

Cylchlythyr | Circular

Strategic Reallocation of Student Numbers 2013/2014

Date: 17 January 2012
Reference: W12/03HE
To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in Wales
Response by: 24 February 2012
Contact: Name: Leanne Holborn
Telephone: 029 2068 2259
Email: leanne.holborn@hefcw.ac.uk

This circular outlines the mechanism for allocating full-time (FT) undergraduate (UG) and PGCE maximum student numbers, for implementation from 2013/14. It explains the process for reallocation of the top-sliced numbers and the parameters used in this reallocation. It also sets out the way that the maximum student number will be calculated in 2013/14.

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



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

Introduction

1. This circular outlines the mechanism for allocating full-time undergraduate (FT) UG and PGCE maximum student numbers, for implementation from 2013/14. It explains the process for reallocation of the top-sliced numbers and the parameters used in this reallocation. It also sets out the way that the maximum student number will be calculated in 2013/14.

Background

2. The new fees arrangements for FT UG and PGCE students in Wales will, on reasonable assumptions, increase the total funding available to higher education in Wales. The new arrangements are likely to result in a significant redistribution of resources across the sector. Unless adjustments are made, they will also result in a substantial proportion of HEFCW's budget being expended on fee grants for Welsh and EU domiciled students, with increasingly limited funding remaining for the Public Investment Fund (PIF) in AY 2013/14 and onwards. The consequence of these changes would be a seriously reduced capacity to respond to some key Welsh Government policy priorities for higher education. This circular presents the mechanism which will be introduced for 2013/14 to adjust some of the unintended effects of the new fees regime – enabling all institutions, on reasonable assumptions, to be better off than under present arrangements, but making best use of all the available funds in order to address all the policy priorities.
3. We consulted in July 2011 (W11/28HE - *Consultation on proposed changes to the teaching funding mechanism for higher education in Wales*) on possible 'core and margin' approaches which might be adopted to ensure that we are able to continue to use funding to support key *For our Future* priorities. Specifically, we consulted on two particularly relevant elements being taken forward on fees and funding in England, and the potential benefits and disadvantages of similar processes being introduced in Wales.

Those elements were:

1. Unrestrained recruitment of students scoring the equivalent of AAB or above at A-level, essentially removing them from the maximum student number.
 2. Creating a flexible margin of a percentage of student places for allocation only to those institutions with an average fee at or below an agreed level (in England £7,500).
4. We published reactions to this consultation in November 2011 (W11/40HE - *Changes to the teaching funding mechanism for higher education in Wales*). Although a number of specific concerns had been raised in the consultation process, it was broadly seen as essential that we retain adequate discretionary funding from 2013/14 onwards to ensure a

continued stream of Public Investment Funding. Consequently, we announced that we intended “to introduce a core/margin approach in Wales, tailored to address the concerns raised by the sector and designed to respond to Welsh Government priorities, with a view to introduction from 2013/14.” We said that the process was “likely to include a formulaic element favouring those charging an average fee below, or at, a specified average fee level and with a quality level that we consider acceptable, as well as a bid based element reflecting criteria that address key *For our Future (FoF)* priorities, especially those priorities which might not otherwise be supported via fee plan arrangements.” We reported that we would be further developing such an approach with a view to informing the sector in early 2012 of our intentions.

Purposes

5. It is important firstly to re-visit the purposes of developing such an approach. In broad outline these are as follows (all of equal importance):
 - a. Encouraging institutions to reduce the level of their fees, in order to reduce the overall fee grant obligation to HEFCW for Welsh domiciled and EU students studying in Wales, enabling HEFCW to retain a viable level of funding that can be used strategically to support *FoF* priorities. It should be noted that any savings may still not lead to any funding being available for the PIF; it may simply manage the cost of the fee grant while retaining funding for other key priorities, such as Quality Research (QR).
 - b. Whilst supporting the reduction in fees of some institutions, ensuring no disadvantage to those institutions whose UK and international market position would imply retention of the highest rate of fees.
 - c. Ensuring that the ‘core and margin’ approach does not enable some institutions to benefit substantially to the detriment of others, relative to the current situation. The intention is not reallocation of funding except insofar as it is necessary to re-balance the distribution of additional income available to the sector in order to counteract the unintended consequences of the new tuition fees regime.
6. We indicated in November that a ‘core and margin’ approach on its own would encourage a reduction in average fee grant costs across Wales and better enable HEFCW to invest in policy priorities, but would not secure the competitiveness (financial and reputational) of any institutions that need to match their fees to the higher fee end of the English market. Indeed, it would have the potential to weaken them by reducing their student numbers. This, too, would not be consistent with Welsh policy priorities: a strong Welsh HE system requires institutions which are able to compete with the best in the UK and internationally. We have also made clear our

aspiration to secure at least one institution in Wales which is demonstrably world class.

7. Against this background, we have examined other approaches that would augment a pure formulaic 'core and margin' approach, and thereby enable us to secure funding for supporting strategic objectives, but still provide a means for HEIs to recover student numbers lost through 'core and margin' if they can demonstrate their contribution to policy priorities. In this context, we are particularly interested in supporting those policy priorities which would not otherwise be supported through the fee plan arrangements and which contribute to positioning the Welsh HE system strongly within the UK and internationally.

Methodology

8. Focussing on the purposes stated above, we intend to operate a "Strategic reallocation of student numbers" in 2013/14, by top-slicing a proportion of the maximum student number of FT UG and PGCE new entrants at each institution. This proportion will be based on the provision which is in non-priority and non-quota subjects. These are subjects other than those in the priority science, engineering, technology, maths, computing and modern foreign languages subjects and which are not quota subject courses in medicine and dentistry and initial teacher training (ITT) leading to qualified teacher status (QTS) or the Performance Element of conservatoire training. Further detail of how this proportion is calculated is at Annex C. A proportion of these top-sliced numbers will be allocated back to institutions to support the *FoF* priorities not covered in the fee plans. The remaining top-sliced numbers will be reallocated to those institutions which maintain or reduce their fees at or below a certain average fee level.
9. Given the small numbers in directly-funded HE in FE provision, and the upcoming review of such provision, we are not including new entrant student numbers allocated to Further Education Institutions in this exercise.
10. In addition, we have used evidence from the Quality Assurance Agency institutional reviews to satisfy us that all institutions currently meet acceptable quality expectations, and so no differential quality measure has been included in the methodology.

Top-slice of maximum student new entrant numbers

11. One hundred per cent of non-priority and non-quota maximum student new entrant FT UG and PGCE numbers (as described in paragraph 8) will be top-sliced from HEIs. In order to calculate the maximum student number relating to the cohort starting in 2013/14, the top-slice will be based on to the 2012/13 maximum student number of new entrants. This equates to

approximately 53 per cent of the maximum student number of new entrants, or 21 per cent of the total FT UG and PGCE student numbers in that year.

Reallocation of Numbers

12. These numbers will be allocated back to institutions in a two part exercise.

***FoF* target contribution reallocation**

13. For the first part, 50 per cent of top-sliced numbers will be allocated back according to each institution's activity in areas related to those *FoF* targets which are not covered by the fee plans. There are five such targets but we have excluded the one related to institutional risk (M12) from this process as it does not currently differentiate between institutions. The four remaining targets are:
 - Overseas students (M5);
 - Spinout (M9);
 - Research Income (M10);
 - Total Income (M11).
14. Given that two of these are in areas where meeting the *FoF* target is most challenging (M10 and M11), it is proposed to weight the four areas so that institutions will receive proportionally more student numbers back in relation to their contribution to the volume of activity in Research Income and Total Income. That is, those two areas will be weighted 3:1 in relation to the other two in order to reflect the relative importance of strong performance in these areas. This means that 3/8 of the top-sliced numbers will be reallocated back pro rata to each of Research Income and Total Income; and 1/8 of the top-sliced numbers will be reallocated back pro rata to each of Overseas students numbers and number of Spinouts.
15. Annex A shows both the top-slice from each institution and the resulting reallocation for each institution for the *FoF* priority reallocation. The annex shows the allocation including the *FoF* priority reallocation stage and enables institutions to be clear about their maximum student new entrant number position should they decide not to lower or maintain their fees to reach an average fee at or below £7,500.

Average fee level reallocation

16. The second part of the exercise allocates the remaining 50 per cent of top-sliced numbers to institutions who reduce their fees for FT UG and PGCE students to an average fee of £7,500 or less. £7,500 has been chosen because it is the level used in England, and will allow institutions to maintain their competitive market position against English counterparts.

The reallocation is calculated pro rata to the 2012/13 maximum student number of new entrants post top-slice, i.e. pro rata to the volume of priority and quota subject provision as described in paragraph 8.

17. The average fee for an institution will be equivalent to that reported in their 2013/14 fee plan, with subsequent confirmation of the actual average fee level once data are available at the end of the year. The average will be calculated taking account of all students under the new fee regime, i.e. it will be based on all cohorts that are under the new fee regime and not be solely based on new entrants. Whilst fee waivers constitute a formal element in fee plan arrangements in England, they do not in Wales; consequently they will not be taken into account in calculating the average as they have in England.
18. We will monitor the average fee levels charged and, should £7,500 be breached, institutions may be penalised by the reduction of maximum student numbers in subsequent years.
19. Decisions made by each institution about whether to lower their fees will affect the impact of the mechanism on other institutions and so we would wish to protect against the unintended consequence of too high a proportion of this element of the top-slice being awarded to only a small section of the sector. Therefore, as a feature of this part of the allocation process, there will be a maximum percentage of their new entrant student number top-slice that can be allocated for each institution at this stage.
20. This maximum allocation has been set at 130 per cent. The possibility of an institution regaining more student numbers than it lost in the top-slice is an incentive for institutions to participate whilst, at the same time, constraining the maximum reward in this way will avoid extreme outcomes.
21. If any of the top-sliced student numbers remain unallocated as a result of implementing this maximum, they are likely to be allocated to institutions in a further *FoF* priority allocation, using the methodology outlined in paragraphs 13 and 14. This means that, potentially, more than 50 per cent could be reallocated according to the *FoF* priorities and less than 50 per cent allocated according to average fee levels.

Outcomes

22. An electronic template, containing the *FoF* priorities reallocation and a table which institutions can use to model the outcome of the average fee level reallocation, will be emailed to institutions to assist in their modelling.
23. The purpose of this exercise is to rebalance between institutions the additional income available to the sector as a result of the new fees regime in order to ensure that all the Welsh Government priorities for HE are addressed. Even after this exercise, on reasonable assumptions, by 2014/15, it is expected that every institution will have at least as much

income overall for FT UG and PGCE students as a result of the new regime, when compared to the current system. ¹

24. Given the potential variety and uncertainties of the final outcomes (which arise from the variety of responses that institutions may offer to this circular), we reserve the right to adjust the overall outcome should it prove to be destabilising to the sector or particularly damaging to individual, or groups of, institutions or fail to meet the purposes stated in paragraph 5 above. Our final judgement on the overall allocations from the exercise will echo previous practice in annual funding allocations whereby safety netting was provided in circumstances where individual institutions would otherwise suffer immediate and significant financial difficulties.

2012/13 maximum student numbers

25. In order to calculate the maximum student number relating to the cohort starting in 2013/14, the top-slice will be based on the 2012/13 maximum student number of new entrants. In circular W11/41HE, *Control of student numbers: final numbers and guidance for 2011/12 and future arrangements*, we gave an initial figure for the 2012/13 maximum student number of new entrants and indicated that this was subject to change due to a reduction of 100 places in the ITT (QTS) intake targets for secondary PGCE courses. The reductions by institution have now been calculated and are included in the maximum student number allocations for 2012/13 shown in Annex A. Institutions should note that these reductions are provisional only at this point as the reductions in intake target by institution are indicative only and have not yet been approved by WG. We anticipate that the process of approval will be complete by early February at the latest and any changes will be notified to the institutions affected as soon as WG approval has been given. The final 2012/13 maximum student numbers will be published at the end of March with the outcomes of this process of reallocation.
26. We can also confirm that, as indicated to institutions in email correspondence (7 December 2011), intercalated students on medicine and dentistry courses will not be counted in monitoring new entrant recruitment against maximum student numbers, i.e. they will not be counted as a new entrant in their intercalated year.

2013/14 maximum student numbers

27. As indicated in circular W11/41HE (paragraph 23), the 2013/14 maximum student number will be based on both new entrants in 2013/14 and students who were new entrants in 2012/13 and are in their second year at the institution in 2013/14. The new entrant figure will be determined

¹ Assumptions based on the current funding approaches projecting forward to 14/15, taking into account known reductions in overall budget and assuming portfolios remain broadly unchanged.

through this reallocation exercise. The number of students in their second year at the institution will be calculated by multiplying the 2012/13 maximum student number by a conversion rate to get the expected number in their second year at the institution in 2013/14. Details of how this conversion rate is calculated can be found in Annex C. The 2013/14 maximum student number will then be calculated as the sum of the new entrant figure and the number of students expected to be in their second year at the institution in 2013/14. This figure will be published along with the outcomes of this process of reallocation.

Data used in the calculations

28. The proportion of the top-slice that is non-quota and non-priority is calculated using data returned by institutions on the 2010/11 HESA student record (the latest full year data available). These proportions and the data used to calculate them have been sent to institutions to be verified and are shown in the table at Annex A. Details of how the data were extracted from the HESA record are at Annex C. The conversion rates described in paragraph 27 were verified as part of the same exercise and Annex C also contains details of how these rates were calculated.
29. The data for each institution for each *FoF* priority, used in the reallocation of the top-slice according to *FoF* priorities, are also shown at Annex A. These figures relate to the 2009/10 academic year and were notified to institutions as part of the request for strategic planning information (circular W11/25HE).

Next Steps

30. Annex B is an “expression of interest” template to enable you to inform us if you intend to lower your average FT UG and PGCE fees, (or maintain them if already low) at or below £7,500, and, if so, to what level for 2013/14. You will see that it requires a commitment to retain the average level of fees at or below £7,500 for 3 years, and requests details of your intentions regarding 2012/13 cohorts returning in 2013/14, in particular whether differential fees will be charged to different cohorts on the same course. The average fee for 2013/14 should include both cohorts of students by then under the new fee regime, i.e. those starting in 2012/13 and in 2013/14, and we expect that it will match the average fee returned on the 2013/14 fee plan. We would expect the commitment referred to above to mean that the average fee stated in the 2014/15 and 2015/16 fee plans will be at or below the £7,500 level. We also expect that institutions broadly maintain, over these three years, the proportion in the priority and quota subject areas as shown in Annex A. You will be aware that you will be expected to spell out the detail of the use of your potential fee income for 2013/14 in your 2013/14 fee plan. If you choose to alter fee levels for 2012/13 cohorts, as a result of your decisions regarding 2013/14, we will

provide an opportunity at a later date to agree any appropriate changes to expectations under 2012/13 fee plans.

31. Given the level of the top-slice and the commitment to a three year process, institutions should be aware that there is no intention to repeat this exercise after 2013/14. Institutions will be free to reduce their fees at any point following completion of this exercise, though we will not reward them for doing so.

Timetable

32. Please return the expression of interest template to Kimberley Meringolo by 24 February 2012 (kimberley.meringolo@hefcw.ac.uk). Even if you do not intend to reduce your fees, for completeness please return the template by the deadline, indicating that decision.
33. We would intend to be in a position to inform institutions of their 2013/14 maximum student numbers in late March, in line with the intended date for the issue of 2013/14 fee plan guidance. Institutions should note that this 2013/14 maximum student number may be subject to change, for example, due to reductions in ITT (QTS) intake targets or due to penalties being applied for over-recruitment in 2012/13 (see paragraph 21 of circular W11/41HE).

Equality impact assessment

34. We are committed to making equality a core issue in developing and implementing policies and services, and evaluating and refining them to advance the equality agenda. We have a legal responsibility to assess the impact of our policies on equality groups, and to set out how we will monitor or address any possible negative impact.
35. We have conducted an equality impact assessment (EIA) on the proposals set out in this circular to ensure that we do not discriminate and that we are doing all we can to promote equality and good relations between different groups. The outcome of this EIA is available on request.

Further information

36. For further information, contact Leanne Holborn (tel 029 2068 2259; email leanne.holborn@hefcw.ac.uk).