

Cylchlythyr

Circular

Consultation on proposed changes to the teaching funding mechanism for higher education in Wales

Date: 22 July 2011
Reference: W11/28HE
To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in Wales
Response by: **5 September 2011**
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This circular sets out for consultation proposed changes to the funding mechanism for higher education in Wales in 2012/13 and 2013/14, in light of the new tuition fee regime.

The proposals respond to the Welsh Government's policy on tuition fees from 2012/13 and the expectations on HEFCW to develop an appropriately focussed method of allocation of any residual funding after the payment of fee grants.

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Introduction

1. This circular sets out for consultation proposed changes to the teaching funding mechanism for higher education in Wales for 2012/13 and 2013/14, in light of the new tuition fee regime. The proposals respond to the Welsh Government's policy on tuition fees from 2012/13 and the expectations on HEFCW to develop an appropriately focussed method of allocation of residual funding after the payment of fees.
2. Responses are invited by 5 September 2011. Any responses received after this deadline will not be included in the consultation analysis.

Background

3. The Minister's 2011-12 remit letter to HEFCW confirmed his expectations in terms of the allocation of HEFCW's teaching funding as a result of the new fee regime in place in Wales from 2012/13:

"The new arrangements for student finance and fees in Wales from AY 2012/13 entail a shift in the balance of funding of teaching in universities, from mainly funding council grant-led, to mainly student fee-led. This shift will require greater weight to be given to the student voice in assuring that provision meets student needs. There will, however, be a balance of funding that will remain with HEFCW. The precise amount will depend upon the actual additional fee costs for full-time undergraduates (and in time part-time also) ordinarily resident in Wales (which in turn depends upon the level of fees actually charged), and the actual net cross-border flow of students, together with the costs of EU students in Wales.

I want that balance of teaching funding to become a new Public Investment Fund. Its purpose will be to support, in the public interest, activity within the priorities of For our Future that a student-led teaching funding system alone would not necessarily deliver. I will give further guidance annually in my remit letter, but initial priorities include widening access to which increasing focus should be given by institutions in their fees plans, areas of importance to Wales (including those emerging from the Economic Renewal Programme and planned revised Science policy), especially when the delivery of this provision is more expensive than fees alone can cover, and structural change in the delivery of HE in Wales. I expect you to deliver a new funding approach for this Public Investment Fund to take effect from AY 2012/13 and that in so doing the Council continues to focus on the increased delivery of subjects of strategic importance namely STEM and the maintenance of MFL"

4. Subsequent clarification by Welsh Government (WG) officials confirmed that, after meeting fee grant commitments, HEFCW will need to consider the balance of the remaining resources, taking account of the tuition fee income (from both inside and outside Wales) that is available to the

sector, before deciding how to allocate these resources towards other *For our Future (FoF)* priorities. We have been asked to take a 'whole system' approach, 'with all funding (student finance and HEFCW recurrent grant, research funding, tuition fee income, etc) to be treated as one pot of money'. This circular focuses on recurrent grant teaching funding and initial modelling indicates that the amount remaining for allocation in 2012/13 would be in the region of £122m, with, on present assumptions, a reduced amount for 2013/14.

5. In terms of the funding remaining after payment of fee grant for FTUG and PGCE, we are developing two HEFCW approaches:
 - a process for allocating remaining funding in 2012/13 and 2013/14 as a 'Public Investment Fund' (PIF) (see Minister's remit above);
 - subject to sufficient funding, arrangements from 2014 onwards.
6. This consultation concentrates on the first requirement to develop and allocate a PIF in 2012/13. Subject to the level of funding available, we intend that the mechanism will be capable of being easily rolled on to 2013/14. Arrangements from 2014 onwards will be addressed separately in due course.
7. This circular covers a number of fundamental issues in the development of an approach for 2012/13 and 2013/14, outlines proposals, and seeks views on part-time (PT) and postgraduate taught (PGT) funding, the allocation of PIF, and the penalty arrangements for over-recruitment in the sector.
8. In addition to the initial remit, on the 21 June 2011 the Minister published his intention in terms of PT undergraduate fees levels and PT student support. HEFCW officers are exploring with WG officials the detailed implications of these arrangements. Although they will have an impact on the parts of these proposals which relate to PT provision, given the very tight timescale required to put in place the necessary legislation, views are being sought for arrangements in respect of PT and PGT provision which we will implement should the new legislation not be in place in time for 2012/13.
9. Institutions should note that, whereas HEFCW teaching funding includes provision for students already holding a first degree, such provision, with some exceptions, is not available within the student finance arrangements. Therefore most students already holding first degrees are unlikely to qualify for the FTUG fee grant. More information about the exceptions to this can be found in the WG fee grant regulations (statutory instrument 2011 No. 886 (W. 130) The Assembly Learning Grants and Loans (Higher Education) (Wales) (No. 2) Regulations 2011).

Proposals for consultation

Proposal 1 - The future of credit-based funding for Full-time Undergraduate (FTUG) and PGCE students

10. Many of the FT student finance and funding mechanisms and measures are now student number focussed rather than credit-based (e.g. control of student numbers, fee payments, and some *FoF* measures and targets). In addition, the bulk of support for FTUG and PGCE students will come via fees. In the context of declining teaching funding and in response to our remit, we intend that the PIF will be used to make more explicit, specific additional interventions focussed on *FoF* priorities rather than being used to fund the totality of FTUG teaching activity for continuing students in 2012/13 and 2013/14. For these reasons we propose that, in developing the PIF allocation method, we move away from a credit-based funding system for FTUG and PGCE students. In so doing, we will continue to work with the sector in other ways to ensure that credit-based approaches for curriculum design are continued, given its importance to the delivery of flexible learning.

Question 1 – Are there any unintended consequences in developing the PIF allocation method, moving away from a credit-based funding system for FTUG students?

Proposal 2 - Continued funding of part-time and postgraduate taught students

11. We consider it important to continue to support provision that is not able to attract the FTUG fee funding source for an institution. Essentially this is PT and PGT activity and, given the fluidity about timings for the PT undergraduate fee regime, we propose that funding for PT and PGT activity should be protected in the short term.
12. Working on from that proposition, careful consideration has been given as to the implications for workload and complexity of maintaining the credit-based funding method for PT and PGT whilst running a different model in parallel for FTUG, as in paragraph 9 above. We have concluded that, given the maturity of the current model and that it can be operated for PT and PGT provision alone, this was not a significant issue, and that a greater burden for both the sector and HEFCW would arise from changing methods. Therefore we propose that PT and PGT funding should be protected at a sector level, and should continue to be funded through the current credit-based funding method, including the associated premiums (PT premium, Access and Retention, Disability and Welsh Medium) and per capita funding. This approach will ensure that there is focussed funding to support the *FoF* priorities of PT and

postgraduate provision, with funding also directed through the premiums confirmed through the consultation process undertaken earlier in 2010/11, to reward institutions for supporting WG priorities. Using 2011/12 funding figures as estimates, PT/PGT funding would account for around £52m of the £122m available for allocation (paragraph 4 refers).

13. The PT provision will be affected by Ministerial announcement of 21 June 2011, regarding PT undergraduate fees and support (paragraph 8 above). Should the new regime be in place for 2012/13, it will not be necessary to operate the credit-based system for PT undergraduate as the funding which was to be ring-fenced for this purpose will have to be used for fee grants in the same way as for FTUG students.
14. However, PGT will continue to need separate funding arrangements. Given that the PGT funding only amounts to about £17m per annum, we do not think it would be appropriate to run the full funding model, and all the work it entails for the sector and HEFCW, for this level of funding. For this reason we propose that, when the PT undergraduate fee arrangements are in place, rather than operating a full model for PGT students only, we base PGT allocations on the previous year's funded credits.

Question 2a) – Should HEFCW protect PT and PGT funding at a sector level, and continue to fund them through the current credit-based funding method in the short term?

Question 2b) - Should HEFCW continue to fund PT and PGT activity, and linked premia, through the credit-based funding method, subject to the timetable for implementation of the new fee arrangements for PT undergraduate?

Question 2c) – When the PT undergraduate fee arrangements are in place, can you identify any difficulties, should PGT allocations be based on the previous year's funded credits rather than operating a full model for PGT students only?

Allocation of Public Investment Fund for FTUG and PGCE

Proposal 3 - Strategic allocation by formulae

15. For any given academic year, we are unlikely to be clear about the extent of our obligations for fee grant payments until December. Given this timing it is important that any method for allocation of the PIF can be quickly and easily adapted to make amended payments should the fee grant cost be less, or more, than originally estimated. This means that it may not be appropriate to adopt a project funding or bid based approach for the allocation of the PIF. We consider a strategic allocation method

based on formulae to be the most transparent, flexible and timely means of allocating PIF (after ring-fencing of PT/PGT funding).

Question 3 – Are there any impediments to the proposal that the PIF be allocated strategically through formulae.

Proposal 4 - Allocation of Public Investment Fund

16. In order to allow flexibility year on year while being able to focus reduced funding on particular *FoF* and Ministerial priorities, we propose that the formula for the allocation of PIF be based on premia. As well as encompassing the current premia (albeit perhaps on different rates than those used currently), we intend to add new premia as and when it is considered necessary in order to provide funding levers. The current premia are:

Access and retention premium - There are three elements to this premium, based on an amount per eligible student, and it is awarded in respect of students from Communities First areas, students from areas of low participation in higher education, and students eligible for a full Assembly Learning Grant. Individual students may attract more than one premium.

Disability premium – This premium is based on an amount per eligible student. Eligible students are those recorded as in receipt of the Disabled Students' Allowance on the HESA student record or, in the case of FEIs, returns made directly to HEFCW.

Welsh Medium premium – This premium operates as a weighting of 0.34 on the unit of funding for modules undertaken through the medium of Welsh. The allocations to each institution are based on the average of two years HESA credit value data, or in the case of FEIs, returns made directly to HEFCW.

17. Additional premia may also be required in order to support *FoF/WG* priorities. We have identified two potential additional premium areas:
- i) **Priority subjects/policy areas premium** – this premium would be introduced to encourage continued recruitment to priority subjects which are not necessarily attractive in terms of student demand (e.g. MFL) or to support other policy priorities (e.g. skills provision);
 - ii) **Expensive subjects premium** - accepting that some subject areas are more expensive to provide than others, it is important to retain a funding mechanism that encourages continued recruitment to them, particularly those currently funded at a unit of resource per enrolment above £9,000 per annum. We have identified some STEM subjects, Medicine and

Dentistry and the performance element of Conservatoire courses as those we propose to include in this premium.

18. These premia (both current and potential additional premia), could be allocated with respect to all FTUG and PGCE students (i.e. including those covered by the new fee plan regime) or just those students continuing through the old regime (who are not covered by the fee 2012/13 plans). Although it could be argued that areas like “access and retention”, as a component of the fee plans, should be covered within that process and not have additional funding attached, as well as providing encouragement to recruit, these premia recognise the higher cost of these areas of provision and make a contribution to the added cost. We also have some concerns about categorising current students into those that fit the eligibility criteria for the new fee regime for 2012/13 and those that do not, for the purposes of calculating allocations for 2012/13. Therefore we propose that all the premia be allocated with respect to all FTUG and PGCE students and used for students under the new or old regime.

Question 4a) – Do you support the continued use of the current funding method premia in allocation of the PIF?

Question 4b) – Do you agree that two additional areas of premium that are proposed are appropriate and necessary?

Question 4c) – Do you see any adverse consequences that might arise from funding being allocated with respect to and applying to all students, irrespective of whether they are under the new or old regime?

Proposal 5 - Control of student numbers 2011/12 and implications for funding in 2012/13

19. The control of FTUG and PGCE student numbers is an essential pillar of these proposals and, if one or more institutions over-recruit, total funding is likely to be reduced by WG whilst, at the same time, there would be a greater obligation in respect of fee grant for the additional students. To ensure that the whole sector does not suffer equally in a context where only some institutions have caused the funding reduction, we will need to ensure that only those institutions which over-recruit are penalised. WG have made it clear that our Grant-in-Aid would be reduced as a result of over-recruitment (in addition to any reduction which might otherwise be applied). We intend to apply this reduction to sector PIF allocations by reducing individual institutions' allocations for 2012/13 pro rata to the level of over-recruitment.

Question 5a – Do you agree with this approach to the penalty arrangements for the control of student numbers?

20. In parallel, there has been some thought given to the impact on Wales of developments in England stemming from the recent Department for Business Innovations and Skills White Paper "Students at the Heart of the System," published in June 2011 - <http://discuss.bis.gov.uk/hereform>
21. There are two particularly relevant elements being taken forward relating to fees and funding, and whilst there is no expectation for them to be implemented in Wales, we are keen to explore potential benefits and disadvantages of similar processes being introduced in Wales.

The key elements are:

- i) Unrestrained recruitment of students scoring the equivalent of AAB or above at A-level, essentially removing them from the cap.
- ii) Creating a flexible margin of a percentage of student places for allocation only to those institutions with an agreed average fee below or at an agreed level (in England £7,500).

Question 5b – What you see as the benefits and disadvantages of the key elements of the English White Paper (as noted in i) and ii) above) being introduced in Wales.

Sector Consultation

22. The purpose of this circular is to seek sector views on the proposals set out in paragraphs 9 to 20. We invite responses to be returned to us by 5 September 2011. These responses will help us to finalise our new approach to funding.
23. The timescale to which we are working means that any responses received after the return date will not be considered.
24. Subject to Council consideration, we aim to issue final guidance on the funding system for higher education in Wales for 2012/13 and probably 2013/14 by the end of October 2011.

Involving our stakeholders

25. We are committed to making equality a core issue in developing and implementing policies and services, and evaluating and refining those approaches to advance the equality agenda. We have a legal responsibility to assess the impact of our policies on equality groups and to set out how we will monitor or address any possible negative impact. An equality impact assessment (EIA) will improve HEFCW's work by making sure we do not discriminate in our services, functions, policies and employment and ensuring, where possible, we do all we can to promote equality and good relations between different groups. It also

helps us when drafting policies to carefully consider the likely impact of our work and take action to improve it and ensure that, as far as possible, we eliminate any negative consequences. We welcome any comments and contributions that will inform the EIA process.

26. We recognise that the involvement of disabled people is critical to the success of our work and that the Disability Discrimination Act specifically requires us to go beyond merely consulting disabled stakeholders. If you are disabled or have experience working with disabled people in the sector and would like to be more actively involved in our policy making process – from providing feedback or contributing to equality impact assessments – please contact us at equality@hefcw.ac.uk to be added to our stakeholder database. Any information is stored safely and confidentially and will not be shared with institutions or third parties.

Further information

27. For further information, contact Leanne Holborn (tel 029 2068 2259; email leanne.holborn@hefcw.ac.uk) or Celia Hunt (tel 029 2068 2222; email celia.hunt@hefcw.ac.uk).