

# INDEPENDENT HIGHER EDUCATION

IHE response to the OfS call for evidence on its approach to public grant funding

May 2024

## ***Question 1: What are your views on OfS course-based funding?***

IHE supports the allocation of funding to reflect the courses and subjects that students are studying, and to target support towards provision that is of strategic importance and has higher teaching costs. However, we call for the assessment of this to be reviewed, and for allocations to be adjusted accordingly.

Firstly, we call for the determination of subjects of “*strategic importance*” to be reconsidered in light of objective, up-to-date evidence. This should consider factors including employer and industry skills needs and gaps, provision that supports economic growth, and current student demand including where subjects support widening access to higher education.

In particular, we disagree with the categorisation of creative subjects. We continue to advocate that C1 and C1.2 should not be split, and that this funding should not have been reduced. Splitting IT from creative subjects is detrimental to interdisciplinary course innovation, and to the pipeline of graduates to key creative and technology growth sectors. The reduction in funding that we have seen for creative subjects has put strain on providers, and in particular small and specialist providers with higher relative overheads and the inability to cross-subsidise with lower cost courses. We also continue to note the importance that creative subjects play in access and participation, as these courses often attract students who are less likely to progress to higher education. IHE members have also previously noted the significance of the role that the creative arts can play in engaging young people with disabilities in learning and personal development.

We also call for reconsideration of the cost of some courses and delivery models. Many courses which fall into category C have significant teaching and delivery costs which we do not feel are reflected in the current allocations. One of the unique features of many courses offered by IHE members in this category is industry-engaged teaching, meaning higher staff costs often driven

by the need for experts in particular technical areas like music production, games programming, or design software. Many creative and technical courses require specialist equipment and resources (for example audio and film production equipment) as well as technical support staff in order to be able to provide a quality learning experience. Programmes such as architecture require high-contact teaching as well as specialist software and materials for model making and printing. The allocations also need to recognise changes in how courses are delivered since these were established. Technology is increasingly part of all subject areas, and there are growing numbers of interdisciplinary courses both driven by employer and industry need. Ensuring industry relevance in a rapidly evolving and digitised sector is expensive, and undervalued in the existing assessments of *"high-cost"*.

Furthermore, the additional costs of certain delivery models need to be recognised. This includes accelerated courses, which have higher staff and facilities costs due to year-round teaching. Level 4 and 5 provision also incurs higher staff costs due to more resource intensive teaching at Level 4 and 5 not being balanced by less resource intensive delivery at Level 6. Recruitment, induction and careers support costs are also higher due to higher turnover of students and their short period of study. These courses also attract more learners from underrepresented backgrounds which often require higher intensity of support at induction and in transition to work.

We urge the OfS to consider the higher costs of other delivery models such as part-time, evening/weekend and block teaching to ensure that *"high-cost"* is not simply relative to subject. A number of our members, particularly in areas such as allied health, creative design and media, and technology use these delivery models to make their courses accessible to those who are unemployed or underemployed as they know delivery model plays a significant factor in achieving positive outcomes for their learners despite the increased costs in delivery.

We also urge the OfS to consider the additional costs faced by small providers in the teaching and delivery of courses. Firstly, the model does not recognise that cross-subsidisation is not an option for smaller and specialist providers. Secondly, the very strength of some specialist courses is in their smaller scale. Smaller classes can be more accessible for some learners, in particular those from underrepresented groups, and lead to more positive outcomes. Some courses will also require smaller classes, for example in highly specialised subjects with practical elements or industry engagement. The unique and specialist nature of this provision should not be penalised in the allocation of funding; instead funding should seek to encourage this innovation.

We also feel strongly that where a franchise arrangement exists safeguards should be put in place to ensure this funding goes to the students at the teaching provider, as it is the teaching provider which incurs the higher costs. This is a core part of regulating in student interest. Where these funds are not provided to the teaching provider it is students who suffer the negative impact without access to the support and delivery funding they should expect.

We continue to advocate for the return of the targeted allocation for students attending London-based courses. It remains the case that the cost of operating from London is significantly higher than elsewhere, including due to higher staff costs. Furthermore, London has notable areas of deprivation and many providers in London deliver provision that reaches some of those individuals furthest from higher education who may be looking to retrain or upskill and move back into the labour market.

## ***Question 2: What are your views on OfS student-based funding?***

Student-based funding should, above all, seek to ensure successful outcomes for all learners. We feel that advancing equality of opportunity should be at the heart of the OfS's approach to funding. For many IHE members, it is at the core of their mission. Their provision seeks to widen access to higher education, create inclusive environments, and support students from all backgrounds to succeed and to go on to make a positive difference in work and the community. IHE feels strongly that supporting providers with these aims should continue to be a priority.

Firstly, we call for a minimum funding allocation across providers to ensure support for key services. Students must be assured that wherever they choose to study, their provider will be resourced to meet their particular needs. As it stands, our members make efforts to direct this funding to best support student access and success. Uses include funding expensive study equipment for low-income students (particularly for highly technical courses), enhancing student support (through additional teaching or support staff), building staff expertise (through training courses) and running targeted initiatives to support retention or success. However, for most of our members the impact of this funding is limited by the low value of the grant received. Often it is used to supplement existing funds, either access and participation funding or other internal budgets, as the grant is simply insufficient for specific, targeted investment. Minimum funding would allow providers to participate in sector initiatives and support students in a similar way to larger institutions.

As an example, one of our members received approximately £300 in teaching grant this year, a sum of money for which the administrative cost of receiving and utilising it outweighs any benefit it could deliver for students. Whilst we recognise that the overall amount of funding is not in scope of this call for evidence, the OfS should recognise that the negligible sums of money that some providers receive means that their ability to use it to make a real difference to student outcomes is extremely limited.

A minimum funding allocation is most critical for student mental health and transitions, where there are increasing expectations set by government and regulators. An example is the University Mental Health Charter, where the high cost of engaging with the Charter is prohibitive for small providers. Furthermore, it is not in the interest of student choice or equality of opportunity if the level of support a student receives in this area depends on where they choose to study.

Secondly, we call for the student-based funding allocation to be reviewed in light of the OfS's Access and Participation approach. The risk factors used to determine allocations under the student premiums pre-date this, and therefore need revisiting. We propose that these are brought in line with the Equality of Opportunity Risk Register, and with the risks and targets identified by individual providers in their Access and Participation Plans. Our members recruit learners from diverse backgrounds, in part due to the flexible delivery models and personalised nature of support in a small institution that appeals to learners who might not otherwise access higher education. We have evidence that their biggest concern is achieving positive outcomes for these students, who face disadvantages and often discrimination in the workplace. We call for student-based funding to be aligned with the Access and Participation approach to enable it to directly support the success and progression of the groups identified by providers as being at risk. We must, however, continue to note the challenges of the OfS's Access and Participation approach for smaller providers. We urge the OfS to use this opportunity to ensure that the

overall model for funding student access and success is clear, meets the needs of all types of institution, and does not place undue burden on smaller providers.

Finally, achieving successful outcomes for all means that where a franchise arrangement exists safeguards must be put in place to ensure that the teaching provider receives this funding. This is imperative if the funding is actually to serve its purpose. One IHE member delivers a combination of their own programmes and those for which they are in a franchise arrangement. This provider uses the disabled students' premium they receive for certain courses to fund specialist equipment. However, as they do not receive the premium for the courses for which they are in a franchise arrangement, they are required to stretch the funding they do get to cover all disabled students and ensure parity of provision. This is not in the student interest; funding should follow the student, so that they receive the benefit intended.

### ***Question 3: What are your views on OfS capital funding?***

IHE's view on capital funding is that it has potential to have a significant impact for providers and their students, but that this will only be realised if changes are made to how it is allocated, eliminating the in-built advantage for providers with more experience and resources.

Capital funding has the potential to drive growth and competition which will deliver benefits for the sector and economy. We also recognise how transformative capital funding can be for small and specialist providers: it can fund the facilities, learning spaces or equipment needed to develop and deliver their programmes, expanding the higher education offer and promoting student choice. The few IHE members who have been successful in bids for capital funding strongly endorse this view. They note that this has enabled them to grow and enhance their provision with monies spent on new or extended premises, new campuses in areas with low participation in their specialist subjects, industry-standard equipment, and facilities to support student opportunities such as joint industry and specialist wellbeing spaces.

We call for a number of changes to ensure that this funding can benefit all providers, and no longer disadvantage smaller institutions.

Firstly, we agree that there should continue to be some formula allocation for all providers to enable growth. This is especially important for small and specialist providers for whom this funding might, for example, enable the purchase of critical but costly equipment to deliver their programmes. However, we feel that the minimum threshold for allocation of £10,000 should change to a guaranteed minimum allocation. Removing funding for those whose allocations would be below £10,000 places the smallest providers at a competitive disadvantage and does not support provider growth, which would allow the provider to offer more to their students. We would also suggest that the weighting according to subject price groups be reconsidered. As we have noted in our response to question 1, courses in price group C include creative subjects such as music production, film, and technical arts – these subjects have high capital costs due to the need for expensive facilities and resources.

Secondly, we call for the creation of a level playing field for competitive bids. We are supportive of there remaining an emphasis on competitive bidding in this funding stream. This incentivises ambition and innovation and encourages providers to engage in strategic, long-term thinking. However, we have evidence from our members that preparing a bid requires significant

resource and expertise, which for some makes it inaccessible. They cannot justify spending student money on the bid writing process. This is unsurprising as so many are SMEs.

In any other industry, and indeed within existing government procurement schemes, there is a priority process for SMEs that allows them to identify and qualify strategic aims and the nature of the project, and receive tailored support to develop their bid, or to understand if these aims and the project meet the criteria of the bid before proceeding to the stage where the bid is developed further. We would welcome an action plan similar to that seen in other industries (for example, [the NHS](#)), which identifies the specific challenges of SME education providers in competitive bidding processes and seeks to encourage bids from SMEs with specific support and dedicated funding pots within the capital bidding process.

Ahead of the next capital funding round we urge the OfS to put in place more support for providers new to preparing competitive bids, so that this becomes a guided process. One-to-one meetings before and during the process would support providers to understand the OfS's priorities and bid criteria and have a greater likelihood of meeting them. As standard, all first-time bidders (successful and unsuccessful) should receive feedback on their bid to help improve future attempts. We are happy to work with the OfS to develop this support further.

We also feel that the criteria should reflect the various stages of growth a provider may be at, and not disadvantage those who are closer to the start of their journey. For example, a new provider might need capital funding to purchase or lease premises for teaching space, and this should not be considered less strategically important than a more established provider seeking to transform existing space into a specialist facility.

Finally, a more level playing field could also be created by moving away from an 'all-or-nothing' approach to allocations, and instead making partial allocations where bids address some but not all of the success criteria. This would recognise the investment made simply to engage with the process and would encourage all providers to be ambitious in their plans. Our view is that the minimum threshold for successful bids should also be lowered, again recognising the different stages that providers are at and not disadvantaging the smallest institutions.

#### ***Question 4: What are your views on our funding for specialist providers?***

IHE feels that this funding stream does not meet the OfS's general duties and regulatory purposes – in particular, the need to promote greater choice and opportunities for students and the need to encourage equality of opportunity. Instead, it is maintaining the status quo and entrenching competitive advantage by providing further funding to institutions who are most able to secure additional resource due to their world-leading reputations.

Whilst small providers are prioritised in this funding allocation, the focus on world-leading reputations as opposed to OfS's general duties has led to the development of more exclusive (and exclusionary) provision as opposed to widening access, as there is no requirement to do so in the funding criteria. We recognise there are some benefits for the sector as a whole from having world-leading providers with international prestige, and that there are cases where world-leading provision has the potential to support student choice and expand access to students from underrepresented groups. However, the world-leading criteria should not be the dominant basis on which decisions are made about the funding of high-quality specialist

provision where it cannot be clearly linked to OfS's general duties and has little impact on the four regulatory purposes OfS has set out in the regulatory framework.

IHE has previously advocated for an 'emerging world leading' category, to recognise the financial challenges of smaller specialist providers and support their growth. The Specialist Performing Arts initiative went some way to meeting these objectives, and delivered some benefits for our members. Providers who received this funding were able to enhance their teaching and the student experience by investing in resources, enhancing teaching models, expanding student support, and developing more impactful partnerships with industry.

However, we feel that the benefits of this funding could be strengthened further and distributed more widely. Many IHE members see it as their mission to widen access to particular industries through specialist provision; dedicating more of this funding to support this work with high-quality teaching facilities and resources could be transformative. We therefore recommend that this funding stream be reoriented so that student choice and equality of opportunity are at the core of how this is allocated. This means enabling specialist providers at all stages of their journey to be eligible, and positively rewarding the efforts institutions make to widen access and support the success of underrepresented groups in their specialist fields, while noting where their world-leading reputations allow them to make a greater impact on student outcomes.

We are supportive of the decision-making processes for this funding, including the requirement for provider submissions and a panel assessment. We do, however, urge that this process is made accessible to all providers, including through flexibility in the nature of evidence provided. The criteria need to reflect the different stages that institutions are at, the unique industries and subject areas they represent, and we feel strongly that equality of opportunity should be demonstrated clearly at both the access and student success stages of the student journey.

***Question 5: What are your views on OfS funding for national facilities and regulatory initiatives?***

This funding stream should be driven by the student interest, funding facilities and initiatives that will promote choice, opportunity and a successful experience in and beyond higher education. To achieve this, the initiatives funded need to be those that benefit the sector as a whole, and where all providers on the register are able to engage and access the benefits of the funding for their students.

We feel that most of the initiatives currently funded under this stream were set up and structured for larger, more traditional providers and as a result are not meeting the needs of those who do not fit this description.

In particular, we feel that Jisc are not yet delivering sufficient benefits for the smaller providers who now comprise the majority of the OfS Register. We would like to see far greater prioritisation given to building shared digital infrastructure and services that meet the needs of the sector as a whole, including SMEs and start-ups.

Whilst we broadly support the intention of OfS challenge competitions to enable providers to deliver targeted activity that will be effective for students, some IHE members have found these difficult to engage with and feel that the approach advantages larger providers. The specific priorities and focus of these competitions can be challenging for smaller providers to engage

with if they don't match their longer-term strategy, whereas for a larger provider with lots of activity it is easier to find projects which meet the criteria the OfS is looking for. We would suggest a broader competition or fund that can be used more flexibly by providers to address their strategic goals for teaching and learning, the student experience, or innovation and growth.

We have specific concerns about the current UniConnect model, which IHE members feel is not accessible to them. Most have been unable to join regional groups as they cannot or do not have the same approach to outreach as larger providers, often due to their single subject nature. We support a national approach to outreach as it ensures that students are offered more choice, and that the benefits of our diverse higher education sector in England are felt more widely. Outreach activities should guide underrepresented students to the right higher education solution for them, and shared programmes can promote a diversity of delivery models, qualifications, subject and student communities, all of which can improve student success. It is essential that national funding for outreach increases, and does not limit, student choice.

***Question 6: What are your views about how we determine funding allocations?***

The OfS should determine funding allocations in a way which expands student choice by supporting the growth of new providers and enabling the development of quality provision that meets student and industry needs. This means not disadvantaging smaller providers and ensuring that funding is proportionate to the burden of receiving it.

Firstly, we support unhypothecation for the majority of funding to enable flexibility and agility for providers to respond to their institutional and student needs. We note that there are existing mechanisms to ensure that this funding is spent as intended – to deliver courses and meet students' needs – through the B conditions on the regulatory framework, so do not feel that any further hypothecation is necessary or justified. We therefore urge the OfS not to increase burden by introducing further monitoring, and to uphold their duty to ensure that regulatory activity should be transparent, accountable, proportionate and consistent. We also emphasise, as we have noted elsewhere in our response, that in some instances the amount of funding received is so low that the risk of its not being spent as it should have been is extremely low. Any activity to monitor or evaluate funding needs to be paid for, likely out of the already limited funding providers receive. OfS should use existing monitoring methods to evaluate funding outcomes or else it risks the success of these outcomes with ever decreasing amounts of funding spent directly on students.

We do recognise that, in certain areas, developing evidence about the impact of funding could be valuable for the sector, such as in specific funding competitions or for ringfenced allocations. We propose that if there are instances where this is deemed valuable, funding is provided to cover the cost of evaluation activity.

Secondly, we support competitive bidding as a positive tool to encourage innovation and ambition, and for providers to develop and pursue long-term strategic plans. However, we urge the OfS to ensure that competitive bidding processes are accessible, and do not disadvantage smaller providers with less experience and resources. Widely accepted principles of good practice in regulation (as expressed in the Regulators' Code) hold that different approaches are needed for smaller organisations, and that guidance needs to be clear and accessible for all. We

urge the OfS to uphold these principles and ensure that all providers are supported to compete on the same playing field, including by offering more support for institutions that are new to preparing competitive bids. We feel that there should be a balance between competitive bids and formula allocations so that all providers can benefit.

In response to the use of student data for formula allocations, we propose a choice for providers to make. We recommend that providers who are growing can notify the OfS and opt in to the HESSES collection to inform their funding allocation for the following year. Alternatively, providers can choose not to do this, and the previous year's HESA data can be used. This would reduce burden whilst not disadvantaging providers who predict an increase in student numbers. For smaller providers undertaking a growth phase, while numbers may seem small in the context of others, they could be significantly disadvantaged by using HESA data that is as much as two years out of date. Smaller providers often do not have the reserves to fund expansion when the additional grant funding to deliver it comes two years after they have had to provide the finance.

We feel the link between funding and equality of opportunity and quality is already in place as eligibility for funding requires providers to meet their conditions of registration, including the B3 metrics. We caution against drawing any further link between the TEF and this funding. As the TEF is inaccessible to smaller providers due to the burden of engaging (which is recognised in its optional status for providers with fewer than 500 FTE), it would disadvantage these providers if this were then used as a basis for determining levels of grant funding. TEF already risks working against the student interest and being anti-competitive, as students at institutions which are unable to participate are unable to receive full tuition fee loans. We urge the OfS not to worsen this impact by drawing any further link here. We also caution against metrics being used to withdraw funding from providers who are not performing as well as they should be in these spaces. This risks a negative spiral which prevents providers from putting in place the necessary improvements, so would not be in the student interest. There are other, more appropriate mechanisms for OfS to use to meet its regulatory objectives.

To maximise the impact of funding, we also recommend that it be allocated over a longer period. The annual allocation of funding limits providers' ability to invest it in meaningful activity in line with their strategic goals. An example of this is the short-course trial. The compressed period meant that the activity undertaken and evidence generated was limited. Changes to funding on an annual basis also restrict providers' ability to plan effectively, creating risk, and can lead to a negative impact on the student experience and outcomes. For example, the cut for 2024-25 to the postgraduate taught supplement and intensive postgraduate provision, announced suddenly six months before the new academic year, will have a negative impact on students at our members with courses in this category. The negative impact on planning is also exacerbated by notification of funding allocations after the UCAS deadline when offers will have already been made. We feel strongly that there should be no changes to funding after the UCAS deadline in January, and preferably after the early deadline in autumn. We ask that the OfS considers how the funding model can better support providers to plan and steward funding in line with their strategic priorities and goals. We recognise that this also means DfE may need to reflect on the amount of time the OfS is given to receive and deliver funding in order to enable this.

***Question 7: What are your views on how the OfS should prioritise various factors in making decisions about funding matters?***

IHE welcomes the OfS's consideration of its approach to public grant funding, and its engagement with the sector on how the impact of this funding could be increased. We strongly agree that the funding model needs to be revisited in light of the considerable changes in the sector over the past decade.

The diversity of providers on the OfS register has increased with growing numbers of small and specialist providers now eligible for funding. There has also been a significant evolution in the higher education offer, with advancements in the way courses are taught, the development of new modes and models of delivery, and evolving industry and skills needs. This is only set to continue. We have also seen change in the student population, with progress made in widening access but a continued need for support for a diverse study body to succeed in and beyond higher education. Lastly, as this funding model pre-dates the OfS, we agree wholeheartedly that ensuring it now aligns with OfS duties is necessary.

IHE feels that student choice and equality of opportunity should be the first priority in funding decisions. Funding should lead to the expansion of the higher education offer by supporting the growth of new providers and enabling the development of quality provision that meets student and industry needs. Students should be able to choose when, where, what and how they study to fit around their lives – and know that the quality of their provision and the level of support they receive will be the same.

To achieve this, small and specialist providers should not be disadvantaged in funding allocations, and their distinct financial challenges should be recognised. This includes the additional costs they incur – whether due to a requirement for specialist equipment, use of industry experts in teaching, or necessarily small-scale teaching models. We also argue that their distinct strengths should be recognised. IHE members are at the forefront of driving innovation in the sector, developing new provision in partnership with industry. They are also making a significant contribution to equality of opportunity. For many, flexible delivery models that widen access to HE to diverse groups of learners have been in place from the outset. We feel that the funding model needs to adapt to reflect this.

We also feel strongly that funding needs to be proportionate to the burden of receiving it. For some IHE members, the value of recurrent funding is so low in value that it does not justify the cost of administering it, or the other regulatory burdens that comes with the (fee cap) category of OfS registration. The two categories of registration were intended to reflect the narrow perceptions of the higher education sector at that time, those currently accessing public funding with a fee cap, and those accessing student finance only with no fee cap. The current model is much more diverse, and funding restraints mean that more than ever, students and providers would benefit from accessing the full student loan amount up to the fee cap. The burden for grant funding however is separate to this, and for many IHE members too great to justify the cost. To that end, we propose that providers should be given the choice to opt out of grant funding in exchange for a reduction in regulatory requirements.

This reduction should incorporate the elimination of inessential data submissions such as HESSES, the HESA Staff return, HE-BCI and the specific elements of the HESA Student return linked to funding. This would reduce burden and encourage more providers to enter the fee cap category, gaining access to full tuition fee support.

This is strongly in the student interest for two reasons:

1. Improving access

Many students are restricted from accessing provision in the Approved category because they cannot afford to fund the up-front portion of student fees, beyond the basic student loan provided in this category. IHE members would like to move to fee cap, but this would in effect reduce the funding they have for students by adding burden with little or no additional funding because their courses attract little or no grant funding.

2. Directing more funding to students

Most SME providers in Approved (fee cap) can access very little of the broader grant funding available. They are too small to engage or be successful in the Research Excellence Framework (REF) or the Knowledge Exchange Framework (KEF), limiting access to recurrent research or knowledge exchange funding. They are not able to bid for competitive funding due to their size and structure. They have been told they are not suitable to participate in their regional UniConnect partnership and are unable to fund the costs of the JANET network with Jisc. Yet these providers must complete numerous data returns such as the staff return, HE-BCI and HESES despite their very limited access to the financial benefits. This diverts student fees to regulatory process with no benefits for students.

OfS should consider reviewing smaller provider access to grant funding within and adjacent to OfS including the regulatory costs of fee cap relevant to the amount of funding, and access and participation costs. Evidence from our members suggest that the regulatory burdens of the Approved (fee cap) category outstrip the grant funding access for many SME providers, and it is only the additional fee income that benefits students by removing the upfront costs of highly specialist provision. If providers could opt-in to grant funding this would ensure that student fees go to provision, vastly improving the value for money of OfS registration for students.

## Contact IHE

- For more information, or to speak to someone about this consultation response, please email [info@ihe.ac.uk](mailto:info@ihe.ac.uk)
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