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Circular

Outcomes of Consultation on Changes to Funding Arrangements

Date: 23 March 2010
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To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in Wales
Response by: No response required
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This circular provides information on the outcomes of our recent consultation on future changes to funding arrangements and outlines those changes that will be implemented and the timescale for each.

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Introduction

1. This circular provides information on the outcomes of our recent consultation on future changes to funding arrangements and outlines those changes that will be implemented and the timescale for each.
2. Circular W09/31HE *Consultation on changes to funding arrangements*, published on 30 September, set out for consultation proposed changes to the HEFCW funding arrangements. The Circular was published on the web and invited comment by 6 November 2009.

Consultation responses

3. We received responses from 11 higher education institutions and from Higher Education Wales. A detailed analysis of the responses to each proposal is included in **Annex A**.
4. In the main, the responses raised few issues with the changes proposed but were more concerned about the use to which the Council would put any funding which might be released from the funding model as a result of any changes. Institutions also raised concerns about possible destabilisation which might be caused by the changes against the backdrop of likely reductions in public spending more generally. Council agreed that any potentially destabilising consequences of changes to funding would be considered, as they are every year as part of the funding round.

Agreed changes to funding arrangements

5. Council considered the responses to the consultation at its meeting in December 2009, and agreed a number of specific recommendations. Some of these have been incorporated into the funding arrangements for 2010/11 and others will be taken account of as part of future consultations, as appropriate. The timetable for taking account of these changes is included in paragraph 7.
6. Each of the proposals in the circular is considered below, noting the outcome of the Council's consideration.

i) **Removing the recovery element of the funding model**

Given the high level of fees only students in the sector, it was noted that very little recovery was expected in 2010/11 and, if it were to be implemented, the sector would require notice in order to reflect the impact of such a change in their annual redistribution returns. Therefore it was agreed to implement this change in the 2011/12 funding round.

ii) Breaking the link between premium funding and specific deliverables (the annual monitoring process)

It was agreed that this action should be implemented from 2010/11. This will impact primarily on strategy monitoring, reducing the burden for both the sector and HEFCW.

iii) A set sum for per capita funding

It was agreed that this be introduced from 2010/11. The per capita sum for 2010/11 will be £50.

iv) Funding for core priorities

The consultation proposed continuing the strategic use of core funding as previously agreed. Given fiscal uncertainties and basic affordability issues, it was agreed that this should continue but in amended form. In the light of this, Council agreed that the funding released through the core grant be distributed by the allocation of an additional £2m to Research and an additional £2m to Widening Access.

v) Reduction in funded credits and redistribution of those credits strategically

Noting mixed support in the sector, it was agreed to move forward with this proposal in 2011/12, subject to firm agreement about how these credit values should be allocated subsequently, for example through regional approaches.

vi) Substantial increase to widening access premia

This will be implemented for 2010/11, using the proposed extra funding for widening access strategic use (see iv above).

vii) Regional approaches to funding

Given that policy in this area is under development, this will be revisited for possible introduction in 2011/12.

viii) Reduction in the number of Academic Subject Categories

HEFCW will await outcome of developments in Scotland and England, as implementation would depend upon adopting an approach informed by TRAC, which remains under development, and require a further consultation on more specific details.

Timetable

7. In summary

Changes from 2010/11	Changes from 2011/12	For future reflection/consultation
Breaking the link between premium funding and the annual monitoring process	Removing the recovery element of the funding model	Regional approaches to funding
A set sum for per capita funding	Reduction in funded credits and redistribution of those credits strategically	Reduction in the number of Academic Subject Categories
Funding for core priorities		
Substantial increase to widening access premia		

Further information / responses to

8 For further information contact Leanne Holborn (tel. 029 2068 2259; email leanne.holborn@hefcw.ac.uk).

Analysis of Consultation Responses

1. The response to each proposal put forward in the circular is considered separately. General comments, which were not covered in specific proposals, are noted at the end of the annex.

2. Proposed changes to the funding method:

(i) *To increase student funded numbers available for strategic allocation we propose to remove the recovery element in the model.*

This proposal was widely supported in the responses however there was also recognition that this was in fact a very small element of the funding model, and question was raised as to whether it would provide a source of funded numbers sufficient in size to make any difference.

(ii) *We propose to break the link between premium funding and specific deliverables. In taking this forward, we may wish to place more emphasis on WAG priorities within the teaching grant (eg. through increasing the premium amounts).*

There was universal agreement to this proposal, noting that it would reduce the monitoring burden on both the HEIs and on HEFCW.

(iii) *We propose that a set sum should be identified per student (part-time and full-time) as the per capita element, based on the sums which have been allocated via the pro rata allocations over the last few years.*

This was universally accepted. Some specifically welcomed the fact that it is an equal amount for PT and FT.

(iv) *We propose to continue to increase funding for core priorities as previously agreed. In preparation for this, we have asked HEIs to prepare their financial forecasts for 2009/10 on the basis of a 2% efficiency gain for teaching and 0% for research. However, efficiency gains will increase if our grant-in-aid is subject to further reductions.*

Every institution recognised the difficult fiscal times and therefore, while recognising the importance of the core priorities, there was perturbation at the proposed redistribution of money from the “block grant.” There was also comment on the different approaches to teaching and research and question raised as to whether it was correct to distribute the efficiency gains unequally across the sector in view of the different missions and strengths of the universities.

(v) *We propose a reduction in funded credit allocations across the sector. This would liberate funded credits which would then be available for strategic allocation. This would remove both funding and credits from the*

method (ie it would not need the imposition of an efficiency gain or lower the unit of funding). We would then allocate these through a separate process, either bidding or separate allocation, to meet strategic priorities.

Whilst recognising the principle behind the proposal there was a mixed response to the prospect of losing funded numbers and bidding for the use of those “liberated” numbers strategically. It was clear to respondents that HEFCW would have to have a very clear strategic plan for the released numbers.

- (vi) *To stimulate an increased emphasis on recruitment to widening access cohorts, we will consider increasing substantially the amounts payable.*

The responses to this proposal were mixed. The view was expressed that, given Wales’ good performance in the area, any extra funding to support this agenda needed to be properly evaluated to see what benefits it was now causing. There was also concern that increasing the premium, instead of increasing widening access cohorts, would just increase wasteful competition for widening access students. However, there was also strong support voiced for this proposal.

- (vii) *We propose to increase our regional approaches to funding. This could mean increasing funding for certain institutions at the expense of others to support increased provision in particular areas or to take account of other priorities.*

This proposal prompted the most varied of responses, with the main theme in response being that institutions were unwilling to comment until definitions of the regions, and the funding implications, had been modelled.

- (viii) *One of the aspects to be considered is the number of academic subject categories (ASCs) and funding cells used in recurrent funding allocations.*

Apart from acknowledgment in one response that a reduction in ASCs would follow practice in England and proposed practice in Scotland, institutions were not prepared to comment on this area without more information. It was suggested that, as a major funding method change, any change in this area would warrant a separate dedicated consultation.

General comments

3. The main theme of the general comments was the need for more information and concrete modelling to see the impact of major changes made. Almost every response referred to the traditional “underfunding” of Welsh HE and raised concern about making any substantive changes in the light of the financial situation.