

## Call for evidence: Approach to OfS public grant funding

### 1. Context

- 1.1 Universities educate the skilled workforce of the future, produce world-class research and innovation and act as anchor institutions for a wide range of other economic, social and cultural activity. However, realising these benefits for students and the UK economy is becoming increasingly challenging.
- 1.2 In 2022/23, to continue delivering undergraduate education<sup>1</sup>, we estimate that English universities on average invested an additional £2,500 per student per year from central funds. The increased need for subsidisation has been driven by a real term decrease in public funding for undergraduate education<sup>2</sup>, tuition fees being held constant for seven years, and an increase in the activities and services that universities are expected to deliver.
- 1.3 Russell Group modelling suggests that if the current funding system remains unchanged, by 2030 English universities will be required to find an additional £4 billion to take on the same number of students as in 2019<sup>3</sup>. This doesn't account for the 131,000 additional 18-year-old school and college leavers in the UK expected to aim to enter university in 2030, the ambition to increase provision through the LLE and the increasing deficit on delivering R&D.
- 1.4 To date, universities have subsidised education and research with surplus-making activities, primarily the teaching of international students. However, we anticipate that universities will be unable to increase efficiencies in the current operating model or increase surpluses to meet the level of deficit anticipated in 2030. The current funding model is therefore unsustainable.
- 1.5 We are keen to work with government to find solutions that can at least offset the impact of inflation on the unit of resource in a way that is fair and affordable for taxpayers and students, while delivering for students and the UK economy. We understand that in a financially constrained environment, these ambitions are likely to be realised through routes beyond comprehensive funding uplifts. We therefore welcome the Office for Students' approach in speaking to the sector about its approach to public grant funding early in its strategy development.
- 1.6 In our submission to the May 2024 call for evidence, the Russell Group makes the following recommendations to the OfS:

### 2. Course-based funding

- 2.1 We recommend the OfS develops an **allocation formula for course-based funding that provides the sector with a rate of per-student funding that, when combined with student fees, meets the average cost to universities of delivering each area of provision in their region.**
- 2.2 However, if the required uplift to deliver this is not available, we would favour a **mechanism that is of an appropriate scale to fund the average cost of certain activities and is predictable in the long term**, over one that only partially supports all types of provision. We

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<sup>1</sup> When we refer to undergraduate education we mean both core teaching activities and providing the wrap-around support they need to succeed.

<sup>2</sup> In 2012-13, each undergraduate from England had the equivalent of £11,800 spent annually on teaching resources. But undergraduates in 2024-25 will get just £9,600. "This will take it back to the same level as its low point in 2011, just before the increase in fees to £9,000 in 2012 – and, remarkably, 3% lower than in 1990." IFS, Dec 2023

<sup>3</sup> [www.hepi.ac.uk/wp-content/uploads/2024/04/How-should-undergraduate-degrees-be-funded-1.pdf](http://www.hepi.ac.uk/wp-content/uploads/2024/04/How-should-undergraduate-degrees-be-funded-1.pdf)

propose the following principles for developing an objective-based funding formula based on the average cost of provision:

- The autonomy of institutions should be maintained as outlined in HERA,
- Objective/s should be achievable, transparent and clearly communicated to all stakeholders, including students and the public to allow for forward planning,
- Objective/s should be based on well-founded evidence and the OfS should encourage DfE to uphold this principle when allocating its funding,
- Objective/s should be long-term with predictable funding levels to allow for strategic planning to increase efficiency and reduce the cost of delivery,

2.3 The government and the OfS are responsible for agreeing on their long-term objectives for the sector's size and shape and allocating public funding to incentivise these outcomes. Beyond the above principles we have not recommended which objective/s government should be driving with their funding allocations. Given that the regulatory framework already provides a robust mechanism to ensure institutions meet baseline quality thresholds and the TEF serves to encourage enhancement, the other principles highlighted above should be the overriding priority for course-based funding, rather than quality *per se*.

2.4 Given the ambitions of the NHS long-term workforce plan, it is likely that one objective would be to increase medicine and dentistry courses. If this were the case, in addition to the principles above we would recommend; a **medium to long-term roadmap** to support the sector to be more strategic in delivering the NHS long-term workforce plan, an increase in training places **both in new medical schools and ensuring appropriate funding for existing schools**, a review on the cap on international medical places and a consideration of **how capital funding should be invested** to maintain, improve and expand existing medical school facilities, infrastructure and innovative teaching.

2.5 Similarly, if **degree apprenticeships were to be prioritised**, we would encourage the OfS to continue to distribute funding through its course-based model for degree apprenticeships with targeted funds which effectively support existing providers and encourage growth in the sector.

### 3. Student-based funding

3.1 Our universities are committed to widening access and providing transformative opportunities to talented individuals, regardless of background. In the 2023/24 academic year, English Russell Group universities received approximately £21.2m through OfS student-based funding, £6.6m of which was via the full-time student premium (main allocation)<sup>4</sup>; this is a small percentage of the overall amount spent by Russell Group universities to support the access, success, and progression of at-risk students.

3.2 Wider financial constraints are having consequences for access, success and progression support providers can sustain. We encourage the OfS to take a **more joined-up approach between student-based funding and other initiatives which seek to further equality of opportunity**, and to ensure **student-based funding is predictable** to allow institutions to plan strategically how they support students deemed most at risk. We propose the OfS:

- **Is clear on the aim/s of student support funding.** In recent years Student Premium has been increasingly assigned for multiple uses by the government, including as a hardship fund to support students during the COVID-19 pandemic and the cost-of-living crisis. **The OfS should ensure that student premium funding retains a tight focus**

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<sup>4</sup> [Recurrent funding for 2023-24](#), OfS

**on enabling providers to support access, success, and progression of at-risk students**, including through the delivery of their APPs.

- **Shifts student-based funding to a multi-year recurrent fund (three to five years).** This would support strategic approaches to spending, increased ability to gather evidence on the success of interventions to increase effectiveness and allow providers to plan longer-term support for students as they progress across the student lifecycle as opposed to annual interventions.
- **Considers changing characteristics associated with allocating the full-time student premium to include those identified in the Equality of Opportunity Risk Register (EORR).** This would ensure that this funding supports students identified as at-risk by the OfS across the student lifecycle and considered in a providers' APP.

#### 4. Capital funding

- 4.1 We recommend the OfS **prioritises funding for maintaining, upgrading and improving core education facilities** over new buildings. In the long run, this would be a cost-effective way to allow universities to support students as education needs change.
- 4.2 Running capital as a bidding process increases the burden and cost for both universities and the OfS, and **we recommend the OfS evaluate if the change to a bidding process has resulted in enough of a shift in outcomes to warrant the additional burden and cost** compared to a formula funded approach.

#### 5. LLE

- 5.1 We consider it important to **keep funding allocations aimed at supporting LLE learners, distinct** to effectively evaluate the impact of this funding in supporting modular provision. Up-front costs incurred to develop modular provision should be considered when setting future funding allocations.
- 5.2 High-cost subjects already operate at a deficit and modular provision is likely to incur additional costs, particularly as most universities will not benefit from economies of scale. So that institutions are not disincentivised to deliver modular provision in high-cost subjects, particularly in STEM disciplines, **the OfS should identify courses suitable for top-up funding to incentivise modular provision.**

#### 6. Regulatory burden

- 6.1 An underlying principle for the OfS to adopt when developing its funding approach is that of **proportionate, risk-based regulation**. Effective regulation is crucial to ensure institutions are held accountable and public funds are used efficiently.
- 6.2 **An internal review of data and information requests**, both generally and specific to funding, would enable the OfS to identify unnecessary data requests or opportunities to collect and identify data in a more efficient manner. By following the principle in the Regulator's Code of 'collect once, use many times'<sup>5</sup> the OfS and providers can better target resources and activities, whilst minimising duplication.

May 2024

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<sup>5</sup> [Regulators' Code](#), BIS April 2014