

**Consultation**

**Office for  
Students**

The logo for the Office for Students, featuring a dark blue square with a yellow square in the top right corner containing the letters 'OfS' in white.

**OfS**

## **Consultation on recurrent funding for 2021-22**

**This consultation runs from 26 March 2021  
to 6 May 2021.**

**Reference** OfS 2021.01

**Enquiries to** [recurrentgrant@officeforstudents.org.uk](mailto:recurrentgrant@officeforstudents.org.uk)

**Publication date** 26 March 2021

The Office for Students is the independent regulator for higher education in England. We aim to ensure that every student, whatever their background, has a fulfilling experience of higher education that enriches their lives and careers.

### **Our four regulatory objectives**

All students, from all backgrounds, and with the ability and desire to undertake higher education:

- are supported to access, succeed in, and progress from, higher education
- receive a high quality academic experience, and their interests are protected while they study or in the event of provider, campus or course closure
- are able to progress into employment or further study, and their qualifications hold their value over time
- receive value for money.

## Consultation on recurrent funding for 2021-22

The government has sent a statutory guidance letter to the Office for Students (OfS), which sets out the funds available for financial year 2021-22 and the related funding policies and priorities that it wishes us to implement. This consultation seeks views on the approach to recurrent funding for 2021-22 in the light of that letter.

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When is the consultation?

Start: **26 March 2021**

End: **6 May 2021**

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Who should respond?

Anyone with an interest in finance for those higher education providers that are registered, or are applying to be registered, with the OfS in the Approved (fee cap) category.

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How to respond

Please respond by **6 May 2021**.

Use the online response form available at <https://survey.officeforstudents.org.uk/s/RecurrentFundingConsultation2021-22/>

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Enquiries

Email [recurrentgrant@officeforstudents.org.uk](mailto:recurrentgrant@officeforstudents.org.uk)

Alternatively, call our public enquiry line on 0117 931 7317

If you require this document in an **alternative format**, or need assistance with the online form, please contact [digitalpublishing@officeforstudents.org.uk](mailto:digitalpublishing@officeforstudents.org.uk).

**Please note:** this email address should **not** be used for submitting your consultation response.

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# About this consultation

This consultation seeks views on:

- proposals about how the Office for Students (OfS) distributes recurrent funding for the academic year (August to July) 2021-22
- some proposed changes to the terms and conditions of funding for 2021-22.

The current circumstances affecting higher education – in particular, the challenges for students, higher education providers and the wider economy arising from the coronavirus pandemic, and the significant increase in student numbers in 2020-21 – provide important context for these proposals.

This consultation relates to a number of proposed changes to the OfS's approach to recurrent funding for the academic year 2021-22, the reasons we are proposing to make changes and what we expect those changes to achieve. In formulating them, we have had regard to our general duties under section 2 of the Higher Education and Research Act 2017 (HERA), the statutory guidance issued by the Secretary of State in January 2021,<sup>1</sup> and the public sector equality duty.<sup>2</sup> We have also taken into account a condition of grant that the Secretary of State has placed on us in a letter of 25 March 2021 relating to funding for 2021-22 for specialist providers.<sup>3</sup> We welcome views from interested parties on any relevant matters, including the contents of the statutory guidance letter of 19 January 2021 from the Secretary of State for Education, and matters relating to the OfS's statutory duties and the public sector equality duty.

Figures presented in this consultation document relating to proposed budgets or rates of funding for academic year 2021-22 are our best estimate at the time of publication. However, they may be subject to change, not just in the light of decisions following this consultation, but also as we finalise our funding models (including to reflect any changes to the data submitted by providers and our use of it).

The statutory guidance letter we received from the Secretary of State for Education on 19 January 2021 announced the funding available to us for distribution to providers for the financial year (April to March) 2021-22 and the government's funding policies and priorities. The letter does not give an indication of the funding that might be available for subsequent financial years.

This consultation seeks views on the OfS's approach to recurrent funding for the academic year 2021-22, in the context of our grant settlement from government. The OfS will make decisions on funding having regard to the guidance letter, responses to this consultation and other relevant factors.

We understand from the statutory guidance letter of 19 January 2021 that the Secretary of State is also considering the use of directions under section 77 of HERA relating to the approach to funding

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<sup>1</sup> Available from: [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

<sup>2</sup> See section 149 of the Equality Act 2010 (<https://www.legislation.gov.uk/ukpga/2010/15/section/149>).

<sup>3</sup> Also available from: [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

for financial year 2020-21.<sup>4</sup> We therefore expect this consultation to inform not just our decisions on the approach to funding for the academic year (August to July) 2021-22, but also the Secretary of State's decision about whether to give directions to the OfS or use the Secretary of State's other available powers, and if so, how any such directions or other steers are framed.

The government's statutory guidance letter announced an increase to recurrent grant for financial year 2021-22 of £11 million to £1,330 million. The increase of £11 million arises from additional funding provided to support planned increases in intakes to pre-registration courses in medicine from 2018-19. The comparison between grant for 2020-21 and 2021-22 does not take account of one-off additions for 2020-21 of £10 million to support increases in student numbers in the year following the re-grading of A-levels and other Level 3 qualifications in summer 2020<sup>5</sup>; or the £70 million to address student hardship arising from the pandemic.<sup>6</sup>

The condition of grant that the Secretary of State has placed on us in his letter of 25 March 2021 commits us to distributing £53 million in exceptional funding for specialist providers, of which £48 million is for providers already in receipt of such funding.

For the academic year 2021-22, we propose to distribute non-capital funding of £1,287 million, of which:

- £21 million is for national facilities and regulatory initiatives<sup>7</sup>
- £1,266 million is for recurrent grants to providers and for Uni Connect.<sup>8</sup>

This funding has to support a significant increase in student numbers that has been reported for the 2020-21 academic year, as well as some further additions expected for the 2021-22 academic year. This means that there is a reduction to the average funding that we are able to provide per full-time equivalent student.

The statutory guidance letter sets out a number of changes that the government would like to see in how the OfS distributes recurrent grant. These are:

- a. An increase to the funding distributed through the main high-cost subject funding method for subjects identified as supporting the NHS and wider healthcare policy, high-cost science, technology, engineering and mathematics (STEM) subjects and/or specific labour market needs. These are subjects in price groups A, B and some in price group C1 (for courses in pre-registration nursing and in computing and information technology).

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<sup>4</sup> See: <https://www.legislation.gov.uk/ukpga/2017/29/section/77/enacted>.

<sup>5</sup> See: [www.officeforstudents.org.uk/publications/additional-funding-for-2020-21-and-monitoring-of-medical-and-dental-intake-targets/](http://www.officeforstudents.org.uk/publications/additional-funding-for-2020-21-and-monitoring-of-medical-and-dental-intake-targets/).

<sup>6</sup> Comprising £20 million distributed in December 2020 ([www.officeforstudents.org.uk/publications/additional-funding-for-student-hardship-for-2020-21/](http://www.officeforstudents.org.uk/publications/additional-funding-for-student-hardship-for-2020-21/)) and a further £50 million distributed in February 2021 ([www.officeforstudents.org.uk/publications/further-additional-funding-of-50-million-for-student-hardship-for-2020-21/](http://www.officeforstudents.org.uk/publications/further-additional-funding-of-50-million-for-student-hardship-for-2020-21/)).

<sup>7</sup> Funding for national facilities and regulatory initiatives provides finance for Jisc, the National Student Survey, Discover Uni, Challenge Competitions and a small number of other initiatives.

<sup>8</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/).

- b. A reduction by half to high-cost subject funding for other price group C1 subjects – that is, for courses in performing and creative arts, media studies and archaeology.
- c. The inclusion of students from the Crown Dependencies (the Channel Islands and the Isle of Man) as countable for OfS funding purposes.
- d. The withdrawal of the allocation and weightings that support the additional costs of London compared to other regions.
- e. An increase of £10 million to funding that supports specialist providers.
- f. A reduction of £20 million to the funding provided for Uni Connect.
- g. An allocation of £5 million for student hardship.
- h. Funding of £15 million to support student transitions and mental health.

We are not consulting on the total amount of funding available for distribution by the OfS for the 2021-22 academic year. This is determined by the amount of grant made available to us by government.

The issues discussed in this consultation relate to the OfS's powers under HERA in relation to financial support for registered higher education providers (section 39). Providers eligible for financial support are those registered with us in the Approved (fee cap) category. We are consulting now, so that responses can inform decisions to be taken on the approach to funding for 2021-22.

We are consulting concurrently, but separately, on the approach to capital funding for financial year 2021-22.<sup>9</sup>

The consultation questions are listed in full in **Annex A**.

For more information about our work to date on funding, please visit the OfS website.<sup>10</sup>

## Who should respond to this consultation?

We are particularly (but not only) interested in hearing from **higher education providers that are registered, or are applying to be registered, with us in the Approved (fee cap) category**. We welcome the views of all types and size of provider.

We are also interested in the views of **representative bodies of higher education providers and their staff, student representatives** and others with an interest in the finance arrangements for higher education.

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<sup>9</sup> See: [www.officeforstudents.org.uk/publications/consultation-on-distribution-of-capital-funding-for-2021-22/](http://www.officeforstudents.org.uk/publications/consultation-on-distribution-of-capital-funding-for-2021-22/).

<sup>10</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/).

## How to respond

The consultation closes on **6 May 2021**.

Please submit your response by completing the online form at:  
<https://survey.officeforstudents.org.uk/s/RecurrentFundingConsultation2021-22/>.

If you require this document in an **alternative format**, or need assistance with the online form, please contact [digitalpublishing@officeforstudents.org.uk](mailto:digitalpublishing@officeforstudents.org.uk). **Please note** that this email address should **not** be used for submitting your consultation response.

## Consultation events

We are not holding events in relation to this specific consultation.

## Consultation principles

We are running this consultation in accordance with the government's consultation principles.<sup>11</sup>

At the OfS we are committed to equality and diversity in everything we do. In formulating the proposals set out in this consultation, the OfS has had regard to those matters in section 149(1) of the Equality Act 2010 (the Public Sector Equality Duty).<sup>12</sup>

## How we will treat your response

Your response to this consultation, including any personal information you provide, may be subject to publication or disclosure under the Freedom of Information Act 2000, the Data Protection Act 2018 or the Environmental Information Regulations 2004.

We understand from the statutory guidance letter of 19 January 2021 that the Secretary of State is considering the use of directions under section 77 of HERA relating to the approach to funding for 2020-21.<sup>13</sup> In this context, we will share responses to this consultation, in whole or part, with the Department for Education, if the latter asks that we do so,<sup>14</sup> so that the government can take responses into consideration in whether and how any such direction is determined.

More information is available from the Information Commissioner's Office<sup>15</sup> or from us at [dp@officeforstudents.org.uk](mailto:dp@officeforstudents.org.uk).

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<sup>11</sup> See: <https://www.gov.uk/government/publications/consultation-principles-guidance>.

<sup>12</sup> See Part 11 of the Equality Act 2010, available at [www.legislation.gov.uk/ukpga/2010/15/part/11/chapter/1](http://www.legislation.gov.uk/ukpga/2010/15/part/11/chapter/1).

<sup>13</sup> See: <https://www.legislation.gov.uk/ukpga/2017/29/section/77/enacted>.

<sup>14</sup> Under section 78 of HERA (<https://www.legislation.gov.uk/ukpga/2017/29/section/78/enacted>).

<sup>15</sup> See: <https://ico.org.uk/>.

## Next steps

Subject to responses to this consultation, we expect to make decisions in June 2021 on the approach to funding and budget setting for academic year 2021-22. We will announce those decisions as quickly as possible. We will also publish a summary of responses to this consultation and explain how and why we have arrived at our decisions, and how we have addressed any concerns raised by respondents.

As noted above, we understand that the Secretary of State is considering the use of directions under section 77 of HERA relating to the approach to funding for 2020-21. Consultees should be aware that the Secretary of State is not bound to reach the same decisions as the OfS. This means that, if directions are given (or other statutory powers are exercised) by the Secretary of State, there could be a delay in the decision-making process for the OfS and this may ultimately lead to changes being made to OfS decisions on funding.

We expect to notify providers of their initial allocations of recurrent grants for academic year 2021-22 in June or July 2021.

## Key terms and definitions used in this consultation

**Funding** and **grant(s)** are used synonymously in this document to mean financial support provided under section 39(1) of HERA by the OfS to the governing body of an eligible higher education provider – that is, one registered with us in the Approved (fee cap) category – in respect of expenditure incurred, or to be incurred, by the provider for the purposes of either or both of the following:

- a. The provision of education by the provider.
- b. The provision of facilities, and the carrying on of other activities, by the provider, which its governing body considers it is necessary or desirable to provide or carry on for the purposes of, or in connection with, education.

**Recurrent grant** and **recurrent funding** mean funding allocated on an annual basis in respect of operating expenditure incurred, or to be incurred, by the provider on its ongoing teaching and related activities for an academic year. It is largely calculated by formula, informed by data submitted by providers, and is set out in recurrent grant tables that the OfS will normally first issue in the spring preceding the start of the academic year. In this document, it can also refer to other non-capital funding such as for Uni Connect and national facilities and regulatory initiatives.

**Capital funding** and **capital grant** mean funding allocated in respect of capital expenditure incurred, or to be incurred, by the provider. Capital expenditure means money used to acquire or maintain fixed assets, such as land, buildings and equipment, and which is normally capitalised in the provider's audited annual accounts.

**Academic year** means the 12-month period from 1 August to the following 31 July.

**Financial year** means the 12-month period from 1 April to the following 31 March.

**Protected characteristics** means those relevant protected characteristics in section 149(7) of the Equality Act 2010, and are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

## Introduction

1. This consultation seeks views on a number of proposals about how the OfS distributes recurrent funding for the academic year 2021-22. In formulating the proposals set out in this consultation, the OfS has had regard to its statutory duties in section 2 of the Higher Education and Research Act 2017 (HERA)<sup>16</sup>, and the Public Sector Equality Duty set out in section 149 Equality Act 2010<sup>17</sup>. The OfS's consideration of these duties will be further informed by the responses to the consultation. We have also had regard to a statutory guidance letter received from the Secretary of State for Education on 19 January 2021 which announced the funding available for the financial year (April to March) 2021-22 and the government's funding policies and priorities.<sup>18</sup> The guidance letter does not give an indication of the funding that might be available for subsequent financial years.
2. This consultation seeks views on the OfS's approach to recurrent funding for the academic year 2021-22, in the context of our grant settlement from government. The OfS will make decisions on funding having regard to the guidance letter and the OfS's wider statutory duties, responses to this consultation and other relevant factors.
3. The government's statutory guidance letter announced a non-capital grant for financial year 2021-22 of £1,330 million, an £11 million increase compared with the previous year.
4. Table 1 shows the grants provided for 2021-22 and the previous two years.

**Table 1: Government grants to the OfS (£ millions)**

Financial year	2019-20	2020-21	2021-22
Strategic priorities grant	1,387	1,329	1,330
Less funding distributed through Research England <sup>19</sup>	-58	-57	-47
Capital grant	100	150	150
<b>Total for distribution by the OfS</b>	<b>1,429</b>	<b>1,422</b>	<b>1,433</b>
One-off non-capital grant for 2020-21		80	
One-off capital grant for 2020-21		10	

## Recurrent funding for academic year 2021-22

5. We propose to distribute £1,287 million in non-capital grants for the academic year 2021-22. Of this total, we propose £21 million as funding for national facilities and regulatory initiatives: this

<sup>16</sup> See Section 2 of the Higher Education and Research Act 2017 (<https://www.legislation.gov.uk/ukpga/2017/29/section/2>)

<sup>17</sup> See Section 149 of the Equality Act 2010 (<https://www.legislation.gov.uk/ukpga/2010/15/section/149>).

<sup>18</sup> Government statutory guidance letters to the OfS are available at: [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

<sup>19</sup> The non-capital grant totals for each year include funding distributed through Research England, rather than the OfS. This comprises £47 million for the Higher Education Innovation Fund and, for 2019-20 and 2020-21 only, funding for the University of London School of Advanced Studies and the Institute of Zoology.

primarily comprises funding for Challenge Competitions, Jisc and the National Student Survey. This proposal leaves £1,266 million in recurrent funding for providers and for Uni Connect. Table 2 summarises funding distributed by the OfS for academic years 2019-20 to 2020-21.

**Table 2: Overall budget for academic years 2019-20 to 2021-22 (£ millions)**

Academic year	2019-20	2020-21	2021-22
Recurrent grant <sup>20</sup>	1,303	1,256	1,266
National facilities and regulatory initiatives	29	21	21
<b>Total recurrent funding</b>	<b>1,332</b>	<b>1,277</b>	<b>1,287</b>
Capital funding	100	150	150
<b>Total funding distributed by the OfS</b>	<b>1,432</b>	<b>1,427</b>	<b>1,437</b>
One-off non-capital funding for 2020-21		80	
One-off capital funding for 2020-21		10	

Note: Sums may not add up due to rounding differences.

6. The level of funding distributed to each eligible provider is dependent on the grant available to the OfS and the numbers and types of students at providers registered with us in the Approved (fee cap) category. We have recently published the 2020-21 Higher Education Students Early Statistics (HESES20) survey data submitted by these providers, which largely determines the student numbers we count for funding purposes for 2021-22.<sup>21</sup> This data shows a substantial increase in OfS-fundable student numbers compared to the previous year, reflecting in part a significant increase in new entrants in the year. In addition, we propose to also count for 2021-22:
  - a. The expected increase in student numbers on pre-registration courses in medicine and dentistry arising from the planned 1,500 increase to medical intakes from 2018-19.
  - b. Any increase to medical and dental intake targets for 2021-22 that may be agreed, if the government considers this necessary. The increased intakes in 2020-21 are already reflected in the HESES20 data, but we will also take account of how, for that entry cohort, students on dentistry courses are expected to progress onto their clinical years of study for funding purposes in 2021-22.
  - c. Other adjustments for providers, primarily relating to those new to OfS funding for 2021-22 that will be funded initially based on data they have submitted to the Higher Education Students Forecast 2021-22 (HESF21) survey, because they do not have student activity to report in HESES20.
  - d. Subject to consultation responses and any decisions taken following this consultation, students from the Crown Dependencies – that is, the Channel Islands and the Isle of Man – reflecting the government’s decision that such students will be eligible for home fee status

<sup>20</sup> Recurrent teaching comprises the main formula allocations for providers plus funding for Uni Connect.

<sup>21</sup> See: [www.officeforstudents.org.uk/data-and-analysis/official-statistics/published-statistics/](http://www.officeforstudents.org.uk/data-and-analysis/official-statistics/published-statistics/).

from 2021-22. This applies to such students in all years of study, not just entrants, and we expect this would result in about a further 3,000 students counting against OfS grant.

7. Table 3 summarises the changes to the full-time equivalent student numbers (FTEs) counting towards our recurrent funding allocations between 2020-21 and 2021-22.<sup>22</sup> The inclusion for 2021-22 of students from the Crown Dependencies is subject to decisions following this consultation.

**Table 3: FTEs counting towards OfS recurrent funding for providers for academic years 2020-21 and 2021-22**

	Price group A	Price group B	Price group C1	Price group C2	Price group D	Total
<b>Counted for 2020-21</b>	<b>26,710</b>	<b>253,620</b>	<b>254,928</b>	<b>246,195</b>	<b>440,004</b>	<b>1,221,457</b>
HESES20	27,283	272,088	269,489	256,278	474,568	1,299,706
Planned increases in medicine	1,320	180	0	0	0	1,500
Crown Dependencies	54	603	629	720	952	2,958
Other adjustments	223	207	234	26	57	747
<b>Total counting for 2021-22</b>	<b>28,880</b>	<b>273,078</b>	<b>270,352</b>	<b>257,024</b>	<b>475,577</b>	<b>1,304,911</b>
<b>Change 2020-21 to 2021-22</b>	<b>2,170</b>	<b>19,458</b>	<b>15,424</b>	<b>10,829</b>	<b>35,573</b>	<b>83,454</b>

8. Table 4 summarises the changes to the average unit of recurrent funding per full-time equivalent (FTE) student in the period 2018-19 to 2021-22. The unit of funding is calculated by dividing the recurrent funding for providers and Uni Connect by the total fundable FTEs counted in the formula allocations for the relevant year.<sup>23</sup> The figures in real terms (at academic year 2020-21 prices) use an estimate of the GDP deflators for academic years 2019-20 to 2021-22, derived from the forecast deflators for financial years 2019-20 to 2022-23 published in

<sup>22</sup> Students counted for funding for 2020-21 are taken from the October 2020 sector summary grant Table E, available from [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/technical-guidance-and-funding-data/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/technical-guidance-and-funding-data/). HESES20 data is published at: [www.officeforstudents.org.uk/data-and-analysis/official-statistics/published-statistics/](http://www.officeforstudents.org.uk/data-and-analysis/official-statistics/published-statistics/). Planned increases in medicine and dentistry reflect the expected continuation into 2021-22 of additional student places allocated since 2018-19, announced at: <https://webarchive.nationalarchives.gov.uk/20180405121740/http://www.hefce.ac.uk/lt/healthcare/>. Students from the Crown Dependencies are derived from OfS analysis of 2019-20 individualised student data returns. Other adjustments include the expected continuation into the clinical second year of additional dentistry students with home fee status recruited in 2020-21 and other support for new clinical courses.

<sup>23</sup> The figures for 2020-21 include one-off sums of £80 million (£10 million for additional student numbers and £70 million for student hardship). These one-off sums now offset the cut to recurrent grant implemented for 2020-21 (see: [www.officeforstudents.org.uk/publications/funding-for-2020-21-ofs-board-decisions/](http://www.officeforstudents.org.uk/publications/funding-for-2020-21-ofs-board-decisions/)), albeit that there has been a shift from funding that supports providers' teaching costs to funding for distribution to students facing hardship.

March 2021.<sup>24</sup> This information shows a further reduction in the unit of funding, therefore highlighting the need to prioritise the limited funding available.

**Table 4: Changes to the average unit of OfS funding for providers for academic years 2018-19 to 2021-22**

	Total recurrent budget (£ millions)	Total fundable FTEs	Unit of funding: Cash terms	Unit of funding: Real terms	Percentage change to unit of funding in real terms since 2018-19
2018-19	1,290	1,147,863	£1,124	£1,215	
2019-20	1,303	1,200,151	£1,086	£1,131	-6.9%
2020-21	1,336 <sup>25</sup>	1,221,457	£1,094	£1,094	-10.0%
2021-22	1,266	1,304,911	£970	£981	-19.3%

9. An analysis of changes to the unit of resource over time was provided in Annex B of the OfS board paper on funding in September 2020 (agenda item 10), available at: [www.officeforstudents.org.uk/about/board-papers/ofs-board-meeting-22-september-2020/](http://www.officeforstudents.org.uk/about/board-papers/ofs-board-meeting-22-september-2020/).
10. Information about how the OfS has distributed funding for the current year is available in the 'Guide to funding 2020-21'.<sup>26</sup> Our overall funding method has been designed as a means of distributing the available grant between providers, reflecting their range of activities and the types of students they commonly recruit. The method has been informed by evidence of the relative costs of different subjects and activities, while also recognising the different sources of finance that are expected to contribute towards meeting those costs – student fees, as the largest single element, but also finance from other government bodies and (particularly in the case of apprenticeships) from employers.
11. The method comprises a number of different elements of grant which all recognise the higher costs for providers of teaching particular courses or students who may need more support to achieve successful outcomes. We intend to continue this broad underpinning policy approach for the 2021-22 allocation, subject to the proposals set out below in this consultation document. We are also planning to review our overall funding method for the longer term, so that it can be simplified and align more closely to our strategic objectives.

<sup>24</sup> Available 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). The GDP deflator for the 2021-22 financial year is forecast to be negative and this explains why the value of the unit of funding for academic year 2021-22 is higher in real terms than cash terms.

<sup>25</sup> Including one-off £80 million funding

<sup>26</sup> See: [www.officeforstudents.org.uk/publications/guide-to-funding-2020-21/](http://www.officeforstudents.org.uk/publications/guide-to-funding-2020-21/).

## Policy priorities for funding academic year 2021-22

12. In the light of our funding settlement from government for the coming financial year, the significant increase in student numbers that this funding must support, and the wider circumstances affecting higher education arising from the pandemic, we propose that the primary policy aims in distributing recurrent grant for academic year 2021-22 should be:
  - a. To protect, and if possible enhance, the rate of grant per FTE provided through the main high-cost subject funding method and the nursing, midwifery and allied health supplement, particularly where these support science, technology, engineering and mathematics (STEM) subjects and healthcare disciplines.
  - b. To enhance the total funding targeted at specialist providers, recognising the distinctive role they play in meeting the needs of students and particular specialist employment sectors.
  - c. To protect as far as possible the total funding that we allocate towards providers' activities to improve access and support student success.
13. These policy aims have implications for the funding that we can commit to other elements of grant. This consultation is inviting comments on the following specific proposed changes that are designed to meet these aims:
  - a. An increase to the funding distributed through the main high-cost subject funding method for subjects in price groups A, B and some in price group C1 (for courses in pre-registration nursing and in computing and information technology).
  - b. A reduction by half to the rate of high-cost subject funding for other price group C1 subjects – that is, for courses in performing and creative arts, media studies and archaeology.
  - c. The inclusion of students from the Crown Dependencies as countable for OfS funding purposes.
  - d. The withdrawal of the targeted allocation for students attending courses in London.
  - e. The removal of London weighting from the student premium allocations.
  - f. An increase of £10 million to funding that supports specialist providers.
  - g. A reduction of £20 million to the funding provided for Uni Connect.
  - h. An allocation of £5 million for student hardship.
  - i. Funding of £15 million to support student transitions and mental health.
14. Paragraphs 15 to 81 provide further discussion of these proposals. Table 5 sets out how the distribution of funding for 2021-22 would look if all of the proposals were implemented.

**Table 5: Proposed recurrent grant budgets for academic year 2021-22 (£ millions)**

Elements of recurrent grant	2020-21 budget	2021-22 budget	Percentage change to budget
<b>Funding for high-cost courses</b>	<b>896</b>	<b>899</b>	<b>+0%</b>
Of which:			
High-cost subject funding: price groups A and B; pre-registration nursing; computing and information technology	655	736	+12%
High-cost subject funding: performing arts; creative arts; media studies; archaeology	36	19	-49%
Nursing, midwifery and allied health (NMAH) supplement	23	27	+16%
<b>Sub-total high-cost subject funding and NMAH supplement</b>	<b>715</b>	<b>782</b>	<b>+9%</b>
Very high-cost STEM subjects	24	24	0%
Overseas study programmes	28	28	0%
Postgraduate taught supplement	8	8	0%
Intensive postgraduate provision	33	33	0%
Accelerated full-time undergraduate provision	4	4	0%
Students attending courses in London	64	0	-100%
Clinical consultants' pay	16	16	0%
Senior academic general practitioners' pay	1	1	0%
NHS pensions scheme compensation	5	5	0%
<b>Funding for student access and success</b>	<b>316</b>	<b>313</b>	<b>-1%</b>
Of which:			
Premium to support successful student outcomes: Full time <sup>27</sup>	150	154	+2%
Premium to support successful student outcomes: Part time	66	67	+1%
Disabled students' premium	40	41	+2%
Premium for student transitions and mental health	0	12	New
Uni Connect	60	40	-33%
<b>Funding for specialist providers</b>	<b>43</b>	<b>53</b>	<b>+23%</b>

<sup>27</sup> The funding for the three student premiums for 2021-22 incorporates the proposals for the distribution of £5 million to be earmarked to address student hardship set out in paragraph 65.

Elements of recurrent grant	2020-21 budget	2021-22 budget	Percentage change to budget
Specialist institutions	43	53	
<b>Total recurrent grant</b>	<b>1,256</b>	<b>1,266</b>	<b>+1%</b>
One-off recurrent funding for high-cost subjects and NMAH supplement for 2020-21	10	0	
One-off funding for student hardship in 2020-21 allocated based on student premiums	70	0	
<b>Total recurrent grant including one-off sums</b>	<b>1,336</b>	<b>1,266</b>	

Note: Sums may not add up due to rounding differences.

## Funding for high-cost subjects

15. We are seeking to distribute a greater proportion of OfS funding through the main high-cost subject funding method to support the growth in students studying these subjects. For 2020-21, following the cut to OfS grant, total high-cost subject funding reduced by 3 per cent to £691 million. However, because of the increases in student numbers that the funding has had to support, the rate of high-cost subject funding per FTE has fallen in cash terms compared to 2019-20 by over 5 per cent. It is now over 4 per cent lower in cash terms (17 per cent lower in real terms) than in 2015-16.
16. This decline in the rate of funding for high-cost subject funding up to 2020-21, together with significantly increased student numbers, provide the context for the decisions we now propose to make for 2021-22. To illustrate the challenge:
- If we were just to increase the total budget for high-cost subject funding by £11 million (reflecting the additional funding received for planned increases in medicine), the rate of grant would be cut by a further 6 per cent because of the growth in student numbers.
  - Alternatively, if we were just to maintain the rate of funding for 2021-22 in cash terms on the same basis as previously, the increased student numbers would require us to increase the budget by £53 million to £744 million. This would require significant savings from other elements of grant.
17. We consider maintaining the rate of funding per FTE to be the absolute minimum that we should do, but in practice we propose to go further. The figure of £744 million largely arises from the increased student numbers reported in 2020-21, but with some adjustment for planned increases in medicine, providers new to OfS funding for 2021-22 and for students from the Crown Dependencies as proposed for 2021-22 (see Table 3). However, we believe it likely that student numbers in 2021-22 will increase more than this, in particular as a result of the significant increase in the UK population of 18-year-olds, and the impacts of the pandemic on the economy, which may reduce alternative employment opportunities (see paragraph 33). The latest information from UCAS shows that by the 15 January 2021 deadline in the current

application cycle, there was an 11 per cent increase in 18-year-old and a 24 per cent increase in mature (aged 21 and over) UK applicants to UK providers.<sup>28</sup>

18. In anticipation of this further increase in student numbers, we believe it right that we should increase the budget for high-cost subject funding beyond the £744 million. We therefore propose to increase the total high-cost subject funding to £756 million, but within this, to enhance further the rate of funding for STEM and healthcare disciplines and reduce the rate of funding for other subjects.
19. The government has set out the subjects it believes should be prioritised for high-cost subject funding due to their strategic importance. These subjects are specified as:

<b>Government priorities for high-cost subject funding</b>
Clinical medicine
Clinical dentistry/dental hygiene and therapy
Veterinary science
Nursing and allied health professions (pre-registration courses)
Anatomy and physiology, pharmacy and pharmacology
Sciences (agriculture, forestry and food science; earth, marine and environmental sciences; biosciences; chemistry; physics)
Engineering subjects
Information technology

20. We interpret these subjects as covering all courses that are currently assigned to price groups A or B, plus those in price group C1 that are either pre-registration courses in nursing or courses in computing and information technology.<sup>29</sup> We will refer to the priority subjects in price group C1 as constituting a new price group: C1.1.
21. The government proposes that the courses in price group C1 that are not among its strategic priorities – covering subjects in music, dance, drama and performing arts; art and design; media studies; and archaeology – are to be subject to a reduction of 50 per cent. We will refer to these subjects as constituting a new price group: C1.2.
22. We believe that courses in the performing arts, creative arts, media studies and archaeology are very important, bringing huge benefit to society and our culture, as well as to the individuals

<sup>28</sup> See: <https://www.ucas.com/corporate/news-and-key-documents/news/nursing-applications-soar-ucas-publishes-latest-undergraduate-applicant-analysis>.

<sup>29</sup> The assignment of courses to price groups is defined in Annex G of the HESES20 survey ([www.officeforstudents.org.uk/publications/heses20/](http://www.officeforstudents.org.uk/publications/heses20/)). Where the assignment to price groups is determined by the subject code of a course, a mapping of those codes to price groups is available in Annex A of 'Data collection to inform funding for 2020-21: Responses to feedback and confirmation of approach', OfS 2019.31 (<https://www.officeforstudents.org.uk/publications/data-collection-feedback-response/>). The subject codes are the Learn Direct Class System (LDCS) codes used by further education and sixth form colleges and the Higher Education Classification of Subjects (HECoS) codes used by other providers in their student data returns to the Higher Education Statistics Agency.

who take them. They make a particularly important contribution to access and participation. For example, our published equality and diversity data<sup>30</sup> shows that:

- a. Students studying design, and creative and performing arts have the highest proportion of any broad subject group to have a reported disability, with particularly high proportions in relation to cognitive or learning difficulties and mental health conditions.<sup>31</sup> They also have a higher than average proportion coming from POLAR quintiles 1 and 2.<sup>32</sup> However, they are less likely than average to be mature (aged 21 or over) or to come from a black, Asian or minority ethnic background.
- b. Students studying media, journalism and communications also have a higher proportion than average of students reporting a disability with relatively high proportions reporting mental health conditions. They also have a higher than average proportion coming from POLAR quintiles 1 and 2. However, they are also less likely than average to be mature or to come from a black, Asian or minority ethnic background.

23. Previous government studies have shown that participation in higher education brings a wide range of benefits both to the individual and wider society.<sup>33</sup> Graduates in the proposed price group C1.2 subjects also play an important role in supporting important parts of the UK employment sectors, economy and cultural life. Many of the subjects in the proposed price group C1.2 are relevant to professions in the government's shortage occupation list.<sup>34</sup>

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<sup>30</sup> See: [www.officeforstudents.org.uk/data-and-analysis/equality-and-diversity-student-data/equality-and-diversity-data/](http://www.officeforstudents.org.uk/data-and-analysis/equality-and-diversity-student-data/equality-and-diversity-data/).

<sup>31</sup> At the detailed subject level, the proportion of students studying design and creative and performing arts reporting a disability is second only to that for students studying general and combined studies, albeit that the population size for the latter subject is less than one-seventh of the former.

<sup>32</sup> The participation of local areas (POLAR) classification groups areas across the UK based on the proportion of young people who participate in higher education. It looks at how likely young people are to participate in higher education across the UK and shows how this varies by area. POLAR classifies local areas into five groups – or quintiles – based on the proportion of young people who enter higher education aged 18 or 19 years old. Quintile 1 shows the lowest rate of participation. Quintile 5 shows the highest rate of participation. For more information see: [www.officeforstudents.org.uk/data-and-analysis/young-participation-by-area/about-polar-and-adult-he/](http://www.officeforstudents.org.uk/data-and-analysis/young-participation-by-area/about-polar-and-adult-he/).

<sup>33</sup> See, for example:

- 'The wider (non-market) benefits of post-18 education for individuals and society', 2019, available at: <https://www.gov.uk/government/publications/benefits-of-post-18-education-for-individuals-and-society>.
- 'Benefits of participating in higher education: key findings and reports quadrants', 2013, available at: <https://www.gov.uk/government/publications/benefits-of-participating-in-higher-education-key-findings-and-reports-quadrants>.

<sup>34</sup> A shortage occupation is a skilled job where there is a shortage of workers in the UK. The list of shortage occupations is available from: <https://www.gov.uk/skilled-worker-visa/when-you-can-be-paid-less>. The list includes professionals working in many STEM subjects, but also includes archaeologists; artists; dancers and choreographers (only skilled classical ballet dancers or skilled contemporary dancers who meet the standard required by internationally recognised UK ballet or contemporary dance companies); musicians (only skilled orchestral musicians who are leaders, principals, sub-principals or numbered string positions, and who meet the standard required by internationally recognised UK orchestras); arts officers, producers and directors. There is a separate shortage occupation list for those working in health and education.

24. Many of these courses are expensive for providers to offer.<sup>35</sup> They are, however, also expensive for the government to subsidise, although the government does not consider them to be as strategically important as other high-cost disciplines. While, therefore, we recognise the particular importance of subjects in the proposed price group C1.2 and want provision in those subject areas to continue to be widely available, we believe they are nevertheless lower priority for OfS funding than other high-cost subjects. When funding is significantly constrained, we believe it right that the grant for these subjects is reduced in order to prioritise other subjects.
25. The government's guidance letter outlines the strategic importance of STEM and healthcare subjects that the government wishes to prioritise, including to reflect priorities that have emerged in the light of the coronavirus pandemic. These subjects are also highly relevant to the government's shortage occupation list, which includes scientists, engineers, IT and computing professionals and vets, while medical and dental practitioners, nurses, midwives and allied health professionals are included in the separate shortage occupation list for healthcare and education.<sup>36</sup> Furthermore, these subjects are much more relevant than those in the proposed price group C1.2 to the government's 'Plan for Growth', which prioritises investments and skills in science, technology and health.<sup>37</sup>
26. Provision in STEM and healthcare subjects is of importance for the delivery of vital public services, and maintaining the UK's position as a leader in science and innovation. In particular, many healthcare subjects serve as a direct supply of staff for the NHS workforce. Many of these subjects are particularly high-cost to deliver, and thus very reliant on OfS grant funding. Maintaining the rates of funding for these subjects is therefore a priority, and we propose to reflect this in our proposals, as one element of our proposed approach to the distribution of recurrent grant.

## Changing funding for price group C1

27. Students are assigned to price groups for our funding purposes based on the characteristics of their course. For some courses this is on the basis that they lead towards qualification to practise in certain professions (and which requires registration with a relevant regulatory body), or they provide further professional development aimed at those already so qualified. This applies to courses in medicine, dentistry, veterinary science, nursing, midwifery and allied health professions, social work and teaching. Students on a sandwich year out are all assigned to price group C2. Where none of the above criteria apply, students are assigned to price groups based on the subject code(s) of their course. These subject codes are the Learn Direct Classification System (LDCS) codes used by further education and sixth form colleges and the Higher Education Classification of Subjects (HECoS) codes used by other providers in their student data returns to the Higher Education Statistics Agency (HESA). HECoS codes are

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<sup>35</sup> Previous cost analysis, based on the TRAC(T) data for 2017-18, is included in Annex B of the September 2020 OfS board paper on funding (agenda item 10), available at [www.officeforstudents.org.uk/about/board-papers/ofs-board-meeting-22-september-2020/](https://www.officeforstudents.org.uk/about/board-papers/ofs-board-meeting-22-september-2020/).

<sup>36</sup> See: <https://www.gov.uk/government/publications/skilled-worker-visa-eligible-healthcare-and-education-jobs>.

<sup>37</sup> See: <https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth>.

grouped together into cognate subject areas using the Common Aggregation Hierarchy (CAH).<sup>38</sup>

28. It is these LDCS and HECoS subject codes that would determine whether activity would be assigned to the proposed price group C1.2 – the other criteria for assigning activity to price groups based on qualification to practice are not relevant to the subjects that we propose should be assigned to price group C1.2.<sup>39</sup> **Annex B** shows the subject codes that we propose would map to price group C1.2.

## Counting students for funding purposes to reflect changes to home fee status from 2021-22

29. The student numbers that the OfS chooses to count for funding purposes are limited to those with home fee status.<sup>40</sup> Students without home fee status are expected to meet the full cost of their courses through the fees they pay, and therefore, to secure greatest value from the funding available to us, we do not count them for our allocations. In practice, we count only a subset of the students with home fee status – some are treated as non-fundable, because they are (expected to be) funded by other public bodies or for policy reasons.<sup>41</sup> We do not propose to change our practice of only counting for funding purposes students with home fee status.

30. There are some changes to eligibility for home fee status that are being introduced for academic year 2021-22. These changes will be reflected in the data returns that providers submit to us for the year and that we use to inform our funding. The changes to eligibility for home fee status relate to:

- a. The withdrawal of home fee status for some EU students starting courses in 2021-22 (or later).<sup>42</sup>
- b. The new eligibility for home fee status (in all years of study) for students from the Crown Dependencies (the Channel Islands and the Isle of Man).

31. Our formula funding method uses student data for the current year to inform the distribution of grant for the coming year. So, as explained in paragraph 6, the student numbers we will count

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<sup>38</sup> See: <https://www.hesa.ac.uk/support/documentation/hecos>.

<sup>39</sup> Pre-registration courses in nursing are the only courses in price group C1 whose assignment is determined by the fact that they lead towards qualification to practice as a nurse, rather than their subject code. While some courses in performing and creative arts, media studies and archaeology may include a sandwich year, those placement years are already assigned to price group C2.

<sup>40</sup> This applies to students meeting the definition in Schedule 1 of the Education (Fees and Awards) Regulations 2007 (SI 2007/779: <https://www.legislation.gov.uk/ukSI/2007/779/contents>), as amended.

<sup>41</sup> An example of students treated as non-fundable for policy reasons would be those aiming for an equivalent or lower qualification (ELQ) and not covered by an exemption from the ELQ policy. This policy seeks to prioritise public funding towards students who are studying for a qualification that is higher than one they have already achieved.

<sup>42</sup> The changes to home fee status for EU students are not straightforward – eligibility for some categories will not change, but will depend on the particular circumstances of individual students. A summary of the changes is available at <https://www.gov.uk/government/publications/student-finance-eligibility-2021-to-2022-academic-year>.

in our allocations for 2021-22 are largely informed by the student numbers reported by providers for the current year (2020-21). This ensures we treat providers on a consistent basis and are using the most up-to-date data available, although we do make adjustments for certain planned increases expected in the coming year. Essentially the student population in 2020-21 provides the best estimate of the OfS-fundable population in 2021-22.

32. While the changes to home fee status will be reflected in future student data returns, there is a question about whether we should pre-empt them by adjusting the numbers we count in our allocations for 2021-22. We do not expect any reduction in the total number of students with home fee status in 2021-22 (notwithstanding the changed eligibility of some EU entrants), nor, therefore, any fewer students eligible to count against OfS grant – either overall or at individual providers. We therefore believe that the HESES20 population remains the best estimate of the OfS-fundable population for 2021-22. However, we do propose to make an adjustment to the student numbers we count for funding to recognise the new eligibility for home fees of students from the Crown Dependencies.
33. As explained in paragraph 17, we expect an increase in the overall population of students with home fee status in 2021-22. This arises because the UK population of 18-year-olds is expected to increase by 25 per cent between 2020 and 2030, increasing demand from domestic students that is likely to offset any reduction in EU students with home fee status.<sup>43</sup> We also expect increased demand from domestic students because of the effects of the pandemic (for example, as a result of reduced alternative employment opportunities and the need to accommodate more deferred applicants from 2020 following the decision to use centre-assessed grades to award A-level and other Level 3 qualifications in 2020). This further demand is reflected in the significant increase in applications from UK students reported in the current UCAS application cycle.<sup>44</sup> We also expect that individual providers will look to offset any reduced applications from EU students by recruiting more UK applicants.
34. The government has also decided that from 2021-22, students from the Crown Dependencies will be eligible for home fee status.<sup>45</sup> Undergraduates will also (subject to other criteria) commonly also be subject to regulated fee limits. These changes will limit the fees that providers have previously been able to charge such students to meet their course costs. The statutory guidance letter of 19 January 2021 therefore asks the OfS to ensure that all students from the Crown Dependencies are counted within the 2021-22 recurrent grant allocations in the same way as domestic students, in order to ensure equitable funding treatment. As noted in

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<sup>43</sup> In 2020-21 the proportion of OfS-fundable students that are not UK-domiciled is 6.9 per cent overall and 7.9 per cent for full-time and sandwich students (source: HESES20 Table 5, 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/)). Because the change to home fee status is phased in with successive entry cohorts, it will take three years for the bulk of these students to no longer count as OfS-fundable (reflecting typical degree course length). Counterbalancing this, from 2020, the UK-population of 18-year olds is projected to increase by 7.5 per cent by 2023 and by 12 per cent by 2024 (source: Office for National Statistics projections, published in October 2019, available from: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/z1zippedpopulationprojectionsdatafilesuk](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/z1zippedpopulationprojectionsdatafilesuk); the principal projection is in the file 'uk\_ppp\_opendata2018').

<sup>44</sup> See: <https://www.ucas.com/corporate/news-and-key-documents/news/nursing-applications-soar-ucas-publishes-latest-undergraduate-applicant-analysis>.

<sup>45</sup> Students from the Crown Dependencies have been eligible for home fees if they were already living and working in the UK. The change from 2021-22 is to make those resident in the islands before the start of their course also eligible for home fees.

paragraph 6.d., this change to home fee status applies to such students in all years of study, not just entrants. The government’s proposal would result in about a further 3,000 students being counted in our calculations of OfS grant for 2021-22. We propose to count them, because this change represents an increase to the eligible population and affects both continuing students and new entrants. If we did not, the providers that have such students would be unfairly disadvantaged by the loss of fee income.

35. We propose to adjust the student numbers we count for 2021-22 funding purposes relating to students from the Crown Dependencies by adding on the numbers of such students that we identify in the individualised student data returns for 2019-20 (by price group, mode and level, as needed). This is the most recent data source available and will apply to all formula-based recurrent grant allocations that are recalculated each year to reflect the latest student numbers (not just to high-cost subject funding). This approach minimises burden for providers, because it avoids the need for any new data collection.

## Estimated funding rates for high-cost subject funding

36. Based on all of the proposals in this consultation, we would expect the changes to budgets for high-cost subject funding, combined with changes to the FTE student numbers that we count, to result in the changes to rates of high-cost subject funding as shown in Table 6. The figures in Table 6 incorporate the effects of the increased FTE student numbers that we have to count for 2021-22 (see paragraphs 6 and 7 and Table 3).

**Table 6: Estimated changes to high-cost subject rates of funding for 2021-22**

Price group	Funding rate per FTE for 2020-21	Funding rate per FTE for 2021-22	Percentage change
A	£9,720	£10,110	+4%
B	£1,458	£1,516.5	+4%
C1.1	£243	£252.75	+4%
C1.2	£243	£121.50	-50%
C2	£0	£0	N/A
D	£0	£0	N/A

### Question 1

To what extent do you agree with the proposal to distribute a greater proportion of OfS recurrent grant through the main high-cost subject funding method? (See paragraphs 15 to 36.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Question 2

To what extent do you agree with the proposal to split price group C1 in order to implement a reduction of 50 per cent to the high-cost subject funding allocated to subjects in the performing arts; creative arts; media studies; and archaeology? (See paragraphs 15 to 26.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Question 3

Notwithstanding your answer to question 2, if we were to split price group C1 as proposed, to what extent do you agree with our approach to implementing this? (See paragraphs 27 to 28 and Annex B.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Question 4

To what extent do you agree with our approach to counting students from the Crown Dependencies in our funding allocations for 2021-22? (See paragraphs 34 to 35.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## London weighting

37. For 2020-21 we have allocated £64.5 million through the targeted allocation for students attending courses in London. We also include London weighting in our student premium funding methods. We propose that both of these should be removed for academic year 2021-22. This will release funding required to increase the amount distributed through the main high-cost subject funding method and help to protect other budgets.

## The extra costs of London

38. The targeted allocation for students attending courses in London is distributed using rates of grant per student FTE that vary by price group and according to whether a provider's activities are in inner or outer London. The standard rates of funding for providers are shown in Table 7. Where providers have activities that span the boundaries between inner London, outer London and outside London, rates are varied to reflect the proportion of activity in each area.

**Table 7: 2020-21 Rates of funding for students attending courses in London**

Price group	Standard rate per FTE for inner London (£)	Standard rate per FTE for outer London (£)
A	958	599
B	407	254
C1 and C2	312	195
D	240	150

39. Table 8 summarises how much of the total 2020-21 allocation for students attending courses in London is attributable to each price group and to inner and outer London. In summary:

- a. About £37 million (58 per cent) is allocated to support the teaching of courses that are in price groups attracting high-cost subject funding.
- b. 83 per cent is attributable to activity in inner London, where the additional costs are particularly high.
- c. Just over £10 million (16 per cent) is allocated to support the teaching of postgraduate courses, where providers in London can charge higher fees.

**Table 8: Disaggregation of 2020-21 funding for students attending courses in London by price group and inner/outer London**

Price group	Level	Inner London (£ millions)	Outer London (£ millions)	Total (£ millions)
A	Undergraduate (UG)	5.4	0.0	5.4
A	Postgraduate taught (PGT)	1.3	0.0	1.3
B	UG	11.3	2.3	13.6
B	PGT	1.6	0.2	1.8
C1	UG	10.3	2.7	13.0
C1	PGT	1.9	0.2	2.1
C2	UG	5.9	1.9	7.8
C2	PGT	1.6	0.3	1.9
D	UG	11.5	3.1	14.6
D	PGT	2.8	0.2	3.1
All	UG	44.4	10.0	54.5
All	PGT	9.2	0.9	10.1
<b>Total</b>		<b>53.6</b>	<b>10.9</b>	<b>64.5</b>

40. In addition to the targeted allocation for students attending courses in London, we have also incorporated a London weighting in the calculation of student premiums. This weighting is 12 per cent for providers in inner London and 8 per cent for providers in outer London. Its removal would redistribute student premium funding away from providers in London to those in other regions. We estimate that, as a share of the original student premium budgets for 2020-21 (that is, excluding the one-off allocations for hardship provided in that year), the net effect of the weighting accounted for:

- £2.5 million of the total £150 million allocated for the full-time student premium
- £0.6 million of the total £66 million allocated for the part-time student premium
- £0.7 million of the total £40 million allocated for the disabled student premium

- £4 million (less than 2 per cent) of the £256 million allocated for all student premiums combined.

41. London weighting has also been included in the calculation of formula capital grants. We are consulting separately on a proposal that capital grants for providers should be allocated through a competitive bidding exercise for the 2021-22 financial year.
42. These allocations and weightings reflect recent evidence of the additional costs of teaching that providers in London experience. In particular:
- a. 'Regional variation in costs and benefits for higher education providers in England'<sup>46</sup> found significantly higher costs for inner London and, to a lesser extent, for outer London, compared to the national average relating to both academic and non-academic staff costs and also to land, building and maintenance costs.
  - b. 'Understanding costs of undergraduate provision in higher education'<sup>47</sup> found the unit of cost per student FTE of undergraduate teaching was 14 per cent higher in London than the England average.
43. There is very limited variation in undergraduate fee charging by region, because regulated fee limits do not incorporate a London weighting. This means that any recognition of additional regional costs of undergraduate teaching falls to OfS grant. On the assumption of an average course fee of £9,000 per FTE, the different elements of our recurrent funding that are allocated to recognise the additional costs of teaching in London contribute on average about 3 per cent of teaching income through OfS grant and course fees for OfS-fundable students at providers in London, significantly short of the extra costs identified in the studies mentioned in paragraph 42.

## Proposal for change

44. The statutory guidance letter from the Secretary of State acknowledges that London providers face some higher costs, albeit reflecting the overall weighting of the UK economy towards London. The letter asks that we should remove weightings for London providers from across the grant in order to invest in other priorities such as high-cost subject funding, which is offered to providers in all regions of England (including London).

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<sup>46</sup> A 2017 report by Deloitte, commissioned by the Higher Education Funding Council for England (HEFCE), available at: <https://webarchive.nationalarchives.gov.uk/20180405115447/http://www.hefce.ac.uk/pubs/rereports/year/2017/regional/>.

<sup>47</sup> A 2019 report by KPMG commissioned by the Department for Education as part of the supporting evidence for the Augar report, available at: <https://www.gov.uk/government/publications/cost-of-undergraduate-higher-education-provision>. See in particular section 7.10.

45. The extra costs of operating or studying in London are recognised in a number of other government educational grant or loan arrangements.<sup>48</sup> However, where higher education differs from the further education and schools sectors is in its ability to raise income from other sources and to recruit globally. For the latter, being based in London is a significant benefit. This was recognised in the 2017 HEFCE report (see paragraph 42.a) and is also reflected in the number of providers outside London that have opened London campuses. Given these benefits, and the constraints on the funding available, we believe we should no longer provide funding for the extra costs of operating in London.
46. It should be noted that the removal of the targeted allocation for the extra costs of teaching students in London would not result in the loss of that total budget from providers in London – collectively they will also receive funding through its re-distribution in other grants, so the net impact will be less. However, any formula-based redistribution would fall short of compensating for the cuts to the rates of grant shown in Table 7. Our modelling indicates that, if all the proposals in this consultation were accepted, the total net reduction in recurrent grant across the 77 London-based providers in the Approved (fee cap) category would be about £48 million. The net impact on individual providers would vary depending on the types of courses that they offer. OfS grant will generally be only a small proportion of the total income received by providers, which have autonomy to decide how that income is used.
47. Higher education participation rates are significantly higher in London than other regions in England.<sup>49</sup> Paragraphs 90 to 96 provide an introduction for analysis, that we are publishing alongside this consultation, of the impact of the changes proposed in this document on categories of providers and information on the proportions of students with certain protected characteristics at those providers. The impact on students depends on the funding changes for

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<sup>48</sup> These include:

- the higher rates for London provided through undergraduate student maintenance loans: <https://www.practitioners.slc.co.uk/products/full-time-undergraduate-education/full-time-maintenance-loan/whats-available/>. As noted earlier, however, maximum postgraduate masters' loans do not vary by region
- the Education and Skills Funding Agency's area cost uplift (of up to 20 per cent) in the Adult education budget: <https://www.gov.uk/government/publications/adult-education-budget-aeb-funding-rates-and-formula-2020-to-2021>
- the Education and Skills Funding Agency's same area cost uplift in the national funding formula for 16-19 education: <https://www.gov.uk/government/publications/funding-rates-and-formula>
- area costs in the provision of Advanced learner loans: <https://www.gov.uk/government/publications/advanced-learner-loans-funding-rules-2020-to-2021>
- the area cost adjustment in the National funding formula for schools and high needs: <https://www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs> (estimated to be £949 million for 2021-22).

<sup>49</sup> See: <https://explore-education-statistics.service.gov.uk/find-statistics/widening-participation-in-higher-education>. The data is available under 'Download associated files' by selecting 'Free School Meals, Gender, Ethnic Group – Region'. Filtering on the totals for 'Gender', 'FSM\_Status' and 'Ethnic\_Group\_Major' shows that, for 2018-19, the progression rate of young people from English state-funded schools and special schools to higher education by the age of 19 was 55.2 per cent in London. The equivalent rates for other government regions in England were in the range 37.7 per cent (for the South West) to 41.9 per cent (for both the North West and the West Midlands).

the providers at which they study, for which we are also providing modelling. Compared with those in other regions, providers in London in total have:

- a higher proportion of mature students (aged 21 or over)
- a significantly higher proportion of students from black, Asian and minority ethnic backgrounds.

48. In proposing to remove London weighting from our funding method, we are very mindful of the potential impact on the population of students who study there. We recognise that there is a significantly greater proportion of students from black, Asian and minority ethnic backgrounds studying at providers in London than in other regions, reflecting at least in part the greater ethnic diversity in the capital.<sup>50</sup> Nevertheless, we believe significant challenges in promoting equality of opportunity exist in other parts of the country and in relation to, for example, the underrepresentation of white pupils, particularly those receiving free school meals.<sup>51</sup> Given the constraints on the funding available, we also recognise the need to prioritise grant for providers in all regions in a way that will support the provision of high-cost and strategically important subjects and student success. We believe this will support greater competition between providers across regions in the interests of students and employers.

### Question 5

To what extent do you agree with the proposed approach to remove the targeted allocation for students attending courses in London? (See paragraphs 37 to 48.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

### Question 6

To what extent do you agree with the proposed approach to remove London weighting from the formula-based student premium allocations? (See paragraphs 37 to 48.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Targeted allocation for world-leading specialist providers

49. The targeted allocation for specialist providers is additional discretionary funding that has been provided to a subset of higher education providers previously funded by the Higher Education Funding Council for England (HEFCE).<sup>52</sup> It recognises the higher cost and distinctive nature of

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<sup>50</sup> This reflects in part the ethnic diversity in London. See: <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/regional-ethnic-diversity/latest>.

<sup>51</sup> See: [www.officeforstudents.org.uk/news-blog-and-events/blog/white-students-who-are-left-behind-the-importance-of-place/](http://www.officeforstudents.org.uk/news-blog-and-events/blog/white-students-who-are-left-behind-the-importance-of-place/).

<sup>52</sup> 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/>.

(primarily small) specialist higher education providers, and the public value that they bring to the sector. This subset of providers contributes significantly to the diversity of the higher education provider landscape, and offers prospective students enhanced choice in the nature of the higher education experience.

50. The current allocations are based on the outcomes of a HEFCE review during 2015-16.<sup>53</sup> Providers demonstrating that they met all criteria under the HEFCE review were eligible for funding through the targeted allocation. The size of allocation was determined by formula but subject to a minimum of £0.5 million and a maximum of £4 million per provider, totalling £43 million across 16 providers. HEFCE stated that, 'dependent on government priorities and the higher education teaching budget, we would expect funding to be allocated until 2019-20. In 2019, allocations for 2020-21 would be reviewed again.' Transitional arrangements have been in place under the OfS to continue this funding up to and including academic year 2020-21.<sup>54</sup>
51. The Department for Education report 'Understanding costs of undergraduate provision in higher education' identified some of the drivers of cost in specialist providers.<sup>55</sup> Building on information already collected as part of the Transparent Approach to Costing (TRAC) exercise, the study examined the variation in full economic costs across the higher education sector in England and between subject areas, the causes of differences in costs and how this influences providers' decision-making. Its findings included that:
- a. 'Specialist institutions (typically in TRAC Peer Group F)<sup>56</sup> tend to have a higher unit cost, although size, the type of subject taught and less course variety are also likely to be factors in this group.'
  - b. 'An institution with a smaller overall teaching cost is likely to be more costly on a unit cost basis though this factor is not independent of other factors such as the number of HESA cost centres.'
  - c. 'An institution with more HESA cost centres, a proxy measure of course variety, is likely to have a lower unit cost and conversely the institutions with fewer HESA cost centres had a higher unit cost (though this is also likely to be linked to scale and the specialist nature of those institutions). The mix of subjects offered will mean that this is not always the case however.'
52. Such analysis supports the need for a separate funding allocation for specialist providers to maintain diversity of provision and choice for students. Specialist providers contribute substantially to the diversity of the higher education sector. OfS funding for them is intended to

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<sup>53</sup> Information about the HEFCE review is available from: <https://webarchive.nationalarchives.gov.uk/20170712123151/http://www.hefce.ac.uk/it/howfund/institution/>.

<sup>54</sup> The allocations for each provider can be seen in Annex A of 'Recurrent funding for 2020-21', OfS 2020.24 ([www.officeforstudents.org.uk/publications/recurrent-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/recurrent-funding-for-2020-21/)), column AG.

<sup>55</sup> See: <https://www.gov.uk/government/publications/cost-of-undergraduate-higher-education-provision>. See in particular section 1.6.4 'Understanding the cost drivers'.

<sup>56</sup> Information about the providers in each TRAC peer group is available from <https://www.trac.ac.uk/tracguidance/archive/>.

recognise the higher cost, limited scope for cross-subsidy, and distinctive nature of (primarily small) specialist higher education providers, and the public value that they bring to the sector.

## **Exceptional support for world-leading specialist providers**

53. For 2021-22, we are increasing from £43 million to £53 million the targeted funding for specialist providers. This funding is intended to:
- a. Recognise the important and distinctive role that world-leading specialist providers play in promoting greater choice and opportunities for students in the provision of higher education amongst a diverse range of types of provider, higher education courses, and means by which they are provided.
  - b. Recognise the important and distinctive role that specialist providers play in promoting equality of opportunity in connection with access to and participation in higher education.<sup>57</sup>
  - c. Recognise the important role that specialist providers play in meeting the needs of particular employment sectors or parts of the economy, regionally, nationally and in promoting the wider interests of the UK internationally.
  - d. Recognise that specialist providers have more limited scope than multi-faculty providers to diversify their income and cross-subsidise their activities, all the more so if they are also small.
  - e. Provide value for money in targeting limited resources effectively where the case for exceptional support from the OfS is strongest and where it can add greatest value.
54. We recognise that a review of funding for specialist providers is due, including to reflect the different remit that the OfS has compared with HEFCE and the various changes affecting providers and their finances (including as proposed in this consultation) since the last review. A full review of funding for world-leading specialist providers will consider the case for providing exceptional support for a provider's teaching and related activities as a whole, with a view to informing a longer-term approach to funding for specialist providers. While we have not dismissed the idea that a small proportion of the total might be distributed formulaically, we would expect the large majority of funding to be allocated on the basis of submissions from providers. This would require comprehensive submissions encompassing the overall teaching and related activities of a provider and assessment against criteria through a peer review process. Given the comprehensive nature of such a review, we do not believe it could be completed until towards the end of this calendar year, well after the 2021-22 academic year has begun.
55. We are committed to carrying out a full review of world-leading specialist provider funding this year and will consult separately later this year on the approach to the review. However, recognising the timescales required to complete it, we will use the outcomes of the review primarily to inform funding from 2022-23. This will also ensure that those funding decisions can be informed by the outcomes of the next spending review.

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<sup>57</sup> This is likely to be characteristic of the subjects in which providers specialise (see paragraph 22), although that is not to diminish the distinctive role that specialist providers play in promoting equality of opportunity.

56. For 2021-22, the Secretary of State has applied a condition of grant on us that we increase by £5 million the funding that we currently allocate to 16 providers through the targeted allocation for specialist institutions.<sup>58</sup> This commits £48 million of the £53 million total budget for specialist provider funding that we propose for 2021-22. We will distribute the balance of £5 million later in the year to reflect the outcomes of the review of specialist provider funding described in paragraphs 54 and 55. This may, therefore, enable us to provide specialist provider funding in 2021-22 to providers that do not currently receive it. It is, however, unlikely that we will be able to confirm the distribution of that £5 million until we are well into the 2021-22 academic year, given the timescales required for the review.
57. In adopting this approach for 2021-22, we are reflecting the condition of grant placed on us by the Secretary of State. We are also mindful that, for many of the providers currently in receipt, the specialist institution targeted allocation represents a high proportion of their total income for teaching – a much higher proportion than OfS funding as a whole represents for other providers. Almost all of them may be affected by other funding changes proposed in this consultation (particularly those relating to funding for London providers and price group C1). We also recognise that other world-leading specialist providers that are successful in making the case for support through our review should be able to benefit from that in 2021-22, albeit that the review will primarily inform funding from 2022-23.

## **Funding to improve access and support successful student outcomes**

58. We have identified in paragraph 12 that one of our primary objectives in distributing recurrent grant for 2021-22 is to protect as far as possible the total funding that we allocate towards providers' activities to improve access and support student success. The government's statutory guidance letter in January 2021 also identifies supporting disadvantaged and underrepresented students in higher education as a key priority and specifically highlights the challenges of transitions into higher education to student mental health. It notes the success of the Uni Connect programme and supports ongoing investment to support the core programme infrastructure and to fulfil specific policy objectives.
59. We set out below our proposed approach to funding for measures to improve access and support student success. In summary these are to:
- a. Provide funding of £40 million for Uni Connect for academic year 2021-22.
  - b. Provide an additional £5 million through the existing student premiums, with the increase specifically being to support students experiencing hardship.
  - c. Provide £15 million to support student transitions into higher education and mental health, allocating £3 million through Challenge Competitions and national initiatives and £12 million direct to higher education providers through a new student transitions and mental health premium.

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<sup>58</sup> Under section 74 of HERA (<https://www.legislation.gov.uk/ukpga/2017/29/section/74/enacted>).

## Funding for Uni Connect

60. Uni Connect brings together 29 partnerships of universities, colleges and other local organisations to provide sustained outreach in areas where higher education participation is both low overall and in relation to levels of attainment. As noted in the government's statutory guidance letter, the programme has been successful in:

- embedding a collaborative approach to widening access, which complements providers' access and participation plans
- addressing cold spots in outreach
- enabling coordinated engagement from schools and colleges.

61. We have recently completed a consultation on a new approach to the Uni Connect programme from 2021-22 to 2024-25.<sup>59</sup> In that consultation we outlined our proposal to continue to support efficient and joined-up collaborative higher education outreach through the Uni Connect programme. Our investment in the programme aims to:

- a. Contribute to reducing the gap in higher education participation between the most and least represented groups.
- b. Equip young and adult learners from underrepresented groups to make an informed choice about their options in relation to the full range of routes into and through higher education and to minimise the barriers they may face when choosing the option that will unlock their potential.
- c. Support a strategic local infrastructure of universities, colleges and other partners that can cut through competitive barriers, offer an efficient and low-burden route for schools and colleges to engage, and address outreach 'cold spots' for underrepresented groups.
- d. Contribute to a stronger evidence base around 'what works' in higher education outreach and strengthen evaluation practice across the sector.

62. Through the programme we will invest in a network of Uni Connect partnerships with coverage across England. These partnerships will support a strategic local infrastructure to deliver programme goals. Our approach to Uni Connect is intended to be scalable and our proposals can adapt to different funding scenarios. Overall programme funding levels will shape expectations around the level of activity undertaken but will not impact on our broad approach. We are publishing the outcomes of the consultation on our new approach to Uni Connect, including our confirmed methodology for distributing programme funding in 2021-22, alongside this consultation.

63. Our initial investment in the Uni Connect programme supported the creation of a strong and versatile network of local partnerships with cross-England coverage. As we move into the next phase of the programme, with a well-established and robust local infrastructure, we believe that there is scope to use programme funding more efficiently and effectively to achieve our

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<sup>59</sup> See: [www.officeforstudents.org.uk/publications/a-new-approach-to-the-uni-connect-programme-from-2021-22-to-2024-25/](http://www.officeforstudents.org.uk/publications/a-new-approach-to-the-uni-connect-programme-from-2021-22-to-2024-25/).

ambitions. We therefore propose that for 2021-22 the allocation for Uni Connect is reduced to £40 million, a reduction of one-third. This funding will be allocated across the partnerships in line with the funding methodology set out in our response to the Uni Connect consultation.

## **Funding to address student hardship**

64. Providers distribute funds to students in hardship that are financed from a number of sources, of which OfS grant is one. Up to 2013-14, government funding was provided specifically for this purpose through the Access to Learning Fund (ALF).<sup>60</sup> From 2014-15 the £37 million that had been provided through ALF in 2013-14 was transferred to what has now evolved into the OfS's student premiums. We have therefore been explicit that providers can use student premium funding to distribute to students facing hardship, as well as to support other activities to improve access and ensure successful outcomes for students, in line with their access and participation plans and statements. The government has also provided one-off funding of £70 million to address student hardship in 2020-21 arising primarily from the pandemic, which we have distributed using the student premium funding methods.<sup>61</sup>

65. We propose for 2021-22 to provide an additional £5 million to be allocated for student hardship targeted towards disadvantaged students. We propose that this should be allocated through the existing student premium methods, but split between them as follows:

- £775,000 (15.5 per cent) through the disabled students' premium
- £3,750,000 (75 per cent) through the full-time student premium
- £475,000 (9.5 per cent) through the part-time student premium.

66. This is taking the same approach to distribution as applied for the £20 million hardship funding announced in December 2020, but the split between the full-time and part-time student premium reflects the latest student numbers in 2020-21. We will identify the proportion of the total premium allocations that is attributable to this hardship funding, so that providers are able to confirm separately that it has been used within the academic year for the purposes intended.

## **Funding to support student transition into higher education and mental health**

67. For 2021-22 we propose to allocate a further £15 million to support students transitioning into higher education, including for measures to support good mental health.

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<sup>60</sup> See:

<https://webarchive.nationalarchives.gov.uk/20150703104907/http://www.practitioners.sl.c.co.uk/policy-information/access-to-learning-fund.aspx>.

<sup>61</sup> See: [www.officeforstudents.org.uk/publications/additional-funding-for-student-hardship-for-2020-21/](http://www.officeforstudents.org.uk/publications/additional-funding-for-student-hardship-for-2020-21/) and [www.officeforstudents.org.uk/publications/further-additional-funding-of-50-million-for-student-hardship-for-2020-21/](http://www.officeforstudents.org.uk/publications/further-additional-funding-of-50-million-for-student-hardship-for-2020-21/).

68. We have taken a number of steps to address student mental health in recent years.<sup>62</sup> Our recent funding initiatives on this include:

- a. A £6 million contribution towards projects totalling £14 million, awarded under the 2018 Challenge Competition 'Achieving a step change in mental health outcomes for all students'.<sup>63</sup>
- b. A further mental health funding competition, for which bids have recently been received, for £1 million made available by the Department of Health and Social Care, 'Using innovation and intersectional approaches to target mental health support for students'.<sup>64</sup>
- c. A joint programme with Research England to deliver 17 projects focusing on supporting mental health and wellbeing for postgraduate research students.<sup>65</sup>
- d. Funding of up to £3 million for Student Space, which is providing support to students during the pandemic.<sup>66</sup>

69. Given the targeted funding interventions and competitions already made, we propose to allocate:

- a. £3 million as part of the funding for national facilities and regulatory initiatives. We propose that part of this should be by increasing the sum available through the recent competition for funds provided by the Department of Health and Social Care (see paragraph 68.b), part through an extension of the online services of Student Space and part through a national programme to mobilise recent existing effective practice to support student mental health throughout the sector.
- b. £12 million as a formula allocation to support students' transition into higher education, addressing the challenges to student mental health for those at the beginning of their undergraduate studies, including through supportive and preventative measures that help to maintain good mental health and prevent more serious problems arising.

70. We have considered a number of options for how the formula allocation might be determined, including using individualised data on students declaring a mental health issue, or through other student premium approaches. However, given that the purpose is to support transition and mental health for all students beginning their undergraduate studies, our preferred

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<sup>62</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/student-mental-health/](http://www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/student-mental-health/).

<sup>63</sup> See: [www.officeforstudents.org.uk/news-blog-and-events/press-and-media/innovation-partnership-and-data-can-help-improve-student-mental-health-in-new-14m-drive/](http://www.officeforstudents.org.uk/news-blog-and-events/press-and-media/innovation-partnership-and-data-can-help-improve-student-mental-health-in-new-14m-drive/).

<sup>64</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/mental-health-funding-competition/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/mental-health-funding-competition/).

<sup>65</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/student-mental-health/catalyst-fund-supporting-mental-health-and-wellbeing-for-pgr-students/](http://www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/student-mental-health/catalyst-fund-supporting-mental-health-and-wellbeing-for-pgr-students/).

<sup>66</sup> See: <https://studentspace.org.uk/about-student-space>.

approach is to distribute the funding pro rata to the headcount of OfS-fundable undergraduate entrants, as reported in HESES20.<sup>67</sup>

71. We believe adopting this largely formulaic approach in distributing funding for student transition and mental health will minimise the burden on providers and ensure funding is allocated to providers quickly so that they can target it where it is needed most. This will help to address immediate needs of students transitioning into higher education in autumn 2021. If we were to run another bidding exercise relating to mental health, this would increase the burden on providers and delay the delivery of support to the majority of students. Given other bidding exercises that are also proposed or underway,<sup>68</sup> we would not be able to launch such a competition before the autumn, meaning funding would not be distributed until well into the 2021-22 academic year.

## **Other developments to the calculation of student premiums**

72. In previous years, the allocation of disabled students' premium funding has been capped so that no provider received a change of more than £200,000 compared to the previous year. We propose not to cap the allocations in this way for 2021-22.

73. The full-time student premium and the disabled students premium both incorporate weightings for providers that are informed by data on the characteristics of students derived from the most recent individualised student data returns. For this purpose, we normally exclude students recorded as not having completed their year of study. This is consistent with how we count students for funding purposes more generally. However, the reporting of students' completion status in the most recent individualised data for 2019-20 has been affected by the impact of the pandemic.<sup>69</sup> We have considered options for how to deal with this, including using the 2018-19 individualised data for a further year, so that we continue to take account of student completion. However, we have concluded that the greater benefit is in using the most recent 2019-20 data and in doing so we will disregard students' completion status.

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<sup>67</sup> For providers that will be funded for the first time in 2021-22 based on data submitted to the HESF21 survey, we will use their forecast undergraduate data for the year. As with other allocations, their allocation will be recalculated later in the year to reflect the OfS-fundable undergraduate entrants they report in the HESES21 survey.

<sup>68</sup> These include the proposed bidding exercise for capital funding for financial year 2021-22 and the existing joint funding competition with Research England for project proposals to improve access and participation for black, Asian and minority ethnic groups in postgraduate research ([www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/pgr-funding-competition-improving-access/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/pgr-funding-competition-improving-access/)).

<sup>69</sup> This relates to the completion in data returns of the 'FUNDCOMP' field (completion of year of instance). Providers were advised that this field would not be used by the OfS other than to identify records excluded from the HESES population and that they should return it in a way that minimises burden. See: <https://www.hesa.ac.uk/definitions/student-collection/c19051-student-record-exceptional-guidance>.

### Question 7

To what extent do you agree with the proposal to provide £40 million to support Uni Connect activities in 2021-22? (See paragraphs 59 to 63.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

### Question 8

To what extent do you agree with the proposal to distribute an additional £5 million through the existing student premiums in the proportions shown in paragraph 65, and to earmark this £5 million to be spent on student hardship? Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

### Question 9

To what extent do you agree with the proposals to distribute £15 million to address student transition and mental health, through a combination of competition, national initiatives and a new formula-based student premium? (See paragraphs 67 to 71.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Other recurrent budget proposals

### Nursing, midwifery and allied health supplement

74. This allocation provides a supplement for courses that on successful completion lead to first registration with a regulatory body as a professional in nursing, midwifery and certain allied health professions (pre-registration courses). The supplement supports the sustainability of these courses where there is evidence from costing studies that average course costs exceed those that would otherwise be met through course fees and other grants (primarily high-cost subject funding).<sup>70</sup> The rates of grant vary by profession and level of study. For 2020-21, the allocation totalled £23 million.

75. For 2021-22, we propose to maintain the rates of grant in cash terms. Because of substantial increases in student numbers reported on these courses in 2020-21, the total budget for this allocation will increase to £27 million. All of these subjects will benefit from the increased rates of grant that we propose to provide through the high-cost subject funding method (see paragraph 36), and we consider it would be undesirable to counterbalance that for these subject areas by reducing the rate of funding provided through this supplement, particularly

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<sup>70</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/nursing-midwifery-and-allied-health-courses/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/nursing-midwifery-and-allied-health-courses/).

when the latest UCAS data shows a 27 per cent increase in applications to subjects allied to medicine.<sup>71</sup>

## Overseas study programmes

76. This allocation supports the costs to providers of participation in student exchange programmes with overseas providers. Up to 2020-21, this has included Erasmus+<sup>72</sup> and, from 2021-22, will include the new Turing scheme recently announced by the government to provide opportunities for students to participate in placements and exchanges overseas.<sup>73</sup> The allocation has provided £2,315 per student taking either a study year abroad or (previously under Erasmus+, in future under the Turing scheme) a work placement (sandwich) year abroad. The allocation complements the income that providers receive from course fees for such years abroad, which are capped at a reduced rate of up to £1,385 (or £1,660 if taken as part of an accelerated degree). Combined, these two finance sources provide about 40 per cent of the income that would have been available through course fees had students undertaken a standard full-time year in the UK. It funds providers' support both for their own students studying abroad and their teaching of incoming exchange students.
77. The allocation for 2020-21 totalled £28 million. In the event, however, there was a significant reduction in the numbers taking such a year abroad in 2020-21, primarily because of travel restrictions arising from the coronavirus pandemic. Providers (both in the UK and overseas) have had to make alternative arrangements, including offering equivalent experiences through remote learning. If our allocation for 2021-22 reflected the reduced student numbers undertaking a year abroad, the total distributed would be reduced to about £13 million. However, we cannot assume the reduced numbers in 2020-21 will be repeated in 2021-22 and recognise the importance of continuing to support study abroad under the Turing scheme. This new scheme is intended to boost students' skills and prospects, benefitting UK employers, and supporting Britain's ties with international partners – not just in Europe, but around the world. It will also target students from disadvantaged backgrounds and areas which did not previously have many students benefiting from Erasmus+, and will thus increase choice and opportunity to study overseas for a more diverse student population.
78. For this reason, we propose that the allocation for each provider should be determined using the same rate of grant (in cash terms) as for 2020-21, but that it should be applied to the higher of the numbers taking such a year abroad in either 2019-20 or 2020-21. In proposing this, we recognise that the approaches that providers took towards study abroad in 2020-21 in response to the pandemic will have been variable. Some that have reported students taking a year abroad in earlier years had none in 2020-21. We think that the 2020-21 data is likely to be unrepresentative of future participation, but that we should also recognise where (a very small number of) providers did report an increase in numbers in 2020-21. The cost of this proposal

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<sup>71</sup> See: <https://www.ucas.com/data-and-analysis/undergraduate-statistics-and-reports/ucas-undergraduate-releases/applicant-releases-2021/2021-cycle-applicant-figures-january-deadline>. Data taken from the file 'UCAS January deadline – Subject group (HECoS)'

<sup>72</sup> Erasmus+ is the EU's framework programme for education, training, youth and sport, which includes opportunities for higher education students to take study or work placements abroad.

<sup>73</sup> See: <https://www.gov.uk/government/news/new-turing-scheme-to-support-thousands-of-students-to-study-and-work-abroad>.

remains £28 million, albeit that there this is a very small increase of one decimal place arising from providers reporting an increase in years abroad in 2020-21.

## Other targeted allocations

79. We propose to maintain in cash terms the budgets for the other targeted allocations that were funded for 2020-21. Not all of these allocations are recalculated each year to reflect the latest student FTE data. Where they are, changes to student numbers reported for 2020-21 will mean there will be a variable impact on the rates of funding per FTE that we are able to provide. This is summarised in Table 10.

**Table 10: Proposed budgets and changes to rates of funding for other targeted allocations**

Allocation	Proposed budget (£ millions)	Change to rate of funding per FTE
Very high-cost STEM subjects	24	Not recalculated each year
Postgraduate taught supplement	8	+1%
Intensive postgraduate provision	33	-14%
Accelerated full-time undergraduate provision	4	-10%
Clinical consultants' pay	16	Not recalculated each year
Senior academic general practitioners' pay	1	Not recalculated each year
NHS pensions scheme compensation	5	Not recalculated each year
<b>Total</b>	<b>90</b>	

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

### Question 10

To what extent do you agree with the proposal to maintain in cash terms the rate of funding for the nursing, midwifery and allied health supplement, which will increase the total budget to £27 million? (See paragraphs 74 to 75.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

### Question 11

To what extent do you agree with the proposal to maintain in cash terms the rate of funding for overseas study programmes, but base the allocation on the higher of relevant student numbers in either 2019-20 or 2020-21? (See paragraphs 76 to 78.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Question 12

To what extent do you agree with the proposal to maintain in cash terms the budgets for other targeted allocation (as proposed in paragraph 79)? Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

## Funding for national facilities and regulatory initiatives

80. Funding for national facilities and regulatory initiatives provides finance for Jisc,<sup>74</sup> the National Student Survey,<sup>75</sup> Discover Uni,<sup>76</sup> Challenge Competitions and a small number of other initiatives. Our budget proposals seek to minimise the total allocated for national facilities and regulatory initiatives so as to allocate as much as possible through recurrent grant for providers. For 2020-21, we reduced the total by £8 million to £21 million, and for 2021-22 we propose to maintain the total at this reduced level.
81. The budget we propose for Challenge Competitions includes provision for the £3 million proposal for the mental health initiatives described in paragraph 69, building on our existing programme in this area.<sup>77</sup> It also includes provision for collaboration with Research England and UK Research Innovation, taking account of the current programmes on knowledge exchange<sup>78</sup> and progression into research degrees,<sup>79</sup> together with further work we may develop to align place-based skills and research investment.

## Other options

82. This consultation is about the distribution of £1,287 million of public funding for academic year 2021-22. The range of possibilities for how this budget might be distributed between different budget lines and, within those budgets, between providers is innumerable. This consultation is focused on changes to the current funding approach that we propose, and which are designed to strike an appropriate balance between a variety of different priorities as well as between our various duties. Our proposals are also set in the context of significantly increasing student numbers and the effects of the pandemic on students, higher education providers and the wider economy and society. In presenting a preferred approach we are seeking to avoid presenting an artificially limited range of possible alternatives. However, we are open, through this consultation, to alternative proposals and would particularly welcome proposals that are

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<sup>74</sup> See: <https://www.jisc.ac.uk/>.

<sup>75</sup> See: [www.officeforstudents.org.uk/for-students/national-student-survey/](http://www.officeforstudents.org.uk/for-students/national-student-survey/).

<sup>76</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/discover-uni-and-unistats/](http://www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/discover-uni-and-unistats/).

<sup>77</sup> See: <https://www.officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/student-mental-health/>.

<sup>78</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/knowledge-exchange-funding-competition/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/knowledge-exchange-funding-competition/).

<sup>79</sup> See: [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/pgr-funding-competition-improving-access/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/pgr-funding-competition-improving-access/).

able to present an overall package of measures that are similarly able to balance the varying competing needs of higher education within the fixed budget.

83. Changes to recurrent funding for providers for 2021-22 will arise in two different ways: from any changes to the funding method that are implemented following this consultation; and from changes to their student numbers relative to other providers. For an individual provider, these two sources of change may act in the same direction or (in part) counterbalance each other.
84. The funding method changes proposed in this document will affect providers in different ways depending on their particular circumstances. We recognise that some providers may be particularly adversely affected by the proposed removal of London weighting and reduction to funding for subjects in the performing and creative arts, media studies and archaeology. However, these proposed changes are part of a package of measures that are designed to protect funding for high-cost and strategically important subjects, and activities to improve access and support student success at all providers, as well as to recognise the distinctive contribution that specialist providers make to the provision of higher education.
85. The total funding available for the academic year 2021-22 is fixed, as it is driven by the money made available to us by government. This means that if we were to change the budget proposals for one element of grant, it would change that available for one or more others. We recognise that respondents will wish to argue that certain budgets should be increased above the level proposed in this consultation (including that some should not be cut). They may also argue that some budgets are lower priority and should be cut (further) to protect others; or that changes to funding should be introduced over a longer time period. If we were to phase in reductions to some grants over a longer period, this would also have a cost that would affect how much we could provide for other budgets.
86. We will consider the strength of all such arguments, having regard to our duties under section 2 of HERA and the public sector equality duty as well as the statutory guidance in the Secretary of State's letter of 19 January 2021. In doing so, we will look to achieve an appropriate balance across different budgets that weighs the arguments from respondents to this consultation against each other, and also does the same for our various duties. In this context, we recognise that, while OfS grant commonly represents less than 10 per cent of providers' overall income for teaching, it plays a particular role in the achievement of our strategic objectives that is distinct from, but complementary to, our other regulatory tools relating to compliance with conditions of registration and the provision of information.
87. In reaching our decisions, we will also be mindful of the need to confirm funding for 2021-22 in a timely way and of the circumstances affecting higher education now and expected in the future. The latter include:
  - a. The significant increase in student numbers reported for 2020-21 and that we will count for funding purposes for 2021-22.
  - b. An expected further increase in student numbers in 2021-22 and beyond. This is likely as a result of:

- i. The 25 per cent increase in the UK population of 18-year-olds that is projected between 2020 and 2030.<sup>80</sup>
  - ii. The possible impact on demand for higher education in the event of an economic downturn arising from the pandemic. Demand for higher education tends to increase in times of recession, if alternative employment opportunities are more limited.
- c. The impact of the coronavirus pandemic on students, on employers and the wider economy, and on providers and what they are able to offer.

88. It is this context that has informed our primary objectives in distributing recurrent grant for academic year 2021-22:

- a. To protect, and if possible enhance, the rate of grant per FTE provided through the main high-cost subject funding method and the nursing, midwifery and allied health supplement, particularly where these support STEM subjects and healthcare disciplines.
- b. To enhance the total funding targeted at specialist providers, recognising the distinctive role they play in meeting the needs of students and particular specialist employment sectors.
- c. To protect as far as possible the total funding that we allocate towards providers' activities to widen access and support student success.

## Modelling the impact on providers

89. We recognise that to provide informed responses, providers need to understand how the budget and funding method proposals in this consultation would affect them. We are providing modelling that will support this, as follows:

- a. To each provider via the OfS portal, modelling to show how we have identified the proportion of price group C1 students that are not on pre-registration nursing courses, that will be attributed to the proposed new price groups C1.1 and C1.2 (see paragraph 7 of Annex B).
- b. Modelling that we are publishing showing changes to recurrent funding for 2021-22 for each provider if proposals in our consultation were accepted. This models the combined effect of both the proposed funding method changes and the latest student numbers reported by providers. This modelling includes almost all elements of grant proposed for 2021-22, but does not incorporate:
  - i. Any distribution of funding that we propose to allocate later in the year in the light of the full review of funding for specialist providers (see paragraphs 56 and 57).
  - ii. Any funding for national facilities and regulatory initiatives (see paragraphs 80 and 81).

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<sup>80</sup> Office for National Statistics projections, published in October 2019, available from: [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/z1zippedpopulationprojectionsdatafilesuk](http://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/z1zippedpopulationprojectionsdatafilesuk); the principal projection is in the file 'uk\_ppp\_opendata2018'.

- iii. Funding for Uni Connect, which supports regional partnerships rather than individual providers.
  - iv. Any funding that we may choose to set aside for allocation later in the year, after our initial recurrent grant announcement for 2021-22. We expect to set aside a small amount of funding as provision for providers that may later join the OfS Register in the Approved (fee cap) category and for other miscellaneous changes, such as those arising from data amendments by providers.
  - v. The use of 2019-20 individualised student data to identify the student characteristics that will inform the full-time and the disabled students' premiums. The modelling instead uses the 2018-19 individualised student data that informed our funding allocations for 2020-21. When we confirm allocations to providers this will use the 2019-20 student data (see paragraph 73). The modelling does, however, take account of the student numbers that we expect to count in our funding allocations for 2021-22 (see paragraph 6).
- c. Data on the proportions of students with protected characteristics by category of provider, reflecting the modelled impacts on providers (see paragraphs 90 to 96).

### Question 13

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?

## Students with protected characteristics

90. HERA gives broadly defined powers to the OfS to fund eligible providers – those in the Approved (fee cap) part of the Register – for the provision of education; and the provision of facilities or other activities that are necessary or desirable for the purposes of or in connection with education. Our grants do not fully meet providers' costs: they make only a contribution towards their teaching and related activities. The largest source of teaching income is course fees, and providers may have other sources of income that also support their teaching costs.
91. We do not fund individual students. However, we count students as a measure of the volume of teaching activity of the providers that we fund, and in distributing grant, we look to protect and promote the interests of students.
92. As autonomous bodies that set their own strategic priorities, providers have some flexibility, within our broad guidelines, in how they use the funding we provide: they are not expected to model their internal allocations on our calculations. However, we attach certain terms and conditions to our funding, which providers must meet.
93. Recognising the flexibility that providers have in how they use their income, when we assess the impact of our funding decisions on particular categories of students – in particular those with protected characteristics as defined in the Equality Act 2010 – we need to look at the **overall** effect of our grant changes on providers, rather than the effect of changes to particular elements of grant. The impact on students is the accumulation of the impact on individual

providers of changes to their total OfS grant, and this needs to be considered in the context of their overall income from a variety of sources. We also need to bear in mind that there is not an even distribution of (OfS-fundable) student numbers at the providers that we fund: a minority have large student populations, while many providers have few. For example, the 160 further education and sixth form colleges that we fund, when combined, account for 3 per cent of the OfS-fundable students reported in the 2020 Higher Education Students Early Statistics (HESES20).

94. We are publishing information about the potential impact of the proposals in this consultation on different categories of student. This is informed by modelling at the individual provider level of both the impacts of proposed changes to our funding method and the latest student number data, but the data we are publishing provides a summary according to different groupings of provider (for example in terms of how selective they are in recruitment, their size and their region). For each of these groupings, we are showing the proportion of students with particular protected characteristics.
95. Our assessment of the impact on students with protected characteristics is limited according to the availability of data. We are unable to provide an assessment based on:
  - a. Gender reassignment, because it is optional for students to report their gender identity and the data that is reported does not have sufficient coverage to provide reliable information. It is not collected at all in the Individualised Learner Record (ILR).
  - b. Pregnancy and maternity, because data is not collected on this.
96. In addition, there are limitations to the assessments we can provide for the following protected characteristics:
  - a. **Religion or belief.** This has been collected since academic year 2012-13 on the HESA Student record, and was made mandatory in 2017-18. The response rate in 2017-18 was 95 per cent. However, a 'not known' value was added in 2017-18 so that providers would not be required to re-survey continuing students. For this reason, the consistency between years has decreased since the field became compulsory, and there has also been an increase in the proportion of 'Prefer not to say/information refused'. While the data from the HESA Student record may become viable in the future, the quality and coverage are not yet good enough to draw conclusions from, so should be used with caution. Information on religion or belief is collected on the HESA Student Alternative record, but we are not including it in our data summary because of low disclosure rates and high inconsistency. Religion or belief data is not collected on the ILR.
  - b. **Sexual orientation.** This has been collected since 2012-13 on the HESA Student record, and is not mandatory. The response rate has been below 75 per cent since 2012-13 but has increased each year. Some providers do not report this data for any students, and some providers have high levels of 'information refused', but for those that do report data there is good consistency between years. The data is broadly similar to that of the general public for 16 to 24-year-olds. While the data from the HESA Student record may become viable in the future, the quality and coverage are not yet good enough to draw conclusions from, so should be used with caution. Information on sexual orientation is collected on the HESA Student Alternative record, but we are not including it in our data summary because

of low disclosure rates and high inconsistency. Sexual orientation data is not collected on the ILR.

#### Question 14

Do you have any comments about the potential impact of these proposals on individuals on the basis of their protected characteristics?

## Terms and conditions of grant for 2021-22

97. We apply terms and conditions to the recurrent and capital grants that we allocate to providers. The 'Terms and conditions of funding for 2020-21' (OfS 2020.22)<sup>81</sup> set out the general requirements for the current year, which we will update for 2021-22. As well as routine updates to years and cross-references, we propose the following more substantive changes to the terms and conditions for 2021-22 to apply to recurrent grants. Our separate consultation on capital funding for financial year 2021-22 proposes further changes to terms and conditions relating to the payment and use of OfS capital grants.
- a. **Hardship funding for 2021-22.** As set out in paragraphs 65 and 66, we propose to distribute £5 million for 2021-22 through our student premiums to address student hardship. We will identify on each provider's recurrent grant tables how much of its student premium funding is attributable to this hardship funding. This element will be earmarked for distribution in the academic year to students aiming for a higher education qualification who are facing hardship, particularly where it is needed to support their continuation of study and successful outcomes. It must not be used to meet providers' own costs. We reserve the right to recover any hardship funding that is not used for the purposes intended.
  - b. **Premium for student transition and mental health.** As set out in paragraph 69, we propose to distribute £12 million as a supplement to support student transition and mental health. This supplement will be earmarked for activities and services of providers that support students transitioning into higher education, particularly to address the challenges that this can present for mental health.

#### Question 15

To what extent do you agree with the proposed changes to terms and conditions of grant for 2021-22? (See paragraph 97.) Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

#### Question 16

Do you have any other comments on the proposals in this document?

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<sup>81</sup> See: [www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2020-21/).

## Annex A: List of questions in consultation

**Question 1: To what extent do you agree with the proposal to distribute a greater proportion of OfS recurrent grant through the main high-cost subject funding method? (See paragraphs 15 to 36)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 2: To what extent do you agree with the proposal to split price group C1 in order to implement a reduction of 50 per cent to the high-cost subject funding allocated to subjects in the performing arts; creative arts; media studies and archaeology? (See paragraphs 15 to 26)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 3: Notwithstanding your answer to question 2, if we were to split price group C1 as proposed, to what extent do you agree with our approach to implementing this? (See paragraphs 27 to 28 and Annex B)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 4: To what extent do you agree with our approach to counting students from the Crown Dependencies in our funding allocations for 2021-22? (See paragraphs 34 and 35)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 5: To what extent do you agree with the proposed approach to remove the targeted allocation for students attending courses in London? (See paragraphs 37 to 48)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 6: To what extent do you agree with the proposed approach to remove London weighting from the formula-based student premium allocations? (See paragraphs 37 to 48)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 7: To what extent do you agree with the proposal to provide £40 million to support Uni Connect activities in 2021-22? (See paragraphs 59 to 63)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 8: To what extent do you agree with the proposal to distribute an additional £5 million through the existing student premiums in the proportions shown in paragraph 65, and to earmark this £5 million to be spent on student hardship?**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 9: To what extent do you agree with the proposals to distribute £15 million to address student transition and mental health, through a combination of competition and a new formula-based student premium? (See paragraphs 67 to 71)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 10: To what extent do you agree with the proposal to maintain in cash terms the rate of funding for the nursing, midwifery and allied health supplement, which will increase the total budget to £27 million? (See paragraphs 74 to 75)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 11: To what extent do you agree with the proposal to maintain in cash terms the rate of funding for overseas study programmes, but base the allocation on the higher of relevant student numbers in either 2019-20 or 2020-21? (See paragraphs 76 to 78)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 12: To what extent do you agree with the proposal to maintain in cash terms the budgets for other targeted allocation as proposed in paragraph 79?**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 13: 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?**

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**Question 14: Do you have any comments about the potential impact of these proposals on individuals on the basis of their protected characteristics?<sup>82</sup>**

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**Question 15: To what extent do you agree with the proposed changes to terms and conditions of grant for 2021-22? (See paragraph 97)**

Strongly agree	Tend to agree	Tend to disagree	Strongly disagree	Don't know / prefer not to say
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Please provide an explanation for your answer. If you believe our approach should differ, please explain how and the reason for your view.

**Question 16: Do you have any other comments on the proposals in this document?**

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<sup>82</sup> Protected characteristics are defined in Part 11 of the Equality Act as: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. See: [www.legislation.gov.uk/ukpga/2010/15/part/11/chapter/1](http://www.legislation.gov.uk/ukpga/2010/15/part/11/chapter/1).

# Annex B: Proposed approach to splitting price group C1 based on course subject codes

1. This annex describes how, if we were to split price group C1, we propose we would do so.
2. Students are assigned to price groups for our funding purposes based on the characteristics of their course. For some courses this is on the basis that they lead towards qualification to practise in certain professions (which requires registration with a relevant regulatory body), or they provide further professional development aimed at those already so qualified. This applies to courses in medicine, dentistry, veterinary science, nursing, midwifery and allied health professions, social work and teaching. Students on a sandwich year out are all assigned to price group C2. Where none of the above criteria apply, students are assigned to price groups based on the subject code of their course. These subject codes are the Learn Direct Class System (LDCS) codes used by further education and sixth form colleges, and the Higher Education Classification of Subjects (HECoS) codes used by other providers in their student data returns to the Higher Education Statistics Agency (HESA). HECoS codes are grouped together into cognate subject areas using the Common Aggregation Hierarchy (CAH).<sup>83</sup>
3. It is these subject codes that would determine how students (who are not on a sandwich year out) would be assigned to the proposed price group C1.2. Table B1 sets out our proposals for which course subject codes would do so and would thus attract a reduced rate of funding for 2021-22. Activity that is assigned to price group C1 on the basis of other course subject codes would be assigned to price group C1.1.

**Table B1: Identification of price group C1.2 subjects to be subject to reduced rate of high-cost subject funding**

Broad subject area	Common Aggregation Hierarchy of Higher Education Classification of Subjects code	Learn Direct Class System code <sup>84</sup>
Music, dance, drama and performing arts	<ul style="list-style-type: none"> <li>• CAH25-02-01 (performing arts (non-specific))</li> <li>• CAH25-02-02 (music)</li> <li>• CAH25-02-03 (drama)</li> <li>• CAH25-02-04 (dance)</li> </ul>	<ul style="list-style-type: none"> <li>• L (performing arts) except where codes already map to price group D<sup>85</sup></li> </ul>

<sup>83</sup> See: <https://www.hesa.ac.uk/support/documentation/hecos>.

<sup>84</sup> LDCS codes contain up to six characters which indicate a hierarchy of subject specialism. The top level of the hierarchy is represented by a letter. Each additional character represents a (further) sub-level. In Table 5, the list of LDCS codes includes all sub-levels of each code, unless stated otherwise

<sup>85</sup> The LDCS codes under L (performing arts) that already map to price group D are: LF.3 (music history) and LK.3 (music business), but with the exception of LK.31 (music production).

Broad subject area	Common Aggregation Hierarchy of Higher Education Classification of Subjects code	Learn Direct Class System code <sup>84</sup>
Art and design	<ul style="list-style-type: none"> <li>• HECoS 100109 (clothing production) and 100110 (footwear production) (within CAH10-01-03 (production and manufacturing engineering))</li> <li>• CAH25-01-01 (creative arts and design (non-specific))</li> <li>• CAH25-01-02 (art)</li> <li>• CAH25-01-03 (design studies)</li> <li>• CAH25-01-04 (cinematics and photography)</li> <li>• CAH25-01-05 (others in creative arts and design)</li> </ul>	<ul style="list-style-type: none"> <li>• J (arts and crafts) except where codes already map to price group D<sup>86</sup></li> <li>• SE (gardening / floristry) except where codes already map to price group C2<sup>87</sup></li> <li>• VF.1 (industrial design (general))</li> <li>• VF.2 (product design)</li> <li>• VF.5 (industrial model making)</li> <li>• VF.6 (technical / engineering drawing)</li> <li>• W (manufacturing / production work) except where codes already map to another price group<sup>88</sup></li> </ul>
Media studies	<ul style="list-style-type: none"> <li>• CAH24-01-01 (information services)</li> <li>• CAH24-01-03 (publishing)</li> <li>• CAH24-01-04 (journalism)</li> <li>• CAH24-01-05 (media studies)</li> </ul>	<ul style="list-style-type: none"> <li>• CD (information work / information use)</li> <li>• CE (libraries / librarianship)</li> <li>• KA (communication / media)</li> <li>• KD (journalism)</li> <li>• KH (print and publishing)</li> <li>• KJ (moving image / photography / media production)</li> </ul>
Archaeology <sup>89</sup>	<ul style="list-style-type: none"> <li>• CAH20-01-03 (archaeology)</li> </ul>	<ul style="list-style-type: none"> <li>• DC (archaeology)</li> </ul>

4. The splitting of a price group inevitably creates new boundary issues, where it might reasonably be argued that courses should be assigned to either subdivision. Such boundary issues are unavoidable and already exist between other price groups. Moving where the boundary falls merely creates different boundary issues. In our approach to determining how

<sup>86</sup> The LDCS codes under J (arts and crafts) that already map to price group D are: JA.22 (design theory), JA.23 (design history), JA.32 (art theory), JA.33 (art history and criticism), JA.34 (art and society), JA.5 (community arts), JA.7 (art of specific cultures and periods), JA.8 (craft appreciation), JE (collecting / antiques).

<sup>87</sup> The LDCS codes under SE (gardening / floristry) that already map to price group C2 are: SE.9 (landscape design / architecture).

<sup>88</sup> The LDCS codes under W (manufacturing / production work) that already map to other price groups are:

- in price group B: WA (manufacturing (general)), WB (manufacturing / assembly), WC (instrument making / repair), WD (testing measurement and inspection), WE (chemical products), WG (polymer processing)
- in price group C2: WM (food / drink / tobacco (industrial)).

<sup>89</sup> It should be noted that CAH07-04-02 (forensic and archaeological sciences) is already assigned to price group B and will remain so. There is no LDCS code directly equivalent to this, although QH.6 (forensic science (non-medical)) also maps to price group B.

subject codes should map to the proposed new price groups C1.1 and C1.2, we have sought to ensure that HECoS codes in the same CAH level 3 category are mapped to the same price group, except where there is already different treatment for particular disciplines, reflecting their different relative costs. We have taken a similar approach with LDCS codes and also sought to ensure consistency in the treatment of disciplines across providers, whether they use LDCS or HECoS codes.

5. Some qualifications contain study in two or more distinct subject areas, for example a course in animation and graphic design. Where a qualification has more than one LDCS or HECoS code, the student's full-time equivalent (FTE) should be split between the relevant price groups in proportion to the split between each subject for the course as a whole. This existing approach will continue in splitting price group C1.
6. Our formula funding for academic year 2021-22 will primarily be informed by the HESES20 student data submitted by providers. This has collected data for the current price group C1 as a whole, not for each of the subject areas within it, with the exception of pre-registration courses in nursing. If we are to implement the proposed split of price group C1, we will need to make assumptions about the proportion of price group C1 students attributable to the subjects that make up the new price groups C1.1 and C1.2. We propose to do this separately for each mode (full-time or part-time, given that sandwich year out students are all assigned to price group C2) and level (undergraduate or postgraduate taught). We will:
  - **Step 1:** Assign the student FTEs on pre-registration courses in nursing reported on Tables 6a and 6c of HESES20 to price group C1.1.
  - **Step 2:** Calculate the difference between the student FTEs in price group C1 reported on HESES20 Tables 1 and 3 and those on pre-registration courses identified in Step 1.
  - **Step 3:** Use 2019-20 individualised student data<sup>90</sup> to determine what proportion of student FTEs in price group C1, who were not on pre-registration nursing courses, were attributable to the subject codes that will be mapped to the new price group C1.2.
  - **Step 4:** Apply the proportion calculated in Step 3 to the difference calculated in Step 2. This will determine the total HESES20 FTEs treated as falling in price group C1.2.
  - **Step 5:** The remaining HESES20 price group C1 students (after deduction of the FTEs determined in Steps 1 and 4) will be assigned to price group C1.1.
7. We are providing modelling for each provider to show how these calculations may apply to them. This modelling will be available to download from the OfS portal.

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<sup>90</sup> These are Student or Student Alternative returns submitted to the Higher Education Statistics Agency (HESA) or the Individualised Learner Record (ILR) submitted to the Education and Skills Funding Agency (ESFA).



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