

Approach to OfS public grant funding – UA submission

Q1. What are your views on OfS course-based funding?

University Alliance believes that the OfS should continue to provide course-based funding for subjects which cost significantly more than providers can expect to recover from tuition fees. As professional and technical universities, we specialise in provision informed by industry and employers designed to prepare students for careers. We are leading providers of teaching in areas such as healthcare, engineering, and the creative industries. These are high-cost subjects which require specialist staff and facilities, including technicians, laboratories, simulation suites, and a wide range of equipment. Course-based funding is vital in allowing our members to continue to offer high quality professional and technical provision.

This is particularly the case now that universities make a loss on every home undergraduate and *all* subjects cost more to teach than the amount provided by tuition fees. These have hovered around £9,000 since 2012 and are now worth at least 25% less in real terms according to [OfS analysis](#). This fee freeze combined with rising costs (inflation and significant pension increases in Alliance universities) and a recent drop in international students means universities are less able to cross-subsidise high-cost provision.

As it stands, OfS course-based funding no longer covers the actual cost of delivering high-cost courses (if it ever did). Instead, it is being used to try to plug the growing gap between costs and fees and therefore has a limited effect on wider objectives such as incentivising new provision. It may support limited growth of existing provision, but it is unlikely to be the sole factor. Learner demand remains the most key factor.

In the face of significant financial difficulty, universities are currently having to make extremely hard choices about course provision, as underscored by the recent [OfS report](#) on provider financial sustainability. There are risks to the viability of all courses, and this will inevitably lead to the exacerbation of regional cold spots. The risk is particularly acute when high cost meets low demand, for example in the case of small and vulnerable healthcare professions such as Podiatry and Learning Disability Nursing.

There is an underlining tension in the OfS' approach to course-based funding between its objective and subjective elements. On the one hand, it utilises data on course costs to provide top-up funding for objectively expensive provision. However, the framing of the Strategic Priorities Grant has been subject to a high degree of ministerial interference, leading some objectively high-cost provision to be deliberately left out for political reasons.

In 2021, the Education Secretary [recommended](#) the reduction by half to high-cost subject funding for C1 subjects – which include creative arts, performing arts, and media studies – due to ministers' belief that they lack 'strategic importance'. The OfS [enacted](#) this highly prescriptive recommendation in the face of widespread opposition. This year's [ministerial guidance on funding](#), which was even more detailed and prescriptive than previous iterations, directs that the PGT and PGT intensive premium (other than for high-cost subjects) be removed, further compounding the cuts to funding for arts and media provision. This is in spite of increasing government recognition of the contribution of the creative industries to the UK economy, with the development of the [Creative Industries Sector Vision](#), a joint government plan to drive growth, build talent and develop skills.

Course-based funding should not continue to be used as a political football. Whilst we recognize it is legitimate for government to be able to set out its priorities in this area, the

Strategic Priorities Grant (SPG) should cover a longer period (three to four years) to minimise the incentives for ministers to intervene and provide greater stability for providers. The OfS should make its funding allocations based on need, and endeavour to ensure as far as possible that large pockets of high-cost provision are not excluded from the SPG as they are at present.

Q2. What are your views on OfS student-based funding?

Student-based funding should remain a key component of the OfS' grant funding. The main purpose should continue to be to assist institutions with the additional costs associated with supporting students from disadvantaged backgrounds to succeed in higher education. This aligns with the OfS' requirement for institutions to ensure good outcomes across all groups of learners.

This funding is particularly important in the face of increasing student needs due in no small part to the longer-term impact of Covid on prior attainment and mental health. Expectations on universities to provide a wide range of student support services are also rising, from local authorities, government and the OfS itself. This has been exacerbated by the real terms cut in student maintenance loans and the cost-of living crisis.

The OfS should ensure that funding primarily continues to reflect the characteristics of student populations at individual providers and is prioritised towards the greatest student need. We strongly disagree that this funding should be re-directed to students in the form of individual cash payments. If the government wants more cash in the pockets of students, this should be accomplished through the student maintenance system, not the OfS. Our view is that OfS student-based funding exists to enable universities to design effective and efficient systems and services based on a sophisticated understanding of the needs of their student body and institutional context.

We also are not in favour of placing additional terms and conditions or reporting requirements on this funding, as this will inevitably mean it does not go as far as it does now.

It is important that the part-time premium is retained. It was designed as a response to the market failures which have led to a significant decline in both part-time and mature students in England, and to reflect the additional costs associated with part-time provision. It also helps to support the additional challenges faced by part-time students due both to the characteristics of part-time study and the characteristics of part-time students, many of whom are not eligible for maintenance support or funding towards their living costs because they are distance learners.

The introduction of the Lifelong Learning Entitlement (LLE) will also likely result in a greater number of students studying flexibly, and the OfS should consult with the sector on how the part-time premium should evolve to take the LLE into account.

Although we are broadly in favour of retaining the status quo when it comes to student-based funding, there are a few areas where we feel there is scope for improvement. Firstly, there is the opportunity to align this funding more closely with Access and Participation Plans (APP). For example, whilst students with BTECs are categorised as 'high risk' by the OfS for the purposes of student-based funding (which we strongly support), entry qualifications are not recognized as an at-risk characteristic for the purposes of APPs. This is just one example.

Secondly, there is an opportunity to use more sophisticated and accurate measures of student disadvantage to inform student-based funding allocations. The limitations of place-based measures such as POLAR and TUNDRA are well known, particularly in large cities

such as London and Birmingham. The OfS should explore the use of individual-based measure such as eligibility for Free School Meals (FSM).

Q3. What are your views on OfS capital funding?

Overall University Alliance members would prefer to return to a greater proportion of capital funding being allocated by formula. This would provide longer-term certainty, which is vital for capital projects, and is significantly less burdensome for providers. This could be linked to OfS strategic priorities, for example STEM and healthcare provision.

The competitive bidding process is very resource intensive, and this is exacerbated by extremely short application windows. There is a widespread impression that the process tends to favour certain types of providers, for example larger universities or those that are already planning capital projects that happen to meet priority criteria. This means that some universities repeatedly receive funding whilst others do not, resulting in winners and losers.

If the OfS is intent on retaining a combination of formula and competitive funding, we recommend that the ratios be reversed, and that the majority is allocated through formula and a smaller amount through competitive bidding. The OfS should review the bidding process with the aim of reducing bureaucracy, widening the criteria for eligible bids, and enabling long-term planning cycles. It should be noted that short-term funding disincentivises collaboration with other institutions and long-term planning, which is not necessarily in students' or the wider sector's best interests.

Q4. What are your views on OfS funding for specialist providers?

As medium and large universities with a broad range of provision, Alliance universities are not categorised by the OfS as specialist providers and do not currently receive this funding.

However, we believe there is a case to be made for specialist funding to be extended in some exceptional cases to providers with embedded specialist provision that meets specific criteria. This would recognise that expensive, world-leading provision can be situated in larger providers who face specified higher costs as a result which cannot be subsidised either by their teaching or research, for example for extremely high staff: student ratios and specialist accommodation and performance spaces.

Specialist creative and performing arts provision such as conservatoires and film and art schools that are embedded in large, diverse institutions such as Alliance universities make a particularly important contribution to access and participation, as they attract students from a wider range of widening participation backgrounds than their small specialist counterparts.

Q5. What are your views on OfS funding for national facilities and regulatory initiatives?

We are strongly in favour of retaining OfS funding for national facilities and regulatory initiatives such as JISC, NSS, and TASO. These all serve to support national sector priorities for providers large and small, which is particularly vital when the institutional unit of resource is at its lowest level in decades. We oppose any move to subscription-based models or additional charges beyond the OfS registration fee, which we note has recently increased significantly.

There is an opportunity to rationalise the system and absorb the cost of the Graduate Outcomes Survey within this OfS funding stream. It does not make sense that the NSS is included whilst the GOS is not, despite both surveys being used by the OfS for regulatory

purposes. UA members feel there are opportunities to bring down the cost of the NSS contract, which they would be happy to discuss with the OfS.

We are also concerned about increasing ministerial involvement in how funding for national facilities and regulatory initiatives is allocated. This is another area where we feel the OfS needs to exert more independence. For example, the [recent SPG guidance letter](#) put ministerial terms and conditions on OfS' ability to run future challenge competitions. We strongly disagree with this in principle.

Q6: What are your views about how OfS determines funding allocations?

We support the continued non-hypothecation of formula allocations provided as a block grant, as it provides welcome stability and efficiency for providers and preserves institutional autonomy and flexibility. Whilst we understand that the government and the OfS are keen to understand the impact of public funding, we believe this is already achieved through the conditions of registration (particularly B3) and the annual financial reporting requirements. Any additional requirements beyond these would be unnecessarily burdensome.

We do not support the further linking of funding to quality metrics. Minimum quality standards are already in place through B3 and the TEF provides a strong incentive to go beyond these. As recent OfS quality assessments have shown, the metrics alone provide only a limited indication of the quality of the educational experience being delivered. Quality metrics such as B3 must be interpreted within their institutional context and are not designed to be used as blunt instruments to allocate funding.

The HESES data collection can place a significant data burden on statutory returns teams. The current process of using HESES from the prior year and having to reconcile against HESA Student is complicated and there is significant scope for improvement. The proposed solution to use data from the end of the previous year and remove the December collection seems sensible. We have concerns that basing funding allocations on older data could make funding decisions less responsive to changes in student populations. Changes to data collection should not be introduced outside of the agreed timeline for Data Futures.

Q7. What are your views on how the OfS should prioritise various factors in making decisions about funding matters?

The House of Lords Industry and Regulators Committee has [criticised](#) the OfS for 'acting like an instrument of the Government's policy agenda rather than an independent regulator.' This tendency is apparent in the OfS' public grant funding function, which has been strongly influenced by short-term political priorities. Some notable examples over the past few years include the halving of course-based funding for high-cost creative arts and media subjects; the removal of London weighting; and the severe reduction in the UniConnect budget. All these changes were opposed by students and providers and were not supported by objective evidence.

It is notable that we do not see this kind of politicisation of funding streams by other funding bodies such as UKRI and Research England.

Going forward, there is an opportunity for the OfS to exert more independence over its funding powers, and to use these to take better account of the student and provider interest. A longer-term funding settlement of at least three to four years would help to reduce the incentives for ministerial interference and provide more stability for providers, which is also in the student and public interest.