

## CONSULTATION RESPONSE

### OfS consultation on recurrent funding 2021-22

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**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.**

Disagree

MillionPlus disagrees 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 the subjects listed above. There is a clear rationale for maintaining funding across all four subject areas. Under these proposals, providers will be faced with a reduced unit of resource for students in these subjects without any direct means to restore this level of investment. Whilst it is acknowledged that the Office for Students is following guidance from the Government, MillionPlus believes this may be short-sighted.

There is a strategic importance to investing in a wide range of subjects and disciplines in higher education. Perhaps most strikingly, there is an economic imperative to invest in creative arts education. There are two million jobs in the creative industries at present, and the level of job creation is double the rate of the rest of the economy.<sup>1</sup> An independent review on the creative industries commissioned by the UK government predicted that the Gross Value Added of the sector would rise to £128.4 billion by 2025.<sup>2</sup> Failure to invest sufficiently in education and training in this area could be costly in the medium-to-long-term and result in the UK become less competitive in this area.

Modern universities educate 72% of creative arts undergraduates, 80% of cinema & photography undergraduates and 81% of design studies undergraduates.<sup>3</sup> There is therefore a strategic importance to investing in modern universities, for whom recurrent funding and tuition fees make up a greater proportion

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<sup>1</sup> Creative Industries Federation, Employment figures <https://www.thecreativeindustries.co.uk/facts-figures/uk-creative-overview-facts-and-figures-employment-figures>

<sup>2</sup> Sir Peter Bazalgette, "Independent Review of the Creative Industries" 2017

<sup>3</sup> MillionPlus, Think Modern Facts & Statistics [https://www.millionplus.ac.uk/documents/Think\\_Modern\\_-\\_Facts\\_and\\_Stats\\_2020.pdf](https://www.millionplus.ac.uk/documents/Think_Modern_-_Facts_and_Stats_2020.pdf)

of their overall income, to ensure that there is a healthy pipeline of graduates in this area. Over the past year, universities have had to act with financial prudence to remain agile in the context of wider economic uncertainty. The danger is therefore that changes to recurrent funding could threaten the viability of courses or certain types of provision in the long term. Any subsequent negative impact on the choice available to students or the quality of the academic experience is clearly not in the interest of students.

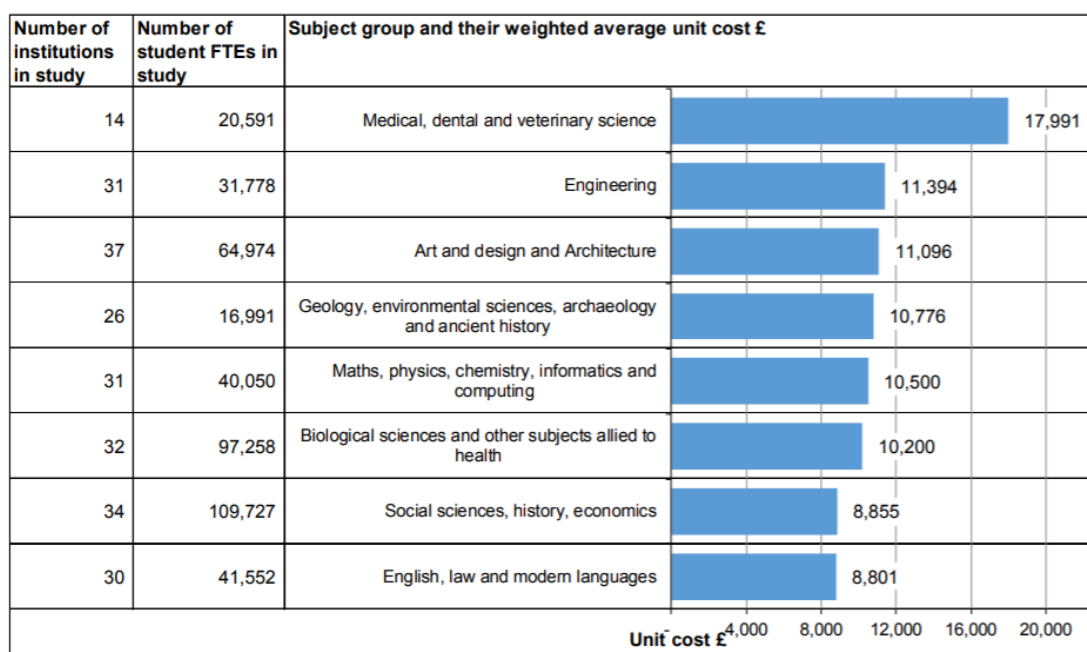
The consultation document outlines a number of strong arguments for maintaining investment in the "C1.2" subject areas: the "huge benefit" generated across society and cultural life by these students and graduates; the critical role played by these areas in widening access and participation in higher education; and the fact that there are multiple professions in Government's Shortage Occupation list associated with these subject areas. Conversely, there is little justification offered in the consultation document for increases in recurrent funding found elsewhere.

It appears that the stated priorities in the guidance from government are taken at face value. MillionPlus appreciates that it is not the role of the OfS to develop the strategic priorities of government. But there is a responsibility on the OfS to critically evaluate how guidance from government would impact on students and graduates. It feels as if the OfS is making proposals in spite of a strong set of arguments (social, cultural and economic) to the contrary. These arguments are articulated clearly in the consultation document produced by the OfS, indicating that these proposals are not in the interest of students in these disciplines, or wider society.

There is also no reference or link made to cost for universities of these courses other than an explicit acknowledgement that courses in this category are "expensive". As above, it appears that the OfS is making proposals in this area in spite of its own evidence. Courses in the four subject areas in question vary in type and cost considerably. But there is considerable evidence that shows that these subject areas have above average costs.

These courses often induce extra costs as a result of the need for infrastructure or advanced technological equipment, as well as the need for a smaller tutor to student ratio in some cases. This is of course why the existing funding regime has developed to subsidise them accordingly. The KPMG report that was commissioned by the Department for Education in 2019 showed that the weighted average unit cost of art, design and architecture courses was higher than most other subject areas, and notably similar to some of those designated as warranting increases in funding in the recurrent funding proposals. This is shown in the Chart 1 below, taken from the KPMG report:

**Chart 1 – Weighted average unit cost for each subject group for full-time provision**



Source: Analysis of data returns <sup>4</sup>

It is worth emphasising the leading role played by modern universities in widening access and participation to higher education in the four subject areas in question. Two thirds of all students from low participation backgrounds in England study at modern universities.<sup>5</sup> Serious thought is required as to what the long term implications might be on diversity and inclusion in the associated sectors of the economy.

Reducing the unit of resource available to modern universities, those that have played the most instrumental roles in widening access, and those that rely most on recurrent funding and tuition fee income, could have longer term implications. Certain providers might be prompted to reevaluate provision if they cannot find ways to make up the losses, or alternatively, simply lower the investment made in courses, a scenario which is harmful to the student experience.

The net effect of this could be to shrink the pool of graduates from lower socioeconomic areas, or those with protected characteristics going into the arts. A recent report from the Bridge Group & Inc Arts has shown that existing inequalities in the arts sector have been exacerbated during the pandemic.<sup>6</sup> Higher education providers are not responsible for the labour market and the behaviour of employers. But the sector should

<sup>4</sup> KPMG LLP (2019), Understanding costs of undergraduate provision in Higher Education: Costing study report [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/909349/Understanding\\_costs\\_of\\_undergraduate\\_provision\\_in\\_higher\\_education.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/909349/Understanding_costs_of_undergraduate_provision_in_higher_education.pdf)

<sup>5</sup> MillionPlus, Think Modern Facts & Statistics [https://www.millionplus.ac.uk/documents/Think\\_Modern\\_-\\_Facts\\_and\\_Stats\\_2020.pdf](https://www.millionplus.ac.uk/documents/Think_Modern_-_Facts_and_Stats_2020.pdf)

<sup>6</sup> Bridge group & Inc Arts (2020) Hold on. Diversity & Managing in the Arts <https://www.thebridgegroup.org.uk/news/seb-in-arts>

reflect on how funding decisions could add extra strain on efforts to create a more inclusive and representative arts sector.

**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.**

Disagree

The process of assigning different courses to subject bands according to their subject code is a complex procedure. There will inevitably be courses that could be classed in different categories based on interpretation or may straddle multiple categories (not only joint honours programmes). One aspect which might not have been given enough consideration is the possibility that providers might respond to the new price bands, shaping how they manage their institutional portfolio and define their own courses.

**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.**

**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.**

Disagree

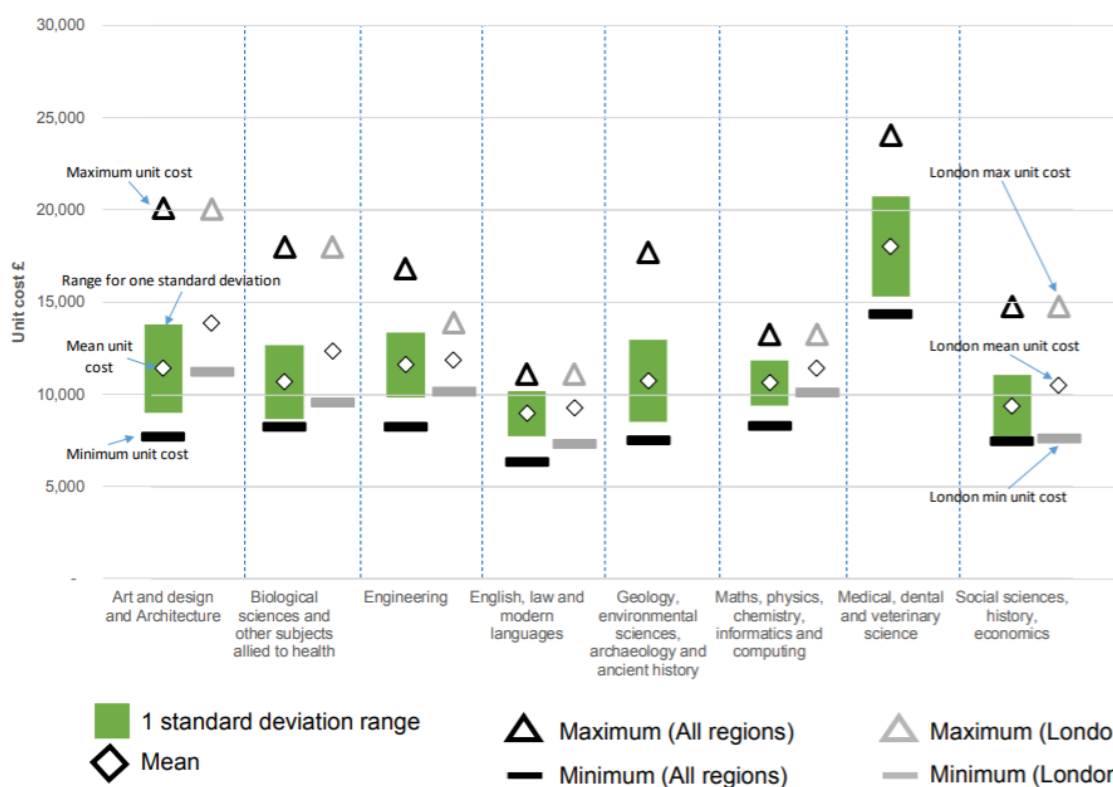
Taking questions 5 and 6 together, MillionPlus disagrees with the proposals to remove such a significant level of funding from London institutions so abruptly. These proposals could have a detrimental impact on the delivery of higher education in London, by adding financial pressures onto institutions. This is likely to result in lower investment in the student experience and a restriction of the choices available students in London. There is no explanation given as to how these proposals are in the interest of the more than 200,000 UK undergraduate students in London.

In the consultation document evidence is cited that shows the cost of higher education provision is significantly higher in London. The aforementioned KPMG report is mentioned here, which notes that the per student cost of undergraduate teaching is 14% higher in London than the average in England. MillionPlus believes that in order to consider the effect on London institutions, it is best to consider the full range of proposals to get a sense of the overall impact. To this end, it is worth highlighting another chart from the

KPMG report, shown below, which shows that the gap in the cost of full-time provision is largest for the “Art and design and architecture” subject group.

As explained in our response to question 2, the reduction in recurrent funding in this subject area is problematic for all providers concerned. But the chart below suggests that the impact of the proposals will be particularly acute for those institutions with creative arts provision in London. Not only will they be faced with the double whammy of reductions in high cost subject funding and removal of London weighting, the relative gap between cost and the new unit of resource is greater than any other subject group.

**Chart 5 – Variation of weighted unit costs by subject group for full-time provision**



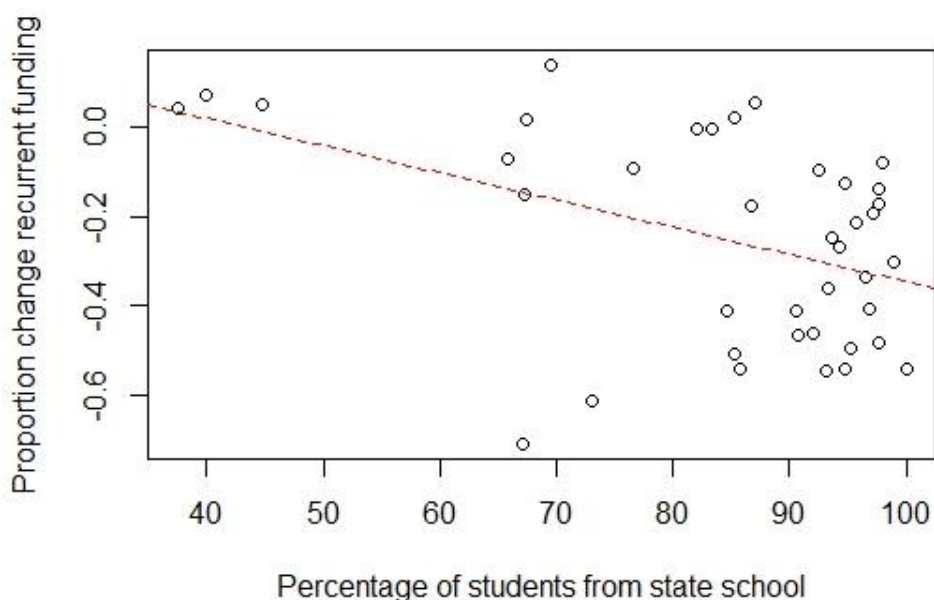
Source: Analysis of data returns.

MillionPlus has conducted its own analysis to look at the net effect of the proposals on London institutions. It is sensible to look at this geographical area in isolation because the change to recurrent funding that is projected is more acute than elsewhere. But as mentioned above, it is important to consider the proposals in the round. MillionPlus has produced Figure 1, shown below, based on the modelling produced by the OfS that accompanied the consultation document. This data has been combined with HESA Widening Participation Performance Indicator (WP PI) data for 2019/20.<sup>7</sup> This graph plots the proportional change to recurrent funding projected for each institution against the proportion of students that are from a state school.

<sup>7</sup> <https://www.hesa.ac.uk/data-and-analysis/performance-indicators/widening-participation>

Figure 1 below shows a negative correlation between the two variables. This indicates that these proposals, within London, will fall disproportionately on those institutions that recruit higher proportions of their students from state schools. MillionPlus has decided not to conduct the same analysis for POLAR data, the other measure in the WP PI data. This is because this type of data is infamously unreliable when it comes to London. But we would anticipate that, if the same exercise was to be carried out with IMD disadvantage, a similar pattern could be observed.

**Figure 1**



MillionPlus is concerned more generally by the proposed implementation of these reforms and how they will impact on London institutions and their students. That such changes should be brought in at a time of such turbulence and uncertainty for institutions, and with such little advanced warning for those concerned, seems to be the wrong approach. MillionPlus would question why the OfS has not explored ways of mitigating the impact of these proposals on students so that they are not enacted so abruptly, creating an effective cliff-edge for institutions. It is surely in the interest of current students for all avenues to be explored by the OfS that would smooth any negative impacts on the student body.

**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**

MillionPlus is hugely supportive of initiatives to support student mental health. However, there is concern if existing money is being used to fund this. If money is raised from reducing the unit of resource for students, it could result in a situation where the OfS is taking money away from preventative measures to pay for the cure. Reduced investment in students and their academic experience risks increasing pressures on mental health. Of course, in many cases mental health pressures arise regardless of the level of investment made by the university in their education. This is why we believe extra funds, to address an extraordinary set of circumstances, should be found from new or increased revenue streams.

**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.**

Agree

MillionPlus believes it is of great importance that the level of funding for these courses is maintained in the future. Modern universities educate 71% of nursing students in England and 63% of those in subjects allied to medicine, playing a critical role in delivering the next generation of NHS staff in these areas.<sup>8</sup> These courses require a huge amount of resource, in terms of expertise, infrastructure and technical capability. Many providers who deliver these courses are working on fine margins in terms of the cost of delivery and as a result the recurrent funding that is attached to such courses plays a critical role in their sustainability.

If the experience of the pandemic as revealed anything, it is the importance of investing in our health workers and future health workforce to ensure we can function effectively in a time of crisis or when extra strain is placed on the NHS. While the recruitment numbers are positive in subjects allied to medicine at present, there is some concern that the pandemic may have increased strains on the workforce and put extra pressures on retention.<sup>9</sup> Therefore, it has never been more important invest sufficiently in these course and maintain the unit of resource. Providers will not be helped by increased recruitment if the unit of resource drops.

**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.**

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<sup>8</sup> MillionPlus, Think Modern Facts & Statistics [https://www.millionplus.ac.uk/documents/Think\\_Modern\\_-\\_Facts\\_and\\_Stats\\_2020.pdf](https://www.millionplus.ac.uk/documents/Think_Modern_-_Facts_and_Stats_2020.pdf)

<sup>9</sup> <https://committees.parliament.uk/committee/127/public-accounts-committee/news/119378/fears-of-emerging-crisis-in-nursing-after-covid/>

**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.**

**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?**

**Question 14 Do you have any comments about the potential impact of these proposals on individuals on the basis of their protected characteristics?**

MillionPlus has concerns about the potential overall impact to certain groups of students based on their protected characteristics. There is a particular concern with regard to the impact on Black students in London. While there does not appear to be a correlation across all institutions between the number of black students and the projected impact of these proposals, there do appear to be some smaller patterns that emerge within the data. In London, some of the more established providers that have the lowest proportion of Black students are largely insulated from any cuts to their overall level of recurrent funding, while some of the larger providers who take particularly high numbers of Black students are subject to some of the most significant reductions in recurrent funding (according to the modelling provided by the OfS).

The OfS acknowledges that there is both a high concentration of students from an ethnic minority background and a high concentration of mature students in the capital. The justification for the impact on London institutions appears to be that the level of participation in London is high, and that representation of students from ethnic minority backgrounds has increased over recent years. The argument that there are low levels of participation elsewhere does not seem satisfactory here. The implication is that funding should be reduced *because* of the successes in widening access and participation in London. This is a weak line of logic and seems to be contrary to the identity of the OfS as risk-based regulator.

With regards to the high concentration of mature students in London, there is no clear explanation given for this, nor any ways in which the impact of mature student in London might be mitigated. MillionPlus has some concern therefore about the impact on mature students in this region.

The response to question 2 above also outlines some concern over the potential long term impact on diversity in the creative & performing arts, firstly among students but also by extension, amongst graduates and the corresponding labour market.

**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?**