress up the ladder of opportunity.

I am also clear that a flexible learning offer is a vital part of helping people get the skills they need to reach their potential throughout their working lives. This is the key reason we are introducing the Lifelong Loan Entitlement (LLE), which will provide people with the opportunity to train and retrain throughout their lives to respond to changing skills needs and employment patterns.

We are increasing SPG recurrent funding by £57m in the 2023-24 financial year. This is part of the additional £300m investment in the recurrent Strategic Priorities Grant across the 2022-23 to 2024-25 financial years, announced in our HE reform statement in February 2022. This investment represents the largest increase in SPG funding since 2012 and will help us achieve our ambitions and promote the Government's levelling up priority by increasing opportunities in education and employment across the country.

Details of the changes I would like the OfS to implement to the Strategic Priorities Grant for 2023-24 financial year are set out below.

High-cost subject funding – supporting strategically important subjects

The OfS should continue to prioritise funding towards the provision of high-cost subjects that support the NHS and wider healthcare policy; science, engineering and technology subjects; and specific labour market needs.

High-cost subject funding should be increased by at least £50m overall for strategically important subjects in price groups A, B and C1.1.

Degree apprenticeships

I am committed to degree apprenticeships and want to make sure a wider group of people can access their unique benefits. I would therefore like the OfS to establish a competitive degree apprenticeship development fund, worth up to £40m, to be allocated across the 2023-24 and 2024-25 financial years, to fund capacity building projects over the next two years.

You should use this funding to support projects with the greatest potential to diversify growth at L6, by supporting providers to deliver degree apprenticeship provision for the first time; support existing providers to deliver a wider range of provision; and improve access to degree apprenticeships.

This funding represents a significant uplift in degree apprenticeship funding against last year's initial allocation and to build long-lasting capacity and capability. Projects must demonstrate strong progress against their aims in order to receive ongoing funding throughout that period.

Level 4 and 5 provision

Uptake at levels 4 and 5 is low compared to other levels of study, historically and internationally when compared to other G7 countries. Yet there is growing employer demand for skills at these levels, and level 4 and 5 courses lead to earnings that can be similar or in some cases better than degree-level study. Courses are also shorter and cheaper than degrees, representing good value for money for the investment made by learners and taxpayers. We are focused on growing high-quality level 4 and 5 provision, with Higher Technical Qualifications (HTQs) as flagship courses. To encourage greater provision and build capacity amongst providers to reverse the recent decline of level 4 and 5 qualifications, I would like the OfS to allocate £16m in the 2023-24 financial year to providers with eligible learners on level 4 and 5 qualifications, through formula funding. I would also ask the OfS to provide an additional top-up for providers with eligible learners on HTQ courses, to support the launch and early delivery of these courses.

Preparation for the Lifelong Loan Entitlement

As part of the pathway to the Lifelong Loan Entitlement (LLE) from 2025, we are stimulating the provision of high-quality higher technical education (at levels 4 and 5) and have introduced the HE Short Course Trial to inform and test future short course provision. To support the delivery of the LLE, we will explore options with the OfS and providers for using £5m of funding in the 2023-24 financial year to support providers to tackle barriers to modularisation, such as updating student management systems, and exploring what support could help them prepare to deliver system-wide changes ahead of the launch of the LLE from 2025.

Funding for specialist providers

I consider it important to support our world-leading specialist providers and recognise the public value that they bring to society and the economy. I thank the OfS for completing its review of specialist provision and congratulate the 20 providers who were successful in gaining world-leading specialist status. The OfS should maintain funding for world-leading specialist providers to a maximum of £58m and seek to improve, through your regulatory expectations in relation to equality of opportunity, the opportunities available to disadvantaged students as a result of this funding.

Mental health

Improving students' experiences at university, including through the provision of appropriate support services, is a priority. I would like the OfS to continue to take a leading role in relation to student mental health, including through distributing funding to give additional support for transitions from school/college to university - with a focus where possible on providing counselling services for students - and to support join-up between the higher education and health sectors to avoid students falling through the gaps. Funding should be targeted to share and build on effective practice where partnerships with local NHS led-health services are already in place to support better join-up with providers to ensure students get the right support when they need it. I am pleased the OfS continues to fund Student Space, which provides mental health support resources to students no matter where they study. I look forward to delivery in the coming months of a central hub of digital resources for the sector to improve the effectiveness of mental health practices.

Uni Connect

Widening access to higher education and supporting disadvantaged students by raising aspiration and attainment remain priorities. We continue to expect HE providers to work meaningfully with schools to ensure that pupils from disadvantaged backgrounds are encouraged and supported to achieve the highest possible grades and get on in life – whether that be through an apprenticeship, a higher technical qualification, or a course at another university other than those a student may already have engaged with. The OfS should maintain funding for Uni Connect at £30m.

Student Premium

In light of continuing cost-of-living pressures, I would like the OfS to maintain Student Premium and Mental Health funding for FY23/24 at the same levels as the previous year and ensure providers are aware they can draw on the Student Premium to support students in financial hardship. The OfS should continue to liaise with my officials on the impacts of cost-of-living pressures.

Changes to student numbers

The OfS should analyse the impact of changes to student numbers on the total funding requirements for formula-funded grant elements. The OfS should look to protect funding rates for the following funding elements: nursing, midwifery and allied health (NMAH) supplement, overseas study programmes, postgraduate taught supplement, intensive postgraduate provision and accelerated full-time undergraduate provision. Additional funding made available from these funding lines due to changes in student number should be allocated to high-cost subject funding (price groups A, B and C1.1).

Maintained areas of funding

The OfS should look to protect funding in cash terms for the student premium, high-cost subject funding for price group C1.2, and all other elements of the recurrent Strategic Priorities Grant not explicitly mentioned in this letter.

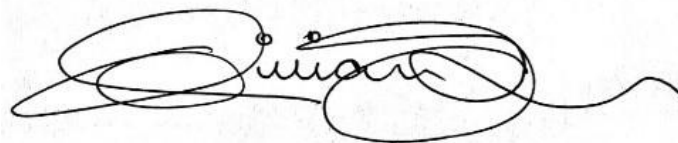
Emerging Priorities

The OfS should reserve £5m of funding from the total recurrent Strategic Priorities Grant, to be allocated later in the year in response to ministerial guidance. Funding should be distributed by 31 March 2024 and we will issue guidance in advance of this.

Capital funding

The £450m capital funding for financial years 2022-23 to 2024-25 was confirmed in the strategic guidance of 30th March 2022. The multi-year allocation approach has enabled us to support a wider range of more impactful projects that will support high-quality skills-based higher education. The OfS should monitor the delivery of these projects carefully to ensure that both progress and spend remain on track. The OfS should inform the department of any concerns with project delivery, including if new delivery risks emerge or issues arise.

The remaining capital funding should continue to be used to maintain the small annual formula-based allocations to providers and can also be used to support Jisc, as in previous years.

A handwritten signature in black ink, appearing to read 'Gillian Keegan', with a long, sweeping tail extending to the right.

**The Rt Hon Gillian Keegan MP
Secretary of State for Education**

Annexes

Annex 1: Finance Annex

Figures are rounded.

Strategic Priorities Grant All figures in £m	Financial Year	
	2022-23 Funding as per 2022 guidance letter	2023-24 Budget
Recurrent Grant	1,397	1,454

Strategic Priorities Grant All figures in £m	Financial Year	
	2022-23 to 2024-25 Funding as per 2022 guidance letter	
Capital Grant	450	

Notes:

- i. The amounts set out above are the OfS' resource and capital budgets. They represent the maximum amount of resource and capital that the OfS may consume in pursuance of the priorities agreed with the Department for the financial years 2022-23 to 2024-25. Figures may not sum due to rounding. If the Department's level of overall funding is decreased due to wider events, or in order to cover other unavoidable financial pressures, the Department may, within the framework set out by Parliament and the courts, need to make in-year adjustments to allocations to our Partner Bodies in order to meet budget reductions. The funding that is set out in this letter is, as ever, subject to Parliamentary approval through the Estimates process twice a year.
- ii. Capital funding of £450m in total will be made available for the financial years 2022-23 to 2024-25.
- iii. The OfS will receive a separate allocation letter detailing their finalised 2023-24 unrounded resource, capital and administrative allocations.
- iv. Although the teaching and student element of Higher Education Innovation Funding (HEIF) is distributed by Research England, the OfS will be responsible for the priorities and evaluation of the £48m Strategic Priorities Grant contribution to HEIF in 2023-24. This is included in the figures above and has been maintained at the same level as in 2022-23.
- v. The recurrent funding figure for 2023/24 above includes £48.3m for funding the expansion of medical student places by 1,500 (agreed in 2016 and started in 2017), an increase of £8.1m on the additional funding allocated in 2022-23. This is funded by £46.7m from DHSC and £1.6m from DfE. This £1.6m one-

off contribution is being provided by DfE as part of an agreement between the two departments to offset 50% of the costs incurred by DHSC for 2021 over expansion of medical places resulting from the pandemic years as such it affects the proportion of DHSC funding for this year only.

- vi. In addition to this transfer, we are also expecting an additional transfer from DHSC (amount to be confirmed) to cover for SPG costs related to the pilot of 200 medical degree apprenticeship pilot as agreed by DHSC in December 2022.
- vii. Recurrent funding (excluding funding for HEIF and funding for the 2017 expansion of medical student places) was £1,309m in 2022-23. This has increased by £48.3m in 2023-24, which is a 3.7% increase compared to the previous year.

Annex 2: A summary of budget and funding decisions for 2023-24

The table below provides a summary of the changes for the 2023-24 financial year outlined in this guidance. All other funding lines remain the same. Funding is rounded to the nearest million.

Total Recurrent Funding¹	↑ Increase by £57m
High-Cost Subject Funding	↑ Increase by at least £50m ²
Degree Apprenticeships	↑ Increase by £8m
Level 4 and 5 Provision	↑ Increase by £8m
Preparation for the LLE	↓ Decrease by £5m
Ukrainian hardship ³	↓ Decrease by £4m

¹ Excludes HEIF and excludes £8.1m of funding increase from DHSC for the expansion of medical places agreed for 2016/17 intake.

² High-cost subject funding should be increased by at least £45m (excluding £8.1m additional in funding from DHSC for the expansion of medical student places agreed in 2016 and started in 2017). As outlined in the guidance letter, any additional funding available from student number changes should be allocated towards high-cost subject funding.

³ This funding was allocated for HE providers to support Ukrainian students who had been suddenly financially affected by the war in Ukraine. For those who are granted leave under the Homes for Ukraine scheme, we have extended access to HE student support, home fee status, tuition fee caps, advanced learner loans and 19+ funding allocations.