

Office for  
Students



# Formula capital funding for 2019-20

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# Summary

1. This publication summarises our initial allocations of formula capital funding for the financial year 2019-20 (1 April 2019 to 31 March 2020). It includes information on:
  - the budget available to us
  - how we calculate capital allocations
  - individual allocations to providers (set out in Annex A).
2. The capital funding made available to us by government for the financial year 2019-20 totals £100 million. The total that we are distributing comprises:
  - £90 million for formula teaching capital allocations
  - £10 million for Jisc (relating to infrastructure).
3. We allocate capital funding to higher education providers registered with the OfS in the Approved (fee cap) category. This document announces allocations totalling £88 million, made to those providers that were registered in the Approved (fee cap) category on 19 March 2019. The balance of £2 million has been set aside as provision for other providers that become registered in the Approved (fee cap) category between 20 March 2019 and the end of the 2019-20 financial year.
4. We provide capital grants on a financial year basis (1 April 2019 to 31 March 2020), and thus require capital grants for 2019-20 to be spent in full by 31 March 2020; we cannot provide funding in advance of need.

## Formula capital funding for 2019-20

5. This publication sets out formula teaching capital allocations for the financial year 2019-20 (1 April 2019 to 31 March 2020). We allocate formula teaching capital to higher education providers registered with the OfS in the Approved (fee cap) category. These funds are available to support capital investment in learning and teaching and are subject to the terms and conditions set out in 'Terms and conditions of funding for 2019-20' (OfS 2019.12)<sup>1</sup>, which we are publishing separately.
6. The strategic guidance letter of 27 February 2019 from the Secretary of State for Education confirmed the funding available for the financial year 2019-20 and the government's priorities that should underpin our approach to funding<sup>2</sup>. The OfS board has agreed that the £100 million of capital funding should be distributed as follows:
  - £90 million for formula teaching capital allocations
  - £10 million for Jisc (relating to infrastructure).
7. The total of £90 million for formula teaching capital allocations is a reduction of 14 per cent in cash terms (15.5 per cent in real terms) compared with the £104.4 million allocated for the financial year 2018-19. However, the underlying cut is greater because the reduced funding supports additional providers becoming newly eligible for OfS funding from 2019-20, and the government's health education reforms. The latter comprise:
  - a. The phased transfer of pre-registration courses in nursing, midwifery and allied health to the main higher education finance system from 2017-18.
  - b. The increase in intakes to pre-registration courses in medicine from 2018-19.
8. Annex A shows initial formula teaching capital allocations to providers for the 2019-20 financial year. These total £88 million and have been made only to providers that have been registered with the OfS in the Approved (fee cap) category by 19 March 2019. Allocations to providers and their totals are rounded to the nearest £1.

### Provision for providers that are not currently registered with the OfS in the Approved (fee cap) category

9. Subject to providers meeting all eligibility criteria for capital funding and our having sufficient funding available, we will make further formula capital allocations to providers that are registered in the Approved (fee cap) category after 19 March 2019 and before the end of the financial year (31 March 2020). We have made budget provision of £2 million for this purpose. We will not reduce the allocations announced in this document to extend funding to providers that join the OfS register later. However, we recognise the exceptional circumstances this year as the OfS register is being established and therefore propose, subject to adequate funding

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<sup>1</sup> See [www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2019-20/](http://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2019-20/).

<sup>2</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

being available, to provide funding for eligible providers that are registered in the Approved (fee cap) category between 20 March 2019 and 31 March 2020, as follows:

- a. For a provider that submits its application to register in the Approved (fee cap) category **by 30 April 2019** (subject to their application for registration being successful on or before 31 March 2020), a full allocation of formula capital funding for the whole financial year.
  - b. For a provider that submits its application to register in the Approved (fee cap) category **after 30 April 2019** (subject to their application for registration being successful on or before 31 March 2020), an allocation of formula teaching capital grant reduced pro rata to reflect the number of days in the 2019-20 financial year before it becomes registered in the Approved (fee cap) category<sup>3</sup>.
10. As explained above, only those providers that have successfully completed registration by 31 March 2020 will receive formula teaching capital for 2019-20. As described in paragraph 17, the allocation method includes a minimum threshold of £10,000. Providers whose formula-based allocation would be less than this are not eligible for funding for the year. This also applies if a provider's formula-based allocation is reduced pro rata, as described in paragraph 9.b, to below £10,000, because it applied to register after 30 April 2019. Such a provider would not be eligible for formula capital funding for financial year 2019-20.
11. 'Funding for 2019-20: Consultation on terms and conditions and method' (OfS 2019.02) stated that we expect to announce updated recurrent and formula capital grants in October 2019, including any providers that are registered in the Approved (fee cap) category on Friday 20 September 2019<sup>4</sup>. This will include an updated version of the allocation table given in Annex A to this publication. While we hope that this date will allow us to include allocations for any eligible providers not registered in the Approved (fee cap) category in time for this initial distribution of funding, we do not rule out making further allocations to providers that are registered in this category later.

## Calculation method

12. OfS 2019.02, published in February 2019, set out and invited comments on our proposed formula funding method for capital grants for 2019-20. In March 2019, we held a consultative event with representative bodies of providers, where we discussed our proposed approach to 2019-20 funding. Reflecting the responses through this consultation process, the OfS board has agreed the methodology for allocating formula teaching capital to providers for the 2019-20 financial year. A summary of the responses is published in 'Funding for 2019-20: Outcomes of consultation on terms, conditions and methods' (OfS 2019.10)<sup>5</sup>. In summary, the allocation

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

<sup>4</sup> See [www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/](http://www.officeforstudents.org.uk/publications/funding-for-2019-20-consultation-on-terms-and-conditions-and-method/).

<sup>5</sup> See [www.officeforstudents.org.uk/publications/funding-for-2019-20-outcomes-of-consultation-on-terms-conditions-and-methods/](http://www.officeforstudents.org.uk/publications/funding-for-2019-20-outcomes-of-consultation-on-terms-conditions-and-methods/).

method is as set out in OfS 2019.02, with an additional weighting factor to reflect the proportion of students at each provider reporting a disability.

13. For 2019-20, we calculate formula capital grants pro rata to weighted full-time equivalent student numbers (FTEs) at each provider. The FTEs used in this calculation are the same ones that will inform 2019-20 recurrent grants<sup>6</sup>, plus those on initial teacher training courses leading to qualified teacher status fundable by the Department for Education.

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

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

15. Weightings are based on the following:

- a. **Price group and level.** These recognise that, for example, clinical and laboratory-based subjects have higher capital costs than classroom-based subjects, and that postgraduates may use more specialist facilities and do so more intensively. Higher weightings are applied to FTEs in price groups A, B and C1. An additional 10 per cent of the weighting is added for postgraduates in price groups A to C2. Table 1 shows the weighting factors that apply by price group and level.

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

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

- b. **London weighting.** This recognises the additional costs of operating in London, reflecting in part the findings of the consultancy study commissioned by the Higher Education Funding Council for England (HEFCE) in 2017<sup>7</sup>. Weightings are applied to providers wholly in inner London (0.08) and wholly in outer London (0.05). No extra weighting is applied to providers wholly outside London. Providers with provision in more than one of these areas have an average weighting to reflect the proportion of their activity in each area.

<sup>6</sup> Fundable student FTEs reported by providers in the Higher Education Students: Early Statistics survey 2018, Higher Education in Further Education: Students survey 2018 or Higher Education Students Forecast survey 2019. Further information about these surveys is available at [www.officeforstudents.org.uk/data-and-analysis/data-collection/](http://www.officeforstudents.org.uk/data-and-analysis/data-collection/).

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

- c. **Specialist institution weighting.** This recognises the particular needs of world-leading specialist providers, following a review by HEFCE in 2015-16<sup>8</sup>. Variable weightings are applied to reflect the size of a provider's specialist institution targeted allocation (if applicable) relative to its overall assumed resource. This is calculated as  $1 \div (1 - x)$ , where x is the provider's specialist institution targeted allocation as a proportion of its total teaching resource used in the 2018-19 formula capital funding method.
- d. **Weighted disability proportion.** This recognises costs as providers invest in inclusive models of support to meet the rapid rise in students reporting disabilities and mental health issues and deliver on the commitments made to those students in their access and participation plans or statements. It is calculated in the disabled students premium (part of recurrent teaching grant) to reflect the proportions of students at each provider receiving Disabled Students' Allowances (DSA) (weighted 2) and others who self-declare a disability (weighted 1). 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.

16. For the most part, values for these weighting factors were determined in a way that (using the same underlying student data and budget) would produce a broadly similar distribution of capital funding between providers to that we made for 2018-19. However, the 10 per cent weighting applied to the disability proportion is designed to have a more significant redistributive effect between providers than in the allocation method for 2018-19<sup>9</sup>.

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

18. The main reasons for changes to allocations for providers that received formula capital grants for financial year 2018-19 are:

- a. The reduced total funding available for distribution (see paragraph 7).
- b. Year-on-year changes to student numbers at a provider relative to all other providers.
- c. Changes to the funding method to move away from allocations made pro rata to teaching resource to ones made pro rata to weighted FTEs.

## Grant payments, conditions and monitoring

19. OfS 2019.12 sets out the terms and conditions that apply to OfS formula capital funding for the 2019-20 financial year, including the arrangements for payment, how it may be used and monitoring arrangements. Providers should consult that document for full information on the terms and conditions attached to receipt of capital funding.

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<sup>8</sup> See <https://webarchive.nationalarchives.gov.uk/20170712123151/http://www.hefce.ac.uk/It/howfund/institution/>.

<sup>9</sup> Formula capital grants for 2018-19 were calculated pro rata to recurrent resource (OfS teaching grants plus assumed fee income), of which the disabled students' premium was less than 0.5 per cent.

## Further information

20. Providers requiring further information should contact [recurrentgrant@officeforstudents.org.uk](mailto:recurrentgrant@officeforstudents.org.uk).

# Annex A: Capital funding allocations to providers

1. This is available to download as an Excel file alongside this document at [www.officeforstudents.org.uk/publications/formula-capital-funding-for-2019-20/](http://www.officeforstudents.org.uk/publications/formula-capital-funding-for-2019-20/).
2. The top right of the table (cell E2) reflects the release date of the capital allocations in the table.

## Descriptions of columns in the Annex A table

3. **Provider** lists both legal name and trading names. Only providers meeting the £10,000 threshold for an allocation are listed. A hidden column in the Excel file identifies the government region for each provider.
4. **Formula-based teaching capital** shows the allocation for each provider.



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