

Cylchlythyr | Circular

HEFCW review of teaching funding: Stage One Consultation

Date: 04 August 2021
Reference: W21/26HE
To: Heads of higher education institutions in Wales
Principals of directly-funded further education institutions
in Wales
Response by: Response required by **17 September 2021**.
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This circular consults on the first stage of the review of our teaching funding methodologies, for implementation in academic year 2022/23.

This circular also provides information on the second stage of the review of teaching funding, for implementation from 2023/24 onwards.

Responses should be sent to nicola.hunt@hefcw.ac.uk by **17 September 2021**.

If you require this document in an alternative accessible format, please email info@hefcw.ac.uk.



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Introduction

1. This circular consults on the first stage of the review of our teaching funding methodologies, for implementation in academic year 2022/23.
2. This circular also provides information on the second stage of the review of teaching funding, for implementation from 2023/24 onwards.

Background

3. HEFCW's teaching funding is provided in the form of an annual block grant to institutions. It includes part-time undergraduate provision, through our part-time credit-based method, per capita funding, and part-time undergraduate premia. We also provide funding via our part-time undergraduate fee waiver scheme. Part-time HE provision can, in principle, be comprised of short courses that do not carry credit. HEFCW currently only funds credit-bearing provision.
4. In addition to providing funding for part-time undergraduate provision, we provide per capita funding, a disability premium, and premiums for expensive and higher cost subjects in relation to full-time undergraduate provision. We also provide per capita and disability premium funding for postgraduate taught provision and disability premium funding for postgraduate research provision¹.
5. In February 2021 we published circular [W21/07HE](#) which provided the outcomes of HEFCW's review of part-time provision, undertaken on our behalf by OldBell3, alongside a set of HEFCW data analysis of part-time provision from 2008/09 to 2017/18.
6. As part of that circular we outlined our intention to conduct a partial review of our teaching funding methodologies, to focus on the aspects of our funding methods which were most in need of updating, to be followed by a full review of our teaching funding methodologies for implementation from 2023/24.
7. This circular provides details of the first stage review of teaching funding and seeks views on proposed changes for implementation in academic year 2022/23. We also seek to gather additional views to inform our full funding review, which we expect to consult on in late 2021.

Micro-credentials

8. Micro-credentials are flexible, short, transparently-assessed learning experiences, which result in the award of credit. They may be used as

¹ We also support postgraduate research provision through our core research funding. We are currently consulting on a new research funding method via circular [W21/25HE](#).

stand-alone qualifications, or be aggregated as part of larger qualifications. We have published information on our intentions to fund a pilot project on micro-credentials (see [circular W21/23HE](#)). As this type of provision is likely to involve study that is less than 25% FTE a year in total, students on these courses would be eligible to apply for our current part-time fee waiver scheme if they meet the other eligibility criteria. Therefore, in providing your response to the questions about the part-time fee waiver scheme, you will need to consider how the scheme could be used in future for students on these types of courses.

Meetings with institutions about part-time provision

9. In circular W21/07HE we confirmed our intention to meet with HE institutions to discuss issues related to part-time provision including institutional strategy, funding and the student experience. We wished, in particular, better to understand the contributory factors behind the steady decline in part-time numbers in Wales².
10. Key issues raised during the meetings were:
 - HEFCW's funding for part-time provision should enable institutions to construct a part-time model that would allow people in Wales to access high quality, impactful education at every stage of their lives and careers, at a level and intensity that suited them.
 - Part-time education could be a transformative experience in people's lives, and therefore contribute to the civic mission agenda in Wales.
 - There was scope for a more nuanced approach to the delivery of part-time provision on a regional basis.
 - There was a need for programme delivery to be flexible, supported by a funding model that could be applied more broadly to facilitate a variety of different approaches to part-time study.
 - Short courses were an important aspect of the part-time offering and enabled institutions to respond to the needs of the local community.
 - Institutions should offer unique part-time courses tailored to the needs of the local community, industry and economy.
11. Our meetings with HE institutions have taken place and the outcomes (including the points above) have been considered by HEFCW's part-time task and finish group, whose advice has informed this circular and our plans going forward.

Stage One – consultation on proposed changes for 2022/23

12. We are proposing the following principal changes for implementation in academic year 2022/23. Information on the second stage of the review of

² Further information is available in Annex B of circular W21/07HE

teaching funding, for changes after 2022/23, is provided below at paragraph 38 onwards.

Access and Retention Premium

13. The Access and Retention premium rewards institutions for enrolling and retaining part-time undergraduate students from deprived areas. Under the existing methodology, institutions are currently divided into two bands according to the proportion of students defined as being from areas of deprivation (see **Table 1** below); those with more than 15% of their eligible students defined as deprived receive a higher rate of funding. Institutions also receive a slightly higher rate of funding when students from deprived areas complete a one year course, or continue into the second year or later of a multi-year course.

Table 1: Access and retention premium funding amount per deprived/low participation student, dependent on retention status and (deprivation element only) whether the institution falls into band 1 or 2 based on their proportion of eligible students from deprived areas

Deprivation

| Retention status | Band 1 (institution > 15%) | Band 2 (institution ≤ 15%) |
|-------------------------|--|---------------------------------------|
| Not retained | £697 | £427 |
| Retained | £720 | £450 |

Low Participation

| Retention status | All institutions |
|-------------------------|-------------------------|
| Not retained | £225 |
| Retained | £247 |

14. To date, Communities First – a 2012 Welsh Government programme that identified 52 Communities First cluster areas – has been used to identify students from deprived areas, using their home postcode on entry. As this programme has ended and identification is based on mapping data from almost a decade ago, we are proposing to update the methodology we use to identify deprived students.
15. The Welsh Index of Multiple Deprivation (WIMD) is the official measure (albeit a proxy) of relative deprivation for small areas in Wales. It ranks all small areas in Wales from 1 (most deprived) to 1,909 (least deprived) and assigns each to one of five quintiles.
16. Having modelled various different approaches, we propose to use WIMD quintiles 1 and 2 (i.e. the two most deprived quintiles) as a replacement for

Communities First in defining a student as being from a deprived area. We propose to use the most up-to-date edition of WIMD in the funding calculations, which is currently 2019.

17. We are also proposing to amend the percentage threshold used to categorise institutions into two bands, for the purpose of allocating a higher rate of Access and Retention funding relating to deprivation. Moving to WIMD quintiles 1 and 2 will result in a substantial increase in the number and proportion of students defined as being from a deprived area (see Annex A). In order to achieve a balance of institutions in bands 1 and 2, we are proposing to increase the band threshold from 15% to 35%.
18. The Access and Retention premium also rewards HEIs who enrol and retain students from areas with low higher education participation. Institutions receive a slightly higher rate of funding when students from low participation areas complete a one year course, or continue into the second year or later of a multi-year course. This part of the premium has previously relied upon 2001 census data to identify areas of low participation and we propose that it is updated to make use of the most recent census data, which is currently the 2011 dataset.
19. We have already allocated Access and Retention Premium funding for 2021/22. However, to demonstrate the impact of using WIMD data in the premium, we have modelled how the proposed changes would have affected the 2021/22 allocation of Access and Retention Premium funding. Based on data from the 2019/20 HESA student record, our proposal would have led to a 68% increase in the number of deprived students included in the premium, and a 9% reduction in the number of students defined to be from a low participation area. Overall, the funding would have increased by more than £2 million (see **Annex A**).
20. We are proposing to make the changes outlined above regarding use of WIMD, and the most recent census data, for implementation in the 2022/23 funding allocations only. These changes relate to aspects of the current method that are in most need of updating. The premium will be considered holistically with our other teaching funding streams as part of the second stage of our funding review which will take into account the proposed changes above.
21. Consultation questions:
 1. Do you agree with our proposal to update the methodology for the Access and Retention premium to use the Welsh Index of Multiple Deprivation data in place of Communities First data? If not, why not?
 2. Are there any alternative methods for defining deprivation besides using WIMD which you think should be considered?
 3. Do you agree that the most recent census data should be used as the measure of low participation? If not, why not, and what should be used instead to define low participation?

4. Do you agree with our proposal in paragraph 17 to increase the deprivation threshold we use to determine the bands for the levels of funding? If not, why not?
5. Are there any unintended consequences which may arise from our proposals to update the Access and Retention Premium as an interim change?

Part-time fee waiver scheme

22. The [part-time fee waiver scheme](#) offers grants to institutions that waive fees for part-time students who are unemployed and registered jobseekers or are in receipt of Department for Work and Pensions (DWP) benefits, and meet the eligibility criteria.
23. The usage of the scheme has decreased steadily over time. In 2008/09 institutions in Wales claimed a total of £604k in fee waivers for eligible students. In 2019/20, this decreased to just under £36k³. Contributory factors to this decline include the introduction of the Welsh Government part-time tuition fee loans in 2014/15, the enhanced student support arrangements in Wales in 2018/19 and the decline in part-time student numbers more broadly.
24. In light of this decrease in the number of fee waivers claimed by institutions, and due to the scheme having broadly remained the same since it was established, we are proposing to amend the scheme as follows for AY 2022/23 onwards.
 - We will amend the eligibility criteria to include students who are from groups which are under-represented in higher education.⁴
 - Institutions will no longer need to claim fee waivers from HEFCW through the annual estimation and reconciliation process, but will instead be provided with a fixed allocation against which they can issue fee waivers to students. In a similar way to our other funding streams, we propose to reclaim any unspent funds through our end of year monitoring process.
 - Institutions in need of additional funds, due to an excess of waivers issued, would be asked to notify HEFCW by a specific point in the academic year as determined by HEFCW. Where additional funds were available in the part-time fee waiver budget, through an under-spend within the sector, these would be re-distributed.
25. Consultation questions:
 6. Do you agree with our proposal to amend the eligibility criteria for the part-time fee waiver scheme as we have outlined? If not, please explain in your response.

³ See page 87 of [Circular W21/07HE Annex B](#)

⁴ See page 23 of HEFCW Fee and Access Plan [guidance](#)

7. Are there other groups of students who should be included as potential beneficiaries of the scheme, not covered by the proposals above? If so, please explain.
 8. Do you agree with our proposal to amend the way we allocate funds for fee waivers to institutions? If not, please explain in your response.
 9. Are there other ways in which part-time students studying at less than 25% FTE could be supported?
 10. Are there any unintended consequences which may arise from our proposals to update the part-time fee waiver scheme?
26. As noted in paragraph 8, it would be useful for respondents to also consider how the part-time fee waiver scheme could be used to support students studying micro-credential provision.

Development work for Stage Two of the teaching funding review

27. As part of the first stage of the review, we are also undertaking development work in relation to other aspects of our teaching funding, to inform changes beyond 2022/23.

Welsh medium premium

28. In line with the Welsh Government's [strategy](#) to achieve a million Welsh speakers in Wales by 2050, HEFCW is seeking to encourage institutions to increase opportunities for students to study through the medium of Welsh across all fields of study. The strategy stipulates that post-compulsory education and training institutions have a key role to play in sustaining learners' Welsh language skills to meet the growing need for a bilingual workforce.
29. HEFCW's Welsh medium premium is allocated to provide funding support for part-time undergraduate provision delivered through the medium of Welsh. It is currently allocated on a credit basis and provides a 34% uplift on the baseline unit of funding for modules undertaken through the medium of Welsh. This uplift was implemented for academic year 2007/08 funding, informed by the outcomes of the London Economics [study](#) on the costs of Welsh medium provision in higher education institutions. Prior to 2007/08, the weighting was 26%.
30. We have completed a data analysis exercise using the pilot 2018/19 Welsh medium Transparent Approach to Costing Teaching - TRAC(T) - data collected from HE institutions. However, we cannot use that data in our development of funding methodology for Welsh medium provision. We previously stated in circular [W19/21HE: Consultation on the implementation of TRAC\(T\) data collection in Wales](#) that we would not use the pilot data in our funding processes. We also concluded from our analysis that the data was not of a sufficient quality to meaningfully answer questions we had about the cost of Welsh medium delivery.

31. Given that we have not made any substantive changes to the funding method for the premium since 2007/08, we intend to commission a new study on the cost of delivery of Welsh medium provision, to inform our future funding approach.
32. The focus of the new study will be on the costs and challenges associated with the delivery of Welsh medium HE provision in Wales. We expect to receive the outcomes of the new study in spring 2022, which we will take into account in the second stage of our review of teaching funding, for implementation in 2023/24.
33. We welcome initial views on the funding of Welsh medium HE provision which we will take account of in the second stage of our review. Consultation questions are outlined in paragraph 45.

Subject relativities

34. The cost of teaching varies by subject. Subject relativities aim to capture the differences in teaching costs between different groups of subjects, allowing this to be factored into funding models and calculations.
35. Work is being undertaken to update the subject relativities for the 2023/24 funding cycle. This will make use of benchmark TRAC(T) data collected from institutions in England, Scotland and Northern Ireland for the 2016/17, 2017/18 and 2018/19 academic years. We have access to this data as part of the agreement for Welsh providers to participate in the 2018/19 pilot TRAC(T) data collection exercise, but will not be including Welsh data in the analysis. We will use this data to group academic cost centres into subject groups with the aim of using the new groups to replace the academic subject categories (ASCs) that we currently use in our funding methods for part-time undergraduate credit based funding and the higher cost subjects premium, and will use the groups in any future funding streams which are subject based. Higher Education Classification of Subjects (HECoS) subject of study codes will be mapped to these groups for onward use in modelling and funding calculations.
36. Our aim is to better align what is used across the different funding streams. In doing this we will look at the costs for the new subject groups from the TRAC(T) data and also data about tuition fees as these differ across modes and levels. Our modelling will look at the relativities between the costs in each subject group (the assumed unit of resource), and also relativities once the tuition fee has been taken into account. This modelling can then be used to determine a unit of funding for various modes and levels, which will also depend on affordability.
37. In the second stage consultation for this review, we will be sharing outputs from our modelling and proposing subject groups to be used in teaching funding for 2023/24 onwards.

Stage Two funding review

38. We previously confirmed our intention to undertake a full review of our teaching funding methods for implementation in AY 2023/24. This would take account of the outcomes of the consultation on changes proposed for implementation in 2019/20 (see circular [W19/09HE](#)) and the outcomes of our consultation on the proposals outlined above.
39. We are keen to explore how our funding methods can help HEFCW to deliver on its Corporate Strategy. As part of this first stage of the review we are keen to understand the views of institutions, partners and stakeholders in terms of initial policy steers and priorities for our future funding methods, and have included additional consultation questions below.

Funding principles

40. We are proposing that the new funding method should:
 - be clear and easy to understand
 - fund high-quality higher education provision which meets the needs of Wales, for individual, societal and economic benefit and which contributes to HEFCW's ability to deliver its vision as set out in its Corporate Strategy
 - be flexible in order to allow HEFCW to respond to Welsh Government policy changes and events which have the potential to impact on institutions
 - fund, as far as possible, the actual costs of delivery of provision in Wales (including in comparison to other parts of the UK)
 - promote the development of Welsh medium provision
 - align with the Sustainable Development principle, goals and ways of working of the Well-being of Future Generations Act
 - facilitate lifelong learning and upskilling, including flexible and tailored models of provision
 - promote opportunity and access to education, including support for under-represented groups in higher education
41. In developing plans for a future funding method we will be mindful of forthcoming legislation to establish the Commission for Tertiary Education and Research (CTER). The CTER is expected to be established in April 2023.
42. We will also take account of developments in other UK nations which may have implications for the way we fund HE taught provision in Wales, including the outcomes of the Augar Review in England and the UK government Spending Review in autumn 2021.
43. We are expecting to consult in November 2021 on the next stage of the funding review, taking account of responses to this consultation and our ongoing engagement with stakeholders.

44. We are particularly keen to understand whether there are new or emerging developments as a result of the impact of the Covid-19 pandemic. Your responses to the consultation questions below will help us to model and test proposals for consultation in the second stage.
45. Consultation questions:
11. Do you agree with the principles (as set out in paragraph 40) which we are proposing to use to develop the new method?
 12. What types, modes or levels of provision should we prioritise in our new funding methodology and why?
 13. Are there aspects of our existing funding methodology which we should retain? If so, which and why?
 14. Are there specific changes to our funding methods that would help to stimulate growth and participation in higher education, including new and innovative forms of provision?
 15. Are there aspects which we should add, amend or remove? If so, what are they and why?
 16. For funded institutions, what impact does HEFCW's teaching funding have on your institution's ability to deliver its strategic mission?
 17. Is the current balance of HEFCW funding for part-time and full-time, undergraduate and postgraduate taught provision appropriate?
 18. Should we retain premia funding as a way of incentivising institutional behaviour? If yes, why is this a good way of doing this?
 19. Are there any particular issues relating to the cost of delivery of Welsh medium provision which we should take account of in the study we are undertaking and in our stage two proposals?
 20. In what ways, other than through a premium method, might we incentivise an increase in the delivery of Welsh medium higher education, including for other modes and levels?
 21. Are there aspects of the findings of the OB3 part-time review and HEFCW part-time analysis report which we should prioritise in the new funding method?
 22. Are there any particular factors in our analysis of subject groupings and relativities that you think we should take into account? What are these factors?
 23. Will our proposals have any effect (either positive or adverse), on opportunities for persons to use the Welsh language and/or treating the Welsh language no less favourably than the English language. If so, how could the proposals be amended to ensure positive effects (or increased positive effects) on these areas?
 24. Do these proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven wellbeing goals, Sustainable Development Principle and five ways of working?

Further information

46. For further information on the teaching funding review and associated policy development, contact Nicola Hunt (tel 029 2085 9735; email nicola.hunt@hefcw.ac.uk).

Assessing the impact of our policies

47. We have impact assessed the proposed changes outlined in this consultation. Positive impacts were identified in relation to our proposals to use the updated mappings in the Access and Retention premium.
48. Widening the eligibility criteria for the Part-time fee waiver scheme could allow more students to benefit from HE.
49. In our full review, we will be considering how to fund provision for a range of groups, for example, those studying through the medium of Welsh, those from deprived areas, those with disabilities and those who choose to study part-time, and so there is potential for a positive impact on under-represented groups of students.
50. We will keep our impact assessment under review to help safeguard against discrimination and promote equality. Contact equality@hefcw.ac.uk for more information about impact assessments.

Annex A

Modelled example of proposed changes to Access and Retention premium

| | | | |
|---|--------------------------|---------------------|-----------------|
| Number of eligible Welsh-domiciled part-time undergraduate students in 2019/20 | 19,548 | | |
| Number of eligible part-time undergraduate students in 2019/20 | 20,948 | | |
| Deprivation | Communities First | WIMD (Q1/Q2) | % change |
| Number of eligible students defined as deprived in 2019/20 | 4,705 | 7,918 | 68.3% |
| Number of eligible students defined as deprived and retained in 2019/20 | 3,115 | 5,268 | 69.1% |
| A&R deprivation funding for 2021/22 based on deprived students in 2019/20 | £3,263,555 | £5,624,091 | 72.3% |
| 83.3% alignment between Communities First and WIMD Q1/Q2 in terms of defining whether a student is deprived. | | | |
| Low participation | 2001 census | 2011 census | % change |
| Number of eligible students defined as low participation in 2019/20 | 9,161 | 8,381 | -8.5% |
| Number of eligible students defined as low participation and retained in 2019/20 | 6,121 | 5,622 | -8.2% |
| A&R low participation funding for 2021/22 based on low participation students in 2019/20 | £2,195,880 | £2,009,418 | -8.5% |
| 86.9% alignment between 2001 and 2011 census in terms of defining whether a student is low participation. | | | |
| Overall A&R funding for 2021/22 | £5,459,436 | £7,633,509 | 39.8% |

Source: HESA student record (student numbers)

Annex B

For ease of reference, we have provided a list below of the consultation questions in this circular.

1. Do you agree with our proposal to update the methodology for the Access and Retention premium to use the Welsh Index of Multiple Deprivation data in place of Communities First data? If not, why not?
2. Are there any alternative methods for defining deprivation besides using WIMD which you think should be considered?
3. Do you agree that the most recent census data should be used as the measure of low participation? If not, why not, and what should be used instead to define low participation?
4. Do you agree with our proposal in paragraph 17 to increase the deprivation threshold we use to determine the bands for the levels of funding? If not, why not?
5. Are there any unintended consequences which may arise from our proposals to update the Access and Retention Premium as an interim change?
6. Do you agree with our proposal to amend the eligibility criteria for the part-time fee waiver scheme as we have outlined? If not, please explain in your response.
7. Are there other groups of students who should be included as potential beneficiaries of the scheme, not covered by the proposals above? If so, please explain.
8. Do you agree with our proposal to amend the way we allocate funds for fee waivers to institutions? If not, please explain in your response.
9. Are there other ways in which part-time students studying at less than 25% FTE could be supported?
10. Are there any unintended consequences which may arise from our proposals to update the part-time fee waiver scheme?
11. Do you agree with the principles (as set out in paragraph 40) which we are proposing to use to develop the new method?
12. What types, modes or levels of provision should we prioritise in our new funding methodology and why?
13. Are there aspects of our existing funding methodology which we should retain? If so, which and why?
14. Are there specific changes to our funding methods that would help to stimulate growth and participation in higher education, including new and innovative forms of provision?
15. Are there aspects which we should add, amend or remove? If so, what are they and why?
16. For funded institutions, what impact does HEFCW's teaching funding have on your institution's ability to deliver its strategic mission?

17. Is the current balance of HEFCW funding for part-time and full-time, undergraduate and postgraduate taught provision appropriate?
18. Should we retain premia funding as a way of incentivising institutional behaviour? If yes, why is this a good way of doing this?
19. Are there any particular issues relating to the cost of delivery of Welsh medium provision which we should take account of in the study we are undertaking and in our stage two proposals?
20. In what ways, other than through a premium method, might we incentivise an increase in the delivery of Welsh medium higher education, including for other modes and levels?
21. Are there aspects of the findings of the OB3 part-time review and HEFCW part-time analysis report which we should prioritise in the new funding method?
22. Are there any particular factors in our analysis of subject groupings and relativities that you think we should take into account? What are these factors?
23. Will our proposals have any effect (either positive or adverse), on opportunities for persons to use the Welsh language and/or treating the Welsh language no less favourably than the English language. If so, how could the proposals be amended to ensure positive effects (or increased positive effects) on these areas?
24. Do these proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven wellbeing goals, Sustainable Development Principle and five ways of working?