

Office for
Students



Formula capital funding

2024 allocations

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Summary

1. This document describes how we will distribute the last of three allocations for formula capital funding that we announced originally in December 2022.¹ We are publishing this for the benefit of the higher education providers in the Office for Students' 'Approved (fee cap)' category that will receive the funding and to inform their financial planning. The document is for information only. Providers do not need to do anything in response.
2. Our publication, 'Capital funding for financial years 2022-23 to 2024-25' announced allocations of capital grant for the period up to 31 March 2025. This included £399 million awarded to 100 providers through competition. It also set out the first of three allocations for formula capital grant of £11 million each.² The second distribution of formula capital grant was published in our publication, 'Formula capital funding: 2023 allocations'.³ All our capital funding is managed on a financial year basis (1 April to 31 March).
3. This publication announces the process for the third distribution of formula capital grant. It includes information on:
 - how we are calculating formula-based capital allocations for this third round
 - individual allocations to higher education providers made in March 2024 (set out in Annex A)
 - how we will distribute the rest of the funding during the financial year 2024-25.
4. Providers should be aware that there are some changes to the data sources used to calculate formula capital allocations. These are discussed in paragraphs 13 to 25. The allocation method otherwise remains the same as that used in previous years.
5. For many providers, we have capped the allocation of formula capital grant at £50,000 for each of the three allocations. Where this is the case, and subject to the process and methodology set out below, we paid these allocations in full in March 2024. Providers that have received their allocation will need to report capital expenditure in their monitoring returns to the Office for Students that cover the period 1 April 2023 to 31 March 2024.⁴
6. Where we have calculated formula capital grants below £50,000, subject to the process set out below, we will confirm payments for these allocations in June 2024. We will pay these funds during the 2024-25 financial year. The funds must be spent by 31 March 2025.
7. 'Capital funding' and 'capital grant' mean funding allocated in respect of capital expenditure already incurred, or to be incurred, by the provider. Capital expenditure for OfS purposes 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

¹ See www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/.

² See www.officeforstudents.org.uk/publications/capital-funding-for-financial-years-2022-23-to-2024-25/.

³ See <https://www.officeforstudents.org.uk/media/b8e59c5c-83ae-46be-b5fa-a81aafeca00d/formula-capital-funding-2023-allocations.pdf>.

⁴ See <https://www.officeforstudents.org.uk/publications/guidance-on-monitoring-of-capital-funding-2023-24/>.

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 2023-24'.⁵

⁵ See www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-2023-24/.

Formula capital funding: 2024 allocations

8. This publication sets out the process and initial distribution for the third of the 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. 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).
9. 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 2024-25.⁶ The guidance letter set out expectations around the distribution of capital funding to providers, including that the OfS should continue to allocate the majority of capital funding through a competitive bidding process to support specified priorities and projects. 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 provides information about the third of those.
 - c. £18 million to support information technology infrastructure developments by Jisc.⁷
10. Annex A shows the first set of allocations to providers for the third annual formula capital allocations. This amount totals just over £8 million for 164 providers. The remaining funding will be confirmed and distributed to eligible providers during the financial year 2024-25.
11. Newly registered providers will become eligible to receive a formula allocation (subject to meeting the minimum threshold described in paragraph 20) at the point that the provider joins the OfS Register in the Approved (fee cap) category. All allocations to providers and their totals are rounded to the nearest £1.
12. We expect to update these formula capital allocations periodically during financial year 2024-25 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.

Calculation method

13. Providers should be aware that delays to Jisc's collection of the 2022-23 Student (Data Futures) record have affected the data used to inform this third round of our formula capital allocations; the data sources used are explained in further detail below. The calculation method otherwise remains the same as that used in previous years.

⁶ 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-fromgovernment/.

⁷ See www.jisc.ac.uk/about.

14. In order to calculate initial allocations for this third round of formula capital, we used:
- provisional funding full-time equivalents (FTEs) derived from student number data recorded in HESES23 and HESE22 data
 - 2021-22 HESA and ILR data (as opposed to updating these data sources to use more recent equivalent data for 2022-23).
15. In November 2023, we wrote to providers about extending the deadline for sign-off of the 2022-23 Student (Data Futures) data return, which also resulted in extensions to other data collections, including HESES.⁸ Following the delayed close of the 2022-23 Student data collection, we are currently working with Jisc to assess the data quality. We are also working with a number of providers on potential amendments to the data that could affect how we use it. These checks and amendments are not yet complete. So, we have taken the view that, for the time being, we will not use the data for capital funding purposes.
16. Structural data changes resulting from implementation of a new data model for the 2022-23 Student (Data Futures) data return have also affected the HESES23 data collection, which collected student data on a different basis than in previous HESES returns. As such, we are deriving a set of fundable FTEs for each provider by taking the count of years of engagement returned by each provider in HESES23 and the multiplication factor between headcount and FTE from HESES22. This will be used to inform funding calculations for 2024-25. This process was set out in our publication 'Changes to 2023 student data surveys to inform funding: Notification of changes'.⁹ We announced the initial funding FTEs for each provider in March 2024, but providers are currently able to submit representations to us where they consider that the derived funding FTEs do not accurately capture significant changes to their provision compared with 2022-23.¹⁰ As a result, we will not have final funding FTEs until the end of May 2024.
17. The impact of using older HESA and ILR data is limited to a small part of the allocation process. Specifically, this is where the allocation method uses weightings to reflect the proportion of a provider's student cohort who receive the disabled students allowance, or who declare themselves disabled. This part of the allocation represents around 2 per cent of the funding generated through the allocation across the sector, with a maximum of around 8.5 per cent of the funding generated for any individual provider.
18. As such, the providers that received payment in March 2024 are, due to their size, very unlikely to go below the £50,000 maximum threshold once their final FTE data is obtained in June. We will not recalculate capital funding allocations for these providers in June 2024. This will allow providers receiving an allocation in March to have certainty about their final allocation.
19. Where eligible providers, based on their initial funding FTEs, are due to receive an allocation of less than £50,000 we will delay confirmation until after the representations process has

⁸ See www.officeforstudents.org.uk/publications/update-on-data-futures/.

⁹ See www.officeforstudents.org.uk/publications/changes-to-2023-student-data-surveys-to-inform-funding-notification-of-changes/.

¹⁰ See www.officeforstudents.org.uk/publications/heses23-multiplication-factors-representations-process-guidance/.

concluded. This will allow us to have assurance that these allocations are an appropriate reflection of teaching activity.

20. As in previous formula capital allocations, 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 maximum cap of £50,000. The FTEs used in this calculation are the same ones that will inform 2024-25 recurrent grants, plus those on initial teacher training courses leading to qualified teacher status fundable by the Department for Education.

21. 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:

- $FTEs \text{ weighted by price group and level} \times \text{specialist institution weighting} + (FTEs \times \text{weighted disability proportion} \times 0.1)$.

22. 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 C1.1 and C1.2.8. 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

- 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 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.
- Specialist institution weighting.** This recognises the particular needs of world-leading specialist providers. 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.

23. We aim to distribute formula 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 before the end of the 2024-25 financial year (31 March 2025), 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.
24. The formula allocation initially distributes £145 million between providers pro rata according to their weighted FTEs. 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.
25. 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 addresses concerns about potential disadvantage and burden to smaller providers relating to a bidding exercise.

Grant payments, conditions and monitoring

26. Where providers were calculated to receive an allocation of £50,000, we paid funding in full in March 2024 and wrote to them on 21 March 2024 to confirm. These providers will need to reflect this payment in reporting on their capital expenditure in the period 1 April 2023 to 31 March 2024. Monitoring workbooks for the 2023-24 capital monitoring return must be submitted by providers in receipt of all OfS capital grants in the 2023-24 financial year by 16 April 2024.
27. Where allocations of formula capital grants are below £50,000, we expect to confirm payments of the allocations in June 2024. The funds will be paid during the 2024-25 financial year. The funds must be spent by 31 March 2025. We will notify these providers of the funding payments via the grants profile available on the OfS portal. Payments will normally be made in three or four instalments.
28. We will require providers that receive any OfS capital funding in the 2024-25 financial year to submit a monitoring return on their expenditure after the end of this current year (that is, in April 2025).

29. All capital funding and the process set out in this publication are subject to the terms and conditions that apply to capital grants set out in paragraphs 45 to 54 of the 'Terms and conditions of funding for 2023-24'.

30. Providers requiring further information about the process for the distribution of formula capital funding for this third round should contact capitalgrant@officeforstudents.org.uk. This email address is monitored throughout the working day and a member of our funding team will be able to support you with your query.

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-2024-allocations/.

Descriptions of columns in the Annex A table

Provider lists both legal name and trading names of higher education providers.

Formula-based teaching capital shows the allocations for providers made in March 2024.



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