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Dear accountable officer

Implications of the coronavirus (COVID-19) pandemic for OfS funding

I am writing to update you with a summary of decisions taken by the Office for Students (OfS) board on funding for 2019-20 and 2020-21, and the terms and conditions of funding for 2020-21, both of which follow recent consultations.

We recognise the challenges that providers face during the current pandemic, and Susan Lapworth's letter to you on 25 March 2020¹ explained how we are adapting our regulatory requirements to best support providers and protect students during this time. Funding for providers forms a key part of this support and this letter provides further information about how we are adapting our approach where necessary in response to the pandemic.

The annexes to this letter provide greater detail on a number of these decisions.

Funding for 2019-20 and 2020-21

'Funding for academic years 2019-20 and 2020-21: OfS board decisions and outcomes of consultation' (OfS 2020.21)², sets out the OfS board's decisions on funding, made in the context of the funding settlement from the government announced to us in January 2020 for the financial year 2020-21, and of our consultation. That grant settlement was determined before the onset of the coronavirus pandemic in the UK, the full implications of which are not yet known.

OfS 2020.21 confirms that in securing the required savings of £26 million in academic year 2019-20, we will not reduce the allocations to providers that we have already announced. There is a reduction of £48 million to the total recurrent grant for providers in 2020-21, compared with the

¹ See www.officeforstudents.org.uk/publications/regulatory-requirements-during-the-coronavirus-covid-19-pandemic/.

² Available at www.officeforstudents.org.uk/publications/funding-for-2020-21-ofs-board-decisions/.

allocations for 2019-20 announced in March 2020. In securing the savings required for 2020-21, we have made two changes to the proposals in our consultation following the responses we received. We will:

- a. Protect the disabled students premium at the level allocated for 2019-20 (£39.7 million).
- b. Protect in cash terms the rates of grant for pre-registration courses in nursing, midwifery and allied health subjects that do not attract price group A funding. This will apply to the overall total provided through the allocations of high-cost subject funding and the nursing, midwifery and allied health supplement.

We will notify providers in confidence of our initial allocations of recurrent grant funding for academic year 2020-21 on 12 May 2020 and publish them on 13 May. These allocations will be to providers that were registered with us in the Approved (fee cap) category on 14 April 2020. We are making budget provision so that we can fund other providers that become registered in that category later and by the end of the 2020-21 academic year (31 July 2021).

The OfS is working closely with the government to monitor the effects of the pandemic on higher education providers, recognising the exceptional steps they are having to take to protect their students and staff, and the implications for their financial sustainability. We will continue to work with the government to support higher education providers in managing the effects of the pandemic and, where necessary, will keep our funding decisions under review. On 4 May 2020, the government announced a support package for providers and students.³

Review of the OfS approach to funding

We are committed to reviewing our approach to funding for the longer term, reflecting the purpose of OfS funding for providers as one of the regulatory levers through which we can support our strategic objectives and general duties. Annex A of this letter updates on how we plan to do this.

Monitoring arrangements for funding

We recognise that the coronavirus pandemic means that providers are having to take exceptional action to protect their students and staff, and may have significant challenges arising from reductions in, or delays in their receipt of, income, including from course fees. Annex B sets out our current expectations for monitoring funding during this period and on providers' compliance, where relevant, with their intake targets for pre-registration courses in medicine and dentistry.

Use of OfS funding to address the needs of students

The coronavirus pandemic means that providers are having to adapt their provision of teaching, assessment and other services for students, so that these can continue to be accessed remotely. Providers have scope to use OfS grants to support this, as long as this does not conflict with the purposes for which particular grants are earmarked. In particular, providers are able to use their student and disabled student premium funding (as well as other recurrent grants not earmarked for

³ See <https://www.gov.uk/government/news/government-support-package-for-universities-and-students>.

specific purposes) to bolster their mental health support services to students, and student premium funding can also be used to address student hardship. If using funds in this way, providers should ensure that they prioritise support for vulnerable students and students from underrepresented groups. In addition, OfS capital grants can be used to address the needs of individual students for remote access to learning, teaching, assessment and the related services of a provider, for example by providing equipment or connectivity services, where students would not otherwise be able to secure these.

We will keep our approach under review as the effects of the pandemic become clearer.

Terms and conditions of funding for 2020-21

The terms and conditions of funding for 2020-21⁴ published today update those that applied for the previous year. We have avoided substantive changes to the wording. However, they should be read in the context of the advice in this letter about how we are modifying our approach to monitoring funding in response to the pandemic. There are further details in Annex C.

Further information

You need not reply to this letter. If you have any questions about it, please email recurrentgrant@officeforstudents.org.uk. This inbox is monitored throughout the working day, and a member of the team will respond to your query as soon as they are able to. General information on the OfS's response to the coronavirus outbreak is on our website. These pages are updated regularly.

Yours sincerely,

Nolan Smith
Director of Resources, Finance and Transformation

⁴ See www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2020-21/.

Annex A: review of the OfS approach to funding

1. The OfS's funding method has to be developed in the context of the wider finance arrangements for higher education as a whole, recognising, for example, the balance of contributions expected to come through course fees and OfS grants, and equally the balance of funding responsibilities between the OfS and other public bodies such as the Education and Skills Funding Agency and the Department of Health and Social Care.
2. There remains continuing uncertainty about this wider context, pending the government's response to the report of the independent panel chaired by Philip Augar for the post-18 education and funding review⁵ and the outcomes of the next spending review, the timing for which is not yet fixed. We cannot pre-judge the outcomes of these and this means that we cannot take forward much of the technical detail of our approach. We will also not consult while the current government measures to address the pandemic remain in force.
3. We are therefore now aiming to develop our funding method so that changes are generally introduced for academic year 2022-23, but we will keep this timetable under review to reflect the context of wider government developments. We would note in particular that the effects of the current coronavirus pandemic could well further delay our review. While we have had some informal discussions with government and sector bodies as we look to develop our thinking on the new approach, we will be keen to consult widely on proposed changes once they are clear.
4. We recognise that there may be some areas where earlier decisions may be required, to inform funding prior to academic year 2022-23. We will continue to progress these as soon as we can, subject to any constraints arising from the coronavirus pandemic. In particular, OfS 2020.21 states that our decisions on the targeted allocation for world-leading specialist providers for academic year 2020-21 are a transitional measure, pending a review of this funding which we intend to undertake later this year.

⁵ See <https://www.gov.uk/government/publications/post-18-review-of-education-and-funding-independent-panel-report>.

Annex B: monitoring arrangements for OfS funding

1. In the current circumstances our priorities are to:
 - a. Support the government's objectives by sharing information with providers and enabling them to respond effectively.
 - b. Protect students by working with providers to develop practical ways to maintain teaching quality and standards, enable adequate exams and assessment, and support financial sustainability.
 - c. Seek to minimise long-run disruption to the English higher education system – reducing permanent damage and laying the foundations for the sector to recover as quickly as possible once the pandemic is over.
2. We will seek to minimise the regulatory burden on providers, in a way that is consistent with the above priorities. Further information on our regulatory requirements during the coronavirus pandemic is provided in Susan Lapworth's letters of 25 March 2020 and 17 March 2020.⁶
3. While the current government measures to address the pandemic remain in force, we will minimise or postpone requirements for the submission of monitoring reports normally required in relation to the use of particular elements of funding, such as capital funding. This may apply in particular to reporting requirements during 2020 relating to grants provided for years prior to 2020-21. Providers should continue to maintain their finance records on their use of grants.
4. We will also take account of how the exceptional circumstances arising from the pandemic have affected providers' ability to comply with terms and conditions of grant, before determining any further action we may take.
5. We expect providers to comply with their 2020-21 intake targets for pre-registration courses in medicine and dentistry, and will not count recruitment above them for our funding purposes.⁷ We have no evidence to suggest that the cancellation of A-level exams in summer 2020 should lead to excess recruitment, given the approach to determining A-level grades set out by Ofqual⁸ and our understanding of the current position in the UCAS application cycle. Where we identify over-recruitment by a provider, we will invite it to submit an appeal for mitigation of the implications for its funding. We will accept appeals only where we are satisfied that the provider took all necessary steps to exercise control over its recruitment throughout the application cycle, including in response to the circumstances arising from the pandemic.

⁶ See www.officeforstudents.org.uk/publications/letter-from-the-office-for-students-on-coronavirus/.

⁷ The arrangements for monitoring compliance with intake targets will be described in 'Guide to funding 2020-21.'

⁸ See <https://www.gov.uk/government/news/how-gcses-as-a-levels-will-be-awarded-in-summer-2020>.

6. Annex A of Susan Lapworth's letter of 25 March on the revised regulatory requirements during the coronavirus pandemic explained that:
- a. Certain data returns would not have to be returned according to previously set deadlines. These include returns that are used to inform the calculation of formula grants for providers: the student record or student alternative record submitted to the Higher Education Statistics Agency (HESA), and the Higher Education Students Early Statistics (HESES) survey and the Medical and Dental Students survey submitted to the OfS.
 - b. We will not initiate any new data audit or data reconciliation activity.
 - c. We will minimise or postpone any requirements to submit monitoring reports normally required in relation to the use of particular elements of funding.
7. We will notify providers of the deadlines for student data returns as soon as these are known. Providers should maintain their student records during the pandemic so that they can complete these returns when asked to do so, but we recognise that entries for some fields collected in individualised student data returns for 2019-20⁹ may be particularly affected by changes to teaching, placements and assessment as a result of the pandemic. We are working with HESA and the Education and Skills Funding Agency (ESFA) to provide advice on the completion of such fields. Guidance on the HESA student and student alternative records will be available to download from the HESA website.¹⁰ Guidance on completing the higher education fields in the Individualised Learner Record submitted to the ESFA will be available to download from the OfS website.¹¹
8. We can confirm now that we will not use the field FUNDCOMP (Completion of year of instance) in the 2019-20 returns for our funding purposes. We are reviewing what kind of recreation of HESES will be possible from the individualised student data returns for 2019-20, and will issue more guidance about this in due course, though any such exercise will not involve recalculating the funding allocations based on issues with 2019-20 student completion data from individualised returns.
9. Funding for 2020-21 is informed by HESES data for 2019-20 and individualised student data for 2018-19, both of which were submitted before the onset of the pandemic. We expect funding for 2021-22 similarly to be informed by HESES data for 2020-21, and would draw providers attention to the guidance in HESES Annex D paragraph 15¹² that 'Providers should ensure that the historical data used to make their estimates of non-completion is not skewed

⁹ These are the HESA student and student alternative record and the Individualised Learner Record submitted to the ESFA.

¹⁰ See <https://www.hesa.ac.uk/>.

¹¹ See www.officeforstudents.org.uk/data-and-analysis/supplying-data/.

¹² See www.officeforstudents.org.uk/publications/heses19/.

by exceptional circumstances such as industrial action affecting exams.’ The coronavirus pandemic is clearly also such an exceptional circumstance.

10. We intend to keep changes to HESES for 2020-21 to a minimum and will provide further information about this in the next few weeks. We use individualised student data to identify student characteristics that inform the calculation of recurrent student premium allocations and formula capital grants. Once we have received the individualised student data for 2019-20, we will assess whether it is suitable for use in our formula allocations for 2021-22 (albeit without using the FUNDCOMP field), or whether we should instead use the 2018-19 data for a further year.
11. We have not launched the annual exercise to reconcile student data returns for 2018-19,¹³ because we do not consider this to be a priority during the pandemic. Whether this exercise goes ahead at all (and, if so, what any selection criteria might be) will depend on the duration and effects of the pandemic.

¹³ These are the HESES18 and Higher Education in Further Education: Students (HEIFES18) survey data returns. See www.officeforstudents.org.uk/data-and-analysis/data-assurance/data-reconciliation/ for further information.

Annex C: terms and conditions of funding

1. On 7 February 2020 we invited comment on the terms and conditions in 'Proposed changes to terms and conditions of funding for 2020-21'.¹⁴ We received 14 responses, and most respondents were generally in agreement with the proposed changes and considered them sensible. Paragraphs 2 to 6 provide further information about particular comments received and how we have responded to them.
2. Several respondents expressed a concern at the proposed change that capital funding 'must' (rather than, as previously, 'should') be used in ways that will improve environmental sustainability (paragraph 45 in our consultation document). The concern was that this would be difficult to demonstrate for all items of expenditure and could impose an additional reporting burden on providers. The OfS believes it is important to align the terms and conditions of funding with our work in reducing carbon emissions and increasing sustainability in the higher education sector.¹⁵ However, we do not wish to impose any additional reporting requirements as this would not be proportionate. We have therefore decided not to make the proposed change in wording from 'should' to 'must' for this year, but will consider further how we might strengthen this wording for future years.
3. One respondent requested further clarification about paragraph 27a in the consultation, where a reference and link to 'targeted allocations for specialist institutions' was removed. The full terms and conditions of funding, including paragraph 27a, continue to apply to specialist institutions in the Approved (fee cap) category and any targeted allocations they may receive. The references in the footnote are illustrative examples of targeted allocations determined through a competitive or review process, and not an exhaustive list.
4. One respondent expressed concerns not about the proposed changes, but about areas already in the terms and conditions, particularly the impact on providers that are small and medium-sized enterprises (SMEs). This included concerns related to data assurance in paragraphs 21 to 22 of the consultation on the basis that, given their smaller data sets, SME providers are particularly susceptible to data fluctuations, and that changes to in-year funding could have a disproportionate impact on students. While we recognise that any changes to funding may have an impact on providers, our grants do not meet the entire teaching costs of a course and providers normally receive most of this through course fees. On the timing of any adjustments to a grant, paragraph 15 of the consultation document states that 'where an adjustment involves a reduction to grant, this will normally be implemented by reducing future grant payments'.
5. The same respondent expressed concerns about Exchequer interest in consultation paragraphs 48 to 50. The concern is that, because of the liability to repay the OfS any Exchequer interest if a trigger event were to arise, SME providers may resort to higher-risk

¹⁴ See www.officeforstudents.org.uk/publications/changes-to-terms-and-conditions-of-funding/.

¹⁵ See www.officeforstudents.org.uk/news-blog-and-events/press-and-media/the-office-for-students-won-t-be-silent-on-sustainability.

commercial lending arrangements to fulfil this requirement. We do not accept this argument. Paragraph 50 of the consultation states that the OfS 'has the right, but not the obligation, to request repayment of the Exchequer interest balance: the OfS has discretion to waive the requirement for repayment,' and 'will consider the extent of any continuing public benefit' before doing so. The Exchequer interest arising from capital grant payments depreciates over time.

6. Although they were not included with our proposed changes, we have also amended the following text in the terms and conditions:
 - a. Paragraph 25, to further clarify the arrangement of payments for capital funds to better reflect current practice.
 - b. Paragraphs 38 and 39, to reflect that the nursing, midwifery and allied health supplement is being extended to undergraduate courses for some other professions for 2020-21 (as announced in OfS 2020.21).
 - c. Paragraph 46, to reflect the uncertainty at the time of writing arising from the pandemic relating to reporting requirements relating to capital grants for the 2020-21 financial year.
 - d. References to the National Collaborative Outreach Programme, to refer instead to Uni Connect. We have also updated any associated links.