

Office for
Students



Terms and conditions of funding for 2023-24

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Summary

1. This document sets out terms and conditions of funding that apply for the academic year 1 August 2023 to 31 July 2024. These apply to the recurrent and capital funding the Office for Students (OfS) will distribute to providers that are registered in the Approved (fee cap) part of the OfS Register of higher education providers.
2. Terms and conditions of OfS funding supplement the conditions of registration that apply to providers in the Approved (fee cap) category.¹ Where requirements are a condition of registration, we have tried to avoid replicating them as conditions of funding.

Introduction and scope

3. The terms and conditions of funding set out in this document apply for the academic year 1 August 2023 to 31 July 2024. They are made under Section 41 of the Higher Education and Research Act 2017 (HERA). They apply to the higher education providers that the OfS funds; they support the OfS's responsibility to provide annual assurances to Parliament that funds provided are being used for the purposes for which they were given and value for money is being achieved.
4. The OfS funds eligible higher education providers – those registered in the Approved (fee cap) category of the OfS Register² – for certain activities as defined under Section 39(1) of HERA. Being registered as an Approved (fee cap) provider is a prerequisite for a provider to be eligible for OfS funding under Section 39(1) of HERA, and the main requirements that the OfS places on providers arise from the conditions of registration that apply to them as Approved (fee cap) providers. These are set out in the OfS regulatory framework for higher education in England³ and in any specific conditions of registration that additionally apply to a provider, as separately notified to it (whether or not such specific conditions are published on the OfS's Register⁴).
5. Terms and conditions of OfS funding are supplementary to any conditions of registration that apply. However, condition of registration G2 requires a provider to comply with any terms and conditions that, under sections 41(1) or 94(2) of HERA, are attached to financial support received from the OfS and UK Research and Innovation (UKRI). A breach of these terms and conditions of OfS funding may therefore be a breach of this condition of registration.
6. All funding allocated to eligible higher education providers by the OfS under Section 39(1) of HERA is subject to the terms and conditions set out in this document and, in accepting funding, the provider is agreeing to them. The OfS will make material revisions to this document only after consulting providers or such representative bodies for providers as it considers appropriate. We may apply additional terms and conditions to individual grants, relating to the

¹ See www.officeforstudents.org.uk/advice-and-guidance/regulation/registration-with-the-ofs-a-guide/conditions-of-registration/.

² Under the Higher Education (Transparency Condition and Financial Support) (England) Regulations 2018 (www.legislation.gov.uk/uksi/2018/1382/made).

³ See www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/.

⁴ The OfS Register is available at www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/.

use of funds or monitoring arrangements: these will be set out before the first payment of those grants is made, normally when the grant award is first notified to the provider.

Terminology

7. **'Provider'** means an 'English higher education provider' as defined in Section 83 of HERA. 'Eligible higher education provider' means a provider registered in the Approved (fee cap) part of the OfS's Register.⁵
8. **'Funding', 'Grant(s)' and 'Money'** are used synonymously in this document to mean financial support provided under section 39(1) of HERA by the OfS to the governing body of an eligible higher education provider in respect of expenditure incurred, or to be incurred, by the provider for the purposes of either or both of the following:
 - a. The provision of education by the provider.
 - b. The provision of facilities, and the carrying on of other activities, by the provider, which its governing body considers it is necessary or desirable to provide or carry on for the purposes of, or in connection with, education.
9. **'Recurrent grant'** and **'recurrent funding'** mean funding allocated on an annual basis in respect of operating expenditure incurred, or to be incurred, by the provider on its ongoing teaching and related activities for an academic year. It is largely calculated by formula, informed by data submitted by providers, and is set out in recurrent grant tables that the OfS will issue before the start of the academic year.
10. **'Capital funding'** and **'capital grant'** mean funding allocated in respect of capital expenditure incurred, or to be incurred, by the provider. Capital expenditure means money used to acquire or maintain fixed assets, such as land, buildings and equipment, and which is normally capitalised in the provider's audited annual accounts. It does not include expenditure on rent, or hiring or leasing of equipment and facilities. Capital grants must be used for the purposes set out in paragraphs 45 to 54.
11. **'Academic year'** means the 12-month period 1 August to the following 31 July.
12. **'Financial year'** means the 12-month period 1 April to the following 31 March.
13. **'Suspend'** or **'suspension of'** grant are used to mean that the amount of grant that was due to be paid in a particular time period will not be paid until the provider has met specific conditions, but will be payable (subject to any recalculation and adjustment that may apply) once we confirm to the provider that it has met those conditions. Such conditions may relate to the provider's registration with the OfS (which could itself be suspended in whole or part), or to specific requirements it places on a provider for its funding purposes.
14. **'Withdraw'** or **'withdrawal of'** grant are used to mean that the amount of grant that was due to be paid in a particular time period will not be paid at all. This may apply to all OfS funding for a

⁵ As defined in the Higher Education (Transparency Condition and Financial Support) (England) Regulations 2018 (www.legislation.gov.uk/uksi/2018/1382/made). Eligibility criteria for registration of a provider are set out in paragraphs 74 to 91 of the regulatory framework for higher education in England.

provider or to a particular element of its OfS grant. It may arise as a result of changes to the status of its registration with the OfS (such as its removal or suspension in whole or part from the OfS's Register), or for another reason arising from the terms and conditions of funding set out in this document or elsewhere.

15. **'Adjust'** and **'adjustments to'** grant and other allocations mean that the OfS will recalculate and implement changes to payments or other allocations that it has previously notified to a provider. Adjustments may be positive or negative (including being reduced to zero), and may arise as a result of changes to the data or information used to inform funding calculations (including in relation to any eligibility criteria for funding that may apply⁶), our monitoring of funding allocations, or for other reasons arising from the terms and conditions under which it provides grant. Where an adjustment involves a reduction to grant, this will normally be implemented by reducing future grant payments. If these are insufficient to allow the OfS to recover grant already paid in a timely way, we may require a direct repayment by the provider.

The terms under which the OfS provides funding

16. The OfS will notify allocations of funding to each eligible higher education provider. We will first issue grant tables showing the allocations of recurrent funding for providers for the 2023-24 academic year in July 2023. Formula-based capital funding allocations for some providers for the 2023-24 financial year were first announced on 23 March 2023, as part of the second of three formula capital funding allocations that we are making in the spending review period for financial years 2022-23 to 2024-25.⁷ Other grants will be notified separately.

17. The OfS may adjust allocations subsequently:

- a. In the light of any data assurance work we carry out with individual providers, any other data amendments that we agree to accept,⁸ and any transfers of students or activity between providers that we agree to reflect.
- b. For other reasons arising from the eligibility criteria for, and terms and conditions of, OfS funding set out in this document or notified separately. The OfS may also deny a provider access to future grant funding, including access to specific grants or to discretionary funding.

18. Initial allocations of recurrent and formula capital grants for 2023-24 for some providers may be determined using data they have submitted to the Higher Education Students Forecast 2023-24 (HESF23) survey.⁹ This applies to providers that did not have higher education provision recognised for OfS funding purposes in 2022-23. Where this is the case, the OfS will recalculate and adjust those allocations to reflect a provider's actual student numbers in

⁶ Some OfS grants may have additional criteria or conditions that must be met as a prerequisite for a provider to be eligible for them (that is, additional to the general requirement that the provider is registered in the Approved (fee cap) part of the OfS's Register). If the OfS finds, after a grant award has been made, that a provider did not meet such eligibility criteria, it may adjust or withdraw the grant.

⁷ See www.officeforstudents.org.uk/publications/formula-capital-funding-2023-allocations/.

⁸ The OfS's data amendments process is set out at www.officeforstudents.org.uk/data-and-analysis/amendments-to-data/.

⁹ See www.officeforstudents.org.uk/data-and-analysis/data-collection/hesf/.

2023-24, using the same funding methods,¹⁰ data categorisations and definitions as have applied in determining the initial allocations. Where this recalculation results in a reduction to grant, we will invite the provider to submit an appeal for mitigation before we confirm the final adjustment that we will implement. However, (as set out in paragraph 34) if the provider does not have any OfS-fundable students in 2023-24, all recurrent and capital funding for that year will be withdrawn, and no appeal for mitigation will be invited.

19. The OfS reserves the right to revise any allocation to take account of changes to the grant available to us from government (see paragraphs 23 and 24).
20. In cases where the OfS requires repayment, we may charge interest, at 2 per cent above the Bank of England base rate, for the period before the provider repays the funding.

Data assurance

21. If the OfS finds (whether through data reconciliations, data audit or any other means) that erroneous data has resulted in providers receiving incorrect funding or student number allocations, then we will adjust these accordingly – subject to the availability of our funds. Where data error has resulted in a funding allocation being too high, we will recover the excess funding from the provider for any year informed by the audited or reconciled data (including any consequential effects on funding for subsequent years), unless there is evidence that a provider has deliberately not complied with the funding rules or has ignored previous Higher Education Funding Council for England (HEFCE) or OfS advice and recommendations. In these exceptional circumstances the OfS may recover funding that relates to a longer period, up to a maximum of seven years (including in relation to years when funding was provided by HEFCE). A provider must repay any funding that the OfS identifies as having been overpaid as a result of such recalculations.
22. If data or information has not been provided, or the OfS considers that it is incomplete, incorrect or otherwise not of a satisfactory quality, then we may, at our sole discretion, use our own assumptions or estimates about the relevant data or information for the provider to determine its eligibility for, and level of, funding. This may include assuming that the provider has no eligible activity to count towards the allocation of a particular element of funding and thus that no such funding should be provided to it.

Changes to the grant available to the OfS

23. The government's strategic guidance letter to the OfS of 30 March 2023 confirmed the recurrent funding available for the 2023-24 financial year (April to March), but did not show any indicative recurrent funding for the 2024-25 financial year.¹¹ The letter also identified the policies and priorities that should underpin the OfS's approach to funding. The capital funding

¹⁰ This may involve changes to rates of grant as a result of implementation of changes to OfS budgets as described in paragraphs 19, 23 and 24; or changes to provider grant rates or weighting factors, as a result of recalculation using updated provider data.

¹¹ Government guidance letters are available at: www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

available to the OfS for financial years 2022-23 to 2024-25 was previously announced in the government's strategic guidance letter to the OfS of 31 March 2022.¹²

24. The OfS has agreed 2023-24 academic year budgets in the light of the strategic guidance letters from the Secretary of State. In doing so, we have had to make an assumption about the recurrent funding that might be available for the 2024-25 financial year, because of its four month overlap with the 2023-24 academic year. Any changes to the grant made available to the OfS by government for financial year 2023-24, or that we have assumed for financial year 2024-25, are likely to affect the funding we are able to distribute to providers in the 2023-24 academic year. If such changes arise, the OfS may adjust any funding allocation to a provider after it has been announced, to ensure that the total funding the OfS allocates remains within the available budget.

Arrangements for payment

25. The OfS will normally pay recurrent funds to the provider in monthly instalments, in accordance with a funding profile for the whole academic year that will be notified separately.

26. The OfS will normally pay formula-based and competitive capital grants for the 2023-24 financial year according to a funding profile that was notified to providers on 1 April 2023 via the grants profile available on the OfS portal.¹³ For competitive grants for the period covering financial years 2022-23 to 2024-25, this profile is informed by the split of OfS funding between financial years sought in a provider's successful bid, or as we may subsequently agree in the light of our monitoring of providers' progress with their funded projects. We require providers to notify us if payment according to that profile will result in them receiving funding in advance of need (that is, in advance of them incurring the capital expense). Were this to occur, we would suspend or reduce payments due according to the profile, reflecting the provider's circumstances, and require it to submit evidence of expenditure before the OfS released further funding.

27. The OfS reserves the right to amend payment profiles during the year, but we will make adverse changes to the profile only in exceptional circumstances and following consultation with the provider.

28. The OfS has a limited budget to distribute between eligible higher education providers. The distribution of grants between providers is determined and announced according to a timetable that we will determine. While providers may apply to join the OfS's Register at any time, upon registration in the Approved (fee cap) category, a provider becomes eligible (subject also to any other specific eligibility criteria that may apply) only for those grants whose distribution has not already been determined by the OfS, even if payment of those grants has not yet been made (in whole or part). This means that:

- a. **Where the OfS determines allocations through a competitive or review process** that involves an assessment against eligibility criteria or the prioritisation of submissions or bids

¹² See 'Guidance to the OfS on the higher education strategic priorities grant for the 2022-23 financial year (March 2022)', available at: www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

¹³ See <https://extranet.officeforstudents.org.uk/GrantReport>.

from providers,¹⁴ a provider not registered in the Approved (fee cap) part of the OfS's Register at the time that the OfS agrees those allocations is not eligible. Such providers only become eligible in the next competition or review process held after their addition to the Register in the Approved (fee cap) category. This principle also applies where allocations determined by such a process apply for a period of more than one year.

- b. **Where the OfS otherwise determines allocations by formula**, the OfS may, at our sole discretion, consider whether we have scope to include a provider, newly registered in the Approved (fee cap) category, in any update or recalculation of such allocations where the provider was not so registered when the allocations were first determined. This applies to most elements of recurrent and formula-based capital grants. Factors that we will consider in deciding whether we have such scope include (but may not be limited to):
- i. Whether the OfS has sufficient budget available in the year to make an allocation to the provider without this having an adverse effect on allocations for providers already announced
 - ii. Whether the OfS has sufficient data or information necessary to determine an allocation for the provider, or can secure it in a timely way
 - iii. The desirability of treating providers in similar circumstances consistently.

29. Grant payments (whether profiled or otherwise) will be made only while, and in respect of periods during which, a provider meets all eligibility requirements for them, including that it is in the Approved (fee cap) category on the OfS's Register. A provider will have no entitlement to receive any unpaid balance of a grant previously notified if, at the time payment is due, it is no longer eligible for funding. Thus:

- a. If we suspend a provider from the OfS Register, or suspend some elements of the provider's registration, we may (depending on the nature of that suspension) suspend or withdraw payments of grant, in whole or part, until the suspension from the Register is lifted.
- b. If a provider ceases to be registered in the Approved (fee cap) category of the OfS Register, then the provider's eligibility for OfS funding and all grant payments to it will cease with immediate effect.

Repayable grants and loans

30. The OfS may make repayable grants or loans to a provider for the purposes set out in paragraph 8. The provider must repay any such financial support to the OfS according to the timetable and circumstances that we will specify when we make such awards.

¹⁴ Examples include Challenge Competitions (www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/ofs-challenge-competitions/), Uni Connect (www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/) and capital bidding competitions (www.officeforstudents.org.uk/publications/capital-funding-for-2022-23-to-2024-25-formula-allocations-and-invitation-to-bid/).

Conditions of funding with which providers must comply

31. The OfS will withdraw grant to the provider if it is not used for the purposes intended,¹⁵ as set out in paragraphs 32 to 52, or as notified separately.
32. The provider is free to distribute internally, at its own discretion, all funding from the OfS which is not earmarked or provided for a specific purpose, subject to that funding being used for the activities and facilities eligible for funding under Section 39(1) of HERA (see paragraph 8); and for the primary benefit of the provision of higher education courses and current and prospective students on them. We recognise that our funds may also benefit other areas of activity, for example in contributing to the costs of staff who may work across both further and higher education, or across higher education teaching, research and administrative roles. Any funds that have been earmarked or provided for a specific purpose must be used solely for that purpose.
33. When using OfS funding, providers must apply proper processes that ensure effective accountability and secure value for money. This requirement also applies where the provider passes on part of its OfS funding to another legally distinct entity (for example, under a subcontractual arrangement) for the provision of education, or related facilities or activities. In these circumstances the provider awarded the funding by the OfS will be held accountable for those funds. That provider must therefore ensure adequate and effective accountability arrangements are in place when it passes on such funding to another entity.
34. If a provider does not have any OfS-fundable students in 2023-24, all recurrent and capital funding for that year will be withdrawn. Unless subsequently revised, 'OfS-fundable students' has the meaning set out in Annex F of the 2022 Higher Education Students Early Statistics (HESES) survey (OfS 2022.48)¹⁶, as applying to countable students in the survey population who are on courses recognised for OfS funding purposes.

Earmarked funding

35. Some OfS funding is earmarked as being provided for specific purposes and must be used only for those purposes. This applies to some recurrent grants (see paragraphs 36 to 42), capital funding (see paragraphs 45 to 52), funds awarded through competitions, such as

¹⁵ Under condition of registration E3 the governing body of a provider must ensure the provider's compliance with all of its conditions of registration and with the OfS's accounts direction. The most recent accounts direction was published in 'Regulatory advice 9: Accounts direction. Guidance on preparing and publishing financial statements for accounting periods beginning on or after 1 August 2019' (OfS 2019.41, available at www.officeforstudents.org.uk/publications/regulatory-advice-9-accounts-direction-accounting-periods-beginning-on-or-after-1-august-2019/). Under the accounts direction, a provider's external auditor must report to the governing body on whether in all material respects:

- funds, from whatever source, administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation
- where applicable, funds provided by the OfS, UKRI (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them.

¹⁶ Available at www.officeforstudents.org.uk/publications/heses22/.

Uni Connect, and OfS Challenge Competitions,¹⁷ and to other grants that support national facilities and regulatory activities. We will specify any restriction on the use of funds in advance of the first payment of those funds (usually when the award of funding is notified to a provider). Any such restriction may be **additional to** the terms and conditions specified in this document.

Student premium funding

36. Four formula-based student premium allocations are shown on the 2023-24 recurrent grant Tables A and C:

- premium to support successful student outcomes: full-time
- premium to support successful student outcomes: part-time
- disabled students' premium
- premium for student transitions and mental health.

37. Student premium funding is earmarked to contribute towards the aims and objectives set out in providers' approved access and participation plans for 2023-24 or (for those without such plans) access and participation statements; providers must therefore use student premium grants solely for these purposes. In particular:

- a. The full-time and part-time student premiums are intended to support the costs of activities that contribute to providers' ambitions around student success and progression.
- b. The disabled students' premium is intended to support the costs of activities that will promote inclusion and remove barriers to participation and success for disabled students.¹⁸
- c. The premium for student transitions and mental health is earmarked for activities and services that support students transitioning into higher education, particularly to address the challenges that this can present for mental health.

Funding to support Level 4 and 5 provision

38. This element of grant is provided for distribution in the 2023-24 academic year to encourage greater provision of, and build capacity in, courses leading to Level 4 and 5 qualifications. This funding allocation will be announced in March 2024, following sign off of HESES data for the 2023-24 academic year. We will require providers in receipt of this funding stream to complete a short monitoring return on how they have used their allocation. Details of this monitoring return will be confirmed when funding allocations are announced in March 2024.

¹⁷ For Uni Connect, see www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/; for Challenge Competitions, see www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/ofs-challenge-competitions/.

¹⁸ This includes measures to address the needs of students with, for example, mental health issues or autistic spectrum disorders. Providers should have regard to the report 'Inclusive teaching and learning in higher education as a route to excellence' (www.gov.uk/government/publications/inclusive-teaching-and-learning-in-higher-education), which encourages providers to look at how they can support and offer the best environment for disabled students, considers the requirement to provide 'reasonable adjustments' under the Equality Act 2010, and suggests actions to mitigate risks associated with that.

Targeted allocation for very high-cost STEM subjects

39. To be eligible for the targeted allocation for very high-cost science, technology, engineering and maths (STEM) subjects, shown on the 2023-24 recurrent grant Table A, a provider must be actively recruiting to have new entrants in the year for which funding is provided to the very high-cost disciplines (physics; chemistry; chemical engineering; and minerals, metallurgy and materials engineering) that this funding aims to sustain. The funding is earmarked to support the direct teaching costs of higher education programmes in those subjects and providers must therefore use the funding solely for this purpose. If the OfS finds that a provider was not eligible for funding, including because it has ceased recruiting to the subjects concerned, or that the provider has not used the funding for the purposes intended, we will require the provider to repay all the allocation attributable to the subjects concerned.

Nursing, midwifery and allied health supplement

40. To be eligible for the nursing, midwifery and allied health supplement, shown on the 2023-24 recurrent grant Table C, a provider must be actively recruiting to have new entrants in the year for which funding is provided to pre-registration courses for the professions listed in paragraph 41 that this funding aims to sustain. The funding is earmarked to support the direct teaching costs of such courses, and to cover costs that would otherwise fall to students, such as vaccinations, Disclosure and Barring Service checks, occupational health checks and uniforms. Providers must therefore use the funding solely for these purposes. Pre-registration courses are undergraduate and postgraduate courses that on successful completion lead to eligibility to apply to join the registers (or the relevant part or parts of the registers) for the professions concerned maintained by:

- a. The Nursing and Midwifery Council (for nursing and midwifery).¹⁹
- b. The Health and Care Professions Council (for other professions).²⁰

41. For the purposes of the nursing, midwifery and allied health supplement, the professions are:

- adult, mental health, child, learning disability and other (unclassified) nursing
- dietetics
- midwifery
- occupational therapy
- orthoptics
- physiotherapy

¹⁹ Pre-registration courses are those at English providers listed at www.nmc.org.uk/education/approved-programmes/ by selecting the relevant pre-registration course type from the drop-down menu headed 'Course'.

²⁰ Pre-registration courses are those at English providers listed at www.hcpc-uk.org/education/programmes/register/ by selecting the relevant profession from the drop-down menu under 'Search by profession'.

- podiatry
- prosthetics and orthotics
- diagnostic radiography
- therapeutic radiography
- speech and language therapy.

42. If the OfS finds that a provider was not eligible for funding, including because it has ceased recruiting to pre-registration courses for the professions concerned, or that a provider has not used the funding for the purposes intended, we will require the provider to repay all of the allocation attributable to the courses concerned.

Funding to accelerate the growth of degree apprenticeships

43. Details of this element of grant will be announced later in the 2023-24 academic year, when submissions will be invited from providers. We anticipate that providers will use funding allocations to fund capacity building projects, to deliver a wider range of provision and to improve access to degree apprenticeships.

44. We will require providers in receipt of this funding stream to complete a monitoring return on how they have used their allocation. Details of this return will be published when providers are asked to make their submissions, along with any additional terms and conditions that apply to this element of grant.

Capital funding

45. Capital funding (as defined in paragraph 10) is provided on a financial year basis and must be used for the purposes intended, in accordance with the terms and conditions that apply (as set out in paragraphs 46 to 51). The OfS will not make payments to providers in advance of need and thus providers must use capital grants in full within the relevant funding period for which they are provided. For the formula grants first announced in 'Formula capital funding: 2023 allocations' (OfS 2023.13)²¹, the relevant funding period is specified in that document as:

- financial year 2022-23 for providers that received a capped allocation of £50,000 through this distribution and received the same through the previous formula capital allocation
- financial year 2023-24 for providers that received a formula allocation of less than £50,000.

For capital grant allocations awarded in December 2022 following our competitive bidding exercise²², the relevant funding period is the three financial years 2022-23 to 2024-25. OfS funding must not be used for advance payments to contractors, or other financing arrangements (such as bonds) where payments precede production of goods or delivery of services.

46. Allocations of capital funding are provided to enhance the learning experience of higher education students at providers, by helping raise the quality of their learning and teaching

²¹ See www.officeforstudents.org.uk/publications/formula-capital-funding-2023-allocations/.

²² See www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/.

facilities. Providers must use capital grants for this purpose, in particular to directly support relevant facilities in relation to one of more eligible projects:

- a. Relevant facilities are:
 - i. The purchase of equipment (including IT equipment) used for learning, teaching or assessment. This does not include renting or hiring of equipment.²³
 - ii. The acquisition, replacement or construction of premises or infrastructure (including IT infrastructure) used for learning, teaching or assessment. Acquisition may include the purchase of leaseholds, but this category does not include the making of payments outside of the purchase price, such as for rental or service charges.
 - iii. The refurbishment, expansion or adaptation of existing premises or infrastructure (including IT infrastructure) that are to be used for learning, teaching or assessment.
- b. Eligible projects are capital expenditure projects that address **one or more** of three priority categories:
 - i. Category 1 – High-cost subjects of strategic importance. These are subjects in price groups A, B, and C1.1.²⁴ These include laboratory-based subjects in science, technology and engineering, and healthcare disciplines in medicine, dentistry, nursing, midwifery and allied health professions, veterinary science and archaeology.
 - ii. Category 2 – Enhancement of graduate employability and skills needs of employers and industry and therefore local and regional economies, in particular in supporting technical provision at Levels 4 and 5, and degree apprenticeships.
 - iii. Category 3 – Part-time and other forms of flexible provision to include the development of higher education short course study.

47. In addition, any capital grants awarded for 2023-24 through a bidding competition must be used:

- a. On expenditure items included in the provider's successful bid.
- b. In accordance with any other terms and conditions that were specified when we awarded the grant.

48. OfS capital funding must be used for projects that focus on higher education teaching and may be subject to audit. We recognise, however, that it may be neither feasible nor desirable to create ring-fenced boundaries between higher and further education, or teaching and research

²³ Permissible capital expenditure on software includes the purchase of operating systems or substantial applications packages, including where licence, update and maintenance charges are rolled up into the up-front cost and not separately charged over the expected life of the product – that is, where the product has been purchased outright. However, software licences and maintenance expenditure incurred on a periodic basis (even if the period between payments is more than a year) are not allowable as capital expenditure and should instead be treated as recurrent.

²⁴ For detailed guidance on the mapping of subjects to price groups see Annex G of HES22 (www.officeforstudents.org.uk/publications/heses22/).

facilities. For example, equipment purchased using OfS capital funds may be used by both higher and further education students or for both teaching and research purposes.

49. OfS capital funding may be used to contribute towards the costs of a capital project in combination with funding from other sources. However, there must be no double-counting in attributing the same amounts of capital expenditure:
 - a. To both OfS grants and income provided by any other UK or EU public funds.
 - b. To both OfS formula-based capital grants and any other OfS capital grants for specific projects.
50. Providers should use capital funding in ways that will improve environmental sustainability, for example in reducing carbon emissions.
51. All providers that are in receipt of OfS formula-based or competitive capital funding will be required to report on their use of that funding after the end of each financial year and those reports may be subject to audit. Details about reporting requirements will be notified separately.
52. If our monitoring of a provider's delivery of its capital projects does not give us confidence that it will be able to use all the competitive capital funding awarded through competition within the relevant funding period, and in line with the terms and conditions that apply, we may withdraw the offer of funding in whole or part. Such exceptional circumstances may include significant delays in delivery (for whatever reason) compared with the timetable set out in the provider's bid (or that may subsequently be agreed by us), or failure of the provider to engage to our satisfaction in any reporting and monitoring requirements.
53. If we are not satisfied that a provider has used the funds in accordance with the requirements in paragraphs 46 to 51, or as notified separately, we will reclaim some or all of the funding provided. If providers are unsure whether the use they propose of their formula capital allocation will meet the requirements set out in paragraph 46, they should contact capitalgrant@officeforstudents.org.uk for advice in advance of committing to the expenditure.
54. At the end of each financial year, the OfS will request monitoring information from providers to ensure that we are satisfied that spend is aligned to our terms and conditions of funding, and that the outlined scope and scale of the projects supported through competitive funding is being delivered. We will actively monitor spend on a yearly basis to ensure that the total funding is spent across all providers collectively to meet the budget. Providers must notify the OfS immediately of any changes in circumstances or scope of individual projects, to ensure that government funding is being used appropriately. We reserve the right to review the offer of funding if there are significant changes to project scope or delays to its delivery. Providers must send details of any proposed change or expected delay to a project to capitalgrant@officeforstudents.org.uk as soon as possible so that these can be reviewed and assessed without delay.

Exchequer interest

55. There is an Exchequer interest that has built up over time in providers in receipt of HEFCE and OfS capital funding. All providers that receive OfS capital funding from the 2019-20 financial year, and any providers that, as higher education institutions,²⁵ have received HEFCE or OfS capital funding since 1 August 2009, must comply with the following conditions in relation to such capital funding received during those periods.
56. If either of the following events occurs, they will trigger immediate liability for the provider to repay to the OfS the full amount of the Exchequer interest balance. The provider will recognise the OfS as an unsecured creditor until such repayment is made. If a liability to make repayment arises, we may agree to accept repayment of some other sum, or to delay repayment, at our absolute discretion, and such agreement may be on such terms and conditions as we think fit.
- a. The first trigger event will be if the provider becomes insolvent, including going into liquidation or administration, or if it dissolves or transfers its undertaking to some other body, or if it experiences any analogous event.
 - b. The second trigger event is if the provider ceases to be an eligible higher education provider for OfS funding purposes (that is, it is no longer in the Approved (fee cap) category of the OfS Register).
57. If either of the triggers is activated, the OfS will calculate, and share with the provider, the Exchequer interest balance. We have the right, but not the obligation, to request repayment of the Exchequer interest balance: the OfS has discretion to waive the requirement for repayment. In making this decision, we will consider the extent of any continuing public benefit arising from the use of previous OfS or HEFCE capital grants.

²⁵ As defined in Section 65 of the Further and Higher Education Act 1992 (www.legislation.gov.uk/ukpga/1992/13/section/65/2010-05-05?timeline=true).

Terms and conditions of OfS or HEFCE funding applying for earlier years

58. The OfS and UKRI have each assumed responsibilities from the previous regulatory system. In relation to financial and academic years up to 2017-18, inclusive, terms and conditions of grant previously specified by HEFCE and agreements made by the Director of Fair Access to Higher Education continue to apply. The OfS and Research England²⁶ will, individually or together as we consider appropriate, continue to monitor compliance with HEFCE terms and conditions of grant and take action against providers that are found to be in breach of them. In addition, terms and conditions of OfS funding from 1 April 2018²⁷ continue to apply: we will continue to monitor compliance with them and take action against providers that are found to be in breach.
59. Action that the OfS may take against providers that are found to be in breach of previous HEFCE or OfS terms and conditions of grant for financial and academic years up to 2022-23 include (but are not limited to):
- a. Recalculating and adjusting grants previously announced where these are found to have been informed by incorrect data from providers. Where HEFCE grants are concerned, the OfS and Research England will agree which of us will take action for any breaches, but following the general principles that:
 - i. The OfS will take action in relation to recurrent and capital grants that relate primarily to teaching activities and taught students.
 - ii. Research England will take action in relation to recurrent and capital grants that relate primarily to research and knowledge exchange activities and research students.
 - b. Taking action if non-compliance is found with regulated fee limits in relation to students recruited in any year up to 2018-19 or with any access agreement with the Director of Fair Access to Higher Education or the OfS.

²⁶ Research England is a council within UKRI. See: <https://re.ukri.org/>.

²⁷ These are set out, as applicable, in:

- 'Terms and conditions of funding for 2022-23' (OfS 2022.38 available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2022-23/)
- 'Terms and conditions of funding for 2021-22' (OfS 2021.30, available at <https://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2021-22/>)
- 'Terms and conditions of funding for 2020-21' (OfS 2020.22, available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2020-21/).
- 'Terms and conditions of funding for 2019-20' (OfS 2019.12, available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2019-20/).
- 'Terms and conditions of funding for higher education institutions' (OfS 2018.15, available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-higher-education-institutions/) and 'Terms and conditions of funding for further education and sixth form colleges' (OfS 2018.16, available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-further-education-and-sixth-form-colleges/).

Definitions and abbreviations

Governing body	The university council, board of governors or other body ultimately responsible for the management and administration of a higher education provider's revenue and property, and the conduct of its affairs.
HEFCE	Higher Education Funding Council for England
HERA	Higher Education and Research Act 2017
HESES	Higher Education Students Early Statistics (survey)
HESF	Higher Education Students Forecast (survey)
IT	Information technology
OfS	Office for Students
UKRI	UK Research and Innovation

Must denotes mandatory requirements and **should** (applied to providers) denotes the OfS's view of good practice.



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