

Responses to Circular W10/27HE Consultation on proposed changes to the funding system for higher education in Wales

In response to the above circular, we received responses from 14 interested parties. Responses were sent by the following: The Open University; Glyndŵr University; University of Glamorgan; Bangor University; Coleg Llandrillo; Swansea Metropolitan University; Swansea University; Cardiff University; Coleg Sir Gâr; Higher Education Wales; the Higher Education Academy; University of Wales, Newport; Aberystwyth University; University of Wales Institute, Cardiff and University of Wales, Trinity Saint David.

HEFCW would like to thank all respondents who took the time to comment on the above circular. This document summarises the consultation responses but does not purport to include every issue or comment made. The responses are summarised under the paragraph numbers and headings used in the Circular.

Introductions

A number of responses made introductory remarks setting the context for their comments. Many of these recognised the expectations placed upon HEFCW by the Welsh Assembly Government and were positive about HEFCW's continuing desire to use formula funding where possible. Whilst broadly supportive of the principles that underpin the proposed new funding method, several responses suggested additional aspects:

- Simplicity; ensure transparency and keep bureaucracy to a minimum;
- Predictability; need to avoid allocating a large percentage of funding to rapidly fluctuating, distorting or dubious indicators;
- Take a holistic approach;
- High standards; need to maintain standards and consequently, not destabilise any institutions.

Several respondents also raised their concern that the changes envisaged in the circular, combined with capping and regional strategies could destabilise all higher education institutions (HEIs). It was suggested that the implementation of some of the proposals in the circular could be staggered to allow time for the sector to adjust.

Strategic Themes

Widening Access: Increasing the CF premium to ensure a 10% rise in proportion of Welsh domiciled students studying HE and FE from CF areas

- a) *What increase in CF premium would be necessary to ensure that the above target is reached. What other actions can be taken?*

The responses received indicated that there was little agreement within the wider HE/FE sector. Some respondents favoured a significant rise in the Widening Access (WA) premium to £400, others supported a moderate rise and some felt that it was adequate at present.

Those keen to see a larger premium noted the possible detrimental effects of the introduction of a cap in student numbers on the recruitment of WA students. Those who proposed a smaller increase, or no increase at all, argued that, as a proportion of funding, the WA premium would increase significantly anyway due to overall cuts in funding. Other respondents commented that the current premium is sufficient to meet the costs of providing for WA students and that any further increase in the premium would take funds away from the core teaching budget.

There was opposition from some respondents to the proposal to remove the funding stream related to entrants with non-traditional qualifications as it was felt that this would narrow access to FE/HE in Wales.

The responses also highlighted the concern felt by some in the sector that the current Communities First premium disadvantages some communities (and universities) in Wales. It was stated that many students disadvantaged economically live outside of Communities First areas, which are largely located in the south and east of Wales. Consequently, some institutions argued for the introduction of a 'rurality premium'. Others noted that the postcode data was out of date and needed updating.

b) Increasing module completion rates for UG enrolments by 2.7% and rewarding/penalising performance above and below benchmarks.

The sector's responses were almost unanimous in their opposition to the introduction of penalties for performance below benchmarks. Respondents stated that penalties would introduce a risk averse culture into HE/FE and disincentivise the recruitment of WA students, as poor retention and WA often go hand in hand. It was also argued that there are sufficient penalties for poor retention as funding is already based on module completion rates. Several institutions also argued that the data was neither designed for this purpose nor robust enough to be used as the basis for funding decisions. Some respondents suggested that retention rates are more often a symptom of general economic conditions and other outside factors than a university's performance.

There was broader support for rewarding retention above benchmarks, notwithstanding some of the problems mentioned above. If a reward were introduced, some respondents argued that it should be based on a three year rolling average in order to avoid large swings from year to year.

c) Other measures to promote achievement of target?

A variety of other measures were suggested to help achieve the retention target above. These included:

- Allocating additional student numbers as a reward for good performance;
- Funding additional tutorials for non-standard entry students;

- Evaluating and highlighting best practice in order to develop innovative study skills strategies;
- Publishing performance data;
- Increasing student support;
- Permitting the over-recruitment of WA students on a fees only basis;
- Commissioning research into students/disciplines that suffer from high non-completion rates;
- Increasing teaching funding.

d) Should Council support any other WA measures in corporate strategy through premia funding?

Responses to this question demonstrated a level of scepticism of the merit and/or practicality of further WA measures. Nevertheless, the following was suggested;

- Reward on the basis of student achievement, not entry;
- Introduce a rurality premium;
- Update or replace the postcode data (with WAG's Index of Multiple Deprivation);
- Introduce an ethnic minority premium, if warranted by a low participation rate.

e) Should WA premia be based on UK measures or are Wales-only measures sufficient?

The majority of respondents suggested that WA premia should be based upon UK measures. Some institutions are concerned that if WA were to be based on a Wales-only measure alone, it would narrow the student body, reduce social mobility and have a detrimental effect on the excellence of the HE/FE sector in Wales. It was noted that a Wales-only measure would target disadvantage more accurately but may serve to discourage WA students from the rest of the UK. It was suggested that a combination of both UK and Wales' measures should be used.

Student Experience: Ensure that the student learning experience is of a high quality and 3 yr rolling score in Wales in the NSS should be equal or greater than the comparative score for the UK.

f) What level of funding should be attached to NSS and how should performance be rewarded?

Broadly, opinion was negative, with one institution having 'serious reservations', about rewarding student experience/ satisfaction based on the NSS as it was felt to be insufficiently robust to bear the weight of funding. Respondents noted that the NSS was not intended as a funding tool and there were limitations on the data which were not sufficiently reliable, making the NSS unsuitable for comparative analysis. Several respondents drew attention to a concern that scores affecting funding would generate undue pressure on students to take a positive stance when completing the returns. This would

limit the value of the NSS as a source of important management information. Of those institutions who accepted the potential use of the NSS, it was suggested that the funding involved should be small, should be used over a three year rolling average, and should be directed to enhancing the student learning experience. One institution suggested that HEFCW require institutions with less than satisfactory results to provide plans to address poor scores.

g) Any other student experience measures that should be reflected in funding?

Most responses suggested that no additional student experience measures should be reflected in funding but some suggestions were put forward;

- Recognise qualifications gained rather than retention;
- Provide additional ring-fenced Welsh medium numbers;
- Support employability through funded work-based learning;
- Encourage student engagement through the use of the National Survey of Student Engagement in addition to the NSS.

Skills: Proportion of first time leavers in education/work six months after leaving will be greater than/equal to UK average by 2012/13. Raise participation in Heads of the Valleys' region to national average. Increase number of Part time (PT) students in Wales.

h) What are the most appropriate means for supporting improved performance on employability?

Responses indicated that the sector is sceptical about funding on the basis of employability, with one response noting that this is already covered, including through teaching funding. However, responses suggested possible ways in which funding could be used to increase employability. Key to the scepticism expressed is the assertion that employment does not equal employability; there are many factors out of an HEI's control, not least the prevailing economic conditions of the time. It was further noted that measuring employability is very complicated without measuring employment rates. If employment rates are measured, is any employment sufficient, or does it have to be graduate employment? If so, what constitutes graduate employment?

Suggestions for improving employability include:

- HEIs could follow English system and place an employability statement on the UNISTATS website and let the market do the rest;
- HEFCW could support modules or placements overseas which have been shown to increase the employability of students;
- Supporting collaborative activities with trade bodies and business groups;
- Supporting initiatives that embed employability skills in curriculum and staff development.

i) How should funding be used to support PT recruitment?

A significant proportion of responses indicated that there was no need for additional funding, due to the planned introduction of a cap on full-time new entrants and developments in regional planning.

Where additional funding was accepted as worthwhile, the following ideas were suggested:

- Reflect the true cost of PT provision in any premium;
- Distinguish between vocational/professional qualifications and recreational degrees in funding;
- Support the Accreditation of Prior (Experiential) Learning (APEL);
- Fund incentives for employers to release staff for study;
- Retain 'Graham' part-time support funding;
- Use the Strategic Implementation Fund to support off-site learning, the provision of alternative HE qualifications and delivery of increased flexibility in provision.

j) Are there any other skills measures that should be supported with funding including premia?

In a similar manner to the responses to (g), institutions demonstrated their scepticism about adding further elements to the funding method. Again, it was noted that there were already several significant changes being introduced and that these should be assessed before any additional measures are implemented.

Of the suggestions made, one respondent recommended increasing funding for postgraduate taught provision, one suggested rewarding recruitment into Science, Technology, Engineering and Maths (STEM) and Modern Foreign Language (MFL) provision, and another would support the introduction of a small PT premium. It was also suggested that HEFCW might adopt the Widening Participation Strategic Assessments used in England in order to embed employability into WA.

Knowledge Transfer: Ensuring more productive relationships between HEIs, the public/private sectors, communities and other agencies: Increasing number of active spin-off companies; increasing funding for Innovation and Engagement (I&E) to meet this goal.

k) By how much should we increase I&E funding

Responses to this proposal showed that the sector is largely positive about increasing I&E funding. The majority of respondents support an increase of about 10%, with a minority arguing for a much larger increase. Various respondents queried the way that I&E funding is currently distributed. There is a worry amongst larger institutions that I&E is spread too thinly across the sector to be of optimum effectiveness. They suggest that foundation funding should be removed. Conversely, some smaller HEIs suggested that base funding levels should be increased.

Some respondents expressed a concern that the core teaching funding would be further eroded by an increase in I&E, which will increase as a percentage of total funding without additional funds due to likely cuts in funding in the coming years.

l) By how much should we increase the proportion of funding allocated to spinouts within I&E formula?

Responses to this question were highly varied as some institutions expressed support for a doubling of the weighting and others suggested that spin-outs should not be used in the I&E funding method.

Concerns over funding spin-outs were widespread. Several respondents felt that the data available was not sufficiently reliable to be used as a basis for funding decisions. There was also a concern that spin-outs could be run and managed in a number of ways depending on the type of company established; for some HEIs and companies the best approach may be to sell to venture capital and/or a rival at an early stage. A target based on survival rates of spin-outs over a period of time may have the effect of distorting good practice. It was also noted that spin-outs can be set up for very little money; there is no guarantee that a spin-out has a positive effect on the local economy and/or was the result of institutional activity. One institution also questioned why commercial success should be rewarded through the public purse.

If funding allocated to spin-outs was to be increased, the sector raised the issue of whether this would cover graduate start-ups and collaborative research and development. It was suggested that they have a similar economic benefit. Some of those in favour of increasing funding also suggested that it should be based on a three year rolling average to avoid large swings in funding that would be likely otherwise.

m) How might funding further encourage collaborative research and knowledge transfer with business?

Suggestions included

- Encouraging private funding through match funding;
- Supporting initiatives of the University of Wales Alliance and regional collaborative ventures;
- Bolstering schemes for co-funding business based research and development (R&D);
- Examining broader progress including licensing, patenting, Knowledge Transfer Partnership (KTP) activity and other relationships with HEIs;
- Giving the flexibility to collaborate with English partners where many WAG priorities are mirrored;
- Reallocating A4B monies from WAG to HEFCW to be accessed on strategic opportunities for collaboration;
- Consolidating HEIs patent and licensing support into one pan-Wales organisation.

Research: Increase income growth from research councils to higher than UK overall (except Golden Triangle).

n) Increasing research volume threshold to between 6 and 15 FTE.

Unsurprisingly, responses to this part of the consultation differed widely; some institutions welcomed the proposed rise in the research volume threshold whilst smaller HEIs were concerned that it would rise at all.

Those institutions who favoured the lowest possible rise to 6 FTE noted several issues with any possible rise. Firstly, many considered that it should be completed after the next REF as the RAE is now three years out of date. It was stated that many institutions have changed significantly in the intervening years and consequently, the current position is not reflected in the RAE. Institutions also pointed out that many departments have been encouraged by HEFCW to collaborate with others internally and externally. Respondents queried what the funding situation would be for departments who have collaborated but may be beneath the 6 FTE threshold. One respondent suggested that a 50% submission threshold of eligible staff should be introduced to indicate that there is a research-led environment.

Additionally, institutions highlighted that many areas of research excellence in Wales are in small departments such as Celtic Studies. A blanket threshold does not recognise that different subjects have a different critical mass and takes no account of excellence.

o) Withhold research funding from departments that do not have between 5 and 15% 4 and 3* quality in 2008 RAE.*

The prevailing tone of responses to the proposal to restrict funding to departments with between 5 and 15% of 3* and 4* research was favourable, with notable exceptions. This proposal received comparatively more support than increasing the volume threshold.

Of those in favour of an increase, figures of between 5 and 25% were suggested in recognition of the need to allocate resources to areas most capable of delivering the highest quality research outcomes. It was suggested that any funds made available should be reinvested in areas of research strength. Some respondents suggested a higher quality threshold as a compromise proposal: they would accept a higher quality threshold rather than a moderate quality threshold combined with a volume threshold over the bare minimum suggested.

Respondents who were in favour of the proposal, and those who were highly sceptical raised some concerns. Firstly, it was noted that by increasing the threshold, it would be more difficult to support the development of early career researchers. Secondly, it was questioned whether a lower threshold might hinder attempts to develop new research areas. Thirdly, it was again stated that the RAE is now out of date and would not be a fair basis for setting

thresholds. One institution noted that it had submitted more staff to the RAE on the basis of HEFCW assurances that funding would be based on the scale of each department.

p) How can Research Council grant capture in Wales be incentivised?

Again, there was no consensus on this issue. Several institutions felt that additional funding from HEFCW would not provide any additional incentive to capture RC funding over and above the incentive provided by the prestige and funds available from research councils. Indeed, it concerned one respondent that an undue incentive on RC funding would divert attention away from equally valuable funding elsewhere. It was suggested that HEFCW might do better to encourage best practice and the submission of applications from the best performing research departments across the sector.

Several suggestions were made as to how to assist the sector in achieving a higher percentage of RC grant capture. One respondent suggested a new fund to pump prime new applications. Another suggested funding a research support unit to assist universities in making applications. Institutions also suggested that where funding is awarded on the basis of growth in grant capture it should be based on grant capture from a range of sources with particular reward for research grant capture from early-career researchers as principal investigators. One institution recommended that HEFCW fund research chairs.

q) How can PGR growth be incentivised?

Institutions' responses indicated widespread support for some form of incentivisation of Postgraduate Research (PGR) growth. It was suggested that this could be done through

- The separation of PGR from Quality Research (QR) funding so that PGR does not have to be supported out of general research funds;
- Providing financial support for collaboration between employers and HEIs;
- Providing funded studentships;
- Concentrating PGR funding in research intensive institutions, creating critical mass and boosting income from other sources;
- Adapting PGR funding to take into account the differing costs involved in providing different subjects. *(Note: In fact the PGR funding formula already includes three separate subject cost bands in recognition of differential costs.)*

Two institutions felt that PGR was sufficiently incentivised already.

Research and Collaboration: 75% of HEIs to have an annual income in excess of UK median and none in lower quartile by 2012/13.

r) How can funding be used to encourage rapid movement towards the above measure?

Whilst many respondents wished to make positive suggestions in response to the question of how best to move towards the target above, they also highlighted their concerns about the target itself. Several institutions are anxious that any mergers are based on a genuine synergy between the merging institutions, and not the need to meet targets. Some HEIs noted the significant costs of mergers and the potential destabilising effects that they may have. One respondent suggested that HEFCW does not have responsibility for institutional mission and strategy. Of those who already meet the target, concern was expressed that if mergers were to be encouraged, it would divert funding away from institutions of ‘critical mass’.

Responses suggesting possible ways of achieving the 75% target included:

- Introducing a scale premium for teaching funding – the larger the institution the more teaching funding they would get;
- Supporting mergers between FE and HE – in some areas, mergers between HEIs are not practicable due to geographical constraints;
- Funding certain costs that will be incurred in any merger so that the sector knows what will be covered and can plan accordingly;
- Rationalising under-performing activity to invest in the sector’s strengths;
- Carrying out an audit of the funding mechanism to ensure that it does not penalise larger institutions through the use of percentages rather than absolute numbers in targets and the funding method;
- Debating the future of funding floors and ceilings; some institutions are in favour of their abolition, whilst others would like to see them maintained.
- Funding all merger costs;
- Drawing on best practice in Wales and other parts of the UK such as the University of the Highlands and Islands and Universities Heads of the Valleys Institute (UHOVI).

s) *Is a funding reward essential to ensure that an adequate rationalisation takes place?*

Institutions were almost entirely in agreement that some kind of funding support was required to ensure rationalisation took place. However, institutions were equally clear in many cases that a significant funding reward was not all that was required. Several respondents noted that funding should not lead to mergers that are unsustainable once pump-priming has stopped. It was essential that stakeholders bought into the proposals. Some institutions also expressed concern that where rationalisation took place, provision would undoubtedly move from area to area. They fear that students would not necessarily follow that provision in some cases and therefore have their options diminished.

One of the responses which felt that an additional funding reward was not essential highlighted the funding already available through the reconfiguration and collaboration fund.

Governance: No HEI to be classified as ‘high risk’ under HEFCW institutional risk review process.

t) Should funding be used to support improved governance?

Respondents were clear that the funding method should not be used to support improved governance. Several institutions suggested that HEFCW could fund conferences, training and the sharing of best practice if it was deemed necessary.

u) How might HEFCW further support action on environmental sustainability?

A range of suggestions were made in response to this question. A significant minority of institutions suggested that there were already sufficient initiatives underway and/or that this was not an area where funding made a difference.

Positive suggestions included:

- Providing modest financial support through capital funding;
- Rewarding positions in the Green League;
- Providing funding support for the development and delivery of innovative curriculum in this area;
- Sharing best practice and, possibly services such as environmental auditing and carbon management across the sector;
- Providing small amounts of seed corn funding;
- Providing additional funding linked to agreed institutional plans and targets;
- Introducing measures that allow for assessment of performance and comparative analysis;
- Introducing a separate bidding process for funds/measures such as renewables, insulation etc;
- Encouraging HEIs to join schemes such as 'Universities that Count';
- Introducing a more holistic approach by providing greater support to ESDGC (Education for Sustainable Development and Global Citizenship) champions within HEIs.