

# Cylchlythyr | Circular

## Consultation on our approach to funding in 2015/16 and subsequent years

**Date:** 01 August 2014  
**Reference:** W14/33HE  
**To:** Heads of higher education institutions in Wales  
Principals of directly-funded further education colleges in  
Wales  
**Response by:** **02 October 2014**  
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This consultation seeks comments on HEFCW's high level funding principles, with proposals for some adaptation and refinement in 2015/16, with a view to a consultation on a more fundamental review for subsequent years.

If you require this document in an alternative accessible format, please telephone us on (029) 2068 2225 or email [info@hefcw.ac.uk](mailto:info@hefcw.ac.uk).



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## Introduction

1. This consultation seeks comments on HEFCW's high level funding principles, with proposals for some adaptation and refinement in 2015/16, with a view to a consultation on a more fundamental review for subsequent years. Since the announcement and introduction of the new fee regime for full-time undergraduate and PGCE students, the Council has been considering the changes to the funding available for allocation and the impact of those changes on our funding principles and approach.
2. Most notably, since the introduction of the new tuition fee arrangements, under which demand-led fee grant payments have first call on our grant, our remaining funding available for allocation has reduced by around 60% compared with the position in 2011/12. A summary of the funding allocations for 2014/15 (as provided in Table 1 of [W14/18HE HEFCW's Funding Allocations 2014/15](#)) is attached at Annex A.
3. Taking into account the latest estimates of future fee grant commitments, we will have funding of around £140m available in 2015/16 for strategic allocation and possibly less in future years if pressures on the Welsh Government's (WG) budgets lead to further reductions to the HE budget.
4. Since the funding available for strategic allocation will be much less than previously, the Council has agreed that we should start this year to review the relative funding priorities between the areas funded by HEFCW grant, noting that achieving the long-term sustainability of HE provision in Wales is a principal consideration.
5. The sector asked us to reconsider the Maximum Fee Grant arrangements. We have reviewed the arrangements and they have been revised from 2014/15 such that monitoring will be done at a sector level. This amendment was made in response to the changes in the HE environment and to provide some further flexibility for the sector to respond to the recruitment challenges posed by increased competition from UK HEIs. A more fundamental review is being deferred until AY 2015/16, as by then we should have a clearer understanding of the overall funding position. By that time, most full-time undergraduate students will come within the scope of the new tuition fee regime, including those on four-year degree programmes. Additionally, there may be some indication of the outcomes of the [Review of Higher Education Funding and Student Finance Arrangements in Wales](#).
6. As a result, this consultation is designed as a first step towards that fundamental review. It is a high level exploration of the funding principles with the expectation that, at this stage, there will only be some adaptation and refinement of the detail for 2015/16 funding allocations. We envisage that the responses will not only inform short term adaptations of the funding method, but will also inform any further funding developments proposed from 2016/17 onwards that come out of the more fundamental review.

## Section 1 - Funding Principles

7. At its meeting in July 2014 the Council endorsed the underlying funding principles, which form the basis and foundation for the funding processes. These state that any funding approach needs to:
- support WG and HEFCW strategic priorities, including a sustainable higher education system;
  - be transparent;
  - be responsive to need and dynamic;
  - be efficient and promote cost effectiveness;
  - support quality;
  - respond to, and reward, performance;
  - be flexible and straightforward in operation.

### **Question 1 -**

*What are your comments and views on the set of underlying funding principles and their continued appropriateness in the current environment?*

## Section 2 – Quality Research (QR) and Postgraduate Research Training (PGR)

8. We currently allocate research funding of around £71 million per annum through the QR funding formula, using the outcomes of the 2008 Research Assessment Exercise (RAE). At a time of great pressure on resources, the Council intends to maintain its policy of giving priority to maintaining levels of funding for QR, insofar as is possible, in order to ensure that the sector can compete effectively with the rest of the UK.
9. The outcomes of the 2014 Research Excellence Framework (REF) will be published in December 2014, and will be available to inform QR funding allocations for 2015/16 onwards. It was necessary to make major changes to the QR funding method following the 2008 RAE because the outcomes of that exercise were expressed as quality profiles instead of as a single rating, as had previously been the case. However, the outcomes of the 2014 REF will be published on the same basis as the 2008 RAE, i.e. as quality profiles. Consequently, there is no need for us to make fundamental changes to the QR funding method following the REF, unless that is considered desirable for other reasons. The current QR funding method is summarised at **Annex B**.

### *Proposed approach for 2015/16*

10. We propose to retain the existing funding method for the 2015/16 allocations, but to operate it using the outcomes of the 2014 REF. We will, however, need to adjust some of the parameters of the existing formula, as they were set on the basis of the outcomes of the 2008 RAE.
11. The parameters likely to require adjustment for 2015/16 are:

- The volume threshold. This currently excludes submissions with fewer than 3 FTE staff at 1\* or above.
  - The combined quality-volume threshold. This was established in order to focus funding on sustainable excellence. We intend to retain a quality-volume threshold following the REF, but will re-calculate the cut-off point for eligibility for funding on the basis of the REF outcomes.
12. We may possibly also need to adjust the following parameters:
- The quality weightings – i.e. the weightings attached to 4\* and 3\* quality research. These are currently set at 3 and 1 respectively.
  - The amount of funding allocated specifically in proportion to the very highest quality of research (4\*). This funding is currently set at £6.1 million.
13. We do not intend to make any changes to the subject cost weightings, or to the minor volume measures. We will, however, probably take this opportunity to streamline the basis on which an element of QR is provided to help institutions meet the Full Economic Costs of research funded by charities.
14. We will determine the adjustments to be made to the formula parameters in due course, in light of the REF outcomes.
15. In the slightly longer term, the Council may wish to undertake a more fundamental review of its arrangements for research funding. However, we do not propose to do this in the immediate aftermath of the REF for the following reasons:
- An extended timescale would permit more in-depth consideration of the REF outcomes.
  - We would be able to take account of any changes which the other UK HE funding bodies may make to their research funding arrangements, and be in a better position to manage the comparative levels of research funding in Wales.

**Question 2 -**

*What are your views and comments on our proposed approach to QR funding in 2015/16?*

**Question 3 -**

*Do you have any particular issues which you would wish us to take into consideration in adjusting the parameters of the QR formula for 2015/16?*

Institutional Research Strategies

16. We find it very helpful to receive copies of institutions' research strategies, in order to ensure that we are fully informed of plans and forthcoming developments. We would like to receive these strategies on a more systematic basis than at present, and we are therefore proposing to specify that submission of research strategies to HEFCW will be a condition of QR funding from 2015/16 onwards. We would emphasise that this material is being requested for information only: the strategies would not be subject to approval by HEFCW.

**Question 4 -**

*What are your views on the proposal that, from 2015/16 onwards, the submission of institutional research strategies to HEFCW will be a condition of QR funding?*

Ring-Fenced Publications Funding

17. Historically, HEFCW used to provide the University of Wales with an earmarked grant of around £132k per annum to help support the University of Wales Press. In view of the increasing pressure on our budgets, we discontinued this direct funding from 2011/12. The funding was transferred to institutions' research allocations (QR) and was ring-fenced for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history and literature for three years (2011/12 to 2013/14 inclusive). Institutions were free to determine what work to support, and whether to do so via the University of Wales Press or through other outlets.
18. Following discussion at a seminar with sector representatives last year on the promotion of Welsh Studies, we have subsequently extended the ring-fence on the publications funding for one further year, 2014/15. We welcome views on whether this ring-fence should be maintained in the longer term following the REF.

**Question 5 -**

*What are your views on the advantages and disadvantages of maintaining an element of ring-fenced funding within QR for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history and literature?*

**Postgraduate Research Training (PGR)**

19. We do not envisage making any changes to the method for allocating funding for Postgraduate Research Training (PGR) in 2015/16. At present, departments/units must be eligible for QR in order to be included in the calculation for PGR funding. We intend to maintain this approach after the REF.

**Section 3 – Full-time Undergraduate and Postgraduate Certificate in Education (FT UG/PGCE)**

20. In 2014/15 the HEFCW fee grant commitment is expected to exceed the total funding that was previously allocated to Welsh HE providers for FT UG/PGCE teaching (in 2011/12 £208m was available for FT UG/PGCE teaching and in 2014/15 the fee grant commitment is expected to be in the region of £227m).
21. With the exception of a nominal amount of per capita funding, the only remaining HEFCW funding allocated for FT UG/PGCE teaching in 2014/15 is being directed into the higher rate expensive subject premium (conservatoire performance element and clinical medicine and dentistry).

**Question 6 -**

*Given the reduction in HEFCW's available resources to support FT UG/PGCE, and taking account of the consequent increase in fee income to the sector from FT UG/PGCE students, should HEFCW continue with the concept of an expensive subject premium or should there be an alternative method of allocating any funding for FT UG/PGCE, and should funding in addition to the tuition fee income continue at all?*

**Question 7 -**

*If we were to continue with a premium based approach, where do you think our focus should be in allocating funding?*

**Section 4- Part-time Undergraduate (PTUG) funding**

22. The Council has been exploring a number of fundamental questions about the size and scope of PTUG provision in Wales. The PT market is heterogeneous, as illustrated by the recent fall in PT numbers being due to a reduction in mature PT students rather than in the 18-24 year old group, the latter being a small percentage of total PT numbers (26% of PTUG

numbers in HEIs in Wales). However, the number of private PT providers being established in England might suggest that there is still a fairly buoyant PT market.

23. Further research and analysis is needed to inform an understanding of the exact nature of the issues relating to PT in Wales, taking account of both supply and demand. In the meantime, we wish to explore the sector's view of the strategic priority given to funding PT and the impact that this has on provision in Wales.

**Question 8 -**

*Given current funding constraints, what can be done by HEFCW to further incentivise PT provision?*

**Question 9 -**

*Should we be concentrating our PT UG funding on bite-sized learning including work-based PT UG provision?*

**Question 10 -**

*Should we be looking to fund PT provision on a regional basis?*

**Question 11 -**

*Should we be looking to fund PT only in particular institutions with PT expertise, rather than spreading PT funding across the whole sector?*

**Section 5 - Per Capita**

24. Per capita payments are currently made with respect to all students on taught provision irrespective of their mode and level of study or the subject of study. The payment was originally designed to recognise the fixed costs attached to all students, those of enrolment, records etc. and is allocated on a per student basis, subject to a minimum study requirement of 10 credit values.
25. In recent years this amount has been reducing, but we intend to retain a Per Capita payment until at least the HE Bill has been implemented to ensure that our existing statutory powers apply to all students studying at Welsh HEIs.

**Section 6 – Postgraduate Taught (PGT) funding**

26. At present, PTPGT funding continues to be funded through the credit based teaching funding model plus premium funding, whilst credit-based FTPGT funding was discontinued in 2014/15 with only premium payments (for Disability, and Welsh Medium) made in respect of FTPGT students. It has been argued that Welsh domiciled FTPGT students would begin their PG course with much lower levels of debt than those from other parts of the UK, and therefore a reduction in funding support in this area would be

the fairest in terms of its impact on students and overall comparability to the rest of the UK.

27. However, the result of this is that there is an inconsistency in PGT funding between modes of study. For this reason, we would like to explore the perception and expectation of PGT funding in the future.

**Question 12 -**

*Should PTPGT provision continue to be supported at broadly the same level as currently, through the credit based funding system plus premium funding, in the short to medium term?*

**Question 13 -**

*For research-intensive universities, should there be an emphasis on part-time postgraduate taught and research provision assisting access to the professions?*

**Question 14 -**

*Do you have comments on our current approach to FTPGT, where in 2014/15 we are no longer allocating credit-based teaching funding for FTPGT, and only providing premium payments in respect of those students?*

**Section 7 – General Strategy funding**

28. Changes to the funding regime since 2012/13 have resulted in the removal of ring-fenced funding for particular strategies where that funding is considered to be part of the new higher level tuition fee for FT UG/PGCE being paid to institutions, e.g. learning and teaching and widening access strategy funding. We would like to explore the issue of strategy funding to inform longer term funding beyond 2015/16 and hear views on the priority areas of support, to maintain comparability nationally and globally.

**Question 15 -**

*Within the constraints of the current funding available to HEFCW for allocation what do you think the priority areas of additional support should be for strategic investment (e.g. Innovation and engagement or Initial Teacher Training) and how should any such funding be allocated?*

**Next Steps**

29. Please return your comments to David Hunt, Funding and Statistics Officer (email: [david.hunt@hefcw.ac.uk](mailto:david.hunt@hefcw.ac.uk)) by 2 October 2014. The responses will then be collated and considered at the Council meeting in November 2014. For ease of reference a summary of the questions posed are included at Annex C.

## Overall Funding Allocations 2014/15

Table 1 (from circular W14/18HE)

	AY 2013/14	FY 2014-15	AY 2014/15	FY 2015-16
<b>GIA FY allocation</b> <sup>1</sup>		362,600,000		360,723,000
Less - Running Costs		-2,768,000		-2,768,000
Less - Depreciation		-82,000		-82,000
Plus - Additional Allocation (Welsh Medium Scholarships 2014-15, Course grant adjustment 2015-16)		330,000		1,000,000
		<b>360,080,000</b>		<b>358,873,000</b>
Available draw down from 14-15 after 13/14 commitment established 40% of 2015-16			240,512,068	143,549,200
	<b>394,569,865</b>		<b>384,061,268</b>	
Miscellaneous Adjustments <sup>2</sup>	9,490,549		17,754,006	
<b>Available Resource for Allocation</b>	<b>404,060,414</b>		<b>401,815,274</b>	
<b>Fee Grant Payment Estimates</b>				
Fee grant to Welsh –domiciled students studying at HEIs in the rest of the UK	62,858,157 <sup>3</sup>		77,805,252 <sup>4</sup>	
Fee grant to Welsh-domiciled and EU students studying at Welsh HEIs	99,177,514 <sup>3</sup>		157,503,392 <sup>5</sup>	
MFG 5% Tolerance			-7,500,162 <sup>6</sup>	
<b>Total</b>	<b>162,035,671</b>		<b>227,808,482</b>	
<b>Non Fee-grant funding available for allocation</b>	<b>242,024,743</b>		<b>174,006,792</b>	
<b>PTUG Funding</b>				
PTUG Teaching <sup>7</sup>	24,333,157		22,187,473	
Part-time premium	2,432,063		2,218,747	
Per capita	277,070		130,245	
Welsh Medium premium	264,825		216,178	
Access and Retention premium	5,202,966		5,412,987	
Disability premium	201,000		209,700	
<b>Total</b>	<b>32,711,081</b>		<b>30,375,330</b>	
<b>Part-time Fee Waiver</b>	<b>540,002</b>		<b>540,002</b>	
<b>PGT Funding</b>				
PGT Teaching PT <sup>7</sup>	6,688,058		6,172,112	
PGT Teaching FT <sup>8</sup>	6,954,100		0	
Part-time premium	668,806		617,211	
Per capita PT	86,330		45,290	
Per capita FT	38,270		19,085	
Welsh Medium premium PT	17,700		14,802	
Welsh Medium premium FT	21,446		25,210	
Disability premium PT	54,300		60,600	
Disability premium FT	49,200		58,500	
Disability premium PGR	31,800		31,200	
<b>Total</b>	<b>14,610,010</b>		<b>7,044,010</b>	
<b>FTUG/PGCE funding</b> <sup>9</sup>				
Per capita	667,660		327,225	
Access and Retention premium	3,437,320		0	
Welsh medium premium	659,973		0	
Disability premium	261,750		0	
Expensive subjects premium	40,641,954		15,177,980	
Priority subjects premium	2,830,884		0	
<b>Total</b>	<b>48,499,541</b>		<b>15,505,205</b>	
<b>Research</b>				
Quality Research (QR)	71,077,344		71,077,344	
Postgraduate Research (PGR)	5,170,336		5,170,336	
Sêr Cymru <sup>10</sup>	2,000,000		1,944,000	
Research Initiatives	532,560		286,881	
<b>Total</b>	<b>78,780,240</b>		<b>78,478,561</b>	
<b>Strategy and Initiative Allocations</b> <sup>11</sup>				
including:				
JISC/JANET/PBSA	3,074,750		2,530,000 <sup>2</sup>	
Learning and Teaching Fund	2,069,473		1,300,757	
Reaching Wider	1,984,999		1,763,666	
Strategic Development Fund	15,532,768		9,011,223	
Welsh Medium Provision Fund	7,125,918		7,643,549	
Widening Access Fund	2,776,092		0	
Medical Education - Graduate Entry Scheme transfer adjustment	2,100,000		2,300,000	
UHoVI	2,500,000		2,500,000	
Other Strategy and Initiatives	3,041,866		2,559,718	
Sector Agency Income			-3,500,000	
<b>Total</b>	<b>40,205,866</b>		<b>26,108,913</b>	
<b>Innovation and Engagement</b>				
GO Wales <sup>12</sup>	6,590,408		4,293,099	
GO Wales WEFO Match funding	-2,577,289		-5,078,478	
Innovation and Engagement	4,660,878		0	
<b>Total</b>	<b>8,673,997</b>		<b>-785,379</b>	
<b>Total Allocations</b>	<b>386,056,408</b>		<b>385,075,124</b>	
<b>Balance</b>	<b>18,004,006</b>		<b>16,740,150</b>	

## NOTES

- 1 Taken from remit letter 2014/15 and published indicative budget from 2015-16
- 2 Adjustments include carry forward from previous years and changes to reflect changes in patterns of draw down from WG
- 3 Estimated 2013/14 fee grants based on latest SLC payment data (March data).
- 4 Estimated 2014/15 fee grant payable to other UK institutions based on estimates supplied from WG with additional £10.3m added in anticipation of increased commitment
- 5 Estimated 2014/15 fee grant payable to Welsh institutions based on maximum fee grant plus 5% tolerance
- 6 Removal 5% MFG tolerance for modelling purposes as unlikely to be required at a sector level
- 7 PT credit based teaching funding reduced by 6.6% efficiency gain - includes additional £12,528 OU transitional payment in 2013/14 which is not included in Table 6 as it was not credit funding related.
- 8 FT PGT funding removed in 2014/15
- 9 FTUG/PGCE funding removed in 2014/15 with the exception of per capita and the higher rate expensive subject premium
- 10 In 2014/15 includes proposed successor
- 11 2013/14 figures shown may contain a carry forward element from 2012/13 and so may not be the baseline figures
- 12 Phase 1 of GO Wales scheduled to end December 2014 so all GO Wales figures reflect the conclusion of the project.

## The QR Funding Formula

- 1 We allocate QR funding selectively to recognise and reinforce research excellence. The key data in the QR formula are provided by the 2008 Research Assessment Exercise (RAE), which was conducted jointly by the four UK higher education funding bodies.
- 2 Research was submitted to the 2008 RAE in 68 subject categories or Units of Assessment (UoAs). The assessment outcomes were expressed in the form of quality profiles which showed the proportion of work in each submission which reached each of four quality profiles. These ranged from 4\* (world leading) down to 1\* (nationally recognised). Work below the standard of 1\* was identified as unclassified (u/c).
- 3 Consistent with our published statement of research policy, we are focusing QR funding on sustainable research excellence. Specifically:
  - we do not include 1\* or (from 2011/12 onwards) 2\* research in the QR allocation formula
  - we have applied a combined quality and volume threshold. This is calculated by multiplying the volume of staff at 3\* and 4\* in each 2008 RAE submission by the quality weightings (1 for 3\* and 3 for 4\*), summing the outcomes to produce a single score for each submission, and then applying a cut-off point for funding. The cut-off point is currently set at a score of 3.5.
  - we also apply a volume threshold, such that departments/units with fewer than 3 Category A FTE of classified work (1\* and above) are not eligible for QR
- 4 The QR formula has three elements: quality, volume and subject cost relativities. Weightings are applied within each of these elements as follows.
  - **Quality** – the four levels of the RAE quality profile are weighted as follows:

1* -	0
2* -	0
3* -	1
4* -	3
  - **Volume** – this consists of one major volume measure – the Full-Time Equivalent (FTE) number of research active staff (Category A staff) returned to the 2008 RAE – and a number of minor volume measures. The volume measures and the weightings attached to them are as follows:

Research active staff	1.00
Research students	0.15
Research assistants	0.10
Research fellows	0.10
Charitable income converted into FTE staff numbers	0.25

The data for the minor volume measures were originally taken from the 2008 RAE submissions and were subsequently updated through HEFCW's annual Research Activity Survey until this was discontinued from 2011/12.

- **Subject Cost Relativities** – subjects (UoAs) are divided into three bands and weighted to reflect their relative costs. The bands and their weights are:

Clinical medicine and laboratory based subjects	1.6
Subjects with a technical/experimental premium	1.3
Other subjects	1.0

- 5 Allocations are built up by UoA, using the 2008 RAE submissions. Any submissions which do not meet the quality and volume thresholds described in paragraph (3) above are excluded from the calculation. For all other submissions, the volume measures are weighted by the volume weightings set out above. The product is multiplied by the relevant subject cost weighting, and then by the quality weightings. The latter are applied in proportion to the quality profile for the submission.
- 6 The overall outcomes of the formula calculation are scaled to the total amount of funding available for QR in the year in question.
- 7 Two elements of the total QR budget are allocated on a different basis:
  - An additional £6.1 million which was added to QR in 2009/10 is allocated in proportion to 4\* quality only. The standard volume and subject weightings are also applied to this element.
  - £3.1 million is provided to help institutions meet the full economic cost (FEC) of research funded by charities – this element having been introduced in 2007/08. This funding is allocated in proportion to research income from UK charities in units which meet the QR quality and volume thresholds.
- 8 QR funding also includes the sum of £132k which was previously allocated to the University of Wales Press. This funding is ring-fenced within QR for the purpose of supporting scholarly publications and related activities in the fields of Welsh culture, history and literature. Institutions have been notified individually of the amounts which have been ring-fenced within their allocations in this way.

## Summary of Consultation Questions

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