

Office for  
Students



# Guide to funding 2018-19

How the Office for Students  
allocates money to higher  
education providers

Reference **OfS 2018.21**

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# Introduction

1. This guide is to help those working or studying in higher education, and anyone else wishing to understand how the Office for Students (OfS) will manage funding for providers for the academic year 2018-19. It explains how we calculate the amount of teaching funding each higher education provider is allocated, the principles that underpin those calculations, and the components of a provider's grant.
2. For more detail on the funding methods, including the technical definitions and specifications used in the process to allocate funding, please see the funding section of the OfS website<sup>1</sup>.
3. The OfS has been established by the Higher Education and Research Act 2017 (HERA) to be the new regulator for higher education in England. However, the OfS regulatory framework will not come fully into force until 1 August 2019. The period from 1 April 2018 to 31 July 2019 is therefore a transitional one, during which the OfS will distribute funding largely under powers that formerly applied to the Higher Education Funding Council for England (HEFCE) arising from the Further and Higher Education Act 1992 and the Higher Education Act 2004. This limits our direct funding powers during this period to the same teaching and related activities and to the same categories of providers as applied under HEFCE.
4. It is our practice to be open about our allocation methods and policies, and this guide is intended to explain them. It is divided into three main sections.

## Section 1: Overview

Gives a summary of how we distribute funding, and why we do it this way.

## Section 2: The funding methods

Contains more detail about our funding methods and the principles behind them.

## Section 3: Terms and conditions of funding

Contains more detail about the requirements that providers must abide by to receive funding from the OfS.

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<sup>1</sup> See <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/>.

# Section 1: Overview

## The annual funding cycle

5. The total public funding for higher education in England is decided annually by the government. For the academic year (August to July) 2018-19, this is provided through a variety of sources:
  - grants to higher education providers from the OfS tuition fee and maintenance loans and some maintenance grants to students provided by the government through the Student Loans Company (SLC)
  - grants to providers and bursaries to students from other public bodies, such as UK Research and Innovation (UKRI) and the Department of Health.
6. We are responsible for distributing grants to higher education providers that are eligible for our public funds. These grants do not fully meet their costs: they make only a contribution towards their teaching and related activities. For academic year 2018-19, the total is £1,538 million, and primarily supports teaching grants to providers. There is also money for knowledge exchange and for national facilities and regulatory initiatives.
7. As autonomous bodies that set their own strategic priorities, providers have some flexibility, within our broad guidelines, in how they use the teaching funding we provide: they are not expected to model their internal allocations on our calculations. However, we attach certain terms and conditions to our funding, which providers must meet.
8. Providers are accountable to the OfS, and ultimately to Parliament, for the way they use these funds. As independent bodies, they also receive money from many other public and private sources.

## Jargon buster

**Recurrent funding:** Yearly allocations aimed at ongoing core activities rather than shorter-term projects.

**Non-recurrent funding:** Funding for national facilities and regulatory initiatives, and capital funding. Allocations used to secure change or fund activities that cannot be addressed through recurrent teaching funding.

**Capital funding:** Part of Non-recurrent funding helping providers invest in their physical infrastructure so it remains fit for purpose.

**Knowledge exchange funding:** Bringing together academic staff, users of research and communities to exchange ideas, evidence and expertise.

**High-cost subject funding:** Recognising that costs to teach certain subjects are higher than can be met through tuition fees alone.

**Targeted allocations:** Helping to meet additional costs that apply to certain types of student or provision and support areas of strategic importance.

## The OfS grant

### Recurrent funding

9. Most of the money we provide is referred to as '**recurrent funding**', because it is allocated on an annual basis to support providers' ongoing teaching and related activities. In the spring, we notify providers of how much recurrent funding they will receive for the coming academic year. Other elements of funding support innovation, regulatory activities and capital infrastructure.

In 2018-19 the OfS is directly funding 316 higher education providers, which includes over 180 further education and sixth form colleges.

### Teaching funding

10. Our teaching funding is used to support priority activities where costs typically exceed the amount received through tuition fees. This occurs, for example, when a course is costly to provide, where students may need additional support to succeed, or because the location brings about additional costs. Our funding supports efforts to improve social mobility by widening access to underrepresented or disadvantaged groups and ensuring students' continued participation and success in higher education.

### How is teaching funding calculated?

11. Recurrent funding for teaching comprises **high-cost subject funding**, informed by student numbers, plus several **targeted allocations** and funding for the **National Collaborative Outreach Programme (NCOP)**, which aims to support the most disadvantaged young people in England to progress into higher education.
12. We divide the majority of the money between providers using formulae that take into account certain factors for each provider, including the number and type of students, and the subjects taught.
13. **High-cost subject funding** accounts for slightly more than half of our teaching funding and is calculated by multiplying together:
  - **student numbers** in each of the subject price groups
  - **the rate of grant** that applies to the student numbers in each subject price group
  - **a scaling factor**, which ensures that the total allocated matches the sum we have available.
14. Subjects are assigned to price groups based on the course characteristics and associated teaching costs, for example there are greater costs in providing a physics course than geography or business studies.
15. The **targeted allocations** reflect particular additional costs affecting certain types of student or provision. For example, greater costs are associated with students studying in London or those needing additional support to succeed (such as disabled people).

16. Calculations for allocations may also take account of students in different **modes of study** (full-time, sandwich year out and part-time) and **levels of study** (undergraduate and taught postgraduate).

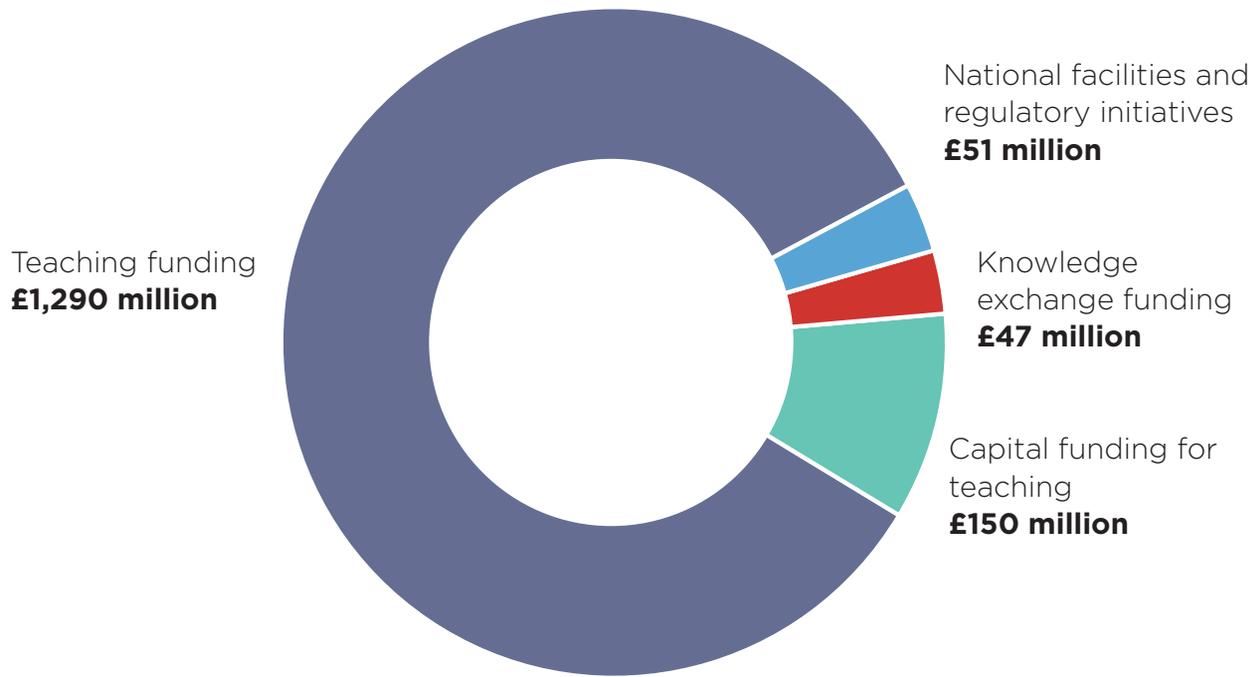
## Knowledge exchange funding

17. Recurrent funding for knowledge exchange is administered through the Research England Council of UKRI. Most of this is provided by the Department for Business, Energy and Industrial Strategy directly to UKRI, but it also includes £47 million from the OfS teaching grant budget. We agree the allocation method and monitoring arrangements for this OfS element with Research England. Knowledge exchange funding is provided to higher education institutions only and formula-based allocations are informed by data on the income received by a provider from its users - businesses, public and third sector services, the community and wider public - as a proxy measure for the impact of its knowledge exchange performance.
18. Higher education institutions submitted five-year strategies to HEFCE in 2016 covering all their knowledge exchange activities, including their use of knowledge exchange funding. Strategies have been assessed and published to spread good practice and annual monitoring against those strategies provides assurance on effective use of public funding, and is used as the basis for release of future allocations. Further information on knowledge exchange funding, including details of the allocation method, is available from Research England (<http://re.ukri.org/>) and is not described further in this document.

## Non-recurrent funding

19. The remaining OfS grant money is referred to as 'non-recurrent funding' and comprises grants for capital projects and other development initiatives, and to support national facilities and regulatory activities. This includes support for facilities such as Jisc (which provides UK universities and colleges with shared digital infrastructure and services, such as the superfast Janet Network) and activity such as the National Student Survey and the new Evidence and Impact Exchange, which will help to ensure that interventions, activity and approaches to access, student success and progression are evidence-based and effective. It also includes the Innovation Challenge Fund to support short term, project-based activity to deliver regulatory and other strategic priorities.
20. Figure 1 shows the breakdown of total OfS grant in 2018-19.

Figure 1: OfS grant 2018-19 academic year (£1,538 million)



## Section 2: The OfS's funding methods

### 2A Background

#### The OfS's responsibilities and funding powers

21. The OfS has been established by the Higher Education and Research Act 2017 (HERA) to be the new regulator for higher education in England. The OfS's primary aim is to ensure that English higher education is delivering positive outcomes for students – past, present, and future.
22. Section 2 of HERA sets out the OfS's 'general duties'. These require the OfS, in performing its functions, to have regard to:
  - a. The need to protect the institutional autonomy of English higher education providers.
  - b. The need to promote quality, and greater choice and opportunities for students, in the provision of higher education by English higher education providers.
  - c. The need to encourage competition between English higher education providers in connection with the provision of higher education where that competition is in the interests of students and employers, while also having regard to the benefits for students and employers resulting from collaboration between such providers.
  - d. The need to promote value for money in the provision of higher education by English higher education providers.
  - e. The need to promote equality of opportunity in connection with access to and participation in higher education provided by English higher education providers.
  - f. The need to use the OfS's resources in an efficient, effective and economic way.
  - g. So far as relevant, the principles of best regulatory practice, including the principles that regulatory activities should be:
    - i. Transparent, accountable, proportionate and consistent.
    - ii. Targeted only at cases in which action is needed.
23. We take these into account, weighing one against the others as appropriate, in reaching our decisions. Section 2D provides examples of how we have done so in our approach to funding.
24. As well as new regulatory responsibilities, the OfS has taken on:
  - a. Most of the former functions of the Higher Education Funding Council for England (HEFCE) to distribute teaching funding. UK Research and Innovation (UKRI) has taken on HEFCE's research and knowledge exchange functions

(through its Research England Council) alongside those of the seven Research Councils and Innovate UK.

- b. The former functions of the Director of Fair Access to Higher Education (who was the head of the Office for Fair Access).

## **Transition period from 1 April 2018 to 31 July 2019**

25. The OfS's regulatory framework<sup>2</sup> will not come fully into force until 1 August 2019. The secondary legislation that enacts HERA makes provision for powers and duties of HEFCE (under the Further and Higher Education Act 1992) and the Director of Fair Access to Higher Education (under the Education Act 2004) to be exercised by the OfS until all of its new powers are commenced.
26. This means that providers will be funded and regulated by the OfS from 1 April 2018 to 31 July 2019 through a combination of powers and duties 'carried forward' from the previous legislation and the new HERA powers and duties. This is called the 'transition period'. Regulatory arrangements during the transition period are set out in Regulatory Notice 2 (OfS 2018.12) and in the terms and conditions of funding, separately for higher education institutions (OfS 2018.15) and for further education and sixth form colleges (OfS 2018.16), and in the agreement on institutional designation (OfS 2018.17). Section 3 of this document outlines these arrangements.
27. Up to 31 July 2019, our direct funding powers apply to the same teaching and related activities and to the same categories of providers as applied under HEFCE. This means that we are empowered to fund teaching and related activities of higher education institutions, and prescribed courses of higher education at further education and sixth form colleges<sup>3</sup>. We are also empowered to fund other organisations that carry out work for the benefit of the higher education sector as a whole. We can pay grants, whether recoverable or non-recoverable, to providers on the basis of expenditure that they incur.
28. We do not directly fund students – we are funding the activities of providers. However, students are counted in the funding methods, as a proxy measure for the level of teaching activities taking place at providers. This is discussed further in paragraphs 45 to 47.
29. Although we have wide funding powers, a number of other public bodies have responsibilities to fund certain aspects of higher education, as outlined below:

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<sup>2</sup> See <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/>.

<sup>3</sup> Prescribed courses of higher education are defined in legislation, but broadly relate to courses of at least one year's duration when studied full-time, or two years part-time, and which lead, on successful completion, to the award of certain higher education qualifications by certain awarding bodies. For more information see paragraph 28e.

- a. **Loans for tuition fees.** Publicly funded loans to students to meet the costs of tuition fees, as well as loans, and some grants, to support living costs, are administered by the SLC, which is government-funded and non-profit-making. Student loans are repayable only once the student's income is above a certain level.  
Tuition fees for most students are subject to regulation, with limits on what providers may charge. This applies to most UK and European Union (EU) undergraduates, and to students on teacher training courses. Fees for most postgraduate students are not regulated.
- b. **Research.** UKRI, which incorporates the Research Councils, Innovate UK and Research England, is responsible for distributing public funds for research. UKRI will provide quality-related research funding to support underpinning research capacity, the maintenance of research infrastructure in providers, specific research projects as well as postgraduate research students.
- c. **Teacher education and training.** The Department for Education (DfE) is responsible for supporting education and training courses aimed at school teachers, including initial teacher training (ITT) courses leading to qualified teacher status, and in-service education and training courses for those who hold this status. The OfS has responsibility for other teacher education and training provision outside the schools sector, although finance is largely provided through students' tuition fees.
- d. **Medical and dental education and research.** Government funding for medical and dental education is distributed through a partnership between the OfS and the NHS. OfS and UKRI allocated funds underpin teaching and research respectively in university medical schools, while NHS funds support the clinical facilities needed to carry out teaching and research in hospitals and other parts of the health service. From 2017-18, certain courses leading to qualifications to practise in nursing, midwifery and allied health professions have transferred from the NHS to the main higher education finance system of student tuition fees (supported by SLC loans) and OfS grants.
- e. **Higher education in further education and sixth form colleges.** As explained in paragraph 26, in further education and sixth form colleges the OfS is empowered to fund only 'prescribed' courses of higher education. These include HNCs, HNDs, foundation degrees, bachelors degrees, postgraduate degrees and certain teacher training qualifications. The awarding bodies for such courses include providers with degree-awarding powers and (for HNCs and HNDs only) Pearson Education Limited. Prescribed courses do not include other higher education courses at further education and sixth form colleges, such as some professional courses, or modules taught to students who may be taking parts of a prescribed course but have not declared an intention to complete the whole qualification. These other higher education courses are the funding responsibility of the further education funding body, the Education and Skills Funding Agency (ESFA), and may be supported through Advanced Learner Loans<sup>4</sup>.

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<sup>4</sup> See <https://www.gov.uk/advanced-learner-loan>.

- f. **Apprenticeships.** Finance for the delivery of apprenticeships is provided through the ESFA, with contributions to costs made by employers. This supports the delivery of apprenticeships for individuals studying in the year and is analogous to finance that for other types of higher education provision would be provided through tuition fees or SLC student support. The OfS counts recognised higher education undertaken as part of an apprenticeship towards its allocations of teaching grant, where eligibility criteria are met. This provides support for high-cost activities, in the same way as for other higher education teaching.
- g. **Knowledge exchange and innovation.** Alongside funding from the OfS, this is funded from a variety of sources:
- i. UKRI supports a range of schemes for knowledge exchange to further the impact of its funded research.
  - ii. Innovate UK, which is part of UKRI, is the UK's main funder of business innovation.
  - iii. Higher education providers play a significant role in local growth partnerships and can receive funding to support their knowledge exchange and skills activities, such as via European Structural and Investment Funds.
  - iv. Funding from the beneficiaries of knowledge exchange in the economy and society provides a significant source of support to many providers.
30. While we retain the funding responsibility for a wide range of activities, the finance arrangements for higher education and limitations of the budget mean that only a subset of what is potentially fundable actually attracts our grants. For example, within teaching funding we primarily provide funding only in relation to activities where costs exceed the level that tuition fees could generally be expected to cover.

## Recurrent and non-recurrent funding

31. The government carries out spending reviews across all departments in order to determine public expenditure for the coming years. The most recent spending review in 2015 set public expenditure up to the financial year (April to March) 2019-20.
32. The government has confirmed the funding available to us for the 2018-19 financial year, and its funding priorities in a strategic guidance letter<sup>5</sup>. We then determine funding to individual providers, which are generally allocated on an academic year basis.
33. We want to make the best use of taxpayers' money – prioritising funding to get the best value, and ensuring that the government's policy aims are delivered and that providers are accountable for the money they get, but without creating an excessive burden on them. The different elements of the budget have different purposes.

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<sup>5</sup> See <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/>.

## Recurrent funding

34. The money allocated for teaching is referred to as 'recurrent funding' and is by far the majority of what we distribute. Providers have some flexibility in how they spend this recurrent funding; they are not expected to mirror OfS calculations in their internal spending. This allows providers to target spending towards their own priorities, as long as these relate to the teaching activities that the OfS is empowered to fund. The grant allows providers to be autonomous, and does not impose the burden of accounting in detail for expenditure.
35. The OfS funding for teaching is prioritised towards areas where tuition fees alone may be insufficient to meet providers' full costs, for example: high-cost subjects; supporting students who may need additional support to succeed; postgraduate provision; and specialist providers with world-leading teaching. It is important that providers are able to demonstrate effective and efficient use of the teaching grant to support priority areas in their internal resource allocations.
36. The OfS invests in the interests of students and for wider public benefit to ensure the availability of high-quality, cost-effective higher education across the country. This is done by investing in high-cost subjects at undergraduate and postgraduate levels, including (but not limited to) medicine, science, engineering and agriculture. Support is given to subjects which are strategically important and vulnerable, as well as high-cost specialist providers such as arts providers. Funding is targeted towards teaching for students who are new to higher education, rather than for those studying for qualifications that are equivalent to, or lower than, ones they already have (though some qualifications are exempt from this policy). The OfS is committed to enabling providers to attract and support through to successful outcomes students from underrepresented groups and disabled students, and to support postgraduate provision.
37. Recurrent funding for knowledge exchange (including the contribution from OfS teaching grant) is administered through the Research England Council of UKRI. Funding is focused in high-performing publicly funded providers (excluding further education and sixth form colleges) and aims to achieve maximum impact on the economy and society.

## Non-recurrent funding

38. Other OfS funding is 'non-recurrent'. It comprises grants for capital projects, and funding for other development and regulatory initiatives and to support national facilities. These grants are announced as they are allocated, which may be at any time of the year.
  - a. **Funding for national facilities and regulatory initiatives** supports facilities such as Jisc, activity such as the National Student Survey and the Evidence and Impact Exchange, which will help to ensure that interventions, activity and approaches to access, student success and progression are evidence-based and effective. It also includes the Innovation Challenge Fund to support short-term, project-based activity to deliver regulatory and other strategic priorities.

- b. **Capital funding** helps higher education providers invest in their physical infrastructure so it remains fit for purpose. It provides funding to support sustainability commitments and investment plans relating to teaching.

39. The breakdown of OfS teaching funding available for 2018-19 is shown in Table 1.

**Table 1: Breakdown of OfS funding for 2018-19**

<b>Element of grant</b>	<b>Amount (£ million)</b>
Recurrent teaching	1,290
Knowledge exchange funding	47
Funding for national facilities and regulatory initiatives	51
Capital funding	150
<b>Total</b>	<b>1,538</b>

## Method for distributing funding to providers

### Formula funding

40. The recurrent grants to providers are almost entirely allocated by formula, which means that each provider receives a proportion of funding based on the measures outlined below. This ensures the method for distributing grants to providers is fair, transparent and efficient.

41. Our funding formulae generally:

- a. Use student numbers as a measure of volume. Further information about how we count students is provided in paragraphs 44 to 46.
- b. Reflect cost differences of different activities. Periodically, we review data on subject costs reported by providers, and may also commission separate costing studies of particular aspects of provision.
- c. Reflect policy priorities, including those given by the government in its strategic guidance letter to us.

## 2B Teaching funding

42. Our teaching funding is provided through:
- an allocation for high-cost subjects that supports the extra costs of teaching particular subjects
  - targeted allocations, to help meet additional costs that apply to certain types of student or provision and to support priority areas of strategic importance.
43. The majority of providers' income for teaching comes through students' tuition fees. For most undergraduates tuition fee loans are available, which are generally repayable after the student has finished their studies. Since August 2016, eligible postgraduates have also been able to obtain a loan<sup>6</sup> to help cover fees and assist with living costs when starting a full-time or part-time masters course.

### Data sources

44. For publicly funded higher education providers, we use data returns to inform teaching grant allocations. For the 2018-19 allocations these are:
- a. A return submitted directly to HEFCE that provided aggregate information on numbers of students in 2017-18. For higher education institutions, this is the **Higher Education Students Early Statistics 2017-18 (HESES17) survey**<sup>7</sup>. For further education and sixth form colleges, this is the **Higher Education in Further Education: Students 2017-18 (HEIFES17) survey**<sup>8</sup>. These were submitted in December and November 2017 respectively. Using this in-year data ensures that our funding decisions have been based on the most up-to-date information available. However, because these were provided in-year, they include elements of forecasting relating to students' activity up until the end of the academic year.
  - b. An individualised student record for 2016-17 that was submitted after the end of the academic year. For higher education institutions, this is the **Higher Education Statistics Agency (HESA) student record**<sup>9</sup>. For further education and sixth form colleges, this is the **individualised learner record (ILR)**, which is submitted to the ESFA<sup>10</sup>. These are used to gain information about student characteristics for some targeted allocations.

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<sup>6</sup> See <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/>.

<sup>7</sup> See <http://webarchive.nationalarchives.gov.uk/20180103174601/http://www.hefce.ac.uk/data/collect/heses/>.

<sup>8</sup> See <http://webarchive.nationalarchives.gov.uk/20180103174916/http://www.hefce.ac.uk/data/collect/HEIFES/>. See <https://www.hesa.ac.uk/collection/c16051>.

<sup>9</sup> See <https://www.hesa.ac.uk/collection/c16051>.

<sup>10</sup> See <https://www.gov.uk/government/collections/individualised-learner-record-ilr>.

## How we count students in our funding allocations

45. In general terms, we count students from the UK and other EU countries if:
- They are on a recognised taught course of higher education<sup>11</sup>. Postgraduate research students are not counted for teaching funding, and fall under the responsibility of UKRI.
  - Funding responsibility does not rest with another EU public source. For example, the DfE has responsibility for school teacher training; also funding responsibility for taught Open University students in Scotland, Wales and Northern Ireland rests with the devolved administrations, rather than the OfS.
  - They are on a course open to any suitably qualified candidate. If, for example, a course was available only to candidates from a particular employer, it would not be considered an open course. This restriction does not apply to courses taken as part of an apprenticeship.
  - They are not aiming for an equivalent or lower qualification (ELQ), or are exempt from the ELQ policy (see paragraph 45).
  - They are studying at least 3 per cent of a full-time year of study – equivalent to about one week’s study in the year.
46. Students aiming for an ELQ are generally not counted towards the funding allocations unless they are covered by an exemption. Current exemptions, for OfS funding purposes<sup>12</sup>, include:
- students aiming for foundation degrees
  - those aiming for a qualification in certain public sector professions, such as medicine, nursing, social work or teaching
  - those receiving Disabled Students’ Allowances (DSAs)<sup>13</sup>.
47. Not all countable students will attract funding for their providers through every element of the OfS teaching grant. For example, an undergraduate in a classroom-based subject does not attract high-cost subject funding but may attract funding for some targeted allocations.

## How do we count these students?

48. In general, students are counted only if they complete their full year of study. To count as completing for funding purposes, a student must normally undergo the final assessment for each module that they intended to complete, within 13 months from the start of that year. If the student misses the final assessment, but nevertheless passes the module, this also constitutes completion for our funding

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<sup>11</sup> For further education and sixth form colleges, these are students on prescribed higher education courses, as described in paragraph 28e. For other providers this can also include other study at higher education level, including for the award of credit.

<sup>12</sup> The treatment of students aiming for an ELQ for the purposes of student support from the SLC is similar, but there are some differences, such as in relation to students aiming for a foundation degree and those on a part-time degree course in science, technology, engineering or mathematics.

<sup>13</sup> Disabled Students’ Allowances are government grants to help meet the extra costs students can face as a direct result of a disability or specific learning difficulty. See <https://www.gov.uk/disabled-students-allowances-dsas>.

purposes. Providers receive income through tuition fees for students reported as non-completions.

49. Students are counted in terms of full-time equivalents (FTEs). FTE is a measure of how much a student studies over a year, compared with someone studying full-time. A full-time student counts as one FTE. Students on a sandwich year out are counted as 0.5 FTE. The FTE of part-time students depends on the intensity of their study by comparison with an equivalent full-time student, based either on how long it takes them to complete their qualifications, or on how many credit points they study in the year.

## Teaching funding streams

50. Table 2 shows the main elements of our recurrent teaching grant for 2018-19.

**Table 2: Elements of recurrent teaching grant for 2018-19**

Elements of recurrent teaching grant	Amount (£ million)
High-cost subject funding	681
Targeted allocations	549
National Collaborative Outreach Programme	60
<b>Total</b>	<b>1,290</b>

## High-cost subject funding

51. This is allocated using the following formula:

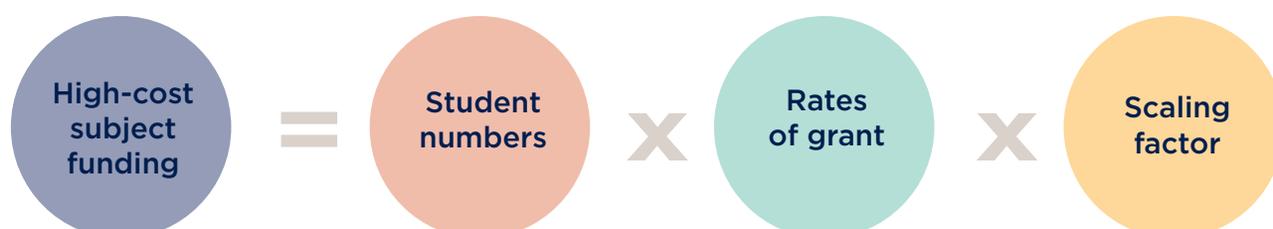
- **student FTEs** reported to us by providers

*multiplied by*

- **sector-wide funding rates** by price group

*multiplied by*

- a **scaling factor** (to ensure total allocations remain within budget). For 2018-19, this scaling factor is 1.01. This is slightly less than the equivalent scaling factor for 2017-18 of 1.0165, and implies a small reduction in funding per FTE compared with the previous academic year.



52. Sector-wide funding rates are informed by the assignment of subject areas to five price groups:
- Price group A.** The clinical years of study for medicine, dentistry and veterinary science. This price group applies only to higher education institutions that provide training for students seeking a first qualification that enables them to register to practise as a doctor, dentist, or veterinary surgeon, or who are already qualified in those professions. It also applies to students studying for a first registrable qualification in dental hygiene or dental therapy.
  - Price group B.** Laboratory-based science, engineering and technology subjects and pre-registration courses in midwifery and certain other allied health professions<sup>14</sup>.
  - Price group C1.** Intermediate-cost subjects of archaeology; design and creative arts; information technology, systems sciences and computer software engineering; media studies; and pre-registration courses in nursing.
  - Price group C2.** Other intermediate-cost subjects with a laboratory, studio or fieldwork element, such as geography, mathematics, languages or psychology. This price group also includes all students on work experience placement years of sandwich courses (sandwich year out).
  - Price group D.** Classroom-based subjects such as humanities, business or social sciences.
53. High-cost subject funding is provided only for price groups A, B and C1. Table 3 shows rates of grant for the academic year 2018-19.

**Table 3: Rates of high-cost subject funding for price groups per student FTE**

Price group	Rate of funding without scaling factor (£)	Rate of funding with scaling factor (£)
A	10,000	10,100
B	1,500	1,515
C1	250	252.5
C2 and D	0	0

<sup>14</sup> These allied health professions are dietetics, occupational therapy, operating department practice, orthoptics, orthotics and prosthetics, physiotherapy, podiatry and chiropody, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

## Targeted allocations

54. As well as high-cost subject funding, we provide targeted allocations which support important or vulnerable features of higher education in accordance with key policy initiatives (although many of the activities involved are likely to be supported by high-cost subject funding and fee income as well).

55. The targeted allocations for 2018-19 are shown in Table 4, and are described further in paragraphs 56 to 72.

**Table 4: Targeted allocations for 2018-19**

Targeted allocation	Total allocation (£ million)	Paragraph reference
Premium to support successful student outcomes: full-time	165	56-57
Premium to support successful student outcomes: part-time	72	58
Disabled students' premium	40	59-60
Erasmus+ and overseas study programmes	30	61
Nursing, midwifery and allied health supplement	14	62-63
Postgraduate taught supplement	33	64
Intensive postgraduate taught provision	35	65-66
Accelerated full-time undergraduate provision	2	65-66
Students attending courses in London	67	67
Very high-cost science, technology, engineering and mathematics (STEM) subjects	25	68
Specialist institutions	44	69
Higher education institutions costs relating to medical and dental staff*	23	70-72

\* Clinical consultants' pay, senior academic general practitioners' pay, NHS pensions scheme compensation.

## Premium to support successful student outcomes: full-time

56. We are providing a targeted allocation to enable providers to support undergraduate students who are deemed to be most at risk of withdrawing from their studies as a result of their qualifications and age profile and who therefore require additional investment to ensure their retention and success. This allocation includes a supplement that also recognises students from areas of the country with low levels of higher education participation or qualification.

- a. The main element, totalling £145.5 million, is calculated in proportion to weighted student FTEs. We use provider's weighting factors that reflect those broad characteristics of their students which give rise to additional costs. It has been found that the main factors affecting the likelihood of a student continuing their studies are entry qualifications and age. In general terms, those with lower entry qualifications are less likely to continue than those with, say, high A-level grades, while mature students are less likely to continue than young entrants. Students are therefore weighted according to these two factors to determine an overall weighting for the provider as a whole.

There are 12 risk categories, weighted according to:

- age – 'young' (up to age 21) and 'mature' (aged 21 or over on entry)
- qualification aim (those aiming for a first degree and those aiming for another undergraduate qualification)
- risk associated with entry qualifications (low, medium and high).

London weighting is also applied where appropriate.

- b. The supplement, totalling £19.5 million of the allocation, focuses funding on providers with the most students from underrepresented areas (see paragraph 56). This incorporates three provider weightings:
  - i. A weighting based on the proportion of students who are at risk of withdrawing from their studies.
  - ii. A weighting based on the proportion of students who are both at risk and from the most underrepresented areas.
  - iii. A London weighting, where appropriate.

57. Students from underrepresented areas are identified based on their postcode using 'participation of local areas' (POLAR)<sup>15</sup> and 'Higher-education-qualified adult classification' data. POLAR classifies local areas or 'wards' into quintiles based on the proportion of 18 year-olds who enter higher education aged 18 or 19. The higher-education-qualified adult classification assigns wards to quintiles based on the proportion of people aged 16-74 with a higher education qualification. Quintile 1 areas have the lowest (and quintile 5 areas have the highest) levels of participation or qualification. The supplement recognises students from quintile 1 and quintile 2 areas.

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<sup>15</sup> See <http://webarchive.nationalarchives.gov.uk/20180103171320/http://www.hefce.ac.uk/analysis/yp/polar/>. For 2018-19 funding, we have used the POLAR3 classification.

## Premium to support successful student outcomes: part-time

58. This allocation is made in proportion to London weighted undergraduate part-time FTEs, to enable providers to support successful outcomes for these students. There have been significant reductions in part-time student numbers in recent years and therefore we consider part-time provision to be at risk. Part-time study is important as a flexible route for older learners, especially those from underrepresented groups. However, there have been significant reductions in part-time student numbers in recent years and therefore we consider part-time provision to be at risk.

## Disabled students' premium

59. This allocation is made to enable providers to support successful outcomes for disabled students. It aims to support providers to move towards inclusive models of support and to meet the rapid rise in students reporting disabilities and mental health issues.
60. We calculate for each provider a weighting that reflects the proportion of their UK students who receive DSA (weighted at 2) or who self-declare a disability (weighted at 1). This weighting, together with London weighting where appropriate, is applied to the provider's student FTEs. A minimum allocation of up to £10,000, varying according to the size of the provider, applies. Year-on-year changes to the allocation for individual providers are capped at ±£100,000.

## Erasmus+ and overseas study programmes

61. Erasmus+ is the EU's framework programme for education, training, youth and sport. Part of the programme provides opportunities for higher education students to take study or work placements abroad, but providers may also establish exchange programmes for their students with overseas providers outside the Erasmus+ programme. This allocation provides £2,315 per student taking a study year abroad (either under the Erasmus+ scheme or otherwise), or a work placement (sandwich) year abroad under the Erasmus+ scheme.

## Nursing, midwifery and allied health supplement

62. Since 2017-18, students starting undergraduate courses that on successful completion lead to first registration as a professional in nursing, midwifery and certain allied health professions (pre-registration courses) are supported through the higher education finance system. This is being extended from 2018-19 to those starting pre-registration courses in dental hygiene and dental therapy and postgraduate pre-registration courses. These students will be eligible for tuition fee loans and maintenance support from the SLC and will be counted in our calculation of teaching grants to providers.
63. The nursing, midwifery and allied health supplement supports the sustainability of certain pre-registration courses where there is evidence from costing studies<sup>16</sup> that average course costs exceed those that would otherwise be met through tuition fees and other teaching grants (primarily high-cost subject funding). The allocation is provided in relation to students that come under the main higher education finance system and is conditional on providers maintaining provision of those courses. Table 5 shows how pre-registration courses are assigned to price groups for the purpose of high-cost subject funding and the additional rates of grant per FTE that apply for 2018-19 through the nursing, midwifery and allied health supplement.

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<sup>16</sup> See <http://webarchive.nationalarchives.gov.uk/20180405125423/http://www.hefce.ac.uk/It/healthcare/nursing/>.

**Table 5: Rates of grant per FTE for the nursing, midwifery and allied health supplement**

<b>Profession</b>	<b>Price group</b>	<b>Rate of funding per undergraduate FTE (£)</b>	<b>Rate of funding per postgraduate FTE (£)</b>
Dental hygiene	A	0	0
Dental therapy	A	0	0
Dietetics	B	0	700
Midwifery	B	0	700
Nursing - adult	C1	200	900
Nursing - children	C1	400	1,100
Nursing - learning disability	C1	400	1,100
Nursing - mental health	C1	200	900
Nursing - unclassified	C1	200	900
Occupational therapy	B	0	700
Operating department practice	B	0	700
Orthoptics	B	3,500	4,200
Orthotics and prosthetics	B	3,500	4,200
Physiotherapy	B	0	700
Podiatry and chiropody	B	1,200	1,900
Radiography (diagnostic)	B	1,200	1,900
Radiography (therapeutic)	B	1,200	1,900
Speech and language therapy	B	200	900

## Postgraduate taught supplement

64. This allocation provides additional support for postgraduate study where access to publicly funded student finance is more limited than for undergraduates. For postgraduate taught students in price groups A to C2 who are not on courses eligible for masters loans or undergraduate student support, the funding rate per eligible FTE is £1,100. For postgraduate taught students in price groups A to C2 who are on courses eligible for masters loans, the funding rate per eligible FTE is £550.

## Accelerated full-time undergraduate and intensive postgraduate taught provision

65. Some courses are taught over longer periods within the year than others, and so cost more. Students studying on a year of a course that lasts for 45 weeks or more (excluding any time spent in the workplace), attract a targeted allocation, on top of any teaching grant provided through high-cost subject funding. This does not apply to courses in price group A, where the intensity of study has already been taken into account in the high-cost funding rate, or to postgraduate taught provision in price group D, because tuition fees are generally expected to meet costs.

66. The approximate rates of funding we are providing per FTE for accelerated full-time undergraduate and intensive postgraduate taught provision are shown in Table 6.

**Table 6: Approximate rates of funding for the accelerated full-time undergraduate and intensive postgraduate taught targeted allocations**

Price group	Accelerated full-time undergraduate rate per FTE (£)	Intensive postgraduate taught rate per FTE (£)
A	0	0
B	1,439	1,108
C1 and C2	1,100	847
D	846	0

## Students attending courses in London

67. We provide a separate allocation relating to all categories of students attending courses in London, to contribute to meeting the additional costs for providers of operating in London. The approximate standard rates of funding for providers in inner and outer London are shown in Table 7. Where providers have activities that span boundaries between inner, outer and outside London, rates are varied to reflect the proportion of activity in each area.

**Table 7: Approximate rates of funding for students attending courses in London**

<b>Price group</b>	<b>Standard rate per FTE for inner London (£)</b>	<b>Standard rate per FTE for outer London (£)</b>
A	1,066	667
B	453	283
C1 and C2	347	217
D	267	167

### Very high-cost STEM subjects

68. We are providing funding to help secure the provision of four very high-cost STEM subjects. These are: chemistry; physics; chemical engineering; and mineral, metallurgy and materials engineering. This allocation supplements the standard price group B high-cost subject funding and is based on the amount provided for 2017-18, with an uplift for inflation.

### Specialist institutions

69. The targeted allocation for specialist institutions recognises that, because of the nature of their provision, and their circumstances and characteristics, certain providers face higher costs which cannot be met solely through tuition fees. Formula allocations were calculated in 2016-17 for those providers identified through a review in 2015-16<sup>17</sup> as having world-leading teaching. These allocations continue in 2018-19. Transitional funding has been provided since 2016-17 for those providers with significant reductions compared to 2015-16 allocations, and is being phased out.

### Clinical consultants' pay

70. This allocation recognises the additional costs that arise from applying the Consultant Contract (England) 2003 to clinical academics.

### Senior academic general practitioners' pay

71. This funding is allocated to enable senior academic general practitioners to be paid in line with their hospital-based colleagues.

### NHS pensions scheme compensation

72. This allocation compensates higher education providers for the increased employers' contributions to the NHS pension scheme introduced in April 2004.

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<sup>17</sup> See <http://webarchive.nationalarchives.gov.uk/20180103194244/http://www.hefce.ac.uk/It/howfund/institution/>.

## National Collaborative Outreach Programme (NCOP)

73. The NCOP<sup>18</sup> aims to support the most underrepresented young people in England to progress into higher education. The programme consists of 29 consortia undertaking outreach activity in geographical areas where the higher education participation of young people is both low and much lower than expected given Key Stage 4 GCSE (and equivalent) attainment levels. The consortia comprise higher education providers, schools, colleges and other organisations such as employers, third sector bodies, and local enterprise partnerships.
74. The programme aims to support the government's goals to double the proportion of young people from disadvantaged backgrounds in higher education by 2020; increase by 20 per cent the number of students in higher education from ethnic minority groups; and address the underrepresentation of young men from disadvantaged backgrounds in higher education.
75. The allocation totals £60 million in 2018-19.

## 2C Funding for national facilities and regulatory initiatives and capital funding

76. We aim to provide as much funding as possible for learning and teaching through recurrent grants. Funding for national facilities and regulatory initiatives and capital funding is used to secure change or fund activities that cannot be addressed through our recurrent formula funding to providers.
77. For 2018-19, £51 million will be allocated to funding for national facilities and regulatory initiatives and a further £150 million is allocated for capital grants.

### Funding for national facilities and regulatory initiatives

78. This funding supports activities such as quality assessment, the National Students Survey and strategic interventions in health education disciplines<sup>19</sup>. However, the two largest elements of this funding are support for Jisc and for a new £20 million discretionary fund – the Innovation Challenge Fund – for short-term, project-based activity that will support regulatory priorities and effective provision.
79. Within the total of £51 million, there is also £1.5 million for a new Evidence and Impact Exchange, as recommended by a group of sector experts and practitioners, to provide evidence on the impact of interventions, activity and approaches to access, student success and progression across the student lifecycle. This facility will be developed in line with the existing What Works network<sup>20</sup> and will improve the way researchers, policy makers and practitioners create, share and use high-quality evidence for decision making in relation to access and participation in higher education.

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<sup>18</sup> See <http://webarchive.nationalarchives.gov.uk/20180103170026/http://www.hefce.ac.uk/sas/ncop/>.

<sup>19</sup> See <http://webarchive.nationalarchives.gov.uk/20180405125423/http://www.hefce.ac.uk/lt/healthcare/nursing/>.

<sup>20</sup> See <https://www.gov.uk/guidance/what-works-network>.

## Capital funding

80. Capital funding is additional funding provided by the government to support sustainable investment in higher education. Table 8 shows the breakdown of different capital funding streams.

**Table 8: 2018-19 Capital funding allocations**

Strategic aim	Funding (£ million)
Formula based teaching capital	104
Jisc	10
Commitments inherited from HEFCE	36
<b>Total</b>	<b>150</b>

### Formula based teaching capital

81. Of the total £104 million for formula based teaching capital, £93 million is allocated in proportion to teaching resource for each provider. The remaining £11 million is allocated in proportion to teaching resource for price group B activity only. Teaching resource comprises 2018-19 OfS recurrent teaching grant, plus an assumption of tuition fee income of £6,165 per FTE, which is the regulated full-time undergraduate basic fee limit for providers<sup>21</sup>. We are not providing allocations in 2018-19 to providers whose share of the funds would be less than £10,000.

82. Teaching capital grants are intended to help providers to manage their physical infrastructure as an integral part of their strategic and operational planning and to ensure that their plans in this area are environmentally sustainable. They are paid and should be spent on a financial year basis.

### Other capital grants

83. In addition to formula based teaching capital, we are providing £10 million for Jisc to support the Janet network and English regional network upgrades, cybersecurity and learning analytics. We are also providing £36 million to meet the costs of commitments made by HEFCE that extend beyond March 2018 – particularly capital allocations from its Catalyst Fund<sup>22</sup>.

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<sup>21</sup> Fee limits are explained further in Section 3.

<sup>22</sup> See <http://webarchive.nationalarchives.gov.uk/20180103170041/http://www.hefce.ac.uk/funding/catalyst/>.

## 2D The OfS's general duties

84. Section 2 of HERA requires the OfS to have regard to its 'general duties' in performing its functions. We take these into account, weighing one against the others as appropriate, in reaching our decisions on funding. Examples of the ways in which we do this are set out in Table 9.

**Table 9 Examples of how the OfS has regard to its general duties in its approach to funding**

<b>In performing its functions the OfS must have regard to:</b>	<b>Examples of how our funding approach reflects that duty</b>
The need to protect the institutional autonomy of English higher education providers	The budgeting and approach to the distribution of grant does not in itself affect the autonomy of providers. Financial incentives (whether through OfS grants, tuition fees or other sources) will be one of the influences on providers' strategies, but how they respond to those incentives are matters for providers themselves.
The need to promote quality, and greater choice and opportunities for students, in the provision of higher education by English higher education providers	OfS teaching grants recognise costs for providers that go beyond income that we might expect to be met through tuition fees from students. They therefore help to maintain the sustainability of provision, which might otherwise be threatened, and hence promote choice and opportunities for students. They promote quality by enhancing the resources available to providers for the courses they offer.
The need to encourage competition between English higher education providers in connection with the provision of higher education where that competition is in the interests of students and employers, while also having regard to the benefits for students and employers resulting from collaboration between such providers	Teaching grants are largely allocated by formula from a fixed budget. In effect all providers are competing for a share of that budget through their ability to recruit and retain students. Specific allocations support collaborative activity, for example through NCOP, exchange programmes such as Erasmus+ and joint medical schools.

<b>In performing its functions the OfS must have regard to:</b>	<b>Examples of how our funding approach reflects that duty</b>
<p>The need to promote value for money in the provision of higher education by English higher education providers</p>	<p>There is continuing pressure on the income available for teaching, with regulated tuition fee limits frozen for academic year 2018-19 and further reductions in teaching grants from the OfS, notwithstanding increases in student numbers. Teaching grants are targeted where they are most needed in terms of costs to providers and are output-based, in as much as the volume measure for formula funding counts students only if they complete their year of study.</p>
<p>The need to promote equality of opportunity in connection with access to and participation in higher education provided by English higher education providers</p>	<p>For academic year 2018-19, we are providing £337 million (26 per cent of the total recurrent teaching grant of £1,290 million) to support access and participation measures. These include student premiums to address areas of risk and disadvantage (including for disabled students) and NCOP.</p>
<p>The need to use the OfS's resources in an efficient, effective and economic way</p>	<p>Teaching grants are targeted where they are most needed reflecting additional costs to providers. They are output-based, in as much as we count students in formula funding allocations only if they complete their year of study. The adoption of formula funding methods is highly efficient in terms of the OfS's own administrative costs.</p>
<p>So far as relevant, the principles of best regulatory practice, including the principles that regulatory activities should be transparent, accountable, proportionate and consistent; and targeted only at cases in which action is needed</p>	<p>Our grants to providers are almost entirely allocated by formula. This ensures we are fair, transparent and efficient in how we distribute funding. Grants are subject to terms and conditions, with regulatory activity targeted at areas of non-compliance or pursued through sample-based audit.</p>

## Section 3: Terms and conditions of funding

85. Substantial amounts of taxpayers' money are allocated to providers every year. It is important, therefore, that providers are regulated and accountable for the funding they receive, and that we are accountable, ultimately to Parliament, for the funding that is allocated.
86. As explained in paragraph 25, the OfS's regulatory framework will not come fully into force until 1 August 2019. The period from 1 April 2018 to 31 July 2019 is therefore a transitional one, during which the OfS will distribute teaching funding largely under powers that formerly applied to HEFCE arising from the Further and Higher Education Act 1992 and the Higher Education Act 2004. It will also operate transitional regulatory arrangements, which have been set out in Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE (OfS 2018.12)<sup>23</sup>.
87. During the transition period to 31 July 2019, we are funding and regulating providers that were previously funded by HEFCE through a combination of the powers and duties 'carried forward' from the previous legislation and the new HERA powers and duties. The 'carried forward' powers that apply from 1 April 2018 are:
- a. The terms and conditions of OfS funding that apply to OfS funding received from 1 April 2018 to 31 July 2019. Further detail about these is in paragraphs 90 to 93.
  - b. The terms and conditions of Research England grant that apply to funding received from 1 April 2018 to 31 July 2019<sup>24</sup>.
  - c. The requirements set out in the Agreement on Institutional Designation (OfS 2018.17)<sup>25</sup> that apply to the receipt of student support finance. This was introduced in 2014 to make a more explicit link between institutional accountability requirements and the automatic designation for publicly subsidised student support that is given to providers receiving funding from HEFCE and now OfS. It aims to provide reassurances to students and the public more widely, while continuing to support the dual principles of academic freedom and institutional autonomy.
88. Just as the OfS has a formal relationship with higher education providers, so the Department for Education has a formal relationship with the OfS, which is set out in a Framework Document<sup>26</sup>. This sets out the broad framework within which the OfS operates and agreed expectations for how day-to-day interactions between the Department and the OfS will be handled. Further policy guidance and requirements are set out in annual guidance letters from the government<sup>27</sup>.

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23 See <https://www.officeforstudents.org.uk/publications/regulatory-notice-2-regulation-up-to-31-july-2019-of-providers-that-were-previously-funded-by-hefce/>.

24 See <https://re.ukri.org/news-events-publications/publications/terms-and-conditions-of-research-england-grant/>.

25 See <https://www.officeforstudents.org.uk/publications/agreement-on-institutional-designation/>.

26 See <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/>.

27 See <https://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/>.

## Terms and conditions of funding in the transition period to July 2019

89. Terms and conditions of funding reflect our responsibility to provide assurances to Parliament that:
- funds provided to us are being used for the purposes for which they were given
  - risk management, control and governance in the higher education sector are effective
  - value for money is being achieved.
90. Separate terms and conditions of funding apply to higher education institutions<sup>28</sup> and to further education and sixth form colleges<sup>29</sup>. We have a different relationship with further education and sixth form colleges, because they are primarily accountable to the ESFA rather than us. The terms and conditions of funding for the transition period were determined following consultation with sector bodies. Paragraphs 91 to 101 outline some of the requirements placed on providers through our terms and conditions of funding. This is not exhaustive and is intended to provide only a broad understanding of certain requirements. Providers should refer to the published terms and conditions of funding themselves for the specifics of our requirements.
91. Providers have some discretion as to how they internally distribute the funding provided, except where funding has been earmarked for a specific purpose (for example for capital projects), and as long as the funding is used to support the activities that are eligible for OfS funding. Terms and conditions of funding include, for example, requirements to:
- a. Provide information and make certain data returns, including those that inform our allocations or that are used for public information purposes, such as the Unistats data collection. This also includes the requirement to submit monitoring returns, such as on their use of certain OfS grants and on the measures they take to promote fair access and successful outcomes for students.
  - b. Comply with regulated tuition fee limits and the terms of any access agreements agreed with the former Director of Fair Access to Higher Education (or subsequently the OfS) – see paragraphs 94 to 102.

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<sup>28</sup> See <https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-higher-education-institutions/>.

<sup>29</sup> See <https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-further-education-and-sixth-form-colleges/>.

92. The terms and conditions of funding also set out circumstances under which changes to grant allocations may be made. These include:
- a. Recalculations of grant to reflect the findings of any audits or reconciliations of the data submitted by providers that inform funding.
  - b. Adjustments to allocations arising from higher education institutions' recruitment against intake targets for undergraduate medicine and dentistry. These apply to all Home, EU and overseas students starting full-time undergraduate (including graduate-entry) programmes that on successful completion lead to first registration as a doctor or dentist. Providers must not exceed their intake targets: the OfS may reduce grant if they do so in two successive years. Students recruited in excess of the medical or dental intake targets are not counted towards high-cost subject funding.

## Tuition fee regulations and access agreements up to 31 July 2019

93. During the transition period, the OfS will enforce through its terms and conditions of funding providers' compliance with regulated tuition fee limits and with the terms of any access agreements that apply up to academic year 2018-19. Access agreements set out how a higher education provider will sustain or improve access, student success and progression among people from underrepresented and disadvantaged groups and have been subject to agreement by the former Director of Fair Access to Higher Education. They are required of funded providers wishing to charge fees at the higher amount permitted in legislation: those without access agreements can charge fees only at a lower, 'basic' amount. An access agreement must set out a provider's proposed tuition fee limits; what it intends to do to promote and sustain access, student success and progression; how much that will cost; its targets and milestones; and how it will tell students about any financial support (such as fee waivers or bursaries) it is offering.
94. Separate legislation determines:
- a. The limits on the tuition fees that can be charged to most UK and EU students in different categories.
  - b. Which students on which higher education courses are subject to those regulated fee limits. In broad terms, this is UK and EU full-time and part-time undergraduates and students on postgraduate teacher training courses who (with some exceptions) are aiming for a higher education qualification whose academic level is no higher than one they have already achieved.
95. Where tuition fees are limited by regulation, the limit of the fee that can be charged to a student in any particular 12-month period depends on:
- a. Whether they are **studying at a provider we fund**. Because fee regulations in the transition period are enforced as a condition of the grant that we provide, they do not apply to other providers. If excess fees are charged, the grant we pay to a provider may be reduced.

- b. The **type of year of study** the student is undertaking – different fee limits apply depending on whether a student is:
- i. On an ordinary full-time year<sup>30</sup>.
  - ii. On the placement year of a sandwich course (sandwich year out).
  - iii. On a short final year of a full-time course (lasting less than 15 weeks).
  - iv. Undertaking a year abroad under the Erasmus+ programme or other study year abroad at an institution overseas.
  - v. On a part-time course (studying at a rate of at least 25 per cent of an equivalent full-time course, but otherwise not varying according to intensity of study).
- c. Whether the provider had an **access agreement in force** that applied to students who started their course in a particular year; and if so, any relevant tuition fee limit specified in that agreement.
- d. Whether the provider holds a **Teaching Excellence and Student Outcomes Framework (TEF)<sup>31</sup> award**. The TEF aims to recognise and reward excellent learning and teaching, by assessing the quality of teaching in higher education providers and differentiating quality over and above the baseline set by quality assurance. Providers that hold TEF awards are able to charge a fee that incorporates an uplift for inflation<sup>32</sup> to the fee limits that have applied between 2012-13 and 2016-17. These uplifts apply to students in all years of study who started their course on or after 1 September 2012 (though providers' ability to charge up to the higher limits will depend on such increases being clear to students when they started their courses and in their access agreements). In due course the government will determine whether, and if so how, TEF awards are to be linked to fee levels from 2019-20.

96. The fee limits that apply in 2017-18 and 2018-19 to students who started their courses at funded providers from 1 September 2012 are shown in Table 10. Providers with an access agreement in force are able to charge regulated tuition fees up to the higher amount to students entering in that year. Other funded providers may charge regulated tuition fees only up to the basic amount.

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<sup>30</sup> The government has proposed allowing a higher annual fee limit for accelerated courses such as bachelors degrees completed in two years. However any changes (which are subject to Parliament) will not take effect before 2019-20. See [www.gov.uk/government/consultations/accelerated-degrees-widening-student-choice-in-higher-education](http://www.gov.uk/government/consultations/accelerated-degrees-widening-student-choice-in-higher-education).

<sup>31</sup> See <https://www.officeforstudents.org.uk/advice-and-guidance/teaching/>.

<sup>32</sup> The uplift for inflation that has been applied is limited by regulation to RPIx (the all items Retail Price Index excluding mortgage interest payments). Any future proposal to increase regulated fee limits would require agreement by both Houses of Parliament.

**Table 10: Regulated tuition fee limits for 2017-18 and 2018-19 for undergraduates starting courses from 1 September 2012**

Type of year of study	Fee limits for TEF ineligible providers: higher amount	Fee limits for TEF ineligible providers: basic amount	Fee limits for TEF eligible providers: higher amount	Fee limits for TEF eligible providers: basic amount
Ordinary full-time year	£9,000	£6,000	£9,250	£6,165
Sandwich year out	£1,800	£1,200	£1,850	£1,230
Erasmus+ and other study year abroad	£1,350	£900	£1,385	£920
Final year of full-time course of less than 15 weeks	£4,500	£3,000	£4,625	£3,080
Part-time course	£6,750	£4,500	£6,935	£4,625

## Tuition fee regulations and access and participation plans from 1 August 2019

97. At the time of writing, the government has not yet confirmed the tuition fee limits that will apply for the academic year 2019-20.
98. Tuition fee limits will apply to providers that are registered with the OfS in the Approved (fee cap) category. Those providers that charge fees at the higher amount permitted in legislation will be required to have an access and participation plan approved by the OfS's Director for Fair Access and Participation<sup>33</sup>. Access and participation plans set out how higher education providers will improve equality of opportunity for underrepresented groups to access, succeed in and progress from higher education. They include:
- the provider's ambition for change, and the measures it will put in place to achieve that change
  - the targets it has set
  - the investment it will make to deliver the plan.

<sup>33</sup> Further information about access and participation plans is available at <https://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/>.

99. As was the case previously with access agreements, access and participation plans are submitted annually and the provisions included relate to the academic year for which they are approved; for example, 2019-20 access and participation plans relate to the 2019-20 academic year. However, the fees and commitments made to entrants in each plan remain in force for the duration of that cohort's studies. Students who start their courses in 2019-20 will be covered by their provider's access and participation plan throughout their studies. Providers will normally have several plans running concurrently at any one time, relating to different years of entry.
100. Other Approved (fee cap) providers will be permitted to charge fees only at the lower basic amount. They, and Approved providers that are not subject to fee caps, will be required, as a condition of their registration, to publish annually an access and participation statement. This sets out the provider's commitment to supporting access and participation in higher education by students from underrepresented groups. This statement is not subject to approval by the OfS. However, we will analyse all the statements that are published during the registration process in academic year 2018-19, and assess whether the current requirements best support our expectations for improving access, success and progression for students from all backgrounds. We will then publish further guidance, if necessary.
101. Compliance with regulated tuition fee limits, and with the terms of access and participation plans, will be enforced as a condition of the registration of Approved (fee cap) providers (rather than as a condition of OfS funding). A range of possible sanctions will be available to us if we identify non-compliance. These may include (but are not limited to) monetary penalties and the refusal to approve an access and participation plan for a provider for a specified period after a plan that is currently in force has expired.

# Summary explanation of terms and abbreviations

## Academic year

In this document, an academic year means the period 1 August to the following 31 July.

## Access agreement

Access agreements apply up to and including the 2018-19 academic year. They set out how a higher education provider will sustain or improve access, student success and progression among people from underrepresented and disadvantaged groups and have been subject to agreement by the former Director of Fair Access to Higher Education. They are required of funded providers wishing to charge fees up to the higher amount permitted in legislation: those without access agreements can charge fees only at a lower, 'basic' amount.

## Access and participation plan

Access and participation plans apply from the 2019-20 academic year. Having an access and participation plan approved by the OfS's Director for Fair Access and Participation will be condition of registration on providers that are registered with the OfS in the Approved (fee cap) category and that charge fees up to the higher amount permitted in legislation. They set out how higher education providers will improve equality of opportunity for underrepresented groups to access, succeed in and progress from higher education. They include the provider's ambition for change, the measures it will put in place to achieve that change, the targets it has set and the investment it will make to deliver the plan.

## Allied health professions

For teaching funding purposes, references in this document to allied health professions are to dental hygiene, dental therapy, dietetics, occupational therapy, operating department practice, orthoptics, orthotics and prosthetics, physiotherapy, podiatry and chiropody, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

## Capital funding

Part of non-recurrent funding to help universities and colleges invest in their physical infrastructure so it remains fit for purpose.

## DfE

Department for Education<sup>34</sup>. This is the government department to which the OfS is accountable, but as a non-departmental public body we operate at arm's length from it.

## DSA

Disabled Students' Allowance. Grants to help meet the extra costs students can face as a direct result of a disability or specific learning difficulty.

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<sup>34</sup> See <https://www.gov.uk/government/organisations/department-for-education>.

## **ELQ**

Equivalent or lower qualification. Most students who are studying for a qualification equivalent to, or lower than, one they already hold are not counted for OfS funding purposes.

## **Erasmus+**

The European Union's framework programme for education, training, youth and sport.

## **ESFA**

Education and Skills Funding Agency. The ESFA is an executive agency of the Department for Education that is accountable for funding education and skills for children, young people and adults.

## **Financial year**

In this document, the financial year means the period 1 April to the following 31 March.

## **FTE**

Full-time equivalent. FTE is a measure of how much a student studies over a year, compared with someone studying full-time. Someone studying full-time counts as one FTE, whereas a part-time learner doing half that amount of study counts as 0.5 FTE.

## **Funding for national facilities and regulatory initiatives**

Allocations used to secure change or fund activities that cannot be addressed through recurrent teaching funding. This includes support for national facilities, such as Jisc, and regulatory activities such as the National Student Survey.

## **Further education and sixth form colleges**

Further education colleges are publicly funded providers that focus on technical and professional education and training for young people, adults and employers. Sixth form colleges are publicly funded providers that focus on education of 16 to 18-year-olds, including to enable them to progress to university or higher level vocational education. Both categories may provide a broad range of education, including some higher education. Their primary regulator is the ESFA. During the transition period from April 2018 to July 2019, the OfS is funding these providers for prescribed courses of higher education largely under powers that formerly applied to HEFCE.

## **Higher Education Funding Council for England (HEFCE)**

HEFCE was created by the Further and Higher Education Act 1992 and was the non-departmental public body responsible for the distribution of funding for higher education and research to providers in England. Under the Higher Education and Research Act 2017, some of its functions have transferred from 1 April 2018 to the Office for Students and (in relation to research and knowledge exchange funding) to UK Research and Innovation.

## **HEIFES**

Higher Education in Further Education: Students survey<sup>35</sup>. The annual aggregate student number survey completed by further education and sixth form colleges, which informs our funding for teaching.

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<sup>35</sup> See <http://webarchive.nationalarchives.gov.uk/20180405121147/http://www.hefce.ac.uk/data/collect/HEIFES/>.

## **HESA**

Higher Education Statistics Agency<sup>36</sup>. HESA collects a number of different data returns from higher education institutions. The one that is most relevant for our teaching funding is the student record, which we use in calculating funding for some targeted allocations, and to reconcile with the HESES return.

## **HESES**

Higher Education Students Early Statistics survey<sup>37</sup>. The annual aggregate student number survey completed by higher education institutions, which informs our funding for teaching.

## **Higher education institution**

Higher education institutions are universities, institutions conducted by higher education corporations and institutions that have been designated for funding by HEFCE. During the transition period from 1 April 2018 to 31 July 2019, the OfS is funding the teaching and related activities of these providers under powers that formerly applied to HEFCE.

## **Higher education provider**

A provider of higher education courses in England, including universities and colleges of higher education, further education and sixth form colleges, and other organisations.

## **ILR**

Individualised learner record. This is collected from further education and sixth form colleges by the ESFA and is the equivalent of HESA's student record.

## **Jisc**

Jisc provides UK universities and colleges with shared digital infrastructure and services, such as the superfast Janet Network<sup>38</sup>.

## **Knowledge exchange**

Higher education providers increasingly engage with businesses, public and third sector services, the community and wider public, transferring or exchanging knowledge with the aim of delivering external impact, such as improving products, services, profitability and so on. This is linked with research and teaching, and includes consultancy and advisory work, the creation of intellectual property, the development of academic and student entrepreneurship, and a variety of other activities.

## **Level**

Level of study can be undergraduate, postgraduate taught or postgraduate research. The OfS funds undergraduate and postgraduate teaching, while UKRI funds postgraduate research.

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<sup>36</sup> See <https://www.hesa.ac.uk/>.

<sup>37</sup> See <http://webarchive.nationalarchives.gov.uk/20180405121548/http://www.hefce.ac.uk/data/collect/heses/>.

<sup>38</sup> See [www.jisc.ac.uk/](http://www.jisc.ac.uk/).

## **Mode**

Mode of study can be full-time, part-time or sandwich year out.

## **Non-recurrent funding**

Funding for national facilities and regulatory initiatives and capital funding. It is used to secure change or fund activities that cannot be secured through recurrent teaching funding.

## **Prescribed courses of higher education**

In further education and sixth form colleges the OfS is empowered to fund only 'prescribed' courses of higher education. These include HNCs, HNDs, foundation degrees, bachelors degrees, postgraduate degrees and certain teacher training qualifications. The awarding bodies for such courses are providers with degree-awarding powers and (for HNCs and HNDs only) Pearson Education Limited.

## **Price group**

A group of subjects that have broadly similar costs, used in our teaching funding method. The price groups attract different rates of funding in the method.

## **Recurrent funding**

Yearly allocations aimed at ongoing core activities.

## **Research England**

One of the Councils of UKRI, which has taken on HEFCE's former funding responsibility for research and knowledge exchange. It administers OfS funding for knowledge exchange according to a method and monitoring arrangements that we agree.

## **Sandwich course**

A full-time course of study which includes periods of work experience in organisations outside the university or college. 'Sandwich year out' means a year spent away from the provider on a work experience placement in business or industry.

## **STEM**

Science, technology, engineering and mathematics.

## **SLC**

The Student Loans Company, a non-profit making government-owned organisation set up to provide loans and grants to students in universities and colleges in the UK.

## **TEF**

Teaching Excellence and Student Outcomes Framework. Introduced to recognise and reward high quality teaching, and ensure that prospective students can make informed choices. A key feature of the TEF is that decisions about the ratings are made by an independent panel, comprising academics, students and those with relevant experience of employment and widening participation. This panel applies its professional knowledge and expertise to consider the TEF metrics and provider submission in order to reach a holistic judgement and award a rating. The Office for Students is responsible for implementing the TEF according to the Department for Education's TEF specification.

## **Tuition fees**

Fees paid to a university or college for a student to attend a course. Fees for most undergraduates and for postgraduate initial teacher training courses are subject to limits set out in regulations.

## **UKRI**

UK Research and Innovation. A research and innovation funding organisation established by the Higher Education and Research Bill 2017, that began operations in April 2018.

## Further reading

The OfS funding webpages: <https://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/>.

Research England webpages: <http://re.ukri.org/>.

OfS publications (all available at: [www.officeforstudents.org.uk/publications/](http://www.officeforstudents.org.uk/publications/)):

Teaching funding in the period from April 2018 to July 2019 (Letter) <https://www.officeforstudents.org.uk/publications/Teaching-funding-April-2018-to-July-2019/>.

Regulatory Notice 1: Guidance on access and participation plans for 2019-20 <https://www.officeforstudents.org.uk/publications/regulatory-notice-1-guidance-on-access-and-participation-plans-for-2019-20/>.

Regulatory Notice 2: Regulation up to 31 July 2019 of providers that were previously funded by HEFCE <https://www.officeforstudents.org.uk/publications/regulatory-notice-2-regulation-up-to-31-july-2019-of-providers-that-were-previously-funded-by-hefce/>.

Terms and conditions of funding for higher education institutions for the period to 31 July 2019 <https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-higher-education-institutions/>.

Terms and conditions of funding for further education and sixth form colleges for the period to 31 July 2019 <https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-further-education-and-sixth-form-colleges/>.

Agreement on Institutional designation: Institutional designation for the period to 31 July 2019 <https://www.officeforstudents.org.uk/publications/agreement-on-institutional-designation/>.

### Other HEFCE pages

Historic HEFCE webpages in the national archives [http://webarchive.nationalarchives.gov.uk/\\*/http://www.hefce.ac.uk/](http://webarchive.nationalarchives.gov.uk/*/http://www.hefce.ac.uk/).



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