

**Office for  
Students**



# **Guide to funding 2020-21**

**How the Office for Students allocates  
money to higher education providers**

**Reference** OfS 2020.23

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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 2020-21. 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.<sup>1</sup>
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 2020-21**

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 teaching grant budgets for 2020-21.

## **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.

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<sup>1</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/).

# Section 1: The OfS's funding powers and our budget for 2020-21

## Finance for higher education teaching

4. Finance for higher education teaching is provided through a variety of sources, the two main ones being:
  - a. Course fees paid by students and others. For most UK and EU 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 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 23.
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.'<sup>2</sup>

## 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.<sup>3</sup> 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 with us<sup>4</sup> 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

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

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

<sup>4</sup> 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/what-can-registered-providers-do/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/what-can-registered-providers-do/).

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.<sup>5</sup>

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 17). 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 teaching budget

9. Each year, the Secretary of State for Education writes to the OfS to detail our teaching grant budget for the forthcoming financial year.<sup>6</sup> Table 1 shows the two elements that constitute the OfS teaching grant for the financial year 2020-21.

**Table 1: Teaching grant budget for financial year 2020-21**

2020-21 Financial year budget element	Amount (£ million)
Recurrent teaching grant	1,329
Capital teaching grant	150
<b>Total Teaching Funding</b>	<b>1,479</b>

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. For example, within teaching funding we primarily provide funding only in relation to activities where costs exceed the level that course fees could generally be expected to cover.

**In 2020-21 the OfS is directly funding over 320 higher education providers.**

## Capital teaching grant

11. Capital funding is provided by the government as a budget separate from our main recurrent teaching 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. Further details on how capital funding is allocated in the financial year 2020-21 are given in section 2C.

<sup>5</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/what-can-registered-providers-do/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/what-can-registered-providers-do/).

<sup>6</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/).



15. Most of this funding (£1,255 million) is distributed to providers as formula-based recurrent funding. Further details on how this is done can be found in section 2B.
16. 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

17. 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 and capital 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 are made through competitive processes but will often support collaborative activity that will have wider national or regional benefits, such as Uni Connect (formerly the National Collaborative Outreach Programme) and our Challenge Competitions.

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

Teaching grants are targeted where they are most needed, reflecting the costs to providers 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 for teaching, with regulated course fee limits frozen for academic year 2020-21 and a cut to OfS recurrent grants, which have nevertheless to support an 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 2020-21, we are providing £316 million (25 per cent of the total recurrent grant of £1,255 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.'

Teaching grants are targeted where they are most needed to reflect the OfS's objectives, reflecting 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.

- 18. In carrying out our functions, we must also have regard to guidance given by the Secretary of State.<sup>8</sup>

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<sup>8</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/).

- a. The OfS is also subject to the public sector equality duty, which is set out in Part 11 of the Equality Act 2010.<sup>9</sup> This requires us, in the exercise of our functions, to have due regard to the need to:
  - i. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
  - ii. Advance equality of opportunity between persons who share a relevant protected characteristic<sup>10</sup> and persons who do not share it.
  - iii. 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 2020-21

19. 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 spring 2020 we announced initial grant allocations for 2020-21 to providers that have joined the Register in the Approved (fee cap) category by:
  - a. **17 March 2020** for capital grants. These are allocated for the financial year 2020-21 (1 April 2020 to 31 March 2021).
  - b. **14 April 2020** for recurrent grants. These are allocated for the academic year 2020-21 (1 August 2020 to 31 July 2021).
20. Providers that join the Register in the Approved (fee cap) category after these dates, but before the end of 2020-21, will also receive funding allocations, subject to their meeting all eligibility criteria that apply to our grants and our having enough funding available. We have set aside capital and recurrent funding for this purpose. Providers must be registered by:
  - a. **31 March 2021** to be eligible for 2020-21 capital grants.
  - b. **31 July 2021** to be eligible for 2020-21 recurrent grants.

We will not reduce the initial allocations announced to providers in spring 2020 to extend funding to providers that join the OfS Register later than the dates shown in paragraph 19.

21. Where providers join the Register before one of the dates noted in paragraph 20, the amount of funding they will receive will depend on when they applied.
  - a. If a provider has submitted its application to register in the Approved (fee cap) category by 30 April 2020 (subject to its application for registration being successful on or before

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<sup>9</sup> See <https://www.legislation.gov.uk/ukpga/2010/15/part/11/chapter/1>.

<sup>10</sup> These protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

the respective dates in paragraph 20) it will receive a full allocation of recurrent and formula capital grant.

- b. If a provider submits an application to register in the Approved (fee cap) category after 30 April 2020 (subject to its application for registration being successful on or before the respective dates in paragraph 20) it will receive allocations that will be reduced pro rata to reflect the number of days in the financial year (for capital grants) or academic year (for recurrent grants) before it becomes registered in this category.

22. Providers in the Approved (fee cap) category will receive a formula capital grant for the financial year 2020-21 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

23. 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 24 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 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. From the 2020-21 academic year, the Department of Health and Social Care is also providing maintenance grants of between £5,000 and £8,000 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, 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 Qualifications<sup>11</sup> 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.<sup>12</sup> 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:
  - 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.

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<sup>11</sup> See <https://register.ofqual.gov.uk/>.

<sup>12</sup> See <https://www.gov.uk/advanced-learner-loan>.

## Course fees

24. 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. This applies to most UK and EU undergraduates, and to students on teacher training courses. 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:

- What type of year of study the student is undertaking.
- Whether the provider has an access and participation plan (APP) in force with the OfS.<sup>13</sup>
- Whether it holds a TEF<sup>14</sup> award.

Table 3 shows the limits that apply for the 2020-21 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.

**Table 3: Regulated course fee limits for 2020-21 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

<sup>13</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/access-and-participation-plans/).

<sup>14</sup> See [www.officeforstudents.org.uk/advice-and-guidance/teaching/](http://www.officeforstudents.org.uk/advice-and-guidance/teaching/).

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
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

25. Fees for most postgraduate students at providers registered in the Approved (fee cap) category are not regulated.
26. 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

27. 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.
28. 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.
29. 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.
30. 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.
31. Our approach to funding for 2020-21 is consistent with previous years and has been developed following consultation. We will review our funding method for future years, so that it further supports our duties and regulatory objectives, and will consult on our developing approach as soon as we can. 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 outcomes of the review of post-18 education and funding,<sup>15</sup> and the government's response to it, will therefore provide the context for any future review of our funding.

### Terms and conditions

32. 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

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<sup>15</sup> See <https://www.gov.uk/government/publications/post-18-review-of-education-and-funding-independent-panel-report>.

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).

33. 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 23) and private sources, and the OfS's terms and conditions cannot apply to these other funds.

### **Funding methods: formula-based allocations**

34. The 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.
35. Our funding formulae generally:
  - a. Use student numbers as a measure of volume. Further information about how we count students is provided in paragraphs 36 to 40.
  - 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 letter.

### **Data sources**

36. We use two types of data returns to inform our grant allocations: aggregate and individualised student data.
37. Providers submitted a return directly to the OfS<sup>16</sup> that recorded aggregate information on numbers of students in 2019-20 or forecast numbers for 2020-21. This was submitted in November or December 2019 by most providers.
  - a. Providers that in 2019-20 have registered students on higher education courses recognised for OfS funding purposes completed the **Higher Education Students Early Statistics 2019-20 (HESES19) survey**.
  - b. Providers that in 2020-21 will offer courses recognised for OfS funding purposes, but did not have such provision in 2019-20, completed the **Higher Education Students Forecast 2020-21 (HESF20) survey**.
38. Using in-year data from HESES ensures that our funding decisions are based on the most up-to-date information available. However, because HESES19 data was provided before the end

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<sup>16</sup> See [www.officeforstudents.org.uk/data-and-analysis/data-collection/](http://www.officeforstudents.org.uk/data-and-analysis/data-collection/).

of the 2019-20 academic year, it necessarily includes elements of forecasting relating to students' activity up until the end of that academic year.

39. HESF20 provides a forecast of the number of students on higher education courses recognised for OfS funding purposes who are expected to be studying in the academic year 2020-21. Where it informs the initial allocation of funds for 2020-21, we will recalculate and adjust allocations later to reflect the actual student numbers in the year.
40. Where available, end-of-year individualised student data for 2018-19 was used:
  - a. For further education and sixth form colleges and academies, this is the **individualised learner record**, which is submitted to the ESFA.<sup>17</sup>
  - b. For other providers, this is the **Higher Education Statistics Agency (HESA) student record**, or the **HESA alternative provider student record**.<sup>18</sup>

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

### **Which students are included in our funding calculations?**

41. In general terms, we count students from the UK and EU countries if:
  - a. 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 23.e).
  - b. 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.
  - c. 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.
  - d. They are not aiming for an equivalent or lower qualification (ELQ) or are exempt from the ELQ policy (see paragraph 42).
  - e. 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.

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<sup>17</sup> See <https://www.gov.uk/government/collections/individualised-learner-record-ilr>.

<sup>18</sup> See <https://www.hesa.ac.uk/collection/c18051> and <https://www.hesa.ac.uk/collection/c18054>.

42. 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,<sup>19</sup> 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).<sup>20</sup>
43. 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?**

44. 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.
45. 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**

46. 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 to practise as a medical doctor or dentist.<sup>21</sup> 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.
47. We do not count recruitment above the intake target towards any funding allocations. This helps manage our budgets and ensures that support for other areas of provision is not reduced by over-recruitment to these very high-cost programmes. We assess over-recruitment

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<sup>19</sup> 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.

<sup>20</sup> 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>.

<sup>21</sup> 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/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/medical-and-dental-target-intakes/).

by providers over a rolling five-year period,<sup>22</sup> rather than immediately taking action for over-recruitment in a single year. This gives flexibility to providers in managing their recruitment from year to year.

48. 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.

## 2B: Recurrent funding

49. Most providers' income for teaching 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 masters' course.<sup>23</sup>

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

50. 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, where students may need additional support to succeed, or because the location brings about additional costs. 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

51. 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 and teaching in London.
  - 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.<sup>24</sup>

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<sup>22</sup> For providers with new medical schools, we modify this to recognise where they do not yet have five years of intakes to report.

<sup>23</sup> See <https://www.gov.uk/masters-loan>.

<sup>24</sup> See <https://webarchive.nationalarchives.gov.uk/20170712123151/http://www.hefce.ac.uk/lt/howfund/>.

52. 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.

### Elements of recurrent grant

53. Table 4 shows the main elements of our recurrent grant for 2020-21. A further disaggregation of the first two elements follow in separate tables.

**Table 4: Elements of recurrent grant for 2020-21**

Elements of recurrent grant	Amount (£ million)
Funding for high-cost courses (see Table 5)	895
Funding for student access and success (see Table 10)	316
Funding for specialist providers (see paragraph 76)	43
<b>Total</b>	<b>1,255</b>

### Funding for high-cost courses

54. 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 2020-21**

Funding for high-cost courses	Amount (£ million)
High-cost subject funding	690
Nursing, midwifery and allied health supplement	23
Very high-cost science, technology, engineering and maths subjects	24
Erasmus+ and overseas study programmes	28
Postgraduate taught supplement	8
Intensive postgraduate provision	33
Accelerated full-time undergraduate provision	3
Students attending courses in London	64
Clinical consultants' pay	16
Senior academic general practitioners' pay	1
NHS pensions scheme compensation	5
<b>Total funding for high-cost courses</b>	<b>895</b>

## High-cost subject funding

55. 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).

For 2020-21, this scaling factor is 0.972. This is less than the equivalent scaling factor for 2019-20 of 1.025, and implies a decrease of over 5 per cent in cash terms in funding per FTE compared with the previous academic year.



56. Funding rates are informed by the assignment of subject areas to five price groups based on the course characteristics and associated teaching costs; for example, there are higher costs in providing a physics course than geography or business studies.

- 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 group B.** Laboratory-based science, engineering and technology subjects, and pre-registration courses in midwifery and certain other allied health professions.<sup>25</sup>
- Price group C1.** Intermediate-cost subjects of archaeology, design and creative arts, information technology, systems sciences and computer software engineering, media studies, and pre-registration courses in nursing.

**Price groups:** putting higher education subjects into five broad groups that have similar teaching costs: A (the most expensive), B, C1, C2 and D (the least expensive).

<sup>25</sup> 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.

- d. **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).
- e. **Price group D.** Classroom-based subjects such as humanities, business or social sciences.

57. High-cost subject funding is provided only for price groups A, B and C1. Table 6 shows rates of grant for the academic year 2020-21.

**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	9,720
B	1,500	1,458
C1	250	243
C2 and D	0	0

### **Nursing, midwifery and allied health supplement**

58. 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.
59. The nursing, midwifery and allied health supplement supports the sustainability of certain pre-registration courses where there is evidence from costing studies<sup>26</sup> 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 2020-21 through the nursing, midwifery and allied health supplement.

<sup>26</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/nursing-midwifery-and-allied-health-courses/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/nursing-midwifery-and-allied-health-courses/).

**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	213.25	913.25
Nursing – children	C1	413.25	1,113.25
Nursing – learning disability	C1	413.25	1,113.25
Nursing – mental health	C1	213.25	913.25
Nursing – unclassified	C1	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

60. 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 2020-21 are a reduction in cash terms of 5 per cent from last year. To be eligible, a provider must be actively recruiting new entrants in 2020-21 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.

### Erasmus+ and overseas study programmes

61. This allocation supports the costs to providers of participation in student exchange programmes with overseas providers, including Erasmus+ (the EU's framework programme for education, training, youth and sport). The Erasmus+ programme provides opportunities for

higher education students to take study or work placements abroad, but providers may also establish exchange programmes for their students with overseas providers outside the Erasmus+ programme. The allocation provides £2,315 per student taking a study year abroad (either under the Erasmus+ scheme or otherwise), or a work placement (sandwich) year abroad under the Erasmus+ 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.

### Postgraduate taught supplement

62. 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 £1,009.

### Intensive postgraduate and accelerated full-time undergraduate provision

63. 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.
64. 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.

**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	1,274	1,044
C1 and C2	974	799
D	749	0

### Students attending courses in London

65. We provide a separate allocation relating to all categories of students attending courses in London, to contribute to meeting the additional costs for providers of operating in the capital. The standard rates of funding for providers in inner and outer London are shown in Table 9. Where providers have activities that span boundaries between inner and outer London and outside London, rates are varied to reflect the proportion of activity in each area.

**Table 9: Rates of funding for students attending courses in London**

Price group	Standard rate per FTE for inner London (£)	Standard rate per FTE for outer London (£)
A	958	599
B	407	254
C1 and C2	312	195
D	240	150

**Providers' costs relating to medical and dental staff**

66. 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 2020-21 are a cut in cash terms of 6.8 per cent compared with the previous year. 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**

67. 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 four allocations as shown in Table 10.

**Table 10: Funding for student access and success for academic year 2020-21**

<b>Funding for student access and success</b>	<b>Amount (£ million)</b>
Premium to support successful student outcomes: full-time	150
Premium to support successful student outcomes: part-time	66
Disabled students' premium	40
Uni Connect	60
<b>Total funding for student access and success</b>	<b>316</b>

**Premium to support successful student outcomes: full-time**

68. 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 factors<sup>27</sup> 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 £142 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. London weighting is also applied where appropriate. 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).
- b. The supplement, totalling £19 million of the allocation, focuses funding on providers with the most students from underrepresented areas (see paragraph 69). This incorporates three provider weightings:

<sup>27</sup> For further information on these calculations, see [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/technical-guidance-and-funding-data/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/annual-funding/technical-guidance-and-funding-data/).

- 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.
- iii. A London weighting, where appropriate.

69. Students from underrepresented areas are identified based on their postcode using Participation of Local Areas (POLAR)<sup>28</sup> 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**

70. This allocation is made in proportion to undergraduate part-time FTEs (with London weighting where appropriate), 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**

71. 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.

72. 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, together with London weighting where appropriate, is applied to the provider's student FTEs. A minimum allocation of £1,000 applies for all providers. Year-on-year changes to the allocation for individual providers are capped at ±£200,000.

### **Uni Connect (formerly the National Collaborative Outreach Programme)**

73. Uni Connect aims to reduce the gap in higher education participation between the most and least represented groups.<sup>29</sup> In doing so it contributes to the government's social mobility goals and the OfS's strategic objective that

**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.

<sup>28</sup> See [www.officeforstudents.org.uk/data-and-analysis/polar-participation-of-local-areas/](http://www.officeforstudents.org.uk/data-and-analysis/polar-participation-of-local-areas/). For 2020-21 funding, we have used the POLAR4 classification.

<sup>29</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/uni-connect/).

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.

74. The programme consists of local partnerships undertaking outreach activity in 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, and local enterprise partnerships. Uni Connect provides impartial routes for schools and colleges to access outreach activity from a range of higher education providers, as well as sustaining a platform for wider collaboration.
75. This allocation totals £60 million in 2020-21.

### Funding for specialist providers

76. 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 2015-16<sup>30</sup> as having world-leading teaching. The allocations for 2020-21 are the same as the previous year for each provider and total £43 million.

## 2C: Other OfS funding

77. 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:
- a. **Funding for national facilities and regulatory initiatives**, which supports facilities such as Jisc, and activity such as the National Student Survey, the Centre for Transforming Access and Student Outcomes in Higher Education, and OfS Challenge Competitions.
  - b. **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, the Centre for Transforming Access and Student Outcomes in Higher Education and Challenge Competitions.

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

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<sup>30</sup> See <https://webarchive.nationalarchives.gov.uk/20180103194244/http://www.hefce.ac.uk/lt/howfund/institution/>.

## Funding for national facilities and regulatory initiatives

78. For 2020-21, this amounts to **£21 million** and will include support for:

- a. **Jisc**,<sup>31</sup> 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.
- b. **The OfS Challenge Competitions**,<sup>32</sup> 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. The budget for Challenge Competitions in 2020-21 is £9 million. 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**,<sup>33</sup> which gathers students' opinions on the quality of their courses and helps to inform prospective students' choices.
- d. **Strategic interventions in health education disciplines**.<sup>34</sup> This programme aims to increase awareness of allied health disciplines; to increase understanding of, and demand for, higher education courses in small specialist allied health disciplines; to strengthen and diversify the delivery of the small and specialist disciplines covered by this initiative; and to develop a better understanding of the student market for nursing, midwifery and allied health courses, including mature and male participation.
- e. **The Centre for Transforming Access and Student Outcomes in Higher Education**,<sup>35</sup> which helps to ensure that interventions, activity and approaches to access, student success and progression are evidence-based and effective.

## Capital funding

79. Capital funding is additional funding provided by the government to support sustainable investment in higher education. It is intended to help providers to manage their physical infrastructure as an integral part of their strategic and operational planning and to ensure that their plans in this area are environmentally sustainable.

**Capital funding:** helping providers invest in their physical infrastructure, so it remains fit for purpose.

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<sup>31</sup> See <https://www.jisc.ac.uk/>.

<sup>32</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/funding-competitions/about-ofs-challenge-competitions/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/funding-competitions/about-ofs-challenge-competitions/).

<sup>33</sup> See [www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/national-student-survey-nss/](http://www.officeforstudents.org.uk/advice-and-guidance/student-information-and-data/national-student-survey-nss/).

<sup>34</sup> See [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/strategic-interventions-in-health-education-disciplines/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/health-education-funding/strategic-interventions-in-health-education-disciplines/).

<sup>35</sup> See [www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/transforming-access-and-student-outcomes/](http://www.officeforstudents.org.uk/advice-and-guidance/promoting-equal-opportunities/evaluation-and-effective-practice/transforming-access-and-student-outcomes/).

80. The capital funding available for distribution is specified in the guidance letter from the Secretary of State (see paragraph 11). For financial year 2020-21, this sum is **£150 million**. From this, we are providing £10 million for Jisc to support information technology infrastructure and up to £140 million in formula capital funding to providers registered with the OfS in the Approved (fee cap) category.

### Formula-based capital funding

81. We allocate formula-based capital funding pro rata to weighted FTEs at each provider. The FTEs used in this calculation are the same ones that inform 2020-21 recurrent grants, plus those on initial teacher training courses leading to qualified teacher status fundable by the Department for Education.

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

- FTEs weighted by price group and level

multiplied by

- (London weighting + specialist institution weighting)

plus

- FTEs x weighted disability proportion x 0.1



83. 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 9 shows the weighting factors for each price group and level.

**Table 9: 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. Weightings are applied to providers wholly in inner London (0.08) and wholly in outer London (0.05). No extra weighting is applied to providers wholly outside London. Providers with provision in more than one of these areas have an average weighting to reflect the proportion of their activity in each area.
  - c. **Specialist institution weighting.** This recognises the particular needs of world-leading specialist providers, following a review in 2015-16.<sup>36</sup> Variable weightings are applied to reflect the relative size for a provider's specialist institution allocation (if applicable).
  - 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 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.
84. 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.

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<sup>36</sup> See

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

## Section 3: Terms and conditions of funding

85. 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.
86. 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,<sup>37</sup> and any specific ongoing conditions of registration that additionally apply to a provider, as separately communicated to it.
87. Terms and conditions of OfS funding 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.
88. The terms and conditions of funding for 2020-21 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.
89. 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.
    - ii. To take account of changes to the grant available to us from government. The OfS's board agreed 2020-21 academic year budgets in the light of the January 2020

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<sup>37</sup> See [www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/the-regulatory-framework-for-higher-education-in-england/).

strategic guidance letter from government, which set out the funding available for the financial year 2020-21. In doing so, it had to make an assumption about the funding that might be available for the 2021-22 financial year, because of its four-month overlap with the 2020-21 academic year. Any changes to the grant made available to the OfS by government for financial year 2020-21, or that we have assumed for financial year 2021-22, are likely to affect the funding we are able to distribute to providers in the 2020-21 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.

90. 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.<sup>38</sup> 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.<sup>39</sup>

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<sup>38</sup> See [www.officeforstudents.org.uk/about/how-we-are-run/](http://www.officeforstudents.org.uk/about/how-we-are-run/).

<sup>39</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/).

# 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, orthotics, orthotics and prosthetics, physiotherapy, podiatry, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

## Capital funding

Part of 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,<sup>40</sup> but as a non-departmental public body we operate at arm's length from it.

## 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.

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<sup>40</sup> See <https://www.gov.uk/government/organisations/department-for-education>.

## **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.<sup>41</sup>

## **HESA**

The Higher Education Statistics Agency.<sup>42</sup> 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

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<sup>41</sup> See <https://www.legislation.gov.uk/ukpga/2017/29/contents/enacted>.

<sup>42</sup> See <https://www.hesa.ac.uk/>.

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.<sup>43</sup> 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.<sup>44</sup> 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 2020-21, but do not have such provision in 2019-20. Initial funding allocations for 2020-21 to these providers will be 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.<sup>45</sup>

## **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 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.

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<sup>43</sup> See [www.officeforstudents.org.uk/data-and-analysis/data-collection/heses/](http://www.officeforstudents.org.uk/data-and-analysis/data-collection/heses/).

<sup>44</sup> See [www.officeforstudents.org.uk/data-and-analysis/data-collection/hesf/](http://www.officeforstudents.org.uk/data-and-analysis/data-collection/hesf/).

<sup>45</sup> See <https://www.jisc.ac.uk/>.

## **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.

## **NSS**

The National Student Survey. An independent survey that gathers undergraduate students' opinions on the quality of their course.<sup>46</sup>

## **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. 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.<sup>47</sup>

## **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.

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<sup>46</sup> See [www.officeforstudents.org.uk/for-students/national-student-survey/](http://www.officeforstudents.org.uk/for-students/national-student-survey/).

<sup>47</sup> See [www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/](http://www.officeforstudents.org.uk/advice-and-guidance/the-register/the-ofs-register/).

## **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. 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.

## **UKRI**

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

## **Uni Connect**

Uni Connect, formerly the National Collaborative Outreach Programme, 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.

## Further reading

OfS funding webpages: [www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/](http://www.officeforstudents.org.uk/advice-and-guidance/funding-for-providers/).

Research England webpages: <https://re.ukri.org>.

**OfS publications** (all available at [www.officeforstudents.org.uk/publications/](http://www.officeforstudents.org.uk/publications/)).

‘Funding for 2020-21: OfS board decisions’ (OfS 2020.21)

[www.officeforstudents.org.uk/publications/funding-for-2020-21-ofs-board-decisions/](http://www.officeforstudents.org.uk/publications/funding-for-2020-21-ofs-board-decisions/).

‘Terms and conditions of funding 2020-21’ (OfS 2020.22)

[www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2020-21/).

‘Formula capital funding for 2020-21’ (OfS 2020.17)

[www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/formula-capital-funding-for-2020-21/).

‘Recurrent funding for 2020-21’ (OfS 2020.24)

[www.officeforstudents.org.uk/publications/recurrent-funding-for-2020-21/](http://www.officeforstudents.org.uk/publications/recurrent-funding-for-2020-21/).

‘Higher Education Students Early Statistics survey 2019-20 (HESES19)’ (OfS 2019.32)

[www.officeforstudents.org.uk/publications/heses19/](http://www.officeforstudents.org.uk/publications/heses19/).

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

[www.officeforstudents.org.uk/publications/hesf20/](http://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/](http://www.officeforstudents.org.uk/publications/securing-student-success-regulatory-framework-for-higher-education-in-england/).

Guidance from government

[www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).



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[www.nationalarchives.gov.uk/doc/open-government-licence/version/3/](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/)