

Formula capital funding for 2020-21

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Summary

1. This publication summarises our allocations of formula capital funding for the financial year 2020-21 (1 April 2020 to 31 March 2021). It includes information on:
 - the budget available to us
 - how we calculate capital allocations
 - individual allocations to higher education providers (set out in Annex A).
2. The capital funding made available to us by the government for the financial year 2020-21 totals £150 million, from which we are providing £10 million for Jisc to support information technology infrastructure. We are also allocating up to £140 million in formula capital funding to providers registered with the Office for Students (OfS) in the 'Approved (fee cap)' category. This document announces allocations that, in March 2020, total £136 million, made to those providers that were registered in the 'Approved (fee cap)' category on 17 March 2020. The balance is set aside as provision for providers that may join the OfS register in this category before the end of the financial year (31 March 2021), and to support development costs for the Higher Education Statistics Agency (HESA) Data Futures programme.
3. Capital funding is managed on a financial year basis (1 April 2020 to 31 March 2021), and is made available to support higher education teaching infrastructure. We require capital grants for 2020-21 to be spent in full by 31 March 2021; we cannot provide funding in advance of need.

Formula capital funding for 2020-21

4. This publication sets out formula teaching capital allocations for the financial year 2020-21 (1 April 2020 to 31 March 2021). We allocate formula teaching capital to higher education providers registered with the OfS in the Approved (fee cap) category. These funds are available to support capital investment in learning and teaching and are subject to the terms and conditions set out in 'Terms and conditions of funding for 2020-21', which we are publishing separately.
5. The strategic guidance letter in January 2020 from the Secretary of State for Education confirmed the funding available for the financial year 2020-21 and the government's priorities that should underpin our approach to funding¹. The total of £150 million in capital funding is a £50 million increase compared with the financial year 2019-20 (see 'Formula capital funding for 2019-20' (OfS 2019.13)²), but the same cash total as for financial years 2017-18 and 2018-19.
6. From the total available for financial year 2020-21, we are providing £10 million for Jisc to support information technology infrastructure and up to £140 million in formula capital funding to providers registered with the OfS in the 'Approved (fee cap)' category. Annex A shows formula teaching capital allocations to providers for the 2020-21 financial year. In our initial allocations in March 2020, these total £136 million and have been made only to providers that were registered with the OfS in the Approved (fee cap) category by 17 March 2020. Allocations to providers and their totals are rounded to the nearest £1. The balance is set aside for providers that may join the OfS register in this category before the end of the financial year, and to support development costs for the HESA Data Futures programme.
7. We provide an annual capital allocation distributed according to our available funds. We require capital grants for 2020-21 to be spent in full by 31 March 2021.

Funding set aside for providers that are not currently registered with the OfS in the Approved (fee cap) category

8. Subject to providers meeting all eligibility criteria for capital funding and our having sufficient funding available, we will make further formula capital allocations to providers that are registered in the Approved (fee cap) category after 17 March 2020 and before the end of the financial year (31 March 2021), as follows:
 - a. For a provider that submits its application to register in the Approved (fee cap) category **by 30 April 2020** (subject to its application for registration being successful on or before 31 March 2021), a full allocation of formula capital funding for the whole financial year.
 - b. For a provider that submits its application to register in the Approved (fee cap) category **after 30 April 2020** (subject to its application for registration being successful on or before 31 March 2021), an allocation of formula teaching capital grant reduced pro rata to reflect

¹ See www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

² Available at www.officeforstudents.org.uk/publications/formula-capital-funding-for-2019-20/.

the number of days in the 2020-21 financial year before it becomes registered in the Approved (fee cap) category³.

9. We will not reduce the allocations announced in this document to extend funding to providers that join the OfS register later.
10. As explained in paragraph 8, only those providers that have successfully completed registration by 31 March 2021 will receive formula teaching capital for 2020-21. As described in paragraph 15, the allocation method includes a minimum threshold of £10,000. Providers whose formula-based allocation would be less than this are not eligible for funding for the year. This also applies if a provider's formula-based allocation is reduced pro rata, as described in paragraph 8.b, to below £10,000. Such a provider would not be eligible for formula capital funding for financial year 2020-21.
11. We expect to update formula capital grants periodically during financial year 2020-21 to reflect any providers that are registered in the Approved (fee cap) category later in the year and meet the threshold eligibility requirement for an allocation. Updated versions of the allocation table given in Annex A will be released to reflect this.

Calculation method

12. We introduced a revised allocation method for formula-based capital grants for 2019-20, following consultation⁴. We have not changed the method for 2020-21. Formula capital grants are calculated pro rata to weighted full-time equivalent student numbers (FTEs) at each provider. The FTEs used in this calculation are the same ones that will inform 2020-21 recurrent grants⁵, plus those on initial teacher training courses leading to qualified teacher status fundable by the Department for Education.
13. The overall weighted FTEs for a provider are calculated as:

FTEs weighted by price group and level x (London weighting + specialist institution weighting)
+ (FTEs x weighted disability proportion x 0.1)

³ For example, if a provider joins the OfS register in the Approved (fee cap) category on 1 August 2019, its formula capital allocation will be reduced by $122 \div 366$ (to reflect the 122 days of the 366-day 2019-20 financial year during which it is not registered).

⁴ The allocation method for 2019-20 is described in OfS 2019.13. Our consultation on the method was in 'Funding for 2019-20: Consultation on terms and conditions and method', OfS 2019.02 (www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/).

⁵ These are largely the fundable student FTEs reported by providers in the Higher Education Students: Early Statistics survey 2019 or Higher Education Students Forecast survey 2020. Further information about these surveys is available at www.officeforstudents.org.uk/data-and-analysis/data-collection/. They also incorporate a small number of adjustments to student numbers expected in academic year 2020-21, such as for increases on pre-registration courses in medicine, nursing, midwifery and allied health, arising from the government's health education reforms.

14. Weightings are based on the following:

- a. **Price group and level.** These recognise that, for example, clinical and laboratory-based subjects have higher capital costs than classroom-based subjects, and that postgraduates may use more specialist facilities and do so more intensively. Higher weightings are applied to FTEs in price groups A, B and C1⁶. An additional 10 per cent of the weighting is added for postgraduates in price groups A to C2. Table 1 shows the weighting factors that apply by price group and level.

Table 1: Formula-based capital funding weights for price group and level

Price group	Undergraduate weights	Postgraduate weights
A	2.7	2.97
B	1.9	2.09
C1	1.1	1.21
C2	1	1.1
D	1	1

- b. **London weighting.** This recognises the additional costs of operating in London, reflecting in part the findings of the consultancy study commissioned by the Higher Education Funding Council for England (HEFCE) in 2017⁷. Weightings are applied to providers wholly in inner London (0.08) and wholly in outer London (0.05). No extra weighting is applied to providers wholly outside London. Providers with provision in more than one of these areas have an average weighting to reflect the proportion of their activity in each area.
- c. **Specialist institution weighting.** This recognises the particular needs of world-leading specialist providers. The weighting for each provider is the same as applied in our formula capital allocations for financial year 2019-20, and reflects the size of a provider's specialist institution targeted allocation (if applicable) relative to its overall assumed resource in 2018-19.
- d. **Weighted disability proportion.** This recognises costs as providers invest in inclusive models of support to meet the rapid rise in students reporting disabilities and mental health issues, and deliver on the commitments made to those students in their access and participation plans or statements. It is calculated in the disabled students premium (part of recurrent teaching grant) to reflect the proportions of students at each provider receiving Disabled Students' Allowances (DSA) (weighted 2) and others who self-declare a disability (weighted 1), using the latest individualised student data for academic year 2018-19. This part of the calculation therefore provides an additional weighting of 20 per cent for students receiving DSA and 10 per cent for other students self-declaring a disability.

⁶ See 'Guide to funding 2019-20; How the Office for Students allocates money to higher education providers' (OfS 2019.18), available at www.officeforstudents.org.uk/publications/guide-to-funding-2019-20/.

⁷ 'Regional variation in costs and benefits for higher education providers in England', a report by Deloitte LLP to HEFCE, available at <https://webarchive.nationalarchives.gov.uk/20180405115447/http://www.hefce.ac.uk/pubs/rereports/year/2017/regional/>.

15. We aim to distribute capital grant in the most effective way to secure benefits for students. Therefore, formula capital grants are not provided where a provider's share would be less than £10,000. Because of the overall increase to the sum available for distribution, more providers meet this eligibility threshold for financial year 2020-21 than did in 2019-20.
16. The main reasons for changes to allocations for providers that received formula capital grants for financial year 2019-20 are the increased total funding available for distribution (see paragraph 5) and year-on-year changes to their student numbers relative to all other providers.

Grant payments, conditions and monitoring

17. We are publishing separately 'Terms and conditions of funding for 2020-21'. This sets out the terms and conditions that apply to OfS formula capital funding for the 2020-21 financial year, including the arrangements for payment, how it may be used and monitoring arrangements. Providers should consult that document for full information on the terms and conditions attached to receipt of capital funding.
18. The OfS will pay formula-based capital grants for 2020-21 according to a funding profile that will be disclosed separately via the grants profile available on the OfS portal from 1 April 2020⁸. Capital funding is managed on a financial year basis and payments will normally be made in three or four instalments, though to manage timing differences between budget allocations and actual payments some payments may fall in different financial years. We require capital grants for 2020-21 to be spent in full by 31 March 2021.
19. The OfS may require providers that receive capital funding for 2020-21 to subsequently submit a monitoring return on their expenditure after the end of the financial year (that is, in late 2021). This helps us to understand the impact of the capital grant at individual providers. We will confirm separately whether a monitoring return will be required and, if so, what it will collect.

Further information

20. Providers requiring further information should contact recurrentgrant@officeforstudents.org.uk.

⁸ See <https://extranet.officeforstudents.org.uk/GrantReport>.

Annex A: Capital funding allocations to providers

1. Annex A is available to download as an Excel file alongside this document at www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/.
2. The top right of the table (cell E2) reflects the release date of the capital allocations in the table.

Descriptions of columns in the Annex A table

3. **Provider** lists both legal name and trading names of higher education providers. A hidden column in the Excel file identifies the government region for each provider.
4. **Formula-based teaching capital** shows the allocation for each provider. Providers shown as having an allocation of £0 have not met the £10,000 threshold required to be eligible for funding.



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