

Guide to funding 2025-26

How the Office for Students allocates
money to higher education providers

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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 the funding we are distributing to higher education providers for 2025-26.
2. It explains how our funding supports greater choice and opportunities for students and high quality provision in the sector. It also describes our funding allocations and how they are calculated. This guide is divided into three main sections that describe:
 - the OfS's funding powers and how higher education is funded (paragraphs 4 to 38)
 - our funding methods and the terms and conditions that apply to how providers can use our funding (paragraphs 39 to 69)
 - our funding budget for 2025-26 (paragraphs 71 to 142).
3. This guide is intended to provide an overview of our funding; if you have any further questions, please email recurrentgrant@officeforstudents.org.uk or capitalgrant@officeforstudents.org.uk.

The OfS's funding powers

The role of the OfS

4. 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 functions and the general duties which guide us in undertaking those functions.¹ 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 objectives are that all students, from all backgrounds, and with the ability and desire to undertake higher education:
 - are supported to access, succeed in, and progress from, higher education
 - receive a high quality academic experience, and their interests are protected while they study or in the event of provider, campus or course closure
 - are able to progress into employment or further study, and their qualifications hold their value over time
 - receive value for money.
5. We also allocate state funding, which may be provided to secure a graduate workforce that will strengthen the health of the economy, society and individuals.
6. Providers can choose to register with us in one of two categories; **Approved** or **Approved (fee cap)**. Registration gives providers a number of benefits, including:
 - access to grants from the OfS and Research England
 - the ability to apply to the home office for a licence to recruit international students
 - the ability to apply for degree awarding powers or university status.²
7. It also gives students at these providers the ability to access finance through the student loans system. The benefits that a provider can access depend on the category in which it is registered.

How higher education courses are funded

8. Finance for higher education courses is provided through a variety of sources, the two main ones being:
 - a. Course fees paid by students and others. For most UK students, government loans, provided through the Student Loans Company (SLC), are available to help meet the upfront cost of course fees and living costs. Students who are not eligible for 'home fee' status cannot access these loans.³ The loans are repayable only once a former student is earning above a certain threshold and (for those studying in 2025-26) are written off

¹ See [Higher Education and Research Act 2017](#). Our general duties are set out in Section 2.

² See [Benefits of registration](#).

³ GOV.UK, '[Student finance: how you're assessed and paid 2025 to 2026](#)'.

after 30 or 40 years.⁴ The OfS does not determine the details of the student loan system: this is a matter for government.

- b. Government grants to providers from the OfS and other public bodies, such as the Department for Education (DfE) and the Department of Health and Social Care (DHSC).
9. State finance for higher education comes through underwriting student loans, grants to providers and some limited grants or bursaries to students. State 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.'⁵

Course fees

10. Course fees (sometimes referred to as 'tuition fees') are the main source of funding for higher education courses. For many students, these fees are subject to regulation, with limits on what those providers may charge. This depends on a number of factors, including:
- whether the student is eligible for 'home fee' status
 - the level of study (undergraduate or postgraduate)
 - if the provider is registered with us in the Approved (fee cap) category
11. Generally, fees are regulated for:
- home fee students
 - studying with a provider registered in the Approved (fee cap) category
 - students who are on an undergraduate course or certain postgraduate courses (such as teacher training).
12. Where this applies, providers must not charge course fees that exceed the regulated limit. The maximum fee that can be charged is set by government each year through statutory regulation; further information on the limits that apply for 2025-26 can be found on the OfS website.⁶
13. Fees for most postgraduate students are not regulated. In addition, providers registered in the Approved category are not subject to regulated course fee limits, although there are limits on the amount of student support that their students can access through the SLC.

⁴ For students starting courses from September 2023, student loans will be written off after 40 years. See GOV.UK, '[Repaying your student loan: Overview](#)'. For students continuing courses that they started before September 2023, student loans will be written off after 30 years.

⁵ See [Government in markets: OFT1113 - GOV.UK](#).

⁶ See [Fee limits](#).

The purpose of OfS funding

14. 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.
15. **The OfS does not directly fund students.** We fund the activities and facilities of eligible higher education providers – those registered with us in the Approved (fee cap) category.
16. Our funding is provided to secure the best outcomes for students, supporting our strategic objectives and regulatory framework⁷ as well as our general duties set out in HERA. Our funding is subject to terms and conditions which supplement our ongoing conditions of registration.

Our funding powers under HERA

17. Under HERA, the OfS has powers to provide financial support to providers (sections 39 and 40) and to apply terms and conditions for the funding we issue to providers (section 41).
18. Section 2 of HERA also sets out the OfS's 'general duties', to which we must have regard when performing our functions, including providing funding. These general duties are listed below, along with comments on how our funding approach reflects each duty:

a. 'The need to protect the institutional autonomy of English higher education providers.'

19. Our approach to the distribution of grants 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.'

20. Our funding recognises that in some cases the costs of delivering higher education faced by providers may exceed the income from course fees from students.
21. OfS funding helps to maintain the sustainability of vulnerable and strategically important provision, and promotes choice and opportunities for students. It promotes 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

⁷ OfS, 'Securing student success: Regulatory framework for higher education in England' (OfS 2022.69).

students and employers, while also having regard to the benefits for students and employers resulting from collaboration between such providers.'

22. OfS recurrent funding is 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, particularly the capital bidding exercise, are made through competitive processes, which more directly encourage competition. Other competitive allocations, such as Uni Connect and our Challenge Competitions, will often support collaborative activity that will have wider national or regional benefits.

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

23. Grants are targeted where they are most needed, reflecting OfS and government strategic priorities. The volume measure (based on student numbers) used to inform our formula funding methods includes factors that reflect the number of students that complete their year of study.

e. 'The need to promote equality of opportunity in connection with access to and participation in higher education provided by English higher education providers.'

24. For academic year 2025-26, 21.2 per cent of our total recurrent funding is earmarked 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.
25. In our terms and conditions of funding we say that providers must use student-premium funding to contribute towards the aims and objectives set out in their access and participation plans. Within these limits we allow providers to identify the best use of these funds, reflecting the needs and concerns of their individual student body. This allows our funding to address the most significant challenges for each provider, promoting equality in an efficient and responsive way.

f. 'The need to use the OfS's resources in an efficient, effective and economic way.'

26. Grants are targeted where they are most needed to reflect the OfS's objectives and priorities.
27. Our use of formula funding methods is an efficient way to distribute the large majority of our funding; using a consistent approach that reflects individual providers student populations and requiring a relatively small staffing team. This allows OfS resources to be focused on areas that carry greater regulatory interest or risk.

28. Bidding competitions (which involve a larger investment of staff and attention both by the OfS and by providers) are reserved for more significant policy concerns.

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.'

29. The use of formula-based methods ensures we are fair, transparent and efficient in how we distribute funding. We publish details of our funding methods and how we use provider data to inform our allocations.
30. Any significant changes to our funding methods will only be made after consultation with the sector and consideration of any effects to the broad range of our duties. When such changes are implemented, we will give the sector as much notice as possible.
31. 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.

Funding and the public sector equality duty

32. The OfS is also subject to the public sector equality duty, which is set out in Part 11 of the Equality Act 2010.⁸ This requires us, in the exercise of our functions, to have due regard to the need to:
- a. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act.
 - b. Advance equality of opportunity between persons who share a relevant protected characteristic⁹ and persons who do not share it.
 - c. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
33. The majority of OfS allocations do not specifically take into account protected characteristics when they are calculated, though the work they do supports provider efforts to promote equality (see paragraph 0). The exceptions to this come with the full-time student premium and the disabled students' premium; how these premiums are calculated are discussed in paragraphs 113 to 120. These two elements are well established as key parts of our recurrent funding to support widening participation and to promote equality of opportunity.

⁸ See [Equality Act 2010](#).

⁹ These protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

34. When considering changes to our funding methods, we will consider how these might affect students with protected characteristics. This means we can give due regard to the public sector equality duty, when looking at our funding methods as a whole.

Funding and the regulatory framework

35. In allocating funding, we have regard to several sections of the regulatory framework.¹⁰ Funding, as a regulatory tool, relates to our four primary regulatory objectives:

'All students, from all backgrounds, and with the ability and desire to undertake higher education:

1. Are supported to access, succeed in, and progress from, higher education.
2. Receive a high quality academic experience, and their interests are protected while they study or in the event of provider, campus or course closure.
3. Are able to progress into employment or further study, and their qualifications hold their value over time.
4. Receive value for money.'

36. These objectives reflect the general duties of the OfS, as noted in paragraphs 18 to 31, and the points made there on how funding addresses these priorities also relate to our primary regulatory objectives.
37. The regulatory framework provides further guidance on the eligibility of providers to receive OfS funding, through registration in the Approved (fee cap) category. The ongoing conditions of registration also note several further considerations relating to funding, particularly for the 'B' conditions (relating to academic experience) and condition G2 (relating to our ability to impose terms and conditions of funding).

Other sources of funding available to providers

38. Although the OfS has wide funding powers, several other public bodies have responsibilities to fund certain aspects of higher education. These include:
- a. **Loans for course fees.** The SLC administers publicly funded loans to students to meet the costs of course fees, as well as loans and some grants to support living costs. Some qualifications at higher education level (typically vocational in nature) are not eligible to receive student finance loans but are instead supported through advanced learner loans. From 2026 these systems will be replaced by the Lifelong Learning Entitlement system.¹¹
 - b. **Research.** UK Research and Innovation (UKRI), is responsible for distributing public funds for research.¹² UKRI incorporates seven subject-specific research councils,

¹⁰ OfS, '[Securing student success: Regulatory framework for higher education in England](#)' (OfS 2022.69).

¹¹ GOV.UK, '[Lifelong learning entitlement: what it is and how it will work](#)'.

¹² See [About UK Research and Innovation](#).

Innovate UK and Research England. UKRI provides grants for individual research projects (through the research councils) and block grants to providers (through Research England).

- c. **Teacher education and training.** The DfE is responsible for supporting education and training courses aimed at school teachers, including initial teacher training courses leading to qualified teacher status or early years practitioner status, and in-service education and training courses for those who hold such 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 organised in co-operation with the OfS and NHS England. OfS and UKRI funds underpin teaching and research respectively in higher education providers, while NHS England funds support the clinical facilities that are needed to carry out teaching and research in hospitals and other parts of the health service. The DHSC also provides maintenance grants for students on courses leading to qualification to practise in certain nursing, midwifery and allied health professions,¹³ 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. **Apprenticeships.** Finance for the delivery of apprenticeships is provided through the DfE (following the closure of the Education and Skills Funding Agency (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.
- f. **Knowledge exchange and innovation.** This is funded from a variety of sources, including direct funding provided by UKRI. Higher education providers also play a significant role in local growth partnerships and can receive funding to support their knowledge exchange and skills activities.

¹³ See [NHS Learning Support Fund](#).

Our funding methods

39. Under section 39 of HERA, we can fund higher education and related facilities and activities at eligible providers. This means providers must be registered with us in the Approved (fee cap) category to be eligible to receive OfS funding. Additional eligibility criteria may also be in place for particular grants.

Our funding approach and objectives

40. We want to make the best use of taxpayers' money, prioritise funding to get the best value, provide appropriate support of government policy aims and ensure that providers are accountable for the money they get, without creating an excessive regulatory burden on them.
41. 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, healthcare and other strategically important subjects
 - world-leading specialist providers.
42. We want students from disadvantaged backgrounds, 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 fifth of our funding to support providers in the work they do to assist students to participate and succeed in higher education. This complements the commitments providers themselves make and the outcomes they agree with us as part of their access and participation plans.
43. 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.
44. We will continue to review our funding method for future years, so that it further supports our duties and regulatory objectives. With this in mind, and in liaison with DfE, we will be conducting a review of the Strategic Priorities Grant (SPG) and will open consultation for this later in 2025.
45. 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.

Terms and conditions

46. Under HERA, the OfS can fund providers registered with the OfS in the Approved (fee cap) category. Any such eligible providers are subject to the OfS's general ongoing conditions of

registration.¹⁴ (Some providers may also have additional, specific ongoing conditions of registration.)

47. Our terms and conditions of OfS funding¹⁵ supplement these conditions of registration. In particular, our ongoing condition of registration G2 requires a provider to comply with any terms and conditions that we apply to our funding.¹⁶ A breach of our terms and conditions is therefore also likely to breach this condition of registration.
48. Our terms and conditions 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.
49. If the OfS takes regulatory action with a provider regarding a breach of a condition of registration, for example if registration is suspended, this may result in changes to grant allocations and payments.

Accountability

50. Substantial amounts of taxpayers' money are allocated to providers every year. It is important, therefore, that providers are regulated and that there is accountability for how this public funding is used. The OfS is accountable to Parliament for the funding that we allocate. Our terms and conditions of funding underpin how we can ensure that the public funding for which we are responsible is used effectively and responsibly.
51. Providers are accountable to the OfS (and again ultimately to Parliament), for the way they use the funding we give them. As independent bodies, providers also receive money from many other public and private sources; the OfS's terms and conditions cannot apply to these other funds.

Scope of our terms and conditions

52. While some recurrent funding is earmarked for particular purposes, providers are autonomous bodies that set their own strategic priorities. Our terms and conditions allow providers 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 fund. The grant allows providers to be autonomous and does not impose the burden of accounting in detail for expenditure.
53. The terms and conditions focus on:
 - a. What OfS funding can be used to support. Where OfS funding is earmarked for specific purposes (such as for capital funding), it must be used only for those aims.

¹⁴ See [Conditions of registration](#).

¹⁵ OfS, '[Terms and conditions of funding for 2025-26](#)' (OfS 2025.40).

¹⁶ This condition also requires providers to comply with any terms and conditions attached to funding received from UKRI.

- 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. We set 2025-26 academic year budgets in the light of the May 2025 strategic guidance letter from government that set out the funding available for the financial year 2025-26. In doing so, we had to make an assumption about the funding that might be available for the 2026-27 financial year, because of its four-month overlap with the 2025-26 academic year. Any changes to the grant made available to the OfS by government for financial year 2025-26, or that we have assumed for financial year 2026-27, are likely to affect the funding we are able to distribute to providers in the 2025-26 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.
- 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.

Formula-based allocations

- 54. The majority of OfS funding allocations are calculated by formula, based on student data submitted by providers. This is true for most of our recurrent funding allocations; we also distribute a small amount of capital funding through formula methods. Using this formula approach means that our funding methods are fair, transparent and efficient.
- 55. In general, our funding formulas:
 - a. Use student numbers as a proxy volume measure for the amount of teaching activity at a provider.
 - b. Reflect OfS and government policy priorities. These priorities reflect the cost of delivery and strategic importance of certain types of provision.

Data sources

- 56. We use two types of data returns to inform our formula allocations:
 - a. **Aggregate student data** summarises the student body at a provider and reports on the number of students that meet certain criteria. (For example, how many are studying on a full-time year or on a part-time year.)

- b. **Individualised student data** provides specific information on each individual student studying with a provider in a year. (For example, this might record the course studied, when the student started studying, etc.)
57. Providers submit aggregate data directly to the OfS through the **Higher Education Students Early Statistics (HESES)** survey.¹⁷ Funding for the 2025-26 academic year is based on student numbers for the 2024-25 academic year reported in the HESES24 survey, which was submitted in winter 2024.
58. Using in-year data from HESES ensures that our funding decisions are based on the most up-to-date information available. However, because HESES24 data was provided before the end of the 2024-25 academic year, it necessarily includes some forecasts of student activity up to the end of the year.
59. Individualised data is not submitted to the OfS directly. There are two sources of this data:
- a. For further education and sixth form colleges and academies, we use the **individualised learner record**, which is now submitted to the Department of Education following the closure of the ESFA.¹⁸
 - b. For other providers, this is the **student record** submitted to the designated data body.¹⁹
60. Individualised data is submitted at the end of the academic year. We use individualised data for the 2023-24 academic year (the most recent year available) to inform our funding for 2025-26.
61. Individualised data is used to gain information about student characteristics for some allocations, particularly our student-premium funding (see paragraphs 108 to 122). Where individualised data is not available, for example where a provider is new, we use sector averages.

Which students are included in our funding calculations?

62. In general terms, we count students if:
- a. They have 'Home fee' status, as defined in legislation.²⁰
 - b. They are on a higher education course recognised for our funding purposes, as defined in our HESES guidance.
 - c. Funding responsibility does not rest with another public source. For example, postgraduate research students are not counted for our funding and fall under the

¹⁷ See [HESES](#).

¹⁸ See [Individualised Learner Record \(ILR\)](#)

¹⁹ See the [HESA data collection website](#).

²⁰ The legislation is the Education (Fees and Awards) (England) Regulations 2007, as amended. These regulations permit providers to charge higher fees to students who do not meet certain criteria relating to their nationality and residential status. Students who do not have 'Home fee' status may be charged higher fees (sometimes referred to as 'overseas fees' or 'international fees'). See <https://commonslibrary.parliament.uk/eligibility-for-home-fee-status-and-student-support-in-england/>.

responsibility of UKRI; the DfE 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.

- d. They are on a course open to any suitably qualified candidate. For example, if 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.
- e. They are not aiming for an equivalent or lower qualification (ELQ) or are exempt from the ELQ policy.

63. A student is considered to be studying for an ELQ if they already have a qualification at the same (or higher) level. For example, if a student has a MSc in Chemistry, they will be considered to be aiming for an ELQ if they study for a BSc in Physics. Students aiming for an ELQ are generally not counted towards OfS funding allocations²¹ unless they are covered by an exemption, such as:

- 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 the disabled students' allowance (DSA).²²

64. 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 is not counted towards high-cost subject funding but may be counted towards student-premium funding allocations.

How do we count these students?

65. 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.

²¹ 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.

²² 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 GOV.UK, [Help if you're a student with a learning difficulty, health problem or disability: Disabled Students' Allowance](#).

66. When counting student FTEs in our funding methods, we also introduce an assessment of how many of these students are expected to complete their year of study.²³
67. In their HESES24 survey returns, providers did not directly return data on the study intensity of part-time students, or on the number of non-completing students. To convert the headcount of students from HESES into fundable FTEs to inform our funding allocations for 2025-26, we applied 'multiplication factors' to the HESES data. These multiplication factors were agreed with each provider in March 2025 as representative of its provision; the factors reflect the intensity of part-time provision and expected completion rates for each provider.²⁴

Maximum fundable limits for pre-registration medical and dental courses

68. We limit the number of students on pre-registration medical and dental courses that we will count towards our funding allocations. These are courses that lead on successful completion to a first qualification that enables students to register in the UK to practise as a medical doctor or dentist.²⁵ These limits recognise the very high cost of training for doctors and dentists and help ensure that unplanned growth on these courses does not divert OfS funding away from other priority activities and courses. The limits support workforce planning in the NHS, enabling consistency between the numbers graduating and the number of foundation programme training places available.
69. We monitor a provider's recruitment against its expected maximum intakes for medicine and dentistry over a rolling five-year period, rather than immediately taking action for over-recruitment in a single year. If there has been net recruitment above the maximum fundable limits across this five-year period as a whole, then we reduce the student numbers we count for funding in the following year to reflect that. This approach gives some flexibility to providers in managing their recruitment from year to year.
70. The limits were disregarded (on a one-off basis) for 2020-21. As a result, we disregard 2020-21 intake data when assessing recruitment in the rolling five-year period.

²³ In this context, non-completion means that students did not complete the study intentions they had at the beginning of their year of study. E.g. if a student intended to study six modules in the year, but only completed five of these in the year, they would be a non-completion.

²⁴ Further information on the multiplication factors for 2024-25 is available at OfS, '[HESES24: multiplication factors representations process guidance](#)' (OfS 2024.44).

²⁵ Further information about medical and dental intake targets is available at [Medical and dental maximum fundable limits](#).

OfS funding for 2025-26

The OfS's budget

71. Each year, the Secretary of State for Education writes to the OfS to set out the SPG funding available for us to distribute in the upcoming financial year. These letters also set out the government's priorities for allocation of our funding; under HERA we are required to have regard to this guidance when allocating funding.
72. There are two main types of funding:
- a. **Recurrent funding** represents the majority of the money available to us and is used to support the yearly teaching activities of providers.
 - b. **Capital funding** is provided to support sustainable investment in higher education learning and teaching facilities and equipment, and thus to enhance the learning experience of their students.
73. We received guidance letters on 19 May 2025 which made available £1,347.7 million of recurrent funding and £84 million of capital funding for the financial year 2025-26.²⁶ The government guidance letters also imposed additional terms and conditions on our use of the funding available for 2025-26.

Capital grant budget

74. Providers can use capital funding to acquire or maintain fixed assets, such as land, buildings. Capital grant allocations are made on a financial year basis (1 April to 31 March) and we have £84 million of capital funding to distribute in the 2025-26 financial year. From this total we are distributing to providers:²⁷
- £72.75 million reflecting the outcomes of a bidding competition
 - £7.75 million of formula funding.
75. The remaining £3.5 million has been used to support capital expenditure by Jisc relating to the services it provides for the sector.
76. Providers will only be allocated a formula capital grant for the financial year 2025-26 if they do not take part in the bidding competition or if they do so and their bid is unsuccessful.
77. Further details of our capital allocation methods can be found in paragraphs 132 to 142.

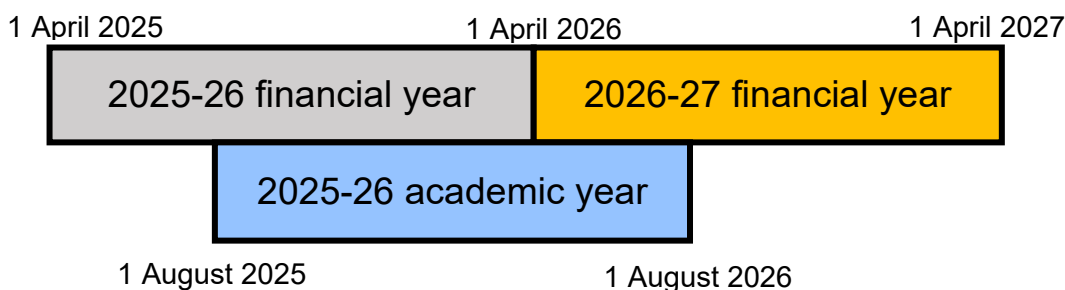
Recurrent grant budget

78. The recurrent budget element makes up the large majority of the funding available to us. This is used to support providers' ongoing teaching and related activities, and most of it is allocated to providers through formula-based grants.

²⁶ See [Guidance from government](#).

²⁷ OfS, '[Capital funding for financial year 2025 to 2026](#)' (OfS 2025.29).

79. Within the total grant provided by government, £48 million is administered by UKRI through Research England for knowledge exchange, which is allocated as part of Higher Education Innovation Funding (HEIF).²⁸ HEIF is a formula-based allocation that supports and develops a broad range of knowledge-based interactions between higher education and the wider world, which result in benefits to the economy and society. We agree the allocation method and monitoring arrangements for this OfS element with Research England.
80. After HEIF funding is removed, we have a total of £1,299.7 million in recurrent funding available for the 2025-26 financial year. However, although our budget is provided by the government on a financial year basis, we distribute the bulk of our funding to providers on an academic year basis. This reflects the revenue and cost base of providers and aligns with their budgeting and planning processes.
81. The 2025-26 academic year overlaps two financial years: the last eight months of the 2025-26 financial year and the first four months of the 2026-27 financial year.



82. This means that, to determine the total amount of funding available to us for the 2025-26 academic year, we need to take a portion from each financial year's budget. This results in a recurrent funding budget of **£1,310.9 million** for this academic year, as shown in Error! Reference source not found.

Table 1: Breakdown of OfS non-capital funding for academic year 2025-26

Element of grant	Amount (£ million)
Recurrent funding for providers	1,286.8
Funding for national facilities and regulatory initiatives	24.1
Total	1,310.9

83. Most of this funding (£1,286.8 million) is distributed to providers as formula-based recurrent funding. Further details on how this is done can be found in paragraphs 90 to 130.
84. The remaining £24.1 million is used to provide funding for national facilities and regulatory initiatives. This supports facilities such as Jisc and OfS Challenge Competitions. Further details on how this is distributed can be found in paragraph 131.

²⁸ See [Higher Education Innovation Funding](#).

Providers that join the OfS Register mid-year

85. We update allocations periodically during the year. This might be to include funding that was not finalised in time for the initial allocations or to reflect, for example, changes to providers' data or their status on the OfS Register.
86. Providers that join the Register in the Approved (fee cap) category later in the year, but before the end of 2025-26, will also receive funding allocations, subject to their meeting all eligibility criteria that apply to our grants and our having enough funding available. Providers must be registered by:
- **31 March 2026** to be eligible for 2025-26 formula capital grants
 - **31 July 2026** to be eligible for 2025-26 recurrent grants.
87. We will not reduce the initial allocations already announced to providers to extend funding to providers that join the OfS Register later in the year.
88. Where providers join the Register in the Approved (fee cap) category before one of the dates noted in paragraph **Error! Reference source not found.**86, we will provide formula funding allocations that will be reduced to reflect the number of days left in the year (academic for recurrent, financial for capital).
89. When we allocate formula capital funding, a minimum threshold applies. (See paragraphs 139 to 142 for further details.) Eligible providers in the Approved (fee cap) category may receive a formula capital grant only if their allocation (after any reduction to reflect the date on which they joined the Register) is not less than the minimum threshold.

Recurrent funding for 2025-26

90. Most providers' income for teaching and related activities comes primarily through students' course fees. OfS recurrent funding is provided to supplement tuition fee income and supports the delivery of strategically important activities.
91. For example, some priority subject areas, such as medicine or engineering, may have delivery costs that typically exceed the amount received through course fees. Our funding also supports provider efforts to widen access to underrepresented or disadvantaged groups and to ensure students' continued participation and success in higher education.

How recurrent funding is allocated

92. Our recurrent funding is provided through:
- a. **Funding for high-cost courses:** these funding streams recognise additional provider costs from teaching particular priority subjects.
 - 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.

- c. **Funding for specialist providers:** supporting providers identified as world-leading for their teaching activities following a peer review panel exercise held in 2022.²⁹

93. We divide most of the money between providers using formulas 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).

Terms and conditions placed on us by government for 2025-26

94. As noted in paragraph 73, the government has placed terms and conditions on how we set our recurrent funding budgets for the 2025-26 academic year. We must comply with these requirements. Full details of these terms and conditions are discussed in 'Funding for 2025-26: Decisions and allocations',³⁰ but in summary they require us to:

- a. Discontinue six funding streams provided in 2024-25. These were the targeted allocations for accelerated full-time undergraduate provision; intensive postgraduate provision; the postgraduate taught supplement; overseas study programmes; the degree apprenticeship development fund; and funding for Level 4 and 5 provision.
- b. Maintain the funding rates or budgets for a number of our remaining funding streams.
- c. Amend our funding methods so that:
 - i. High-cost subject funding is reprioritised away from courses in media studies, journalism, publishing, and information services, with savings used to support other priority subjects.
 - ii. Courses delivered at franchised providers are disregarded when calculating allocations of high-cost subject funding or student-premium funding, except where franchised providers are in the Approved (fee cap) register of the OfS Register.

Elements of recurrent grant

95. Table 3: Elements of recurrent grant for 2025-2 shows the main elements of our recurrent grant for 2025-26. A further disaggregation of the first two elements follows in separate tables.

Table 3: Elements of recurrent grant for 2025-26

Elements of recurrent grant	Amount (£ million)
Funding for high-cost courses (see Table 4: Funding for high-cost courses for academic year 2025-2)	956.1
Funding for student access and success (see Table 8: Funding for student access and success for academic year 202)	273.3
Funding for specialist providers (see paragraphs 128 to 130)	57.4
Total	1,286.84

²⁹ OfS, 'World-leading specialist provider funding: Outcome' (OfS 2022.64).

³⁰ OfS, 'Funding for 2025-26 decisions and allocations' (OfS 2025.39).

Funding for high-cost courses

96. Funding for high-cost courses comprises a number of allocations as shown in Table 4:
Funding for high-cost courses for academic year 2025-26.

Table 4: Funding for high-cost courses for academic year 2025-26

Funding for high-cost courses	Amount (£ million)
High-cost subject funding: price groups A and B; pre-registration nursing; computing and information technology; archaeology	864.9
High-cost subject funding: performing arts; creative arts;	12.9
Nursing, midwifery and allied health supplement	32.1
Very high-cost science, technology, engineering and maths subjects	24.7
Clinical consultants' pay	15.8
Senior academic general practitioners' pay	0.9
NHS pensions scheme compensation	4.8
Total funding for high-cost courses	956.1

Note: Figures in the table may not add up, due to rounding differences.

High-cost subject funding

97. High-cost subject funding recognises that providers will face additional costs when teaching certain subjects. Funding rates are informed by the assignment of subject areas to six price groups based on the course characteristics and associated teaching costs, and strategic prioritisation.

- a. **Price group A.** The clinical years of study for medicine, dentistry and veterinary science, and undergraduate 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 undergraduate qualification in dental hygiene or dental therapy.
- b. **Price group B.** Laboratory-based science, engineering and technology subjects, and pre-registration courses in midwifery and certain other allied health professions.³¹
- c. **Price group C1.1.** Intermediate-cost subjects in computing and information technology, archaeology, and pre-registration courses in nursing.
- d. **Price group C1.2.** Intermediate-cost subjects in performing and creative arts. Media studies are still included in this price group but are no longer funded.

³¹ 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. Price group B also includes postgraduate pre-registration courses in dental therapy.

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

98. High-cost subject funding is provided only for price groups A, B, C1.1 and C1.2.

99. In accordance with the government terms and conditions placed on us (see paragraph 94), we are changing our calculation method so that:

- a. Funding for price group C1.2 is discounted to reflect the proportion of courses in journalism, media studies, publishing and information services offered by each provider.
- b. Funding for all price groups is discounted to reflect the number of students where teaching is subcontracted out to a provider that is not registered with the OfS in the Approved (fee cap) category.

100. This information cannot be directly obtained from provider HESES data but can be identified from providers' end-of-year individualised data returns. In order to implement the government's conditions, we will use 2023-24 individualised student data to determine moderating factors that reflect the proportion of students that fall into the categories noted in paragraph 98. These moderating factors will be unique to each provider and take into account differences arising from mode (full-time, part-time or sandwich year out), price group and broad level of study (undergraduate or postgraduate taught). The moderating factors are used to adjust the number of FTEs that we count when calculating our high-cost subject funding allocations.

101. High-cost subject funding is the calculated using the following formula:

- **funding FTEs** derived from provider HESES student data

multiplied by

- provider-specific moderating factors

multiplied by

- sector-wide **funding rates by price group.**



102. Government terms and conditions of grant also require us to maintain per-student funding rates for high-cost subject funding at the same level as 2024-25, unless not possible due to

fluctuation in student numbers. Table 5: Rates of high-cost subject funding for price groups per student FTE shows rates of high-cost subject funding for the academic year 2025-26.

Table 5: Rates of high-cost subject funding for price groups per student FTE

Price group	Rate of funding (£)
A	11,580.00
B	1,737.00
C1.1	289.50
C1.2	130.54
C2 and D	0

Nursing, midwifery and allied health supplement

103. The nursing, midwifery and allied health supplement supports the sustainability of certain pre-registration courses where there is evidence from costing studies³² that average course costs exceed those that would otherwise be met through course fees and other grants (primarily high-cost subject funding). 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 6: Price groups and rates of funding per FTE for the nursing, midwifery and allied health supplement 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 2025-26 through the nursing, midwifery and allied health supplement.

Table 6: 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	0.00	0.00
Dental therapy	A	0.00	0.00
Dietetics	B	84.56	829.13
Midwifery	B	84.56	829.13
Nursing – adult	C1.1	226.83	971.40
Nursing – children	C1.1	439.57	1,184.14
Nursing – learning disability	C1.1	439.57	1,184.14
Nursing – mental health	C1.1	226.83	971.40
Nursing – unclassified	C1.1	226.83	971.40
Occupational therapy	B	84.56	829.13
Operating department practice	B	84.56	829.13

³² See webarchive.nationalarchives.gov.uk/ukgwa/20180405125423/http://www.hefce.ac.uk/lt/healthcare/nursing/.

Profession	Price group	Rate of funding per undergraduate FTE (£)	Rate of funding per postgraduate FTE (£)
Orthoptics	B	3,807.40	4,551.97
Orthotics and prosthetics	B	3,807.40	4,551.97
Physiotherapy	B	84.56	829.13
Podiatry	B	1,360.96	2,105.53
Radiography (diagnostic)	B	1,360.96	2,105.53
Radiography (therapeutic)	B	1,360.96	2,105.53
Speech and language therapy	B	297.30	1,041.86

Very high-cost STEM subjects

104. 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 maintain provision for subjects that have been historically vulnerable because of low student demand.
105. This funding is not recalculated each year to reflect the latest student numbers: the allocations for 2025-26 are maintained in cash terms at the same level as last year.
106. To be eligible, a provider must be actively recruiting new entrants in 2025-26 to one or more of these subjects and must have at least 30 student FTEs for a specific subject to receive an allocation.

Providers' costs relating to medical and dental staff

107. The following 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 2025-26 are the same as those for 2024-25 and comprise:
- Clinical consultants' pay** £15.8 million. This recognises the additional costs that arise from applying the Consultant Contract (England) 2003 to clinical academics.
 - Senior academic general practitioners' pay** (£0.9 million). This enables senior academic general practitioners to be paid in line with their hospital-based colleagues.
 - NHS pension scheme compensation** (£4.8 million). This compensates higher education providers for the increased employers' contributions to the NHS pension scheme introduced in April 2004.

Funding for student access and success

108. Our funding for student access and success 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.

109. Funding for student access and success makes up about 20 per cent of our total recurrent funding. It comprises five allocations as shown in Table 8: Funding for student access and success for academic year 202.

Table 8: Funding for student access and success for academic year 2025-26

Funding for student access and success	Amount (£ million)
Premium to support successful student outcomes: full-time	137.2
Premium to support successful student outcomes: part-time	59.6
Disabled students' premium	43.1
Premium for student transitions and mental health	13.4
Uni Connect	20.0
Total funding for student access and success	273.3

Note: Figures in the table may not add up, due to rounding differences.

110. The government has also placed terms and conditions on us that affect how we have set the budgets listed above, and the funding methods we are using for the 2025-26 academic year. These conditions:

- a. Cap the funding for Uni Connect at no more than £20 million.
- b. Specify that when calculating allocations for the four student premiums (full-time, part-time, the disabled students' premium and the premium for student transitions and mental health), we should not count students where teaching is subcontracted out to another provider. (Unless the teaching provider is also registered with the OfS in the Approved (fee cap) category.)
- c. Where affordable, to maintain the per-student funding rates for the four student premiums at the same level as 2024-25.

111. In order to implement the condition regarding subcontracted out provision, we will use a similar method to that used for high-cost subject funding. We will determine moderating factors that reflect the proportion of students that are expected to be franchised out to these providers, and this will be used to reduce the number of student FTEs counted towards our student-premium allocations.

112. The budgets set out in Table 8 reflect the implementation of this method.

Premium to support successful student outcomes: full-time

113. This allocation enables providers to support full-time and sandwich year out undergraduate students who are deemed to have a higher risk of withdrawing from their studies. The funding supports additional investment by providers in services that ensure their retention and success.

114. The full-time student-premium allocation is calculated using the following formula:

- **funding FTEs** derived from provider HESES student data
- multiplied by
- provider-specific **weightings based on student characteristics**
- multiplied by
- a provider-specific **moderating factor to reflect franchised provision**
- multiplied by
- a single **funding rate**.



115. We calculate weighting factors for each provider that reflect the characteristics of their students. Where we do not have representative data for a provider to enable us to calculate a specific weighting factor, we instead use average weighting factors for all providers.
116. These weightings reflect a number of characteristics that, based on analysis of historic data, reflect students who have an increased risk of withdrawal. These are age, qualification aim and the type of qualification that a student has on starting their course. We also look at whether the student comes from an area that is underrepresented in higher education, based on their postcode.³³

Premium to support successful student outcomes: part-time

117. This allocation enables providers to support their part-time students to achieve successful outcomes. 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.
118. The part-time premium is allocated in proportion to the number of undergraduate part-time FTEs reported by each provider. We will apply a moderating factor to these FTEs to reflect the condition placed on us by government to discount franchised provision, but we do not apply student characteristic weightings for the part-time premium.



³³ See [About POLAR and Adult HE](#). For 2024-25 funding, we have used the POLAR4 classification.

Disabled students' premium

119. This allocation enables 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.
120. For each provider, we calculate a weighting that reflects the proportion of their UK students who receive the disabled students allowance (weighted at two) or who self-declare a disability (weighted at one). 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 is applied to the provider's student FTEs.

Premium for student transitions and mental health

121. The allocation supports providers in:
- a. Addressing the challenges to student mental health for those at the beginning of their undergraduate studies. This may include supportive and preventative measures that help to maintain good mental health and prevent more serious problems arising later.
 - b. Developing effective joint working between their student support services and local NHS mental health services, to ensure students are referred quickly and appropriately. These partnerships should bring together the appropriate skills, experience and expertise to meet the needs of students.
122. The funding provided enables providers to engage with best practice developed and disseminated on mental health, including that shared by government's Higher Education Mental Health Implementation Taskforce,³⁴ and other guidance which supports the development of effective mental health and suicide prevention strategies. The allocation is made pro-rata to the number of OfS-fundable undergraduate entrants reported by each provider in 2024-25.

Uni Connect

123. The Uni Connect programme brings together partnerships of universities, colleges and other local partners to deliver outreach programmes and support schools and colleges to access outreach provision. It aims to reduce the gap in higher education participation between the most and least represented groups.³⁵ In doing so it contributes to the government's social mobility goals and the OfS's strategic objective that 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.
124. The programme consists of 29 local partnerships delivering impartial information, advice and guidance and outreach activity to equip young and adult learners from underrepresented groups to make an informed choice about their options in relation to the full range of routes into and through higher education.

³⁴ GOV.UK, [Higher education mental health implementation taskforce](#).

³⁵ See our webpages on [Uni Connect](#).

125. Partnerships focus their targeted work on the 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, local authorities and local enterprise partnerships.
126. Uni Connect supports a strategic local infrastructure of universities, colleges and other partners that increases collaboration, offers an efficient and low-burden route for schools and colleges to engage, and addresses outreach 'cold spots' for underrepresented groups.
127. This allocation totals £20 million in 2025-26. We do not allocate this funding to providers; partnerships will receive their funding allocations for 2025-26 separately.

Funding for specialist providers

128. This allocation provides additional funding to certain specialist higher education providers that recognises the higher cost and distinctive nature of their provision, and the public value that they bring to the sector. These providers contribute significantly to the diversity of the higher education provider landscape, and offer prospective students enhanced choice in their higher education experience.
129. In October 2021, we consulted on the future approach to funding for specialist providers, with the outcomes of the consultation published in February 2022.³⁶ To be eligible to receive this funding, a provider registered with us in the Approved (fee cap) category must meet criteria as a specialist provider and also be assessed as world-leading. We invited specialist providers to submit evidence that they met criteria for being world-leading, which was assessed by a Specialist Provider Panel, set up as a time-limited committee of the OfS board.³⁷
130. We undertook a further consultation in July 2022, seeking views on the formula method used to distribute specialist provider funding.³⁸ Having considered the responses to this consultation, we announced allocations of specialist provider funding in December 2022, reflecting the panel's decisions on which providers met the criteria for being world-leading.³⁹ We will distribute a total of £57.4 million in the 2025-26 academic year. This consists of two elements:
- a. £56.8 million of funding distributed to 20 providers that were assessed as meeting the criteria for being 'world-leading'. These allocations are the same as for 2024-25.
 - b. £0.7 million of transitional funding, distributed to four providers previously in receipt of world-leading specialist provider funding in 2021-22 – either directly or indirectly as part of a larger provider – but which were not assessed as meeting the criteria in the 2022 exercise. These allocations have reduced by £0.3 million (-25.4 percent) compared with 2024-25.

³⁶ OfS, '[World-leading specialist provider funding: Outcomes of consultation and invitation to submit](#)' (OfS 2022.11).

³⁷ See our webpage on [the specialist provider panel](#).

³⁸ OfS, '[Consultation on specialist provider funding method](#)' (OfS 2022.36).

³⁹ OfS '[World-leading specialist provider funding: Outcome](#)' (OfS 2022.64).

Funding for national facilities and regulatory initiatives for 2025-26

131. For 2025-26, this amounts to **£24.1 million**. Funding for national facilities and regulatory initiatives is used to support measures that benefit the sector as a whole and to promote change that cannot be easily achieved through other routes. This includes support for:

- a. **Jisc**,⁴⁰ 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 National Student Survey**,⁴¹ which gathers students' opinions on the quality of their courses and helps to inform prospective students' choices.
- c. **TASO (Transforming Access and Student Outcomes in Higher Education)**,⁴² an organisation that undertakes and uses research and evaluation to determine what works in eliminating equality gaps in higher education.
- d. **The performing arts specialist initiative**,⁴³ which provides funding to enhance the provision of, and access to, performing arts education and training at specialist providers not in receipt of recurrent specialist provider funding, with a particular focus on contemporary music, drama and dance.
- e. **The OfS Challenge Competitions**,⁴⁴ 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. 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 are published on the OfS website along with details on how to apply.

Capital funding for 2025-26

132. The government provides capital funding to support sustainable investment in higher education. It supports capital expenditure – that is, money used to acquire or maintain fixed assets, such as land, buildings and equipment, 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.

133. Unlike recurrent funding, capital funding is allocated on a financial year basis. The government has made a total of £84 million of capital funding available to us for 2025-26.

134. The government guidance letter announcing this (see paragraph 73) asked us to allocate the majority of most of the capital grant funding through a competitive process. As in previous

⁴⁰ See [Jisc](#).

⁴¹ See [National Student Survey - NSS](#).

⁴² See [TASO](#).

⁴³ OfS, '[Initiative funding for specialist performing arts providers: Funding allocations](#)' (OfS 2023.09).

⁴⁴ See [About OfS Challenge Competitions](#).

years, we are also allocating a smaller amount of funding through a formula-based allocation process and providing capital funding to Jisc.

135. We have decided that from the total funding available, we will allocate:

- £72.75 million through a competitive bidding process
- £7.75 million through a formula grant allocation
- £3.5 million to support Jisc.

Allocation of capital through competitive bids

136. We are distributing the majority of our capital funding (£72.75 million) for the 2025-26 through a bidding exercise. We invited providers to bid for this funding on 12 June 2025, with providers required to submit their bids by 30 July 2025. The bidding exercise is open to providers in the Approved (fee cap) category, for projects that met the eligibility criteria.

137. We have applied a cap of £2.5 million to the amount that we will allocate in financial year 2025-26 in support of any single bid. All funding allocated to providers must be spent in full by 31 March 2026.

138. We have published full details of the capital funding bidding exercise.⁴⁵ The outcomes of the bidding exercise will be announced in late 2025.

Formula-based capital funding

139. We will continue to provide a small formula-based capital allocation for the 2025-26 financial year. However, given the reduced capital funding available to us for the year, we are changing the allocation method used to distribute this formula capital. Specifically, we will not provide a formula allocation to providers that are successful in the competitive bidding process described above. This means that we will not calculate or announce formula capital allocations until the bidding process has concluded. We will announce formula capital in late 2025, alongside details of the successful competitive bids.

140. Formula capital funding is calculated based on weighted FTEs for each provider:

- FTEs weighted by price group and level
- multiplied by
- specialist provider weighting
- plus
- $\text{FTEs} \times \text{weighted disability proportion} \times 0.1$

⁴⁵ OfS, '[Capital funding for financial year 2025 to 2026](#)' (OfS 2025.29).



141. The FTEs used in this calculation are the same ones that inform 2025-26 recurrent grant, plus those on initial teacher training courses leading to qualified teacher status fundable by DfE. These are weighted with regards to:

- 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. Table 9: Formula-based capital funding weights for price group and level 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	2.70	2.97
B	1.90	2.09
C1.1 and C1.2	1.10	1.21
C2	1.00	1.10
D	1.00	1.00

- b. **Specialist provider weighting.** This recognises the particular needs of world-leading specialist providers, as discussed in paragraph 128. Variable weightings are applied to reflect the relative size of a provider's specialist provider allocation (if applicable).
- c. **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. This reflects the weighting used in calculating the disabled students' premium (see paragraphs 119 and 120).

142. We aim to distribute capital grant in the most effective way to secure benefits for students. Therefore, as in previous years, we expect to retain an overall maximum cap on the total formula funding received by any provider and to maintain a minimum allocation threshold. However, given the reduced level of funding available to us, these will also be reduced. Final maximum and minimum thresholds will be confirmed in the autumn, but we expect these to be approximately £35,000 and £10,000, respectively.

Summary 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. Access and participation plans 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, orthoptics, orthotics and prosthetics, physiotherapy, podiatry, radiography (diagnostic), radiography (therapeutic), and speech and language therapy.

Bidding competition

Funding available via competition. Providers are invited to submit a bid requesting funding to support a project, or particular activities or facilities that we wish to prioritise. Providers' bids will be awarded funding if they make a sufficiently strong case against criteria specified in the competition.

Challenge Competition

Funding for short-term, project-based activity to deliver specified regulatory and other strategic priorities where the higher education sector is not serving students as effectively as it could. Challenge Competitions usually require providers to submit a bid for assessment to be used on a specific area.

Capital funding

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 UK undergraduates and for postgraduate initial teacher training courses are subject to limits set out in regulations.

Department for Education (DfE)

This is the government department to which the OfS is accountable,⁴⁶ but as a non-departmental public body we operate at arm's length from it.

⁴⁶ See [Department for Education](#).

Department for Health and Social Care (DHSC)

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.

Disabled Students' Allowance

Grants to help meet the extra costs students can face as a direct result of an impairment or specific learning difficulty.

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.

ESFA

The Education and Skills Funding Agency. The ESFA was an executive agency of the DfE that was accountable for funding education and skills for children, young people and adults. It was officially closed on 31 March 2025 with its functions transferred to the DfE from 1 April.⁴⁷

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. Following the closure of the ESFA, their primary regulator is now the Department of Education.

HEIF

Higher Education Innovation Funding. The method by which knowledge exchange funding is distributed to providers by UKRI, through Research England.

⁴⁷ See [Education and Skills Funding Agency](#) and [Letter to accounting officers: 19 March 2025](#).

HERA

The Higher Education and Research Act 2017.⁴⁸

HESES

Higher Education Students Early Statistics survey.⁴⁹ This annual aggregate student number survey informs our funding and is completed by providers that have registered students on higher education courses recognised for OfS funding purposes.

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.

Jisc

Jisc provides UK universities and colleges with shared digital infrastructure and services, such as the Janet network and is the designated data body in England that collects and publishes data on behalf of the OfS.⁵⁰

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.

Mode

Mode of study can be full-time, part-time or sandwich year out.

Multiplication factors

Multiplication factors are factors applied to provider data submitted in HESES24 which the OfS uses to derive fundable FTEs. The multiplication factors are based on historic provider data, where available.⁵¹

OfS

The Office for Students.

⁴⁸ See [Higher Education and Research Act 2017](#).

⁴⁹ See [HESES](#).

⁵⁰ See [Jisc](#) and [Designation of Jisc as the new data body](#).

⁵¹ OfS, '[HESES24: multiplication factors representations process guidance](#)' (OfS 2024.44).

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.

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.⁵²

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.

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.

UKRI

UK Research and Innovation.⁵³ A research and innovation funding organisation established by the Higher Education and Research Act 2017.

Uni Connect

Uni Connect is a nationwide network of universities and colleges working in partnership to deliver sustained outreach to young people in areas where higher education participation is unexpectedly low.⁵⁴ So far over 1.3 million young people from underrepresented groups have engaged with the Uni Connect programme.

⁵² See [The OfS Register](#).

⁵³ See [UKRI – UK Research and Innovation](#).

⁵⁴ See [Uni Connect](#).

Further reading

OfS funding webpages: [Finance and funding](#)

[Guidance from government](#)

OfS publications

(All available in the [publications section of the OfS website](#).)

[‘Terms and conditions of funding 2025-26’](#) (OfS 2025.40).

[‘Capital funding for financial year 2025 to 2026’](#) (OfS 2025.29).

[‘Funding for 2025-26: Decisions and allocations’](#) (OfS 2025.39).

[‘Higher Education Students Early Statistics survey 2024-25’](#) (OfS 2024.42)⁵⁵

[‘Securing student success: Regulatory framework for higher education in England’](#) (OfS 2022.69)

⁵⁵ Guidance on the HESES25 survey will be published in autumn 2025.



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