

Cylchlythyr | Circular

Maximum fee grant – guidance and allocations for 2014/15

Date: 16 September 2013
Reference: W13/29HE
To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in Wales
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This circular provides guidance relating to the calculation, monitoring and penalty arrangements for the maximum fee grant and gives the allocations of maximum fee grant for institutions for 2014/15.

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Introduction

1. This circular provides guidance relating to the calculation, monitoring and penalty arrangements for the maximum fee grant and gives the allocations of maximum fee grant for institutions for 2014/15.

Background

2. HEFCW circular W12/38HE outlined the arrangements for controlling the fee grant cost to HEFCW and introduced the maximum fee grant, effective from 2013/14.

Calculation of the maximum fee grant 2014/15

3. The maximum fee grant for 2014/15 differs from the maximum fee grant for 2013/14 in that fee grant is included for three cohorts of students, those starting in 2012/13, 2013/14 and 2014/15. Earlier this year we carried out an exercise with institutions to verify conversion rates from year 1 to year 2 and year 1 to year 3, taken from the latest HESA student data. These were required in order to calculate numbers of students that continue to a third or second year at the institution for the purposes of the calculation of the maximum fee grant for 2014/15. As well as the change in the number of cohorts included, the loan part of the tuition fee used in the calculation has increased from £3,575 to £3,685.
4. The maximum fee grant per institution for 2014/15 is calculated as follows:

The average tuition fee used in the calculation of the 2013/14 maximum fee grant, minus £3,685, multiplied by the sum of:

- Assumed number of Welsh/EU new entrants as used in the calculation of the 2013/14 maximum fee grant;
- Assumed number of Welsh/EU students in their second year at the institution, calculated by applying the conversion rate from year 1 to year 2 to the assumed number of Welsh/EU new entrants as used in the calculation of the 2013/14 maximum fee grant;
- Assumed number of Welsh/EU students in their third year at the institution, calculated by applying the conversion rate from year 1 to year 3 to the assumed number of Welsh/EU new entrants in 2012/13 taken from the 2012/13 maximum student number and using Welsh/EU proportions from Higher Education Early Statistics (HESES) 2012/13.

A 95 per cent take-up of the fee grant by students is assumed, therefore this calculated value is multiplied by 0.95 to set the maximum fee grant for each institution.

5. We notified institutions of their 2014/15 maximum fee grant allocations shortly after the conversion rates were signed off by institutions. We noted

that the allocations were provisional as the £3,685 loan part of the tuition fee for 2014/15 used in the calculations was yet to be officially confirmed by the Welsh Government (WG). WG have now confirmed the amount and so the allocations notified individually to institutions earlier this year are no longer provisional.

6. There have been some minor amendments to the allocations for some institutions, for example, to take account of medical provision transfers. Those institutions affected have been informed.

Monitoring the maximum fee grant 2013/14 and 2014/15

7. A level of tolerance will be applied when we come to monitor the actual amount of fee grant paid to each institution against the maximum fee grant. This is 5 per cent. This means that if the total fee grant received by an institution in 2013/14 or 2014/15 is no more than 5 per cent above the maximum, no penalty will be applied.
8. We will monitor the maximum fee grant using data received from the Student Loans Company (SLC). The total amount of fee grant paid through the SLC to each institution will be calculated and compared to the maximum fee grant plus the tolerance. Monitoring will be done at the end of the academic year once we have end of year data.
9. If we find that the fee grant income for a particular institution is over the maximum fee grant, we will look at retention rates between years to see if improvements have been made since the calculation of the maximum fee grant. If there have been improvements that mean that there are more students in their second (for 2013/14) or second and/or third year (for 2014/15) at the institution than might have been expected from the conversion rates used in the calculation of the maximum fee grant, then we will consider whether this is some or all of the reason for an institution exceeding their maximum fee grant plus tolerance.
10. As part of our monitoring, we will also look at whether the number of Welsh domiciles is being at least maintained, which we stated as an expectation in circular W12/38HE. Our baseline for this will be the HESES 2012/13 numbers of new entrants. This currently shows Welsh and EU numbers together, however, we will monitor the balance of this figure between Welsh domiciles and EU domiciles using proportions from HESA data.
11. In the small number of cases where the strategic reallocation of numbers for 2013/14 resulted in an assumed number of new entrant Welsh domiciles that is less than the number returned on HESES for 2012/13, we will expect institutions to maintain the assumed number. We have notified the institutions that this affects.

Penalties

12. To calculate any penalty, we will first calculate how much the fee grant income is over the maximum plus tolerance. If retention has improved, we will also calculate an estimate of how much of the amount over the maximum plus tolerance is due to improved retention. Once this is taken into account, any remaining amount over the maximum plus tolerance will then be used to calculate a notional number of students to be used in calculating the penalty. This will be calculated by dividing the amount of money the institution is over the maximum plus tolerance by the average fee grant for the institution as calculated from the SLC data. This number will then be multiplied by the average fee grant plus the loan part of the tuition fee (£3,575 in 2013/14 and £3,685 in 2014/15) to calculate the penalty so that the whole tuition fee is reclaimed from the institution and not just the fee grant bit.
13. For example, if the maximum fee grant plus tolerance is £100,000 and the fee grant paid to the institution by the SLC is £110,000, then the difference is £10,000. The SLC figures give the average fee grant per student as £5,000. £10,000 divided by £5,000 is 2. The average fee at the institution from the SLC data is £5,000 + £3,575 = £8,575. The penalty applied is $2 \times £8,575 = £17,150$.
14. Institutions should note that we are monitoring this on a per institution basis and this differs to how we monitored the maximum student number where penalties were only applied to those institutions that over-recruited if the sector as a whole over-recruited.
15. As well as monitoring fee grant payments at the end of the year, we will be monitoring payments at interim points during the year in order to manage our budget within the year. If at any point the fee grant payments in total for the sector exceed the total maximum fee grant for the sector we may apply interim penalties, prior to our end of year final monitoring, to those institutions that exceed their maximum fee grant at that point. We will then make any adjustments to the penalty as appropriate at the end of the year once the whole year payments for each institution are known.
16. Institutions are reminded that in their fee plans, they made a commitment to 'avoid exceeding the maximum fee grant income; and, to reimbursing HEFCW on request in respect of fee grant income which exceeds the maximum fee grant income for the institution'.

Transfer of maximum fee grant

17. We expect institutions to manage their fee levels and recruitment so that there is no expectation of exceeding the maximum fee grant. However, there may be circumstances where institutions wish to transfer maximum fee grant between each other. Where two institutions have agreed that they wish to make such a transfer, they must come to HEFCW with their

joint proposal in order for it to be agreed and implemented. All requests for transfers should be directed to Leanne Holborn (see paragraph 22 for contact details). We would expect most requests to be made before the UCAS clearing process ends, however, we recognise that this may not always be possible. Therefore, all requests for transfers must be made by the end of March in the academic year the transfer is being requested for, for example, any requests for transfer of 2013/14 maximum fee grant between institutions must be made by the end of March 2014.

Arrangements for 2015/16 and beyond

18. The calculation of the maximum fee grant for 2015/16 will take place in early 2014. An additional cohort of students will be added to the calculation to take account of students that resit a year taking them to a fourth year at the institution or are on a course which is four or more years in length, for example a sandwich course or a course in medicine or dentistry. We will be asking institutions to verify conversion rates from year 1 to year 2, year 1 to year 3 and year 1 to year 4 to be included in the calculation. Institutions will be notified of their maximum fee grant for 2015/16 once HESA data used to calculate the conversion rates are available and have been verified. The conversion rates data are also available through the HESA IRIS system for 2012/13 for institutions to preview during live HESA data collection prior to HEFCW's data verification process.
19. Similarly, for 2016/17 and beyond, we will continue to add a cohort to the calculation of the maximum fee grant as appropriate until we get to a point of stability where no further years need to be added. In doing this, we will take into account circumstances where there is a cut off for access to the fee grant, for example for students resitting more than one year, to exclude numbers from the conversion rate calculations where appropriate.

Next steps

20. The next step in this process is the verification of the conversion rates to be used in the calculation of the 2015/16 maximum fee grant. These will be taken from 2012/13 HESA student data and issued to institutions in early 2014. We will issue 2015/16 maximum fee grant allocations to institutions once data have been verified. See paragraph 17.
21. From now until the end of 2013/14, we will be monitoring fee grant payments we make to the SLC to check that the maximum fee grant plus tolerance for 2013/14 is not being exceeded. At the end of 2013/14, we will be carrying out final monitoring of fee grant to ascertain if any institution has exceeded their maximum fee grant plus tolerance and will calculate any resulting penalties.

Further information

22. For further information, contact Leanne Holborn (email leanne.holborn@hefcw.ac.uk; tel 029 2068 2259) for matters relating to policy and Hannah Falvey (email hannah.falvey@hefcw.ac.uk; tel 029 2068 2240) for matters relating to calculation and monitoring of the maximum fee grant.

Assessing the impact of our policies

23. An equality impact assessment (EIA) screening was carried out on the original proposals set out in circular W12/38HE, to help safeguard against discrimination and promote equality. We also consider the impact of policies on the Welsh language, and Welsh language provision within the HE sector in Wales. Contact equality@hefcw.ac.uk for more information about EIAs.

Maximum fee grant allocations 2014/15

Annex A

Institution	Allocations (£)	
	Maximum fee grant	Maximum fee grant with 5% tolerance
University of South Wales	35,233,094	36,994,749
Aberystwyth University	12,318,720	12,934,656
Bangor University	11,014,288	11,565,002
Cardiff University	27,587,611	28,966,992
University of Wales Trinity Saint David	18,982,456	19,931,579
Swansea University	18,182,266	19,091,380
Cardiff Metropolitan University	18,723,086	19,659,240
Glyndŵr University	6,245,493	6,557,768
Bridgend College	95,152	99,910
Grŵp Llandrillo Menai	1,552,203	1,629,814
Grŵp NPTC Group	68,861	72,304
Total	150,003,230	157,503,394