

HE finance and funding

Background briefing for Board members

This briefing summarises:

- How teaching in higher education is financed through student tuition fees and grants and the funding allocations for 2017-18 provided by HEFCE, including the budgets and funding streams allocated.
- The data sources available to the Office for Students to inform the calculation of allocations for 2018-19.
- The proposed process and timetable for calculation and release of these allocations.

It does not cover the decisions to be sought from OfS Board members on budgets and methods to inform funding allocations for 2018-19, which will be the subject of separate papers.

Introduction

1. The OfS assumes responsibility for funding teaching from 1 April 2018. However the regulatory framework created by the Higher Education and Research Act 2017 will not come fully into force until 1 August 2019. This means that there is a transitional period from 1 April 2018 to 31 July 2019 during which time the OfS is expected (subject to secondary legislation) to operate largely under powers that have applied to HEFCE arising from the Further and Higher Education Act 1992 and to the Director of Fair Access arising from the Higher Education Act 2004. During this period:
 - The OfS's funding powers for teaching at different HE providers will be those that have applied to HEFCE.
 - The requirements the OfS places on providers will be made through conditions of grant, not through conditions of registration.
2. This document therefore provides background on HE finance arrangements, and HEFCE grant funding, for academic year 2017-18. In this document, 'the Board' refers to the Board of the Office for Students. References to the HEFCE Board will be specified. Unless otherwise specified, years refer to academic years (August to July).

Finance for teaching

3. Institutions' income for teaching in 2017-18 comes through two main routes: students' tuition fees, which provide the large majority of the income, and Government grants to providers (commonly through HEFCE). For UK and EU students, tuition fees for most undergraduates are generally subject to caps on the total that can be charged each year, whereas (other than for teacher training students) fees for postgraduates are not capped. Student loans are available to help most undergraduates pay their tuition fees and maintenance costs and from 2016-17 loans have also been introduced for those on postgraduate masters courses. Loans for postgraduate doctoral study are being introduced from 2018-19. Tuition fees for overseas (non-EU) students are not regulated and they do not have access to UK student support – providers are expected to charge them the full costs of their course.
4. In 2012 the fee arrangements for students changed, with students commencing their studies from 1 September 2012 subject to higher regulated fees (of up to £9,000 for full-time undergraduates, increasing to up to £9,250 from 2017-18). Students who commenced their

studies before the 1 September 2012 were liable for lower tuition fees, but attracted higher rates of funding for their institutions from HEFCE.

Fee regulations, access agreements and the teaching excellence framework (TEF)

5. There are various sets of regulations (secondary legislation in the form of statutory instruments) that define:
 - The limits on the tuition fees that can be charged to most UK & EU students in different categories.
 - Which students on which HE courses are subject to those regulated fee limits. Broadly, this is UK & EU full-time and part-time undergraduates and students on postgraduate teacher training courses who (with some exceptions) are aiming for an HE qualification whose academic level is no higher than one they have already achieved.
 - The availability of student support from the Student Loans Company (SLC), in the form of tuition fee loans and various different types of maintenance support towards living costs (primarily now maintenance loans, but also some grants for students in particular circumstances)¹.
6. 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:
 - Whether they are **studying at a HEFCE-funded institution**. Fee regulations for providers in England are enforced as a condition of the grant that HEFCE provides, under 'funding agreements' with higher education institutions (HEIs) and further education and sixth form colleges (FECs). If excess fees are charged, the grant paid to institutions may be reduced. Fee limits do not, therefore, apply to 'alternative providers' that HEFCE does not fund.
 - The **type of year of study** the student is undertaking – different fee limits apply depending on whether a student is:
 - On an ordinary full-time year².
 - On the placement year of a sandwich course ('sandwich year out').
 - On a short final year of a full-time course (lasting less than 15 weeks).
 - Undertaking a year abroad under the Erasmus+ programme³ or other study year abroad at an institution overseas.

¹ This document does not provide further detail about SLC student support. However, further information about such student finance is available from: <https://www.gov.uk/student-finance>

² A Government consultation is currently underway on allowing a higher annual fee limit for accelerated courses such as bachelors degrees completed in two years, but 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.

³ 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 institutions may also establish exchange programmes for their students with overseas institutions outside the Erasmus+ programme.

- 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).
- Whether the HEFCE-funded institution had an **access agreement in force with the Office for Fair Access (OFFA)** that applied to students who started their course in a particular year; and if so, any relevant tuition fee limit specified in that agreement. Access agreements set out how a higher education provider will sustain or improve access, student success and progression among people from under-represented and disadvantaged groups. They must be approved by the Director of Fair Access as a condition of charging higher tuition fees – agreements relating to students starting in the 2018-19 academic year were submitted in April 2017 and approved by July 2017. An access agreement must set out an institution's proposed tuition fee limits; what it intends to do to promote/sustain access, student success and progression; how much that will cost; its targets and milestones; and how the institution will tell students about any financial support (fee waivers or bursaries) it is offering. We expect the role of the Director of Fair Access to transfer to the Office for Students for the transitional period up to 31 July 2019, so that monitoring and enforcement of compliance with fee limits and access agreements can continue.
 - From 2017-18, whether the institution holds a **TEF 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. Institutions that hold TEF awards are able to charge a fee that incorporates an uplift for inflation⁴ to the fee limits that have applied between 2012-13 and 2016-17. These uplifts will apply to students in all years of study who started their course on or after 1 September 2012 (though institutions' 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 OFFA 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.
7. The fee limits that apply in 2017-18 and 2018-19 to students who started their courses at HEFCE-funded institutions from 1 September 2012 are shown in Table 1. The Government has not yet specified the fee limits that will apply beyond 2018-19.

Table 1: Regulated tuition fee limits for undergraduates starting courses from 1 September 2012 at institutions with (or without) an OFFA access agreement in force when the student started

Type of year of study	Fee limits for 2017-18 & 2018-19 for TEF ineligible institutions (£s)	Fee limits for 2017-18 & 2018- 19 for TEF eligible institutions (£s)
Ordinary full-time year	9,000 (6,000)	9,250 (6,165)
Sandwich year out	1,800 (1,200)	1,850 (1,230)
Erasmus+/study year abroad	1,350 (900)	1,385 (920)

⁴ 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.

Type of year of study	Fee limits for 2017-18 & 2018-19 for TEF ineligible institutions (£s)	Fee limits for 2017-18 & 2018- 19 for TEF eligible institutions (£s)
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)

8. HE finance provided through the SLC relates to entitlements for individual students. The total provided is determined by the total number of students studying in the year that meet relevant eligibility criteria, combined with predetermined rates for loans and grants. By contrast, HEFCE grants are provided to support the (eligible) activities of institutions, rather than to fund individual students. It has a fixed overall budget which does not change according to the numbers of students studying in the year, or indeed whether or how it chooses to count students to inform its funding allocations. However, these factors would affect how that overall budget is distributed between providers and the implied rates of grant provided. This will also be the case for the OfS when it assumes its funding powers (for the provision of education, and related facilities and activities, by providers) under the Higher Education and Research Act 2017.
9. The large majority of the money distributed by HEFCE is referred to as 'recurrent funding', and is allocated to providers for teaching, research, and knowledge exchange. The remainder of HEFCE's funding is referred to as 'non-recurrent funding', and comprises grants for capital projects and to support national facilities and initiatives.
10. For the academic year 2017-18, the total funding available to HEFCE is £3.6 billion. £3.1 billion is allocated to recurrent funding. (Of this, £1,320 million is for teaching with a further £47 million supporting knowledge exchange from teaching grants.) £490 million is allocated to non-recurrent funding. (Of this, £150 million is for teaching capital grants and £89 million is for national facilities and initiatives funded from teaching grant.) Though HEFCE distributes funding largely on an academic year basis, funding is provided by Government by financial year. The total budget for the 2017-18 academic year thus is derived from HEFCE's confirmed budget for financial year 2017-18 and an indicative allocation for financial year 2018-19. These were given in the HEFCE grant letter from the Department for Education⁵.
11. Recurrent funding allocations are released as part of the spring grant announcement. These may then be updated in final grant tables released later in the year. This allows the incorporation of any adjustments or appeals received from institutions over the summer (for example as a result of amendments to institutions' student data).
12. Although HEFCE has wide funding powers, a number of other public bodies have responsibilities to fund certain aspects of higher education, or activities of higher education institutions:
- **Loans for tuition fees.** As noted above, publicly funded loans to students to meet tuition fee costs, as well as grants and loans to support living costs, are administered by the SLC, which is government-funded and non-profit-making. Such loans are repayable only once the student's income is above a certain level.

⁵ See www.hefce.ac.uk/funding/govletter/

- **Research.** The Research Councils distribute public funds for research to higher education institutions (HEIs) to support specific research projects and some postgraduate students. From April 2018 these Councils, and Innovate UK⁶, will be incorporated into UK Research and Innovation (UKRI), which will also assume HEFCE's funding responsibilities for research and knowledge exchange through its new Research England committee. HEFCE's quality-related research funding supports the underpinning research capacity and the maintenance of research infrastructure in institutions. UKRI, rather than OfS, therefore has responsibility for funding postgraduate research students from April 2018.
- **Medical and dental education and research.** Government funding for medical and dental education and research is distributed through a partnership between HEFCE and the NHS. HEFCE-allocated funds underpin teaching and research 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, the responsibility for funding certain undergraduate courses leading to qualification to practice in nursing, midwifery and allied health professions has transferred, with HEFCE taking responsibility for allocating funding for new entry cohorts of students. Subject to legislation, a further transfer for equivalent postgraduate courses is expected from 2018-19.
- **Teacher education and training.** The National College for Teaching and Leadership (NCTL) is responsible for supporting education and training courses aimed at school teachers. HEFCE has responsibility for other teacher education and training provision outside the schools sector, although finance is largely provided through students' tuition fees.
- **Higher education in further education and sixth form colleges (FECs).** In FECs HEFCE is only empowered to fund 'prescribed' courses of higher education. These include HNCs, HNDs, foundation degrees, bachelors degrees, postgraduate degrees and certain teacher training qualifications. Prescribed courses do not include other higher education courses at FECs, 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 are supported primarily by 'Advanced learner loans'⁷ administered through ESFA and SLC .
- **Apprenticeships.** Funding for apprenticeships is administered by the ESFA and includes contributions through the employer levy. Apprentices are not charged for tuition towards qualifications taken as part of their apprenticeship. HEFCE still funds students taking a higher education qualification as part of an apprenticeship in the same way as other students on the basis that the funding provided through ESFA is analogous to the income that for other HE courses is provided through student tuition fees and SLC student support.

⁶ See: <https://www.gov.uk/government/organisations/innovate-uk>

⁷ See: <https://www.gov.uk/guidance/24-advanced-learning-loans-an-overview>

Accountability for funding

13. HEFCE's formal relationship with HEIs is governed by a memorandum of assurance and accountability⁸ (MAA). This reflects its responsibility to provide assurances to Parliament that:
 - Funds provided to HEFCE 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.
14. The MAA is in two parts. Part 1 sets out terms and conditions of grant that apply in common to all HEIs. This is reviewed periodically and the sector consulted on its contents. Part 2, known as the 'funding agreement', is issued annually and gives conditions specific to each HEI. It includes details of the recurrent grant provided and of the requirements that HEIs are expected to meet in return for their grant. The only requirement in the funding agreement relating to institutions' student numbers is for compliance with intake targets for courses leading to first registration as a medical doctor or dentist. This is relevant to only a small number of HEIs.
15. There is no HEFCE MAA with FECs because they are accountable to the ESFA. Instead the annual funding agreement issued to directly funded FECs incorporates those sections of Part 1 of the MAA with HEIs that are relevant to FECs.
16. Certain elements of grant may be subject to specific conditions. For example, when capital grants are provided, it is expected that they will be spent on the capital projects detailed in institutions' investment plans. There is a requirement (on both HEFCE and OfS) to consult on terms and conditions of grant.
17. The consultation on the new regulatory framework explained, in the document on the approach to transition:

In addition, it is necessary to provide clarity about which elements of the current HEFCE MAA are applicable to the funding dispersed by UKRI/Research England during 2018/19. We expect the current arrangements to continue to apply, but HEFCE will consult with the relevant sector representative bodies in early 2018 on the separation, where required, of terms and conditions of funding. The OfS and Research England will publish the updated version of the MAA that results from this process in April 2018.
18. Decisions will be sought from the Board at the meeting of 26 March on the terms and conditions of grant to cover the period from April 2018 to July 2019. This will enable an updated MAA and funding agreements to be in place before the OfS commences funding institutions from April 2018.
19. The Department for Education has a formal relationship with HEFCE, which is set out in a Framework Document. This details requirements that are a condition of the funding received from the Government, and can be read on the HEFCE website at www.hefce.ac.uk/about/unicoll/government/. A similar framework document will exist between Government and the OfS. Further policy guidance and requirements may be set out in the annual grant letter from the Secretary of State.

⁸ See 'Memorandum of assurance and accountability between HEFCE and institutions: Terms and conditions for payment of HEFCE grants to higher education institutions' (HEFCE 2017/08), available online at www.hefce.ac.uk/pubs/year/2017/201708/.

Recurrent grant

20. Recurrent funding is provided as yearly allocations that aim to support ongoing core activities rather than shorter-term projects. Institutions have some flexibility in how they spend it; they are not expected to mirror HEFCE's calculations in their own internal spending. This allows institutions to target spending towards their own priorities, as long as these relate to the activities eligible for funding. The grant allows institutions to be autonomous and does not impose the burden of accounting in detail for expenditure.
21. However, HEFCE's teaching grant is prioritised very much towards areas where tuition fees alone may be insufficient to meet full costs: high-cost subjects, postgraduate provision, supporting students from disadvantaged backgrounds or who may need additional support to succeed, and recognising the particular needs of world-leading specialist institutions. It is important that institutions are able to make effective and efficient use of the teaching grant to support these priority areas in their internal resource allocations.
22. HEFCE makes only a contribution towards meeting providers' teaching costs: even with the addition of tuition fee income, it does not guarantee that costs are met in full. The concern has been to ensure that institutions receive an appropriate, fair share of its fixed budget, in a way which supports accountability, but which avoids an excessive burden or unwelcome effects, such as pressure on academic standards. Hence, recurrent grants are almost entirely allocated by formula, ensuring fairness, transparency and efficiency in how grants are distributed.
23. In line with the statutory obligation to consult on terms and conditions of grant, HEFCE's funding methods have been agreed following consultation with the sector.
24. The current methods have evolved and been refined over a period of time, and so reflect ongoing policy development. Further detail on the methods used to calculate the recurrent grant for 2017-18 is provided in 'Guide to funding 2017-18: How HEFCE allocates its funds' (HEFCE 2017/04)⁹ and on the HEFCE website¹⁰.

HEFCE teaching grant

25. Recurrent funding for teaching comprises a main element informed by student numbers in different subject areas, plus a number of other 'targeted allocations' that reflect particular additional costs affecting certain types of provision. The main element is called **high-cost subject funding** and is calculated by multiplying together:
- **student numbers** in different subject groupings, known as price groups
 - various **rates of grant** that apply to those student numbers
 - a **scaling factor**, so that the total allocated matches the sum available.
26. These calculations are carried out for a number of different student categories, listed below. Different rates of grant apply to each of these student categories:
- **Price group**, comprising:
 - Price group A: the clinical years of medicine, dentistry and veterinary science courses

⁹ See www.hefce.ac.uk/pubs/year/2017/201704/.

¹⁰ See www.hefce.ac.uk/funding/annalocns/1718/.

- Price group B: laboratory-based science, engineering and technology courses, and pre-registration courses in midwifery and certain allied health professions
 - Price group C1: intermediate cost subjects of computing, art and design, media studies, archaeology and pre-registration courses in nursing.
 - Price group C2: other intermediate cost subjects with a laboratory, studio or fieldwork element
 - Price group D: classroom-based subjects.
- **Mode** of study (full-time, sandwich year out and part-time).
 - **Level** of study (undergraduate and taught postgraduate). Some postgraduate students can access the undergraduate student support regime, and these are treated slightly differently in funding calculations. Postgraduate research students are not funded through the teaching grant.

27. Other teaching grant allocations target funding to areas of strategic importance where institutions face higher costs. This includes, for example, funding for programmes that support disadvantaged students, funding to support the additional costs incurred by institutions operating in London and funding to support years spent abroad under exchange programmes. A variety of approaches are used to calculate these targeted allocations: some are calculated afresh each year using the latest student data; others are intended to support costs that are more fixed and are therefore reviewed more periodically.

Data sources that inform teaching grant

28. Funding allocations are primarily based on student numbers reported by institutions in the previous academic year; grant allocations for 2017-18 have been calculated using student numbers reported in 2016-17.

29. Four main data sources are used to inform teaching grant calculations:

- The Higher Education Students Early Statistics (**HESES**) survey from HEIs and the Higher Education in Further Education: Students (**HEIFES**) survey collected from FECs. These are very similar, and are submitted to HEFCE by institutions in November (for HEIFES) and December (for HESES). They contain overall student number data for each institution, which is used to inform funding as well as to provide specific information for planning purposes.
- The individualised student record submitted to the Higher Education Statistics Agency (**HESA**) by HEIs and the individualised learner record (**ILR**) submitted to the ESFA by FECs. These contain a large amount of information on individual students, which we receive after the end of the academic year. This provides information about student characteristics for use in certain funding allocations. It is also used to produce a number of audit tools that are used to check the accuracy of HESES and HEIFES returns.

30. HEFCE completed the collection and verification process of student information for 2017-18 in early January 2018. The HESES17 and HEIFES17 surveys provide the primary data source for calculation of grant allocations for 2018-19.

31. HEFCE has a number of processes to gain assurance over the accuracy of these data sources. Data returns are verified for credibility before institutions formally submit them. Selective risk-based data audits and exercises to reconcile these data sources are also carried out, the outcomes of which are used to review any funding previously announced.

The teaching funding method

32. For 2017-18, £1.32 billion has been allocated to teaching funding:

- £652 million is allocated to **High-cost subject funding**, which applies sector-wide rates to student numbers reported in each price group. Funding rates (per FTE) are approximately £10,000 for price group A, £1,500 for price group B and £250 for price group C1. Price groups C2 and D are not funded.
- A further £668 million is distributed via a number of **targeted allocations** that reflect other additional teaching or student-related costs. These are:
 - **Premium to support successful student outcomes** (£267 million). This is made up of separate elements supporting full-time (£195 million) and part-time (£72 million) students. It enables institutions to support undergraduate students who are deemed to be most at risk of withdrawing from their studies and who therefore require additional investment to ensure their retention and success.
 - **Disabled students' premium** (£40 million). This reflects institutions' success in recruiting and retaining disabled students. This funding was doubled from £20 million in 2015-16 to £40 million in 2016-17 and 2017-18 to support HE providers to further develop inclusive models of support and to meet the rise in students reporting disabilities and mental health problems.
 - **A supplement for postgraduate students** (£47 million). This provides further funding to postgraduate taught students in price groups A to C2, except where students have access to the undergraduate student support regime, such as for teacher training courses. The funding rate is approximately £955 per FTE.
 - **Intensive postgraduate taught provision** (£35 million) and Accelerated full-time undergraduate (£2 million). These recognise extra costs associated with teaching courses that last for 45 weeks or more full-time in the year. This is not provided for courses in price group A, or to postgraduate courses in price group D.
 - **Students attending courses in London** (£65 million). This recognises the extra cost for institutions operating in London. A review of cost variations by region was completed in 2017, and it will be for HEFCE's successor bodies to consider how this might influence funding decisions from 2018-19.¹¹
 - **Erasmus+ and overseas study programmes** (£29 million). This recognises the costs associated with students spending a year abroad under exchange programmes, either within the EU's Erasmus+ framework or established separately. It is provided at a rate for 2017-18 of £2,315 per outgoing exchange student.
 - **Very high-cost STEM subjects** (£24 million for 2016-17). This reflects the high delivery costs associated with chemistry; physics; chemical engineering; and mineral, metallurgy and materials engineering. It supplements the standard HEFCE funding for price group B. It was originally introduced to support institutions to maintain provision in subjects that were vulnerable

¹¹ See www.hefce.ac.uk/pubs/rereports/year/2017/regional/

because of low student demand and as such is not recalculated afresh each year to reflect the latest student numbers.

- **Specialist institutions** (£57 million). This allocation supports certain institutions with world-leading teaching identified through an international peer review panel exercise in 2015-16¹².
- There are three allocations that are provided to support additional costs associated with clinical staff. They were introduced in earlier years to recognise pay settlements for NHS staff and increased employer contributions to the NHS pensions scheme. These allocations are:
 - Clinical academic consultants' pay (£17 million).
 - Senior academic general practitioners' pay (£1 million).
 - NHS pensions scheme compensation (£5 million).
- A **supplement for old-regime students** (£14 million). This allocation reflects the fact that institutions receive less fee income for students who started their courses before 1 September 2012, and provides extra funding to complement the high-cost subject funding they receive. It is based on estimates of the few remaining such students at each institution, and varies between institutions. 2017-18 is the last year that this allocation is provided.
- **Nursing and allied health supplement** (£6 million). This allocation is provided to institutions to support the sustainability of certain courses leading to qualification to practice in certain healthcare professions, and is conditional on institutions maintaining provision of those courses.
- The remaining £60 million is funding for the **National Collaborative Outreach Programme (NCOP)**. This programme aims to support the most disadvantaged young people in England to progress into HE. The programme consists of 29 consortia undertaking outreach activity in geographical areas where evidence shows that the HE participation of young people is lower than expected.

Funding for knowledge exchange (higher education innovation funding, HEIF)

33. Funding for knowledge exchange supports and provides incentives for institutions to work with business and other partners and maximise the economic and social benefit of HE knowledge and skills. Knowledge exchange is defined in the Higher Education and Research Act 2017 in relation to science, technology, humanities or new ideas, as “a process or other activity by which knowledge is exchanged where:
- The knowledge is in, or in connection with, science, technology, humanities or new ideas (as the case may be), and
 - The exchange contributes, or is likely to contribute, (whether directly or indirectly) to an economic or social benefit in the United Kingdom or elsewhere.”
34. For 2017-18, £185 million of HEFCE's recurrent grant is allocated to knowledge exchange, of which £47 million is drawn from the teaching grant provided by the Department for Education to HEFCE. Knowledge exchange funding is allocated using a number of income measures

¹² See www.hefce.ac.uk/lt/howfund/institution/.

collected through the Higher Education Business and Community Interaction (HE-BCI) survey reported to HESA¹³.

35. From 2018-19, knowledge exchange funding will be primarily administered by Research England, but at time of writing there is still some uncertainty on whether OfS will distribute an element of this funding.

Non-recurrent funding

36. Non-recurrent funding comprises grants for capital projects and other development initiatives, and to support national facilities. These grants are announced as they are allocated, which may be at any time of the year.

Capital funding

37. For the financial year 2017-18, £353 million has been allocated as capital funding. This funding is provided by the Government to support sustainable investment in higher education. Of the total, £150 million relates to teaching capital, of which £135 million is provided as formula-based funding for institutions and £15 million contributes to capital requirements relating to national facilities and initiatives. As capital grants are provided on a financial year basis, there is a requirement for capital grants for 2017-18 to be spent in full by March 2018.
38. Formula-based teaching capital funding is allocated in proportion to the sum, estimated for the most recent year, of each institution's resource for teaching (HEFCE teaching grant plus a notional assumption about fee income) and for non-fundable students on initial teacher training courses leading to qualified teacher status. There is a minimum threshold of £10,000: institutions whose calculated allocation is less than this threshold do not receive any funding.

Funding for national facilities and initiatives

39. For 2017-18, £134 million has been allocated to funding for national facilities and initiatives, of which £89 million is provided from government funding for teaching. This is used to support special programmes, promote specific policies and contribute towards additional costs that are not recognised through our recurrent funding methods.

40. These funding streams include:

- Projects/programmes already agreed and underway/committed.
 - **Quality assessment** (£3.8 million). Funding to support the implementation of the revised operating model for quality assessment.
 - **National Teaching Fellowship Scheme** (£0.7 million). The National Teaching Fellowship Scheme (NTFS) has been running since 2000, in conjunction with the devolved administrations, to recognise and reward excellent teaching.
 - **Provision of student information** (£3.5 million). Funding for work relating to provision of information activity, which includes the annual cost of running the National Student Survey and the Unistats website.
 - **Strategically Important and Vulnerable Subjects (SIVS)** (£0.8 million). Co-funding, over a five-year period, for Centres of Excellence in undergraduate teaching of Quantitative Methods.

¹³ See www.hefce.ac.uk/ke/ for further detail on the calculation method.

- **Learning Gain** (£1.5 million). Funding to support excellence and innovation in teaching and learning. HEFCE is funding a programme of institutional pilots and a centrally administered study, which are collectively exploring different methodological approaches to measuring learning gain.
- **Museums, Galleries and Collections** (£10.7 million). Funding to support museums and galleries in the sector where the cost of stewardship goes beyond what universities could be expected to meet from mainstream funding for teaching and research. Responsibility for this funding in future is expected to transfer to UKRI.
- **Inherited staff liabilities** (£24.5 million). Funding to meet the cost of certain historic staff-related commitments of HEIs that were previously Local Authority maintained
- **HESA data futures** (£1.6 million). Funding for a transformation project at HESA to deliver a new HE data landscape, with the aim of creating more relevant, reliable, comprehensive and timely information about HE for the benefit of the sector and other interested parties.
- **Catalyst Fund** (£20 million). Funding to support change and innovation in the sector, focussing on innovations in learning and teaching, leadership for new futures, efficiency and effectiveness, maintaining diversity of market choice, student safeguarding and reducing barriers to student success.
- **Jisc** (£20 million). Funding to support strategic guidance, advice and opportunities in the use of information and communications technology in the higher education sector, including support for the Joint Academic Network
- **Policy Ongoing Services** (£1.5 million). Funding that contributes to the delivery of services directly to HEIs or other HE sector bodies (such as costing and evaluation studies).
- **Leadership & Governance** (£0.7 million). Funding to support the Leadership Foundation to develop world-class programmes for leaders, governors and managers in higher education.
- **Higher Education Regional Associations** (£0.2 million). Funding towards the costs of the HE regional associations which are membership organisations that represent HEIs, or for collaborative regional activity.
- Projects/programmes signalled as government priorities in HEFCE's grant letter.
 - **Research Excellence Framework** (£1.5 million). Funding to support the development and delivery of the mechanism for assessing the quality of research in UK higher education. Responsibility for this will transfer to UKRI.
 - **Promoting efficiency and financial sustainability** (£0.3 million). Funding to support various initiatives to promote efficiency and monitor financial sustainability in the sector, including Transparent Approach to Costing (TRAC)¹⁴ activities.

¹⁴ See www.hefce.ac.uk/funding/finsustain/ for further information.

- **Nursing, midwifery and allied health initiative** (£1 million). Funding for national initiatives that support demand and improve retention to enhance the sustainability of small, specialist and vulnerable pre-registration courses in nursing, midwifery and allied health professions.
- Organisations/activities on an agreed trajectory to reduce/end core funding.
 - **National Centre for Universities & Business (NCUB)** (£0.4 million). Funding, in conjunction with the devolved administrations, to support the promotion and improvement of university-business links, and address priorities in the Industrial Strategy, including on research and innovation and skills.
 - **International activities** (£0.3 million). Funding for Universities UK's Higher Education International Unit to assist in promoting UK higher education internationally and supporting the outward mobility project for students.
 - **National Coordinating Centre for Public Engagement (NCCPE)** (£0.1 million). Funding to support the quality of public engagement with research and continue to develop further capacity in the sector to deliver it.
- Other specific government initiatives where funding was confirmed after the last HEFCE grant letter.
 - The **Degree Apprenticeships Development Fund** (£4 million). This supports new degree apprenticeships, by creating new higher-quality apprenticeships; establishing capacity and expertise to deliver them making broader educational opportunities available to learners.
 - **Teaching Excellence Framework** (£1.6 million). Funding to support the development and delivery of the mechanism for assessing the quality of teaching in UK higher education, including TEF year 3 and subject pilots.
 - **Funding for the Institute of Coding** (£5 million). This is an initiative to establish an institute to serve as a national focus for improving digital skills provision at levels 6 and 7.
 - The **Connecting Capability Fund** (£15 million). This supports university collaboration in research commercialisation. It aims to share good practice and capacity internally across the HE sector, forge external technological, industrial and regional partnerships, and deliver Government industrial strategy priorities. Responsibility for this will transfer to UKRI.
 - An extra £15 million for knowledge exchange funding to support delivery of the industrial strategy, allocated as a one-off uplift to the main 2017-18 allocations. Responsibility for this will transfer to UKRI.

Funding process and timetable

41. The table below presents the current anticipated timeline for announcing 2018-19 teaching grant allocations to institutions. This is based on the scheduled Board meetings and the expected date for receipt of a guidance letter from Government.

May 2017 to October 2017	(HEFCE) HESES17 & HEIFES17: Preparation and testing of workbooks, preparation of guidance and training for institutions.
November 2017 to Mid-January 2018	(HEFCE) HESES17 & HEIFES17 - collection and verification of data.
29 January 2018	OfS Board meeting. Presentation and briefing on OfS funding role and decisions required relating to the transitional period April 2018 to July 2019. Some early steers and decisions may be sought from the Board.
Mid-January to April 2018	Preparation of grant tables and supporting documents, calculation of institutional allocations once funding methods are confirmed.
February 2018	Receipt of Government grant/guidance letter. Regulations laid setting out transitional arrangements by which OfS assumes current powers of HEFCE and the Director of Fair Access for the period April 2018 to July 2019.
26 March 2018	OfS Board meeting. Decisions will be sought from the Board on: <ul style="list-style-type: none"> • Delegation of authority to approve the terms and conditions for receipt of OfS funding, in the period April 2018 to July 2019 to be set out in the MAA and funding agreements. • Confirmation of funding allocations previously announced by HEFCE for the 2017-18 academic year. • Approval of the budgets and funding methods used to calculate 2018-19 grant allocations. • Any other necessary delegations of authority by the Board to allow allocations to providers to be finalised and announced.
Late March/early April 2018	MAA and funding agreements sent to institutions.
Early April 2018	Publication of OfS Board decisions on budgets and funding methods. This policy announcement is required before the pre-election period for the 3 May 2018 local elections begins.
April 2018	Approval under delegated authority or by circulation of the individual grant allocations for institutions.
Early May 2018	Release of 2018-19 grant allocations to funded institutions. Due to the pre-election period for the 3 May 2018 local elections, we anticipate initially releasing these to institutions under embargo. After the election and early May bank holiday, this information will be made publicly available on the OfS website.
After May 2018	In previous years, HEFCE has provided an opportunity to amend and review institutional data, after the spring grant announcement, and there is an expectation that this opportunity will still be offered. This allows the incorporation of any data changes, for example to reflect any institutional mergers or any audit work.