

Response to consultation on implementing teaching grant savings for 2019/20 and 2020/21

1. Summary

- Science, technology and engineering qualifications will be critical for the future prosperity of the UK, but universities and colleges are currently teaching these subjects at a loss. In universities where academic excellence means research-led and smaller group teaching, the shortfall is already over £1,500 per student per year.
- Overall, recurrent teaching grant for the sector has already been cut by around £270m between 2015/16 and 2019/20, excluding funding associated with health education reforms and despite rising student numbers over the period.¹ The additional cuts for 2020/21 will lead to larger deficits in provision for research-intensive institutions. This risks limiting the number of places institutions are able to offer for the next generation of scientists and engineers as well as impacting on clinical provision in priority areas such as medicine and dentistry.
- Whilst we recognise that the Office for Students (OfS) has been mandated by Government to make savings from the recurrent teaching grant for 2019/20 and 2020/21, we encourage the regulator to work with the Government ahead of the Spending Review later this year to make the case for ambitious investment in high-cost, high-quality teaching provision in line with its role in promoting quality, choice and opportunities for students.

2. Current shortfalls at research-intensive universities

- 2.1 Russell Group universities train around 80% of doctors educated in the UK, 39% of engineers and over half the maths and science graduates so vital to the UK economy and society. However, frozen income for undergraduate education means deficits are rapidly increasing in more expensive-to-deliver yet vital STEM subjects.
- 2.2 Teaching grant investment has remained stagnant over recent years. Each of the subject price groups saw only sub-inflationary increases in their value of 1% in 2018/19 and 1.4% in 2019/20, with the total amount of funding available for high-cost subjects also not increasing sufficiently with student demand.
- 2.3 **As a result of frozen fee and grant income, deficits are continuing to increase in each of the subject price groups at our universities, especially for science and engineering.** Our analysis of the Office for Students' data on costs shows that:²
- (a) Lab-based subjects³ at research-intensive institutions currently face average shortfalls of around £1,550 per year, per student
 - (b) Very high-cost lab-based subjects (such as chemistry, physics and some fields of engineering) face average shortfalls of around £1,500 per student, per year – slightly lower than other lab-based subjects given they attract a higher level of funding.

¹ An in-year cut of £150m was made for financial year 2015/16 with a further £120m reduction by 2019/20.

² This is based on an estimate for Peer Group A universities using TRAC data updated for inflation to 2019/20 and factoring in average per student spending on access and participation.

³ These are: science, engineering and technology subjects, and preregistration courses in midwifery and certain other allied health professions.

2.4 **In addition, current inner London weighting falls a long way short of covering the additional costs of delivery.** A KPMG study for DfE in May 2019 found that the unit cost for London was 14.1% higher than the England average and previous studies have shown land and building costs in inner London are more than three times the national average.⁴ In 2019/20, the five Russell Group universities based in London received a total of just under £24m to cover these additional costs – far below the extra investment required to provide higher education in London.

3. The impact of the proposed cuts to teaching grant

- 3.1 We welcome the intention of the OfS to avoid clawing back funding from institutions for academic year 2019/20, but rather to make the savings through unallocated funds. This should limit disruption and unplanned consequences on institutions for the current academic year. We would welcome assurances though, that cuts to budgets for national facilities will not be offset by increases in their subscriptions. Rather, reductions in funding should be matched by reductions in expenditure through efficiencies where possible.
- 3.2 Whilst we recognise that the OfS has been mandated by Government to make savings from the recurrent teaching grant, we are concerned about the consequences of cutting institutional funding for academic year 2020/21 especially in the wider context of pressure on fee and grant income over successive years.
- 3.3 For the 2020/21 academic year, we estimate the impact of the proposed cuts on Russell Group universities is likely to be between £17m and £28m approximately.⁵ Institutions will also be expected to accommodate rising student numbers on pre-registration courses in medicine, nursing, midwifery and allied health professions within existing budgets, meaning pressure on the unit of resource per student will increase further across all high-cost subjects.

Impact on lab-based subjects

- 3.4 **The additional cuts for 2020/21 will lead to larger shortfalls in provision for research-intensive institutions.** It is difficult to model the exact impact of the cuts as we do not yet have access to student number data, however in a best-case scenario we estimate the impact would be as follows for high-cost lab-based subjects:
- (a) The average annual shortfall per student for lab-based subjects at research-intensive institutions would rise to at least around £1,600 (up from £1,550)
 - (b) The average annual shortfall per student for very high-cost lab-based subjects would also rise to at least around £1,600 (up from £1,500).
- 3.5 As these deficits continue to increase, this will ultimately have a negative impact on quality and choice for students. In the longer term, this risks limiting the number of places research-intensive institutions are able to offer for the next generation of British scientists and engineers.

⁴ Understanding costs of undergraduate provision in Higher Education: Costing study report, by KPMG May 2019; Regional variation in costs and benefits for higher education providers in England, Report to HEFCE by Deloitte, December 2017

⁵ Based on 2019/20 allocations, a 3% cut to high-cost subject funding and a 6% cut to targeted allocations would equate to a reduction of £17m for Russell Group universities in total. However, this does not factor in the additional student places which will be folded into the high-cost subject allocation or changes in institutional recruitment patterns.

Impact on clinical provision

- 3.6 **The cuts will also have a disproportionate impact on clinical provision.** Despite additional funding for rising numbers of medical students, the unit of resource available to teach these students will still be lower than previous years and funding pressure on clinical subjects will be compounded by cuts to targeted allocations for clinical consultants' pay, senior academic GPs' pay, and the NHS pensions scheme compensation. This funding ensures that institutions are able to recruit academics in critical medical subjects, and the reduction in funding for these targeted allocations alongside the cut to high-cost subject funding will therefore have a double impact. Potential changes to clinical placement funding from Health Education England could also place additional pressure on the quality of medical student teaching and would exacerbate any reduction in teaching grant funding.
- 3.7 This reduction in funding could impact on the ability of institutions to deliver on requirements set out by the relevant regulatory bodies. It could also undermine the ability to deliver the innovative provision required to train the next generation of healthcare professionals. This includes using the latest advanced technology and infrastructure, as well as maintaining the additional contact hours and smaller group sizes typical of, and necessary for, this type of training. Ensuring students are trained to adapt to rapid and radical changes in the way medical care is delivered will be critical to ensuring a viable future for the NHS and healthy lives for people right across the UK.
- 3.8 The Government should carefully consider the case for more resources for these vital, high-cost subjects as we have highlighted in our recent Budget submission.⁶ This is particularly crucial at a time when the Government intends to substantially increase the numbers of domestically trained doctors and nurses to meet increasing demand on the health service.

Impact on London-based institutions

- 3.9 It is also a significant concern that funding for London weighting will be cut further (by 6%). This funding is vital in securing talented academics and lecturers, maintaining and improving infrastructure and ensuring that students are still able to receive the highest-quality education in the capital.
- 3.10 London-based institutions, as are others, are committed to diversifying their campuses and supporting students from under-represented groups to succeed, using funds from tuition fees and teaching grant to achieve these aims. Queen Mary University of London, for example, has made significant progress in supporting black, Asian and minority ethnic (BAME) students to access, and succeed at, the University: 70% of their student body are from BAME groups and the University has succeeded in almost halving its BAME attainment gap between 2012/13 and 2017/18, anticipating that the gap will be eliminated altogether within the next three years. Reductions in London weighting could affect the ability of London-based institutions (with greater per student costs of delivery) to put in place measures to support students who would not otherwise be able take up the opportunity of studying at a selective university. It could also undermine their ability to provide the tailored academic support to help students from under-represented backgrounds achieve positive outcomes. This could affect the ability of institutions to deliver on the level of ambition agreed with the OfS in recent access and participation plans.

⁶ Available on request

4. Conclusion

- 4.1 More broadly, it is worth noting that fluctuations in recurrent funding from year to year increase uncertainty for institutions and make it harder to plan effectively. This in turn, lessens the extent to which institutions can be efficient and provide value for money, as it encourages them to hold back reserves to meet potential shortfalls in future. Greater stability in recurrent funding – ideally with a multi-year funding settlement – would better enable the OfS to deliver on its value for money objectives.
- 4.2 The higher education sector continues to face significant financial challenges including frozen tuition fee rates for home undergraduate students, escalating costs of pension provision, and reducing overhead recovery on research. The reduction in the recurrent teaching grant will add to financial pressures on institutions and, taken together, these challenges pose a significant risk to financial sustainability.
- 4.3 **We encourage the Office for Students to work with the Government ahead of the upcoming Spending Review later this year to make the case for ambitious investment in high-cost, high-quality teaching provision.** With projected growth in student numbers resulting from the demographic surge in 18-year-olds in the coming years, addressing current funding shortfalls will be critical to meeting Government priorities for a highly skilled workforce to drive our economy and research base forward.

February 2020