

Office for  
Students



# Formula capital funding

2023 allocations

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# Summary

1. 'Capital funding for financial years 2022-23 to 2024-25' announced allocations of capital grant for the spending review period up to 31 March 2025, comprising £399 million awarded through competition and the first of three allocations of formula capital grant of £11 million each.<sup>1</sup> This publication announces the second distribution of formula capital grant. It includes information on:
  - the budget available to us
  - how we calculate formula-based capital allocations
  - individual allocations to higher education providers (set out in Annex A).
2. Capital funding is managed on a financial year basis (1 April to 31 March). For many providers, the allocation of formula capital grant is capped at £50,000 and where this is the case, through both this distribution and the previous one, we are paying the allocation announced in this publication in full in March 2023. Such providers will need to reflect this in reporting on their capital expenditure in the period 1 April 2022 to 31 March 2023 against the OfS capital funding received during that period.<sup>2</sup> Where allocations of formula capital grants are below £50,000, payments for the allocation announced in this publication will be profiled during the 2023-24 financial year as normal and must be spent in full by 31 March 2024.

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<sup>1</sup> See [www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/](http://www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/).

<sup>2</sup> See [www.officeforstudents.org.uk/publications/guidance-on-monitoring-of-capital-funding-2022-23/](http://www.officeforstudents.org.uk/publications/guidance-on-monitoring-of-capital-funding-2022-23/).

## Formula capital funding: 2023 allocations

3. This publication announces the second of three formula-based capital funding allocations that we are making in the spending review period for financial years 2022-23 to 2024-25. Each of these allocations totals £11 million and the first distribution, for the financial year 2022-23, was previously announced in 'Capital funding for financial years 2022-23 to 2024-25'.<sup>3</sup> We allocate capital funding to higher education providers registered with the OfS in the Approved (fee cap) category. Except where specified otherwise, all references to years in this document are to financial years (1 April to 31 March).
4. 'Capital funding' and 'capital grant' mean funding allocated in respect of capital expenditure incurred, or to be incurred, by the provider. Capital expenditure means money used to acquire or maintain fixed assets, such as land, buildings and equipment, and which is normally capitalised in the provider's audited annual accounts. It does not include expenditure on rent, or hiring or leasing of equipment and facilities. Capital grants must be used for the purposes set out in our 'Terms and Conditions of Funding for 2022-23'.<sup>4</sup>
5. In March 2022, the Secretary of State for Education issued a guidance letter, which announced capital funding of £450 million to be distributed across the three financial years 2022-23 to 2024-25.<sup>5</sup> The guidance letter set out expectations around the distribution of capital funding to providers, including that the OfS continue to allocate the majority of capital funding through a competitive bidding process to support specified priorities. Of the £450 million capital funding announced in the guidance letter, we are distributing:
  - a. £399 million to providers through a competitive bidding exercise, the outcome of which was announced in 'Capital funding for financial years 2022-23 to 2024-25'.
  - b. Three annual formula-based allocations to providers, which each total £11 million. This publication announces the second of those.
  - c. £18 million to support information technology infrastructure developments by Jisc.<sup>6</sup>
6. Annex A shows the second of the annual formula capital allocations that we are making to providers. In our initial allocations in March 2023, these total £11 million and have been made only to providers that were registered with the OfS in the Approved (fee cap) category by 10 March 2023. Newly registered providers will become eligible to receive a formula allocation (subject to meeting the minimum threshold described in paragraph 11) at the point that the provider joins the OfS Register in the Approved (fee cap) category. Allocations to providers and their totals are rounded to the nearest £1.
7. We expect to update these formula capital allocations periodically during financial year 2023-24 to reflect any providers that become registered in the Approved (fee cap) category later in the year and meet the threshold eligibility requirement for an allocation. Updated versions of the allocation table given in Annex A will be released to reflect this.

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<sup>3</sup> See [www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/](http://www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/).

<sup>4</sup> See [www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2022-23/](http://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2022-23/), paragraphs 48 to 52.

<sup>5</sup> See 'Guidance to the OfS on the higher education strategic priorities grant for the 2022-23 financial year (March 2022)', available from: [www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/](http://www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/).

<sup>6</sup> See [www.jisc.ac.uk/about](http://www.jisc.ac.uk/about).

## Calculation method

8. Formula capital grants are calculated pro rata to weighted full-time equivalent student numbers (FTEs) at each provider, but are then subject to the minimum allocation threshold of £10,000 and a cap of £50,000. The FTEs used in this calculation are the same ones that will inform 2023-24 recurrent grants<sup>7</sup>, plus those on initial teacher training courses leading to qualified teacher status fundable by the Department for Education.
9. The formula allocates funding based on student numbers weighted by price group, plus some additional weighting for postgraduates, disabled students and some specialist providers. The overall weighted FTEs for a provider are calculated as:
  - FTEs weighted by price group and level x specialist institution weighting + (FTEs x weighted disability proportion x 0.1).
10. 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 C1.1 and C1.2.<sup>8</sup> 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 and C1.2	1.1	1.21
C2	1	1.1
D	1	1

- b. **Weighted disability proportion.** This recognises costs as providers invest in inclusive models of support to meet the rapid rise in students reporting disabilities and mental health issues, and deliver on the commitments made to those students in their access and participation plans or statements. It is calculated in the disabled students premium (part of recurrent teaching grant) to reflect the proportions of students at each provider receiving Disabled Students' Allowances (DSA) (weighted 2) and others who self-declare a disability (weighted 1), using the latest individualised student data for academic year 2021-22. This

<sup>7</sup> These are largely the fundable student FTEs reported by providers in the Higher Education Students: Early Statistics survey 2022 or Higher Education Students Forecast survey 2023. 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/). They also incorporate a small number of adjustments to student numbers expected in academic year 2023-24, such as for changes relating to pre-registration courses in medicine and dentistry.

<sup>8</sup> For detailed guidance on the mapping of subjects to price groups, see Annex G of HES22 ([www.officeforstudents.org.uk/publications/heses22/](http://www.officeforstudents.org.uk/publications/heses22/)).

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.

- c. **Specialist institution weighting.** This recognises the particular needs of world-leading specialist providers.<sup>9</sup> It varies between providers to reflect the amount of recurrent funding allocated through the specialist provider targeted allocation in the 2022-23 academic year, as a proportion of its total OfS recurrent grant plus an assumption of fee income for that year.

11. 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. If a provider becomes registered in the Approved (fee cap) category after 10 March 2023 and before the end of the 2023-24 financial year (31 March 2024), we will calculate a formula capital allocation for them, but this will be scaled back to reflect the number of days that the provider is registered within that financial year. If the resulting figure falls below the minimum allocation of £10,000, it will not receive an allocation from this distribution of formula capital funding.
12. The formula allocation initially distributes £145 million between providers pro rata to their weighted FTEs.<sup>10</sup> Where a provider's share of the total would be less than £10,000, it receives an allocation of zero. This is implemented through an iterative process, where the smallest allocation for a provider that is below £10,000 is set to zero, and the formula rerun to redistribute the total budget among all other providers. The iteration stops when all providers have an initial allocation of either zero or at least £10,000. Having determined this initial allocation, we apply a cap, so that no provider receives more than £50,000. This cap results in the total distributed by formula being reduced to £11 million.
13. For the initial calculation we use a budget of £145 million, because if we were to use a much smaller one, (reflecting, for example, the £11 million we are actually distributing through the formula) the result would be that many more providers (particularly smaller ones) would not receive a share, because they would not meet the £10,000 minimum threshold. This would defeat the objective of providing a small formula allocation that can address concerns about potential disadvantage and burden to smaller providers relating to a bidding exercise.

## Grant payments, conditions and monitoring

14. Where providers are receiving a capped allocation of £50,000 through this distribution and received the same through the previous formula allocation, we are paying their allocation in full in March 2023. Such providers will need to reflect this in reporting on their capital expenditure in the period 1 April 2022 to 31 March 2023 against the OfS capital funding received during that period. Workbooks for the 2022-23 capital monitoring return must be submitted by providers in receipt of capital grants in the 2022-23 financial year by 17 April 2023.<sup>11</sup>

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<sup>9</sup> This applies to the 20 providers identified as receiving 'specialist provider funding for 2022-23' shown in Annex A of 'World-leading specialist provider funding: Outcome' ([www.officeforstudents.org.uk/publications/world-leading-specialist-provider-funding-outcome/](http://www.officeforstudents.org.uk/publications/world-leading-specialist-provider-funding-outcome/)).

<sup>10</sup> £145 million is a notional figure reflecting the average annual capital funding available in the spending review period for 2022-23 to 2024-25, but excluding capital funding provided to Jisc.

<sup>11</sup> See [www.officeforstudents.org.uk/publications/guidance-on-monitoring-of-capital-funding-2022-23/](http://www.officeforstudents.org.uk/publications/guidance-on-monitoring-of-capital-funding-2022-23/).

15. Where allocations of formula capital grants are below £50,000, payments of the allocations announced in this publication will be profiled during the 2023-24 financial year as normal and must be spent by 31 March 2024. We will notify these providers of the funding profile separately via the grants profile available on the OfS portal from 1 April 2023.<sup>12</sup> Capital funding is managed on a financial year basis and payments will normally be made in three or four instalments.
16. The OfS will require providers that receive capital funding in the 2023-24 financial year to submit a monitoring return on their expenditure after the end of the year (that is, in April 2024).
17. All capital funding announced in this publication is subject to the terms and conditions that apply to capital grants set out in paragraphs 47 to 56 of the 'Terms and conditions of funding for 2022-23'.<sup>13</sup> Providers should consult that document for full information on the terms and conditions attached to receipt of this capital funding. Paragraph 47 of those terms and conditions states: 'The OfS will not make payments to providers in advance of need and thus providers must use capital grants in full within the relevant funding period for which they are provided.' For the formula grants announced in this publication, the relevant funding period is:
  - a. The financial year 2022-23, where funding has been paid in March 2023.
  - b. The financial year 2023-24 otherwise.

## Further information

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

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<sup>12</sup> See <https://extranet.officeforstudents.org.uk/GrantReport>.

<sup>13</sup> See [www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2022-23/](http://www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2022-23/).

## Annex A: Capital funding allocations to providers

1. Annex A is available to download as an Excel file alongside this document at [www.officeforstudents.org.uk/publications/formula-capital-funding-2023-allocations/](http://www.officeforstudents.org.uk/publications/formula-capital-funding-2023-allocations/).
2. The top right of the table (cell E2) reflects the release date of the capital allocations in the table.

### Descriptions of columns in the Annex A table

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



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