

Cylchlythyr | Circular

Outcomes of consultation on changes to funding methods for 2019/20 and beyond

Date: 24 April 2019
Reference: W19/09HE
To: Heads of higher education institutions in Wales
Principals of directly-funded further education colleges in Wales
Response by: No response required
Contact: Name: Hannah Falvey
Telephone: 029 2085 9720
Email: hannah.falvey@hefcw.ac.uk

This circular reports back on the responses to and outcomes of the circular W18/24HE - *Consultation on changes to funding methods for 2019/20 and future developments.*

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



Noddir gan
Lywodraeth Cymru
Sponsored by
Welsh Government

Introduction

1. In September 2018, [W18/24HE - Consultation on changes to funding methods for 2019/20 and future developments](#) was published. That consultation sought views on proposals for adjustments to our current funding methods for teaching in academic year (AY) 2019/20 and our proposed approach for further developing funding methods in AY 2020/21 and beyond.
2. The consultation was required to ensure that appropriate funding methods are in place as the Diamond recommendations are realised and additional funding becomes available. Any changes to the funding methods would need to be gradually implemented from AY 2019/20.

The Consultation

3. W18/24HE was published on 24 September 2018 with a return date of 29 October 2018. Between those dates, officers held an informal consultation event with key data and planning staff from providers, to facilitate a robust and meaningful consultation process.
4. The consultation recognised that there is a limited amount of additional funding that will be available for us to allocate in AY 2019/20. In addition there is uncertainty about the outcomes from the HE funding and cost reviews in England and their impact, if any, on Wales, as well as wider budget uncertainties. Considering these factors and the time required to develop and implement a new funding method, it was proposed that in the first instance the additional funding for AY 2019/20 would be used to fund the subjects that we currently include in the expensive subjects premium (Clinical Medicine and Dentistry and the performance element of Conservatoire training) at an equivalent level to the funding provided in England for the provision of these subjects.
5. Any remaining funding would then be directed towards other higher cost subjects in full-time undergraduate provision informed by a subject cost relativity update.
6. The consultation noted that we will be considering part-time (PT) funding from 2020/21 onwards in due course. We will also be developing the work on subject relativities and investigate other groupings of subjects, to use in funding methods for all modes of study.
7. In addition, our intention was to retain the concept of incentivised areas of funding, such as Welsh Medium, Access and Retention, and Disability (currently known as premium funding), and to continue the concept of a “per capita” payment (currently allocated at £5 per head for all taught students).

8. From AY 2020/21, as more funding becomes available, W18/24HE noted that we will be considering:
- Funding for part-time provision (informed by a HEFCW review of part-time provision);
 - How to fund higher cost subjects in all undergraduate provision, and;
 - Increasing the range of subjects for which a funding contribution is provided for full-time undergraduate provision.
9. The consultation posed a number of questions, which are summarised below for ease of reference -

For AY 2019/20 changes to the teaching funding method

- 1) Are you content with the way that the TRAC(T) costs data have been used to calculate relativities for an interim allocation of funding for higher cost subjects for full-time undergraduate provision in AY 2019/20?
- 2) Are there other points to consider in the proposed interim funding method that we have not listed above?

For changes to the teaching funding method beyond AY 2019/20

- 3) Should TRAC(T) data be used in future to calculate subject relativities for allocating funding for higher cost subjects, a) for full-time undergraduate provision and, b) for part-time undergraduate provision?
- 4) Should we be using module cost centre or module subject of study data to calculate funding allocations? (If we used cost centre data to allocate funding, we would need to issue guidance and collect additional data about cost centres until cost centre data were considered robust at a provider level.)
- 5) In developing our proposals for subject groupings, is there anything you would wish us to consider? For example, about the number of subject categories, or about how subjects are currently grouped. In proposing to use the method outlined in Annexes A and C as our interim method for AY 2019/20, we have illustrated that we need to consider how we group subjects to calculate units of funding. We intend to review this for subject relativities used in AY 2020/21 and will put forward proposals in the next stage of our consultations on funding methods.
- 6) Do you think that we should collect TRAC(T) from Welsh providers, to use alongside the equivalent UK data, to inform the calculation of subject relativities?

General

- 7) Are there any issues, which you would like to comment on, arising from the Council's decisions:
 - that any additional funding in AY 2019/20 should be used to ensure that the subjects that we currently define as expensive in the expensive subjects premium for full-time (FT) undergraduate (UG) be funded up to the same level as the equivalent courses elsewhere in the UK.
 - that any of the additional funding remaining in AY 2019/20 be directed towards higher cost subjects in FT UG provision.
 - to retain the concept of incentivisation funding in revised methods. and
 - to continue per capita funding in revised methods.
- 8) Are there any particular issues which you think we should consider in our review of teaching funding for AY 2020/21?
- 9) Are there any specific issues that we should consider for developing a revised part-time teaching funding method from AY 2020/21?
- 10) Do the proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven wellbeing goals, Sustainable Development Principle and five ways of working?
- 11) What **positive** or **adverse** effects will the proposals have on:
 - **opportunities** for persons to use the Welsh language and
 - **treating** the Welsh language no less favourably than the English language?
- 12) Could the proposals be changed to **increase positive** effects, or **decrease adverse** effects on:
 - **opportunities** for persons to use the Welsh language and
 - **treating** the Welsh language no less favourably than the English language?
- 13) Do you have any additional comments that you would like to make in response to this consultation?

Outcomes of the consultation

10. All the higher education (HE) institutions, one further education (FE) institution and two other organisations responded to the consultation. The responses were extremely valuable and have provided a number of concerns and issues for us to consider and address, in the longer term development of new funding methods from AY 2020/21.

11. A summary of the responses has been included at **Annex A**. In most instances the responses are anonymised but, in the case of the OU in Wales, this is not possible, if we are to consider their concerns as a unique provider.
12. In the short term, we believe that the consultation responses have provided us with clear mandate to progress with the interim proposals that we made for the allocation of the first tranche of additional Diamond funds in AY 2019/20. Given the overwhelming support for the proposals to use TRAC(T) costs data to calculate subject relativities for an interim allocation of funding for higher costs subjects in AY 2019/20 for full-time undergraduate provision, we will proceed with the proposed method. We will consider the points made about particular subjects raised by some institutions, and the other issues raised about the interim method in the responses to question 2, when we look further at the methods to be used for AY 2020/21 and beyond.
13. In summary, for AY 2019/20 funding, in the first instance the additional funding for AY 2019/20 will be used to fund the subjects that we currently include in the expensive subjects premium (ESP) (Clinical Medicine and Dentistry and the performance element of Conservatoire training) at an equivalent level to the funding provided in England for the provision of these subjects in 2018/19.
14. After distribution of this ESP funding, any remaining funding will then be directed towards other higher cost subjects in full-time undergraduate provision informed by a subject cost relativity update. This cost relativity update will use TRAC(T) data, which is more recent than the costs that our current academic subject category relativities are informed by, and has its method of collection documented.
15. Looking beyond AY 2019/20, the consultation responses have provided us with some direction in terms of the collection and use of TRAC(T) data, as well as a list of issues that will need to be addressed, in the development of the methods.
16. We intend to continue to consult formally and informally as the funding method review progresses.

Further information

17. For further information, contact Hannah Falvey (029 2085 9720; hannah.falvey@hefcw.ac.uk).

Assessing the impact of our policies

18. We have carried out an impact assessment on our new method for 2019/20, to help safeguard against discrimination and promote equality.

We have also considered the impact of policies on the Welsh language, and Welsh language provision within the HE sector in Wales and potential impacts towards the goals set out in the Well-Being of Future Generations (Wales) Act 2015 including our Well-Being Objectives. Contact equality@hefcw.ac.uk for a copy of this impact assessment or for more information.

W18/24HE Consultation on changes to funding methods for 2019/20 and future developments

Summary of responses

For AY 2019/20 changes to the teaching funding method

1) Are you content with the way that the TRAC(T) costs data have been used to calculate relativities for an interim allocation of funding for higher cost subjects for full-time undergraduate provision in AY 2019/20?

- In the main, given the quantum of funding available in 2019/20, the responses agreed that significant review of the funding model would be disproportionate and that the proposal to use TRAC(T) data to review relativities, seems sensible as an interim solution.
- Individual institutions made particular points about certain subjects to be re-considered.
- Some concerns remain about the way that inflation may have been applied to the original HEFCE calculations and how representative an English institution cost model is of Welsh institutions.
- One institution felt that the funding methodology appears to underestimate the cost of provision and that it would be better to use a more robust methodology more fully aligned to the TRAC(T) analysis without the mapping to outdated ASCs, to provide evidence of the actual shortfall in investment in Welsh HEIs that could inform other areas of Welsh Government policy and strategic investment. They also felt that the rounding methodology proposed was not needed as it introduces a bias within the data.

Conclusion – Given the overwhelming support for the proposals for use of TRAC(T) costs data for an interim allocation of higher costs subjects in 2019/20, we will proceed with the proposed method, without the rounding methodology, but will also consider the particular subject points raised by institutions in our review for 2020/21.

2) Are there other points to consider in the proposed interim funding method that we have not listed above?

Individual points have been extracted from the responses

- The approach to map the ASC codes to the cost centres is welcomed for this interim year as the use of cost centre for funding distribution has not previously been agreed. This is certainly a possibility for future years, however data will need to be checked and considered prior to use
- There needs to be recognition that universities may wish to develop the more expensive subjects to meet the demands of employers and society. So that the planning of HE funding should consider the potential to allow or incentivise an increase in STEM subjects and to develop more places for students wishing to study medicine and veterinary science in Wales

- The model does not recognise additional elements that drive higher costs, which are not captured by subject relativities, such as Welsh medium provision and part-time delivery. The reintroduction of a premium funding where grant funding is being reintroduced for higher cost subjects should be considered for these areas.
- The proposed interim funding method should be as transparent as possible.
- We would suggest, generally, a reconsideration of what is higher cost, and widening the definition to areas beyond STEM subjects.
- It would be useful to confirm that as part of the ASC calculations that HEFCW made that the reason for removing ASC 10 from the relativities is in fact solely down to expensive subjects premium (performance element). As Art & Design programmes are relatively high cost subjects in the portfolio of programmes.
- The funding method should incentivise growth in priority areas, allocating funding from areas of under-recruitment to enable priority areas to grow with sufficient funding. We recognise that the Remit Letter steers HEFCW to providing funding to cover the costs of full-time high cost subjects as a first priority, but this should not be at the expense of continuing to support the Welsh Government's desire to see expansion of part-time study through funded growth.
- The method does discriminate against those providers who are not charging the full fee allowed of £9,000 as the average fee is subtracted from the overall calculated cost to provide a funding level. Inflationary increases should also be built in on an annual basis.
- It is very important that the funding method, even if satisfactory for apportioning available funding prior to full implementation of the Diamond recommendations, signals the true extent investment required to make the system sustainable as envisaged.

Conclusion – All these individual points will be considered for longer term development of the funding method.

For changes to the teaching funding method beyond AY 2019/20

- 3) Should TRAC(T) data be used in future to calculate subject relativities for allocating funding for higher cost subjects, a) for full-time undergraduate provision and, b) for part-time undergraduate provision?

Individual points have been extracted from the responses

- There may be new costs to consider that weren't in existence or have increased above inflation since 2008. For example, in the area of computing, cyber security is an emerging and expanding area, however this requires the procurement of expensive kit and software that would not have been costed in a traditional BSC in Computing, therefore making the subject area appear cheaper than it really is.

- Costs for part-time study are not as standard as for full-time, there are variations in patterns of study dependent on the structure of part-time courses. Are they slotting into full-time provision and therefore economies of scale are made, or is part-time a stand-alone offering resulting in much higher costs?
- Again, TRAC(T) is the only current option available without collecting bespoke data. It may be that the original exercise carried out by HEFCW should be revisited using contemporary data. Continually adding inflation adjustments to historic data will increasingly put inaccuracies and biases into the model.
- Part-time teaching is often very different in nature and level. A full review of the differences and delivery methods would be needed to bring any accuracy into the calculation of relatives for part-time subjects and would need the added dimensions of delivery method and qualification level.
- This would seem like the most meaningful approach to capture subject relativities, but consideration also needs to be given to other elements that drive higher costs, which aren't captured by TRAC(T) subject relativities, e.g. Welsh medium, part-time.
- The English TRAC(T) data has significant strengths. It has been tried and tested with a large sample size. Could HEFCW commission a study, from for example WISERD, to look into the costings of programmes that was more bespoke for Wales?
- This will provide parity of investment with English institutions.
- For full-time provision, this would appear to be an appropriate method to use. Comparison of this against current ASC funding levels for part-time courses should be made before adopting for part-time provision to assess the impact on funding this is likely to have. Destabilising the part-time allocations should be avoided.
- The Academic Subject Category Units of Funding are old and over time they have been driven down by the constraints of allocating funds within the available HE budget rather than, together with fees, covering the full costs of HE study. On the face of it, TRAC(T) cost data should be a better indicator of cost, and we are not aware of an alternative source of cost data to TRAC(T) that would be sufficiently robust and auditable for allocating public funding. TRAC(T) data has been accepted as a basis for funding in the English HE sector. This acceptance will, in part, be due to the scale of the English sector which enables averages to be applied across the sector. However, care will need to be taken in applying TRAC(T) to the Welsh sector and to part-time provision in particular to ensure that it is valid.

Conclusion – There seems to be universal support for the use of TRAC(T) costs data in future for the calculation of subject relativities, with the caveat that the points highlighted above are considered in the future development work.

- 4) Should we be using module cost centre or module subject of study data to calculate funding allocations? (If we used cost centre data to allocate funding, we would need to issue guidance and collect additional data

about cost centres until cost centre data were considered robust at a provider level.)

Individual points have been extracted from the responses

- Either method would be appropriate, cost centres provide more granularity with there being 3 times the number of ASC codes, however there is a question surrounding if Wales in 2019 are using the same cost centres against subjects that were delivered in England in 2008.
- Without doubt the use of cost centres should be considered. This has been tested in English funding for some time. The use of cost centres avoids the complications of the impending HECoS switch which will add another layer of uncertainty to an already untested foundation of inflated TRAC(T) assumptions. The removal of ASCs would then be the next logical conclusion to simplify the system and avoid multi-layered mapping to arrive at the differentials.
- There should be a long-term aim to align the purpose for collecting data, so that it is consistent across the UK-wide model, and it would therefore make sense to aim to transfer to the use of cost centre for funding purposes at some point in the future. For expedience, and to avoid additional workload, it makes sense to remain with the subject data for an interim period.
- We would advocate Cost Centres as being the most relevant, as the funding system is concerned with appropriate resourcing. There are already HESA QA processes in place and our HESA data is already audited by internal and external auditors.
- We would advocate module subject of study data, but care is needed not to encourage competing priorities for survey response thresholds (NSS, Graduate Outcomes, TEF, UKES) for publication and benchmarking (e.g. Archaeology and Archaeological Science).
- Module subject of study would be our preferred option here. If however module cost centre were to be used it should be appreciated that some institutions will need time to be assured that their module cost centres are truly reflective of the costs associated with them rather than as simple overall academic faculty/school basis.
- As a general principle, collection of additional sets of data should be avoided if there are adequate alternative data sources.
- If cost centre data is to be collected for Wales, then the same definitions as those used by OfS should be used. Returning cost centre data to HESA that varied by nation would be anticipated to create considerable extra burden. HESA data at UK level would also be problematic with definitions varying by nation.
- We would prefer to stick with module subject of study to avoid creating too much instability.
- TRAC(T) costs are not currently identified at module level, and there is a danger that mapping cost centers to modules will systematically under state costs. TRAC(T) costings, as pointed out by HEFCW, reflect the average of a range of modules in its costings. This issue would need to be addressed before moving to a module based funding system.

Conclusion – There is a difference in opinion about the value of using module cost centres or module subject of study for calculating funding allocations. The points will be carefully considered and further consultation undertaken before the final method is decided.

5) In developing our proposals for subject groupings, is there anything you would wish us to consider? For example, about the number of subject categories, or about how subjects are currently grouped. In proposing to use the method outlined in Annexes A and C as our interim method for AY 2019/20, we have illustrated that we need to consider how we group subjects to calculate units of funding. We intend to review this for subject relativities used in AY 2020/21 and will put forward proposals in the next stage of our consultations on funding methods.

Individual points have been extracted from the responses

- We are content with the current groupings.
- To a large extent these are problems brought about by the decision to use ASCs. Moving simply to cost centres would avoid the issue and bring some granularity to the coding. If we are to remain with the current ASC mappings, then combining ASC 3 and 4 would be a simpler system and would be supported.
- To aid transparency, we would advocate fewer bands (e.g. 4), aligned to HESA Cost Centres, as these are well-used, audited and robust.
- One thing that should be considered in terms of the cost of delivery is whether the subject area is validated by an external body or not and this affects the costs.
- We are also not content with the proposal to combine academic subject category (ASC) 3 & 4, we do not agree with the assumption that there is more overlap than suggested by the relativities when reviewing the cost centres aligned to each ASC.
- Aligning the HESA cost centres to the ASCs fails to consider the decision by HEFCE to recognise Nursing and allied health as a higher cost subject (from 2017-18).
- We have concerns about coding our subjects in ways different to our current system, as this may prevent us from meeting response thresholds for NSS, UKES and DLHE surveys.
- There is scope for subject categories to be reviewed as currently there are too many that offer little in the way of true differential. It is also important to note that in many cases the current groupings have diversified from their original similarity – for example maths, IT and computing are no longer appropriate as a combined subject group.

Conclusion – There seems to be appetite for the reduction in the number of ASCs but there is also some concern about combining ASCs 3 and 4 in the interim method. The points will be carefully considered and further consultation undertaken before the final method is decided.

- 6) Do you think that we should collect TRAC(T) from Welsh providers, to use alongside the equivalent UK data, to inform the calculation of subject relativities?

Individual points have been extracted from the responses

- The added value of Welsh data is limited given the small number of providers and therefore the likelihood of data anomalies. There are some subject areas that only a single HEI delivers, which does not allow for meaningful comparisons across the Welsh sector. Using English data from a large number of providers will give us more confidence in the costs. The counter argument is that this data would enable Welsh HEIs to compare costs and be able to benchmark, however the data collection overhead at a time of increasing cost pressures would not be welcome at this time, but could be something to consider if the funding model starts to allocate substantial financial benefits using this approach.
- There would be no use for a stand-alone Welsh individual TRAC(T) data set. The only use would be to add to the English data, as using data from eight institutions would appear to be a very unreliable starting point. On that basis then the extra burden of collecting and submitting TRAC(T) would not seem justified.
- It would be useful to have parity with England in terms of TRAC(T) and this would also support the production of valuable metrics to inform planning and assessment of performance; however the additional workload of introducing TRAC(T) needs to be considered carefully.
- No. We would need to consider the cost benefit of collection versus alternatives.
- There is a significant overhead to establishing the collection of this information. There is no reason why TRAC(T) data from English universities would not be applicable and relevant to Welsh providers.
- The work has already been carried out for the rest of the UK and would entail significant resource and time to carry out within Wales. If TRAC(T) is to be tested for potential future use, we would recommend the use of data already collected and used in England, Scotland and NI, given that the Diamond recommendations that we are seeking to implement are designed to bring our funding to the same levels as those in England
- It would seem less burdensome to use the English TRAC(T) data as a proxy for Welsh institutions. Whilst some differential should be applied based on the fact that the English sector has been funded better for some time and that costs in Wales have therefore been applied on a “cut our cloth accordingly” basis due to this disparity and not likely to be a true cost.
- As Wales is a small and diverse HE sector, use of Welsh only TRAC(T) data may not be sufficiently robust for funding purposes. Furthermore, it took several years of returns in England before the data was deemed sufficiently robust for funding purposes. TRAC(T) returns are complex and come with additional cost, therefore HEFCW will wish to ensure that use of English TRAC(T) data alone is not sufficient for purpose to justify the additional burden and cost on Welsh institutions. The English sector

is large and diverse, and the English average data may be considered applicable to Welsh institutions

- The OU is not required to make a TRAC(T) return due to the difficulty in agreeing a student number by which costs can be divided. There would be further difficulty if a Welsh-only return were required from the OU as staff and finance data are not split by nation due to the difficulty of apportioning resource by nation for distance learning provision – use of UK data would be necessary.
- We are happy to rely on UK data already collected
- We agree that it may be sensible for Welsh universities to take part in the TRAC(T) exercise and future UK wide review of TRAC(T) costs if this is to be used as the basis for future allocations.

Conclusion – With one exception (from an organisation which is not a provider) there is overwhelming support in using the TRAC(T) data available for England rather than introducing a Welsh return. As well as issues of burden, there is suggestion that Wales is not big enough to enable a robust set of data which could be used. We will consider whether these data are collected and any proposals will be subject to further review.

General

- 7) Are there any issues, which you would like to comment on, arising from the Council's decisions:
- that any additional funding in AY 2019/20 should be used to ensure that the subjects that we currently define as expensive in the expensive subjects premium for full-time (FT) undergraduate (UG) be funded up to the same level as the equivalent courses elsewhere in the UK.
 - that any of the additional funding remaining in AY 2019/20 be directed towards higher cost subjects in FT UG provision.
 - to retain the concept of incentivisation funding in revised methods. and
 - to continue per capita funding in revised methods.

Individual points have been extracted from the responses

- We would like to see the retention of the current allocations for access/retention, Welsh Medium and disability in addition to the above. These allocations help to drive positive behaviour in these areas.
- We agree that Expensive subjects should be the first call on any additional funding received from implementation of the Diamond recommendations
- It would provide a simpler view of funding if the cost of provision (for UG FT initially but moving to all teaching provision) was recognised in expensive subject premium which directed as much of the WG funding as possible, so removing some of the other income streams. Incentivisation

for other actions could then be provided through the Fee Plan with no monetary element attached.

- Consideration also needs to be given to other elements that drive higher costs, which aren't captured by TRAC(T) subject relativities, e.g. Welsh medium, part-time.
- Council have agreed to retain incentivisation, but we would be concerned about the introduction of large pots of hypothecated funding. Wherever possible the majority of funding should remain non-hypothecated.
- We note the Council's decision to retain per capita funding and understand the political imperative behind funding every student, but in reality this funding is insignificant to institutions.
- We welcome this investment as it recognises the cost of delivery and helps make it sustainable.
- We would suggest that the Fee & Access Plan is already an effective incentive to increasing Access & Retention and Welsh Medium provision.
- We agree that - Expensive subjects should be the first call on any additional funding received from implementation of the Diamond recommendations - Higher cost subjects should include all subjects costing more than the prescribed maximum fee - The methodology should remain based on available UK-wide TRAC information, subject to further development or a viable alternative presenting itself - Funding should reflect the higher cost of part-time provision, and difference in fee levels currently sustainable in the part-time market - The funding should be unhypothecated, i.e. the institution should be free to use the funding for any purpose.
- We would recommend reconsideration of categorisation for higher cost subjects, with a view to widening this beyond traditional STEM subjects.
- We would advocate making incentivisation payments more visible by linking them to the work of Fee and Access Planning.
- We support per capita funding in revised methods
- In terms of premium and per capita - the amounts available per item, partly as there are too many of them, have become too small to act as real incentives. It would only be useful in keeping these if the values on offer were large enough to act as true incentives.
- We strongly support the retention of the incentivisation funding principles and areas. These enable HEFCW to operate funding levers that implement policy that delivers Welsh Government priorities, such as widening access and part-time study that contribute to social inclusion, up-skilling and employability of the Welsh workforce. They also enable recognition of the often higher recurrent costs of some of these activities, e.g. access and retention of students from low participation backgrounds, as well as the per capita costs and additional work to support retention and success of part-time students.
- We strongly support the retention of a credit-based funding system which underpins HEFCW's capacity to develop funding methods that support flexible learning provision.
- We support the retention of the per capita funding. While funding by credit value supports flexible learning, it does not support nor incentivise those priorities and activities where demand and therefore costs are

linked to individual students (headcount) rather than their FTE or credit value. The per capita element of the HEFCW funding does give some recognition to per capita costs, but a return to the previous rate of £50 (2011/12) or £100 (2012/13) per student would be more meaningful.

Conclusion – There is, in the main, support for the continuation in premiums and per capita, but recognition that the amounts involved are often too small to have much influence. However, this is accompanied with a steer not to create large pots of hypothecated funding, and the acceptance that incentivisation could be better facilitated through the fee and access plans.

8) Are there any particular issues which you think we should consider in our review of teaching funding for AY 2020/21?

Individual points have been extracted from the responses

- We also look forward to working with HEFCW following the publication of the Lord Murphy Review on conservatoire funding to find a sustainable solution for the funding of conservatoire.
- As stated above, consideration also needs to be given to other elements that drive higher costs, which aren't captured by TRAC(T) subject relativities, e.g. Welsh medium, part-time. It would be really helpful to consult with experts in the sector before developing a model so that a number of views could feed into the funding model.
- It is important to consider HESA Data Futures – HESA reporting should enable any future funding system.
- There is a need to ensure the proposed method by HEFCW is identifying the true scale of investment required to make the system work in line with the Diamond Report recommendations
- The changes being made in institutions as part of the changes from JACS to HECoS codings are embryonic. There is a possibility that the HECoS codings may prove to be volatile in the first couple of years of use as institutions fully appreciate the effects of any, and potentially wider, ramifications of mappings being carried out currently.
- With regard to incentivisation funding, the rates need to be set at a level at which they do make a significant difference and drive behaviour of providers.
- To encourage HE providers to respond to Welsh Government priorities, the future funding methods should move funding to incentivise and support growth in priority areas. The Government's response to the Diamond Review welcomed the principle of parity of support for part-time students and stated that it hoped "that this will enable the expansion of part-time provision in Wales".
- Because the core of this consultation is to reflect more accurately the costs of sustaining a provision in various subjects, it flows that the arrangements put in place should reflect the additional costs of bilingual provision. Therefore we need to reflect the true costs of provision in

Welsh and English, considering how to ensure that any premiums are provided by an appropriate formula.

Conclusion – These points will be carefully considered and further consultation undertaken before final methods are decided.

9) Are there any specific issues that we should consider for developing a revised part-time teaching funding method from AY 2020/21?

Individual points have been extracted from the responses

- The level of PT funding support and the disadvantageous position that Welsh HEIs have compared to English HEIs due to the limitations on SFW loan support.
- As we note above, Part-time teaching is often very different in nature and level. A full review of the differences and delivery methods would be needed to bring any accuracy into the calculation of relatives for part-time subjects and would need the added dimensions of delivery method and qualification level.
- Premium funding (or an enhanced per capita payment) for part-time students to reflect the higher delivery and administrative costs should be introduced. Whilst it is clear what a “full-time” student is, there are many different types of and motivations for part-time study – this should be explored when deciding upon funding priorities for part-time students.
- Sufficient lead-in time to enable the new system.
- We regard the same issues as relevant for part-time students and for full-time students in terms of shared resource used to deliver multiple programmes, which makes subject-cost analysis complicated.
- The different types of part-time study could be looked at separately. For example, work-based learning, distance learning and “traditional” classroom based part-time students study can differ in their costs and provision.
- When considering the part-time unit of funding, we urge HEFCW to apply a higher unit of funding than for full-time provision, taking account of the Welsh Government’s moderated fee loan levels for part-time study. Without sufficient total funding for part-time, costs cannot be covered and provision will decline. While it is understood that the Welsh Government does not want to see significant increases in part-time fees, without sufficient total funding, providers will be forced either to increase fees or to withdraw provision where costs are not met. As seen in England in recent years, significant increases in part-time fees can lead to a substantial decline in part-time learners. This will act against Welsh Government priorities of widening access and improving skills and employability through the ability to earn as you learn.
- In addition, the part-time premium funding was removed by HEFCW as it sought to cope with reductions to its budget. Part-time higher education provision has an important role in supporting the Welsh Government’s priorities for social justice and economic development, and we urge HEFCW to reintroduce such funding in support of these key policy areas.

- Comments have been made about different costs of different types of part-time provision with an apparent perception by some participants that distance learning was cheaper than face-to-face. Such an assumption fails to address the substantial infrastructure required to deliver a high quality part-time distance-learning experience, including physical and virtual learning infrastructure and student support services, although we acknowledge that where there is a large scale of operation there are cost benefits. The assumption may also be based on institutional approaches where distance-learning is regarded as a marginal additional activity rather than the core business of the organisation and hence fails to consider the full costs. Technological advances in on-line learning require significant investment in the virtual learning platforms. In addition, where distance learning is open to all (and therefore making a significant contribution to widening participation), the quality and expertise of the academic and support services are critical for students' progression and success. We are concerned that TRAC(T) data does not capture the true extent of the costs of distance learning and flexible higher education as the OU, the UK's dominant provider of such learning is not included in the data capture. We would therefore be concerned if TRAC(T) data alone were used to allocate funds to distance learning provision.
- We are happy with the method of funding currently in place for part time provision based on credits and would prefer to retain this basis ensuring that any revised subject weightings do not destabilise the overall offer

Conclusion –These points will be carefully considered and further consultation undertaken before final methods are decided.

10) Do the proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven wellbeing goals, Sustainable Development Principle and five ways of working?

Individual points have been extracted from the responses

- Supporting widening access to Medicine and healthcare delivery in Wales; and supporting STEM subjects, meeting labour market needs to support economic growth.
- There may be a negative impact due to the risk of narrowing the desirable skills base, as institutions are unable to attract additional funding in areas that are important for a favourable and prosperous Wales to raise aspirations and address poverty, social mobility etc. For example in critical areas such as early years education, construction, health and social care.
- The allocation of public funds to HE providers via aspects of HEFCW funding methodology, such as the disability premium, is a contribution to supporting equality and diversity. There are, however, many more students with disabilities in HE than are in receipt of DSA which defines eligibility for this premium, e.g. approximately 20% of the OU's students

declare a disability but just a proportion receive DSA support. We are aware that, since transfer of DSA administration to Student Finance England and Student Finance Wales, there have been data sharing problems and that the HESA data may therefore under-represent the numbers of students in receipt of DSA. HEFCW may wish to explore improvements in DSA data-sharing between SFW and HE providers to increase support for students with disability via its funding method. DSA provides an official verification for allocation of the premium, and an alternative verifiable measure that captures all students with disability may not be possible. The continuation of the per capita payment at a sufficient rate will contribute to addressing the issue of under-reporting of students with a disability.

- While funding by credit value supports flexible learning, it does not support priorities such as supporting student wellbeing, where demand and therefore costs are linked to the headcount of students rather than their FTE or credit value. The per capita element of the HEFCW funding does give some recognition to per capita costs, but a return to the previous higher rate would be more meaningful.
- The funding expensive provision is a key requirement for the future sustainability of academic provision in Wales and fully in line with the objectives of the Act. All students should benefit from a funding system that supports expensive subjects.

Conclusion –These points will be carefully considered during the development of the method and during the impact assessment processes, before final methods decided.

- 11) What **positive** or **adverse** effects will the proposals have on:
- **opportunities** for persons to use the Welsh language and
 - **treating** the Welsh language no less favourably than the English language?

Individual points have been extracted from the responses

- We note that a high proportion of Welsh language students take subjects in the Arts and Humanities within a University framework, not a conservatoire one, so a funding model that prioritises expensive subjects may mean that funding for Welsh language students is proportionally lower than that for English language students.
- The development patterns of Welsh Medium Higher Education subject areas do not replicate those of English language Wales-wide provision and the existence of the Coleg has both accepted and accentuated that difference – if HEFCW funding policies do not take account of Coleg national subject planning patterns this may result in one model of arm’s length provision driven by the Coleg (if actually funded by HEFCW) and another directly funded and strategically planned profile of provision by HEFCW.
- It is important to continue to maintain additional strategic investment in Welsh language as expensive subject funding won’t cover this.

- We do not regard the proposals as having an impact on the Welsh language – other than if the incentivisation funds for Welsh-medium enrolment were withdrawn (which could have a potentially negative impact in terms of perception and investment).
- As long as the Welsh Medium premium is retained and updated in line with inflation then there should be no barrier to opportunities to use the Welsh Language.
- Although premiums for expensive subjects do not support Welsh language provision directly, they are necessary to ensure that the academic infrastructure for provision in both languages remains sustainable in the long term. It is important to continue to maintain additional strategic investment in Welsh language as envisaged in the Diamond Review.

Conclusion –These points will be carefully considered during the development of the method and during the impact assessment processes, before final methods are decided

- 12) Could the proposals be changed to **increase positive** effects, or **decrease adverse** effects on:
- **opportunities** for persons to use the Welsh language and
 - **treating** the Welsh language no less favourably than the English language?

Individual points have been extracted from the responses

- Ring-fenced funding such as continuing premiums.
- Proposals ought to capture the additional costs associated with delivery of Welsh medium higher education (e.g. through a premium within the credit-based funding model), and additionally the costs of providing effective Welsh language / bilingual services (e.g. maybe exploring enhanced per capita payments in respect of Welsh speaking students).
- If the proposals were to include a Welsh medium up-lift in funding terms and then this would act as a further incentive to increase the use of the Welsh language.

Conclusion –These points will be carefully considered during the development of the method and during the impact assessment processes, before final methods are decided

- 13) Do you have any additional comments that you would like to make in response to this consultation?

Individual points have been extracted from the responses

- We should seek assurances from HESA that the HEFCW Data requirements and needs to enable this funding system are met by HESA,

and that HESA data specification changes are timely with adequate lead-in times.

- Further opportunities to meet face-to-face to discuss as a group - as happened as part of this consultation - would be appreciated as HEFCW shapes any future proposals.
- The key issue with the proposed funding method at the moment is that it appears to significantly understate the subject costs as identified by TRAC(T) and the required funding allocations. Although the proposed method could perhaps be used as a transitional arrangement where additional funding available for expensive subjects remains small, it is not currently identifying the scale of investment required to make the system work in line with the Diamond Report recommendations.

Conclusion –These points will be carefully considered and further consultation undertaken before final methods are decided.

W18/24HE Consultation on changes to funding methods for 2019/20 and future developments

Summary of responses

For AY 2019/20 changes to the teaching funding method

1) Are you content with the way that the TRAC(T) costs data have been used to calculate relativities for an interim allocation of funding for higher cost subjects for full-time undergraduate provision in AY 2019/20?

- In the main, given the quantum of funding available in 2019/20, the responses agreed that significant review of the funding model would be disproportionate and that the proposal to use TRAC(T) data to review relativities, seems sensible as an interim solution.
- Individual institutions made particular points about certain subjects to be re-considered.
- Some concerns remain about the way that inflation may have been applied to the original HEFCE calculations and how representative an English institution cost model is of Welsh institutions.
- One institution felt that the funding methodology appears to underestimate the cost of provision and that it would be better to use a more robust methodology more fully aligned to the TRAC(T) analysis without the mapping to outdated ASCs, to provide evidence of the actual shortfall in investment in Welsh HEIs that could inform other areas of Welsh Government policy and strategic investment. They also felt that the rounding methodology proposed was not needed as it introduces a bias within the data.

Conclusion – Given the overwhelming support for the proposals for use of TRAC(T) costs data for an interim allocation of higher costs subjects in 2019/20, we will proceed with the proposed method, without the rounding methodology, but will also consider the particular subject points raised by institutions in our review for 2020/21.

2) Are there other points to consider in the proposed interim funding method that we have not listed above?

Individual points have been extracted from the responses

- The approach to map the ASC codes to the cost centres is welcomed for this interim year as the use of cost centre for funding distribution has not previously been agreed. This is certainly a possibility for future years, however data will need to be checked and considered prior to use
- There needs to be recognition that universities may wish to develop the more expensive subjects to meet the demands of employers and society. So that the planning of HE funding should consider the potential to allow or incentivise an increase in STEM subjects and to develop more places for students wishing to study medicine and veterinary science in Wales

- The model does not recognise additional elements that drive higher costs, which are not captured by subject relativities, such as Welsh medium provision and part-time delivery. The reintroduction of a premium funding where grant funding is being reintroduced for higher cost subjects should be considered for these areas.
- The proposed interim funding method should be as transparent as possible.
- We would suggest, generally, a reconsideration of what is higher cost, and widening the definition to areas beyond STEM subjects.
- It would be useful to confirm that as part of the ASC calculations that HEFCW made that the reason for removing ASC 10 from the relativities is in fact solely down to expensive subjects premium (performance element). As Art & Design programmes are relatively high cost subjects in the portfolio of programmes.
- The funding method should incentivise growth in priority areas, allocating funding from areas of under-recruitment to enable priority areas to grow with sufficient funding. We recognise that the Remit Letter steers HEFCW to providing funding to cover the costs of full-time high cost subjects as a first priority, but this should not be at the expense of continuing to support the Welsh Government's desire to see expansion of part-time study through funded growth.
- The method does discriminate against those providers who are not charging the full fee allowed of £9,000 as the average fee is subtracted from the overall calculated cost to provide a funding level. Inflationary increases should also be built in on an annual basis.
- It is very important that the funding method, even if satisfactory for apportioning available funding prior to full implementation of the Diamond recommendations, signals the true extent investment required to make the system sustainable as envisaged.

Conclusion – All these individual points will be considered for longer term development of the funding method.

For changes to the teaching funding method beyond AY 2019/20

- 3) Should TRAC(T) data be used in future to calculate subject relativities for allocating funding for higher cost subjects, a) for full-time undergraduate provision and, b) for part-time undergraduate provision?

Individual points have been extracted from the responses

- There may be new costs to consider that weren't in existence or have increased above inflation since 2008. For example, in the area of computing, cyber security is an emerging and expanding area, however this requires the procurement of expensive kit and software that would not have been costed in a traditional BSC in Computing, therefore making the subject area appear cheaper than it really is.

- Costs for part-time study are not as standard as for full-time, there are variations in patterns of study dependent on the structure of part-time courses. Are they slotting into full-time provision and therefore economies of scale are made, or is part-time a stand-alone offering resulting in much higher costs?
- Again, TRAC(T) is the only current option available without collecting bespoke data. It may be that the original exercise carried out by HEFCW should be revisited using contemporary data. Continually adding inflation adjustments to historic data will increasingly put inaccuracies and biases into the model.
- Part-time teaching is often very different in nature and level. A full review of the differences and delivery methods would be needed to bring any accuracy into the calculation of relatives for part-time subjects and would need the added dimensions of delivery method and qualification level.
- This would seem like the most meaningful approach to capture subject relativities, but consideration also needs to be given to other elements that drive higher costs, which aren't captured by TRAC(T) subject relativities, e.g. Welsh medium, part-time.
- The English TRAC(T) data has significant strengths. It has been tried and tested with a large sample size. Could HEFCW commission a study, from for example WISERD, to look into the costings of programmes that was more bespoke for Wales?
- This will provide parity of investment with English institutions.
- For full-time provision, this would appear to be an appropriate method to use. Comparison of this against current ASC funding levels for part-time courses should be made before adopting for part-time provision to assess the impact on funding this is likely to have. Destabilising the part-time allocations should be avoided.
- The Academic Subject Category Units of Funding are old and over time they have been driven down by the constraints of allocating funds within the available HE budget rather than, together with fees, covering the full costs of HE study. On the face of it, TRAC(T) cost data should be a better indicator of cost, and we are not aware of an alternative source of cost data to TRAC(T) that would be sufficiently robust and auditable for allocating public funding. TRAC(T) data has been accepted as a basis for funding in the English HE sector. This acceptance will, in part, be due to the scale of the English sector which enables averages to be applied across the sector. However, care will need to be taken in applying TRAC(T) to the Welsh sector and to part-time provision in particular to ensure that it is valid.

Conclusion – There seems to be universal support for the use of TRAC(T) costs data in future for the calculation of subject relativities, with the caveat that the points highlighted above are considered in the future development work.

- 4) Should we be using module cost centre or module subject of study data to calculate funding allocations? (If we used cost centre data to allocate funding, we would need to issue guidance and collect additional data

about cost centres until cost centre data were considered robust at a provider level.)

Individual points have been extracted from the responses

- Either method would be appropriate, cost centres provide more granularity with there being 3 times the number of ASC codes, however there is a question surrounding if Wales in 2019 are using the same cost centres against subjects that were delivered in England in 2008.
- Without doubt the use of cost centres should be considered. This has been tested in English funding for some time. The use of cost centres avoids the complications of the impending HECoS switch which will add another layer of uncertainty to an already untested foundation of inflated TRAC(T) assumptions. The removal of ASCs would then be the next logical conclusion to simplify the system and avoid multi-layered mapping to arrive at the differentials.
- There should be a long-term aim to align the purpose for collecting data, so that it is consistent across the UK-wide model, and it would therefore make sense to aim to transfer to the use of cost centre for funding purposes at some point in the future. For expedience, and to avoid additional workload, it makes sense to remain with the subject data for an interim period.
- We would advocate Cost Centres as being the most relevant, as the funding system is concerned with appropriate resourcing. There are already HESA QA processes in place and our HESA data is already audited by internal and external auditors.
- We would advocate module subject of study data, but care is needed not to encourage competing priorities for survey response thresholds (NSS, Graduate Outcomes, TEF, UKES) for publication and benchmarking (e.g. Archaeology and Archaeological Science).
- Module subject of study would be our preferred option here. If however module cost centre were to be used it should be appreciated that some institutions will need time to be assured that their module cost centres are truly reflective of the costs associated with them rather than as simple overall academic faculty/school basis.
- As a general principle, collection of additional sets of data should be avoided if there are adequate alternative data sources.
- If cost centre data is to be collected for Wales, then the same definitions as those used by OfS should be used. Returning cost centre data to HESA that varied by nation would be anticipated to create considerable extra burden. HESA data at UK level would also be problematic with definitions varying by nation.
- We would prefer to stick with module subject of study to avoid creating too much instability.
- TRAC(T) costs are not currently identified at module level, and there is a danger that mapping cost centers to modules will systematically under state costs. TRAC(T) costings, as pointed out by HEFCW, reflect the average of a range of modules in its costings. This issue would need to be addressed before moving to a module based funding system.

Conclusion – There is a difference in opinion about the value of using module cost centres or module subject of study for calculating funding allocations. The points will be carefully considered and further consultation undertaken before the final method is decided.

5) In developing our proposals for subject groupings, is there anything you would wish us to consider? For example, about the number of subject categories, or about how subjects are currently grouped. In proposing to use the method outlined in Annexes A and C as our interim method for AY 2019/20, we have illustrated that we need to consider how we group subjects to calculate units of funding. We intend to review this for subject relativities used in AY 2020/21 and will put forward proposals in the next stage of our consultations on funding methods.

Individual points have been extracted from the responses

- We are content with the current groupings.
- To a large extent these are problems are brought about by the decision to use ASCs. Moving simply to cost centres would avoid the issue and bring some granularity to the coding. If we are to remain with the current ASC mappings, then combining ASC 3 and 4 would be a simpler system and would be supported.
- To aid transparency, we would advocate fewer bands (e.g. 4), aligned to HESA Cost Centres, as these are well-used, audited and robust.
- One thing that should be considered in terms of the cost of delivery is whether the subject area is validated by an external body or not and this affects the costs.
- We are also not content with the proposal to combine academic subject category (ASC) 3 & 4, we do not agree with the assumption that there is more overlap than suggested by the relativities when reviewing the cost centres aligned to each ASC.
- Aligning the HESA cost centres to the ASCs fails to consider the decision by HEFCE to recognise Nursing and allied health as a higher cost subject (from 2017-18).
- We have concerns about coding our subjects in ways different to our current system, as this may prevent us from meeting response thresholds for NSS, UKES and DLHE surveys.
- There is scope for subject categories to be reviewed as currently there are too many that offer little in the way of true differential. It is also important to note that in many cases the current groupings have diversified from their original similarity – for example maths, IT and computing are no longer appropriate as a combined subject group.

Conclusion – There seems to be appetite for the reduction in the number of ASCs but there is also some concern about combining ASCs 3 and 4 in the interim method. The points will be carefully considered and further consultation undertaken before the final method is decided.

- 6) Do you think that we should collect TRAC(T) from Welsh providers, to use alongside the equivalent UK data, to inform the calculation of subject relativities?

Individual points have been extracted from the responses

- The added value of Welsh data is limited given the small number of providers and therefore the likelihood of data anomalies. There are some subject areas that only a single HEI delivers, which does not allow for meaningful comparisons across the Welsh sector. Using English data from a large number of providers will give us more confidence in the costs. The counter argument is that this data would enable Welsh HEIs to compare costs and be able to benchmark, however the data collection overhead at a time of increasing cost pressures would not be welcome at this time, but could be something to consider if the funding model starts to allocate substantial financial benefits using this approach.
- There would be no use for a stand-alone Welsh individual TRAC(T) data set. The only use would be to add to the English data, as using data from eight institutions would appear to be a very unreliable starting point. On that basis then the extra burden of collecting and submitting TRAC(T) would not seem justified.
- It would be useful to have parity with England in terms of TRAC(T) and this would also support the production of valuable metrics to inform planning and assessment of performance; however the additional workload of introducing TRAC(T) needs to be considered carefully.
- No. We would need to consider the cost benefit of collection versus alternatives.
- There is a significant overhead to establishing the collection of this information. There is no reason why TRAC(T) data from English universities would not be applicable and relevant to Welsh providers.
- The work has already been carried out for the rest of the UK and would entail significant resource and time to carry out within Wales. If TRAC(T) is to be tested for potential future use, we would recommend the use of data already collected and used in England, Scotland and NI, given that the Diamond recommendations that we are seeking to implement are designed to bring our funding to the same levels as those in England
- It would seem less burdensome to use the English TRAC(T) data as a proxy for Welsh institutions. Whilst some differential should be applied based on the fact that the English sector has been funded better for some time and that costs in Wales have therefore been applied on a “cut our cloth accordingly” basis due to this disparity and not likely to be a true cost.
- As Wales is a small and diverse HE sector, use of Welsh only TRAC(T) data may not be sufficiently robust for funding purposes. Furthermore, it took several years of returns in England before the data was deemed sufficiently robust for funding purposes. TRAC(T) returns are complex and come with additional cost, therefore HEFCW will wish to ensure that use of English TRAC(T) data alone is not sufficient for purpose to justify the additional burden and cost on Welsh institutions. The English sector

is large and diverse, and the English average data may be considered applicable to Welsh institutions

- The OU is not required to make a TRAC(T) return due to the difficulty in agreeing a student number by which costs can be divided. There would be further difficulty if a Welsh-only return were required from the OU as staff and finance data are not split by nation due to the difficulty of apportioning resource by nation for distance learning provision – use of UK data would be necessary.
- We are happy to rely on UK data already collected
- We agree that it may be sensible for Welsh universities to take part in the TRAC(T) exercise and future UK wide review of TRAC(T) costs if this is to be used as the basis for future allocations.

Conclusion – With one exception (from an organisation which is not a provider) there is overwhelming support in using the TRAC(T) data available for England rather than introducing a Welsh return. As well as issues of burden, there is suggestion that Wales is not big enough to enable a robust set of data which could be used. We will consider whether these data are collected and any proposals will be subject to further review.

General

- 7) Are there any issues, which you would like to comment on, arising from the Council's decisions:
- that any additional funding in AY 2019/20 should be used to ensure that the subjects that we currently define as expensive in the expensive subjects premium for full-time (FT) undergraduate (UG) be funded up to the same level as the equivalent courses elsewhere in the UK.
 - that any of the additional funding remaining in AY 2019/20 be directed towards higher cost subjects in FT UG provision.
 - to retain the concept of incentivisation funding in revised methods. and
 - to continue per capita funding in revised methods.

Individual points have been extracted from the responses

- We would like to see the retention of the current allocations for access/retention, Welsh Medium and disability in addition to the above. These allocations help to drive positive behaviour in these areas.
- We agree that Expensive subjects should be the first call on any additional funding received from implementation of the Diamond recommendations
- It would provide a simpler view of funding if the cost of provision (for UG FT initially but moving to all teaching provision) was recognised in expensive subject premium which directed as much of the WG funding as possible, so removing some of the other income streams. Incentivisation

for other actions could then be provided through the Fee Plan with no monetary element attached.

- Consideration also needs to be given to other elements that drive higher costs, which aren't captured by TRAC(T) subject relativities, e.g. Welsh medium, part-time.
- Council have agreed to retain incentivisation, but we would be concerned about the introduction of large pots of hypothecated funding. Wherever possible the majority of funding should remain non-hypothecated.
- We note the Council's decision to retain per capita funding and understand the political imperative behind funding every student, but in reality this funding is insignificant to institutions.
- We welcome this investment as it recognises the cost of delivery and helps make it sustainable.
- We would suggest that the Fee & Access Plan is already an effective incentive to increasing Access & Retention and Welsh Medium provision.
- We agree that - Expensive subjects should be the first call on any additional funding received from implementation of the Diamond recommendations - Higher cost subjects should include all subjects costing more than the prescribed maximum fee - The methodology should remain based on available UK-wide TRAC information, subject to further development or a viable alternative presenting itself - Funding should reflect the higher cost of part-time provision, and difference in fee levels currently sustainable in the part-time market - The funding should be unhypothecated, i.e. the institution should be free to use the funding for any purpose.
- We would recommend reconsideration of categorisation for higher cost subjects, with a view to widening this beyond traditional STEM subjects.
- We would advocate making incentivisation payments more visible by linking them to the work of Fee and Access Planning.
- We support per capita funding in revised methods
- In terms of premium and per capita - the amounts available per item, partly as there are too many of them, have become too small to act as real incentives. It would only be useful in keeping these if the values on offer were large enough to act as true incentives.
- We strongly support the retention of the incentivisation funding principles and areas. These enable HEFCW to operate funding levers that implement policy that delivers Welsh Government priorities, such as widening access and part-time study that contribute to social inclusion, up-skilling and employability of the Welsh workforce. They also enable recognition of the often higher recurrent costs of some of these activities, e.g. access and retention of students from low participation backgrounds, as well as the per capita costs and additional work to support retention and success of part-time students.
- We strongly support the retention of a credit-based funding system which underpins HEFCW's capacity to develop funding methods that support flexible learning provision.
- We support the retention of the per capita funding. While funding by credit value supports flexible learning, it does not support nor incentivise those priorities and activities where demand and therefore costs are

linked to individual students (headcount) rather than their FTE or credit value. The per capita element of the HEFCW funding does give some recognition to per capita costs, but a return to the previous rate of £50 (2011/12) or £100 (2012/13) per student would be more meaningful.

Conclusion – There is, in the main, support for the continuation in premiums and per capita, but recognition that the amounts involved are often too small to have much influence. However, this is accompanied with a steer not to create large pots of hypothecated funding, and the acceptance that incentivisation could be better facilitated through the fee and access plans.

8) Are there any particular issues which you think we should consider in our review of teaching funding for AY 2020/21?

Individual points have been extracted from the responses

- We also look forward to working with HEFCW following the publication of the Lord Murphy Review on conservatoire funding to find a sustainable solution for the funding of conservatoire.
- As stated above, consideration also needs to be given to other elements that drive higher costs, which aren't captured by TRAC(T) subject relativities, e.g. Welsh medium, part-time. It would be really helpful to consult with experts in the sector before developing a model so that a number of views could feed into the funding model.
- It is important to consider HESA Data Futures – HESA reporting should enable any future funding system.
- There is a need to ensure the proposed method by HEFCW is identifying the true scale of investment required to make the system work in line with the Diamond Report recommendations
- The changes being made in institutions as part of the changes from JACS to HECoS codings are embryonic. There is a possibility that the HECoS codings may prove to be volatile in the first couple of years of use as institutions fully appreciate the effects of any, and potentially wider, ramifications of mappings being carried out currently.
- With regard to incentivisation funding, the rates need to be set at a level at which they do make a significant difference and drive behaviour of providers.
- To encourage HE providers to respond to Welsh Government priorities, the future funding methods should move funding to incentivise and support growth in priority areas. The Government's response to the Diamond Review welcomed the principle of parity of support for part-time students and stated that it hoped "that this will enable the expansion of part-time provision in Wales".
- Because the core of this consultation is to reflect more accurately the costs of sustaining a provision in various subjects, it flows that the arrangements put in place should reflect the additional costs of bilingual provision. Therefore we need to reflect the true costs of provision in

Welsh and English, considering how to ensure that any premiums are provided by an appropriate formula.

Conclusion –These points will be carefully considered and further consultation undertaken before final methods are decided.

9) Are there any specific issues that we should consider for developing a revised part-time teaching funding method from AY 2020/21?

Individual points have been extracted from the responses

- The level of PT funding support and the disadvantageous position that Welsh HEIs have compared to English HEIs due to the limitations on SFW loan support.
- As we note above, Part-time teaching is often very different in nature and level. A full review of the differences and delivery methods would be needed to bring any accuracy into the calculation of relatives for part-time subjects and would need the added dimensions of delivery method and qualification level.
- Premium funding (or an enhanced per capita payment) for part-time students to reflect the higher delivery and administrative costs should be introduced. Whilst it is clear what a “full-time” student is, there are many different types of and motivations for part-time study – this should be explored when deciding upon funding priorities for part-time students.
- Sufficient lead-in time to enable the new system.
- We regard the same issues as relevant for part-time students and for full-time students in terms of shared resource used to deliver multiple programmes, which makes subject-cost analysis complicated.
- The different types of part-time study could be looked at separately. For example, work-based learning, distance learning and “traditional” classroom based part-time students study can differ in their costs and provision.
- When considering the part-time unit of funding, we urge HEFCW to apply a higher unit of funding than for full-time provision, taking account of the Welsh Government’s moderated fee loan levels for part-time study. Without sufficient total funding for part-time, costs cannot be covered and provision will decline. While it is understood that the Welsh Government does not want to see significant increases in part-time fees, without sufficient total funding, providers will be forced either to increase fees or to withdraw provision where costs are not met. As seen in England in recent years, significant increases in part-time fees can lead to a substantial decline in part-time learners. This will act against Welsh Government priorities of widening access and improving skills and employability through the ability to earn as you learn.
- In addition, the part-time premium funding was removed by HEFCW as it sought to cope with reductions to its budget. Part-time higher education provision has an important role in supporting the Welsh Government’s priorities for social justice and economic development, and we urge HEFCW to reintroduce such funding in support of these key policy areas.

- Comments have been made about different costs of different types of part-time provision with an apparent perception by some participants that distance learning was cheaper than face-to-face. Such an assumption fails to address the substantial infrastructure required to deliver a high quality part-time distance-learning experience, including physical and virtual learning infrastructure and student support services, although we acknowledge that where there is a large scale of operation there are cost benefits. The assumption may also be based on institutional approaches where distance-learning is regarded as a marginal additional activity rather than the core business of the organisation and hence fails to consider the full costs. Technological advances in on-line learning require significant investment in the virtual learning platforms. In addition, where distance learning is open to all (and therefore making a significant contribution to widening participation), the quality and expertise of the academic and support services are critical for students' progression and success. We are concerned that TRAC(T) data does not capture the true extent of the costs of distance learning and flexible higher education as the OU, the UK's dominant provider of such learning is not included in the data capture. We would therefore be concerned if TRAC(T) data alone were used to allocate funds to distance learning provision.
- We are happy with the method of funding currently in place for part time provision based on credits and would prefer to retain this basis ensuring that any revised subject weightings do not destabilise the overall offer

Conclusion –These points will be carefully considered and further consultation undertaken before final methods are decided.

10) Do the proposals have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generation (Wales) Act's seven wellbeing goals, Sustainable Development Principle and five ways of working?

Individual points have been extracted from the responses

- Supporting widening access to Medicine and healthcare delivery in Wales; and supporting STEM subjects, meeting labour market needs to support economic growth.
- There may be a negative impact due to the risk of narrowing the desirable skills base, as institutions are unable to attract additional funding in areas that are important for a favourable and prosperous Wales to raise aspirations and address poverty, social mobility etc. For example in critical areas such as early years education, construction, health and social care.
- The allocation of public funds to HE providers via aspects of HEFCW funding methodology, such as the disability premium, is a contribution to supporting equality and diversity. There are, however, many more students with disabilities in HE than are in receipt of DSA which defines eligibility for this premium, e.g. approximately 20% of the OU's students

declare a disability but just a proportion receive DSA support. We are aware that, since transfer of DSA administration to Student Finance England and Student Finance Wales, there have been data sharing problems and that the HESA data may therefore under-represent the numbers of students in receipt of DSA. HEFCW may wish to explore improvements in DSA data-sharing between SFW and HE providers to increase support for students with disability via its funding method. DSA provides an official verification for allocation of the premium, and an alternative verifiable measure that captures all students with disability may not be possible. The continuation of the per capita payment at a sufficient rate will contribute to addressing the issue of under-reporting of students with a disability.

- While funding by credit value supports flexible learning, it does not support priorities such as supporting student wellbeing, where demand and therefore costs are linked to the headcount of students rather than their FTE or credit value. The per capita element of the HEFCW funding does give some recognition to per capita costs, but a return to the previous higher rate would be more meaningful.
- The funding expensive provision is a key requirement for the future sustainability of academic provision in Wales and fully in line with the objectives of the Act. All students should benefit from a funding system that supports expensive subjects.

Conclusion –These points will be carefully considered during the development of the method and during the impact assessment processes, before final methods decided.

- 11) What **positive** or **adverse** effects will the proposals have on:
- **opportunities** for persons to use the Welsh language and
 - **treating** the Welsh language no less favourably than the English language?

Individual points have been extracted from the responses

- We note that a high proportion of Welsh language students take subjects in the Arts and Humanities within a University framework, not a conservatoire one, so a funding model that prioritises expensive subjects may mean that funding for Welsh language students is proportionally lower than that for English language students.
- The development patterns of Welsh Medium Higher Education subject areas do not replicate those of English language Wales-wide provision and the existence of the Coleg has both accepted and accentuated that difference – if HEFCW funding policies do not take account of Coleg national subject planning patterns this may result in one model of arm’s length provision driven by the Coleg (if actually funded by HEFCW) and another directly funded and strategically planned profile of provision by HEFCW.
- It is important to continue to maintain additional strategic investment in Welsh language as expensive subject funding won’t cover this.

- We do not regard the proposals as having an impact on the Welsh language – other than if the incentivisation funds for Welsh-medium enrolment were withdrawn (which could have a potentially negative impact in terms of perception and investment).
- As long as the Welsh Medium premium is retained and updated in line with inflation then there should be no barrier to opportunities to use the Welsh Language.
- Although premiums for expensive subjects do not support Welsh language provision directly, they are necessary to ensure that the academic infrastructure for provision in both languages remains sustainable in the long term. It is important to continue to maintain additional strategic investment in Welsh language as envisaged in the Diamond Review.

Conclusion –These points will be carefully considered during the development of the method and during the impact assessment processes, before final methods are decided

- 12) Could the proposals be changed to **increase positive** effects, or **decrease adverse** effects on:
- **opportunities** for persons to use the Welsh language and
 - **treating** the Welsh language no less favourably than the English language?

Individual points have been extracted from the responses

- Ring-fenced funding such as continuing premiums.
- Proposals ought to capture the additional costs associated with delivery of Welsh medium higher education (e.g. through a premium within the credit-based funding model), and additionally the costs of providing effective Welsh language / bilingual services (e.g. maybe exploring enhanced per capita payments in respect of Welsh speaking students).
- If the proposals were to include a Welsh medium up-lift in funding terms and then this would act as a further incentive to increase the use of the Welsh language.

Conclusion –These points will be carefully considered during the development of the method and during the impact assessment processes, before final methods are decided

- 13) Do you have any additional comments that you would like to make in response to this consultation?

Individual points have been extracted from the responses

- We should seek assurances from HESA that the HEFCW Data requirements and needs to enable this funding system are met by HESA,

and that HESA data specification changes are timely with adequate lead-in times.

- Further opportunities to meet face-to-face to discuss as a group - as happened as part of this consultation - would be appreciated as HEFCW shapes any future proposals.
- The key issue with the proposed funding method at the moment is that it appears to significantly understate the subject costs as identified by TRAC(T) and the required funding allocations. Although the proposed method could perhaps be used as a transitional arrangement where additional funding available for expensive subjects remains small, it is not currently identifying the scale of investment required to make the system work in line with the Diamond Report recommendations.

Conclusion –These points will be carefully considered and further consultation undertaken before final methods are decided.