

Response to OfS consultation on 2021/22 recurrent funding

1. Summary

- 1.1 Graduates with skills in medicine, science, technology and engineering will be crucial in both preserving the nation's health and encouraging economic regeneration after the pandemic. While the Russell Group welcomes the uplift in funding for these degrees in the 2021/22 recurrent funding, it is unfortunate that this has only been achieved at the cost of London weighting and cuts to other subjects such as music and the performing arts, which are integral to supporting skills in the UK's creative industries.
- 1.2 Despite the uplift proposed to Price Groups A and B in the 2021/22 recurrent grant, these courses are still facing deficits on a per student per year basis of £2,460 for medical students and £1,940 for STEM subjects.¹ The cuts proposed for 2021/22 will also see subjects in the new C3 Price Group face average deficits of £2,780 per student per year. Because A level exams have also been cancelled this year, and uncertainty remains over how admissions will proceed, it is possible that another unexpected increase in student numbers for 2021/22 could exacerbate these deficits further.
- 1.3 Uncertainty surrounding this year's admissions, coupled with the coming demographic uplift in eighteen-year-olds, means an overall increase to the funding envelope for teaching is needed to ensure our universities are able to continue providing a world-class education. **As the Government prepares for the Comprehensive Spending Review later this year, we would encourage the OfS to work with them to develop an ambitious and sustainable approach to funding high-quality university teaching across the curriculum.**

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, half of all physical scientists and mathematicians and a third of postgraduates. We therefore welcome the opportunity to contribute to the OfS' consultation on additional funding for 2021/22.

3. Current unit of resource shortfalls at research-intensive universities

- 3.1 As a result of centre assessment grades (CAGs) being awarded in August 2020, higher tariff universities took on 12% more students in the 2020/21 academic year.² Russell Group universities pulled out all the stops to ensure students were not unfairly disadvantaged by the Government's last-minute U-turn on A-levels. However, despite the efforts made by us and many other universities across the country, the sector has not been properly supported by the Government to accommodate these additional students – a situation which is both unfortunate and unsustainable.
- 3.2 The HESES20 data indicates that over 80,000 additional Home and EU students entered higher education this year, with only £20m additional funding allocated for 2020/21 in England, and with no additional funding promised for the subsequent years of the CAG cohort's degrees.³ This increase in student numbers has put additional pressure on university finances, which have already had to cope with the significant costs of making

¹ These sector-wide deficits are calculated using Table B4 in [Development of OfS approach to funding](#), September 2020 and Table 6 in [OfS consultation on recurrent funding for 2021/2022](#), which includes the updated per student figures of funding.

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

³ HESES20 data (including FT and PT students).

campuses Covid-secure, delivering a high-quality blended learning experience, and expanding provision of mental health and wellbeing support for students and staff, including an estimated average increase of £1.2m in hardship funding per Russell Group university.⁴

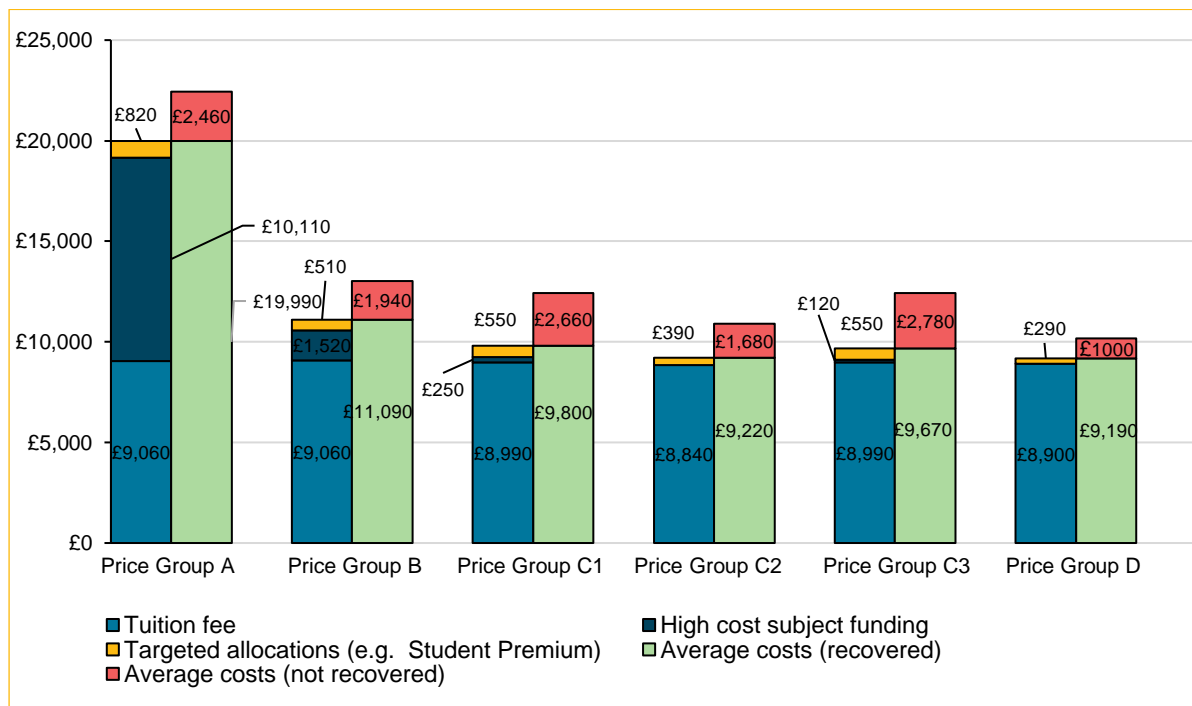
3.3 These Covid-related financial pressures have occurred within the context of a steady decline in the real-terms unit of resource for teaching. This OfS consultation notes that the recurrent grant unit of resource for teaching has declined by 19.3% since 2018/19.⁵ If current trends continue, the OfS has shown that by 2023/24, the total 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 which the unit of resource was at a particularly low level because of cuts related to the 2007/08 financial crisis.⁶

3.4 Despite the uplift proposed for Price Groups A and B in this consultation, our analysis shows that deficits will remain across every Price Group. Price Groups A and B will still see annual deficits of £2,460 for each medical student and £1,940 per student in STEM subjects.⁷

Expected deficits for other Price Groups include:

- (a) £2,660 per student per year for Price Group C1
- (b) £2,780 per student per year for the new Price Group C3 as a result of the proposed cuts
- (c) £1,000 for Price Group D, classroom-based subjects

Figure 1: Estimated sector average unit of resource by Price Group after DfE reforms⁸



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. The average increase in hardship funding is based on the average of fourteen Russell Group institutions surveyed in March 2021.

⁵ See Table 4, [OfS consultation on recurrent funding for 2021/2022](#).

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

⁷ These deficits are calculated using Table B4 in [Development of OfS approach to funding](#), September 2020 and Table 6 in [OfS consultation on recurrent funding for 2021/2022](#).

⁸ Ibid.

- 3.5 Our submission to the 2020 Spending Review detailed our call for Government to guarantee levels of teaching grant funding on a *per student* basis at levels that at least matched existing funding and ideally met the full costs of high-quality provision.⁹ This need for a more sustainable funding model for teaching has become even more urgent within the context of the increase in students this year, possible increases next year, and the upcoming demographic shift in eighteen-year olds.¹⁰ Our universities need to ensure the appropriate level of funding to support all students through the entirety of their degrees. **To achieve these aims, and support a sustainable HE system, the overall funding envelope for teaching will need to increase.**
- 3.6 The Devolved Administrations are already increasing the overall funding envelope for university teaching, in recognition of both the economic and social value their universities offer. For instance, the Scottish Government has increased its universities' teaching budget by 7.7% this year, citing the central role universities will play to help support and grow the economy in Scotland's post-Covid recovery.¹¹ The Welsh Department for Education and Skills has also committed an additional 24.5% in funding to the Higher Education Funding Council for Wales (HEFCW) budget for 2021/22 in comparison to the previous year.¹²

4. Student premium, and premium for student transition and mental health funding

- 4.1 We welcome the decision to allocate the new student mental health and transition funding by distributing the funding *pro rata* to the headcount of OfS-fundable undergraduate entrants, as reported in HESES20. This will help ensure all undergraduates have access to the support they need as they transition to higher education.
- 4.2 However, we have concerns around the allocation mechanism for the current Student Premium, which currently uses data on entry qualifications and age profile, favouring older students and those who achieve lower A level grades.¹³ We do not consider that these are necessarily good proxies for disadvantage and that the allocation mechanism should be reviewed to make sure this funding reaches the students who are most in need of additional support. One option would be to **develop an allocation mechanism based on the number of students at a given institution that were eligible for Free School Meals. This would be in line with the allocation mechanism of the Pupil Premium at schools.**¹⁴

5. London weighting

- 5.1 While the uplift in Price Groups A and B is welcome in this year's allocation, it is unfortunate that this increase has come at the cost of London weighting. This is a significant loss that will only see the gap between income and costs widen further for institutions in the capital. Even for institutions with a high proportion of students studying Price Group A and B subjects in London, the London weighting loss is not compensated for by the A & B increases.
- 5.2 KPMG analysis has already shown that costs of provision in London are 14.1% higher than in other parts of the country,¹⁵ and recent analysis from Frontier Economics suggests that removing London weighting is not an effective way to level up across the country—not least because London includes some of the most deprived areas in the UK.¹⁶

⁹ <https://russellgroup.ac.uk/news/2020-spending-review-submission/>

¹⁰ ONS, [Being 18 in 2018](#), 13 September 2018.

¹¹ Scottish Funding Council, [Indicative university funding allocations AY 2021-22](#), 24 March 2021.

¹² The HEFCW budget letter for [2020/21](#) shows a total sector budget of £171.5m and in [2021/22](#) this rose to £213.5m. The final teaching/research split for this budget has not yet been decided for 2021/22.

¹³ OfS [Guide to Funding 2020/21](#).

¹⁴ See [Pupil Premium](#), updated 31 March 2021.

¹⁵ KPMG, [Understanding costs of undergraduate provision in Higher Education: Costing study report](#), May 2019.

¹⁶ Frontier Economics, [The Impact of Removing London Weighting](#), April 2021.

- 5.3 For our London members, this funding has often been key in aiding their widening participation efforts. For instance, Queen Mary University of London has argued that this loss would disproportionately affect their ethnic minority students. They have further pointed to these funds as crucial in helping them halve the ethnic minority attainment gap between 2012/13 and 2017/18.¹⁷
- 5.4 Ultimately, it is students who are likely to feel the impact of these funding changes and we hope in future the OfS is able to make a more robust case with the Government for an overall uplift in the envelope.

May 2021

¹⁷ Queen Mary University of London response to OfS consultation on implementing teaching grant savings for 2019/20 and 2020/21.