

The Funding Gap: 2004/05

October 2006



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INTRODUCTION

1. On 9 February 2006, the Welsh Assembly Government (WAG) included in its annual remit letter a requirement that HEFCW should refine the analysis to examine HE funding levels and comparisons between Wales and other parts of the UK which was undertaken in 2005-06. The letter indicated that this should be done in a way which reflected comments received in response to the original analysis.
2. Comments from the sector have been supportive of the methodology originally adopted. The only additional suggestion related to the possibility of undertaking a regional analysis for England to provide comparators for Wales. Accordingly, this paper uses the same methodology and adds a section on regional comparisons.
3. The paper aims to provide a robust estimate of the difference in funding available for allocation to institutions between Wales and England. Some comparisons with Scotland have also been made but fundamental differences between the funding of higher education in Scotland and elsewhere in the UK make such comparisons less secure than those with England.
4. Providing estimates of the funding gap may sound straightforward, but in fact is highly complex. Uncertainties apply to the accuracy of some of the data, with consequences for the confidence that can be attached to conclusions. More importantly, there are significant differences between the parts of the UK, including:
 - Variations in what is funded, such as initial teacher training, whether or not HE in FE is covered, and access and hardship funding;
 - How student numbers are dealt with, with Wales funding in terms of a concept of *funded* numbers (being broadly in line with the target number established by the Assembly Government), and England working with *fundable* numbers (students eligible to pay home fees) whose place is considered eligible for funding council funding;
 - Differing profiles of the sectors in England and Wales. The very high research institutions represent one aspect of the differences between the make up of the two sectors. In addition, a significantly higher proportion of students attend post-92 universities and colleges in England than in Wales. Conversely, proportionately higher numbers attend pre-92 universities in Wales with research funding spread much more evenly across these institutions in Wales than in England;
 - How capital funding is handled – a major issue in making Wales-England comparisons;
 - The fact that Wales has a higher student population relative to overall population than England. This is a reflection of the value attached to HE, and to the success of Welsh HEIs in recruiting across the border and bringing the associated economic benefits into Wales. But it also means that any Wales-England comparison of *funding per head of population* implicitly accepts the current population relativities, making the outcome lower for Wales than if the territorial differences were reduced

5. To try to deal with these complexities, a number of assumptions have been made and a variety of analytical approaches used, enabling cross-checks upon the conclusions reached. These approaches include comparing total grant-in-aid per fundable student numbers, comparing funding council spending by individual Welsh institutions with English 'look-alikes', comparing Welsh and English funding council grants-in-aid per head of population, and comparing Welsh grant per full-time student equivalent with English regions. These various approaches give a range of outcomes. Determination of a final view of the scale of the funding gap depends both on the analytical approach chosen and on the policy objectives, in terms of comparability with elsewhere in the UK, that the Assembly wishes to pursue.

SUMMARY OF FINDINGS

6. This summary should be read with reference to the definitions and caveats in paragraphs 7-22, the HESA definitions provided in Annex A and the tables and paragraphs indicated against each summary finding.
- Based on total Grant-in-Aid (GIA) comparisons, the funding gap with England increased to £40.9 million in 2004/05 (Table 1b)
 - The cost of GIA plus SRIF per head of population was £131 compared with £128 in England implying a higher level of expenditure in Wales than England of around £8 million (Table 1c)
 - The estimated funding gap with England based on GIA per funded FTE in Wales and per fundable FTE in England was £38 million (Table 1d)
 - Grant and income per FTE measures (HE grant, teaching grant, grant+fees and all income) were lower for Wales than Scotland or England in 2004/05 (Table 2)
 - The Welsh grant per fundable FTE in 2004/05 had risen by 3 per cent on 2003/04 while the increases for England and Scotland were 6.2 per cent and 5 per cent respectively (Table 2)
 - Teaching grant per fundable taught FTE rose by 8.6 per cent in England, by 3.1 per cent in Wales, and by 2.6 per cent in Scotland (Table 2)
 - The funding gap for capital was around £17 million (Table 3)
 - The funding gap (including capital) was estimated to be in the range £32.2 million to £39.9 million in terms of grant received by institutions (ie excluding HE in Further Education Colleges (FECs) and top-sliced grant) depending on the groupings of institutions included (Tables 3-7)
 - Grant per FTE in terms of the grant shown in the accounts of institutions, but without any adjustment for capital, in Wales was broadly comparable with that recorded by institutions in the English regions except London, the East and South East. (Table 9)

- The mix of institutions in Wales differed considerably from those of the English regions, with a lower proportion of students in Wales in institutions with low levels of research funding than in the English regions. The closest match was Yorkshire and the Humber (Table 10)
- Grant per FTE after adjustment for capital was lower in Wales than in all English regions except the East Midlands (Table 11).
- Comparing Wales with England excluding London showed a shortfall of £345 per FTE (including capital) implying a funding gap of £25.2 million (Table 11)
- The costs of Wales's role as a nation (rather than an English region) were estimated to be at least £10 million (paragraph 68)

METHODS OF ANALYSIS AND SOURCES OF DATA

7. The first part of the analysis used the same two methods as were adopted for the original analysis. These were a top down approach based on the GIA allocated to the funding councils; and a bottom up approach based on the funding received by the higher education institutions. Further analysis at a regional level was also undertaken and is presented in the final part of the paper.

Analysis based on GIA

8. For the first analysis, the total grant-in-aid income, excluding running costs, from the sponsoring bodies in Wales, England and Scotland was compared with the total number of fundable HE FTEs for the five years from 2000/01 to 2004/05. The grant-in-aid was the amount shown in the published financial statements but converted to an academic year basis. This approach ensured that all income allocated, including any that was announced after the Grant Letter, was taken into account, provided it was shown in the Council's accounts. Certain sources of variation were adjusted to a common basis for all countries. This was necessary because of the different treatments of sources of income such as the Science Research Investment Fund (SRIF) and Hardship and Access funds and the way initial teacher training is funded. The grant to English HEIs directly from the TDA was added (for QTS only).
9. Fundable, rather than funded FTEs, were used for the main analyses because, while all fundable students are classified as funded in England, there are fees only students (ie fundable students above the available number of funded places) in both Scotland and Wales.

10. All students who met the criteria for funding in their own country were included if they were enrolled on the census date or predicted to enrol before the end of the year. The rules here are broadly similar in the three countries. Differences between how drop-outs are treated for funding purposes meant that adjustments could not be made for students who failed to complete the year of the course; any such adjustments would have led to comparisons which were influenced by the policy decisions on those students who could be counted as fundable by the councils. This leads to a slightly higher number of FTEs being included in the analysis than would be counted as fundable in either England or Wales. TDA FTEs were added to HEFCE's figures. The most accurate enrolment figures were used. For Wales and Scotland, end year finalised figures were used. For England, Higher Education Early Student Statistics (HESES) data were used as HEFCE does not undertake a separate end year data collection. The funding gap was calculated as the difference between the GIA per fundable HE FTE in England (or Scotland) and Wales multiplied by the number of Welsh FTEs.
11. Two alternative bases for estimating the funding gap are also presented:
- The first method is a comparison of GIA per head of population. This method was introduced last year and has been repeated this year. It uses the mid year populations based on census data.
 - In addition, the Welsh Assembly Government has asked for an analysis based on funded numbers. For this analysis, the FTEs for both England and Wales are based on enrolments after adjustment for dropout using the methods which apply for funding purposes in each country. For England, TDA numbers are added to the HEFCE FTEs (from HESES 2004/05) to give the numbers actually counted in the funding allocations (HEFCE and TDA separately). HEFCW funded credit values for 2004/05 (based on 2003/04 HESES capped to align with Assembly target numbers) are converted into FTEs as for the main analysis. Although this method provides a closer approximation to the funded numbers for each country, the estimates of funding per FTE are not on comparable bases so the difference between the two does not provide a robust method of estimating the funding gap.

Analysis Based on HE Grant Allocated to Higher Education Institutions

12. The second main method of analysis started with the grant received by each institution as shown in the HESA Finance Record for 2004/05. This reflects the figures shown in the institutional financial statements. The HESA Finance Record excludes any funding top-sliced by the funding council before allocation to institutions, treats capital in terms of the release of deferred capital grants and excludes HE at Further Education colleges, unless delivered on a franchised basis, so does not sum to the total grant-in-aid used in the first set of comparisons. HESA's instructions for the classification of grant are given at Annex A. The analysis was based on HE students and funding only - FE funding and students were excluded from the calculations (except for Scotland where funding is not reported separately for HEIs).

13. HESA student data for 2004/05 were used for the calculation of home and EU fundable FTEs and descriptive statistics about the groups of institutions. The HESA record assigns a student as fundable according to funding council definitions. The FTE of the student includes all activity during the year but not all activities may be fundable. For example, repeat modules are not fundable in Wales but are included within the FTE of an otherwise fundable student. More significantly, students who drop-out part way through the year are included within the HESA FTE for the part of the year for which they were studying. In England, anyone who drops out is excluded from the numbers which count for funding; in Wales, those who partially complete (e.g. one semester only) are counted for funding purposes though those who do not complete all required assessment activities are excluded. Counting the HESA fundable FTEs provides a common basis for comparisons but it does not reflect exactly the definitions adopted in England or Wales.
14. The initial HESA-based analysis compared Wales, England and Scotland at a sector level. Several different statistics were calculated to enable comparisons of teaching grant, all grant plus fees and all income as well as the total grant that was used in the later analysis. The later comparisons were based on various groupings of similar institutions and compared each Welsh institution with a small group of English institutions which, taken together, had a very similar subject mix and proportion of research funding.
15. The institutions were grouped as follows:
- Low research institutions (% Grant from research: 0%-9%) - sub divided by size for some analyses:
 - Small - Fewer than 5000 home HE FTEs
 - Medium - 5000 - 9999 home HE FTEs
 - Large - 10,000 and above home HE FTEs
 - Conservatoires (treated separately and not included in the low research group)
 - Moderate research institutions (% Grant from research: 10%-29%)
 - High research institutions (% Grant from research: 30% - 49%)
 - Very high research institutions (% Grant from research: 50% +)
 - Open University (treated separately and not included in the low research group)
16. Wales does not have institutions in all the groups. The detailed comparisons are, therefore, shown only for the groups that include Welsh HEIs. These analyses excluded English very high research institutions and the Open University. For a later stage of the analysis, stand-alone medical schools and a number of specialist institutions (eg the Institute of Education, Royal College of Nursing Institute, Wimbledon School of Art) were excluded.

17. A similar method to that adopted for GIA was used to calculate the funding gap. The differences between the grant per fundable HE FTE for Wales and England for 2004/05 based on HESA data were calculated. These figures provide the basis for the estimation of the funding gap between the two countries with the data grouped in a number of different ways. These estimates are based on the assumption that there is a gap in funding if the level of grant per fundable student FTE is different in the two countries taking into account factors such as differing mixes of institutions. The method involves taking the value for Wales from the value for England and multiplying the outcome by the number of fundable FTEs in Wales.
18. The main differences between the estimate based on Grant in Aid (GIA) and those based on HESA data are: the GIA includes all funding (except running costs) while the grant reported by institutions in the HESA Finance Record includes only that which is allocated directly for HE in higher education institutions; the amounts shown in HESA exclude HE in FE colleges and all top-sliced funding; capital is shown as the release of deferred capital grant rather than the full amount allocated. The different treatment of capital has a large effect on the estimates and it is necessary to make an adjustment to compensate for the capital which is excluded from the HESA figures.

Regional Analysis

19. The third type of analysis compared the Welsh grant per FTE and grant per head of population with the other UK countries, with England split into the Government Office Regions. Again HESA data underpin these comparisons. The initial analysis was carried out without making any adjustment for the capital allocated but not shown in the HESA record. The final analysis allocates this capital funding pro-rata to the total grant shown in the HESA Record to allow a more complete comparison of Wales with the English regions to be made. HESA data by region as published in *Students in Higher Education Institutions 2004/05: Table 8 – Students by region of institution, subject area and level of study* are used to explain differences. The Science, Engineering and Technology (SET) group includes Biological Sciences, Veterinary Science, Agriculture, Mathematics, Computer Science and Engineering and Technology.

Accuracy of the Data

20. While the funding data are consistent with the audited accounts, there are minor issues surrounding the conversion of the Grant-in-Aid from financial to academic years and some rounding of the HESA figures. However, it is thought that these factors are unlikely to have introduced significant uncertainty into the calculations.
21. More serious uncertainties surround the fundable student numbers and their conversion to full-time equivalents (FTEs):
 - For the GIA based calculations in Table 1, the measure of activity was based on finalised figures for Wales and Scotland; the Welsh figures can be assumed to be reasonably accurate because they have been audited. However, some uncertainty was introduced by the need to convert Welsh credit values to FTEs and to exclude the FTEs of dropouts. The English figures were based on the Higher Education Student Early Statistics (HESES) return. This involves making predictions. However, HEFCE statisticians have indicated that the figures at a sector level provide good estimates.
 - For the comparisons based on allocations to HEIs, HESA data were used. These are recorded at the year end on an individual student basis using common

definitions. However, it must be anticipated that the figures include errors particularly for the Welsh student FTEs as, unlike HEFCE, HEFCW has not placed particular emphasis on improving the accuracy of these figures. There may be quite large errors for individual institutions but the impact is less when groups of institutions are under consideration.

Caveat

22. Before moving on to the comparisons, it is worth repeating that the FTEs used were the FTEs of the home and EU higher education students, including postgraduate research students, which were fundable for mainstream activities. The funding council concerned may not count part or all of the activity of these students as fundable. For example, if the student drops-out during the year without completing all assessment processes, he/she would be shown as fundable in the HESA data but non-fundable in the English funding data; he/she might be shown as fundable for part of the year in the Welsh funding data if a semester had been completed. The volume as measured by these FTEs does not correspond exactly with the definitions used by either funding council but provides a common basis for calculating the funding per fundable FTE.

FINDINGS: TOTAL GRANT-IN-AID

23. Table 1a shows the GIA per fundable HE FTE for the five years to 2004/05. The sub-tables (1b – 1c) show the funding gaps on this basis and also in terms of grant per head of population between Wales and England and Wales and Scotland. Sub-table 1d shows outcomes on the basis of funded FTEs.
24. As in previous years, HEFCW GIA per fundable HE FTE was well below the level for both Scotland and England. While English GIA per fundable FTE increased by 7.3 per cent and Scottish GIA per FTE increased by 7.1 per cent, the increase for Wales was only 4 per cent. This led to larger funding gaps than had been calculated for 2003/04. The shortfall in funding between Wales and England is now estimated to be around £40.9 million when all GIA is included. This is a 57 per cent rise on 2003/04. The gap with Scotland remains higher at £92.7 million but, to some extent, this reflects the exclusion of most of the sub-degree provision which is delivered in further education colleges in Scotland.
25. The gap between Wales and England in terms of GIA per head of population has fallen. The cost of GIA (including SRIF) per head of population was £131 compared with £128 in England implying a higher level of expenditure in Wales of around £8 million compared with £15 million in 2003/04. The value for Scotland is, however, much higher than with England with GIA per head of population being £171 leading to a funding gap with Scotland on this basis of £119 million.

Table 1: Funding Gaps based on Grant in Aid: 2000/01 to 2004/05

Table 1a: Grant in Aid per Fundable FTE: 2000/01 to 2004/05

| | 2000/01 £000s | 2001/02 £000s | 2002/03 £000s | 2003/04 £000s | 2004/05 £000s |
|------------|------------------|------------------|------------------|------------------|------------------|
| HEFCW | 4,307 | 4,649 | 4,687 | 4,942 | 5,138 |
| SHEFC | 5,087 | 5,401 | 5,643 | 5,946 | 6,369 |
| HEFCE +TDA | 4,334 | 4,609 | 4,917 | 5,296 | 5,681 |

Table 1b: Funding Gaps with England and Scotland: 2000/01 to 2004/05

| | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Wales and England | £1,835,733 | -£2,809,608 | £17,010,899 | £26,125,277 | £40,895,090 |
| Wales and Scotland | £54,819,741 | £53,662,916 | £70,724,163 | £74,215,585 | £92,688,833 |

Based on

End of Year FTEs Wales and Scotland; HESES England (col 1+2 for HEFCW and HEFCE ie drop out not excluded)

Funding Council Accounts with Adjustments for Access and Hardship (excluded for HEFCE)

and OST SRIF (added for HEFCW)

Table 1c: Grant in Aid per Head of Population: 2004/05

| | Grant in Aid £000s | Mid Year Population | Grant per Head £ | Funding Gap for Wales £m |
|----------|-----------------------|------------------------|------------------------|--------------------------------|
| Wales | 387,048 | 2,952,500 | 131.1 | |
| England | 6,429,054 | 50,093,800 | 128.3 | -8.1 |
| Scotland | 870,072 | 5,078,400 | 171.3 | 118.8 |

Table 1d: Grant in Aid per Funded FTE2004/05

| | Grant in Aid £000s | Funded FTEs | Grant per funded FTE £ | Funding Gap for Wales £m |
|---------|-----------------------|-------------|------------------------------|--------------------------------|
| Wales | 387,048 | 69,807 | 5,545 | |
| England | 6,429,054 | 1,055,765 | 6,089 | 38.0 |

Based on funded numbers derived from HESES column 4

FINDINGS: GRANT ALLOCATED TO HIGHER EDUCATION INSTITUTIONS

Sector Level Comparisons

26. Four sector-wide comparisons including all institutions are shown in Table 2. These are:

- i) HE grant per fundable HE FTE (ie excluding FE)
- ii) HE teaching grant per fundable taught HE FTE (ie excluding FE and PGR)
- iii) All grant and fee income per FTE (no exclusions)
- iv) Total income of institutions from all sources (public and private) per FTE (no exclusions)

The amount of grant allocated for teaching is based on policy decisions by individual councils but, in 2004/05, all chose to allocate 70 per cent of grant for teaching.

For Scotland FE funding and students in HEIs were included in all the statistics because the grant is not allocated separately. The Open University in Scotland and Wales is included within the English figures.

Table 2: Grant and Income per FTE by Country: 2004/05 Compared with 2003/04

| | | HE Grant per fundable HE FTE | HE Teaching Grant per fundable taught HE FTE | All Grant and Fees per FTE | All Income per FTE |
|----------|------------|------------------------------|--|----------------------------|--------------------|
| Wales | 2003/04 | £4,671 | £3,367 | £6,028 | £9,262 |
| | 2004/05 | £4,813 | £3,470 | £6,250 | £9,782 |
| | % increase | 3.0% | 3.1% | 3.7% | 5.6% |
| England | 2003/04 | £4,796 | £3,385 | £6,345 | £10,101 |
| | 2004/05 | £5,091 | £3,675 | £6,682 | £10,643 |
| | % increase | 6.2% | 8.6% | 5.3% | 5.4% |
| Scotland | 2003/04 | £5,919 | £4,374 | £7,119 | £11,595 |
| | 2004/05 | £6,218 | £4,487 | £7,558 | £12,120 |
| | % increase | 5.0% | 2.6% | 6.2% | 4.5% |

Based on

HESA Student and Finance Records

OU included within English figures

FE FTEs in Scottish denominators and in denominators for Grant and Fees and All Income figures for all countries

27. The figures across the three countries show differences in terms of grant, teaching grant, grant plus fees and income:

- For all comparisons, Scotland's figures were considerably higher than those for England and Wales both in 2004/05 and the previous year.
- In terms of grant per fundable FTE, Wales was the lowest at £4,813, considerably below Scotland and £278 below England.

- In terms of teaching grant per fundable taught FTE, the differences between Wales and England had increased and Scotland was again considerably higher than either Wales or England.
- Wales had the lowest amount of grant and fees per FTE.
- Welsh HEIs had the lowest income (from all sources - public and private) per FTE with Welsh HEIs receiving considerably less than Scotland and England. However, growth in income was marginally higher in Wales than elsewhere.

Reconciliation of Tables 1 and 2

28. The figures for grant per fundable FTE in column 1 of Table 2 cannot be compared directly with those in Table 1a. The following factors lead to lower rates of grant per FTE in Table 2 than in Table 1a:

- Table 1 is based on grant-in-aid income to each HE funding council from its sponsoring body while Table 2 column 1 includes grant income for HE to Higher Education Institutions (HEIs) – not all grant-in-aid is allocated directly to institutions:
 - HEFCW and HEFCE also allocate recurrent funding to FECs. In addition, HEFCE allocates other funding, including capital, to FE colleges.
 - All funding councils top-slice funding for UK wide activities such as the JISC and sector wide activities within the relevant country.
- The Open University in Scotland is included within the figures for Scotland in Table 1 but within the English figures in Table 2.
- Capital is treated differently in the accounts of the funding councils and the HEIs. While the total capital sum allocated is reflected in the grant-in-aid figures in Table 1, Table 2 figures include the release of deferred capital grant.
- There are minor differences in the definitions of fundable FTE as set out in paragraphs 9 and 10 (for Table 1) and paragraph 13 (for Table 2).

29. Comparing Tables 1 and 2 shows a much greater difference in the English grant per fundable FTE than that for Wales and Scotland. This is a reflection of the different effects of the factors listed above. The exclusion of funding to FE colleges has a greater effect in England than Wales (not excluded for Scotland). However, the Scottish rate reflects the removal of the Open University.

30. In addition, a significant cause of the differences is the treatment of capital. Capital allocations in England have been increasing in recent years while those for Wales have fluctuated but have been broadly static. The full effect of the increasing capital is reflected in Table 1 but is not yet fully apparent in statistics used in Table 2.

Capital Funding

31. A much higher proportion of the capital allocated is reflected in the figures for release of capital grant for Wales (30 per cent) than for England (19 per cent). This suggests a different pattern of capital expenditure in the two countries. The impact of treatment of capital funding is set out in Table 3.

Table 3: The Effects of the Different Treatment of Capital

| | Wales (£) | England (£) | Shortfall (£) |
|---|--------------|----------------|------------------|
| Fundable FTEs (EYM/HESES+TDA) | 75,324 | 1,131,604 | |
| Release of Deferred Capital Grant shown in HESA | 11,755,000 | 158,975,000 | |
| Deferred Capital Grant per FTE | 156 | 140 | -1,173,001 |
| Capital Allocated (inc all SRIF) for 2004/05 | 38,036,000 | 831,167,000 | |
| Capital Grant per FTE | 505 | 735 | 17,289,735 |
| Capital Grant not shown in HESA | 26,281,000 | 672,192,000 | |
| Capital Grant not included in HESA per FTE | 349 | 594 | 18,462,736 |

32. Table 3 shows that a higher proportion of the capital grant allocated is reflected as the release of deferred capital grant in Wales than in England with £156 per FTE against £140 in England. This initially appears to suggest that Wales is over funded by around £1 million. However, the level of funding for capital is much lower in Wales with an actual shortfall of £17.3 million in 2004/05. If a realistic estimate of the shortfall in funding available for allocation to institutions in Wales is to be provided, an adjustment to compensate for the capital not shown in the HESA Finance Record needs to be made to any funding gaps based on the HESA data. The necessary adjustment is calculated to be £18.5 million in the final row of Table 3 (by multiplying the difference between the grant not shown in HESA per FTE for Wales (£349) and England (£594) by the Welsh FTEs). All subsequent tables in this section include a line for the adjustment of capital to reflect the amounts not shown in HESA.

33. Table 4 shows the figures for Wales and England which were set out in Table 2 with the addition of columns showing the funding gap before and after adjusting for capital.

34. It shows a funding gap of £38.8 million for 2004/05. This is below the amount shown in Table 1a reflecting the exclusion of HE in FE institutions and top-sliced funding; and the lower levels of accuracy in HESA data may also have contributed to the differences.

Table 4: Comparison of Welsh and English Grant per Fundable FTE 2003/04 and 2004/05

| Year | Wales | England | Difference (Wales- England) | Funding Gap before Adjustment for Capital | Adjustment for Capital | Funding Gap for Wales |
|---------|--------|---------|-----------------------------------|--|---------------------------|--------------------------|
| 2003/04 | £4,671 | £4,796 | -£125 | £9,037,375 | £9,273,435 | £18,310,810 |
| 2004/05 | £4,813 | £5,091 | -£278 | £20,324,858 | £18,462,736 | £38,787,594 |

Grant: HESA Finance Record- HE Grant to HEIs only

FTEs: HESA Student Record - Fundable HE FTEs only

Comparisons within the Main Groupings

35. The rest of the analysis is carried out as comparisons between Wales and England for groups of institutions rather than for the whole sector. This is necessary because of the different structures of the sectors in Wales and England. The differences are explored in greater detail in the section which looks at regional differences later in the paper (paragraph 51 onwards).
36. Although the most obvious difference is the lack of any very high research institutions in Wales, there are other significant differences. There are proportionately more fundable FTEs in the low research sector in England than in Wales and a much higher proportion attending the moderate research institutions in Wales (see Table 10). In the sector wide comparisons, the low research institutions have a much larger effect in England than in Wales. Since they receive lower grant per FTE than the other types of institution, the average for the English sector is reduced though this is balanced by the additional funding allocated to the very high research institutions. This part of the paper compares institutions within types in order to make like with like comparisons regardless of the numbers of institutions of each type within the two countries.
37. It is worth noting that policy decisions in England and Wales have an effect on the levels of grant for the different groupings of institutions. In particular, HEFCE has concentrated its research funding mainly on research judged by the Research Assessment Exercise to be of the highest quality (5 and 5*) while Wales has taken the view that a wider distribution of research funding is necessary to meet its policy objective of improving the research base.
38. Table 5 provides a comparison between the main groupings of institutions as set out in paragraph 15.
39. The grant per fundable FTE was lower in Wales than in England in all groupings for 2004/05. The differences between 2003/04 and 2004/05 were largely the result of the merger Cardiff University and the University of Wales College of Medicine (UWCM). UWCM was previously included within the Moderate Research Group and inflated the value for that group. Its inclusion with Cardiff in the High Research Group has increased the value for the High Research Group. The increase in the value for the Low Research Group was probably, at least in part, a result of poor data recording by one institution.
40. The funding gap was calculated for the groups in which Wales has institutions – Very High Research in England and the Open University were excluded. Nonetheless, the funding gap, calculated at £39.9 million, was slightly higher than that shown in Table 4. The Moderate Research Group difference in grant per FTE of £742 contributed significantly to the size of the funding gap.

Table 5: Comparison of Welsh and English Grant per Fundable FTE by Research Funding Groups: 2003/04 and 2004/05

| | Wales | | England | | Difference (Wales-England) | | Funding Gap before Adjustment for Capital | |
|--|---------|---------|---------|---------|-------------------------------|---------|--|-------------|
| | 2003/04 | 2004/05 | 2003/04 | 2004/05 | 2003/04 | 2004/05 | 2003/04 | 2004/05 |
| Low Research | £3,687 | £4,021 | £3,845 | £4,035 | -£158 | -£14 | £5,189,036 | £434,364 |
| Moderate Research | £5,393 | £4,776 | £5,183 | £5,518 | £210 | -£742 | -£5,102,580 | £17,286,374 |
| High Research | £5,488 | £6,172 | £5,942 | £6,343 | -£454 | -£171 | £6,650,646 | £2,947,869 |
| Very High Research | - | - | £11,257 | £11,756 | - | - | | |
| Conservatoires | £10,137 | £9,899 | £10,873 | £11,222 | -£736 | -£1,323 | £375,360 | £726,327 |
| Open University | | - | £2,558 | £2,934 | - | - | | |
| Total Funding Gap by Addition before Adjustment for Capital | | | | | | | | |
| | | | | | | | £7,112,462 | £21,394,934 |
| Adjustment for Capital not shown in HESA Finance Record | | | | | | | £9,273,435 | £18,462,736 |
| Funding Gap for Wales | | | | | | | £16,385,897 | £39,857,670 |

Grant: HESA Finance Record- HE Grant to HEIs only

FTEs: HESA Student Record - Fundable HE FTEs only

41. Table 6 provides a finer breakdown of the Low Research Group and excludes specialist institutions. The names of the institutions have been replaced with letters A to L to reduce the danger of erroneous conclusions being drawn about any shortfall of funding for individual institutions.

42. These estimates show a considerable reduction in the funding gap (to £32.2 million) in comparison with those based on the earlier tables. This is result of two factors. Many of the expensive specialist institutions in London were included in the Moderate Research Group in Table 5. Their exclusion has reduced the difference between Wales and England to £597 per FTE and the estimated funding gap for that group by £3.4 million. The Art Schools and Agricultural Colleges were mainly in the Small Low Research Group. These tended to be relatively highly funded and their removal from the analysis has reduced the English value for this group. More significantly, the increase (on 2003/04) in grant per FTE of the only large low research institution was masked to a large extent by inclusion with the other low research institutions in Wales in Table 5. Taken alone, the large difference (£593) between it and the English Large Low Research Group is clear. This results in a reduction of the funding gap by almost £6 million. It is not clear whether the increase is a result of inaccurate recording of data or a reduction in the amount of learning undertaken by students at this institution (Student numbers, but not FTEs, have remained reasonably steady).

Table 6: Grant per FTE Welsh and English Groups: 2003/04 and 2004/05

| | HE Grant per fundable HE FTE | HE Grant per fundable HE FTE | Shortfall (excludes Welsh specialist institutions) | Shortfall (excludes Welsh specialist institutions) |
|---|------------------------------|------------------------------|--|--|
| | 2003/04 | 2004/05 | 2003/04 | 2004/05 |
| English low research - small | £3,504 | £3,827 | | |
| Welsh low research - small | £3,646 | £3,836 | -£1,303,986 | -£85,164 |
| I | £4,274 | £4,609 | | |
| J | £2,984 | £3,337 | | |
| K | £4,111 | £3,480 | | |
| English low research - medium | £3,571 | £3,895 | | |
| Welsh low research - medium | £3,565 | £3,699 | £74,784 | £2,453,976 |
| H | £3,331 | £3,448 | | |
| G | £3,769 | £3,925 | | |
| English low research - large | £3,852 | £4,007 | -£44,784 | -£5,943,575 |
| Welsh low research - large | £3,856 | £4,600 | | |
| A | £3,856 | £4,600 | | |
| English moderate research | £4,975 | £5,373 | £5,285,496 | £13,903,027 |
| Welsh moderate research | £4,747 | £4,776 | | |
| B | £4,517 | £4,606 | | |
| C | £5,580 | £5,684 | | |
| E | £3,130 | £3,191 | | |
| F | £4,710 | £4,623 | | |
| English high research | £5,921 | £6,326 | £6,343,017 | £2,646,213 |
| Welsh high research | £5,488 | £6,172 | | |
| D | £5,488 | £6,172 | | |
| | | | | |
| Total excluding specialist HEIs | | | £10,354,527 | £12,974,477 |
| | | | | |
| English Conservatoires | £10,873 | £11,222 | £375,360 | £726,327 |
| Welsh Conservatoires | £10,137 | £9,899 | | |
| L | £10,137 | £9,899 | | |
| Total including L | | | £10,729,887 | £13,700,804 |
| Adjustment for Capital not shown in HESA Finance Record | | | £9,273,435 | £18,462,736 |
| Funding Gap for Wales | | | £20,003,322 | £32,162,540 |

Grant: HESA Finance Record- HE Grant to HEIs only

FTEs: HESA Student Record - Fundable HE FTEs only

UWCM not included in 03/04 Funding Gap for Wales

43. The final analysis in this section aimed to adjust for the different subject mixes within institutions. A group of English institutions with broadly similar proportions of research funding and proportions in each of the main subject groups was selected for each Welsh institution. The matches were not perfect, though often differing by less than two percentage points. Given the small size of the groups of comparators and the accuracy of some of the FTEs, any estimates are likely to be subject to large margins of error at the individual institution level. For this reason, the individual institution analysis is not presented here. However, it should be noted that the funding gap for the moderate research institutions was considerably reduced when these institutions were compared with more similar institutions and that for the high research institution was increased when it was compared only with institutions with large medical schools.

44. These problems are reduced by aggregating the individual institutional analyses to produce a sector level estimate but some margin of error should still be assumed. The outcome based on aggregating the individual institution funding gaps is shown in Table 7. This gives a funding gap of £38.5 million for 2004/05 compared with £24 million in the previous year.

Table 7: Funding Gap with English Comparators with Similar Subject Mix: 2003/04 and 2004/05

| | 2003/04 | 2004/05 |
|--|-------------|--------------------|
| Total before adjustment for Capital excluded from HESA Finance Record | 14,693,304 | £19,998,728 |
| Adjustment for Capital | £9,273,435 | £18,462,736 |
| Total Funding Gap for Wales | £23,966,739 | £38,461,464 |

Grant: HESA Finance Record- HE Grant to HEIs only
FTEs: HESA Student Record - Fundable HE FTEs only

ESTIMATES OF THE FUNDING GAP

45. Table 8 provides a summary of the estimates of the funding gap.

Table 8: Funding Gap Summary

| Basis of Estimate | Funding Gap for Wales |
|--|------------------------------|
| All GIA from Table 1 | £40,895,090 |
| All grant (using HESA data) from Table 4 | £38,787,594 |
| All grant (using HESA data) summed across research groupings excluding very high research and OU from Table 5 | £39,857,670 |
| All grant (using HESA data) summed across groups by research and size (excluding specialist HEIs) from Table 6 | £32,163,540 |
| All grant (using HESA data) based on comparators with similar subject mix from Table 7 | £38,461,464 |

46. The size of the funding gap depends to some extent on the completeness of the data used, on the English institutions that were included in the calculations and the degree to which the groups were disaggregated. Errors in the FTE data are also likely to have had an effect, with a one percentage point error in the FTEs for Wales resulting in a change to the funding gap of around £3.5 million.
47. The largest estimate (£41 million) was based on the fullest data most of which had been subject to audit but it does not include any allowances for the differences in the structure of the sectors in England and Wales or subject mix.
48. The gap was reduced to around £39 million for the whole sector when HESA data were used (ie with HE in FECs and top-sliced grant excluded). Separating the institutions by proportion of research funding had little effect, yielding an estimate of £40 million, even though very high research institutions were excluded.
49. Removing the specialist institutions had more effect - reducing the funding gap to around £32 million though it seems likely that data problems may have affected this estimate more than the others. It highlights the problem of using groups consisting of a single institution: errors or outlying values in one institution's data cannot be attenuated by the data of other institutions. The use of institutional comparators had similar problems but produced an estimate overall that was in line with expectations based on the other estimates.
50. The funding gap for 2004/05 has been estimated to be in the range £32 million to £41 million compared with £16 million to £26 million for 2003/04. Although some doubt must surround the actual figure, it is clear that the gap has grown.

FINDINGS: REGIONAL ANALYSIS

51. The final analysis has been undertaken at the request of Higher Education Wales (HEW). It compares grant per FTE and grant per head of population in Wales with the other UK countries with England included at a regional level.
52. Table 9 compares grant per FTE and teaching grant per taught FTE (for HE only except in Scotland where the grant is not disaggregated between HE and FE in HEIs) and also shows the percentages of grant from research and teaching.
53. The analysis used HESA data with capital recorded as the release of deferred capital grant. The difficulties surrounding making comparisons without adjusting for this factor were set out in paragraphs 31 and 32 above. However, it is not straightforward to use an adjustment factor in the regional analysis and therefore no adjustments are shown in Tables 9 and 10. This should be borne in mind when considering the relative levels of grant in Wales and the English regions provided in these tables. Teaching grant per taught FTE provides an alternative basis for comparisons but the proportion of grant allocated for teaching varied considerably across the English regions with an average of around 70 per cent so any such comparisons provide only a partial picture.
54. On all measures, Wales was below the UK average and was the least well funded of the home countries.

55. Comparing Wales with the English regions suggested that, in terms of grant (not adjusted for capital) per FTE, Wales was comparable with the English regions except London, the East and the South East.
56. However, to some extent, the level grant per FTE depends on the amount of research funding allocated to institutions. The proportions of grant allocated for research are different in Wales (17.5 per cent) and England (19.8 per cent) largely as a result of policy and formula choices made by the two funding councils. The proportion of grant from research varies considerably between the English regions. Of the group of regions with the lowest grant per FTE (i.e. excluding London, the East and the South East) only one, Yorkshire and the Humber, had a higher proportion (19.2 per cent) than Wales.
57. Wales was very near the bottom of the distribution in terms of teaching grant per FTE with only the East Midlands and Yorkshire and the Humber (marginally) having lower levels. Teaching grant accounted for 70 per cent of grant in both Wales and England. As with research funding, there was considerable variation across the regions with those with the higher proportions of teaching grant tending to have the lower amounts of teaching grant per FTE.

Table 9: Comparison of the Funding Levels within UK Regions and Countries: 2004/05

| Government Office Region | Total HE Grant (not adjusted for capital) (£000s) | Fundable HE FTEs | HE Grant per HE FTE (£) | Research Grant as % of Total HE Grant | Teaching Grant per Taught FTE (£) | Teaching Grant as % of Total HE Grant |
|--------------------------|---|------------------|-------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
| England | | | | | | |
| East | 390,875 | 66,346 | 5,891 | 28.3 | 3,892 | 61.3 |
| East Midlands | 425,448 | 101,234 | 4,203 | 14.9 | 3,339 | 76.9 |
| London | 1,312,926 | 203,757 | 6,444 | 23.7 | 4,381 | 65.0 |
| North East | 307,123 | 60,484 | 5,078 | 15.4 | 3,734 | 71.2 |
| North West | 682,385 | 143,181 | 4,766 | 16.2 | 3,657 | 74.5 |
| South East | 744,944 | 137,041 | 5,436 | 25.6 | 3,566 | 62.6 |
| South West | 446,118 | 95,447 | 4,674 | 14.2 | 3,516 | 73.3 |
| West Midlands | 467,974 | 96,201 | 4,865 | 14.9 | 3,609 | 71.9 |
| Yorks and the Humber | 550,008 | 116,467 | 4,722 | 19.2 | 3,461 | 71.0 |
| Open University | 182,709 | 62,271 | 2,934 | 3.2 | 2,711 | 92.1 |
| Wales | 351,894 | 73,110 | 4,813 | 17.5 | 3,470 | 70.0 |
| Scotland | 810,687 | 130,383 | 6,218 | 22.0 | 4,487 | 69.6 |
| Northern Ireland | 182,645 | 32,784 | 5,571 | 21.7 | 4,093 | 70.4 |
| UK | 6,855,736 | 1,318,707 | 5,199 | 19.8 | 3,754 | 69.7 |

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58. The effects of the structure of the regions are explored further in Table 10.

59. It is immediately apparent that Wales had lower proportions of students in the low research institutions – 44 per cent compared with between 46 per cent and 63 per cent in the English regions. Since the funding of low research institutions was lower than for other groups in all regions (except the South East), lower grant per FTE might be expected in the English regions than in Wales given the greater proportion in these institutions in England.

Table 10: Comparison of Wales with English Regions by Type of Institution

| Region and Type of Institution | No of HEIs | Total HE Grant (not adjusted for capital) £000s | HE Fundable FTE | Average FTEs per HEI | % Grant by Type | % FTE by Type | Grant per FTE £ |
|----------------------------------|------------|---|-----------------|----------------------|-----------------|---------------|-----------------|
| Wales | | | | | | | |
| Wales: High Research | 1 | 106,397 | 17,238 | 17,238 | 30% | 24% | 6,172 |
| Wales: Moderate Research | 4 | 111,269 | 23,297 | 5,824 | 32% | 32% | 4,776 |
| Wales: Low Research | 6 | 128,790 | 32,026 | 5,338 | 37% | 44% | 4,021 |
| Wales: Conservatoire | 1 | 5,438 | 549 | 549 | 2% | 1% | 9,899 |
| Wales: Total | 12 | 351,894 | 73,110 | 6,093 | 100% | 100% | 4,813 |
| England | | | | | | | |
| East: High Research | 3 | 233,114 | 29,433 | 9,811 | 60% | 44% | 7,920 |
| East: Moderate Research | 1 | 20,920 | 2,049 | 2,049 | 5% | 3% | 10,207 |
| East: Low Research | 3 | 127,964 | 33,138 | 11,046 | 33% | 50% | 3,862 |
| East: Other | 2 | 8,877 | 1,726 | 863 | 2% | 3% | 5,144 |
| East: Total | 9 | 390,875 | 66,346 | 7,372 | 100% | 100% | 5,891 |
| East Midlands: High Research | 1 | 99,159 | 16,958 | 16,958 | 23% | 17% | 5,847 |
| East Midlands: Moderate Research | 2 | 104,016 | 20,723 | 10,362 | 24% | 20% | 5,019 |
| East Midlands: Low Research | 6 | 222,273 | 63,553 | 10,592 | 52% | 63% | 3,497 |
| East Midlands: Total | 9 | 425,448 | 101,234 | 11,248 | 100% | 100% | 4,203 |
| London: High Research | 3 | 410,932 | 33,524 | 11,175 | 31% | 16% | 12,258 |
| London: Moderate Research | 4 | 166,215 | 29,829 | 7,457 | 13% | 15% | 5,572 |
| London: Low Research | 10 | 453,860 | 104,758 | 10,476 | 35% | 51% | 4,332 |
| London: Conservatoire | 4 | 24,951 | 2,285 | 571 | 2% | 1% | 10,918 |
| London: Other | 19 | 256,068 | 33,361 | 1,756 | 20% | 16% | 7,703 |
| London: Total | 40 | 1,312,926 | 203,757 | 5,094 | 100% | 100% | 6,444 |
| North East: Moderate Research | 2 | 167,002 | 26,591 | 13,296 | 54% | 44% | 6,280 |
| North East: Low Research | 3 | 140,121 | 33,893 | 11,298 | 46% | 56% | 4,134 |
| North East: Total | 5 | 307,123 | 60,484 | 12,097 | 100% | 100% | 5,078 |

Table continued on next page

| Region and Type of Institution | No of HEIs | Total HE Grant (not adjusted) £000s | HE Fundable FTE | Average FTEs per HEI | % Grant by Type | % FTE by Type | Grant per FTE £ |
|---|------------|-------------------------------------|-----------------|----------------------|-----------------|---------------|-----------------|
| North West: High Research | 2 | 204,033 | 32,905 | 16,452 | 30% | 23% | 6,201 |
| North West: Moderate Research | 2 | 141,437 | 25,509 | 12,755 | 21% | 18% | 5,545 |
| North West: Low Research | 6 | 327,672 | 83,397 | 13,899 | 48% | 58% | 3,929 |
| North West: Conservatoire | 1 | 5,189 | 401 | 401 | 1% | 0% | 12,956 |
| North West: Other | 1 | 4,054 | 970 | 970 | 1% | 1% | 4,181 |
| North West: Total | 12 | 682,385 | 143,181 | 11,932 | 100% | 100% | 4,766 |
| | | | | | | | |
| South East: High Research | 6 | 422,693 | 57,158 | 9,526 | 57% | 42% | 7,395 |
| South East: Moderate Research | 1 | 41,753 | 10,543 | 10,543 | 6% | 8% | 3,960 |
| South East: Low Research | 8 | 259,957 | 65,128 | 8,141 | 35% | 48% | 3,991 |
| South East: Other | 2 | 20,541 | 4,212 | 2,106 | 3% | 3% | 4,877 |
| South East: Total | 17 | 744,944 | 137,041 | 8,061 | 100% | 100% | 5,436 |
| | | | | | | | |
| South West: High Research | 2 | 146,357 | 21,768 | 10,884 | 33% | 23% | 6,724 |
| South West: Moderate Research | 1 | 48,848 | 9,978 | 9,978 | 11% | 10% | 4,896 |
| South West: Low Research | 7 | 237,651 | 61,289 | 8,756 | 53% | 64% | 3,878 |
| South West: Other | 2 | 13,262 | 2,412 | 1,206 | 3% | 3% | 5,497 |
| South West: Total | 12 | 446,118 | 95,447 | 7,954 | 100% | 100% | 4,674 |
| | | | | | | | |
| West Midlands: High Research | 2 | 180,166 | 30,982 | 15,491 | 38% | 32% | 5,815 |
| West Midlands: Moderate Research | 2 | 52,216 | 11,679 | 5,839 | 11% | 12% | 4,471 |
| West Midlands: Low Research | 7 | 226,778 | 52,154 | 7,451 | 48% | 54% | 4,348 |
| West Midlands: Other | 1 | 8,814 | 1,386 | 1,386 | 2% | 1% | 6,357 |
| West Midlands: Total | 12 | 467,974 | 96,201 | 8,017 | 100% | 100% | 4,865 |
| | | | | | | | |
| Yorks and the Humber: High Research | 2 | 148,082 | 23,678 | 11,839 | 27% | 20% | 6,254 |
| Yorks and the Humber: Moderate Research | 3 | 205,762 | 39,569 | 13,190 | 37% | 34% | 5,200 |
| Yorks and the Humber: Low Research | 5 | 196,164 | 53,220 | 10,644 | 36% | 46% | 3,686 |
| Yorkshire and the Humber: Total | 10 | 550,008 | 116,467 | 11,647 | 100% | 100% | 4,722 |
| | | | | | | | |

Based on

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High Research Group includes HEIs elsewhere classified as Very High Research

Other includes mainly Art and Agricultural Colleges outside London and also other specialist institutions in London

60. Wales has a stand-alone conservatoire but, outside London, only one English region (North West) does. Although numbers are small, the costs and funding are considerably higher than for most other institutions.
61. The number of institutions in Wales is comparable with the numbers in the English regions but it is noticeable that the size of institutions in Wales for both the Moderate Research and the Low Research Groups is smaller than in the English regions in terms of fundable FTEs. The average size of institutions in the Welsh Moderate Research Group is reduced by the inclusion of the University of Wales, Lampeter but, even excluding Lampeter, few regions have smaller Moderate Research averages. Wales is unusual in having only one ex-polytechnic. This reduces the average size of the Low Research Group in Wales.
62. The region most similar to Wales is Yorkshire and the Humber. Its overall grant per FTE was £4722 compared with £4813 for Wales. The levels of grant per FTE for the High and Moderate Research groups were higher than those for Wales but the grant per FTE for the Low Research Group was lower at £3686 compared with £4021 for Wales.
63. Calculating a weighted grant per FTE using the Welsh proportions and excluding the RWCMD gave a value of £4787 for Yorkshire and the Humber and £4779 for Wales suggesting that Wales was marginally worse funded than Yorkshire and the Humber. Repeating this exercise for the other regions gave lower values for East Midlands (£4548) and West Midlands (£4740) than for Wales.
64. It would seem that Wales' funding is comparable with the less well funded regions even though Wales needs to operate at a National level to a greater extent than the English regions. Wales receives considerably less grant per FTE than the other home countries. Moreover, these comparisons were based on the grant received by institutions as shown in their accounts. The type of capital funding allocated and the way that it is recorded, as the release of deferred capital grant, tend to result in the amount of grant shown in the accounts being further below the amount allocated to institutions in Wales than in England (see paragraphs 31 and 32).
65. In order to illustrate the effects of including all capital funding, the funding excluded from the HESA Record (see Table 3) is included in Table 11 below. The amount for England has been pro-rated across the regions (and the OU) on the basis of the HE grant shown in the first column. This analysis does not adjust for the different structures of the regions and does not provide an accurate estimate of the capital allocated to individual regions. Nonetheless, it shows how English regional values are uplifted by the inclusion of all capital to a much greater extent than Wales. It suggests that Wales may be better funded than only one region, the East Midlands, which has far fewer students taught in research led institutions than Wales. The table also includes a row which includes all regions except London (and the OU) and again illustrates the lower level of funding in Wales.

Table 11: Comparison of the Funding Levels in Wales with UK Regions 2004/05

| Government Office Region | Total HE Grant (not adjusted for capital) (£000s) | Adjustment for Capital not in HESA (£000s) | Fundable HE FTEs | HE Grant per HE FTE (£) |
|---|--|---|-------------------------|--------------------------------|
| England | | | | |
| East | 390,875 | 47,680 | 66,346 | 6,610 |
| East Midlands | 425,448 | 51,898 | 101,234 | 4,715 |
| London | 1,312,926 | 160,155 | 203,757 | 7,230 |
| North East | 307,123 | 37,464 | 60,484 | 5,697 |
| North West | 682,385 | 83,240 | 143,181 | 5,347 |
| South East | 744,944 | 90,871 | 137,041 | 6,099 |
| South West | 446,118 | 54,419 | 95,447 | 5,244 |
| West Midlands | 467,974 | 57,085 | 96,201 | 5,458 |
| Yorkshire and the Humber | 550,008 | 67,092 | 116,467 | 5,298 |
| Open University | 182,709 | 22,288 | 62,271 | 3,292 |
| Total England except London and OU | 4,014,875 | 489,749 | 816,401 | 5,518 |
| Total England | 5,510,510 | 672,192 | 1,082,430 | 5,712 |
| Wales | 351,894 | 26,281 | 73,110 | 5,173 |
| Funding Gap Between Wales and England | | | | 39,421,184 |
| Funding Gap Between Wales and England excluding London | | | | 25,222,064 |

Based on
HESA Student and Finance Records

66. Before finishing this analysis, it is worth considering issues of subject mix and level of study as these have an impact on funding and are unlikely to be the same in all regions. Based on HESA data for the regions (*Students in Higher Education Institutions 2004/05 Table 8*) the following differences were noted.

- Wales had a lower proportion of postgraduates than any English region or UK country. While Wales has 19 per cent, Northern Ireland had 21 per cent, England 23 per cent, and Scotland had 24 per cent. The proportions for the English regions ranged from 21 per cent in the North East and North West to 30 per cent in London.
- Wales had the highest proportion of other (non-degree) undergraduates with 31 per cent compared with 17 per cent in Scotland and Northern Ireland and 23 per cent in England overall with the regional values ranging from 17 per cent in the East Midlands to 28 per cent in the East.
- Wales had a slightly lower proportion of science, engineering and technology (SET) students than England: 23 per cent of Welsh students were on SET courses while the proportions for the English regions were in the range 22 per

cent in London to 30 per cent in the North West with Scotland having 26 per cent and Northern Ireland 23 per cent.

- Only London, at 4.2 per cent, and Scotland, at 3.3 per cent, had higher proportions of medicine and dentistry students than Wales and Northern Ireland, each at 2.7 per cent. The lowest proportions of medical and dental students in the English regions were in the South East (1.4 per cent), the East (1.7 per cent) and the South West (1.9 per cent).

67. Some of these factors (e.g. proportions of undergraduates and medical students) would suggest that Wales needs to be funded at a higher level to provide comparability with the English regions but others (e.g. the proportions of SET students) suggest that this could be reduced slightly. Although this analysis provides some indications of the reasons why different levels of funding may be appropriate, it is not possible to draw firm conclusions without more extensive regional analysis.

68. These regional comparisons have allowed Wales to be compared with English regions but Wales needs to operate at a national level. It is difficult to provide an accurate estimate of the additional costs of operating at a national level but two areas in which Wales differs from almost all the English regions are in having a stand alone conservatoire and also having a higher proportion of medical and dental students than the English regions (because a high proportion of English students study in London). Taking the recurrent funding for the RWCMD and a quarter of the funding for medicine and dentistry plus a proportion of capital suggests Wales spends at least £10 million extra in these areas as a result of its national role. In addition, Wales needs to support provision in Welsh as well as English with an additional funding cost of £1.6 million.

69. Finally, the amount of funding per head of population is considered. This is set out in Table 12.

70. Table 12a shows all grant-in-aid as in Table 1c while Table 12b is based on data in the HESA Finance Record. As with the analysis of grant per FTE, the latter cannot be accurately adjusted for the capital which is excluded from the HESA Finance Record. It is therefore difficult to make like with like comparisons between the English regions and Wales and Scotland on this basis. Nonetheless, the wide variety of values of grant per head of population across the regions illustrates the problem of drawing conclusions about levels of funding on a regional basis when institutions serve students across the UK. The values are affected by the number and size of institutions in the region and the concentration of population as well as the level of grant received by institutions.

71. However, on the basis of the figures in Table 12, it would seem that the grant per head of population is higher only in Scotland, North East England and London.

Table 12: Grant per Head of Population 2004/05

| 11a: All Grant in Aid | Grant in Aid £000s | Mid Year Population | Grant per Head £ |
|---------------------------------------|---|--------------------------------|---------------------------------|
| Wales | 387,048 | 2,952,500 | 131 |
| England | 6,429,054 | 50,093,800 | 128 |
| Scotland | 870,072 | 5,078,400 | 171 |
| 11b Grant Received by HEIs | HESA- based grant excluding capital adjustment £000s | Mid Year Population | Grant per Head £ |
| Wales | 351,894 | 2,952,500 | 119 |
| England | 5,510,510 | 50,093,800 | 110 |
| Scotland | 810,687 | 5,078,400 | 160 |
| East | 390,875 | 5,491,300 | 71 |
| East Midlands | 425,448 | 4,279,700 | 99 |
| London | 1,312,926 | 7,429,200 | 177 |
| North East | 307,123 | 2,545,100 | 121 |
| North West | 682,385 | 6,827,200 | 100 |
| South East | 744,944 | 8,110,200 | 92 |
| South West | 446,118 | 5,038,200 | 89 |
| West Midlands | 467,974 | 5,334,000 | 88 |
| Yorks & The Humber | 550,008 | 5,038,800 | 109 |

CONCLUSIONS

72. The main part of the paper repeated the analysis carried out for 2003/04. This showed a significant increase in the funding gap between the two years. For 2004/05, the various estimates of the gap gave rise to values in the range £32 million to £41 million. Since the same methodology and sources of data as in the previous year were used, it is reasonable to conclude that there was a substantial increase in the funding gap with England. The significantly greater increase in capital funding in England has contributed to this increase but lower increases for Wales in recurrent funding for teaching and research have also been a major factor in the increased funding gap.
73. The comparison on the basis of funded FTEs for Wales and fundable FTEs for England gave an estimate of a funding gap of £38 million. Although the way in which grant per FTE was calculated differed for the two countries, this approach yielded an estimate of the same order as the main estimates.
74. Although Wales allocates a lower level of funding per FTE than England, the costs per head of population are higher by nearly £3 per head though this is

lower than in 2003/04 when the amount was close to £5 per head. The funding gap, in terms of higher level of expenditure per head, was around £8 million in favour of Wales. Compared with the English regions, only London and the North East had higher expenditure per head of population but the values are affected by the size and number of institutions in each region and the flows of students between regions.

75. More generally, the comparisons with the rest of the UK and the English regions have had less clear outcomes than those in the main analysis given the differences between Wales and the regions and the inability to adjust the capital funding accurately. At a national level, Wales is clearly less well funded than any of the other UK countries but it might be argued that Welsh institutions receive similar funding (in terms of income recorded in their accounts) to those in some of the less well funded English regions and are therefore not under-funded. However, such a conclusion would not be soundly based. It is necessary to take into account:

- the larger amounts of capital available in England but not yet fully reflected in the English institutions' accounts;
- the different structure of provision in the English regions as compared with Wales; and, in particular,
- the need for Wales to sustain the full range of provision which can be shared between regions, including London, in England.

76. With adjustments to allow the full capital to be reflected, Wales is seen to be funded at a lower level than all the English regions except the East Midlands which has far more students taught in low research institutions. Taking these factors into account, it is reasonable to draw the conclusion that Wales is less well funded than England both at a national and a regional level.

HESA's Instructions for the Completion Fields Relating to Council Grants

General guidance on Table 5b

1. Table 5b provides a further analysis of the five main income headings in Table 1. The totals for each of the main income headings must be the same as those in the financial statements.

Head 1: Funding Council grants

2. Teacher Training Agency (TTA) grants should be included under this Head.
3. ITT Training Bursaries should not be included (see paragraph 4 below).
4. Student support funding; Access to Learning Fund and transitional fee waiver should not be included in the income and expenditure account. Funding Council grant to reimburse the salary payments to PGCE (Post compulsory education) students and ITT Training Bursaries should also be treated as student support.

Sub-head 1a: Grants for HE provision (SHEFC grants for all provision)

Sub-head 1ai (Recurrent - Teaching)

5. Should contain the total grant (or main and associated grants) for teaching, including widening participation and tuition fee compensation, as shown in the annual grant letter or additional grant letter from the Funding Councils.

Sub-head 1aii (Recurrent - Research)

6. Should contain the total grant (or main and associated grants) for research as shown in the annual grant letter or additional grant letter from the Funding Councils. No distinction between the different components of research funding is required.

Sub-head 1aiii (Recurrent - Other including special funding)

7. Should include all other recurrent grants and grants to support special initiatives as stated in the annual grant letter or additional letters from the Funding Councils. Income relating to non- capitalised expenditure, for example Project Capital Allocation (PCA) or SRIF, should be included here.

Sub-head 1aiv (Release of deferred capital grants - Buildings)

8. Should include the release of deferred capital grants where capital funding (project or formula) has been applied to the purchase of an asset that has been capitalised. This should include grants from the SRIF and Strategic Development Fund (SDF). (The depreciation associated with these grants should be returned on Table 6 under Premises Sub-head 4b).

Sub-head 1av (Release of deferred capital grants - Equipment)

9. Should include the release of deferred capital grants where Equipment grant (including grants from the SRIF, SDF, PCA and Centres for Excellence in Teaching and Learning) has been applied to the purchase of furniture or other assets that have been capitalised.

Sub-head 1b (Grants for Further Education provision)

10. Should include all Funding Council grants for the provision of Further Education (FE). Grants from HEFCs and FEFCs should be added together. This Sub-head does not apply to SHEFC funded institutions as they do not receive separately identified grants for non-advanced/FE provision.

HESA Coding instructions for Fundability

Description

This field indicates whether the student is counted as 'fundable', i.e. 'eligible for funding' for the programme of study by the appropriate Funding Council or DELNI. The definition therefore may vary between England, Scotland, Northern Ireland and Wales, in line with their funding methods.

Valid Entries

- 1 Fundable by Funding Council (for institutions in England and N.I. there is the additional clause 'and funds sought')
- 2 Not fundable by Funding Council.
- 3 Not eligible for funding (as defined for the SHEFC 'Early Statistics') but is a Continuing Professional Development course (as defined by SHEFC)
- 4 Fundable by Funding Council but funds not sought (institutions in England and N.I. only).
- 5 Funded by the Department of Health (institutions in England and N.I. only).
- 7 Fundable by Teacher Training Agency.

Notes

This field must be coded at the individual student level.

Fundable means eligible for funding by the appropriate Funding Council/body, as defined by that Council/body.

This field should be consistent with the year's early student statistics returns to the Funding Councils.

Eligible students on courses funded by an FE Funding Council should be coded 1 'Fundable by Funding Council'.

For institutions in England and Northern Ireland fundable postgraduate research students in the second (third for part-time) and subsequent years of programme of study are treated as non-fundable in relation to the teaching model on HESES. Such students should have field 65 returned as 1 'Fundable by Funding Council' for all years of programme of study irrespective of how they are returned on HESES. Code 4 should not be used for such students.

Please refer any queries about whether or not students on a particular course/study programme, or students of a particular type, are eligible for funding to the appropriate Funding Council/body rather than to HESA.

To be consistent with the year's early statistics, field 65, [Fundability code](#), applies to 'eligible for core funding' (in the HESES returns for England, Wales and Northern Ireland) or to 'eligible for funding' (in SHEFC's 'Early Statistics' return). It has been confirmed by the Funding Councils that it is possible for students coded 01-04 in field 64, [Major source of funding](#), to be returned as 2 'Not fundable by Funding Council'. An example of where this is applicable is programmes of study funded through special funding initiatives.

The guidance for coding non-fundable students on funded courses should be to code to the

appropriate funding council in field 64, [Major source of funding](#) , and code as 2 'Not fundable by Funding Council' in field 65.

Code 3 is for use by institutions in Scotland only. Where code 3 is applicable it should be used in preference to code 2.

Code 7 'Fundable by Teacher Training Agency' is not available for Welsh institutions.

Institutions funded by SHEFC should note that a particular funding cell may have 100 'fundable' students, but the Funding Council may provide funding for only 80 student places in that cell. Provided that they satisfy the conditions for being counted in the 'Early Statistics' figures, all 100 students should be identified as eligible for funding: one cannot say which of them were 'fees only' students, as the funding relates to the cell as a whole.

For institutions in England, where the major source of funding for the course is HEFCE, but there is another source funding a certain number of places then this number of places must be shown as non-fundable in field 65. In most cases, it is expected that it will be clear from payment of tuition fees which individual student places are being funded from another source and so are not fundable by HEFCE. For the small number of cases where this is not so, institutions shall have the discretion as to which individual students to return as fundable, and which as not fundable, provided that the total student numbers conform to the split between fundable and non-fundable places.

Example

A non-EC overseas student is an example of a particular student who is **not** eligible for funding, even though the course/programme of study that they are following has funding for student places.

This should be consistent with the HESES and Early Statistics Returns.

Students in Higher Education Institutions 2004/05

Definitions

Coverage

Higher education (HE) students are those students on programmes of study for which the level of instruction is above that of level 3 of the National Qualifications Framework, i.e. courses leading to the Advanced Level of the General Certificate of Education (GCE A-levels), the Advanced Level of the Vocational Certificate of Education (VCE A-levels) or the Advanced Higher Grade and Higher Grade of the Scottish Qualifications Authority (SQA) Advanced Highers/Highers).

The HESA Student Record contains information about individual enrolments, which, because a student can be enrolled on more than one programme of study, will exceed the number of students. Postdoctoral students are not included in the HESA Student Record.

The **HESA standard registration population** has been derived from the HESA Student Record and ensures that similar activity is counted in a similar way irrespective of when it occurs. The population splits the student experience into 'years of programme of study'; the first year of which is deemed to start on the commencement date of the programme with second, and subsequent years, starting on, or near, the anniversary of that date. Registrations are counted once for each 'year of programme of study'. Short course registrations are counted in the standard registration population regardless of whether they

are active on the 1 December of the reporting period. However students who leave within 2 weeks of their start date, or anniversary of their start date, and are on a course of more than two weeks duration, are not included in the standard registration population. Dormant students, incoming visiting and exchange students from overseas and students studying for the whole of their programme of study outside of the UK are also excluded from this population.

Full-time equivalent

Student **full-time equivalent (FTE)** data represents the institution's assessment of the full-time equivalence of the student during the reporting year 1 August 2003 to 31 July 2004. FTE data is based on the HESA session population.

Further education

Further education (FE) students are those students on programmes of study for which the level of instruction is equal to or below that of level 3 of the National Qualifications Framework, i.e. courses leading to the Advanced Level of the General Certificate of Education (GCE A-levels), the Advanced Level of the Vocational Certificate of Education (VCE A-levels) or the Advanced Higher Grade and Higher Grade of the Scottish Qualifications Authority (SQA Advanced Highers/Highers).

Level of study

The level of study is taken from the qualification aim of the student.

Postgraduate programmes of study are those leading to higher degrees, diplomas and certificates (including Postgraduate Certificate of Education (PGCE) and professional qualifications) and usually require that entrants are already qualified to degree level (i.e. already qualified at level 3 of the National Qualifications Framework).

Higher degrees include doctorates, masters degrees and higher bachelors degrees.

In analyses where postgraduate level of study is disaggregated into **postgraduate research** and **postgraduate taught**, the following groupings are used:

Postgraduate research where the qualification aim is a research-based higher degree. These programmes of study include doctorates, masters, postgraduate bachelors degrees and postgraduate diplomas or certificates (not PGCE) studied mainly by research.

Postgraduate taught where the qualification aim is a taught higher degree. These programmes of study include doctorates, masters, postgraduate bachelors degrees and postgraduate diplomas or certificates studied not mainly by research including PGCE and professional qualifications.

Other postgraduate includes postgraduate diplomas, certificates and professional qualifications, Postgraduate Certificate in Education (PGCE), institutional postgraduate credits and no formal postgraduate qualifications.

Undergraduate programmes of study are first degrees with or without eligibility to register to practice with a Health or Social Care or Veterinary statutory regulatory body, first degrees with qualified teacher status (QTS)/registration with the General Teaching Council (GTC), enhanced first degrees, first degrees obtained concurrently with a diploma and intercalated first degrees, Foundation Degrees, diplomas in HE with eligibility to register to practice with a Health or Social Care regulatory body, Higher National Diploma (HND), Higher National Certificate (HNC), Diploma of Higher Education (DipHE), Certificate of Higher Education (CertHE), foundation courses at HE level, NVQ/SVQ levels 4 and 5, post-degree diplomas and certificates at undergraduate level, professional qualifications at undergraduate level and other undergraduate diplomas and certificates including post-registration health and social care courses. Entrants to these programmes of study do not usually require an HE qualification.

First degree includes first degrees with or without eligibility to register to practice with a Health or Social Care or Veterinary statutory regulatory body, first degrees with qualified teacher status (QTS)/registration with the General Teaching Council (GTC), enhanced first degrees, first degrees obtained concurrently with a diploma and intercalated first degrees.

Other undergraduate includes qualification aims below degree level such as Foundation Degrees, diplomas in HE with eligibility to register to practice with a Health or Social Care regulatory body, Higher National Diploma (HND), Higher National Certificate (HNC), Diploma of Higher Education (DipHE), Certificate of Higher Education (CertHE), foundation courses at

HE level, NVQ/SVQ levels 4 and 5, post-degree diplomas and certificates at undergraduate level, professional qualifications at undergraduate level, other undergraduate diplomas and certificates including post registration health and social care courses, other formal HE qualifications of less than degree standard, institutional undergraduate credit and no formal undergraduate qualifications.

Domicile

Domicile data is supplied to HESA in the form of postcodes (UK domiciled students) or country codes. Postcodes are mapped to counties, unitary authorities and UK nations following consultation with Geoplan Postcode Marketing. Countries are mapped to geographical regions following consultation with the Department for Education and Skills. Where no data is supplied about the student's domicile, fee eligibility is used to determine whether domicile is European Union, including the UK, or not.

UK domiciled students are those whose normal residence is in the UK, including the Channel Islands and Isle of Man.

Of those students who are not UK domiciled, **other EU** students are those whose normal residence is in countries which were European Union (EU) members as at 1 December of the reporting period. **Non-EU** students are those whose normal residence prior to commencing their programme of study was outside the EU.

Subject of study and JACS codes

Background

The subject coding systems HESACODE and SCAS originally used respectively by HESA and by the Universities and Colleges Admissions Service (UCAS), although broadly similar, were far from identical. Towards the end of the 1990s work was put in hand by the two Agencies to produce a common scheme, the Joint Academic Coding System (JACS). This came into use for the 2002 entry to HE through UCAS, and for the 2002/03 data collection by HESA. JACS and HESACODE, and the subject areas defined in terms of them, are similar in appearance and have much in common, but they are by no means identical. For this reason, and also because of the introduction of apportionment (see below), subject-based information published for years up to and including 2001/02 cannot easily be compared with that published for 2002/03 and, in the current volume, for 2003/04.

Specification of JACS

All JACS subject codes consist of a letter followed by three digits, the first of them non-zero (except the generic codes described below). The initial letter identifies the subject group, for example F for Physical Sciences. The initial letter and immediately following digit identify the principal subject, for example F5 Astronomy. F500 is a valid JACS code used where there is no need for a higher level of precision, but subjects can be identified more precisely using a second non-zero digit, for example F520 Space and Planetary Sciences, and, with even more precision, F521 Space Science and F522 Planetary Science. Often it is necessary to consider together all the codes, or all the student numbers, falling within a principal subject, and this is done by referring to it using just the first two characters, so F5 refers to all of Astronomy and to total numbers in it, by no means all of which will have code F500. Similarly, F52 refers to the whole of Space and Planetary Sciences. Full details of JACS can be found at www.hesa.ac.uk/jacs.

Programme codes

Student programmes often involve combinations of subjects, and so cannot be described by a single JACS code. Within the HESA student data collection, there are two mechanisms for dealing with this. First, JACS has been slightly extended to allow codes to be assigned to highly integrated programmes which cut across principal subjects. Where such a broadly-based programme falls within a single subject group, it can be coded as the group letter followed by three zeroes, for example F000 would code such a programme in Physical Sciences. This is known as a generic code, and is an extension of JACS for the purpose of coding complete student programmes; generic codes may not be used in any other way, for example for coding modules. Programmes which cut across subject groups are given the

generic code Y000, which is equivalent to continuing to recognise the need for a 'Combined' subject group. The second mechanism is designed to describe less integrated programmes of the kind often known as Joint Honours. The HESA record contains three qualification aim fields and a balance field which together make it possible to report the subject coverage of two subject balanced, two subject major/minor, and three subject balanced programmes.

Apportionment

Additionally, a new procedure of apportionment has been introduced. Under apportionment, each headcount is, where necessary, divided in a way that in broad-brush terms reflects the pattern of a split programme. This is analogous to the use of FTE calculations, but should not be confused with them, since the splits used for apportionment are conventional rather than data-based.

For split programmes not involving an initial teacher training (ITT) component, the apportionment algorithm is as follows:

- 50%:50% for a balanced two-way split;
- 66.667%:33.333% for a major/minor two-way split;
- 33.333%:33.333%:33.333% for a balanced three-way split.

ITT students at undergraduate level who also have a specialism subject recorded (typically, secondary ITT students) are apportioned 50% to the 'Education' subject area and the remaining 50% is further apportioned according to the algorithm for non-ITT students. Where no subject other than education is recorded, or where the student is on a PGCE course, apportionment is 100% to the 'Education' subject area.

Subject areas

HESA has defined nineteen subject areas in terms of JACS codes for reporting information broken down by subject. The subject areas give a useful broad-brush picture, and are as consistent as is practicable with those previously defined in terms of HESACODE. The subject areas do not overlap, and cover the entire range of JACS Principal Subjects. Apart from the need to separate the 'Mathematical sciences' and 'Computer science' elements of Principal Subject G9, they are expressed entirely in terms of JACS Principal Subjects, and in many cases correspond closely to one or more JACS Subject Groups.

In response to requests from users of HESA data, the printed tables also show information for four supplementary subjects, three of which fall within single subject areas, and one, 'Geography & environmental science', cuts across two areas.

Finally, there is an interest in having information about teachers in training. Since this is best presented on a headcount basis rather than an apportioned basis, the figures are not directly comparable with the apportioned figures in the 'Education' subject area, and are tabulated separately to reduce the risk of misinterpretation.

| Subject areas | JACS code |
|-----------------------------------|-------------------|
| Medicine & dentistry | A |
| Subjects allied to medicine | B |
| Biological sciences* | C |
| Veterinary science* | D1/2 |
| Agriculture & related subjects* | D0/3/4/5/6/7/9 |
| Physical sciences* | F |
| Mathematical sciences* | G0/1/2/3/90/91/99 |
| Computer science* | G4/5/6/7/92 |
| Engineering & technology* | H, J |
| Architecture, building & planning | K |
| Social studies | L |

| | |
|-------------------------------------|----------------|
| Law | M |
| Business & administrative studies | N |
| Mass communications & documentation | P |
| Languages | Q, R, T |
| Historical & philosophical studies | V |
| Creative arts & design | W |
| Education | X |
| Combined | Y |
| Supplementary subjects | |
| Psychology | C8 |
| Geography & environmental science | F8, L7 |
| Economics & politics | L1/2 |
| English | Q3 |

Apportionment at principal subject level

Although subject areas provide the usual broad-brush framework for presenting information, a more detailed breakdown to the 159 JACS principal subjects is used in some tables. Again, a process of apportionment is necessary, and the procedure is consistent with that used for subject areas, as follows.

For split programmes not involving an initial teacher training (ITT) component, the apportionment algorithm is as follows:

- 50%:50% for a balanced two-way split;
- 66.667%:33.333% for a major/minor two-way split;
- 33.333%:33.333%:33.333% for a balanced three-way split.

ITT students at undergraduate level who also have a specialism subject recorded (typically, secondary ITT students) are apportioned 50% to the 'X1 Training Teachers' principal subject and the remaining 50% is further apportioned according to the algorithm for non-ITT students. Where no subject other than education is recorded, or where the student is on a PGCE course, apportionment is 100% to the 'X1 Training Teachers' principal subject.

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The groupings of subjects for this paper are:

Medicine: JACS code A

Education: JACS code X

SET: Codes marked * in the table above

Further information is available from the HESA website

<http://www.hesa.ac.uk/datacoll/home.htm>