

## Welsh Government Consultation on Part-time higher education funding and student finance 2012/13 - Submission from Higher Education Wales

### 1. About Higher Education Wales

Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales and the Director of the Open University in Wales. HEW provides an expert resource on the Welsh Higher Education sector.

### 2. About this response

The Welsh Government published the current consultation on its proposals for fee regulation and financial support for part-time students on 5 September 2011. This follows the outline of proposals published by the Education and Skills Minister on 21 June 2011. A corresponding consultation on future grant (and premia) for institutions to support both full-time and part-time provision in 2012/13 was set out by the Higher Education Funding Council for Wales in Circular W11/28HE and concluded on 5 September 2011.

This consultation forms part of the wider reforms of the fee and funding regime for students and institutions in Wales and the UK. A concurrent consultation is taking place on the BIS White Paper for proposals relating to England.

### 3. General comment

Higher Education Wales welcomes the Welsh Government's proposals to provide greater parity between full-time and part-time students and sees this as important for the strategic direction of the sector.

Reflecting the diversity of part-time students and provision, the pattern of part-time recruitment in Wales is complex. Welsh Government statistics point to a decline in part-time undergraduate enrolments in Wales from 38,000 in 2006/7 to 26,000 in 2009/10 despite a period of continued growth in full-time enrolments.<sup>1</sup> In part this appears to follow a wider UK trend with enrolments peaking after a period of growth in 2006/7<sup>2</sup>. A recent study of part-time provision commissioned by the Welsh Government<sup>3</sup> also

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<sup>1</sup> Welsh Government Statistical Bulletin SB 12/2011, *Students in Higher Education Institutions – Wales 2009/10*, (17 February 2011).

<sup>2</sup> Universities UK, Research Report, *The Supply of part-time higher education in the UK*, (July 2010).

<sup>3</sup> Gareth Williams, Old Bell 3 Ltd, *Research into part-time Higher Education supply and demand*, (2010)

indicates that the enrolment trend for part-time study has been almost the inverse of the trend in part-time credit volume. The full-time equivalent (FTE) rose from a low point in 2005/6 of 17,177 to 18,947 in 2007/8, reflecting a trend towards part-time study at higher levels of intensity. UUK's regional analysis suggested that while Wales' number of part-time undergraduate students for its working age population was higher than the average for the UK as a whole, the number of part-time first degree students was lower (2.5 per 1,000 working age population compared to 5.1 for the UK as a whole)<sup>4</sup>.

The importance of part-time provision in the delivery of higher education policy in Wales is set out in *For Our Future* and *Skills that Work for Wales*. The growth of part-time provision has been identified as essential to achieving the long-term goals of increasing participation in higher education to maintain the international competitiveness of the economy and forging a much closer relationship between business and the higher education sector as identified in particular by the Leitch Review. In Wales a major review of part-time provision was led in 2006 by Professor Heather Graham, following from the Rees Review and the devolution of student support arrangements to Wales in 2004. The Government's commitment to achieving greater parity for full-time and part-time funding has been recognised in a number of measures that were introduced to stimulate part-time study in Wales as a result of this. The levels of funding and financial support for part-time and full-time students, however, continue to differ in a number of substantive respects.

HEW responds to the specific questions raised in the consultation below, and is mindful of the request not to comment on the broad principles of the proposals. However, it should be stated at the outset that, the consultation raises a number of significant issues that need further careful consideration to avoid unintended consequences for the sector, particularly given the level of overall change and uncertainty for the higher education in Wales and the UK at the current time. *We believe that implementation of the new part-time student support arrangements should be deferred to 2013/14, rather than 2012/13, to reduce this risk and give the sector period of further reflection, and would support the continuation of the current arrangements and funding model in the interim which were the subject of HEFCW's consultation in September 2011.*

#### **4. Comment on specific consultation questions**

**Q1. What should be the basic amount for part-time tuition fees, above which fee plans would be required from institutions wishing to charge a higher amount? Are there any advantages or disadvantages associated with establishing the basic fee amount at a fixed value for all part-time courses or varying the basic amount according to the course intensity?**

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<sup>4</sup> UUK (2010), op cit.

HEW would support the same basic fee level being set for both full-time and part-time students on the grounds of parity. It is recognised, however, that the different circumstances for part-time and full-time students affect this consideration. The basic fee for full-time students was set at a level to ensure that no student had to pay more fees upfront in real terms than in previous years.<sup>5</sup> Insofar as part-time fee levels have been investigated, it appears that providers in Wales have reported difficulty in setting part-time fee levels pro rata to the corresponding full-time fee.<sup>6</sup> Similarly in England part-time fees have typically been lower than their full-time equivalents, and there is some evidence that the providers who did raise their fees pro rata have experienced reductions in applications.<sup>7</sup> This could mean that the real term increase of fees for part-time students would be greater than for full-time and impact on recruitment accordingly. A lower basic fee level could be considered, at least as a transitional measure, consistent with the lower maximum fee level for part-time students.

HEW's current view on balance is that it would like to see the basic fee level varied pro rata to the level of intensity. By fixing the basic level at e.g. the proposed amount of £4K, this would presumably mean that only students on high intensity courses could qualify for fee payments. There could also be potential issues about funding for students who incrementally build up credits or vary the intensity of their study between years.

Varying the basic fee level according to intensity would ensure that the students have the same level of access to fee grant and loans for equivalent study as full-time students. In implementing a variable basic fee level, however, a number of factors need to be considered further:

- higher administrative complexity and costs for institutions in recording and tracking students at variable fee levels and levels of intensity,
- greater overhead per capita of the loan and grant support mechanism particularly for study at lowest level of intensity (i.e. disproportionately more red-tape for students, and more costs for administrators/funding councils),
- greater uncertainty/lack of clarity over basic fee level as based on course and/or individual study patterns,
- in choosing the part-time mode, students have already spread the costs of study

In further discussions of the basic fee level and its variability for part-time students, we would also welcome further clarification of the likely impact for fee grant payments from HEFCW and the teaching funding budget.

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<sup>5</sup> Welsh Assembly Government, *Statement on Higher Education*, 30 Nov 2010.

<sup>6</sup> Gareth Williams, Old Bell3 Ltd, *Research into Part-time Higher Education Supply and Demand*, Government Social Research Report 08/2010, (2010), p.112 (para.4.77).

<sup>7</sup> Universities UK, *Variable tuition fees in England: assessing their impact on students and higher education institutions*, A fourth report, (2009), p.21, paras 83-86.

**Q2. Should institutions charging above the basic fee amount for part-time courses be subject to the same fee-planning requirements as for full-time courses? Are there any specific issues which should be taken into account in respect of the fee-planning guidance to be issued to HEFCW for part-time provision?**

For full-time students, fee plans for institutions wishing to charge higher fees students were introduced to address in particular concerns about the impact of the new fee-based funding regime on widening access.<sup>8</sup> Fee plans for 2012/13 accordingly direct around 30% of their new fee income specifically to new activity supporting equality of opportunity and promotional activity and are subject to annual monitoring and scrutiny by the Council.

The principle that there should be measures to protect against the impact of the additional fees for widening access is equally applicable if not more so for part-time study. This use of fee plans, however, needs to be weighed against the potentially greater complexity/cost of plans for part-time study, particularly if they are intended to reflect different levels of intensity. There is significant merit from an administrative perspective of having a single fee plan that covers both full-time and part-time students. It would be possible to address part-time activities specifically within the fee plan, targeting the particular needs of such groups.

**Q3. The Welsh Government proposes to make fee support available to eligible part-time students studying at an intensity of between 25–75 per cent of the full-time equivalent. Should students studying between 75–99 per cent intensity be treated as part-time students for the purposes of the student support (fee grant and loans) and fee-capping legislation?**

Higher Education Wales views it as essential that students studying with an intensity of between 75%-99% are fully accounted for and included within the new support arrangements, under whichever heading they are classified. The percentage of part-time students in the UK who study at an intensity of 75% or greater is about 6%.<sup>9</sup>

The issue highlights the difficulty of applying a distinction which is largely artificial. The classification of such students will primarily determine which quota and fee-cap applies - part-time or full-time. For a near-full-time student there is potential advantage to being classified as part-time: institutions would be constrained to offer the lower fee levels (the average level set for fees in Wales in 2012/13 is higher than £7K at all but one institution according to the fee plans). For institutions the difference in income would be smaller than the £2K difference in maximum fee level implies at first sight and will depend in practice on how the teaching funding mechanism operates: under current proposals for

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<sup>8</sup> See the Cabinet statement of 10 November 2010 and the Welsh Government's guidance on fee plans (28 March 2011).

<sup>9</sup> Universities UK, The supply of part-time higher education in the UK, (July 2010), p.23, Table 13.

full-time students, fee grant payments would lead to a corresponding reduction in the overall premium payments to institutions. From an administrative perspective, treating near-full-time students the same as full-time students is considered likely to introduce greater reporting and planning complexity.

HEW would recommend that such students are classified as part-time.

**Q4. In view of the way in which the intensity of part-time study is negotiated between the student and their institution would the proposed method for determining the pro-rata fee to be charged best work on:**

- (a) a credit basis where the full-time equivalent study is defined as being 120 credits per year**
- (b) a banding basis where rates are set for 25, 50 and 75 per cent study intensity**
- (c) some other means of defining course intensity, e.g. on the basis of the number of years required to complete the course?**

**number of years of full-time course**

$$\frac{\text{number of years of full-time course}}{\text{number of years of part-time course}^1} \times 100 = \text{percentage course intensity}$$

<sup>1</sup>Subject to a maximum of 16 years to complete the course

HEW would support the continuance of a credit based system. In particular, it is felt that there is significant advantage in the short-term in reducing the need for change to further change in internal systems for a sector currently facing transformational change and which has already responded to a number of recent changes in its funding mechanisms.

In considering the implications of these options in more detail there are two issues to distinguish. The first is the particular system to be used to record and calculate intensity – credits or percentages. The second is about how far differences in levels of intensity should be recognised by the funding model – i.e. banding:

- (a) A credit-based system.** This has been in use successfully within the sector over a number of years. The credit equivalents of 25%, 50% and 75% are easily identified as 30, 60 and 90 credits respectively in theory. It is noted, however, that in practice institutions typically base their provision around either 15 or 20 credit modules, and institutions with curricula currently based on 20 credit modules could struggle to apply the three percentages precisely without changing their curricula and incurring significant attendant cost/ use of front-line staff time.
- (b) A banding based on three rates of intensity.** Calculating different levels of intensity in terms of percentages rather than credits may have some attraction in the context of the Council's proposals for the full-time teaching mechanisms (W11/28HE). This

change would be essentially a matter of numerical format rather than substance, however, and the substitution of credits for percentages could potentially require otherwise unnecessary database system development. In terms of banding, the same issue as for (a) above would also apply: providers may be tempted to alter their curricula to accommodate the banding designations more easily.

- (c) The year-based calculation. This appears problematic. A feature of part-time study is the variability of the duration of the course, and flexibility of students to progress at different rates.

**Q5. We intend to introduce support arrangements for part-time undergraduates which are similar to those for full-time undergraduates including access to a loan and a fee grant to cover the upfront costs of tuition fees for part-time courses between 25–75 per cent intensity of a full-time course. Will these arrangements encourage applications for part-time study?**

HEW strongly welcomes the intention to provide parity for part-time and full-time students in terms of support arrangements. It is noted, however, that the circumstances and needs of part-time and full-time students differ considerably and should be taken into account in the detail of the proposals.

In particular, a key issue to consider from HEW members perspective is whether part-time students who have a prior degree should be excluded from the part-time support arrangements. Around 38% of part-time students in the UK already hold first degrees or postgraduate qualifications (it is around 14% for part-time undergraduate degree students)<sup>10</sup>. Arguably upskilling and reskilling within the economy is also a priority for the Leitch and *Skills that Work for Wales* agenda.

A second consideration is the eligibility on the basis of household income. Approximately two thirds of part-time undergraduates, according to the UUK study, are estimated to have annual household incomes of £25,000 or above however and would be excluded.<sup>11</sup> We would welcome further consideration being given to the way household income is taken into account and the relative equity for those in partnerships and families.

The overall impact of these new measures on part-time applications is uncertain. We reiterate our support for the notion of greater parity between full-time and part-time funding and student finance arrangements. In our view the measures could be potentially contribute positively to the number of applications for part-time studies in the medium to long term. In theory they should reduce the deterrent that lack of access to short-term

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<sup>10</sup> UUK (2010), op cit. p.18, Table 5.

<sup>11</sup> UUK (2010), op cit. p.58.

finance can create and have a progressive effect, providing greater equity for students from disadvantaged backgrounds.

HEW is concerned, however, that there are a range of issues that need to be further considered, and that there is even a risk that the measures will have an effect which is opposite to that intended. As noted above (Q1.), there is some concern that demand may be affected by a rise in an effective rise in upfront fee levels for part-time students. This could be a particular issue for bite-size learning (under 25% intensity) which falls outside the package of support measures proposed but would, for instance, have a significant impact on enrolment statistics including the *For Our Future* target as currently expressed. The extent of eligibility for funding support, as highlighted in this section, will also have a significant effect on the equation. The impact of the new arrangements for employer sponsorship of students is also uncertain. Finally, growth would be subject to any cap applied.

It should also be recognised that the reasons for decline in part-time enrolments in Wales is only likely to be addressed in part by demand-side factors. Both the OldBell3 report in Wales and the UUK study in England point to the importance of supply-side issues.<sup>12</sup> Effective funding, incentives and other measures for providers will also play a significant part in addressing the part-time recruitment trends.

**Q6. We propose to make a tuition fee loan available for part-time students studying designated courses at private providers. The arrangements proposed for full-time students will provide for a maximum fee loan of £6,000. What do you consider should be the maximum loan available for part-time students?**

HEW does not support the extension of loan support for private providers. Private providers are not subject to the same level of regulation or social justice requirements and do not bear the associated costs of these activities.

**Q7. In order to ensure that the policy is sustainable in the long term, we intend to control the number of undergraduate students eligible for part-time support. What system and processes do you feel would be the most effective way of implementing a control on part-time student numbers in 2012/13?**

HEW recognises the need for funding proposals to be financially sustainable and manageable, but does not support a cap on undergraduate numbers (see comments in Q.10). If controls are to be implemented, however, the most effective method for 2012/13 is likely to be through use of the current credit system, applying a cap on overall credits and enabling numbers to be vired between subject areas and different lengths of programme/intensity and so on. Any major changes to the reporting and student number

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<sup>12</sup> Gareth Williams, Old Bell3 Ltd (2010) op. cit; UUK (2010) op cit.

control systems would be problematic for institutions already in the process of recruitment for 2012 entry.

Exceptions to cap should be considered for:

- European Social Fund sponsored Foundation Degree students
- Employer sponsored students
- NHS sponsored students
- Universities Heads of the Valleys Institute (UHOVI)
- Rest of UK home students – on the basis that the Welsh Government does not bear their student support costs, though we note that these numbers are low for part-time.

The cap should be based on credit values not a headcount, given that intensity varies considerably between Higher Education Institutions.

**Q8. Do you foresee any operational difficulties with student finance in relation to the changes we propose?**

An initial consideration by HEW members has identified a range of potential operational difficulties, which are exacerbated by the timescale for implementation. There will be a need, in particular, to communicate the student support arrangements effectively to part-time students for them to have proper effect. The Rees review, for instance, has identified this as a major factor in the success of previous financial support policies in Wales for instance.

In addition the following have been identified for further investigation and consideration:

- Student Finance Wales website will need to be updated to facilitate part-time applications.
- There may be some concern that the Students Loans Company may not have the capacity to deal with the changes effectively within the current timescale.
- Currently part-time students apply to local authorities for support using a paper based process. This would presumably entail change to current systems.
- Applications cycles would have to be synched and brought forward to ensure costs were clear for the Welsh Government.
- Flexible student who varied intensity year by year would find it difficult to get support. One year may be eligible, another year not (if less than 30 credits one year).

**Q9. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.**

HEW welcomes the proposal to provide greater parity between full-time and part-time students and sees this as important to the strategic direction of the sector. As indicated above, however, there are a number of significant issues of a more general nature that need to be taken into account however:

- The introduction of controls on part-time numbers. HEW fully supports the need to ensure that the funding for part-time study is manageable and sustainable. The key objective identified by the Education and Skills Minister in outlining the new part-time funding arrangements was 'to encourage more learners to enter higher education on a part-time basis'. Introducing a cap on numbers would appear to be contrary to this purpose. Whatever controls are introduced, the logic of the new proposals would require the ability to sustain growth in part-time study if it is achievable.
- The impact of fee-based funding for subject costs. The introduction of a fee-based funding system for part-time students means that the maximum fee level is the same for all subjects despite a large variation in the cost base of different subjects. The present levels of premia funding identified in HEFCW's teaching funding mechanism consultation do not appear to be able to mitigate this fully. This issue will be important for future portfolio development and in particular subjects identified by the Welsh Government as strategically important (including STEM and Modern Foreign Languages). There is also a particular issue about funding higher-cost subjects for part-time study given that the maximum fee chargeable is £7K rather than £9K.
- A potential gap or shortfall in fees from part-time students. The ability of providers to raise fee levels pro-rata to full-time provision is uncertain. The OldBell3 report commissioned by the Welsh Government identified that many institutions already experience or perceive difficulties in increasing part-time fees pro rata to full-time. The average fee level set for 2012/13 for full-time fees exceeds £7K in Wales, which means that, even if the demand issues are overcome, the incentive for institutions to offer part-time provision compared to full-time is reduced. As argued above, supply-side factors appear to have been a significant issue for the decline in part-time numbers in Wales.
- Impact of the new arrangements for other parts of the HE budget. HEW would welcome clarification on how the new arrangements would impact on other parts of the teaching/higher education budget. While there is considerable strain on the teaching budget, it is also viewed as important to safeguard investment in research.

- The general level of change and uncertainty in the sector. The Welsh Government may also wish to give consideration to the overall level of change within the sector at present and the timing of introduction of these measures in light of changes to full-time funding arrangements, reconfiguration and sector regulation.

It is our view that these proposals represent a positive step forward, but that their consideration and introduction would benefit by being deferred for a year.

**OCTOBER 2011**

**HIGHER EDUCATION WALES**