

Office for
Students



Recurrent and formula capital funding for 2018-19

Reference **OfS 2018.20**

Enquiries to recurrentgrant@officeforstudents.org.uk

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To	Heads of OfS-funded higher education providers
Of interest to those responsible for	Finance, Planning
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Summary

1. The Office for Students (OfS) is one of the organisations responsible for distributing government funding relating to higher education. In particular, we provide grants to specific higher education providers to support their teaching activities. This funding is not meant to fully meet the cost of these activities, as this primarily comes from tuition fees. Instead, our funding is prioritised to support areas where teaching costs are particularly high, or to support particular policy priorities.
2. For the 2018-19 academic year, the overall grant we are distributing is £1,538 million:
 - £1,290 million for recurrent teaching grant
 - £47 million for knowledge exchange
 - £51 million for national facilities and regulatory initiatives
 - £150 million for capital funding.
3. This publication summarises our allocations to OfS-funded providers of recurrent funding for the academic year 2018-19 and formula capital funding for the financial year 2018-19. It is part of a suite of documents released as part of the spring 2018 grant announcement, including:
 - a covering letter and recurrent grant tables for each provider
 - technical guidance that explains in detail how the figures in the recurrent grant tables are derived
 - our 'Guide to funding 2018-19: How the OfS allocates money to higher education providers' (OfS 2018.xx), which explains the methods used to calculate our grant in more detail.
4. All documents are available on the OfS website¹. This publication is of interest to anybody who wants to know about the teaching funding distributed by the OfS, but as we will not go into the detail of our funding methods, it is recommended that you consult these other documents as necessary.

¹ See www.officeforstudents.org.uk/.

The OfS recurrent teaching grant

Introduction

5. The Office for Students (OfS) has been established by the Higher Education and Research Act 2017 to be the new regulator for higher education in England, with effect from 1 April 2018. However, the regulatory framework created by the act will not come fully into force until 1 August 2019. The period from April 2018 to July 2019 is therefore a transitional one, during which the OfS will distribute funding largely under powers that formerly applied to the Higher Education Funding Council for England (HEFCE), arising from the Further and Higher Education Research Act 1992 and the Higher Education Act 2004. This limits our direct funding powers during this period to the same teaching and related activities and to the same categories of providers as applied under HEFCE.
6. Funding for research and knowledge exchange provided by HEFCE before April 2018 is now administered through the Research England Council of UK Research and Innovation.
7. This publication announces recurrent grants for teaching for the academic year (1 August to 31 July) 2018-19 and formula teaching capital allocations for the financial year (1 April to 31 March) 2018-19. Unless otherwise stated, all years in this document relate to academic years. There may be differences due to rounding between individual figures and totals in this document.
8. The OfS board agreed the funding methods for 2018-19 at its meeting on 26 March 2018, and these were confirmed in our letter to providers of 5 April 2018². Providers received details of their grant allocations on 9 May 2018.

OfS budget for the 2018-19 academic year

9. The strategic guidance letter to the OfS of 20 February 2018 from the Minister of State for Universities, Science, Research and Innovation confirmed the funding available for the financial year 2018-19³. The letter also identified the policies and priorities that should underpin our approach to funding. The overall settlement continues to reflect the outcome of the 'Spending review and autumn statement 2015'⁴, which had announced a £120 million cash reduction to teaching grant by financial year 2019-20 compared with financial year 2015-16, including a reduction by up to half of student opportunity funding.

² See www.officeforstudents.org.uk/publications/Teaching-funding-April-2018-to-July-2019/.

³ See www.officeforstudents.org.uk/advice-and-guidance/regulation/guidance-from-government/.

⁴ See: www.gov.uk/government/news/department-for-business-innovation-and-skills-settlement-at-the-spending-review-2015.

10. The strategic guidance letter did not show indicative funding levels for financial year 2019-20. It also stated that:

‘if the Department’s level of overall funding is decreased due to wider events or in order to cover other unavoidable financial pressures, the Department may, within the framework set by Parliament and the courts, need to make in-year adjustments to allocations to our Partner Bodies in order to meet budget reductions.’

11. To set budgets for academic year 2018-19, we have had to make assumptions about the funding that might be available for financial year 2019-20, because of the overlap between the two from April to July 2019. However, any future changes to the grant made available to us by government for financial year 2018-19, or that we have assumed will be available for financial year 2019-20, are likely to affect the funding we are able to distribute to providers in academic year 2018-19, and this may include revising allocations after they have already been announced.

12. The total grant we are distributing in 2018-19 is £1,538 million, and this is broken down as shown in Table A.

Table A: OfS grant to be distributed in 2018-19

Main elements of grant	Total (£M)
Recurrent teaching	1,290
Knowledge exchange funding	47
Funding for national facilities and regulatory initiatives	51
Capital funding	150
Total	1,538

13. Table B shows our recurrent funding for 2018-19 split by different elements of grant. The amount of each funding stream that is related to the transfer of funding responsibility for nursing, midwifery and allied health professions is shown separately (see paragraph 18a).

Table B: 2018-19 budgets for elements of recurrent teaching grant

Elements of grant	Total (£M)	Related to nursing, midwifery and allied health (£M)
Recurrent funding for teaching		
High-cost subject funding	681	34
Targeted allocations		
Premium to support successful student outcomes: full-time	165	10
Premium to support successful student outcomes: part-time	72	0.4
Disabled students’ premium	40	2
Postgraduate taught supplement	33	-
Intensive postgraduate provision	35	-
Accelerated full-time undergraduate provision	2	-
Erasmus+ and overseas study programmes ⁵	30	-

⁵ Erasmus+ is the European Union’s framework programme for education, training, youth and sport.

Elements of grant	Total (£M)	Related to nursing, midwifery and allied health (£M)
Students attending courses in London	66	2
Very high-cost STEM ⁶ subjects	25	-
Specialist institutions	44	-
Clinical consultants' pay	17	-
Senior academic general practitioners' pay	1	-
NHS pensions scheme compensation	5	-
Nursing and allied health transitional supplement	14	14
Sub-total: targeted allocations	609	28
National Collaborative Outreach Programme	60	-
Total recurrent teaching grant	1290	28

14. This publication is concerned with the distribution between providers of recurrent and formula capital grants for teaching. Annex A summarises the funding allocations for each provider, and contains:

- Table 1: Recurrent teaching grants for academic year 2018-19
- Table 2: Formula teaching capital allocations in financial year 2018-19.

Annex A is available to download alongside this document as a separate file. The headings for these tables are defined in Annex B.

15. The distribution of recurrent funding to providers announced in this publication totals £1,230 million. The difference from the total of £1,290 million in Table B is the £60 million for the National Collaborative Outreach Programme, which is not part of the formula grants to providers. Phase 1 allocations for this for the calendar years 2017 and 2018 were made to consortia through a competitive process⁷, and we have extended funding on the same basis until July 2019.

The funding method for teaching

16. Our 'Guide to funding 2018-19: How the OfS allocates money to higher education providers' (OfS 2018.21) explains the methods used to calculate our grant. Our total recurrent teaching budget for 2018-19 of £1,290 million is a reduction of £19 million (1.5 per cent in cash terms) compared with the equivalent for 2017-18.

17. The total budget for high-cost subject funding has increased by £29 million (4 per cent). This is sufficient to provide:

- An uplift for inflation to the total allocated for 2017-18. Increases in 2017-18 student numbers mean that after the scaling factor is applied, the funding per full-time equivalent

⁶ STEM comprises science, technology, engineering and mathematics.

⁷ See <http://webarchive.nationalarchives.gov.uk/20180103170026/http://www.hefce.ac.uk/sas/ncop/>.

student has reduced in cash terms by approximately 0.64 per cent for high-cost subject funding.

b. An additional £19 million to support the government's health education reforms.

18. These government health education reforms are:

a. The continuing transfer to the higher education finance system of pre-registration courses in nursing, midwifery and allied health professions. For 2018-19, there are now two undergraduate entry cohorts, along with the first entry cohort under the new arrangements for postgraduate and dental hygiene and dental therapy courses.

b. An increase in the intakes to courses leading to first registration as a medical doctor.

19. As well as high-cost subject funding, nursing, midwifery and allied health students are also eligible to be counted in the calculation of several other elements of our recurrent grant, as shown in Table B. In particular, we provide a supplement for certain professions that reflects where their costs typically exceed the income available through tuition fees and other OfS teaching grants. The total allocated for this supplement has increased from £6 million to £14 million to reflect the increase in student numbers affected by the transfer and its extension to postgraduates.

20. The budget for the postgraduate taught supplement has decreased by £14 million to £33 million. We are prioritising this supplement to support postgraduates who do not have access to undergraduate student support from the Student Loans Company, or to masters' loans. For students in price groups⁸ A to C2, the supplement will:

- provide a rate of £1,100 per full-time equivalent student for postgraduates who are not on courses eligible for masters' loans or undergraduate student support
- reduce the rate to £550 per full-time equivalent student for those on courses eligible for masters' loans, with a view to this being removed altogether from 2019-20.

21. The budget for the 'premium to support successful outcomes: full-time' has decreased by £30 million to £165 million, reflecting the outcome of the 'Spending review and autumn statement 2015' (see paragraph 9). This allocation comprises two elements: a main element that reflects risk of non-continuation based on students' entry qualifications and age; and a supplement that also recognises students from the most disadvantaged backgrounds. Though the overall budget has decreased, we have maintained in cash terms the sum allocated through the supplement at £19.5 million. This continues to focus funding more on those providers that do most to support successful outcomes for disadvantaged students. We have maintained, in cash terms, budgets for the allocations for the disabled students' premium and the 'premium to support successful outcomes: part-time'.

⁸ A group of subjects that have broadly similar costs, used in our teaching funding method.

Recurrent funding outcomes for providers

22. When compared with their teaching grant allocations for 2017-18, most providers have grant changes as a result of the developments to the funding methods described in paragraphs 16 to 21. In addition, providers may also see grant changes because of:
- a. Changes, relative to the sector as a whole, in their student numbers. Such changes can affect a provider's share of teaching allocations for high-cost subjects and those targeted allocations that are recalculated each year to reflect the latest student numbers.
 - b. The discontinuation of the allocation of supplementary funding in relation to students who started their courses before the change to the undergraduate fee regime was introduced on 1 September 2012. HEFCE announced in 2015 that this allocation would be phased out entirely by 2018-19. In 2017-18, the final allocation totalled £14 million and was distributed to a small number of providers with long courses, such as clinical subjects and some part-time degrees.

Knowledge exchange funding

23. Within the total teaching grant provided to us by government, there is £47 million to support knowledge exchange. This funding is being allocated as part of the knowledge exchange funding distributed by UK Research and Innovation through Research England, according to a method agreed with us. Its distribution is not shown in this publication.

Funding for national facilities and regulatory initiatives

24. We aim to provide as much as possible of our recurrent funding for learning and teaching through allocations to providers. Further funding of £51 million supports national facilities and regulatory initiatives. This is provided for specific purposes and to promote change that cannot easily be achieved through other routes. Table C shows the budgets for 2018-19.
25. This funding supports activity such as the National Student Survey and facilities such as Jisc (which funds development and champions the use of digital technologies in UK education and research) and the new Evidence and Impact Exchange (which will help to ensure that interventions, activity and approaches to access, student success and progression are evidence-based and effective). It also includes the Innovation Challenge Fund to support short-term, project-based activity to deliver regulatory and other strategic priorities.

Table C: Funding for national facilities and regulatory initiatives 2018-19

Funding stream	Budget (£ million)
Quality assessment	2.8
Provision of student information	3.5
Costing and pricing	0.5
Nursing, midwifery and allied health initiative	1.0
Evidence and Impact Exchange	1.5
Innovation Challenge Fund	20.0
Jisc	18.0
Professional and operational services	4.0
Total	51

Capital grants

26. The capital funding made available to us by government for the financial year 2018-19 totals £150 million. The total that we are distributing comprises:

- £104 million for formula teaching capital allocations
- £10 million for Jisc (relating to infrastructure)
- £36 million reflecting pre-existing commitments inherited from HEFCE.

27. Table 2 of Annex A shows the distribution between providers of £104 million of formula teaching capital allocations. Of this total, £93 million is allocated in proportion to teaching resource for each provider. The remaining £11 million is allocated in proportion to teaching resource for price group B activity only. Teaching resource comprises 2018-19 OfS recurrent teaching grant, plus an assumption of tuition fee income. We are not providing allocations in 2018-19 to providers whose share of the funds would be less than £10,000.

2018-19 terms and conditions of OfS funding

28. The period from April 2018 to July 2019 is a transitional one as the OfS prepares for the full implementation of the regulatory framework in August 2019. The transitional regulatory arrangements that apply during this period to providers previously funded by HEFCE are set out in Regulatory Notice 2 (OfS 2018.12)⁹. The terms and conditions of OfS funding that apply until July 2019, separately for higher education institutions and for further education and sixth form colleges, were published on 29 March 2018¹⁰. They include compliance with medical and dental

⁹ See www.officeforstudents.org.uk/publications/regulatory-notice-2-regulation-up-to-31-july-2019-of-providers-that-were-previously-funded-by-hefce/.

¹⁰ These are available at www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-higher-education-institutions/ and www.officeforstudents.org.uk/publications/terms-and-conditions-of-funding-for-further-education-and-sixth-form-colleges/.

intake targets, tuition fee regulations, conditions relating to specific funding streams and data assurance requirements.

Use of formula teaching capital allocations

29. Capital funding is provided on a financial year basis and must be used for the purposes intended. We are not permitted to make payments to providers in advance of need and thus require capital grants for 2018-19 to be spent in full by March 2019. OfS funding should not be used for advance payments to contractors, or other financing arrangements (such as bonds) where payments precede production of goods or delivery of services.
30. Allocations of capital funding announced in this document are provided to enhance the learning experience of higher education students at providers, by helping raise the quality of their learning and teaching facilities. The funds may contribute towards:
 - investment in equipment used in learning, teaching and e-learning, particularly information technology (IT) related equipment
 - replacement of premises or infrastructure for learning and teaching
 - refurbishment of existing teaching spaces, particularly involving IT-related enhancements, including improvements to internal IT networks or supporting infrastructure.
31. The funds should be used for higher education provision, and may be subject to audit in the normal way. We recognise, however, that it may be neither feasible nor desirable to create ring-fenced boundaries between higher and further education, or between teaching and research facilities. For example, equipment purchased using these funds may be used by both higher and further education students or for teaching and research purposes. We look to providers to adopt a pragmatic approach, whereby projects primarily focus on higher education.
32. In deciding how these funds are spent we expect providers to take account of the need to reduce carbon emissions as well as securing value for money.
33. Providers will be required to report in 2020 on their use of capital funding allocated during financial year 2018-19 and these returns may be subject to audit. Further details will be published nearer the time. If we are not satisfied that providers have used the funds for the purposes described in paragraphs 29 to 32, we may seek to reclaim some or all of the funding provided.

Further information

34. Providers requiring further information should contact recurrentgrant@officeforstudents.org.uk.

Annex A

1. This is available to download as an Excel file alongside this document at www.officeforstudents.org.uk/publications/recurrent-and-formula-capital-funding-for-2018-19/. It contains:
 - Table 1: Recurrent teaching grants for academic year 2018-19
 - Table 2: Formula teaching capital allocations for financial year 2018-19.

Annex B: Descriptions of columns in the tables in Annex A

Table 1: Recurrent teaching grants for academic year 2018-19

1. **Provider** lists higher education institutions and further education and sixth form colleges separately. A hidden column in the Excel file identifies the government region for each provider.
2. **High-cost subject funding** shows the allocation for undergraduate and postgraduate taught students in high-cost subjects. A hidden column in the Excel file shows the amount of this that relates to the nursing, midwifery and allied health funding transfer.
3. **Targeted allocations** shows the total targeted allocation funding for each provider. Hidden columns in the Excel file show the breakdown between different allocations and the amounts of these that relate to the nursing, midwifery and allied health funding transfer, where applicable. The targeted allocations are those listed in Table B.
4. **Total recurrent teaching grant** is the sum of high-cost subject funding and targeted allocations. A hidden column in the Excel file shows the amount of this that relates to the nursing, midwifery and allied health funding transfer.

Table 2: Formula teaching capital allocations for financial year 2018-19.

5. **Provider** lists higher education institutions and further education and sixth form colleges separately. Only providers meeting the £10,000 threshold for an allocation are listed. A hidden column in the Excel file identifies the government region for each provider.
6. **Formula-based teaching capital** shows the allocation for each provider.



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