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Higher Education Funding Council for Wales  
c/o Leanne Holborn  
Submitted by email to: [leanne.holborn@hefcw.ac.uk](mailto:leanne.holborn@hefcw.ac.uk)

2 October 2014

Dear David

### **W14/33HE Consultation on the funding approach in 2015/16 and subsequent years**

We have agreed with our Members that universities will respond to this consultation on an individual basis. However, in this letter we offer a number of comments relating to high-level issues of an overarching or common nature, designed to complement the individual responses.

#### **Funding principles (Question 1)**

Universities in Wales have a very important role in the economic and social well-being of Wales. Investment in higher education is critical to enable universities to be successful and remain sustainable in a highly competitive global higher education environment.

We note that there continues to be a significant gap in funding for Wales and other parts of the UK. The recurrent grant for English institutions in 2014/5, according to our estimates, was the equivalent of £67m more than for Wales, and English institutions were not subject to any average fee-income restrictions, and had access to significant capital funding. Despite additional fee income from full-time undergraduate students, it is now clear from the latest set of data that at least for 2012/13, the first year of operation, the change in fee and funding arrangements led to a shortfall of income for the sector. HEFCW also estimated that the aggregate deficit of the sector in that year, when taking full economic costs into account, was £85m.

We understand that HEFCW's estimate of the grant available for allocation to institutions in 2015/16 is around £140m. On top of the £67m reduction in allocations in 2014/15, this means that a further reduction of about £17m needs to be found for 2015/16. Despite the potential for additional fee income from full-time undergraduate students to offset the reduction in grant, we appear to have reached a point where reductions in grant create a risk of lasting damage to important university activities before the Diamond Review has had an opportunity to offer a longer-term solution. In our response to the Children, Young

People and Education Committee's consultation on the Draft Budget for 2015/16, we have argued that there is a strong case for interim funding to avoid this position, which we hope is a view you support.<sup>1</sup>

Given the reductions in funding, it is important that expectations or requirements remain realistic and relative to the level of funding provided in support, particularly given that grant allocations have been reduced by 60% since 2010/11 and now only amount to approximately 11-12% of universities' total income.

## **Research (Questions 2-5)**

The future budget for research, which has so far been maintained for the Research Excellence Framework 2014, must ensure that Wales has every chance of further success in the next review. There are significant dangers in relying on fee income from full-time undergraduates to maintain research in the longer term. We should be clear that a cut in the Quality Research (QR) budget would be a first for a UK nation and would involve significant reputational risks for the sector.

We support the principle that funding should focus on rewarding excellence, and that the method of allocation should be revised to reflect the REF 2014 outcomes. If there is only funding sufficient to cover internationally excellent research, however, it raises questions over how we are to build research capacity for the future. The previous removal of grant for innovation will also continue to impact on this area. Wales as a nation is particularly reliant on the research and development of universities, who account for more than half of Wales's R&D expenditure. The Welsh Government's aspirations for the sector, as for instance set out in its Science for Wales or Innovation Wales agendas, are high and will need further continued investment to realise them. As highlighted by the European Commission, the UK as a whole does not spend enough of its GDP on research and innovation, and needs to increase its investment to contend with growing international competition.

More specifically, we are sceptical that the submission of a research strategy as a condition of funding would serve a useful purpose. We would expect a further more detailed consultation on this, if HEFCW wish to explore this further.

## **Full-time undergraduate and PGCE (Questions 6 & 7)**

It is a significant concern that the current fee and funding arrangements do not allow strategic support for the differences in cost between subjects. At the moment the grant support in Wales is sufficient to only cover the most expensive subjects where costs exceed the maximum possible fee income. To remove this budget further would pose immediate threat to the viability of subjects in those areas. Targeted

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<sup>1</sup> <http://www.uniswales.ac.uk/wp/media/HEW-response-to-Welsh-Government-draft-budget-2015-16.pdf>

premiums are also critical for supporting strategically important subjects in including STEM subjects. Grant support continues to be provided in England for subject areas with an average cost above £7.5k. For the moment, significant grant support for expensive and strategically important subjects appears to be essential. We believe that a longer term solution needs to be found through the Diamond Review.

We would also ask HEFCW and the Welsh Government to keep the current maximum fee grant policy under review to ensure that the universities are not disadvantaged by the lifting of the cap in England, to ensure that Welsh universities have a full opportunity to retain some of the additional student support funding within Wales.

### **Part-time undergraduate funding (Questions 8-11)**

In respect of part-time provision in particular, there are clear dangers in being driven by a full-time undergraduate based funding model, and we stress the need to approach changes to the existing grant support for part-time study with great care. Both the OldBell3 report in Wales and the UUK study in England point to the importance of providing appropriate funding support and incentives for providers in order to maximise part-time recruitment,<sup>2</sup> and point to evidence of instances where the supply of part-time provision has been the determining factor in accounting for changes in part-time enrolment patterns in Wales. At the same time, the part-time market – which is currently unregulated in terms of maximum fees or student number limits – does not support the same level of fee income as full-time undergraduate study, and this is an issue for part-time specialist providers in particular.

The Higher Education Funding Council for England (HEFCE)'s analysis of the impact of the 2012 reforms in England identified a 40% drop in part-time enrolments which points to the significant risks for policy makers in this area.<sup>3</sup> So far this reduction does not appear to have been replicated in Wales for the years for which we have data (up to 2012/13) but more recent recruitment is as yet unclear and remains a concern. The retention of part-time grant in Wales may be one of the key factors in ensuring that access to higher education through part-time study caters for the needs of potential students and the employment market. We have previously expressed the view<sup>4</sup> that there needs to be greater parity of support for part-time and full-time students, and we hope that the Diamond Review will enable support for part-time provision to be carefully balanced with support for other areas. In the meantime, it is essential that sufficient investment and grant is maintained to ensure that there are no long-term adverse impacts for part-time provision.

More specifically, we are unconvinced at this stage that a regional approach to funding part-time provision is helpful. We would expect a more detailed set of proposals and consultation on this, if HEFCW wish to

<sup>2</sup> Gareth Williams, Old Bell3 Ltd, Employer engagement with part-time higher education, (2010); UUK (2010) op cit.

<sup>3</sup> HEFCE, "Higher Education in England: Impact of the 2012 reforms", March 2013.

<sup>4</sup> See for instance HEW's response to the HE Funding Inquiry, November 2013 ([here](#)).

explore this further. However, we are conscious of the large number of significant issues that the sector has to deal with at the moment and would question whether this should be pursued further at the present time.

We would not advocate selectively funding only particular institutions for part-time provision. In particular, we should be clear that we would not support selective part-time funding simply to avoid shortcomings in the new regulatory framework.

### **Postgraduate taught funding (Questions 12- 14)**

It is too early to tell what the impact has been for postgraduate provision in Wales at this stage. We note that, in England, higher rates of grant are provided for postgraduate study than undergraduate study, and the grant to support postgraduate provision covers courses in lower price groups as well. This is because postgraduates do not generally have access to publicly funded loans, and there is correspondingly less scope for providers to set higher tuition fee levels. Postgraduate provision typically has a different cost profile to undergraduate provision with a higher proportion of specialist courses with smaller numbers of students. It is hoped that the lower levels of debt for undergraduate students in Wales may have a positive benefit for postgraduate participation at Welsh universities. However, changes to the grant support for providers is a concern for the long-term effect on the provision of future postgraduate opportunities, and further grant reductions pose a serious risk for future provision.

### **General strategy funding (Question 15)**

Compared to England, Wales has in recent years reserved a higher proportion of its budget for strategic activities rather than core teaching (including full-time and part-time etc.) and research. Given severe grant reductions, it is arguable that funding should focus on supporting core areas which require grant – as discussed above - subject to meeting outstanding commitments. However, the lack of strategic grant support for other areas is a significant concern for the longer term. Strategic funding for innovation and engagement, for Welsh medium, or widening access have all played a positive part in the past and the withdrawal of grant funding for these areas – particularly for collaborative and sector level initiatives - has consequences, even though universities continue to invest significantly in these areas from other sources. Ultimately, we return to the issue that total funding needs to enable universities in Wales to remain successful and competitive.

Yours sincerely

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