

To: Heads of higher education institutions in Wales

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Response By: No response required

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FUNDING PRIORITIES FOR 2006/07 FUNDING ROUND

INTRODUCTION

- 1 This circular informs the higher and further education sectors in Wales of the decision taken by the Council to establish undergraduate, part-time, franchised out provision as the highest priority level in the teaching funding model for the next funding round (i.e. in determining funding allocations for 2006/07).

BACKGROUND

- 2 Consultants KPMG were commissioned by the Council to undertake an evaluation of relations between higher education institutions (HEIs) and further education colleges (FECs) in Wales. Circular W04/60HE, which was issued following consultation on the KPMG report, outlined the initial decisions of the Council regarding future policy for HE in FE:
 - There will be no compulsory transfer from direct funding to franchise or redistribution of current franchise numbers amongst providers to create more local partnerships.
 - Any additional expansion beyond normal growth through the teaching funding method will be via franchise provision. However, the Council is not in a position as yet to determine whether it has scope for a specific initiative in the near future.
 - Centres of Excellence will not be pursued at present.

- FE colleges in receipt of direct funding will be given the option to transfer to franchise within a specified timescale and to choose their HEI franchise partner(s) for the provision.
 - The Council will consider whether there is a need to strengthen partnership arrangements for directly-funded provision. An important consideration will be the Council's revised arrangements for quality assurance where the expectation is that quality assurance for all directly-funded provision will be covered by a partnership with a HE institution.
 - Guidance will be prepared on franchise arrangements, some of which may also be applicable to directly-funded provision.
- 3 It is recognised that demand for provision via franchise arrangements exceeds the supply of funded places available to HEIs for that purpose. In a context of no significant growth in funded numbers (except the limited expansion of medical student numbers) difficult decisions have to be made by HEIs in balancing their portfolios and it is understood that collaborative provision, which demands careful day-to-day management, might well suffer against this background.
- 4 In recent months, it has become apparent to officers that HEIs are beginning to reduce the level of franchise activity with their FE partners. There is no suggestion that this reduction is not being managed in accordance with the formal agreements between the HEIs and their FE partners. Nonetheless, this development represents a source of concern to the Council on a number of fronts.
- 5 If HEIs use their franchise activity as the means by which they balance activity and funding across their portfolios, franchise volume will at best become variable and, in the light of limited or zero growth for institutions as a whole, will decline. Analysis undertaken by HEFCW has revealed that meeting the widening access targets of *Reaching Higher* is being greatly assisted by the provision of higher education via franchise to FE colleges. All the indications are that a reduction in franchise activity will reduce the capacity of the sector to meet the *Reaching Higher* Widening Access targets. Similar concerns arise in the context of Welsh Medium education where, for some HEIs all or most of the qualifying provision in respect of the *Reaching Higher* Welsh Medium targets is delivered by franchise partners.
- 6 In addition to these concerns, the decisions to reduce franchise activity are naturally a cause of concern for the FE Colleges involved. In addition to the impact on their capacity to maintain, let alone expand, their activities, FE Colleges are particularly concerned in respect of the planned reductions to the PGCE (Post Compulsory Education and Training) which provides a major source of staff development for FECs through which they meet their obligations to ensure that their teaching staff are appropriately qualified.

RESPONSE AND IMPLICATIONS

- 7 Against the background indicated above, a number of options have been considered by the Council. Perhaps the most appealing would be the application of growth funding to franchise activity. Current, and indicative future, settlements from the Welsh Assembly Government preclude this option, although the Council will continue to explore possibilities for funded growth with the Assembly Government as they arise.
- 8 Whilst, as indicated above, the establishment of a policy position which would secure the medium and long term future for franchise activity is being explored, it has become apparent that a more immediate response is required to reduce the risk of major disruption to a key area of delivery. The Council, in determining its priorities for the next funding round, has decided to establish the undergraduate part-time franchised out funding cell as the highest priority level in the teaching funding model for the 2006/07 funding round. Institutions will be aware that funding is only moved to cells of the same or higher priority in the model. Therefore, any unfilled franchised out part-time undergraduate numbers will not be able to be used to fund over-recruitment in other cells. Institutions will also not be permitted to redistribute their franchised out part-time undergraduate places during the redistribution exercise next year.
- 9 The implications of this decision will have the effect of reducing the likelihood of HEIs moving funding away from their franchise activity in favour of campus based provision and will encourage the stability of activity at current levels, pending the outcome of any more medium term developments.
- 10 Setting priorities for funding is a normal activity in the funding cycle. These priorities are usually determined by the Council at its January meeting and reaffirmed in March. In this instance, it has been agreed to confirm this priority at an early stage in the funding round such that the HE sector can be informed as early as possible in order to assist institutions in their planning processes.

FURTHER INFORMATION

- 11 Any queries arising from this Circular should be directed to David Blaney, Head of Funding and Reconfiguration (029 20682221; david.blaney@hefcw.ac.uk).

Yours sincerely,

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