

**Number: WG35721**



Llywodraeth Cymru  
Welsh Government

Welsh Government  
**Consultation Document**

# Financial Contingency Fund

Revision of Allocation Methodology

Date of issue: 21 January 2019  
Action required: 18 March 2019

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

**Overview**

This consultation seeks views on the proposed changes to the allocation of the Financial Contingency Fund budget to Further Education institutions in Wales.

**How to respond**

Responses to this consultation should be e-mailed/posted to the address below by **18 March 2019** at the latest.

**Further information and related documents**

**Large print, Braille and alternative language versions of this document are available on request.**

web address, detailed appendix to consultation

**Contact details**

For further information:

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## General Data Protection Regulation (GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation

If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

### Your rights

Under the data protection legislation, you have the right:

- to be informed of the personal data holds about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the GDPR, please see contact details below:

Data Protection Officer:  
Welsh Government  
Cathays Park  
CARDIFF  
CF10 3NQ

The contact details for the Information Commissioner's Office are:

Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

Tel: 01625 545 745 or  
0303 123 1113

Website: <https://ico.org.uk/>

e-mail:

[Data.ProtectionOfficer@gov.wales](mailto:Data.ProtectionOfficer@gov.wales)

## **Foreword by the Minister for Welsh Language and Lifelong Learning**

Financial Contingency Fund (FCF) has been available to students who want to continue their studies beyond their compulsory education since 1991. The Welsh Government recognises that continuing their studies might be difficult for some students, due to the costs that are involved. The nature of the costs that cause difficulty will vary according to the specific challenges faced by individual learners. So, financial provision has been made to help students with the costs that might inhibit their access to further education or cause them not to continue their studies.

On an annual basis, the Welsh Government makes an FCF allocation available to Further Education Institutions (FEIs) to administer to its students on our behalf. This enables support to be tailored to the needs of the student, which will vary in nature within and between institutions. The FCF allocation for each FEI is currently based on an established proportion of the annual available budget. It is some time since the methodology behind the allocation has been reviewed, to ensure the available budget is shared between institutions in a fair, transparent and repeatable way.

In 2013, the Welsh Government engaged Old Bell 3, a research consultancy, to undertake an evaluation of FCF. It concluded that we should continue to fund the FCF on a discretionary basis. It also recommended that the underlying methodology for making funding available to individual institutions should be modified in order to better reflect the numbers and circumstances of the learners they serve.

I am proposing that the allocation is modernised by basing it on a formula which takes into account the most recent information that we have each year about student numbers and the levels of economic deprivation. This will provide for a transparent, fair and repeatable method for sharing the FCF budget, enabling institutions to continue to direct their allocation towards the specific needs of the learners they serve, be it help with the cost of with childcare, transport, learning materials or other barriers to study.

I look forward to hearing from you.

**Kirsty Williams AM**

## What are the main issues?

Welsh Ministers are considering establishing a new formula for allocating the annual Financial Contingency Fund (FCF) budget to Further Education Institutions (FEIs), based on student numbers and the number of students from low income families. This consultation document outlines the proposed formula and its component parts and seeks views on them. The deadline for responses is 18 March 2019.

## Where are we now?

The Welsh Government annually makes FCF funding available to FEIs to administer to students on a discretionary basis. Determining individual college allocations has been based on an historical proportion of the annual available budget. However, the basis for the allocations has been in place for many years, as a static proportion of the overall budget. A revised methodology is proposed, to ensure the available budget is shared between institutions in a fair, transparent and repeatable way.

The table below shows the current FCF percentage budget apportionment and allocated amount for the 2017/18 academic year, for each institution.

<b>Institution</b>	<b>Percentage of budget</b>	<b>FCF allocation</b>
Adult Learning Wales	0.91%	£57,311.69
Bridgend	5.38%	£338,766.40
Cardiff & Vale College	10.23%	£644,244.76
Coleg Cambria	11.29%	£711,082.43
Coleg Ceredigion	2.07%	£130,516.74
Coleg Gwent	12.02%	£757,129.90
Coleg Sir Gar	5.13%	£323,271.96
Coleg y Cymoedd	13.08%	£824,242.30
Gower College	7.80%	£491,201.36
Grwp Llandrillo Menai	12.11%	£763,163.56
Merthyr Tydfil College	4.41%	£278,006.43
Neath Port Talbot Group	10.59%	£667,199.37
Pembrokeshire College	3.41%	£214,631.13
St David's College	0.87%	£54,588.99
Y Ganolfan Dysgu Cymraeg Genedlaethol	0.71%	£44,642.97
<b>Total</b>		<b>£6,300,000</b>

Note that percentages are displayed to two decimal places.

## **The case for change**

In 2013, the Welsh Government (WG) engaged Old Bell 3, a research consultancy, to undertake an evaluation of FCF. It concluded that the WG should continue to fund the FCF on a discretionary basis. It also recommended that the WG should communicate the underlying methodology for making funding available to individual institutions and modify it in order to better reflect the student numbers, deprivation (low income) and consider other factors, such as rurality.

## **Financial Contingency Fund**

FCF has been available since 1991 to students facing financial difficulties. The aim of the Fund is to provide financial help to those students whose access to further education might be inhibited by financial considerations or other financial difficulties. Students are helped with costs including home to college travel, childcare, learning materials and luncheon vouchers.

On an annual basis, the WG makes FCF funding available to FEIs to administer to students on a discretionary basis. The allocation for an individual institution is its historical proportion of the annual available budget. However, the basis for the allocations has been in place for many years.

The expenditure on FCF in the 2018-19 financial year was £6.3m. Allocations are made to FEIs, Y Ganolfan Dysgu Cymraeg Genedlaethol and the Open University (OU). Officials met with representatives of FEI administrators in December 2017, and it was agreed that a new methodology should be developed that was transparent, fair and repeatable.

## **Proposed new formula**

Old Bell 3, suggested that student numbers and deprivation should be factors when developing a new formula for the allocation of FCF.

### **Student numbers**

The source of student numbers will be taken from the latest published data held by the Lifelong Learning Wales Record (LLWR). This records the number of full-time and part-time students enrolled at each institution.

Evidence from the distribution of FCF in the 2016/17 academic year demonstrated that 95% of awards and funding was made to full-time students. Accordingly, a weighting of funding to those institutions with more full-time students should be applied. The weighting proposed is therefore 95% based on full-time student numbers and 5% based on part-time student numbers. This will moderate the allocation to institutions such as Adult Learning Wales, where the majority of students study part-time and may have other sources of income.

## Deprivation (low income)

The following indicators of deprivation were considered:

- **Postcode.** The number of FE learners enrolled at each institution with a home postcode in an area with economic deprivation above a defined threshold. This is based on the income deprivation indicator from the Welsh Index of Multiple Deprivation<sup>1</sup> (percentage of the population in receipt of income-related benefits). The indicator is refreshed annually and published at a geographical resolution that splits Wales into around 2,000 small areas (Lower Layer Super Output Areas, or LSOAs), each with an average population around 1,600. A list of postcodes was generated for LSOAs with 25% or more of the population in receipt of income-related benefits. This is broadly equivalent to the most income deprived 20% of LSOAs in Wales.
- **Recipients of Education Maintenance Allowance (EMA) and/or Welsh Government Learning Grant (WGLG).** EMA<sup>2</sup>: is available to full-time FE students, aged 16-18, with a household income up to £20,817 (or £23,077, if there is another young person eligible for child benefit in the household). WGLG for FE<sup>3</sup> is available to full-time and part-time FE students, aged 19 or over, with a household income up to £18,370. In academic year 2016/17, around 16,700 learners at FEIS received an EMA and approximately 5,300 received a WGLG.

We consider that the measure of deprivation that best reflects the characteristics of individual learners at a particular institution is the number of EMA and WGLG recipients. In contrast, the indicator related to learner postcodes would reflect income deprivation in the area where a learner lives, rather than whether or not their family would be considered income deprived.

## Weighting given to student numbers versus deprivation

Since the purpose of FCF is to provide financial help to students whose access to further education might be inhibited by financial considerations or who face financial difficulties, it is proposed that the weighting of the drivers should favour institutions who have the most low income students enrolled on their courses. Thus, it is suggested that the formula should be weighted by allocating 75% of funds according to the low income indicator, and 25% according to overall learner numbers.

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For more information see:

<sup>1</sup> <http://gov.wales/statistics-and-research/welsh-index-multiple-deprivation/?lang=en>

<sup>2</sup> <http://www.studentfinancewales.co.uk/fe/ema/can-i-get-it.aspx>

<sup>3</sup> <http://www.studentfinancewales.co.uk/fe/wglg-fe/can-i-get-it.aspx>

Attached at **Annex 1** is a table demonstrating the allocation to institutions, following the application of the recommended new formula, against their current allocation.

## Other factors

Old Bell 3 recommended that the allocation methodology should be understandable to FEIs and clear in its application. Although the inclusion of other factors, such as rurality, was considered, it is recommended that these factors should not be included. Various individual factors are important to individual institutions, but will vary greatly between institutions and are usually not straightforward to measure. It was, therefore, considered that including these factors would compromise the transparency and simplicity of the allocation formula, and introduce bias towards specific factors that will be more important for some institutions than others. It could also skew the allocation towards specific issues for which interventions exist through other means (e.g. transport arrangements in certain areas or for certain groups of learners).

## Application of the methodology

Under the new methodology, the overall budget will be allocated as follows, according to the parameters described. Excluding the current allocation to Y Ganolfan Dysgu Cymraeg Genedlaethol (£44,642.97) leaves £6,255,357.03 from the overall budget to be allocated according to the formula. Of this:

- £4,691,517.77 (75%) is allocated based on the number of learners in receipt of WGLG or EMA, as a proportion of the total;
- £1,563,839.26 (25%) is allocated based on student numbers, of which:
  - £1,485,647.29 (95%) will be allocated based on the numbers of full-time learners, as a proportion of the total
  - £78,191.96 (5%) will be allocated based on the numbers of part-time learners, as a proportion of the total.
- The figures will then be summed for each institution, after which 33% of the difference between the current allocation and the calculated allocation will be used for the first academic year of implementation.

## Introduction of the new allocation formula

FEIs are aware that funding each year depends upon the Minister making provision in the budget, as there is no statutory obligation to make a hardship fund. However, as the scheme has been in place for over 25 years, there is an expectation amongst students and their parents that support will be made available for some expenses, such as home to college transport or childcare, to those from low income families. In order to manage these expectations and the impact of the change in methodology on the FEIs, it is proposed to introduce the changes to allocations over a three-year period. This would enable any student starting their course in September 2019 to complete their studies before the full impact of the new formula is felt.

## **The National Centre for Learning Welsh**

The National Centre for Learning Welsh is responsible for all aspects of the Welsh for Adults learning programme. It was established in response to the report "*Raising our sights: review of Welsh for Adults*". Its aim is to attract new learners to the Welsh language and increase the numbers using and enjoying Welsh each day. Established in September 2016, the National Centre works with a network of eleven providers across Wales which deliver Welsh courses on its behalf.

Prior to September 2016, Welsh for Adults were administered by five centres in Wales, each receiving an FCF allocation. These allocations were amalgamated together in 2016, totalling £44,643, and administered on a national basis by the Centre. Since this arrangement is in its infancy, officials at the Centre asked if they could be excluded from the application of the formula until such time as they are confident that they are familiar with the needs and requirements of their students.

## A worked example: Coleg Gwent

The input data for the allocation formula is provided at the end of this paper. Coleg Gwent will receive the largest FCF allocation, based on the revised formula. The step by step calculation of the allocation to Coleg Gwent in 2018/19 is displayed below.

### 1. Low income calculation:

	3,442	WGLG and EMA recipients at Coleg Gwent
divided by	22,014	Total WGLG and EMA recipients at Welsh FEIs
multiplied by	£4,691,517.77	Budget amount allocated based on low income
by		
equals	<b>£733,542.48</b>	Coleg Gwent's allocation based on low income

### 2. Student number calculation:

#### Full-time learner calculation

	7,455	<b>Full-time</b> learners at Coleg Gwent
divided by	47,335	Total full-time learners at Welsh FEIs
multiplied by	£1,485,647.29	Budget amount allocated based on full-time learners
by		
equals	<b>£233,981.21</b>	Coleg Gwent's allocation based on full-time learners

#### Part-time learner calculation

	6,710	<b>Part-time</b> learners at Coleg Gwent
divided by	67,660	Total part-time learners at Welsh FEIs
multiplied by	£78,191.96	Budget amount allocated based on part-time learners
by		
equals	<b>£7,754.48</b>	Coleg Gwent's allocation based on part-time learners

### 3. Total allocation for 2018/19:

	£975,278.17	Coleg Gwent's calculated allocation (sum of figures above)
minus	£757,129.90	Coleg Gwent's allocation in previous year (2017/18)
equals	£218,148.27	Calculated change in Coleg Gwent's allocation
multiplied by	0.33	Phased change proportion applied in 2018/19
equals	£71,998.93	Coleg Gwent's phased change in allocation
sum	<b>£829,119</b>	Coleg Gwent's FCF allocation for 2018/19 (rounded)

The table below shows the data used in the FCF allocation formula proposed.

Institution	Student numbers		Low income recipients	
	Full-time	Part-time	WGLG (FE)	EMA
Adult Learning Wales	0	15,150	23	6
Bridgend	2,330	3,345	292	886
Cardiff & Vale College	4,500	4,245	957	1,533
Coleg Cambria	6,120	10,355	539	1,570
Coleg Ceredigion	630	415	92	243
Coleg Gwent [1]	7,455	6,710	821	2,621
Coleg Sir Gar	2,505	2,100	217	990
Coleg y Cymoedd	4,940	3,425	681	1,908
Gower College	4,380	4,260	447	1,575
Grwp Llandrillo Menai	6,025	10,470	674	1,995
Merthyr Tydfil College	1,750	385	167	667
Neath Port Talbot Group	3,760	4,790	328	1,498
Pembrokeshire College	1,610	1,985	95	614
St David's College	1,330	25	4	571
<b>Total</b>	<b>47,335</b>	<b>67,660</b>	<b>5,337</b>	<b>16,677</b>

Sources: *Lifelong Learning Wales Record and Student Loans Company*

Note that figures are for the 2016/17 academic year.

[1] Excluding Welsh for Adults learners; latest available figure is for 2015/16.

## **Caveats and assumptions**

It should be noted that:

- Revised allocations are based on the latest data available from the Lifelong Learning Wales Record and Student Loans Company, covering academic year 2016/17;
- The allocation formula outlined in this paper may be impacted by any future change (e.g. eligibility criteria) to the WGLG (FE) and EMA policies.

## Our questions

1. Do you agree that the methodology for allocating the FCF budget should be open and transparent?
2. Do you agree that the basis of the allocations should be student numbers and a measure of economic disadvantage?
3. How should economic disadvantage be measured?
4. Are you satisfied with the proposed weighting for each factor?
5. Are there any other factors that should be taken into account? Please provide justification for any additional factor(s).
6. How would you define the additional factor(s)?
7. How would you measure the additional factor(s)?
8. Do you have any other comments on the proposed methodology?
9. We would like to know your views on the effects that the proposals have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favorably than English.
10. What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated
11. Please also explain how you believe the proposed changes could be formulated or changed so as to have positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favorably than the English language, and no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favorably than the English language.
12. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them: