

Office for
Students



Guide to funding 2021-22

How the Office for Students allocates money to higher education providers

Reference OfS 2021.39

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Publication date 28 September 2021

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Introduction

1. This guide is to help those working or studying in higher education, and anyone else wishing to understand how the Office for Students (OfS) will manage funding for higher education providers for 2021-22. It explains how we calculate the amount of funding each higher education provider is allocated, the principles that underpin those calculations, and the components of a provider's grant.
2. For more detail on the funding methods, including the technical definitions and specifications used in the process to allocate funding, please see the funding section of the OfS website.¹
3. It is our practice to be open about our allocation methods and policies, and this guide is intended to explain them. It is divided into three main sections.

Section 1: The OfS's funding powers and our budget for 2021-22

Gives a summary of finance arrangements for higher education in England, explains how our funding is part of our regulatory role and shows the OfS budgets for 2021-22.

Section 2: OfS funding methods

Gives detail about our funding methods and the principles behind them.

Section 3: Terms and conditions of funding

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

¹ See www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/.

Section 1: The OfS's funding powers and our budget for 2021-22

Finance for higher education courses

4. Finance for higher education courses is provided through a variety of sources, the two main ones being:
 - a. Course fees paid by students and others. For most UK students, government loans, provided through the Student Loans Company (SLC), are available to help meet the upfront cost of course fees and living costs. These loans are also available to many EU students, although eligibility for them is changing for those starting courses in academic year 2021-22. The loans are repayable only once a former student is earning above a certain threshold and are written off after 30 years.
 - b. Government grants to providers from the OfS and other public bodies, such as the Education and Skills Funding Agency (ESFA) and the Department of Health and Social Care. The role of other organisations in funding certain types of higher education is discussed further in paragraph 25.
5. Government finance for higher education therefore comes through its subsidy of student loans as well as grants to providers and some grants or bursaries for certain categories of student. Government investment recognises that 'education would be underprovided if left entirely to private markets; whilst a well-educated population increases the general welfare of the rest of society, this would not be taken into account by individuals when making consumption decisions.'²

The role of the OfS

6. The OfS is the independent regulator of higher education in England. We were established by the Higher Education and Research Act 2017 (HERA), which sets out our general duties and functions.³ We regulate the higher education market in the interests of students, who are investing in their education as something of lasting value throughout their lives. Our primary aim is to ensure that English higher education is delivering positive outcomes for students – past, present and future.
7. We also distribute government funding, which is provided to secure a graduate workforce that will strengthen the health of the economy, society and individuals. For providers, registration

² 'Government in markets', Office for Fair Trading, 2009, available at <https://www.gov.uk/government/publications/government-in-markets>.

³ See <https://www.legislation.gov.uk/ukpga/2017/29/contents/enacted>. Our general duties are set out in Schedule 2.

with us⁴ secures access to government finance through the student loans system and, for those in the Approved (fee cap) category, access to grants from the OfS and Research England (subject to other eligibility criteria that each organisation may determine for different elements of funding). Registration with us is also required for providers wishing to recruit international students or to apply for degree awarding powers or university status.⁵

8. We have a variety of mechanisms available to us through which we regulate higher education. Funding is one of the regulatory tools that enable us to deliver our priorities and ensure the availability of high-quality, cost-effective higher education across the country. The OfS does not directly fund students. We fund the activities and facilities of eligible higher education providers – that is, those with Approved (fee cap) status on the OfS Register of Higher Education Providers – to secure the best outcomes for students, supporting our strategic objectives and regulatory framework as well as our general duties set out in HERA (see paragraph 18). Our funding is subject to terms and conditions which supplement the conditions of registration for those in the Approved (fee cap) category. See section 3 of this document for more information.

The OfS’s budget

9. Each year, the Secretary of State for Education writes to the OfS to detail our budget for the forthcoming financial year from the strategic priorities grant.⁶ Table 1 shows the two elements that constitute the OfS grant for the financial year 2021-22.⁷

Table 1: Strategic priorities grant budget for financial year 2021-22

2021-22 Financial year budget element	Amount (£ million)
Recurrent grant	1,330
Capital grant	150
Total funding	1,480

⁴ Providers may apply to register with the OfS in one of two categories, each category enabling providers to do different things. All registered providers are regulated by the OfS and must meet regulatory requirements as a condition of their registration. The two registration categories are Approved and Approved (fee cap) – see www.officeforstudents.org.uk/advice-and-guidance/regulation/how-to-register/what-can-registered-providers-do/.

⁵ See www.officeforstudents.org.uk/advice-and-guidance/regulation/how-to-register/what-can-registered-providers-do/.

⁶ See www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

⁷ The budget for the strategic priorities (formerly teaching) grant shown in Table 1 was set out in the statutory guidance letter of 19 January 2021. Since then, the government has confirmed additional one-off funding of £10 million to support increased intakes following the results of A-level and other Level 3 courses in summer 2021. See www.officeforstudents.org.uk/news-blog-and-events/press-and-media/additional-ofs-funding-for-high-cost-subjects/. That one-off funding is not included in the recurrent grant figures in this document.

10. We are responsible for distributing grants to providers that are eligible for our public funds. While we retain the funding responsibility for a wide range of activities, the finance arrangements for higher education and limitations of the budget mean that only a subset of what is potentially fundable attracts our grants. Our recurrent grants primarily provide funding only in relation to priorities where costs exceed the level that course fees could generally be expected to cover.

In 2021-22 the OfS is directly funding over 330 higher education providers.

Capital grant

11. Capital funding is provided by the government as a budget separate from our main recurrent grant. We provide capital funding allocations to providers to support sustainable investment in higher education learning and teaching facilities and equipment, and thus to enhance the learning experience of their students.
12. For 2021-22, we have introduced a new method of distributing capital funding. It will be distributed primarily through a bidding competition, but we are also making a small formulaic allocation to eligible providers in the Approved (fee cap) category. Further details of our capital allocation methods are given in section 2C.

Recurrent grant

13. The recurrent budget element makes up the large majority of the funding available to us. This is used to support providers' ongoing teaching and related activities, and the largest part of it is allocated to providers through formula-based grants. Within the total grant provided by government (shown in Table 1), £47 million is administered by UKRI (through Research England) for knowledge exchange, which is allocated as part of Higher Education Innovation Funding (HEIF).⁸ HEIF is a formula-based allocation that supports and develops a broad range of knowledge-based interactions between higher education and the wider world, which result in benefits to the economy and society. We agree the allocation method and monitoring arrangements for this OfS element with Research England.
14. Although our budget is provided by the government on a financial year basis, we distribute the bulk of our funding to providers on an academic year basis. This reflects both the revenue and cost base of providers, and thus aligns with their budgeting and planning processes.

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

⁸ See <https://re.ukri.org/knowledge-exchange/the-higher-education-innovation-fund-heif/>.

15. The 2021-22 academic year overlaps two financial years: the last eight months of the 2021-22 financial year and the first four months of the 2022-23 financial year.



This means that, to determine the total amount of funding available to us for the 2021-22 academic year, we need to take a portion from each financial year’s budget. This results in a recurrent funding budget of **£1,266 million** for this academic year.

Table 2: Breakdown of OfS recurrent funding for academic year 2021-22

Element of grant	Amount (£ million)
Recurrent funding for providers	1,266
Funding for national facilities and regulatory initiatives	21
Total	1,287

16. Most of this funding (£1,266 million) is distributed to providers as formula-based recurrent funding. Further details on how this is done can be found in section 2B.
17. The remaining £21 million is used to provide funding for national facilities and regulatory initiatives. This supports facilities such as Jisc, and activity such as the NSS, the Centre for Transforming Access and Student Outcomes in Higher Education and OfS Challenge Competitions. Further details on how this is distributed can be found in section 2C.

Funding and the OfS’s legal duties

18. Section 2 of HERA sets out the OfS’s ‘general duties’. These are as follows, with comment (shown in boxes) on how our funding approach reflects each duty. The general duties require the OfS, in performing its functions, to have regard to:

- a. 'The need to protect the institutional autonomy of English higher education providers.'

The budgeting and approach to the distribution of grant does not in itself affect the autonomy of providers. Financial incentives (whether through OfS grants, course fees or other sources) will be among the influences on providers' strategies, but how they respond to those incentives is a matter for providers themselves.

- b. 'The need to promote quality, and greater choice and opportunities for students, in the provision of higher education by English higher education providers.'

OfS teaching grants recognise costs for providers beyond those that we might expect to be met by income from course fees from students. They therefore help to maintain the sustainability of provision which might otherwise be threatened, and hence promote choice and opportunities for students. They promote quality by enhancing the resources available to providers for the courses they offer.

- c. 'The need to encourage competition between English higher education providers in connection with the provision of higher education where that competition is in the interests of students and employers, while also having regard to the benefits for students and employers resulting from collaboration between such providers.'

Recurrent grants are largely allocated by formula from a fixed budget; in effect all providers compete for a share of that budget through their ability to recruit and retain students. Some formula-based allocations support collaborations between providers, such as student mobility or exchange programmes and joint medical schools. Specific allocations, particularly the new capital bidding exercise, are made through competitive processes, which more directly encourage competition. Other competitive allocations, such as Uni Connect and our Challenge Competitions will often support collaborative activity that will have wider national or regional benefits.

- d. 'The need to promote value for money in the provision of higher education by English higher education providers.'

Grants are targeted where they are most needed, reflecting the costs to providers and prioritisation of particular activities. There is an output-based element to funding, in that the volume measure for formula-based allocations counts students only if they complete their year of study.

There is continuing pressure on the income available to providers, with regulated course fee limits frozen for academic year 2021-22 and a continuing increase in student numbers.

- e. 'The need to promote equality of opportunity in connection with access to and participation in higher education provided by English higher education providers.'

For academic year 2021-22, we are providing £313 million (25 per cent of the total recurrent grant of £1,266 million) to support access and participation measures. These include student premiums to address areas of risk and disadvantage (including for disabled students) and Uni Connect. Challenge Competitions may also promote equal opportunity in higher education, depending on their focus.

- f. 'The need to use the OfS's resources in an efficient, effective and economic way.'

Grants are targeted where they are most needed to reflect the OfS's objectives and priorities and additional costs to providers. The adoption of formula funding methods is highly efficient in terms of the OfS's own administrative costs.

- g. 'So far as relevant, the principles of best regulatory practice, including the principles that regulatory activities should be:
 - i. Transparent, accountable, proportionate and consistent.
 - ii. Targeted only at cases in which action is needed.'

The use of formula-based methods ensures we are fair, transparent and efficient in how we distribute funding. Grants are subject to terms and conditions, which complement the conditions of registration with which funded providers must comply. Regulatory activity is targeted at areas of non-compliance or pursued through sample-based audit.

- 19. In carrying out our functions, we must also have regard to guidance given by the Secretary of State.⁹
- 20. The OfS is also subject to the public sector equality duty, which is set out in Part 11 of the Equality Act 2010.¹⁰ This requires us, in the exercise of our functions, to have due regard to the need to:
 - a. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
 - b. Advance equality of opportunity between persons who share a relevant protected characteristic¹¹ and persons who do not share it.

⁹ See www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government.

¹⁰ See <https://www.legislation.gov.uk/ukpga/2010/15/part/11/chapter/1>.

¹¹ These protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

- c. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Providers eligible for OfS grants for academic year 2021-22

21. Under section 39(1) of HERA, we can fund higher education and related facilities and activities at eligible providers. This means we provide funding to providers that are registered with us in the Approved (fee cap) category on the OfS Register and that meet any specific eligibility criteria for particular grants. In July 2021 we announced initial recurrent and capital grant allocations¹² for 2021-22 to providers. Capital grants are allocated for the financial year 2021-22 (1 April 2021 to 31 March 2022). Recurrent grants are allocated for the academic year 2021-22 (1 August 2021 to 31 July 2022).
22. Providers that join the Register in the Approved (fee cap) category later in the year, but before the end of 2021-22, will also receive funding allocations, subject to their meeting all eligibility criteria that apply to our grants and our having enough funding available. Providers must be registered by:
 - **31 March 2022** to be eligible for 2021-22 capital grants
 - **31 July 2022** to be eligible for 2021-22 recurrent grants.

We will not reduce the initial allocations announced to providers in July 2021 to extend funding to providers that join the OfS Register later in the year.

23. Where providers join the Register in the Approved (fee cap) category before one of the dates noted in paragraph 22, we will provide formula funding allocations that will be reduced to reflect the number of days left in the year (academic for recurrent, financial for capital).
24. Providers in the Approved (fee cap) category will receive a formula capital grant for the financial year 2021-22 only if their allocation (after any reduction to reflect the date on which they joined the Register) is not less than the minimum threshold of £10,000.

Other sources of funding available to providers

25. Although the OfS has wide funding powers, several other public bodies have responsibilities to fund certain aspects of higher education, as follows:
 - a. **Loans for course fees.** Publicly funded loans to students to meet the costs of course fees, as well as loans and some grants to support living costs, are administered by the SLC, which is government-funded and non-profit-making. Student loans are repayable only once the student's income is above a certain threshold. Paragraph 26 provides further information about course fees for students.
 - b. **Research.** UKRI, which incorporates the Research Councils, Innovate UK and Research England, is responsible for distributing public funds for research. UKRI provides formula-based research funding to support underpinning research capacity, the

¹² See www.officeforstudents.org.uk/publications/recurrent-funding-for-2021-22/.

maintenance of research infrastructure in providers and funding for specific research projects, as well as for postgraduate research students.

- c. **Teacher education and training.** The Department for Education is responsible for supporting education and training courses aimed at school teachers, including initial teacher training courses leading to qualified teacher status, and in-service education and training courses for those who hold this status. The OfS has responsibility for teacher education and training provision outside the schools sector, although finance is largely provided through students' course fees.
- d. **Healthcare education and research.** Government funding for health education leading to professional registration to practise is distributed through a partnership between the OfS, Health Education England and the NHS. OfS and UKRI funds underpin teaching and research respectively in higher education providers, while Health Education England and NHS funds support the clinical facilities needed to carry out teaching and research in hospitals and other parts of the health service. The Department of Health and Social Care also provides maintenance grants for students on courses leading to qualification to practise in certain nursing, midwifery and allied health professions¹³, as well as some bursaries and further learning support, all of which are additional to the support that may be available through the SLC.
- e. **Courses leading to higher education qualifications regulated by the Office of Qualifications and Examinations Regulation (Ofqual).** The ESFA has the responsibility for funding certain higher education qualifications which are typically vocational in nature. These are qualifications on the Register of Regulated Qualifications¹⁴ maintained by Ofqual, and do not include most courses leading to awards made by providers with degree awarding powers. These may be supported through an Advanced Learner Loan.¹⁵ A small number of courses leading to qualifications on the Register of Regulated Qualifications are, however, supported through the main higher education finance system of student fees (supported by SLC loans) and OfS grants: these include Higher National Certificates and Diplomas and the Diploma in Education and Training.
- f. **Apprenticeships.** Finance for the delivery of apprenticeships is provided through the ESFA, with contributions to costs made by employers. This supports the delivery of apprenticeships for the individuals studying in the year in which funding is provided, and is analogous to the finance that, for other types of higher education provision, would be provided through course fees or SLC student support. The OfS counts recognised higher education undertaken as part of an apprenticeship towards its allocations of grants for teaching, where eligibility criteria are met. This provides support for high-cost activities, in the same way as for other higher education teaching.
- g. **Knowledge exchange and innovation.** This is funded from a variety of sources:

¹³ See <https://www.nhsbsa.nhs.uk/nhs-learning-support-fund>.

¹⁴ See <https://register.ofqual.gov.uk/>.

¹⁵ See <https://www.gov.uk/advanced-learner-loan>.

- i. Research England provides formula funding through HEIF (which includes a contribution from the OfS).
- ii. UKRI supports a range of schemes for knowledge exchange to further the impact of its funded research. Innovate UK, which is part of UKRI, is the UK's main funder of business innovation.
- iii. Higher education providers play a significant role in local growth partnerships and can receive funding to support their knowledge exchange and skills activities.
- iv. Funding from the beneficiaries of knowledge exchange in the economy and society provides a significant source of support to many providers.

Course fees

26. Course fees (sometimes referred to as 'tuition fees') for most students at providers registered in the Approved (fee cap) category are subject to regulation, with limits on what those providers may charge.¹⁶ This applies to most UK undergraduates, and those on postgraduate teacher training courses. It also applies similarly to many EU students, although eligibility for them is changing for those starting courses in academic year 2021-22.¹⁷ Where fees are regulated, it is a condition of registration that the provider must not charge course fees that exceed the limit. The limit depends on:
- a. What type of year of study the student is undertaking
 - b. Whether the provider has an access and participation plan (APP) in force with the OfS¹⁸
 - c. Whether it holds a TEF¹⁹ award.

Table 3 shows the limits that apply for the 2021-22 academic year.

Access and participation plan: sets out how a provider will improve equality of opportunity for underrepresented groups to access, succeed in and progress from higher education. Required for providers in the Approved (fee cap) category that wish to charge fees up to the higher fee amount – see Table 1.

Teaching Excellence and Student Outcomes Framework (TEF): a national exercise in England, to assess excellence in teaching at universities and colleges, and how well they ensure excellent outcomes for their students in terms of graduate-level employment or further study.

¹⁶ See www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/fee-limits/.

¹⁷ Government guidance on changes to eligibility for different aspects of student finance from 1 August 2021 is available from www.gov.uk/government/publications/student-finance-eligibility-2021-to-2022-academic-year.

¹⁸ See www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/.

¹⁹ See www.officeforstudents.org.uk/advice-and-guidance/teaching/.

Table 3: Regulated course fee limits for 2021-22 for undergraduates starting courses from 1 September 2012

Type of year of study	Providers with a TEF award – higher amount	Providers without a TEF award – higher amount	Providers with a TEF award – lower amount	Providers without a TEF award – lower amount
Ordinary full-time year	£9,250	£9,000	£6,165	£6,000
Sandwich year out	£1,850	£1,800	£1,230	£1,200
Erasmus+ or other study year abroad	£1,385	£1,350	£920	£900
Final year of full-time course of less than 15 weeks	£4,625	£4,500	£3,080	£3,000
Accelerated full-time course starting on or after 1 August 2019 – full year	£11,100	£10,800	£7,400	£7,200
Accelerated full-time course starting on or after 1 August 2019 – sandwich year out	£2,220	£2,160	£1,475	£1,440
Accelerated full-time course starting on or after 1 August 2019 – Erasmus+ or other study year abroad	£1,660	£1,620	£1,105	£1,080
Part-time course	£6,935	£6,750	£4,625	£4,500

27. Fees for most postgraduate students at providers registered in the Approved (fee cap) category are not regulated.
28. Providers registered in the Approved category are not subject to regulated course fee limits (although there are limits on the amount of the loan towards course fees that the student can access through the SLC).

Section 2: The OfS's funding methods

2A: Overview of the OfS's funding approach and objectives

29. We want to make the best use of taxpayers' money, prioritising funding to get the best value, supporting delivery of the government's policy aims and ensuring that providers are accountable for the money they get, but without creating an excessive regulatory burden on them.
30. Our funding helps to ensure the availability of high-quality, cost-effective higher education across the country. We promote quality of provision, and greater choice and opportunities for students, by investing in:
 - high-cost subjects at undergraduate and postgraduate levels, including medicine, science, engineering and agriculture, and strategically important and vulnerable subjects
 - world-leading specialist providers
 - part-time provision and other flexible modes of delivery.
31. We want students from underrepresented groups and those with disabilities not only to access higher education, but also to achieve successful outcomes, including progression to postgraduate study. We allocate around a quarter of our funding to support the students who we identify as needing the most support to succeed. This complements the commitments providers themselves make and the outcomes they agree with us as part of their access and participation plans.
32. Our funding supports competition between higher education providers by recognising their success in recruiting and retaining students. We also support collaborations, where these bring benefits for students and employers.
33. In the light of the government's January 2021 guidance letter, we consulted on changes to both our capital and recurrent funding methods for 2021-22. Details of these consultations can be found in 'Recurrent funding for 2021-22: Outcomes of consultation' (OfS 2021.26) and 'Distribution of capital funding for financial year 2021-22: Outcomes of consultation' (OfS 2021.28).²⁰ The government also wrote to us in March and July 2021 to set specific terms and conditions on the OfS for the allocation of grant.²¹ The funding methods described below reflect these consultations and the guidance we have received.
34. We will continue to review our funding method for future years, so that it further supports our duties and regulatory objectives, and will consult with the sector on any further developments.

²⁰ See www.officeforstudents.org.uk/publications/recurrent-funding-for-2021-22-outcomes-of-consultation/ and www.officeforstudents.org.uk/publications/distribution-of-capital-funding-for-financial-year-2021-22-outcomes-of-consultation/.

²¹ See www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

This will include a consultation in autumn 2021 on our approach to funding for world-leading specialist providers, which will affect allocations for 2021-22 as well as later years.

35. The development of our funding method needs to reflect the balance of funding responsibilities between ourselves and other public bodies, as well as the overall funding available to us and its relationship with student finance. The government's spending review in autumn 2021 will provide the context for the review of our approach to funding in the coming years.

Terms and conditions

36. While some recurrent funding is earmarked for particular purposes, providers are autonomous bodies that set their own strategic priorities and have some flexibility, within our broad guidelines, in how they use the funding that we provide: they are not expected to model their internal allocations on our calculations. This allows providers to target spending towards their own priorities, provided these relate to the teaching activities that the OfS is empowered to fund. The grant allows providers to be autonomous and does not impose the burden of accounting in detail for expenditure. However, we attach certain terms and conditions to our funding, which providers must meet (see section 3).
37. Providers are accountable to the OfS, and ultimately to Parliament, for the way they use these funds. As independent bodies, they also receive money from many other public (see paragraph 25) and private sources, and the OfS's terms and conditions cannot apply to these other funds.

Funding methods: formula-based allocations

38. The recurrent grants to providers are almost entirely allocated by formula, which means that each provider receives a proportion of funding based on the measures outlined in this document. This ensures that the method for distributing grants to providers is fair, transparent and efficient.
39. Our funding formulae generally:
 - a. Use student numbers as a measure of volume. Further information about how we count students is provided in paragraphs 40 to 44.
 - b. Reflect the cost differences of different activities and the contribution towards those costs that we expect to be met from course fees. Periodically, we review data on subject costs reported by providers, and may also commission separate costing studies of particular aspects of provision.
 - c. Reflect policy priorities, including those given by the government in its strategic guidance letters.

Data sources

40. We use two types of data returns to inform our grant allocations: aggregate and individualised student data.

41. Providers submitted a return directly to the OfS²² that recorded aggregate information on numbers of students in 2020-21 or forecast numbers for 2021-22. This was submitted in November or December 2020 by most providers.
- a. Providers that in 2020-21 had registered students on higher education courses recognised for OfS funding purposes completed the **Higher Education Students Early Statistics 2020-21 (HESES20) survey**.²³
 - b. Providers that in 2021-22 will offer courses recognised for OfS funding purposes, but did not have registered students on them in 2020-21, completed the **Higher Education Students Forecast 2021-22 (HESF21) survey**.²⁴
42. Using in-year data from HESES ensures that our funding decisions are based on the most up-to-date information available. However, because HESES20 data was provided before the end of the 2020-21 academic year, it necessarily includes elements of forecasting relating to students' activity up until the end of that academic year.
43. HESF21 provides a forecast of the number of OfS fundable students on higher education courses who are expected to be studying in the academic year 2021-22. Where it informs the initial allocation of funds for 2021-22, we will recalculate and adjust allocations later to reflect the actual student numbers in the year.
44. Where available, end-of-year individualised student data for 2019-20 was also used:
- a. For further education and sixth form colleges and academies, this is the **individualised learner record**, which is submitted to the ESFA.²⁵
 - b. For other providers, this is the **Higher Education Statistics Agency (HESA) Student record**, or the **HESA Student Alternative record**.²⁶

These are used to gain information about student characteristics for some allocations. Where individualised data is not available for a provider, we use sector averages.

Which students are included in our funding calculations?

45. In general terms, we count students if:
- a. They have 'Home fee' status. This is defined in legislation and the population it applies to is changing from academic year 2021-22 following the UK's withdrawal from the EU.²⁷

²² See www.officeforstudents.org.uk/data-and-analysis/data-collection/.

²³ See www.officeforstudents.org.uk/data-and-analysis/data-collection/heses/.

²⁴ See www.officeforstudents.org.uk/data-and-analysis/data-collection/hesf/.

²⁵ See <https://www.gov.uk/government/collections/individualised-learner-record-ilr>.

²⁶ See <https://www.hesa.ac.uk/collection/c19051> and <https://www.hesa.ac.uk/collection/c19054>.

²⁷ The legislation is the Education (Fees and Awards) (England) Regulations 2007, as amended. These regulations permit providers to charge higher fees to students that do not meet certain criteria relating to their

- b. They are on a taught course of higher education recognised for our funding purposes. This excludes courses leading to qualifications in the Register of Regulated Qualifications (and credit towards them), except where these are eligible under the main higher education finance system of student fees (supported by SLC loans) and OfS grants (see paragraph 25.e).
- c. Funding responsibility does not rest with another UK or an EU public source. For example, postgraduate research students are not counted for our funding and fall under the responsibility of UKRI; the Department for Education has responsibility for school teacher training; and funding responsibility for taught Open University students in Scotland, Wales and Northern Ireland rests with the devolved administrations, rather than the OfS.
- d. They are on a course open to any suitably qualified candidate. If, for example, a course was available only to candidates from a particular employer, it would not be considered an 'open' course. This restriction does not apply to courses taken as part of an apprenticeship.
- e. They are not aiming for an equivalent or lower qualification (ELQ) or are exempt from the ELQ policy (see paragraph 46). An ELQ is a qualification the academic level of which is no higher than one a student has already achieved.
- f. They are studying at least 3 per cent of a full-time year of study – equivalent to about one week of study in the year.

46. Students aiming for an ELQ are generally not counted towards the funding allocations unless they are covered by an exemption. Current exemptions, for OfS funding purposes,²⁸ include:

- students aiming for foundation degrees
- those aiming for a qualification in certain public sector professions, such as medicine,
- nursing, social work or teaching
- those receiving Disabled Students' Allowances (DSA).²⁹

nationality and residential status. Amendments taking effect from 1 August 2021 mean that, in broad terms, students from the UK, Ireland and the Crown Dependencies (the Channel Islands and Isle of Man) are eligible for Home fees if they meet particular residency requirements. This will also generally apply to students from the EU who are continuing courses started before 1 August 2021, or who are starting courses from that date and have settled or pre-settled status under the EU Settlement Scheme (<https://www.gov.uk/settled-status-eu-citizens-families/eligibility>). Those who do not have 'Home fee' status may be charged higher fees (sometimes referred to as 'overseas fees' or 'international fees'). Government guidance on changes to eligibility for different aspects of student finance from 1 August 2021 is available from www.gov.uk/government/publications/student-finance-eligibility-2021-to-2022-academic-year.

²⁸ The treatment of students aiming for an ELQ for the purposes of student support from the SLC is similar, but there are some differences, such as in relation to students aiming for a foundation degree and those on a part-time degree course in science, technology, engineering or mathematics.

²⁹ Disabled Students' Allowances are government grants to help meet the extra costs students can face as a direct result of an impairment or specific learning difficulty. See <https://www.gov.uk/disabled-students-allowances-dsas>.

47. Not all countable students will attract funding for their providers through every element of the OfS grant. For example, an undergraduate in a classroom-based subject does not attract high-cost subject funding but may attract funding for other allocations.

How do we count these students?

48. In general, students are counted only if they complete their full year of study. To count as completing for OfS funding purposes, a student must normally undergo the final assessment for each module that they intended to complete within 13 months from the start of that year. If the student misses the final assessment, but nevertheless passes the module, this also constitutes completion for our funding purposes.
49. Students are counted in terms of full-time equivalents (FTEs). FTE is a measure of how much a student studies over a year, compared with someone studying full-time. A full-time student counts as one FTE. Students on a sandwich year out are counted as 0.5 FTE. The FTE of part-time students depends on the intensity of their study by comparison with an equivalent full-time student, based either on how long it takes them to complete their qualifications, or on how many credit points they study in the year.

Intake targets for medicine and dentistry

50. We set intake targets for pre-registration medical and dental courses – that is, courses that lead on successful completion to a first qualification that enables students to register in the UK to practise as a medical doctor or dentist.³⁰ These targets exist to support workforce planning in the NHS, to recognise the very high cost to government (including the OfS) of training for doctors and dentists, and to ensure that there is no mismatch between the numbers graduating and the number of foundation programme training places available.
51. We monitor a provider's recruitment against its medical and dental intake targets over a rolling five-year period, rather than immediately taking action for over-recruitment in a single year. If there has been over-recruitment across the total sum of this five-year period as a whole, then we reduce the student numbers we count for funding in the following year to reflect that over-recruitment. This approach gives some flexibility to providers in managing their recruitment from year to year.
52. The intake targets were lifted (on a one-off basis) for 2020-21.³¹ As a result, we have not applied any reductions to the student numbers we count for funding purposes in 2021-22 based on the previous five years' recruitment (because providers did not have any opportunity to offset any previous over-recruitment). Going forward we have reinstated the monitoring of intake targets, although we will be disregarding 2020-21 intakes data when assessing recruitment in the rolling five-year period. Where we observe a pattern of repeated over-recruitment, we will warn the provider about its behaviour and if it persists, we may reduce its intake target for the next academic year, enabling a redistribution of funded places to other providers.

³⁰ Further information about medical and dental intake targets is available at www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/medical-and-dental-target-intakes/.

³¹ See www.gov.uk/government/news/action-agreed-to-support-students-into-preferred-universities.

2B: Recurrent funding

53. Most providers' income for teaching and related activities comes primarily through students' course fees. For most undergraduates, fee loans are available, which are generally repayable after the student has finished their studies and is earning above a certain threshold. Since August 2016, eligible postgraduates have also been able to obtain a loan to help cover fees and assist with living costs when starting a full-time or part-time master's course.³²

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

54. Our funding supports priority activities where costs typically exceed the amount received through course fees. This occurs, for example, when a course is costly to provide or where students may need additional support to succeed. Our funding supports efforts to improve social mobility by widening access to underrepresented or disadvantaged groups and ensuring students' continued participation and success in higher education. It is important that providers can demonstrate effective and efficient use of the grant to support priority areas in their internal resource allocations.

How recurrent funding is allocated

55. Our recurrent funding is provided through:

- a. **Funding for high-cost courses:** recognising the extra costs of teaching particular subjects and of delivering certain courses such as postgraduate provision.
- b. **Funding for student access and success:** helping to meet additional costs that arise in ensuring successful outcomes for students who belong to groups that are underrepresented in higher education or who need additional support (such as disabled people).
- c. **Funding for specialist providers:** supporting those with world-leading teaching identified through an international peer review panel exercise in 2015-16.³³ The OfS will be holding a consultation on the future approach to funding for specialist providers in autumn 2021.

56. We divide most of the money between providers using formulae that consider certain factors for each provider, including the number and type of students, and the subjects taught. Calculations for allocations may also take account of students in different **modes of study** (full-time, sandwich year out and part-time) and **levels of study** (undergraduate and taught postgraduate).

Mode of study: reflecting whether a student is studying full-time, part-time or on the placement year of a sandwich course.

Level of study: reflecting whether a student is on an undergraduate or taught postgraduate course.

³² See <https://www.gov.uk/masters-loan>.

³³ See <https://webarchive.nationalarchives.gov.uk/20170712123151/http://www.hefce.ac.uk/lt/howfund/>.

Elements of recurrent grant

57. Table 4 shows the main elements of our recurrent grant for 2021-22. A further disaggregation of the first two elements follow in separate tables.

Table 4: Elements of recurrent grant for 2021-22

Elements of recurrent grant	Amount (£ million)
Funding for high-cost courses (see Table 5)	900
Funding for student access and success (see Table 9)	313
Funding for specialist providers (see paragraphs 89 to 91)	53
Total	1,266

Funding for high-cost courses

58. Funding for high-cost courses comprises a number of allocations as shown in Table 5.

Table 5: Funding for high-cost courses for academic year 2021-22

Funding for high-cost courses	Amount (£ million)
High-cost subject funding: price groups A and B; pre-registration nursing; computing and information technology; archaeology	737
High-cost subject funding: performing arts; creative arts; media studies	18
Nursing, midwifery and allied health supplement	27
Very high-cost science, technology, engineering and maths subjects	24
Overseas study programmes	28
Postgraduate taught supplement	8
Intensive postgraduate provision	33
Accelerated full-time undergraduate provision	4
Clinical consultants' pay	16
Senior academic general practitioners' pay	1
NHS pensions scheme compensation	5
Total funding for high-cost courses	900

Note: Figures in the table may not add up, due to rounding differences.

High-cost subject funding

59. This is calculated using the following formula:

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

multiplied by

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

multiplied by

- **a scaling factor** (to ensure total allocations remain within budget).

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



60. Funding rates are informed by the assignment of subject areas to six price groups based on the course characteristics and associated teaching costs, and strategic prioritisation.

- a. **Price group A.** The clinical years of study for medicine, dentistry and veterinary science, and pre-registration dental hygiene and dental therapy courses. This price group is only relevant to providers offering training for students seeking a first qualification that enables them to register to practise as a doctor, dentist, or veterinary surgeon, or who are already qualified in those professions, and to students studying for a first registrable qualification in dental hygiene or dental therapy.

Price groups: putting higher education subjects into six broad groups reflecting their teaching costs and strategic priority: A (the most expensive), B, C1.1, C1.2, C2, and D (the least expensive).

- b. **Price group B.** Laboratory-based science, engineering and technology subjects, and pre-registration courses in midwifery and certain other allied health professions.³⁴
- c. **Price group C1.1.** Intermediate-cost subjects in computing and information technology, archaeology, and pre-registration courses in nursing.
- d. **C1.2.** Intermediate cost subjects in performing and creative arts and media studies.
- e. **Price group C2.** Other intermediate-cost subjects with a laboratory, studio or fieldwork element, such as geography, mathematics, languages or psychology. This price group also includes all students on work experience placement years of sandwich courses (sandwich year out).
- f. **Price group D.** Classroom-based subjects such as humanities, business or social sciences.

61. High-cost subject funding is provided only for price groups A, B, C1.1 and C1.2.

62. For 2021-22, the **scaling factor** is 1.01, but is applied only to price groups A, B and C1.1. This is because the rate of funding for price group C1.2 was reduced by 50 per cent for 2021-22, following terms and conditions of grant placed on the OfS in a guidance letter from the Secretary of State of 19 July 2021.³⁵ The scaling factor for 2021-22 provides a 3.9 per

³⁴ These allied health professions are dietetics, occupational therapy, operating department practice, orthoptics, orthotics and prosthetics, physiotherapy, podiatry, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

³⁵ Available from www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

cent increase to the high-cost subject funding rates of grant for price groups A, B and C1.1 compared with 2020-21, albeit that these remain below the level provided for the previous year.

63. Table 6 shows rates of high-cost subject funding for the academic year 2021-22.

Table 6: Rates of high-cost subject funding for price groups per student FTE

Price group	Rate of funding without scaling factor (£)	Rate of funding with scaling factor (£)
A	10,000.00	10,100.00
B	1,500.00	1,515.00
C1.1	250.00	252.50
C1.2	121.50	121.50
C2 and D	0	0

Nursing, midwifery and allied health supplement

64. Since 2017-18, students starting undergraduate courses that on successful completion lead to first registration as a professional in nursing, midwifery and certain allied health professions (pre-registration courses) are supported through the higher education finance system. This was extended from 2018-19 to those starting pre-registration courses in dental hygiene and dental therapy and postgraduate pre-registration courses. These students are eligible for fee loans and maintenance support from the SLC and are counted in our calculation of grants to providers.

65. The nursing, midwifery and allied health supplement supports the sustainability of certain pre-registration courses where there is evidence from costing studies³⁶ that average course costs exceed those that would otherwise be met through course fees and other grants (primarily high-cost subject funding). The allocation is provided in relation to students who come under the main higher education finance system. To be eligible a provider must be actively recruiting new entrants to pre-registration courses for the professions that this funding aims to sustain. Table 7 shows how pre-registration courses are assigned to price groups for high-cost subject funding and the additional rates of grant per FTE that apply for 2021-22 through the nursing, midwifery and allied health supplement.

³⁶ See

<https://webarchive.nationalarchives.gov.uk/ukgwa/20180405125423/http://www.hefce.ac.uk/lt/healthcare/nursing/>.

Table 7: Price groups and rates of funding per FTE for the nursing, midwifery and allied health supplement

Profession	Price group	Rate of funding per undergraduate FTE (£)	Rate of funding per postgraduate FTE (£)
Dental hygiene	A	0	0
Dental therapy	A	0	0
Dietetics	B	79.50	779.50
Midwifery	B	79.50	779.50
Nursing – adult	C1.1	213.25	913.25
Nursing – children	C1.1	413.25	1,113.25
Nursing – learning disability	C1.1	413.25	1,113.25
Nursing – mental health	C1.1	213.25	913.25
Nursing – unclassified	C1.1	213.25	913.25
Occupational therapy	B	79.50	779.50
Operating department practice	B	79.50	779.50
Orthoptics	B	3,579.50	4,279.50
Orthotics and prosthetics	B	3,579.50	4,279.50
Physiotherapy	B	79.50	779.50
Podiatry	B	1,279.50	1,979.50
Radiography (diagnostic)	B	1,279.50	1,979.50
Radiography (therapeutic)	B	1,279.50	1,979.50
Speech and language therapy	B	279.50	979.50

Very high-cost STEM subjects

66. We provide funding to help secure the provision of four very high-cost science, technology, engineering and maths (STEM) subjects: chemistry, physics, chemical engineering and mineral, metallurgy and materials engineering. This allocation supplements the standard price group B high-cost subject funding and helps providers to maintain activity in subjects that have been vulnerable because of low student demand. Thus it is not recalculated each year to reflect the latest student numbers: the allocations for 2021-22 are maintained in cash terms at the same level as last year. To be eligible, a provider must be actively recruiting new entrants in 2021-22 to the disciplines that this funding aims to sustain, and must have at least 30 student FTEs in the subject to receive an allocation for that subject.

Overseas study programmes

67. This allocation supports the costs to providers of participation in student exchange programmes with overseas providers. Up to 2020-21, this has included Erasmus+ (the EU's framework programme for education, training, youth and sport) and, from 2021-22, will include

the government's new Turing scheme.³⁷ It funds providers' support both for their own students studying abroad and their teaching of incoming exchange students. This also supports exchange programmes established by providers outside of the Erasmus+ and Turing schemes. The allocation provides £2,315 per student taking a study year abroad, or a work placement (sandwich) year abroad under Erasmus+ or the Turing scheme. This complements the income that providers receive from course fees, which are capped at a reduced rate of up to £1,385 (or £1,660 if taken as part of an accelerated degree) for such study years abroad.

68. For the 2021-22 academic year, we are maintaining in cash terms the £2,315 rate of grant provided to support study years abroad, including those taken under the government's new Turing Scheme. This funding is distributed using the higher of the numbers taking such a year abroad in either 2019-20 or 2020-21. The 2020-21 data on study years abroad shows a very significant reduction in participation, because of the effects of the coronavirus pandemic. We believe this data is likely to be unrepresentative of future participation, but that we should also recognise where (a very small number of) providers have reported an increase in numbers in 2020-21.

Postgraduate taught supplement

69. This allocation provides additional support for postgraduate study, where access to publicly funded student finance is more limited than for undergraduates. It is provided only for postgraduate taught students in price groups A to C2 who are not on courses eligible for masters' loans or undergraduate student support. The funding rate per eligible FTE is £1,023.08.

Intensive postgraduate and accelerated full-time undergraduate provision

70. Some courses are taught over longer periods within the year than others, and so cost more to teach. As shown in Table 3, the regulated undergraduate fee limits for accelerated courses are 20 per cent higher than for standard full-time and sandwich courses. This applies only to students starting such courses from academic year 2019-20.
71. Students studying on a year of a course that lasts for 45 weeks or more (excluding any time spent in the workplace) attract an allocation on top of any grant provided through high-cost subject funding. This does not apply to courses in price group A, where the intensity of study has already been considered in the high-cost funding rate, or to postgraduate taught provision in price group D, because course fees are generally expected to meet costs. The approximate rates of funding we are providing per FTE for accelerated full-time undergraduate and intensive postgraduate taught provision are shown in Table 8.

³⁷ See <https://www.gov.uk/government/news/turing-scheme-to-open-up-global-study-and-work-opportunities>.

Table 8: Approximate rates of funding for the accelerated full-time undergraduate and intensive postgraduate taught allocations

Price group	Accelerated full-time undergraduate rate per FTE (£)	Intensive postgraduate taught rate per FTE (£)
A	0	0
B	1,149.77	895.75
C1 and C2	879.24	684.99
D	676.34	0

Providers' costs relating to medical and dental staff

72. These three allocations 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. The allocations for 2021-22 are the same as those for 2020-21. The allocations comprise:

- a. **Clinical consultants' pay** – This allocation, totalling £16 million, recognises the additional costs that arise from applying the Consultant Contract (England) 2003 to clinical academics.
- b. **Senior academic general practitioners' pay** – This funding, totalling £1 million, is allocated to enable senior academic general practitioners to be paid in line with their hospital-based colleagues.
- c. **NHS pension scheme compensation** – This allocation, totalling £5 million, compensates higher education providers for the increased employers' contributions to the NHS pension scheme introduced in April 2004.

Funding for student access and success

73. As well as funding for high-cost courses, we provide funding for student access and success which supports providers in meeting the needs of students who belong to groups that are underrepresented in higher education or who need additional support to achieve successful outcomes. Funding for student access and success comprises six allocations as shown in Table 9.

Table 9: Funding for student access and success for academic year 2021-22

Funding for student access and success	Amount (£ million)
Premium to support successful student outcomes: full-time	150
Premium to support successful student outcomes: part-time	66
Disabled students' premium	40
Funding to address student hardship	5
Premium for student transitions and mental health	12
Uni Connect	40
Total funding for student access and success	313

Note: Figures in the table may not add up, due to rounding differences.

Premium to support successful student outcomes: full-time

74. We are providing an allocation to enable providers to support full-time and sandwich year out undergraduate students who are deemed to be most at risk of withdrawing from their studies because of their qualifications and age profile, and who therefore require additional investment to ensure their retention and success. This allocation includes a supplement that recognises students from areas of the country with low levels of higher education participation or qualification. The allocations are made in proportion to weighted FTEs. We calculate weighting factors³⁸ for each provider that reflect those broad characteristics of their students that give rise to additional costs. Where we do not have representative data for a provider to enable us to calculate its weighting factors, we instead use the average weighting factors for all providers for which we do have data.

- a. The main element totals £131 million. It has been found that the main factors affecting the likelihood of a student continuing their studies are entry qualifications and age. In general terms, those with lower entry qualifications are less likely to continue than those with, say, high A-level grades, while mature students are less likely to continue than young entrants. Students are therefore weighted according to these two factors to determine an overall weighting for the provider. There are 12 risk categories, weighted according to:
 - i. Age – ‘young’ (aged under 21) and ‘mature’ (aged 21 or over on entry).
 - ii. Qualification aim (those aiming for a first degree and those aiming for another undergraduate qualification).
 - iii. Risk associated with entry qualifications (low, medium and high).

³⁸ For further information on these calculations, see www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/technical-guidance-and-funding-data/.

- b. The supplement, totalling £19 million of the allocation, focuses funding on providers with the most students from underrepresented areas (see paragraph 75). This incorporates two provider weightings:
 - i. A weighting based on the proportion of students who are at risk of withdrawing from their studies (reflecting the 12 risk categories).
 - ii. A weighting based on the proportion of students who are both at risk **and** from the most underrepresented areas.

75. Students from underrepresented areas are identified based on their postcode using Participation of Local Areas (POLAR)³⁹ and higher-education-qualified adult classification data. POLAR classifies local areas, or 'wards', into quintiles based on the proportion of young people who enter higher education aged 18 or 19. The higher-education-qualified adult classification assigns wards to quintiles based on the proportion of people aged 16 to 74 with a higher education qualification. Quintile 1 areas have the lowest, and quintile 5 areas have the highest, levels of participation or qualification. The supplement recognises students from quintile 1 and quintile 2 areas.

Premium to support successful student outcomes: part-time

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

Disabled students' premium

77. This allocation is made to enable providers to support successful outcomes for disabled students. It aims to support providers to move towards inclusive models of support and to meet the rapid rise in students reporting disabilities and mental health issues.

78. We calculate for each provider a weighting that reflects the proportion of their UK students who receive DSA (weighted at 2) or who self-declare a disability (weighted at 1). Where we do not have representative data for a provider to enable us to calculate its weighting, we instead use the average weighting for all providers for which we do have data. This weighting is applied to the provider's student FTEs.

79. In previous years, the allocation of disabled students' premium funding has been capped so that no provider received a change of more than £200,000 compared with the previous year. We are not applying any such cap to the allocations for 2021-22.

Funding to address student hardship

80. This allocation is new for 2021-22 and enables providers to provide additional support to students facing hardship, particularly where this has arisen due to the impacts of the coronavirus pandemic. Funding is allocated through the existing student premium methods.

³⁹ See www.officeforstudents.org.uk/data-and-analysis/polar-participation-of-local-areas/. For 2021-22 funding, we have used the POLAR4 classification.

Providers have to distribute this allocation in full by the end of the 2021-22 academic year to students aiming for a higher education qualification. It must not be used to meet providers' own costs. As was the case for additional one-off funding provided for student hardship in 2020-21, providers may allocate this funding to a wider population of higher education students than those counted in our student premium funding methods including, for example, postgraduates (whether taught or research), overseas students and others who do not meet the definition of 'OfS-fundable'.

81. Providers distribute funds to students in hardship that are financed from a number of sources, of which OfS grant is one. In addition to this new allocation, providers can also use student premium funding to distribute to students facing hardship.

Premium for student transitions and mental health

82. This allocation is also new for 2021-22 and is made to enable providers to address the challenges to student mental health for those at the beginning of their undergraduate studies. This may include supportive and preventative measures that help to maintain good mental health and prevent more serious problems arising later on.
83. The allocation is made pro rata to the number of OfS-fundable undergraduate entrants reported by each provider in 2020-21.

Uni Connect

84. Uni Connect aims to reduce the gap in higher education participation between the most and least represented groups.⁴⁰ In doing so it contributes to the government's social mobility goals and the OfS's strategic objective that all students, from all backgrounds, with the ability and desire to undertake higher education, are supported to access, succeed in, and progress from higher education.

Uni Connect: bringing together partnerships of universities, colleges and other local partners to deliver outreach programmes and support schools and colleges to access outreach provision.

85. The programme consists of 29 local partnerships delivering impartial information, advice and guidance (IAG) and outreach activity to equip young and adult learners from underrepresented groups to make an informed choice about their options in relation to the full range of routes into and through higher education.
86. Partnerships focus their targeted work on the geographical areas where the higher education participation of young people is both low and much lower than expected given Key Stage 4 GCSE (and equivalent) attainment levels. The partnerships comprise higher education providers, schools, colleges and other organisations such as employers, third sector bodies, local authorities and local enterprise partnerships.
87. Uni Connect supports a strategic local infrastructure of universities, colleges and other partners that increases collaboration, offers an efficient and low-burden route for schools and colleges to engage, and addresses outreach 'cold spots' for underrepresented groups.
88. This allocation totals £40 million in 2021-22.

⁴⁰ See www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/.

Funding for specialist providers

89. The allocation for specialist institutions recognises that certain providers, because of the nature of their provision, and their circumstances and characteristics, face higher costs which cannot be met solely through course fees. Formula allocations were calculated in 2016-17 for those providers identified through a review in 2015-16⁴¹ as having world-leading teaching.
90. For 2021-22, we have a total budget of £53 million for specialist institution funding. Of this:
- £48 million has been allocated to the 16 providers that received specialist institution funding in 2020-21. This is a total increase of £5 million (11.5 per cent) compared with the allocations received by these providers in the previous year.
 - £5 million has been set aside for allocation later in the year.
91. The OfS will be running a consultation about the future approach to funding for specialist providers in autumn 2021. This will determine the distribution of the remaining £5 million of specialist institution funding and also inform allocations for 2022-23 and beyond.

2C: Other OfS funding

92. We aim to provide as much funding as possible for learning and teaching through recurrent grants to providers. The remaining OfS grant money consists of:
- Funding for national facilities and regulatory initiatives**, which supports facilities such as Jisc, and activity such as the National Student Survey and OfS Challenge Competitions.
 - Capital funding**, which helps higher education providers invest in their physical infrastructure, so that it remains fit for purpose. It provides funding to support sustainability commitments and investment plans relating to teaching.

Funding for national facilities and regulatory initiatives: allocations to support facilities such as Jisc, the NSS and Challenge Competitions.

Challenge Competitions: targeting funding through bidding competitions to address priority issues that affect students.

Funding for national facilities and regulatory initiatives

93. For 2021-22, this amounts to **£21 million** and will include support for:
- Jisc**,⁴² which provides UK universities and colleges with shared digital infrastructure and services such as the Janet network, English regional network upgrades, cybersecurity and learning analytics.

⁴¹ See <https://webarchive.nationalarchives.gov.uk/20180103194244/http://www.hefce.ac.uk/it/howfund/institution/>.

⁴² See <https://www.jisc.ac.uk/>.

- b. **The OfS Challenge Competitions**,⁴³ which fund short-term, project-based activity to deliver regulatory and other strategic priorities where the higher education sector is not serving students as effectively as it could. We launch Challenge Competitions to respond to new policy priorities and issues affecting students where additional funding and investment will make a significant difference. New competitions will be published on the OfS website along with details on how to apply.
- c. **The National Student Survey**,⁴⁴ which gathers students' opinions on the quality of their courses and helps to inform prospective students' choices.

Capital funding

94. Capital funding is additional funding provided by the government to support sustainable investment in higher education. It supports capital expenditure – that is, money used to acquire or maintain fixed assets, such as land, buildings and equipment, 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 funding:** helping providers invest in their physical infrastructure, so it remains fit for purpose.
95. The capital funding available for distribution is specified in the guidance letter from the Secretary of State (see paragraph 9). For financial year 2021-22, this sum is **£150 million**. From this, we are providing £19 million to meet existing commitments and support for national facilities and regulatory initiatives⁴⁵ and £131 million in capital funding to providers registered with the OfS in the Approved (fee cap) category.
96. Following a consultation exercise held in spring 2021,⁴⁶ we have modified our approach to allocating capital funding for 2021-22. We are distributing:
- a. £7.4 million through a formulaic allocation. All eligible providers may receive this allocation, but the maximum allocation for any individual provider is capped at £30,000.
 - b. £123.6 million through a bidding exercise open to all providers that are registered (or have applied to register) with us in the Approved (fee cap) category.

Formula-based capital funding

97. The £7.4 million of capital funding allocated by formula is distributed pro rata to weighted FTEs at each provider. The FTEs used in this calculation are the same ones that inform 2021-

⁴³ See www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/funding-competitions/about-ofs-challenge-competitions/.

⁴⁴ See www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/national-student-survey-nss/.

⁴⁵ This includes provision for Jisc (www.jisc.ac.uk/) to support information technology infrastructure, Higher Education Statistics Agency Data Futures (www.hesa.ac.uk/innovation/data-futures) and previous commitments arising from the former Higher Education Funding Council for England's Catalyst Fund.

⁴⁶ See www.officeforstudents.org.uk/publications/distribution-of-capital-funding-for-financial-year-2021-22-outcomes-of-consultation/.

22 recurrent grants, plus those on initial teacher training courses leading to qualified teacher status fundable by the Department for Education.

98. The overall weighted FTEs for a provider are calculated as:

- FTEs weighted by price group and level

multiplied by

- specialist institution weighting

plus

- FTEs × weighted disability proportion × 0.1



99. Weightings are based on the following:

- 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 C1. An additional 10 per cent of the weighting is applied for postgraduates in price groups A to C2. Table 10 shows the weighting factors for each price group and level.

Table 10: 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 and C1.2	1.1	1.21
C2	1	1.1
D	1	1

- Specialist institution weighting.** This recognises the particular needs of world-leading specialist providers, as discussed in paragraph 89. Variable weightings are applied to reflect the relative size for a provider's specialist institution allocation (if applicable).
- 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 (see paragraphs 77 to 79) to reflect the proportions of students at each provider receiving DSA (weighted 2) and others who self-declare a disability (weighted 1). 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.

100. We aim to distribute capital grant in the most effective way to secure benefits for students. Therefore, formula capital grants are not made where a provider's share would be less than £10,000.

Capital funding bidding exercise

101. We are distributing the majority of our capital funding (£123.6 million) for the 2021-22 financial year through a bidding exercise. We invited providers to bid for this funding in July 2021⁴⁷, with providers required to submit their bids by 10 September 2021. The bidding exercise is open to all eligible providers in the Approved (fee cap) category, for projects that meet the criteria in OfS 2021.27. We have specified an initial maximum cap of £3 million on the amount that we will allocate in financial year 2021-22 in support of any single bid. All funding allocated to providers must be spent in full by 31 March 2022.

102. The OfS will assess each bid against the following two criteria:

- a. It is for 'relevant expenditure'. This relates to particular capital expenditure on 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 and B, and computing and IT, nursing and archaeology within price group C1.1. These subjects include laboratory-based subjects in science, technology and engineering, healthcare disciplines in medicine, dentistry, nursing, midwifery and allied health professions and 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.
 - iii. Category 3 – Part-time and other forms of flexible provision.
- b. The project and associated risks will be well-managed and the project will provide value for money.

⁴⁷ See www.officeforstudents.org.uk/publications/capital-funding-for-financial-year-2021-22-allocations-and-invitation-to-bid/.

Section 3: Terms and conditions of funding

103. Substantial amounts of taxpayers' money are allocated to providers every year. It is important, therefore, that providers are regulated and accountable for the funding they receive, and that we are accountable, ultimately to Parliament, for the funding that we allocate.
104. The OfS funds eligible higher education providers – those registered in the Approved (fee cap) category of the OfS Register – for certain activities as defined under section 39(1) of HERA. Being registered as an Approved (fee cap) provider is thus a prerequisite for a provider to be eligible for our funding, and the main requirements that we place on it arise from its conditions of registration. These are the general ongoing conditions of registration for Approved (fee cap) providers set out in our regulatory framework,⁴⁸ and any specific ongoing conditions of registration that additionally apply to a provider, as separately communicated to it.
105. Terms and conditions of OfS funding⁴⁹ supplement any applicable conditions of registration. 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 UKRI. A breach of the terms and conditions of OfS funding may therefore be a breach of this condition of registration.
106. The terms and conditions of funding for 2021-22 were determined following consultation with providers and sector bodies. In developing them, we considered carefully how they interact with the conditions of registration that apply to providers in the Approved (fee cap) category and sought to minimise any overlap between them. Where requirements are a condition of registration, we sought to avoid replicating them as conditions of funding. However, it should be noted that regulatory action taken in the event of a breach of a condition of registration could result in changes to grant allocations and payments. This may arise if a provider ceases to be registered as an Approved (fee cap) provider, or if its registration, or elements of its registration, are suspended.
107. The terms and conditions of funding focus on:
- a. The uses to which providers may apply OfS funding. 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, capital funding, funds awarded through competitions (such as Uni Connect and OfS Challenge Competitions), and other grants that support national facilities and regulatory initiatives.
 - b. The circumstances under which we may recalculate and adjust funding. These include adjustments:
 - i. To reflect the findings of any audits or reconciliations of the data submitted by providers that inform funding.

⁴⁸ See www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/.

⁴⁹ See www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2021-22/.

- ii. To take account of changes to the grant available to us from government. We set 2021-22 academic year budgets in the light of the January 2021 strategic guidance letter from government, which set out the funding available for the financial year 2021-22. In doing so, we had to make an assumption about the funding that might be available for the 2022-23 financial year, because of its four-month overlap with the 2021-22 academic year. Any changes to the grant made available to the OfS by government for financial year 2021-22, or that we have assumed for financial year 2022-23, are likely to affect the funding we are able to distribute to providers in the 2021-22 academic year. If such changes arise, we 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.
 - iii. To reflect changes to a provider's eligibility for funding, for example 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).
- c. A small number of requirements relating to specific grants, including eligibility criteria. For example, to be eligible for the nursing, midwifery and allied health supplement a provider must be actively recruiting new entrants to pre-registration courses for the professions that this funding aims to sustain.

108. Just as the OfS has a formal relationship with higher education providers, so the Department for Education has a formal relationship with the OfS, which is set out in a framework document.⁵⁰ This sets out the broad framework within which the OfS operates and agreed expectations for how day-to-day interactions between the department and the OfS will be handled. Further policy guidance is set out in annual guidance letters from the government.⁵¹

⁵⁰ See www.officeforstudents.org.uk/about/how-we-are-run/.

⁵¹ See www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

Summary explanation of terms and abbreviations

Academic year

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

Access and participation plan

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

Allied health professions

Except where stated otherwise, references in this document to allied health professions are to dental hygiene, dental therapy, dietetics, occupational therapy, operating department practice, orthoptics, orthotics and prosthetics, physiotherapy, podiatry, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

Bidding competition

Funding available via competition. Providers are invited to submit a bid requesting funding to support a project, or particular activities or facilities that we wish to prioritise. Providers' bids will be awarded funding if they make a sufficiently strong case against criteria specified in the competition.

Challenge Competition

Funding for short-term, project-based activity to deliver specified regulatory and other strategic priorities where the higher education sector is not serving students as effectively as it could. Challenge competitions usually require providers to submit a bid for assessment to be used on a specific area within their institution.

Capital funding

Non-recurrent funding to help providers invest in their physical infrastructure so it remains fit for purpose.

Course fees

Fees paid to a provider for a student to attend a course (sometimes also called tuition fees). For providers registered in the Approved (fee cap) category, fees for most undergraduates and for postgraduate initial teacher training courses are subject to limits set out in regulations.

Department for Education

This is the government department to which the OfS is accountable,⁵² but as a non-departmental public body we operate at arm's length from it.

⁵² See <https://www.gov.uk/government/organisations/department-for-education>.

Department for Health and Social Care

This is the government department that provides maintenance grants for students on courses leading to qualification to practise in certain nursing, midwifery and allied health professions, as well as some bursaries and further learning support.

DSA

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

ELQ

Equivalent or lower qualification. Many students who are studying for a qualification equivalent to, or lower than, one they already hold are not counted for OfS funding purposes, but exemptions from this policy apply.

Erasmus+

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

ESFA

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

Financial year

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

FTE

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

Funding for national facilities and regulatory initiatives

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

Further education and sixth form colleges and academies

Further education colleges are publicly funded providers that focus on technical and professional education and training for young people, adults and employers. Sixth form colleges and academies are publicly funded providers that focus on education of 16 to 18-year-olds, including enabling them to progress to university or higher-level vocational education. Both categories may provide a broad range of education, including some higher education. Their primary regulator is the ESFA.

HEIF

Higher Education Innovation Funding. The method by which knowledge exchange funding is distributed to providers by UKRI, through Research England.

HERA

The Higher Education and Research Act 2017.⁵³

HESA

The Higher Education Statistics Agency.⁵⁴ HESA collects a number of different returns from some higher education providers. The ones that are most relevant for our funding are the student record and the alternative provider student record, which we use in calculating funding for some allocations for student access and success, and to reconcile with the HESES return.

HESES

Higher Education Students Early Statistics survey.⁵⁵ The annual aggregate student number survey informing our funding, which is completed by providers that have registered students on higher education courses recognised for OfS funding purposes.

HESF

Higher Education Students Forecast survey.⁵⁶ This aggregate student number survey is completed by providers that have registered (or applied to be registered) with the OfS in the Approved (fee cap) category, and that will offer higher education provision recognised for OfS funding purposes in 2021-22, but do not have such provision in 2020-21. Initial funding allocations for 2021-22 to these providers are informed by their HESF data, but we will recalculate and adjust them later to reflect the actual student numbers they have in the year.

Higher education provider

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

Individualised learner record

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

Jisc

Jisc provides UK universities and colleges with shared digital infrastructure and services, such as the Janet Network.⁵⁷

Knowledge exchange

Higher education providers increasingly engage with businesses, public and third sector services, the community and wider public, transferring or exchanging knowledge with the aim of delivering external impact, such as improving products, services, profitability and so on. This is linked with

⁵³ See <https://www.legislation.gov.uk/ukpga/2017/29/contents/enacted>.

⁵⁴ See <https://www.hesa.ac.uk/>.

⁵⁵ See www.officeforstudents.org.uk/data-and-analysis/data-collection/heses/.

⁵⁶ See www.officeforstudents.org.uk/data-and-analysis/data-collection/hesf/.

⁵⁷ See <https://www.jisc.ac.uk/>.

research and teaching, and includes consultancy and advisory work, the creation of intellectual property, the development of academic and student entrepreneurship, and a variety of other activities.

Level

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

Mode

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

Non-recurrent funding

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

NSS

The National Student Survey. An independent survey that gathers undergraduate students' opinions on the quality of their course.⁵⁸

Ofqual

The Office of Qualifications and Examinations Regulation.

OfS

The Office for Students.

POLAR

The Participation of Local Areas classification groups areas across the UK based on the proportion of the young population who participate in higher education.⁵⁹ It looks at how likely young people are to participate in higher education across the UK and shows how this varies by area.

Price group

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

Recurrent funding

Yearly allocations aimed at ongoing core activities.

Register

The OfS Register. This lists all the English higher education providers officially registered by the OfS. It is a single, authoritative reference about a provider's regulatory status.⁶⁰

⁵⁸ See www.officeforstudents.org.uk/for-students/national-student-survey/.

⁵⁹ See www.officeforstudents.org.uk/data-and-analysis/young-participation-by-area/about-polar-and-adult-he/.

⁶⁰ See www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/.

Research England

One of the councils of UKRI, which provides funding for research and knowledge exchange. It administers OfS funding for knowledge exchange according to a method and monitoring arrangements that we agree.

Sandwich course

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

STEM

Science, technology, engineering and mathematics.

SLC

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

TEF

The Teaching Excellence and Student Outcomes Framework.⁶¹ Introduced to recognise and reward high-quality teaching and to ensure that prospective students can make informed choices. A key feature of the TEF is that decisions about the ratings are made by an independent panel, comprising academics, students and those with relevant experience of employment and widening participation. This panel applies its professional knowledge and expertise to consider the TEF metrics and provider submission in order to reach a holistic judgement and award a rating. The Office for Students is responsible for implementing the TEF according to the Department for Education's TEF specification.

Turing Scheme

A government-funded student exchange programme which provides opportunities for students studying at UK providers to undertake placements and classes internationally during their studies.⁶²

UKRI

UK Research and Innovation.⁶³ A research and innovation funding organisation established by the Higher Education and Research Act 2017.

⁶¹ See www.officeforstudents.org.uk/advice-and-guidance/teaching/.

⁶² See <https://www.turing-scheme.org.uk/>.

⁶³ See <https://www.ukri.org/>.

Uni Connect

Uni Connect is a nationwide network of universities and colleges working in partnership to deliver sustained outreach to around 100,000 young people per year in areas where higher education participation is unexpectedly low.⁶⁴

⁶⁴ See www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/.

Further reading

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

Guidance from government:

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

OfS publications

(all available at www.officeforstudents.org.uk/publications/)

'Terms and conditions of funding 2021-22' (OfS 2021.30)

www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2021-22/.

'Distribution of capital funding for financial year 2021-22: Outcomes of consultation' (OfS 2021.28)

www.officeforstudents.org.uk/publications/distribution-of-capital-funding-for-financial-year-2021-22-outcomes-of-consultation/.

'Capital funding for financial year 2021-22: Allocations and invitation to bid' (OfS 2021.27)

www.officeforstudents.org.uk/publications/capital-funding-for-financial-year-2021-22-allocations-and-invitation-to-bid/.

'Recurrent funding for 2021-22' (OfS 2021.29)

www.officeforstudents.org.uk/publications/recurrent-funding-for-2021-22/.

'Recurrent funding for 2021-22: Outcomes of Consultation' (OfS 2021.26)

www.officeforstudents.org.uk/publications/recurrent-funding-for-2021-22-outcomes-of-consultation/.

'Higher Education Students Early Statistics survey 2020-21 (HESES20)' (OfS 2020.42)

www.officeforstudents.org.uk/publications/heses20/.

'Higher Education Students Forecast 2020-21 (HESF20)' (OfS 2019.36)

www.officeforstudents.org.uk/publications/hesf20/.

'Securing student success: Regulatory framework for higher education in England' (OfS 2018.01)

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



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