

Response to OfS consultation on additional 2020/21 recurrent and capital funding

1. Summary

- 1.1 Medical, science, technology and engineering qualifications will be crucial in both protecting the nation's health and ensuring economic regeneration after the pandemic. However, universities and colleges are currently teaching these high cost subjects at a loss, which according to the OfS ranged from £1,848 to £2,094 per student per year in 2019/20, depending on the subject.¹
- 1.2 Whilst the pledged £20m in recurrent and capital funding may help ameliorate some of the financial pressure caused by the influx of students this year, this funding is unlikely to be enough given the 12% increase in students at high tariff universities. This larger cohort will therefore exacerbate existing deficits.
- 1.3 As the Government prepares for the upcoming Spending Review, we would encourage the regulator to work with them to develop an ambitious and sustainable approach to funding high-cost, high-quality university teaching that delivers these much-needed skills.

2. Context

- 2.1 The Russell Group represents 24 leading UK universities which are committed to maintaining an outstanding teaching and learning experience as well as world-leading research. We teach a quarter of the UK's undergraduates, including four out of five doctors, and our universities generate £87bn per year for the economy. We welcome the opportunity to contribute to the OfS' consultation on additional recurrent and capital funding for 2020/21.

3. Additional recurrent and capital funding for 2020-21

- 3.1 As a result of centre assessment grades (CAGs) being awarded in August 2020, high tariff universities have taken on 12% more students for the 2020/21 academic year.² However, the £20m in additional recurrent and capital funding amounts to only 1.4% increase in the total OfS teaching grant for 2020/21, after it was cut by £70m in cash terms in May of this year.³ This increase in student numbers puts additional pressure on university finances, which are already grappling with the costs of making campuses Covid-secure, delivering a high-quality blended learning experience, and expanding provision of mental health and wellbeing support for students and staff.⁴
- 3.2 The financial pressure caused by Covid-19 occurs within the context of a fall in the real-terms value of the tuition fee, which inflation has eroded by more than 8% since 2012/13.⁵ According to the OfS' own analysis, by 2023/24 the unit of resource will be very similar in real terms to the level it was in 2011/12 before the £9,000 fee was introduced, and a year in

¹ Development of [OfS approach to funding](#), September 2020.

² Data provided by [UCAS](#), filtered by tariff group of provider (10 September 2020).

³ 1.4% is calculated using the total £1,426m OfS grant to be distributed in 2020/21 (£1,255m in recurrent funding, £21m in funding for national facilities and regulatory initiatives, and £150m capital funding). See OfS [Recurrent funding for 2020/21](#).

⁴ See '[Universities spend millions on 'Covid-secure' campuses](#)', Research Professional, 4 November 2020 which estimated that many Russell Group universities had already spent over £1m on Covid safety measures, with King's College London spending as much as £14.5m. See also [How Russell Group universities are supporting students' mental health and wellbeing during the Covid-19 pandemic](#), 2 November 2020.

⁵ For more detail on how this real-term value has declined over time, see Russell Group briefing, [Investing to meet the skills needs of the UK's future knowledge economy](#), December 2019.

which the unit of resource was at a particularly low level because of cuts related to the 2007/08 financial crisis.⁶

- 3.3 Across different Price Groups, this fall in the real terms value of undergraduate fee income has created an ever-widening gap between income and costs in undergraduate provision. For example, recent OfS analysis has shown that in 2019/20, lab-based subjects, such as chemistry, physics and engineering faced average deficits of £1,848 per year per student, while deficits for medical and dental provision were as much as £2,094.⁷
- 3.4 Russell Group universities train around 80% of doctors educated in the UK, 39% of engineers and over half the maths and science graduates that will be so vital to economic regeneration post-pandemic. However, the gap in funding for these subjects threatens the ability of providers to offer these courses sustainably.
- 3.5 Our recent submission to the Spending Review details our call for Government to guarantee levels of teaching grant funding on a *per student* basis at levels that at least match existing funding and ideally meet the full costs of high-quality provision.⁸ This need for a more sustainable funding base for teaching has become even more urgent within the context of the financial uncertainty caused by Covid-19 and the upcoming demographic shift in eighteen-year olds. Our universities also need to **ensure the appropriate level of funding to support the CAG cohort through the entirety of their degrees, beyond their first year. To achieve these aims, the overall funding envelope for teaching will need to increase, and we hope to see this reflected in Spending Review decisions.**

4. Allocation of additional recurrent and capital funding

- 4.1 Broadly, the proposals to allocate the £10m recurrent funding in accordance with additional student numbers across Price Groups A-C1 seem reasonable, as does the allocation criteria and bidding process outlined for the £10m capital funding. However, we would encourage the regulator to take the following issues into consideration:

Recurrent funding

- 4.2 **London weighting and clinical consultants' pay:** We would urge the OfS to include the London Allowance factor in the calculation for relevant London-based providers. A KPMG study for DfE in May 2019 found that the unit cost for London was 14.1% higher than the England average,⁹ and including London weighting in this allocation will help ensure that the true cost of additional students is more adequately reflected. We would also urge the OfS to consider including clinical consultants pay, senior academic GPs' pay, and NHS pensions scheme compensation within their calculation, to better reflect the costs created by additional medical places.

Capital funding

- 4.3 **Timelines:** Our universities noted that the condensed timelines around spending (confirmation of funds in February 2021 and the requirement that they be spent by 31 March 2021) will prove difficult, not least as Covid-19 has slowed supply chains related to construction, especially in parts of the Northeast that have been under lockdown for a considerable period. We would ask that all capital funds awarded be required to be

⁶ Development of [OfS approach to funding](#), September 2020.

⁷ Development of [OfS approach to funding](#), September 2020.

⁸ <https://russellgroup.ac.uk/news/2020-spending-review-submission/>

⁹ See [Understanding costs of undergraduate provision in Higher Education: Costing study report](#), by KPMG May 2019.

committed to specific projects by 31 March 2021, rather than already spent. As these additional students will be on campus for the next 3-4 years, they will still benefit from capital projects completed later during this period.

- 4.4 **Proportionality:** We understand that bidding can help direct capital funds where they are most needed. However, we would encourage the OfS to consider whether the administrative burden placed on HEIs by bidding is proportionate to the amount of funding at stake, or whether an allocation by formula (similar to how the recurrent element of the T grant is allocated) would be more efficient. We would also caution that bidding processes for future capital projects as well may hinder providers' ability to make long-term, strategic investments that require certainty of funding but also flexibility in how that funding is used.

5. Medical and dental intakes

- 5.1 We support the OfS plans to disregard intake figures for 2020/21 for the purposes of monitoring intakes but to include them for the purpose of funding calculations. We would urge the OfS to offer clarity on the 2021/22 student number cap for these subjects as soon as possible, as our universities have now received applications from students as of the UCAS deadline of 15 October and will need to make decisions on offers shortly.

November 2020