

Cylchlythyr | Circular

Fee Plans 2015/16 - Outcome of consultation on detailed proposals

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To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in
Wales
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This circular reports on the outcome of the recent consultation on fee planning 2015/16, prior to the publication of the 2015/16 fee planning guidance.

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Introduction

1. This circular reports on the outcome of the recent consultation on fee planning 2015/16 ([W14/02HE](#)), prior to the publication of the 2015/16 fee planning guidance.
2. The consultation built on the previous *Consultation – high level proposals for fee planning from 2014/15* ([W13/01HE](#)), the outcomes of which were published as [W13/10HE](#) *HE Fee Plan Proposals – Consultation Outcomes*.

Background

3. Welsh higher education institutions which wish to charge above the basic fee of £4,000 up to a maximum of £9,000 are required to submit an acceptable fee plan to HEFCW. Fee plan circulars were issued between 2011 and 2013 which provided guidance on the arrangements for those Welsh institutions wishing to charge above £4,000 from 2012/13 onwards. Those institutions were required to submit a one year fee plan detailing the additional investment they would make in support of equality of opportunity and the promotion of higher education, and the objectives they would set to secure those outcomes. Fee plan monitoring would take place retrospectively.
4. Following a review of the fee planning process, HEFCW issued a consultation on high level proposals for fee planning from 2014/15. Taking account of the outcomes of that consultation, HEFCW agreed to delay implementation of new arrangements until 2015/16.
5. A consultation on detailed proposals for change in 2015/16 was issued in January 2014, following receipt of legal advice and confirmation of HEFCW's corporate strategy targets, submitted as 'national outcomes' for higher education, by the Welsh Government.
6. Responses to the consultation were received from eight higher education institutions (HEIs) and two directly-funded further education institutions (FEIs). Responses were also received from one sector body, one strategic alliance and one student representative body.

Consultation outcomes

7. A detailed summary of the responses to the consultation is attached at **Annex A**.
8. A number of responses drew attention to the changed context for higher education in Wales, as set out in the general comments section of the summary attached. In considering the responses, Council recognised that several of those changes, which have occurred since the publication of the consultation document, are significant:

- the lifting of the cap on student recruitment in England, which is likely to affect recruitment to Welsh HEIs, thus impacting on the likelihood of any student related fee plan targets being met;
 - the publication of the arrangements for the Higher Education Review¹, which includes provision for an interim report in 2015; and in addition
 - the announcement by HEFCE and OFFA of their intention not to proceed with the request for strategies for access and student success from higher education providers as planned but to revert to the previous guidance for access agreements in 2015/16.²
9. Points made by respondents about the changing context also draw attention to the key problem with using fee plans as a vehicle for delivering change, which is the length of time between approval of the plan and assessment of its delivery: the plans to be considered by July 2014 for 2015/16 will not be assessed until spring 2017 when the context may be quite different.
 10. In terms of the 'scientific' method proposed for assessing the level of ambition in the plans (building on sector suggestions in the original consultation), concerns are raised in the consultation about how this would take account of institutional diversity.
 11. Concerns were also raised about the use of an independent panel, specifically that insufficient detail about the arrangements for the panel was included in the consultation and the potential costs of operation of such a panel.
 12. The proposals were largely supported by the response submitted by the body representing students.

Proposals

13. Given the significant extent of change which has taken place since the consultation was published – but also recognising that the fee plan proposals have already been delayed by a year from 2014/15 and are supported by the body representing students – it is proposed that some minor changes are implemented for the 2015/16 fee planning process and that more radical changes are considered subject to the outcomes of the Higher Education Review. The changes proposed below take account of the consultation outcomes.
 - a) Taking account of consultation responses, the template for the 2015/16 fee plan will remain largely the same as that used in 2014/15.

¹ <http://wales.gov.uk/about/cabinet/cabinetstatements/2014/hefinance/?lang=en>

² www.hefce.ac.uk/whatwedo/wp/currentworktowidenparticipation/sass/

- b) As featured in the consultation, a new separate annex comprising corporate strategy and other institutional targets will be added to the template. This is similar to the template utilised in the OFFA access agreements.
- c) Taking account of the consultation, the specific targets to be included for 2015/16 will cover widening access, participation; retention; Welsh medium; NSS; employment and employability.
- d) Individual institutional annexes will include information on institutional forecasts against these targets submitted to HEFCW in 2013.
- e) Institutions will set their own targets, amending these Corporate Strategy target forecasts as appropriate, and the proposed targets will be subject to dialogue with HEFCW officers prior to fee plan approval.
- f) The fee plan will cover 2015/16 only at this stage.
- g) The Corporate Strategy targets will be subject to review as part of consideration of 'whole system' measures, which will inform the new corporate strategy measures. Subject to the timescales for that, the 2015/16 fee plans may be extended.
- h) Institutions will be free to keep current targets or add extra targets to reflect their own institutional missions in the template. These should be presented in the additional annex.
- i) Institutional targets will be considered as part of the overall assessment of fee plans and will inform HEFCW in relation to institutional priorities, developments and progress. Judgement of performance against the plan will rely primarily on performance against the Corporate Strategy measures.
- j) Taking account of the consultation, HEFCW will not proceed with the proposal for an independent panel.
- k) The timescales for submission of the monitoring statement for the 2015/16 plan will be amended to April 2017.
- l) The level of detail required in the monitoring statement will be increased from 2013/14 fee plan monitoring onwards. All institutions will be expected to provide a detailed explanation where targets have not been met. The later submission date will allow for HESA and UK Performance Indicator data to be checked to ensure that targets marked as 'met' have been achieved as indicated. These monitoring statements will be published.

In addition,

- m) In line with HEFCW's remit for 2014-15, evidence will be sought separately from institutions on the proportion of 'student fee' funds devoted to widening access and participation activities from scholarships and bursaries to school partnership and engagement activities, as well as student placement and employment preparation from 2013/14 and 2014/15 by March 2015.
- n) HEFCW's evidence to the HE Review and in relation to the HE (Wales) Bill will continue to draw attention to the inadequacies of the current fee planning process in terms of coverage, timescales and regulatory impact and controls.
- o) Subject to the outcomes of the HE Review, further changes will be implemented to the fee planning process in light of the Review and the HE (Wales) Bill.

Assessing the impact of our policies

- 14. We will be carrying out an impact assessment of the changes to the fee plan process to help safeguard against discrimination and promote equality. We will also consider the impact of policies on the Welsh language, Welsh medium provision within the HE sector in Wales, and the contribution to sustainable development (economic, social, and environmental) together with any specific contribution to Education for Sustainable Development and Global Citizenship. Contact equality@hefcw.ac.uk for more information about impact assessments.
- 15. Subject to the outcomes of the impact assessment, we expect to publish the fee plan guidance, based on the proposals set out above, by the end of April 2014. It is our intention that institutions will have the same timescales to respond as in previous years.

Consultation responses and outcomes

General comments

A number of responses included general comments. These are summarised below:

- There has been significant change in the higher education context in Wales since the initial higher level consultation on new fee planning arrangements ([W13/01HE](#)), and the outcome published in April 2013.
- There has been a lifting of the cap on student recruitment numbers in England, which is likely to impact adversely on recruitment to Welsh HEIs where there are restrictions to the support for Welsh domiciled students. This in turn will impact on both institutional forecasts, submitted in 2013, and likely performance against any student number-related corporate strategy targets, particularly widening access targets. It could also impact adversely on any targets which are comparative with the rest of the UK.
- HEFCW's expectation of upward trajectories in institutional performance, in this context, a funding gap between English and Welsh HEIs, and demographic change, is not realistic. Some suggestions were made of alternative measures of performance.
- In response to the increasing costs of the tuition fee arrangements for Welsh domiciled/EU full-time undergraduate (FTUG) students, HEFCW has indicated that there will be further reductions in funding for institutions in Wales in 2014/15.
- In addition, the arrangements for the Higher Education Review have been announced, including a timetable which provides for an interim report in 2015. This will be published before the 2015/16 fee plans are implemented.
- Changes to the future regulatory framework for higher education in Wales will be included in the Higher Education (Wales) Bill, soon to be introduced. Several responses questioned the value of introducing new fee planning arrangements in this context.
- HEFCW is in the process of reviewing the separate strategic planning process. A number of responses drew attention to the link between this process and fee planning and the need for alignment between the two. Such alignment could contribute effectively to the Welsh Government's (WG) expectation of partnership working between HEFCW and the sector.
- The proposal to build HEFCW corporate strategy targets into the fee planning process will cause a number of issues in terms of the timing of the two processes and the related data.
- HEFCW should be mindful of excessive regulatory control which might put the Office for National Statistics (ONS) classification of universities as Non-profit Institutions Servicing Households (NPISH) and charity status at

risk. HEFCW should ensure that the exercise of any fee plan controls is appropriate and proportionate.

- A number of institutions drew attention to the significant financial impact on institutions of any decision by HEFCW not to approve a fee plan in terms of longer term sustainability and the impact on the student experience.

Specific questions set out in the circular

- (a) We intend to include all those corporate strategy targets that we are legally entitled to. Do you have any comments on this? (please also see paragraph 7)**

Some responses queried the legal advice which had suggested the breadth of targets to be included. The majority of responses raised concerns about the inclusion of additional targets, particularly those which were perceived as less relevant to FTUG students, identified variously in responses as: part-time; overseas students; continuing professional development and collaborative research. It was suggested that, while HEFCW may be entitled to include such targets (although that entitlement was queried in several responses), it may not be the appropriate direction of travel, given the purpose of the fee plan, and such inclusion is likely to lead to legal challenge if a plan was not approved. It was noted that universities must be free to set and pursue their own missions. Several responses pointed out that the income for improvements made through the 30% institutional investment in the fee plan arises from FTUG students. Several institutions pointed out that it would make sense for some corporate strategy targets to be included by institutions in their fee plans and that some already are. The proposals were supported by the response submitted from a student perspective, particularly the inclusion of targets around part-time and Welsh medium. One response suggested that it may be possible to address some of these issues by giving different weights to different targets according to their relevance to the fee plans.

- (b) Do you agree that given that HEFCW's Corporate Strategy ends in 2015/16, the 2015/16 plan should be a one year plan, with an option to extend to two years if appropriate? How might this be achieved to ensure ease of operation?**

Responses to this question were mixed. Several responses sought a delay in the implementation of the proposals until after the HE Review. A number supported the proposal for a one year plan with the possibility of extension. However, the majority of responses also pointed to broader concerns about the timescale of the fee plans and the mismatch between the two year maximum for a fee plan and the three year corporate strategy targets: should we move to a three year plan which would align with the three year HEFCW Corporate Strategy; would a longer Corporate Strategy period (eg four or six years divisible by two) assist this; would a longer, multiple year, timescale for the fee plan work better? Concerns were also raised about the bureaucratic impact of one year

plans, particularly when there is also a need to respond to consultations on changes. A query was also raised about whether the one year timescale worked against the involvement of students in fee planning processes.

(c) Do you have any comments on our intention not to operate a 'tolerance level' against each target?

Most responses sought a level of tolerance to be operated at various points in the process of agreeing and assessing fee plans, through dialogue with institutions, and taking account of contextual information. However, HEFCW's concern that a pre-determined level would become the new threshold was accepted.

(d) Do you have any comments on the inclusion of institutional performance measures and any advantages or disadvantages of their inclusion in the plans and in the assessment process?

Most responses wished to retain the inclusion of institutional targets for various reasons including that these were seen to respond to dialogue with current students and were likely to be more meaningful for students; that HEFCW would be unable to prohibit it; that it would enable institutions to showcase strengths and meeting WG priorities; that they reflect long term institutional commitments; and that it would give HEFCW an inclusive picture of sector progress. However, views were more mixed about whether and how these might contribute to the assessment processes. A number of responses raised concerns that such inclusion might prompt an inconsistent approach to the assessment of plans, with one noting a concern about the lack of alignment between the use of institutional key performance indicators in the fee plans and the strategic planning process. However, many other responses welcomed the possibility of the inclusion of institutional targets within the assessment process. In this case, one response favoured these as a fee plan driver, others as a secondary feature or in an annex, and another suggesting that the use of additional targets should be limited.

(e) For those tracking against UK performance we would have an expectation that these are reiterated in each individual plan, with a commitment to at least maintain the current position and any growth at least at the same rate as the UK. Do you have any comments on this proposal or alternative suggestion for assessing the ambition of this type of target?

A number of responses drew attention to the difficulty of maintaining the current position in the developing UK context, particularly the lifting of the cap on student numbers in England. In some cases, it was suggested, the linking of a target to the trajectory of UK performance may be appropriate but in other cases this might be affected by factors operating only in other parts of the UK. Different factors could also apply in a Wales context (eg the reorganisation of Initial Teacher Training or Nursing). It was suggested that institutions might be asked to maintain performance comparatively to the UK level, rather than at least maintain or grow the

individual institutional position. One response pointed out that it would not be appropriate to expect all institutions to be travelling in the same direction on all indicators. Another noted that this position was inconsistent with HEFCW's position on other targets which allowed for institutional diversity of mission.

(f) Do you have any comments on the proposed methodology to be used as an initial scrutiny of target ambition, prior to dialogue with individual institutions?

Responses generally accepted the proposed methodology as a starting point but raised issues about the need to contextualise the data, in dialogue with institutions, recognising aspects such as demographic changes and policy changes such as the lifting of the student number cap in England. The assumption that all targets can be improved upon was queried. Questions were raised about the 'equal share' approach in a context of institutional diversity and the use of a trajectory of past performance to forecast future performance in a context of substantial change. HEFCW's approach to the target setting process was also questioned: is it about communicating 'ambition' or developing a proper planning process through dialogue with institutions. The lag nature of reported data was raised as a serious issue for target setting and monitoring. Several responses queried HEFCW's desire to avoid institutions 'treading water' in the changing context and one queried whether the 'A' in SMART targets (for achievable) was realistic.

(g) Do you have any additional, or alternative, suggestions about the data sources that we might use in the initial ambition assessment?

The inclusion of other data sources, for example in addition to Communities First data, was welcomed. An impact assessment of known policy changes was suggested to inform the process. It was suggested that a robust target setting model would need to take into account a much wider range of factors including potential impact of changes in the external environment in Wales and across the border, underlying differences in institutional and student profiles, subject mix, and demographic trends in the population. Other suggestions were lead indicators of the demand for Welsh medium education; changes in cross border flows; and other information about the changing policy context.

(h) Recognising that institutions will have already submitted their 2015/16 forecasts prior to fee plan submission, would it be useful for those forecasts to be reiterated back to institutions as part of this process (perhaps in the pro forma), for them to accept, or adjust, and submit as the targets in the plan?

Almost all responses generally welcomed this proposal, although it was pointed out by one response, opposed to this proposal, that it should be recognised that these were forecasts and not targets (and forecasts which were prepared prior to major policy changes). One institution suggested that this could be supplemented by information on measurements of previous achievement/performance. Another suggested

that HEFCW might share sector level data on whether the forecasts show that individual targets will be achieved. It was also suggested that institutions share information about forecasting and the reasoning behind them with student unions, if students are to engage fully in fee planning processes (and hold institutions to account when activities and/or funding are not adequately delivered).

- (i) How might we retain the flexibility to enable adequate information to be contained within the plan, for the institution HEFCW and WG, while retaining the ease of reading and conciseness for every audience?**

It was suggested that the plan be split into two parts: part A containing information for students (and which is published) and part B containing technical information for HEFCW. It was noted that the pro forma at Annex B comprises the information for HEFCW, whereas sources of information for students were in many other varied formats. Several institutions expressed concern about the level of information sought and drew attention to the need to join up the fee planning and strategic planning processes in terms of the provision of information to HEFCW and WG. One response noted that the key information for students and student unions was the outline of activities funded by the additional fee income and the impact these activities will have on students. This response welcomed the annexing of HEFCW and institutional targets.

- (j) How might we expect additional institutional targets and milestones to be presented within the plan (eg as a separate annex)?**

Responses to this question varied, with some welcoming the proposed Annex B, some suggesting that institutional and HEFCW targets should be annexed and three responses proposing that institutional targets which are more student-focused should be within the plan itself.

- (k) Do you have any comments on what information should contribute to the assessment of plan performance? What are the advantages and disadvantages of the inclusion and assessment of different types of institutional expenditure and target information?**

Few specific comments were provided on this question but a concern was raised by one institution that many targets are based on statistically small numbers, where one student can impact on the percentage. Improved monitoring would take account of UK minimum standards, the financial context and the respective missions of HEIs. Several other responses drew attention to the need to take account of the changing policy context, particularly the lifting of the cap on student numbers in England. This contextual information would be particularly important to evidence why a target had not been met. However, the fee plan should not be used to seek detailed information from HEIs on their activities, which should be sought separately.

- (l) What level of expenditure breakdown would you consider appropriate and adequate?**

A significant majority of responses favoured retaining the current level of expenditure breakdown. Concerns about a more detailed breakdown included the timescale between the setting of plans and their delivery; the difficulty of hypothecating such expenditure accurately as many items and services are indivisible; and the focus of the plan on outcomes rather than inputs. It was noted that institutions were free to provide a more detailed breakdown to provide context and that HEFCW might ask for further information where this improved the transparency of the plan and accessibility for readers. One response suggested that expenditure might be broken down against the targets. From a student perspective, a more detailed breakdown by activity was proposed. This would help the development of further plans by making it easier to test for significance between investment in certain activities and impact on target outcomes. It would also benefit public information and national reporting, for example on the total amount of bursary support.

(m) Do you think the headings are appropriate and adequate to cover the detail required in a fee plan?

Almost all responses agreed that the headings were appropriate, with one response querying the separation between activity and target achievement; one querying whether there should be a miscellaneous section 'Additional Specific Information' since this was not either equality of opportunity or promotion of HE; and another querying the difference between the 'introduction' and 'executive summary' and the general level of detail expected. From the student perspective, more prescriptive sub-headings would assist in comparison between institutions and it was suggested that the 'student voice' heading be reworded to better reflect the expectation of full involvement of student unions in the fee planning process. Fuller detail on how the institution has engaged with the student union should be expected and it was suggested that the student union president be included in the authorisation and sign off section at the end of the plan.

(n) Do you have any suggestions to make the fee plan more 'student-friendly' recognising the diverse audience of the plan?

There was a range of responses to this question, with a number of responses suggesting that the current plan format was not 'student-friendly'. Several responses suggested an institutional summary for public communication, while others kept students informed through other methods. One response suggested that the exclusion of targets not related to FTUG students would make the plan more 'student friendly', as would excluding information provided to HEFCW/WG. Another noted that the inclusion of the targets in an annex would be an improvement. One institution suggested that HEFCW set minimum standards for how institutions have involved students in the construction and monitoring of the fee plan. From the student perspective, consistency of structure (to assist comparability); avoidance of jargon and acronyms; and a meaningful role for the student union in the development of the plan would assist this objective.

- (o) With reference to your response to question (h), would it be useful for institutions' previously submitted forecasts to be reiterated back to institutions in the initial pro forma, for them to accept or adjust, and submit as the targets in the plan?**

This was generally welcomed, with similar points made as (h). One response noted that while institutions should be able to adjust forecasts downwards in setting targets, such adjustments should be justified in dialogue with HEFCW.

- (p) Do you have any suggestions for the make-up of the independent panel who will consider officers recommendations?**

Four responses raised significant concerns about the rationale behind convening an independent panel and a larger number raised questions about the costs of operating an independent panel. Concerns were also raised about the remit and detail of operation of the panel and queried whether the panel should be advisory. Those apparently in favour of the panel, welcomed the involvement of NUS Wales (with one response noting that NUS Wales did not represent the interests of students in non-affiliated unions); suggested the involvement of someone with significant understanding of HE; requested input from Welsh HE; suggested the involvement of someone with legal expertise; and noted the need for the panel to be politically neutral.

- (q) In the event that the panel sought further information from institutions, how should that information be provided (eg personal representation, correspondence, etc)?**

In general, responses recommended an escalating process, commencing with correspondence but also allowing personal representation by the institution directly to the panel.

- (r) Do you have any comments on the proposed timetable?**

Several institutions questioned whether there was sufficient time for the process of dialogue with institutions required by the new process in setting fee plan objectives and one noted that the unreasonableness of the timeframe would weigh against HEFCW in any challenge. One institution drew attention to the need for availability of governing bodies and recommended a longer timescale for fee plans with some stability; others welcomed the proposal that the report on fee plan performance would be delayed until the January to take account of appropriate data; one response noted that by 2017 there would be new corporate strategy targets in place; another response noted a concern with the length of response from HEFCW, which sometimes then required prompt responses from institutions. From a student perspective, the very nature of fee plans and their associated timescales made it difficult for student unions to engage and for any interventions to have a quick impact. It is a process which lasts the full timescale of a traditional full-time undergraduate's period in HE. Clear communication of the fee planning

development processes within institutions would assist student union engagement.

(s) Do you have any further comments about the proposals?

Other comments queried the extent to which the changed policy context (the lifting of the cap in England) had been assessed; whether such change should be introduced for one year in 2015/16 when the corporate strategy targets were likely to change the following year; the need for clarity about the relationship between the fee planning and strategic planning processes; a concern as to whether the extended use of the Corporate Strategy targets detracts from the fee plans' role in providing students and the wider public with a clear understanding of the relation between the additional funding and its consequent investment; the need to take account of the new regulatory framework to be introduced and being clear about the timescales for this impacting on the fee planning processes; taking account of early data returns to allow an institution to adjust its target in consultation with HEFCW; and recognising the financial impact of a fee plan being rejected. A number of comparisons were made between the HEFCW fee planning process and that adopted by OFFA in England.