



Rt Hon Nadhim Zahawi MP

Secretary of State

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Lord Wharton of Yarm
The Office for Students
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31st March 2022

Dear Lord Wharton,

Guidance to the Office for Students on the Higher Education Strategic Priorities Grant for the 2022-23 Financial Year

We want to thank the Office for Students (OfS) for implementing the reforms for the 2021-22 financial year proposed in last year's Strategic Priorities Grant (SPG) guidance letter to ensure funding represents value for money, supports strategic priorities across the sector, including subjects vital for the economy and labour markets, and provides continued support for disadvantaged students and under-represented groups. Additionally, we want to congratulate the OfS on running a successful bidding exercise to allocate £128m in capital funding to improve and expand teaching and learning facilities that support our key priorities. We would also like to thank the OfS for its ongoing work on mental health, including distributing over £3m through a new funding competition aimed at innovative approaches to target mental health support for students.

As announced last month, we are investing an additional £750m over the next three years to support high quality teaching and facilities, including in science and engineering, subjects that support the NHS, and degree apprenticeships. This includes the largest increase in Government funding for the HE sector to support students and teaching in over a decade.

We are writing now to set out the Higher Education Strategic Priorities Grant budget for the 2022-23 financial year and our funding priorities. This letter provides guidance from us to the OfS under section 2(3) of the Higher Education and Research Act 2017 (HERA).

The details of your Strategic Priorities Grant allocation for the 2022-23 financial year are set out in Annex 1.

The guidance set out below is only for the 2022-23 financial year. We will continue to communicate Strategic Priorities Grant funding for future years on an annual basis.

Guidance on the Government's broader priorities for the OfS will be sent to you separately.

Strategic Priorities and Funding Changes for the 2022-23 Financial Year

We will continue to work with the OfS on our transformation efforts towards an even more flexible education system that delivers for students, society and the economy. We want to ensure that adults and young people across the country will benefit from more high-quality and flexible education and training – levelling up opportunities and supporting more people into higher skilled, higher wage jobs.

We have brought the Review of Post-18 Education and Funding to a conclusion by setting out reforms to our student loan system to make it fairer for students and taxpayers, while underpinning the sustainability of our world-class higher education system. Our wider reforms to HE will ensure students are doing courses that give them the skills and knowledge to move into high value employment that benefits both them and our dynamic economy.

We are increasing SPG recurrent funding by £56m in the 2022-23 financial year. Overall, the additional £300m investment in the recurrent Strategic Priorities Grant and a total of £450m in capital funding across the 2022-23 to 2024-25 financial years, announced as part of HE reform, represents the largest increase in SPG funding since £9,000 fees were introduced and will help us achieve our ambitions and support Government's priority to Build Back Better by supporting education and employment with increased opportunities across the country.

Details of the changes we would like the OfS to implement to the Strategic Priorities Grant for 2022-23 financial year are set out below.

Supporting students impacted by events in Ukraine

We recognise that many Ukrainian-domiciled students studying at English higher education providers will be facing significant challenges following Russia's invasion of Ukraine. Providers are already making their own student hardship funds available to Ukrainian students who need financial assistance, but it is important to ensure there is additional support available to enable these students to complete their courses.

The OfS should use up to £4m across the 2022-23 financial year to support Ukrainian nationals and Ukrainian-domiciled students whose financial means have been impacted by events in Ukraine. The funding should be allocated to providers for them to distribute to affected students where need is greatest. Recognising the urgent need for this support, the OfS should prioritise the efficient delivery of this fund at pace to ensure it is operational as soon as possible, whilst ensuring proportionate arrangements are in place so that this funding supports students most in need.

High-cost subject funding – supporting strategically important subjects

The OfS should continue to prioritise funding towards the provision of high-cost subjects that support the NHS and wider healthcare policy; science, engineering and technology subjects; and specific labour market needs.

High-cost subject funding should be increased by at least £32m overall for strategically important subjects in price groups A, B and C1.1.

Degree apprenticeships

In line with our broader ambition to diversify modes of study, we want to further accelerate the growth of degree apprenticeships and encourage Higher Education Providers to expand their existing offers, or develop new ones, where they are best placed to do so. We will explore options with the OfS for supporting this important provision with up to £8m of funding for this goal.

Level 4 and 5 provision

Level 4 and 5 qualifications can provide a high-quality alternative to a degree. They can lead to better outcomes and life chances than degrees for those who take them, representing good value for money for the investment made by learners and the taxpayer. We are focused on growing high-quality level 4 and 5 provision, such as Higher Technical Qualifications (HTQs), which will be rolled out by 2025 (from when the Lifelong Loan Entitlement (LLE) will be introduced). To encourage greater provision of level 4 and 5 qualifications we are providing £8m in the 2022-23 financial year to be allocated to providers with eligible learners on level 4 and 5 qualifications, through formula funding. As part of the HE reform consultation we are seeking views from the sector on how to support growth of high-quality level 4 and 5 courses and the possible role of grant funding in this, and responses will inform the detail of any allocations in future academic years.

Preparation for the Lifelong Loan Entitlement

As part of the pathway to the Lifelong Loan Entitlement (LLE) from 2025, we will stimulate the provision of high-quality higher technical education (levels 4 and 5) and have introduced the HE Short Course Trial to inform and test future short course provision. To further support the delivery of the LLE, we will explore options with the OfS for using an additional £10m of funding in the 2022-23 financial year to increase the amount of skills provision at levels 4 to 6 available in preparation for the launch of the LLE from 2025.

Funding for specialist providers

It is important that we continue to support our world leading specialist providers and recognise the essential public value that they bring to society and the economy. We thank the OfS for its review of specialist providers and welcome the outcomes of the recent consultation. We would like the OfS to prioritise completing its review in good time to confirm allocations to world-leading specialist providers for academic year 2022/23, and also the £5m remaining specialist funding for academic year 2021/22.

The OfS should increase funding for specialist providers, by up to £5m, to a maximum of £58m, in particular to reflect any changes to the set of providers eligible for this funding as a result of its review.

Mental health

Supporting student mental health remains a Government priority. The OfS should continue to lead work in this area to improve students' experience at university and enable full participation in higher education leading to successful outcomes. We have listened to students and the HE sector and would like the OfS to distribute funding, at a similar level to that disbursed last year, to give additional support for transitions from school/college to university, and through targeting funding to support partnership working with NHS services to provide pathways of care for students. Funding should be targeted to scale up effective practice, including building on evidence from OfS-led evaluations of Challenge Competition projects, gaining a deeper understanding of what works through OfS-commissioned work, and directing funding to scale up evidence-based interventions across the sector.

Uni Connect

The Uni Connect programme was originally set up as a 4-year investment programme to support the creation of a strong and versatile network of local partnerships, aimed at providing sustained outreach to young people across England. Funding during this start-up phase (2017- 2019) was set at £60m to support the establishment of local partnerships and rapidly increase engagement with hard-to-reach students.

In November 2021 we announced a reboot of the Access and Participation regime. Through new guidance, the OfS is tasked with encouraging higher education providers to play a greater, more active role in supporting disadvantaged students before entry to higher education.

This new approach is about resetting the role that universities play in supporting true equality of opportunity. We expect providers to work meaningfully with schools to ensure that pupils from disadvantaged backgrounds are encouraged and supported to achieve the highest possible grades and get on in life – whether that be an apprenticeship or higher technical qualification, or a course at another university.

John Blake, as Director for Fair Access and Participation, is now working with the sector to drive this agenda forward at pace.

Given this context and considering the time-limited nature of the original investment and that core infrastructure has been fully established, we expect the OfS to continue to implement efficiency savings for Uni Connect. Funding should be used to maintain core infrastructure and for targeted activities which support specific policy objectives. Therefore, the OfS should reduce the budget for Uni Connect by £10m to £30m.

Student hardship

The exceptional circumstances of the pandemic in academic year 2020/21 saw a sharp rise in student financial hardship. That is why we made £85m of one-off student hardship funding available to higher education providers in the 2020-21 academic year and designated a further £5m for student hardship in the Strategic Priorities Grant for the 2021-22 financial year. Assessment of the probability of such exceptional circumstances prevailing in 2022/23 academic year has led us to discontinue this additional £5m allocation. Universities will continue to be able to support students in hardship through their own hardship funds and the student premium.

Changes to student numbers

The OfS should analyse the impact of changes to student numbers on the total funding requirements for formula funded Grant elements. The OfS should look to protect funding rates for the following funding elements: nursing, midwifery and allied health (NMAH) supplement, overseas study programmes, postgraduate taught supplement, intensive postgraduate provision and accelerated full-time undergraduate provision. Any additional funding made available from these funding lines due to student number changes should be allocated towards high-cost subject funding (price groups A, B and C1.1).

Maintained areas of funding

The OfS should look to protect funding in cash terms for the student premium, high-cost subject funding for price group C1.2, and all other elements of the recurrent Strategic Priorities Grant not explicitly mentioned in this letter.

Emerging priorities

The OfS should reserve £5m of funding from the total recurrent Strategic Priorities Grant, to be allocated later in the year in response to ministerial guidance. Funding should be distributed by 31 March 2023 and we will issue guidance in advance of this.

Capital funding

Thank you for your hard work on setting up and delivering the 2021-22 financial year capital bidding process. It was a great success, and we were pleased to see so many impressive projects delivering against our strategic priorities.

We can confirm capital funding of £450m for the financial years 2022-23 to 2024-25. We would like the OfS to continue allocating the majority of funds to providers through a competitive bidding process, to continue to target funds at specific projects and activities supporting high-quality, skills-based education but to do so using a multi-year approach. This means that providers may submit funding bids for projects that span these financial years, thus enabling us to support a wider range of more impactful projects that can better meet our strategic priorities.

As part of the priority categories used in the 2021-22 financial year capital process, the OfS should also prioritise funding for degree apprenticeships and to support the development of short course study.

As you will be aware, the Government is committed to reducing energy use in new and existing buildings to meet the legislative net zero greenhouse gas emissions target by 2050. The Department for Education's forthcoming sustainability and climate change strategy will provide clarity on the approach we will take in future years – and expect our partners to take – to support our vision of being a world leader in sustainability and climate change education by 2030. In the meantime, we would like the OfS to increase the emphasis on environmental sustainability within the capital bidding process and seek assurances that providers have fully considered the issue in their funding bids.

Our officials will work closely with the OfS on any revisions to the bidding process to ensure the funding is as impactful as possible in supporting our objectives. We are content for the OfS to maintain small annual formula-based allocations as were made in 2021-2022 financial year.

Capital funding as set out in Annex 1 can also be used to support Jisc and the Higher Education Statistics Agency (HESA)'s Data Futures Programme as it has in previous years.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Zahawi', written in a cursive style.

Rt Hon Nadhim Zahawi MP
Secretary of State for Education

A handwritten signature in black ink, appearing to read 'Michelle Donelan', written in a cursive style.

Rt Hon Michelle Donelan MP
Minister of State for Higher and Further Education

Annex 1: Finance Annex

Figures are rounded.

Strategic Priorities Grant All figures in £m	Financial Year	
	2021-22 Funding as per 2021 guidance letter	2022-23 Budget
Recurrent Grant	1,330	1,397

Strategic Priorities Grant All figures in £m	Financial Year	
	2021-22 Funding as per 2021 guidance letter	2022-23 to 2024-25 Budget
Capital Grant	150	450

Notes:

- i. The amounts set out above are the OfS' resource and capital budgets. They represent the maximum amount of resource and capital that the OfS may consume in pursuance of the priorities agreed with the Department for the financial years 2022-23 to 2024-25. Figures may not sum due to rounding. If the Department's level of overall funding is decreased due to wider events or in order to cover other unavoidable financial pressures, the department may, within the framework set out by Parliament and the courts, need to make in-year adjustments to allocations to our Partner Bodies in order to meet budget reductions. The funding that is set out in this letter is, as ever, subject to Parliamentary approval through the Estimates process twice a year.
- ii. Capital funding of £450m in total will be made available for the financial years 2022-23 to 2024-25.
- iii. The OfS will receive a separate allocation letter detailing their finalised 2022-23 unrounded resource, capital and administrative allocations.
- iv. Although the teaching and student element of Higher Education Innovation Funding (HEIF) is distributed by Research England, the OfS will be responsible for the priorities and evaluation of the £48m Strategic Priorities Grant contribution to HEIF in 2022-23. This is included in the figures above and represents an increase of £1m compared to 2021-22.
- v. The recurrent funding figure for 2022-23 above includes £40m for the expansion of medical student places (agreed in 2016 and started in 2017), an increase of £10m on the additional funding allocated in 2021-22. This is funded by DHSC.

- vi. The recurrent funding figure for 2021-22 above does not include the £10m of additional funding for the Strategic Priorities Grant allocated after the January 2021 grant letter in response to the unprecedented situation affecting entry to undergraduate courses last year.

- vii. Recurrent funding (excluding funding for HEIF and for the expansion of medical student places) was £1,253 in 2021-22. This has increased by £56m in 2022-23, which is a 4.5% increase compared to the previous year.

Annex 2: A summary of budget and funding decisions for 2022-23

The table below provides a summary of the changes for the 2022-23 financial year outlined in this grant letter. Funding is rounded to the nearest million.

Total Recurrent Funding¹	↑ Increase by £56m
High-Cost Subject Funding	↑ Increase by at least £32m ²
Degree Apprenticeships	↑ Increase by £8m
Supporting students impacted by events in Ukraine	↑ Increase by up to £4m
Level 4 & 5 Provision	↑ Increase by £8m
Supporting preparation of the Lifelong Loan Entitlement (LLE)	↑ Increase by £10m
Specialist Providers	↑ Increase by up to £5m
Emerging Priorities	↑ Increase by £5m
Uni Connect	↓ Decrease by £10m
Hardship funding	↓ Decrease by £5m

¹ Excludes HEIF and excludes £10m funding from DHSC for the expansion of medical places.

² High-cost subject funding should be increased by at least £32m (excluding £10m additional in funding from DHSC for the expansion of medical student places agreed in 2016 and started in 2017). As outlined in the guidance letter, any additional funding available from student number changes should be allocated towards high-cost subject funding.