

## Cylchlythyr | Circular

# Maximum fee grant – guidance and allocations for 2015/16 and confirmation of arrangements for 2014/15

**Date:** 25 September 2014  
**Reference:** W14/38HE  
**To:** Heads of higher education institutions in Wales  
Principals of directly-funded further education colleges in Wales  
**Response by:** 17 October 2014  
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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 2015/16. It also confirms the monitoring and penalty arrangements for 2014/15 and requests estimates of fee grant payments for 2014/15.

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 circular provides guidance relating to the calculation, monitoring and penalty arrangements for the maximum fee grant (MFG) and gives the allocations of MFG for institutions for 2015/16. It also confirms the monitoring and penalty arrangements for 2014/15 and requests estimates of fee grant payments for 2014/15.

## **Background**

2. HEFCW circular W12/38HE outlined the arrangements for controlling the fee grant cost to HEFCW and introduced the MFG, effective from 2013/14. Allocations and monitoring arrangements for 2013/14 and 2014/15 were notified to institutions in circulars W12/38HE and W13/29HE respectively and allocations for each year were also published in the Funding Allocations circulars W13/09HE and W14/18HE.

## **Confirmation of arrangements for 2014/15**

3. Since the 2014/15 allocations and monitoring arrangements were published, a change has been made to the basis on which the MFG is being monitored. Instead of monitoring on an individual institutional level, fee grant payments are being monitored on a sector total basis and only if the MFG is exceeded at a sector level will penalties be applied. The way in which this will be done is explained in paragraphs 7 to 14 below and will apply from 2014/15 onwards.

## **Calculation of the maximum fee grant 2015/16**

4. The MFG for 2015/16 differs from MFG for 2014/15 in that fee grant is included for four cohorts of students, those starting in 2012/13, 2013/14, 2014/15 and 2015/16. Earlier this year we carried out an exercise with institutions to verify conversion rates from year 1 to year 2, year 1 to year 3 and year 1 to year 4, taken from the latest HESA student data. These were required in order to calculate numbers of students that continue to a fourth, third or second year at the institution for the purposes of the calculation of the MFG for 2015/16. 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 £3,685 to £3,810.
5. The MFG per institution for 2015/16 is calculated as follows:

The average tuition fee used in the calculation of the 2013/14 MFG, minus £3,810, multiplied by the sum of:

- Assumed number of Welsh/EU new entrants as used in the calculation of the 2013/14 MFG. This is the assumed number of new entrants in 2015/16 (see note below);

- 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 2014/15 MFG;
- 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 as used in the calculation of the 2013/14 MFG;
- Assumed number of Welsh/EU students in their fourth year at the institution, calculated by applying the conversion rate from year 1 to year 4 to the assumed number of Welsh/EU new entrants in 2012/13 as used in the calculation of the 2013/14 MFG (see note below).

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 MFG for each institution.

Note that the 2013/14 new entrant figure is used as the assumed number of new entrants in each year the MFG is calculated. Using the same number of assumed new entrants each year at the 2013/14 average fee grant means the same amount of MFG is being assumed for new entrants in each year of calculation, with an adjustment for change in the loan portion of the tuition fee. Actual recruitment and fee levels may vary. Strategic reallocation of student numbers took place in 2013/14 and the new entrants in 2013/14 were set as a base as part of that process. Assumed new entrants in 2012/13 are taken from the maximum student number process before strategic reallocation took place and were first used in the calculation of the MFG for 2013/14 as two cohorts were included in that calculation. These 2012/13 assumed new entrants were carried forward to subsequent years' calculations of the MFG. See HEFCW circulars W12/14HE and W12/38HE for more detail.

6. We notified institutions of their 2015/16 MFG allocations shortly after the conversion rates were signed off by institutions, in July 2014.

### **Monitoring and penalty arrangements for 2014/15 and 2015/16**

7. A level of tolerance will be applied when we come to monitor the actual amount of fee grant paid to institutions in the Welsh HE sector against the total MFG. This is 5 per cent. This means that if the total fee grant received by institutions in 2014/15 or 2015/16 is no more than 5 per cent above the maximum, no penalties will be applied to individual institutions, even if one or more institutions are over their individual maximum.
8. We will monitor the MFG using data received from the Student Loans Company (SLC). The total amount of fee grant paid through the SLC to institutions in Wales will be calculated and compared to the total MFG

across all institutions 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 total fee grant paid to the sector is over the total MFG plus tolerance, we will then make the same comparison at an individual institution level. If an institution is over their individual MFG plus tolerance, we will first look at retention rates between years to see if improvements have been made since the calculation of the MFG. If there have been improvements that mean that there are more students in their second and/or third year (for 2014/15) or second, third and/or fourth year (for 2015/16) at the institution than might have been expected from the conversion rates used in the calculation of the MFG, then we will consider whether this is some or all of the reason for an institution exceeding their MFG plus tolerance, and may adjust the amount by which the institution is over the MFG plus tolerance to take account of the improved retention.
10. Once we have considered improved retention, we will have a set of institutions to apply a penalty to that have exceeded their MFG plus tolerance, and the level by which they are over their individual MFG. The initial sector figure to go into the penalty process will be the total fee grant paid to institutions minus the total MFG, including any adjustments made due to our consideration of retention levels.
11. We will apportion this initial sector figure amongst those institutions that have exceeded their MFG. We will do this by first summing up the amounts by which the individual institutions have exceeded their MFG, for those that have exceeded it, and then working out the proportion each institution's individual amount over the MFG is of the total. This proportion is then applied to the initial sector figure to get the individual initial figure (note this is not yet the final penalty to be applied). An example is below:

*Table 1 – Example – apportioning the total difference in fee grant payments and MFG between institutions*

	MFG plus tolerance (£k)	SLC fee grant payments (£k)	Difference between fee grant payments and MFG (£k)	Individual difference for those being penalised (£k)	Initial sector figure (£k)	Total initial figure apportioned between institutions (£k)
	a	b	c = b-a	d = c (if >0)	e = total c	f = d/(total d) x total e
Institution A	550	600	50	50		33
Institution B	675	775	100	100		67
Institution C	400	350	-50	0		0
Total	1,625	1,725	100	150	100	100

12. We will use the apportioned figures to calculate a notional number of fees paid to be used in calculating the final penalty to be applied. This will be calculated by dividing the apportioned figure by the average fee grant for

the institution as calculated from SLC data. This number will then be multiplied by the average fee grant plus the loan part of the tuition fee (£3,685 in 2014/15 and £3,810 in 2015/16) to calculate the penalty so that the whole tuition fee is reclaimed from the institution and not just the fee grant portion. Continuing the above example gives:

*Table 2 – Example – calculating the final penalty form the apportioned figure*

	Average fee grant from SLC data (£)	Total initial figure apportioned between institutions (£)	Notional number of fees paid	Final penalty applied (£)
	g	h = f (Table 1)	i = h/g	j = i x g+3685
Institution A	5,315	33,000	6.2	55,879
Institution B	4,715	67,000	14.2	119,364
Total		100,000		175,243

13. As well as monitoring fee grant payments at the end of the year, we will be monitoring SLC 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 MFG for the sector we may apply interim penalties, prior to our end of year final monitoring, to those institutions that exceed their MFG 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.
14. 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'. Any request for reimbursement will only be made once monitoring at a sector level has taken place as described above.
15. 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.
16. 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.

## **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 MFG. For 2013/14 and 2014/15, we allowed institutions to transfer MFG between each other. Where two institutions agreed that they wished to make such a transfer, joint proposals were made to HEFCW in order for it to be agreed and implemented. This year, although we are monitoring at a sector level, there may still be circumstances where institutions wish to make a transfer between them. All requests for transfers should be directed to Leanne Holborn (see paragraph 23 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 2014/15 MFG between institutions must be made by the end of March 2015.

## **Arrangements for 2016/17 and beyond**

18. The calculation of the MFG for 2016/17 will take place in 2015. An additional cohort of students will be added to the calculation to take account of: students that resit a year taking them to a fifth year at the institution, where it is allowable under the student support regulations for such students to still claim fee grant; or are on a course which is five or more years in length, for example, 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, year 1 to year 4 and year 1 to year 5 to be included in the calculation. Institutions will be notified of their MFG for 2016/17 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 2013/14 for institutions to preview during live HESA data collection prior to HEFCW's data verification process.
19. Similarly, for 2017/18 and beyond, we will continue to add a cohort to the calculation of the MFG as appropriate, for example to take account of medicine students taking an intercalated year, until we get to a point of stability where no further years need to be added. In doing this, we will continue to 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.

## **Request for estimates of fee grant payments for 2014/15**

20. In October 2013, we asked institutions for an estimate of the fee grant payments they expected to receive in total for 2013/14. This was to get an in-year check of the level of spend on fee grant at institutions within Wales

and to provide figures for interim monitoring purposes. We are requesting this estimate again this year for 2014/15 fee grant payments. Institutional contacts will be emailed shortly after issue of this circular with a request to send us the information by email by **17 October 2014**.

### **Next steps**

21. The next step in this process is the verification of the conversion rates to be used in the calculation of the 2016/17 MFG. These will be taken from 2013/14 HESA student data and issued to institutions in early 2015. We will issue 2016/17 MFG allocations to institutions once data have been verified. See paragraph 18.
22. From now until the end of 2014/15, we will be monitoring fee grant payments we make to the SLC to check that the total MFG plus tolerance for 2014/15 is not being exceeded. At the end of 2014/15, we will be carrying out final monitoring of fee grant payments to ascertain if the total MFG plus tolerance has been exceeded and will calculate any resulting penalties.

### **Further information**

23. For further information, contact Leanne Holborn (email [leanne.holborn@hefcw.ac.uk](mailto:leanne.holborn@hefcw.ac.uk); tel 029 2068 2259) for matters relating to policy and Hannah Falvey (email [hannah.falvey@hefcw.ac.uk](mailto:hannah.falvey@hefcw.ac.uk); tel 029 2068 2240) for matters relating to calculation and monitoring of the MFG.

### **Assessing the impact of our policies**

24. 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](mailto:equality@hefcw.ac.uk) for more information about EIAs.

**Maximum fee grant allocations 2015/16**

**Annex A**

Institution	Allocations (£)	
	Maximum fee grant	Maximum fee grant with 5% tolerance
University of South Wales	37,255,818	39,118,609
Aberystwyth University	12,406,458	13,026,781
Bangor University	11,139,390	11,696,360
Cardiff University	30,587,591	32,116,971
University of Wales Trinity Saint David	19,300,659	20,265,692
Swansea University	19,053,498	20,006,173
Cardiff Metropolitan University	19,489,753	20,464,241
Glyndŵr University	6,613,532	6,944,209
Bridgend College	87,331	91,698
Grŵp Llandrillo Menai	1,549,428	1,626,899
Grŵp NPTC Group	57,841	60,733
<b>Total</b>	<b>157,541,299</b>	<b>165,418,366</b>