



**Universities Wales | Prifysgolion Cymru**

**Submission to the Review of Higher  
Education Funding and Student  
Finance Arrangements in Wales**

**Spring 2015**



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## **EXECUTIVE SUMMARY**

This response should be considered alongside the substantial submission to the Review by Universities Wales in July 2014.

## **VISION**

**A higher education system comprising diverse, autonomous institutions, internationally competitive in their own right, but with the combined strength to meet the needs and aspirations of Wales.**

## **INTRODUCTION**

A robust, resilient and internationally adept university sector brings widespread benefits to individuals, communities, the nation as a whole and government in Wales and provides the foundation for Wales' long term economic growth. Wales' higher education (HE) sector has tremendous strength in its diversity, providing the capacity – or potential capacity – to cater for the national needs of Wales and those of a diverse student population. With this in mind, **Universities Wales believes that the Diamond Review is needed urgently to ensure that the higher education system in Wales can deliver what Wales needs.** A strong and productive university sector requires sufficient and flexible resources to provide an extensive, comprehensive learning and research environment that enables students to have access to high quality higher education. In order to deliver key outputs crucial to economic growth and social improvement, investment in universities should be a top priority for Wales.

## **WHY INVEST IN HE?**

Wales' universities have driven significant growth and development over recent years, and the effect on student satisfaction, research, innovation and the economy in Wales is clear. Welsh universities have an impact of almost **£2.6bn on the nation's economy**, with this figure reaching **£3.6bn once total off-campus spending by students** is taken into account. Higher education is one of Wales' most valuable industries, creating tens of thousands of jobs and generating some **3% of the nation's GDP** while earning **over £400m in much-needed export earnings** through overseas revenue and international students coming to study in Wales.

**Almost 3% of the Welsh workforce** is in employment generated by universities and although the sector directly employs some 16,241 full time members of staff, after taking into account the "knock-on" effects of jobs being created in other industries linked to Welsh universities, the total employment generated is just under 39,000. However, when taking into account the number of jobs being sustained in part as a result of company interaction with universities, the number of jobs becomes multitudinous. With **jobs across a wide spectrum of occupations, including a range of skilled and semi-skilled jobs**, these figures show **how the sector's future is inextricably linked with Wales' future economic vitality.**

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The Welsh higher education sector has a strong and internationally well connected research base dominated by its universities. Wales is punching well above its weight, continually demonstrating value for money for public investment. The results of the Research Excellence Framework (REF) 2014 confirmed Welsh universities' position as **a leading academic destination for world class research**. The REF showed that more than **three quarters of the research submitted was judged to be 'world leading' (30%) or 'internationally excellent' (47%)**. Across the UK, Welsh universities had the highest percentage of research whose impact is considered to be 'world leading'.

The results in particular highlight the profound impact universities are having on Welsh society, economy, public policy, culture, environment and beyond. This world leading research produced by our universities demonstrates that public funding for research is not only a good investment but more than that, demonstrates that Welsh universities are **changing lives and enhancing the cultural life of Wales**.

## **OUTCOMES FOR WALES**

The positive outcomes for Wales of a strong and equitable university sector can be summarised in six key areas:

- **Delivering for the Welsh economy** - In terms of its impact on the economy, **Welsh universities are more important than in other parts of the UK**. The proportion of Gross Value Added (GVA) generated by Welsh universities is higher than that in most English regions and Wales' universities generate 3% of Welsh Gross Domestic Product (GDP).
- **Providing the skills required** - As other countries grow to compete with Wales, it is vital that Wales' skills base also grows. There are likely to be massive increases in the number of graduates worldwide, particularly from countries such as China and Korea. The **UK Commission for Employment and Skills estimates that over 80% of new jobs created by 2020 will be in occupations with high concentrations of graduates**.
- **Increasing participation** - Universities are a catalyst for social mobility and continue to invest heavily in ensuring that **students, regardless of background, have access to good quality higher education that has the ability to change lives**.
- **Underpinning Wales' Research and Development base** - Welsh universities bring in **nearly half of all expenditure on research and development in Wales** and are responsible for **84% of all Wales' published research** outputs.



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- **International performance** - In terms of economic impact, the higher education sector's **international revenue of £218 million<sup>1</sup>** together with the estimated **£195 million off-campus expenditure** of international students, represents a total of £413 million of export earnings. This is an important contribution to the Welsh economy.
- **Civic and cultural life** – Universities have a **positive impact on communities and the whole of society including greater levels of interpersonal trust, social capital and political participation** and take their public engagement role and open cultural facilities seriously.

## **THE SUSTAINABILITY OF THE CURRENT SYSTEM**

Considering the economic, cultural and life-changing contribution that universities in Wales make, one of the concerns highlighted in this response is the sustainability of the current funding and student finance arrangements in terms of being able to deliver the kind of higher education opportunities that are needed for Wales to thrive as part of modern and increasingly international economy. For future success, universities need to have sufficient resources to enable them to grow the quality of provision, meet the skills requirements of businesses and further to improve outreach to all those with the ability and desire to engage with higher education. High-quality teaching and learning environments are essential for all students to get the most out of their university experience. Wales' universities attract teaching staff from across the world who are able to deliver the very best learning and teaching experience, as well as researchers who can engage in ground-breaking research. This is essential to the health of the higher education sector in Wales. International students are central to the learning and teaching experience at Welsh Universities. Being able to attract these students enriches the classroom environment on Wales' campuses, enhances learning and teaching, and helps to make Wales' graduates more prepared for the international labour market.

There is a clear risk that continuation of current levels of investment in universities in Wales is insufficient to match the aspirations of either the sector or Welsh Government in the longer-term. Universities in Wales are committed to giving people with the aspirations and talent for HE a real opportunity to follow their chosen path. Universities contribute to the development of, for example, health and related policy in Wales that enables the Welsh Government to meet its aspirations for health care as well as its ambition in a host of other areas such as agriculture and transport.

**One of the side-effects of the current policy is that arrangements for full-time undergraduate education have significantly reduced the grant resource available to develop other opportunities for students.**

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<sup>1</sup> [Welsh universities – driving growth](#), Higher Education Wales, May 2013

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The Welsh Government higher education budget was reduced disproportionately between 2010/11 and 2015/16. As the higher education budget fell by 20%, Welsh Government's total allocations fell by only 2%. The higher education allocation has gone from comprising 3.1% of the departmental expenditure limits to 2.6% even before taking into account fee grant payments. Capital funding for higher education was removed altogether in 2011/12. Despite the importance of higher education for both long term and short term economic growth, and the recognition by the Welsh Government that the alternative economic levers at its disposal are comparatively limited,<sup>2</sup> it appears that higher education has fallen significantly in the list of investment priorities.

It appears from provisional analysis of early data that the reduction in grant funding has been offset by increased fee income from full-time undergraduate students from 2013/14, after a significant dip in income in 2012/13. However, a key issue for the sector is the distribution of income. The signs are that there have been significant differences between institutions, with some institutions appearing to be notably worse off than before 2012 and some better off as a result. The fact that the income is now derived from full-time undergraduate fees also affects institutions' ability to use that income for a full range of activities. Fee plan expenditure, for instance, cannot cover research. For part-time specialist providers this is not an option. The Review will need to consider the outcomes of the Higher Education Funding Council for Wales (HEFCW)'s modelling work on this area very carefully when published. However, the 'lumpiness' of the income presents considerable difficulties for the sector in its own right.

Future funding is also very dependent on the cross-border flow of students. Wales has historically been, and currently remains, a net importer of students. However, the gap has been progressively narrowing, as the numbers of Welsh students accepted to England has increased by 25% in the three years (between 2011 and 2014). Since 2011, applications from Welsh domiciled students to England have **exceeded** applications from English students to Wales, raising the prospect that in future that this position could reverse.

It is currently a concern that the policy in England, which has relaxed the student number controls for students with high entry grades, is also drawing the most qualified and mobile students away from Wales. Although this is not a new issue, it appears to be a growing one. The proportion of Welsh students holding ABB+ currently being accepted to institutions in England has increased from 54% to 62% since 2011.

When considering the current policy, section 7.1.10 draws out some of the key conclusions following analysis and include:

- Recognition that the fee grant payments are not necessary to sustain full-time undergraduate recruitment at fee levels of up to £9k but instead help to avoid student

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<sup>2</sup> Welsh Government, Programme for Government Annual Report 2012, p.3 & 6.



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debt. Fee grant payments do not have an appreciable effect on widening access to full-time higher education and at the same time the cost of the present system has led to a decline in support for part-time provision.

- The need for student number controls in Wales to be removed, to avoid the adverse economic impact on Wales and Welsh universities of an increased number of students simply studying in other parts of the UK.

**In our view there is scope for rebalancing the components of the current overall funding and student finance package to serve key policy objectives more effectively and to share the costs of higher education more equitably between those who benefit from it.**

### **FUTURE INVESTMENT REQUIREMENTS**

Much greater investment in universities in Wales is needed to ensure that they can continue to offer the high quality opportunities for students to pursue higher education in Wales, and to continue to deliver world-class research and development that benefits the nation and enables universities to compete alongside their peers internationally. Long term economic growth is above all determined by knowledge accumulation and technological progress.<sup>3</sup> There are few sectors of the Welsh economy with the capacity or scope to grow and generate export earnings as well as universities and, as recognised by the Welsh Government, the alternative economic levers at its disposal are comparatively limited.<sup>4</sup>

**The cumulative funding gap between Wales and other parts of the UK is deep and widening, at a time when there is a strong case to suggest that the UK as a whole needs to increase its investment in higher education.**

Wales' share of Funding Council grants has fallen from 5.0% of the UK total in 2009/10 to around 3.8% in 2012/13. The reduction in grant funding has been in the order of 40% in Wales compared to 24% in England across this period. England appears to have significantly more grant funding, in particular for core research and teaching.

This compounds a significant cumulative funding gap that has developed between Wales and other UK countries over the last decade. HEFCW's report identified a funding gap with England of up to £69 million and rising in 2007/08<sup>5</sup>. The Learned Society of Wales, based on HEFCW's data, estimated the negative funding gap with England per student had grown from £20 to £900 per student between 2000/01 and 2008/09 and the cumulative gap between 2000 and 2009 was £361 million (and more for Scotland)<sup>6</sup>.

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<sup>3</sup> OECD, *The OECD Innovation Strategy - Getting a head start on tomorrow*, 2010.

<sup>4</sup> Welsh Government, *Programme for Government Annual Report 2012*, p.3 & 6.

<sup>5</sup> *The Funding Gap 2007/8*, HEFCW, 2008

<sup>6</sup> [Comments of the Council of the Learned Society of Wales on the Welsh Government's support for the universities in Wales](#), Learned Society of Wales, March 2011

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This clearly makes it more difficult for universities in Wales to be competitive in offering high quality higher education for students, in catering for the needs of business, and in advancing national research and development. Without levels of investment comparable with our neighbours, we run the risk that universities in Wales become less attractive to students and businesses, and that student finance increasingly supports students and businesses to seek to meet their needs outside of Wales. **This could, in turn, disproportionately affect the least mobile and typically disadvantaged Welsh students and businesses, and would have knock-on effects for the economy.**

Fee levels in Wales will need to keep pace with any changes to fee levels across the border ensuring that any difference is not large enough to impact on recruitment. If fees are maintained at current levels, this means that students would ultimately need to bear a greater share of the costs of their higher education. However, the potential barriers of upfront costs could be addressed through increased access to income-contingent loans and hardship support which would support students when they most need it and aid widening access and retention. Greater access to loans is also needed for part-time and postgraduate study, although there is a case for structuring loans to reduce the costs to government while offering loans that are favourable to commercial rates.

**Grant funding must continue to comprise a major component of the overall funding and student finance system.** For full-time undergraduate education, additional student support such as fee grant is not a substitute for funding for universities. This is because, given that fee levels and student numbers are regulated, it does not affect enrolment numbers or fee levels. A number of other options (such as raising overall fee levels or introducing different maximum fee levels to reflect different subject costs) are only sustainable if they do not lead to a change in the cross-border flow of students, since Wales is disproportionately affected by changes in England.

Grant funding has also proved to be an effective and flexible policy tool in a number of areas, particularly for part-time study with a variety of different study patterns, and provides a core resource for activities such as research which require sustained long-term investment. In comparison to student loans and grant, the funding is potentially less costly to administer and provides greater certainty over cash flows. It also allows the use of the funds to be more easily regulated particularly under current legislation.

### **POTENTIAL FUNDING SCENARIOS**

Despite political and legal devolution, we should be clear that in seeking to fashion a Welsh solution to the particular context and issues in Wales, higher education is disproportionately affected by changes in policy across the border, by England in particular especially when considering that Wales has the highest cross-border flow of students of any UK nation. The only clear forecast in future is further change. We will need to ensure that policy

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arrangements can be responsive to change, and seek to ensure that the short-term effects of the introduction of policy and transitions can be handled as effectively as possible between governments to minimise potential risks to the sustainability of the higher education system in Wales.

There are a number of alternative solutions to the current arrangements that are worth exploring further and in reviewing the options, we are mindful of the budgetary and fiscal constraints on the Welsh Government. Although the Welsh Government may be constrained by the lack of powers over taxation and issues related to the Barnett formula, for example, it is important to make every effort to ensure that these additional administrative and technical considerations do not shape the direction of higher education funding and student finance policy.

Addressing the comparative lack of investment in higher education to maintain a successful and sustainable higher education sector that can offer high-quality higher education for students and the Welsh economy, should be a priority. **Grant funding should be provided at a level which enables universities to grow the quality of provision, adapt flexibly to Welsh skills requirements and further to improve outreach to and retention of widening access learners.** A strong and productive university sector must have sufficient resources, including capital resources, to provide an extensive, comprehensive learning and teaching environment and a rich environment for advanced research. In particular, without grant support there is a risk to higher cost subject provision, particularly over time and addressing these funding issues through increased grant funding is crucial.

Providing significant grant funding to support and increase world-class research in Wales is essential. Wales' contribution to research is outstanding in many respects, particularly in terms of the wider impact of its research. Nevertheless, further investment is required in research capacity and infrastructure to make the most of this potential.

Evidence does not support continuing payment of a universal fee grant payment for students wherever they choose to study. If the Welsh Government were to commit to extending the tuition fee grant policy into the future, it should be targeted at those students who need the support most via a means test. There are a number of potential ways in which this could be implemented and priorities that could be addressed - including greater student support for part-time and postgraduate students.

We believe there is scope for adjusting the policy of fee grant payments to release funding to target support to areas of greater need. Fears that a universal change to £9k fee supported only by an income-contingent loan would deter students – particularly disadvantaged students – from entering higher education, have proved unfounded. Although the full-time undergraduate fee and student finance policy introduced in Wales in 2012 does have benefits, and we should seek to preserve these as far as possible, there is a pressing need

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to address a number of major issues which have arisen as a side-effect of the current system.

We believe that an effective system in Wales will require a better balance between grant funding and student support in going forward. Significant declines in part-time and postgraduate activity can only be addressed by a combination of student support measures and grant funding for universities. Options for retaining sufficient grant funding to cover other strategic priorities including an effective form of support for Welsh medium, require careful consideration.

### **LONGER TERM ISSUES**

- **Building research capacity** – Developing Wales’ research capacity is absolutely crucial to ensure greater levels of competitive funding are secured. It is essential that Wales invests to develop the critical mass of researchers and facilities it needs to attract top talent, and new funding sources.
- **HE ready students** – There is a need to both increase the proportion of school leavers gaining the necessary qualifications to enter HE, and to provide a second chance for mature students who did not have this opportunity earlier in their lives.
- **Mobility** - Future demands for increased opportunities to study abroad across a range of subjects – student mobility – will need to be addressed.
- **Capital funding** - Increased availability of capital funding for both teaching and research.
- **Reinvestment** - Renewed university capacity to create surpluses for reinvestment in priority areas for Wales.
- **Reputation** - Continued ability to move up international league tables, underlining Welsh universities’ position as an international partner of choice and enhancing the reputation of Wales.
- **Economic contribution** - Capacity to continue to grow our economic contribution to Wales for the benefit of all.

## **MAIN REPORT**

### **1 Introduction**

1. Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK. Universities Wales' Governing Council consists of the Vice-Chancellors of all the universities in Wales and the Director of the Open University in Wales.

2. Universities Wales welcomes this opportunity to provide evidence to the Diamond Review. The extent of recent change in funding and student finance arrangements across the UK, means that we need to look to new solutions to the present issues as well as planning for future requirements. While it is always tempting to think of the current arrangements in terms of a static 'status quo', the reality is actually far more fluid and dynamic, and continues to evolve in response to changes to funding and support arrangements and regulation both within Wales and across its borders. We can also be certain that there will be significant changes across the UK in future. We need a system that is flexible and resilient in the context of future changes.

3. Our response is contained in the main report and appendices. A copy of the pro-forma, referencing the main report, has also been provided for ease of analysis. These provide an overview of the issues currently faced, and identifies the options we believe most merit further exploration in taking this Review forward.

4. The fundamental questions we pose ourselves throughout this submission and form its basic framework are (a) what does higher education in Wales need to look like in future to best serve the interests in Wales? (b) what is the level of investment required to deliver this?, (c) how should the costs of higher education be shared between those who benefit from it? (d) What are the priorities we need to address, and (e) what are the most efficient and effective means of supporting higher education policy? In order to answer these questions we provide an analysis of the current funding and student finance arrangements and an overview of the potential policy instruments which could be considered.

5. In presenting our views we should emphasise at the outset that we currently operate in a highly fluid environment. It is possible that our current assessment of the present arrangements and future options would need to be revisited during the review period not least because of the impending UK General Election in May 2015 and the National Assembly for Wales elections the following year. A change in government in less than 12 weeks' time would undoubtedly lead to a change in policy, the impact of which would need to be considered. Given the length of time before the final report is due and its recommendations can be implemented, it will also be important to ensure that where possible earlier action is taken on the issues identified in this submission.

## **1.1 The importance of higher education to Wales**

6. There is a wide range of evidence showing that investment in universities will have an impact on the economic growth and international competitiveness of Wales as a whole. Countries with high levels of innovation on average tend to have a stronger track record of investment in higher education and higher proportions of graduates in their populations.<sup>7</sup> Long term economic growth is above all determined by knowledge accumulation and technological progress.<sup>8</sup> In terms of its impact on the economy, Welsh HE is more important than in other parts of the UK and as previously stated, there are few sectors of the Welsh economy with the capacity or scope to grow and generate export earnings as well as higher education. Each of Wales' universities presents a distinct offer, and they are all committed to working together to ensure that universities play their full and proper role in Wales' development and growth. It is this offer and contribution that Wales' universities make to Wales, to the UK, and the wider world that is so significant.<sup>9</sup>

7. Universities are also a catalyst for social mobility and continue to invest heavily in ensuring that students from all backgrounds have access to higher education. Each year around 10,000 students from Welsh universities enter the workforce in Wales within six months of leaving university, and over 6,200 enter employment in other parts of the UK.<sup>10</sup>

8. Many thousands are studying part-time and these are already in the workforce or seeking to return to the labour market. By increasing their knowledge and skills they are adding to the skills-base of their employers, communities and the nation as a whole. An undergraduate degree increases an individual's chance of employment and has previously been estimated to increase marginal earnings by 27% on average compared to the possession of two or more A-levels (average of male and female earnings). Higher levels of study bring even greater returns on learning.<sup>11</sup>

9. Universities are the powerhouses of economic growth in Wales and have a significant economic impact both on the Welsh, as well as the UK economy in their own right:

- Universities are major employers in their own right with over 16,000 full time members of staff. After taking into account the 'knock-on' effects of jobs being created in other industries linked to Welsh universities, recent research shows that the total employment generated in Wales is just under 39,000 job (over 43,000 across the UK).

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<sup>7</sup> Universities UK, Higher Education in Focus: Driving Economic Growth, 2011.

<sup>8</sup> OECD, The OECD Innovation Strategy - Getting a head start on tomorrow, 2010.

<sup>9</sup> The Economic Impact of Higher Education in Wales, Kelly and McNicoll, Viewforth Consulting Ltd, June 2013

<sup>10</sup> Higher Education Statistical Agency (HESA), Destinations of Leavers from Higher Education 2011/12, HEIDI Report 2013.

<sup>11</sup> BIS Research Paper 45, The Returns to Higher Education Qualifications, June 2011.



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- Universities also play an extremely important role in leveraging additional resource into Wales, currently earning over £400m in much-needed export earnings through overseas revenue and international students coming to study in Wales.<sup>12</sup>
- With a total turnover of over £1.3bn, universities have an estimated impact of almost £2.6bn on Wales' economy, with this figure reaching £3.6bn once total off-campus spending by students is taken into account. Based purely on patterns of expenditure, for every £100m that is invested in higher education £103m is generated to the Welsh economy (a high 'multiplier effect').<sup>13</sup>

## **1.2 What does higher education in Wales need to look like to best serve the interests in Wales?**

10. In our submission to the Diamond Review in July 2014, Universities Wales set out an extensive vision of what in our view, the role of higher education should be, and of its importance to Wales. In this submission, we draw attention to the key points raised in that submission (Section 2) and develop the financial implications of these choices. In particular, we highlight the need for aspirations to increase the entry rates and number of Welsh students entering higher education. We highlight the need for investment to allow a high quality and competitive universities system in Wales, and the need to provide support for students that will give them appropriate access to the full range of diverse higher education opportunities in Wales and beyond.

## **1.3 What is the level of investment required to deliver the necessary return to Wales?**

11. In this submission we argue that universities are vital to individuals, the economy and society, and Wales needs to continue to make significant investment in its universities and students. Wales' economy is growing, although some areas of economic deprivation remain. Universities are crucial to the economic development of Wales and producing knowledgeable, adaptable and skilled graduates, taught by the very best learning and teaching methods, is key to delivering this growth in the future. Graduates are the key cogs in the machinery of Wales' economic recovery and universities in Wales are not merely contributing to the local and national economies, they are transforming them.

12. In order to continue to have this transformational impact, at a basic level, universities must clearly have the ability to sustain themselves financially. To be sustainable in a system which relies significantly on market forces, the level of resource needs to ensure that

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<sup>12</sup> Kelly, McNicoll et al., The Economic Impact of Higher Education in Wales, June 2013

<sup>13</sup> Ibid.

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students and staff will continue to want to pursue higher education and research in Wales, and are able to do so. In other words, the level of resource must be sufficient to allow universities to continue to provide a high quality learning experience and environment to other investors compared to other providers – or they will simply choose to invest elsewhere.

13. The level of resource, however, ultimately needs to reflect the scale of Wales' ambition for its universities, and enable them to succeed in making best use of their resources for the wider public benefit.

14. In section two, we explore the future aspirations for the sector and highlight some options. Wales will need to decide what sort of a sector it would like to see in future – should we accept, for instance, that universities in Wales will not be able to cater for all of its needs in future and should pursue a more selective approach, relying on cross-border education? Is Wales prepared or able to provide sufficient investment in its universities to maintain their competitive position and benefit from their world-class reputation for research and the quality of education? As we argue in more detail below, universities deliver great public benefits with a particularly important role in the long-term growth of the economy. High-quality teaching and learning environments are essential for all students (not just undergraduates) to get the most out of their university experience. As previously stated, for future success, universities need to have sufficient resources to enable them to grow the quality of provision, adapt flexibly to Welsh skills requirements and further to improve outreach to and retention of widening access learners.

15. We are mindful in this submission that the Welsh Government has a finite budget and, in all likelihood, faces a continued period of financial austerity. We argue that much can be done to make better use of resources by rebalancing them within current constraints. In our view, however, there is a clear risk that continuation of current levels of investment in universities and students in Wales is insufficient to match the aspirations of either the sector or Welsh Government in the longer term.

#### **1.4 Who should pay?**

16. From the outset it is important to consider fundamental questions about how the costs of higher education should be shared between its beneficiaries. The costs of higher education are shared in different countries in differing degrees and ways between students and tax payers (the Government), and there has been an increasing tendency to shift from public to private investment models in the light of the economic downturn. Significant increases in student fees are particularly notable in Europe which historically has a tradition of charging low or nominal fees (in contrast for instance to the USA, Australia or Japan). Whilst recognising that Welsh policy is constrained by UK policy decisions in a number of important respects, these are fundamental decisions that should not ultimately be led by purely budgetary considerations.

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17. Key arguments for public spending on higher education emphasise its nature as a public good, the wide benefits of higher education to the economy and society as a whole, and the potential for market failure without intervention. The arguments for public funding, however, can be based on two very different grounds. Spending on higher education can be viewed as a public subsidy or as an investment based on the likelihood of greater returns to the taxpayer/public purse in future. In reality these two dimensions are two sides of the same coin but an issue is that higher education spending can often be seen primarily as the former, or the more immediate returns on public spending can be overlooked. Recent work on the economic contribution of higher education is critical in respect of addressing this.

18. A key argument used in support of redistributing the costs of higher education towards private individuals is the direct benefits to the individual including the so-called 'graduate premium'. The potential for participants in higher education to see higher education as a long-term investment is a key to charging higher fees in particular. Private investment decisions relating to higher education, however, are complicated by the imperfect information and a considerable degree of uncertainty and risk in relation to likely returns on investment due in particular to a wide variation for individual graduates, including by gender, and by subject area/degree, and the potential for change in market value (it has been argued in particular that as graduates increase, the value depreciates). Those of mature age – who comprise the majority of part-time students in higher education - are likely to see less return than school leavers. Another issue is that increased reliance on private funding does not always place the costs on students or graduates (i.e. those who will benefit directly) but in terms of maintenance costs, their parents/family - policy options need to carefully consider the impact from the perspective of intergenerational distribution of costs.

19. In Wales the policy options are more constrained than for England. Wales must work within its devolved budget. Without powers of general taxation the Welsh Government cannot make a straight choice between private funding and public funding from the taxpayer. Nevertheless, we need a fair and equitable solution in determining how far the costs of the system should fall on students, their parents or other individuals and how far they should be borne by the public purse.

20. From our analysis of current and previous policies, it is clear that some policies work better in some areas than in others. It is vital that choices are informed, as far as possible, by this evidence base.

## **1.5 The Welsh context**

21. Higher education enriches the civic and cultural life of Wales and its communities, deepening our understanding of the history and culture of our own society and of others. It develops us as informed citizens, better enabling us as individuals and as a democratic society to play an active role locally, nationally and globally.

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22. Throughout this submission it is clear that a Welsh solution is needed to address the particular issues and context in Wales. Wales has a unique set of issues and circumstances which need to be taken into account in policy formulation, and devolution allows Wales to choose its own set of priorities. At the same time, the reality is that Welsh universities are part of a much wider higher education economy that covers the whole of the UK and beyond.

23. In exploring the options for Wales we are mindful of the particular set of funding constraints. Wales has to operate within the budgetary and fiscal constraints passed on through the Barnett formula. Wales does not, for instance, currently have its own powers of general taxation. This means that – unlike the UK Government - the Welsh Government cannot make a simple choice about how far the costs of higher education should be shared between private individuals of the general taxpayer. This should not prevent us seeking a policy which helps to address this fundamental question, however.

24. Policy formulation is also more complicated because finding a funding solution that is sustainable for Wales means finding one that is sustainable in terms of its impact on the Welsh Government budget. On a practical level, even where an issue is devolved, it can be difficult to employ a different approach to the UK Government. The Welsh Government is able to access funding for student loans more easily, for instance, if they are made available on a similar basis to England. The costing of a loan policy which is significantly different from England has to be approved by HM Treasury and variation against budget would be something that the Welsh Budget would be expected to absorb. As previously mentioned, in reviewing the options, we are mindful of the constraints on the Welsh Government; at the same time it is important to make every effort to ensure that these additional administrative and technical considerations do not shape the direction of higher education funding and student finance policy.

25. There also remain some important areas of funding for higher education that are not devolved, and lie outside of the Welsh Government's direct control. Policy development in non-devolved areas can have a significant impact on how much of UK funding in practice reaches higher education in Wales. Research, for instance, is funded by a dual system, with grant funding from Wales routed through HEFCW and competitive funding available through the Research Councils – the main infrastructure for research across the UK is funded through the UK budget. As argued below the current mix of subjects and infrastructure makes it more difficult for Wales to compete successfully for a pro rata share of the UK Research Council funding. Over the past decade however, Wales has demonstrated strong growth in many areas of science, including renewable energy, environmental sciences, social and biosciences. The life science industry alone is home to over 300 companies, many of which work collaboratively with academic institutions that advance medical diagnostics, ultrasensitive drug tests, computational biology, and wound treatment.<sup>14</sup> The results of the Research Excellence Framework (REF) in December 2014 cemented Welsh

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<sup>14</sup> Science in Wales, Focus on Careers, Science 2013

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universities' position as a leading academic destination for world class research. The REF showed that more than three quarters of the research submitted was judged to be 'world leading' or 'internationally excellent'<sup>15</sup>.

26. We assume that funding policy in these areas effectively lies outside the scope of this review, but a significant consideration in going forward will be how Wales can effectively influence UK policy to ensure that its particular interests are served adequately.

27. The political landscape under devolution is a key consideration, and there are significant differences between different parties in their views about how far higher education could or should be market-led, and how it should be regulated.

28. There is a close link between regulatory and funding arrangements. Up until now, the regulatory system has been largely the same for England and Wales, with most of the key legislation applying to both but with the powers exercisable in Wales by the Welsh Ministers rather than the Secretary of State. Major change is on its way, however, in the form of the Higher Education (Wales) Bill which has just been passed by the National Assembly for Wales and is due to be implemented for Autumn 2017. This will have implications for a number of funding options in future (as identified below).

29. Policy development also needs to take into account the EU dimension. In particular this appears to mean that EU students should be charged the same tuition fees and receive the same tuition fee support as students in Wales. However, EU students are not necessarily entitled to support for living costs e.g. maintenance grants and loans. The position for UK students outside Wales is not the same as for other EU students: freedom of movement principles apply to movement between states but arguably not within them, which accounts for the different policies for home and rest of UK students being applied by different UK administrations.

30. Finally, throughout this submission it is clear that the policy in Wales must take into account what is happening across the rest of the UK and elsewhere. We know that despite political and legal devolution, the Welsh economy is closely linked to that of the wider UK economy. With the highest cross-border flow of students of any UK nation, higher education in Wales is in effect a small part of a much bigger system, affected disproportionately by policy changes in England – and the only clear forecast in future is further change. At the point of drafting this response, we approach a General Election with very different proposals for higher education in England on the table. Just as the current policy in Wales had to be developed in response to the shift to £9k fees in England, a policy of reducing full-time undergraduate fees to £6k, for instance, would be likely to render unworkable any policy in Wales which relies on fees of £9k being maintained.

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<sup>15</sup> <http://www.uniswales.ac.uk/research-excellence-framework-2014/>

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31. This means that the funding and support system in Wales needs to be flexible and responsive to change. On a practical level, major changes such as this have in the past meant a period of lag before policy can fully adjust in Wales. This can sometimes be helpful, enabling the impact of new policy to be assessed. However, as policy must respond rapidly to avoid major consequences, there are also risks that transitional arrangements are not optimal. We recognise that process issues related to devolution may also fall beyond the scope of this review. However, a key issue to address in ensuring future sustainability in Wales, is how Wales and the UK can better plan their respective higher education policies together to minimise instability of arrangements in Wales and any potentially damaging side-effects of transition in the short term. The second report from the Silk Commission recommends that there should be a formal intergovernmental forum to ensure mutual understanding of higher education policy issues within the framework of the Welsh Intergovernmental Committee<sup>16</sup>. In respect of longer-term policy, a legitimate conclusion to draw may be that significant divergences in some aspects of higher education funding and student finance policy between Wales and England are difficult to maintain in any effective manner.

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<sup>16</sup> [Empowerment and Responsibility: Legislative Powers to Strengthen Wales](#) – March 2014



## **2 Future aspirations**

32. In our submission in July 2014 we outlined what a top-class HE system would look like, and drew attention to the implications of not having a funding and student support system that could deliver this. A key issue to focus on in the current context is the options and implications of different funding decisions and approaches. As highlighted in the opening section of this response, there is a fundamental question about what Wales aspirations are for HE and how far these should be prioritised from available resources.

### **2.1 Funding principles and considerations**

33. A strong and productive university sector can be characterised by the following critical success factors including:

- Sufficient resources to provide an extensive, comprehensive learning and teaching environment providing both full-time and part-time opportunities to study for learners of all ages, and a rich environment for advanced research
- Favourable governance allowing and encouraging autonomy, strategic vision, innovation, efficient resource management and flexibility
- Critical mass of talent for both faculty and students
- A system that highlights and values the heterogeneity of different university missions, seeing them as serving the full range of different students in different ways and producing a good quality “system-as-a-whole”.

34. In seeking to fund higher education in future, in particular, the following considerations are identified:

1. Firstly, **policy decisions need to be informed by evidence** of what works in practice. This is discussed in more detail in later sections. For instance, the lesson from experience in England is that students who intend to study full-time are prepared to pay up to £9,000 without fee grant payment support. The economic effect of the current policy in Wales is not to subsidise universities or to increase student access but to reduce student debt.
2. Secondly, **funding needs to target priorities effectively**, and target areas where there is risk of market failure or a need to provide additional strategic support. A key concern with the current funding arrangements resulting from a shift from grant-based funding to student-led income for full-time undergraduate study, is that it presents challenges on how to fund expensive subjects, for instance, and that there

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needs to be a better balance of support between full-time, part-time and other modes of study.

3. The funding should be **equitable**. For instance, it should not create artificial barriers for similar groups of students on similar courses because of their mode of study. It also needs to share the costs of higher education appropriately among those who benefit from it.
4. **It must be financially sustainable**. This includes addressing full economic costs in the long term.
5. **Investment needs to match aspirations**. Performance is linked to investment and, in particular, the increasingly competitive international context needs to be taken into account.
6. **The funding system needs to be flexible and resilient to external change**.  
There are further potential changes across the UK sector that are likely to impact on funding systems.
7. **The funding arrangements need to be designed with future changes to the regulatory frameworks in Wales and across the UK in mind**.  
In particular, the HE (Wales) Bill (currently about to receive Royal Assent)<sup>17</sup> was designed to reduce reliance on grant funding. However, the new regulatory framework is not free from challenges of its own. For instance, if maximum fees are reduced to £6k in England, there would be little incentive for universities to become 'regulated institutions'. FE providers and alternative providers can become regulated institutions – with a likely impact on the fee grant payments (currently made by HEFCW).

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<sup>17</sup> [HE \(Wales\) Bill](#), Welsh Government, May 2014

### **3 Current higher education funding**

35. Funding arrangements for higher education in Wales in recent years have been subject to major change. In this section it is argued that maintaining the 'status quo' is not an option and it would be misleading to think of current arrangements as static. Current funding levels are the result of dynamic shifts in grant funding and fee income which continue to change rapidly. Even if the current system is retained it is unlikely that it will be able to deliver the kinds and levels of support seen in previous years.

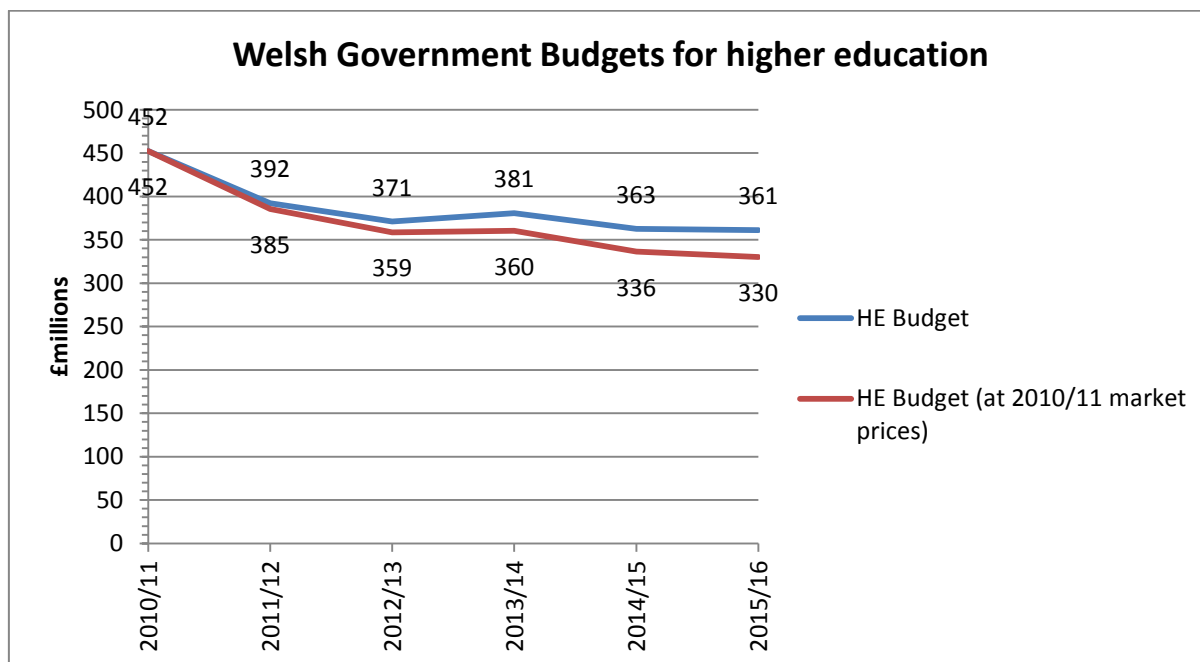
36. The first part of our answer to this question attempts to clarify the funding support received by universities under the current system, and the potential implications of these dynamics in future.

37. Changes to higher education funding and student support arrangements have had a significant impact on universities in Wales as income shifted further away from grant-based funding to fee-based income, as the full-time fee grant settlement is implemented. The full information which would allow the overall impact of the changes for net income up to the present time to be measured is not currently available, but in particular we are now able to access HESA data relating to the first year of change, 2012/13. Universities Wales is currently working with HEFCW to develop a model which more clearly identifies the overall impact of the changes from 2012/13. As this is very much a work in progress, it may be necessary to provide the Review with further information once the modelling is more advanced. The following paragraphs set out the current position and assess the strengths and weaknesses of the current policy as clearly as we can at this stage.

#### **3.1 Welsh Government funding for higher education**

38. There has been a major reduction in the Welsh Government's budget for higher education since 2010/11. From 2010/11 to 2015/16 the budget for higher education (including both capital and revenue) was reduced by £91m or around 20% in cash terms, or £122m (-27%) at 2010/11 prices, before fee grant payments are taken into account. The following chart shows that in terms of the 2010/11 market prices (i.e. real terms) the reduction was closer to £122m or 27%:

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Sources: *Second Supplementary Budgets 2010/11 to 2014-15 and Final Budget 2015/16*; HM Treasury GDP deflators, Dec 2014.

39. Although budgetary austerity may have played a part in this, it appears that the higher education budget has suffered disproportionately. As the higher education budget fell by -20%, Welsh Governments total allocations fell by only -2% (-27% and -10% respectively at 2010/11 prices). The higher education allocations have gone from comprising 3.1% of the budget to 2.6%. Capital funding for higher education was removed altogether in 2011/12. Although it is recognised by the Welsh Government that alternative economic levers at its disposal are comparatively limited,<sup>18</sup> it appears that higher education has fallen significantly in the list of budgetary priorities.

40. Nor do these figures represent the full extent of the reduction in Welsh Government funding for universities in reality. A large proportion of the remaining budget has now been allocated for full-time student support. In particular, from 2012/13, HEFCW has been required to meet the cost of full-time fee grant payments to students from this budget. We discuss these below in our more detailed analysis of HEFCW grant allocations, since fee grant payments are allocated in academic years and attributing it to the financial years of the Welsh Government budget involves a certain amount of arbitrary accounting. By 2015/16, however, this amounts to a further budgetary reduction in funding for universities of around £228m. If we add this to the figures cited above, the Welsh Government budgetary allocation for higher education providers has fallen in reality by more than -70% in cash terms (or -77% in 2010/11 prices) and is currently less than a third of the size it was in 2010/11.

<sup>18</sup> Welsh Government, Programme for Government Annual Report 2012, p.3 & 6.

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41. We examine the argument that these reductions in income have been offset by enabling universities to charge higher fees for full-time undergraduates below. More immediately we look at how these budget reductions actually translated into allocations for universities through HEFCW and the specific issues this raises.

### 3.2 HEFCW grant allocations

42. The following table (Table 1) summarises the change in grant allocations including fee grant payments since 2010/11. The total allocations are different from the Welsh Government's budget figures (see above) for a number of reasons. Importantly, they are based on the allocations received in the annual Remit Letter, and are accounted for in academic years not financial years. As HEFCW typically plan on the basis of using 60% of the current financial year and 40% of the next financial year's budget in determining allocations for the academic year, it should be noted in particular that the baseline of 2010/11 already reflects reductions in 2011/12. The total available to HEFCW also reflects any carry forward from one year to the next. It should also be noted that there were a number of large items met from the higher education budget which initially fell outside of HEFCW grant allocations (i.e. are not shown in these figures) but were later mainstreamed within it such as the budget for UHOVI and grant for the OU. The figures presented here are as reported in the HEFCW grant allocation circulars, using the revised figures reported in the following year where possible.

43. From the following table it can be seen that there has been a resulting reduction of £238m in the recorded total grant allocations to higher education in Wales between 2010/11 and 2014/15, a reduction of around 60%. Public funding for universities (£157m) from HEFCW/the Welsh Government currently amounts to around 11%-12% of the sector's income.

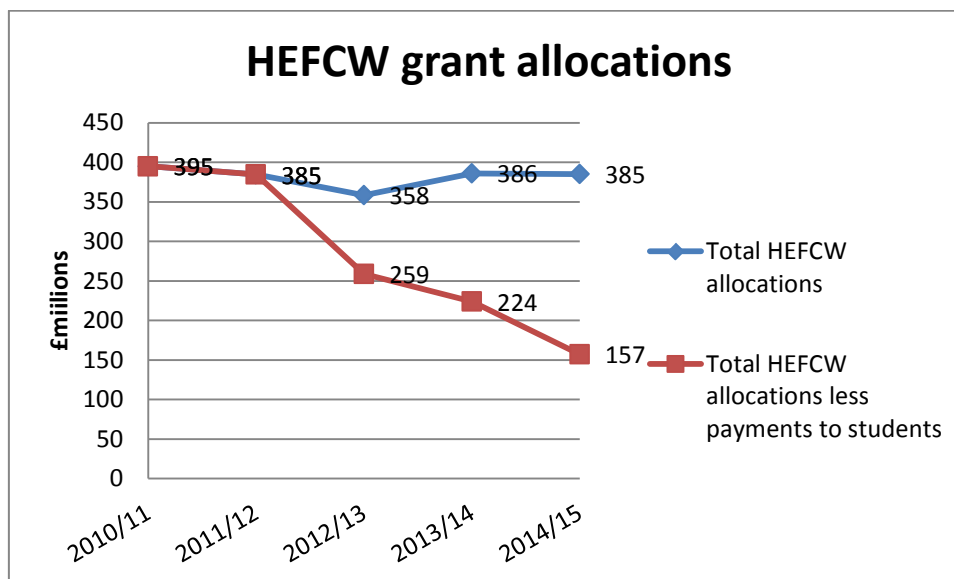
**Table 1. HEFCW allocations**

HEFCW allocations (£m)	2010/11	2011/12	2012/13	2013/14	2014/15
Teaching grant	284.2	260.2	136.6	96.4	53.5
Research grant	77.1	76.6	76.5	78.8	78.5
Other grant	33.9	47.9	45.7	48.9	25.3
Total grant allocations	395.1	384.7	258.8	224.0	157.3
Fee grant payments to students at institutions in Wales			65.0	99.2	150.0
Fee grant payments to students at institutions outside Wales			34.7	62.9	77.8
Total fee grant payments			99.7	162.0	227.8
Total HEFCW grant allocations + fee grant payments to students at institutions in Wales	395.1	384.7	323.8	323.2	307.3
<b>Total HEFCW allocations</b>	<b>395.1</b>	<b>384.7</b>	<b>358.5</b>	<b>386.1</b>	<b>385.1</b>

Sources: HEFCW Circulars W11/12HE, W12/10HE, W13/09HE, and W14/18HE (All Table 1, using restated figures for the previous year where available).

Note: HEFCW discounts the fee grant payment estimate by £7.5k for 2014/15 at sector level - this has been reflected in the presentation above.

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44. For 2014/15 the reductions in available grant funding meant that difficult choices had to be made between competing funding priorities. The outcome of consultations with the sector was that the research funding remained static in cash terms, whereas teaching funding allocations were reduced by £40m. In particular:

- The funding for full-time undergraduate (and PGCE) provision was reduced by two-thirds from £48m to £16m. The funding for expensive and priority subjects was reduced from £43m to £15m. This has long term implications for the provision of higher cost subjects in a market-led funding model, and is likely to influence future decisions about new courses and course innovation across the sector.
- The full-time undergraduate premiums used to support access and retention, disability and Welsh medium provision were discontinued.
- The widening access fund of £7m was also removed. Although universities continue to devote considerable resources to support these areas, the lack of grant funding at sector level undoubtedly makes collaborative and sector level action harder.
- Funding for part-time undergraduate provision reduced from £33m to £30m. Funding support is particularly important for part-time activity since fee levels cannot be raised in the same way as full-time fees by lifting a cap, and the Welsh Government indicated in their 2013/14 Remit Letter<sup>19</sup> that they did not wish to see significant real-term increases in part-time fee levels. HEFCW have been asked to continue to provide funding to the part-time sector in Wales broadly to maintain levels in real terms. However in addition it is noted that

<sup>19</sup> Welsh Government, HEFCW Remit Letter 2013/14, 21 March 2013.



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reductions in strategic and initiative funding such as the learning and teaching grant, the strategic development fund and widening access strategy funding also have a significant impact on part-time activities. Overall, there is far less support for universities to offer part-time provision compared to full-time as they cannot accrue the same income even with the HEFCW grant, as for full-time provision. Parity of student support arrangements for part-time and full-time students is also an outstanding issue, despite the introduction of loans in 2014/15. In this context we also note that the Welsh Government's Financial Contingency Fund was initially removed but then reinstated in respect of higher education in 2014/15 but its future is currently uncertain.

- Funding for postgraduate taught provision was approximately halved, from £15m to £7m. The teaching element for full-time provision was removed altogether, but reduced levels of per capita payments and premiums for full-time provision were retained.
- Funding for strategic initiatives was reduced from £40m to £26m, including a reduction of the strategic development fund was reduced from £15m to £9m. Feedback from our members has highlighted difficulties in dealing with these cuts at relatively short notice.
- The costs of paying sector agencies were transferred to institutions, assumed at £3.5m.
- These add to previous substantial cuts in previous years, in particular to teaching funding and the removal of widening access strategy funding and strategic funding for innovation and engagement.

45. The allocation for higher education contained in the Final Budget 2015/16 was £361.2m for the 2015/16 financial year, i.e. a £2.5m reduction from 2014/15.<sup>20</sup> HEFCW's initial estimate based on the indicative budget was that, after meeting fee grant commitments, it would have around £140m available for strategic allocation in 2015/16 academic year and possibly less in future years (see HEFCW funding consultation).<sup>21</sup> Compared to the 2013/14 grant allocations that means that a further reduction of about £17m needs to be found for 2015/16. More recent estimates of fee grant payment commitments, however, appear to be putting further pressure on the remaining budget for allocation to universities.

46. The outcomes of HEFCW's consultation with the sector on the allocations for 2015/16 are not yet known. HEFCW previously proposed to allocate research funding by similar methods to those currently used using the new REF 2014 results. Seemingly, however,

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<sup>20</sup> [Final Budget 2014-15](#)

<sup>21</sup> [W14/33HE](#)

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difficult choices must be made between the current levels of funding for research (£78m), expensive subjects (£15m), part-time (£30m), postgraduate provision (£7m) and the range of strategy and initiative allocations (£26m) including the strategic development (£9m) some of which are subject to existing commitments.

### **3.3 Additional fee income**

47. The net impact of the additional fee income from full-time undergraduate students and funding reductions as a result of the changes in the fee and funding arrangements introduced in 2012/13 is not yet fully apparent, although a clearer picture is beginning to emerge from our work with HEFCW on this. Provisionally, it would appear that there was a significant drop in income in 2012/13 at sector level due to the changes, but that the combined total of additional fee income and grant funding exceeded the 2011/12 grant income in the following years. This will require further consideration in the future as this is worked through with HEFCW.

48. However, there is still a lot of detailed work to be done on the model at this stage. In particular, at the moment this work does not include the additional costs to universities associated with the additional fee income (including e.g. the marginal costs of tuition and associated payments such as bursaries, step costs in capital and infrastructure etc), so the **net** benefit of the changes are as yet unclear particularly at an institutional level. Further work is also required to identify what the net benefit may be expected in future years. We would expect more than 90% of the increase in additional fees due to cohort progression to be reflected in the figures by 2014/15, and for the effect of cross-border flows to be the most significant variable (see discussion below).

49. Another issue is the baseline used in this analysis. As was demonstrated above, significant reductions to the higher education budget were introduced in the year prior to introducing the new fees and funding system. The Welsh Government budget fell by £60m (-13%) between 2010/11 and 2011/2 in cash terms, or £67m (-17%) at 2010/11 prices. From our provisional modelling it is not yet clear whether the additional fees have offset the reductions in grant against a 2010/11 baseline at the moment.

50. In advance of the modelling work being published the net impact in relation to 2012/13, the first year of the increased fees (up to £9,000) in Wales, and the introduction of fee grant payments can only be estimated. As reported by HEFCW,<sup>22</sup> the total income of the HE sector in Wales fell by £1m to £1,273m in 2012/13 contrary to previous estimates including the projections published by the Wales Audit Office Report on HE Finance. Funding Council grant fell from 31% to 21% of total income, whereas Home and EU fees increased from 23% to 32% of total. From this it would appear that, for the first year at least, the increase in Home and EU fees was insufficient to offset the reductions in funding grant

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<sup>22</sup> [Circular W14/27HE](#)

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and that much of the deficit was made up from other sources including income from overseas students.

51. An approximate estimate of the funding change can be derived from figures in HEFCW's funding allocation circulars, would appear to be provided by adding total grant allocations, excluding fee grant payments, to HEFCW's estimates of the additional fees:<sup>23</sup>

<b>Net impact of fee and grant changes on income</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Total grant allocations	395.1	384.7	258.8	224.0	157.3
Additional fee income - HEFCW estimate			115.7	194.2	277.5
<b>Total</b>	<b>395.1</b>	<b>384.7</b>	<b>374.5</b>	<b>418.3</b>	<b>434.8</b>

Source: HEFCW W14/18HE, combining data from Table 1 Annex A and Table 6 Annex B.

52. HEFCW's figures, restated in this way, would suggest that in the first year following the introduction of the new fee regime there was a dip in overall funding of around £10.2m. However, from 2013/14 the further increases to fee income mean that net fees/funding is greater than immediately before the new fee regime was introduced. However, these estimates need to be viewed with caution. In particular, we draw attention to the issue that, as allocated in academic years, the 2010/11 figures already reflect the significant reductions in the Welsh Government budget for 2011/12. The earlier years in this period exclude funding from the HE budget which were later mainstreamed within HEFCW grant allocations (e.g. OU funding and UHOVI). This is also reliant on the accuracy of HEFCW's fee income estimates. The Review will need to carefully consider the outcomes of the modelling work with HEFCW in this area.

53. Although modelling work is continuing in this area, it is clear that - irrespective of the overall income impact for the sector - there are a number of important policy considerations for the future:

- The distribution of benefits appears to be very uneven with significant financial gains and losses (before other associated costs are taken into account) for different universities. This has very important implications on policies which rely on institutions being able to cross-subsidise other activities from additional student fee income – and for part-time specialist providers, of course, this is not an option. In the longer term, this may also have consequences for the focus and diversity of activities in the sector given their different missions.
- The history of previous forecasts for fee grant payments for students attending institutions outside Wales, shows the difficulty of forecasting policy impacts accurately, and highlights the need to be able to manage the risks and uncertainty.

<sup>23</sup> HEFCW W14/18HE, combining data from Table 1 Annex A and Table 6 Annex B, and previous year circulars (using restated data for the previous year where available).

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- It should be noted that the additional fee income that can be obtained in future may be subject to changes in funding and student support arrangements across the UK.

## **4 Current student finance and support arrangements**

54. Effective student support arrangements are essential for a successful higher education system. Without the provision of financial support, there are clear dangers in terms of participation in higher education. Placing the full costs of study and associated living costs on students without some form of support can be prohibitive to participation, and disadvantage those without the means to do so. It also ignores the wider public benefits to society, the economy and business, arising from having a population that has participated in higher education.

55. In this section, we argue that the continuation of significant public financial support for Welsh students is critical. In determining the package of support it is essential to recognise the need to give Welsh students the opportunity to access high quality higher education whether in Wales or outside it. However, we argue that by rebalancing student finance, available resources could be used more effectively to increase the opportunities for Welsh students to access high quality higher education.

56. In particular, hindsight shows that the full-time fee grant payments are not addressing the issue of widening access – and increasing access to higher education in Wales would benefit from this resource being used in a different way. There appears to be a case for reviewing how far resource should be used to support living costs as opposed to subsidising students in meeting the costs of fees. Given the major underestimation of the impact of fee grant payments on the HEFCW budget when the policy was first implemented, there is a key issue about how far the extent of the reductions to HEFCW budget were intended and whether the current balance between grant funding and student support finance should be revised.

### **4.1 Current student support arrangements**

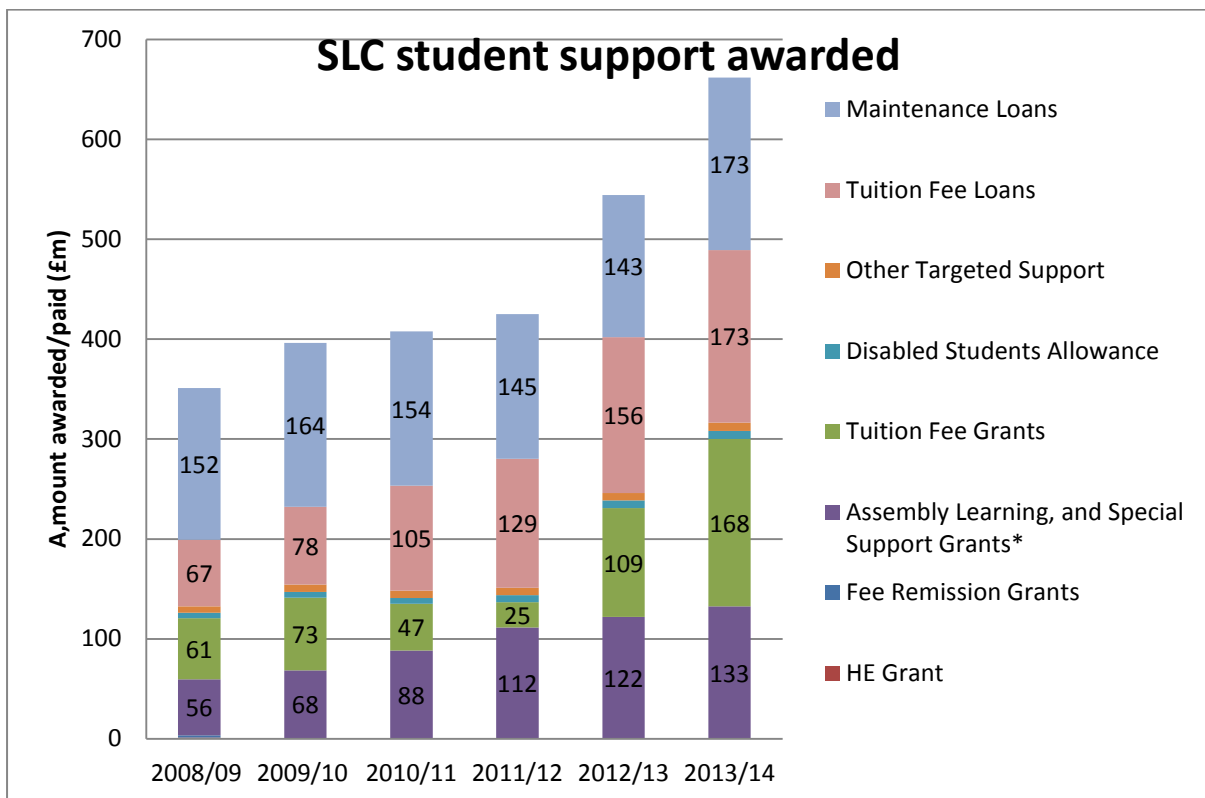
57. Student Loans Company (SLC) information shows that the total student support awarded to students has increased from £351 million in 2008/9 to £661 million in 2013/14 (and provisionally £737 million in 2014/15). The average per student has increased from around £6,600 to £11,600 in this time (provisionally to £12,800 for 2014/15). This figure does not include part-time support (which amounts to a further £16m per year as recorded for 2011/12 onward), and of course includes both grant and loans.

58. The balance between the different components of support has changed significantly in light of the new fee and funding regime introduced in 2012. Up to 2011/12 maintenance loans formed the largest component of student support in Wales. In 2012/13 tuition fees took over, however. By 2013/14 the three largest components – maintenance loans, tuition fee grants, and tuition fee loans, were more or less equal in size.

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59. An increasing proportion of the student support is grant. From a student perspective, it could be argued that fee grant payments compensated for a rise in permitted tuition fee costs rather than provided additional grant support. However, if we exclude fee grant payments from 2012/13, there has still been steady increase in nominal terms, both in the total payment and the average per student.

60. Similarly, if we look at loans there has been steady increase in both the total amount awarded and the average per student (calculated on the basis of the total number of students who received grant or loan awards).



## 4.2 Comparison between Wales and other parts of the UK

61. Wales is currently spending comparatively more on student support than other parts of the UK.

62. In 2014/15 Wales awarded £737m to 57,100 Welsh domiciled full-time undergraduate students (and EU students studying in Wales), at an average of £12,780 per applicant awarded. By comparison the average amount awarded by England was lower at £12,434 (data from Scotland and Northern Ireland for this year is not available). At the start of the period, 2010/11, Wales had a lower average than England, but from 2011/12 the average



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award by Wales has remained higher than England despite significant increases in student support awards from both countries.<sup>24</sup>

63. Most of the change to student support in both England and Wales has been in relation to tuition fee support for those studying full-time to compensate for the increase in maximum fees to £9k in both countries. There has been a major increase in tuition fee loans in England (of which a proportion will eventually be repaid to the treasury), and tuition fee grant (which is not repaid) in Wales.

64. The picture is different if we consider living costs, however. Average maintenance loans made by Wales have been consistently lower than England throughout this period. Up to 2005/6, Welsh students received the highest average maintenance loan of the three countries for which the SLC processed payments.<sup>25</sup> Since 2006/7, however, England has awarded higher average maintenance loans. According to the SLC, on average a full time Welsh student received £3,310 in maintenance loans per year in 2013/14 compared to £3,840 for England, i.e. £540 less.

Policy considerations:

65. This analysis shows that the full-time undergraduate student support package in Wales is generous by comparison to England where students receive support in the form of loans only and must ultimately pay fees of up to £9k. Welsh domiciled students will of course point to the fact that the increase in student support is more technical than actual, since it is primarily due to fee grant payments in compensation for higher fees. In the longer term, views on how far costs should be shared between the public and students will need to be taken. In our view, however, this points to potential scope to rebalance the budget between student support and grant.

66. There appears to be scope for rebalancing the full-time support towards maintenance loans (or grants). EU students are not, in general, entitled to living cost support, and this would mean that a greater proportion of support is targeted to Welsh students. In 2014, £7m in tuition fee loans was awarded to EU students (compared to £188m for Welsh students); a similar breakdown is not available for fee grant payments.<sup>26</sup>

67. As in England, the postgraduate and part-time student support packages form only a fraction of the support awarded to full-time undergraduates. While this may in part reflect different needs and circumstances of some groups of part-time students, it appears to be under-valuing the importance of part-time and postgraduate study. There appears to be a

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<sup>24</sup> Data from SLC statistical first releases – see Data Appendix Table 3.1 and 3.2

<sup>25</sup> <http://www.slc.co.uk/official-statistics/financial-support-awarded.aspx>

<sup>26</sup> <http://www.slc.co.uk/media/859176/slcsfr062014.pdf>

strong case for increasing the share of support on grounds of equity and in light of the significant decline of numbers in these areas.

## **5 Challenges to long-term sustainability or future direction**

68. In this section we need to be clear about what we mean by sustainability. In the first part of this section we focus on financial sustainability of universities in Wales. Although there are clear challenges in terms of financial sustainability, the key issue from our perspective is competitiveness. More fundamentally it is about enabling universities to continue to meet the higher education needs of individuals and the economy in Wales.

### **5.1 Financial sustainability**

69. Universities in Wales have a strong track record in managing financial affairs. The Wales Audit Office Report on HE Finances published on 22 November 2013, for instance, concluded that the financial health of higher education institutions in Wales is generally sound, although institutions face significant challenges and uncertainties in an increasingly competitive operating environment.<sup>22</sup>

70. Universities in Wales have undergone a major period of reconfiguration and faced considerable challenges associated with the introduction of the new fees and funding system. Most recently, the University of Glamorgan and the University of Wales, Newport merged in April 2013 to form the University of South Wales, and the University of Wales Trinity Saint David merged with Swansea Metropolitan University in August 2013. Before that there was also a series of mergers between the University of Wales, Lampeter, Trinity University College Carmarthen and the University of Wales to form the University of Wales Trinity Saint David. Since 2010 half of the twelve higher education institutions in separate existence at that time (excluding the Open University in Wales) have been a party to a merger.

71. The reductions in income for individual institutions have placed great pressure on developing alternative sources of income – some of which, such as overseas fees income, are by their nature more volatile than others.

72. A useful summary of the current financial position can be drawn from HEFCW's annual reports on the financial health of the sector, the most recent of which relates to 2012/13.<sup>27</sup> This examines the financial position of the sector in the first year of increased fees (up to £9k) in Wales, and the introduction of fee grant payments. The headlines are:

	2011/12	2012/13	Change	% Change
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<sup>27</sup> HEFCW [Circular W14/27HE](#)

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Total income	1,274m	£1,273m	£-1m	-0.1%
Operating surplus	£30m	£16m	£-14m	
Net assets	£1,096m	£1,157m	£+61m	
Long-term debt (external borrowing)		£151.8m		+6.7%

73. At this stage it is noted that the increase in the sector's income for 2012/13 fell slightly in both nominal and real terms. There was an increase in long-term debt/external borrowing of 7%. Although detailed data is not available, it appears from this analysis that the additional funding from Home/EU fees did not fully offset the reduction in funding council grants.

74. In general, sector forecasts are not available. The Wales Audit Office Review of HE finances included an analysis of financial forecasts submitted to HEFCW in July 2012 and information in institutions' audited financial statements (p.63). This shows that total income of the sector was forecast to remain broadly flat in cash terms between 2011/12 and 2012/13, but thereafter to increase progressively to £1.45 billion by 2015/16. The report acknowledges that this would depend heavily on institutions' ability to attract students. These estimates need to be interpreted with caution, however. For instance, it does not appear that any further adjustment was made to allow for potential forecasting error at sector level arising from the aggregation of individual forecasts. It should also be noted that the institutions were asked to prepare the forecasts on the basis of assumptions of future funding prior to significant cuts being known.<sup>28</sup>

75. As public funding decreases the attendant risks and uncertainty associated with each of these income streams increases. The future prospects for attracting funding from other sources need to be taken into account in analysis of the funding and student finance requirements.

76. The most important statistic to note in this context, however, is the estimate of full economic costs. According to HEFCW, when adjusted to take account of the full economic cost adjustments for the cost of capital and infrastructure, the sector's position was an aggregate deficit of £85 million in 2012/13, compared with a deficit of £64 million in 2011/12. As HEFCW previously expressed it "this represents the degree to which the sector is not in a position to provide for a fully sustainable future."<sup>29</sup> The deficit, taking into account full economic costs, grew significantly in 2012/13 and is the largest to date:

<sup>28</sup> The guidance set out in HEFCW Circular W12/21HE which asked institutions to assume, for instance, that the innovation and engagement and strategy initiative allocations would continue at previous levels subject to efficiency gain of 2.7% to 2013/14 income and an efficiency gain of 2.5% per annum thereafter.

<sup>29</sup> HEFCW Circular [W13/15HE](#), 08 May 2013, para. 8, p.2.

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**Financial position of universities in Wales**

Financial indicator	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Total Income (£million)	1,090	1,170	1,235	1,244	1,274	1,273
Operating surplus (£million) <sup>30</sup>	30	22	36	37	30	16
- as % of total income	3.97%	1.88%	2.93%	2.96%	2.35%	
Surplus after full economic cost adjustments (£ million)	-46	-68	-62	-56	-64	-85

Source: HEFCW Analysis of the financial position of the HE sector in Wales (annual report), using restated figures where provided.

77. On this basis there are clear threats to financial sustainability in future, and it is a concern that there is a growing deficit on a full economic cost basis in Wales.

## 5.2 Competitiveness

78. Although financial sustainability is essential, the key issue facing universities in Wales is currently competitiveness. If universities in Wales are unable to maintain a competitive position and the quality of what they offer, students and those who access the services of universities will simply turn to alternative providers. In turn, this would place even greater pressure on public support to enable universities to sustain themselves in a competitive environment.

79. Expenditure on higher education in the UK as a whole appears to have been relatively low in recent years (1.2% GDP in 2010 compared to the US at 2.7% for instance)<sup>31</sup>. The European Commission has set a target of 3% of GDP for investment in innovation for countries within the EU to remain competitive globally in the long term.

80. Previous analyses indicate that universities in Wales have been at a significant comparative funding disadvantage to other UK countries throughout most of the preceding decade. HEFCW's report identified a funding gap with England of up to £69 million and rising in 2007/08<sup>32</sup>. The Learned Society of Wales, based on HEFCW's data, estimated the negative funding gap with England per student had grown from £20 to £900 per student between 2000/01 and 2008/09 and the cumulative gap between 2000 and 2009 was £361 million (and more for Scotland)<sup>33</sup>.

81. A comparison of finance data for Wales and the UK taken from HESA shows that Wales' share of total 'funding body grants' (which includes grants from Funding Councils but not Research Councils) fell from 5.0% of the UK total in 2009/10 to 3.8% in 2012/13 before recovering to 4.1% in 2013/14:

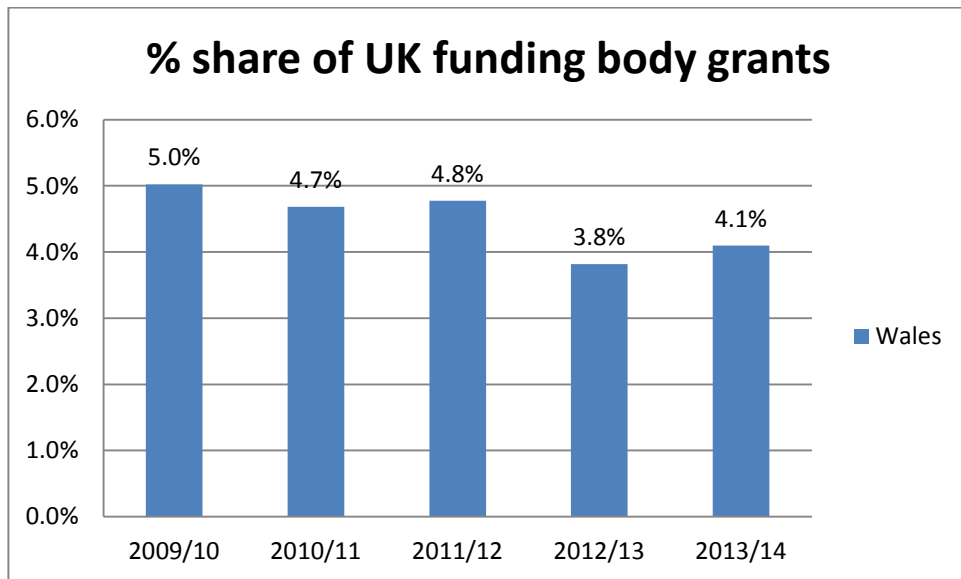
<sup>30</sup> Surplus/(deficit) on continuing operations (after depreciation and before profit/(loss) on disposal of fixed assets and tax) (£ million)

<sup>31</sup> [Higher Education in Focus, Driving Economic Growth](#), Universities UK, 2011

<sup>32</sup> [The Funding Gap 2007/8](#), HEFCW, 2008

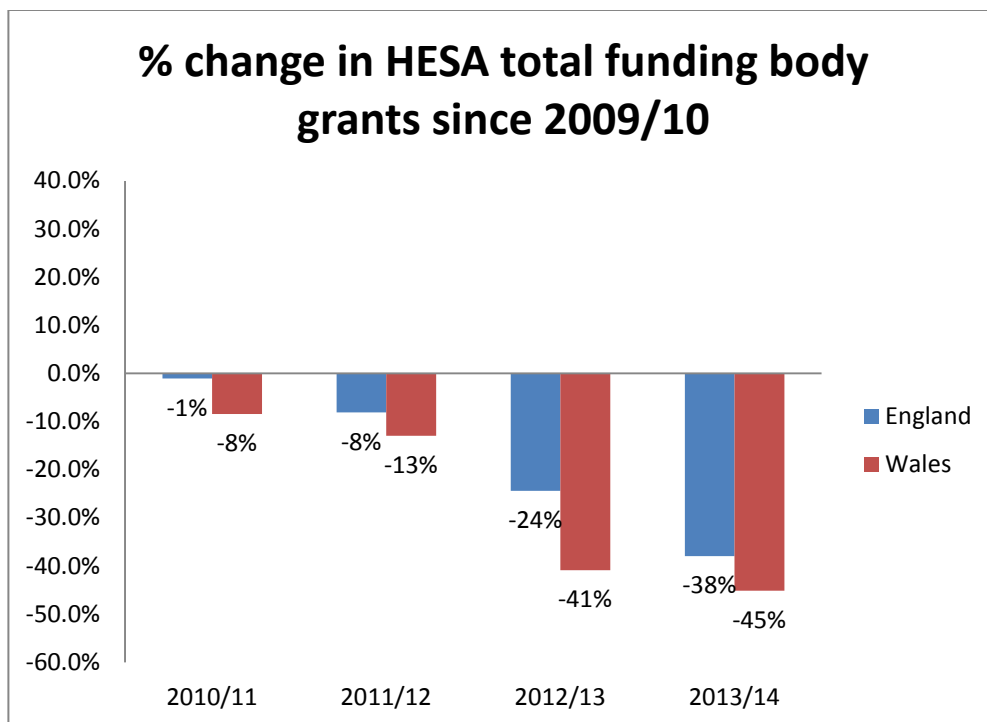
<sup>33</sup> [Comments of the Council of the Learned Society of Wales on the Welsh Government's support for the universities in Wales](#), Learned Society of Wales, March 2011

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Source: HESA (HEIDI report)

82. The reduction in grant funding was 45% in Wales compared to 38% in England across this period, despite maximum fee levels being the same. This also shows that significant reductions in funding started earlier in Wales, ahead of the change in 2012.<sup>34</sup>



Source: HESA (HEIDI report)

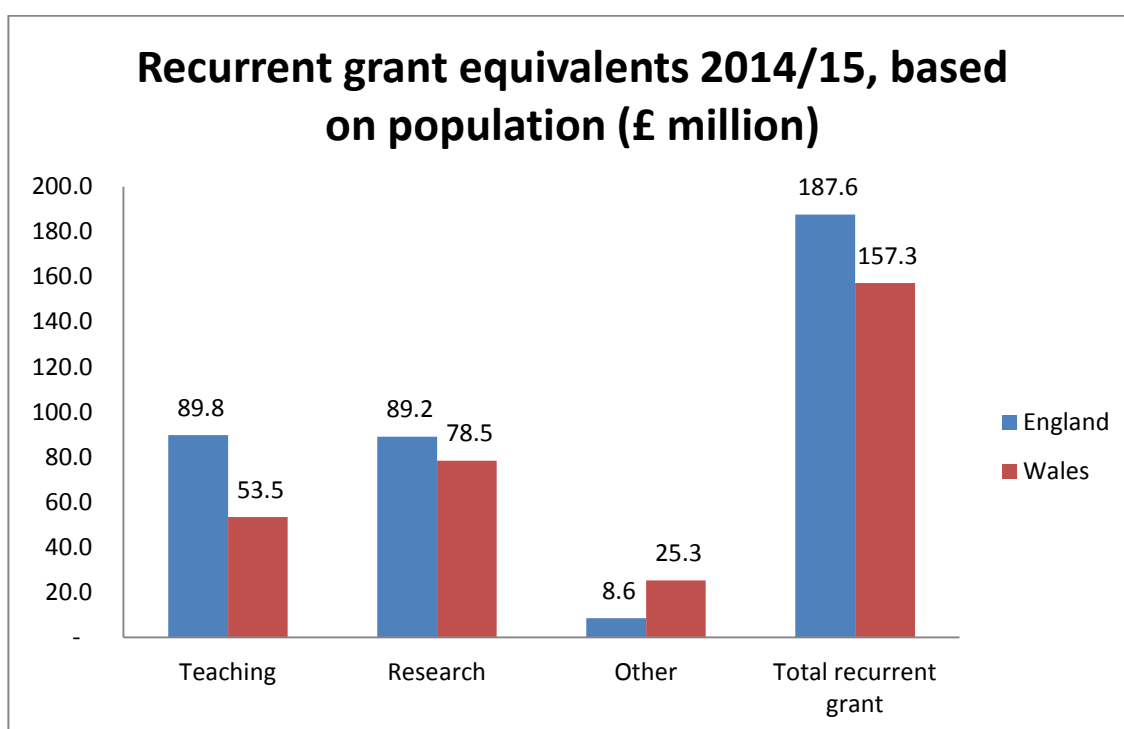
83. The distribution of funding for different activities is also very different between countries. The allocations for core research and teaching in Wales have been significantly

<sup>34</sup> See Data Appendix Table 2.2

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lower than the rest of the UK, whereas the comparative share of other/special funding has been comparatively high. In particular, it is notable that Wales has consistently had a much lower share of capital funding. This emerging picture was also identified in the Wales Audit Office Review of HE finances.<sup>35</sup>

84. This trend can also be shown for 2014/15 by a comparison of HEFCW and HEFCE funding allocations. A comparison between the funding for Wales and the equivalent for England, scaled by using the latest mid-year population proportion, shows that the gap in recurrent grant funding between Wales and England was £30m in 2014/15. In particular, grant allocated to institutions in England was significantly higher for core funding of research and teaching. The population comparison is significant because this is precisely the formula used to determine funding consequential for Wales arising from increases in equivalent expenditure in England (the Barnett formula):

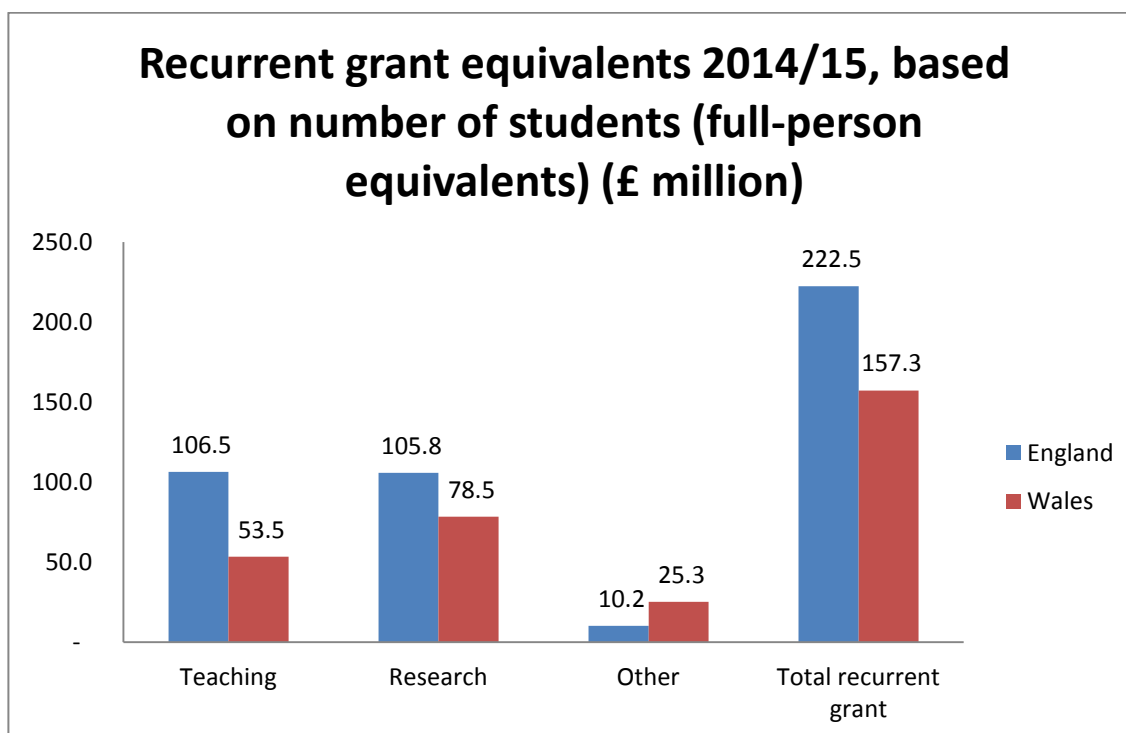


Source: HEFCW W14/18HE; HEFCE 2015/04HE; ONS population data

85. The gap in funding is larger, however, if other measures are used including e.g. the population of 18 year olds (the largest cohort of students in higher education), or the number of students in full-time equivalent terms. The following shows that the gap is closer to £65 in 2014/15 if based on a headcount of students enrolled the institution (full-person equivalents):

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<sup>35</sup> This highlighted a reduction in teaching funding for England of 50% compared to more than two-thirds for Wales (para 2.6.8, p.55), and that there was no comparable capital allocation for universities in Wales.



Source: HEFCW W14/18HE; HEFCE 2015/04HE; HESA student data

86. In addition to recurrent grant funding, a further £143m was allocated for funding of national facilities and initiatives in 2014/15 (equivalent to £8.2m for Wales based on population),<sup>36</sup> and England received significant capital funding. According to the annual HEFCE grant letters from BIS, this was around £938m in 2009/10 falling to a provisional £603m for 2015/16 (after a low point in 2012/13 of £286m). The equivalent for Wales, based on population, would have been £54m and £35m respectively (down to £16m in 2012/13).<sup>37</sup> Wales received dedicated capital funding of around £19m up to 2010/11, but the capital budget line for higher education was removed thereafter.<sup>38</sup>

87. In addition to the comparatively greater reductions in grant, it appears that Welsh universities have also not had access to the fee levels as their counterparts in England. Although comparative data for the average fees charged in England and Wales is not available, it is noted in particular, that the strategic reallocation exercise in 2013/14 meant that most institutions were required to keep average fees to £7.5k in return for their share of reallocated student numbers. This currently includes all post-92 universities.

88. It is clear from this analysis that the gap in funding between Wales and other parts of the UK is growing and that current funding arrangements are unsustainable if universities in Wales are to remain competitive.

<sup>36</sup> HEFCE Circular Letter 03/2015E

<sup>37</sup> See Data Appendix, Table 2.4

<sup>38</sup> See Data Appendix, Table 1.1

### **5.3 Sustainability of mission**

89. More fundamentally sustainability is about the mission and contribution of universities to Wales. We have to ask ourselves what the price of reductions in investment are in terms of the range of activities, the quality of education and services that universities currently offer. Ultimately, investment will affect the size and shape of the sector, and we need to be clear about what sort of sector we can expect as a result of current or future investments.

90. The long-term impact arising from the move towards fee-based funding is still not fully clear for Wales. In the sections below, however, we highlight significant risks and issues that have arisen in relation to higher-cost subjects, and the cross-border flows of students. The impact of part-time and postgraduate taught arrangements are yet to be fully determined and there may be a particular need to manage the transition years for part-time providers where there is a risk of a significant drop in support. The budget for research has to be maintained up to the completion of the REF exercise, but its future is not certain.

91. If sustainability is understood in terms of the mission and activities, then it appears that current arrangements are not sustainable.

## **6 Potential policy instruments**

92. Before examining their application to particular areas more closely in the next section (Section 7), the following paragraphs survey some of the policy instruments and options potentially at our disposal for addressing the issues we have identified above. As we argued in the introduction, a key principle from our perspective is to match the right policy to the right activity, and this can only come from an understanding of how the policy will work and the specifics of how the markets for individual activities operate. So, for instance, in later sections we argue that part-time and postgraduate student markets both appear to be sensitive to supply-side factors. A number of more general points and observations on the potential options can usefully be made in advance, however.

### **6.1 Demand-side options**

93. The following are the key demand-side options relating to students. In general, these act with varying degrees of efficiency and effectiveness to encourage student demand, lowering the effective cost of study from the student perspective. In an unconstrained market, we would normally expect an increase in both demand and price levels. The subsidy would ultimately therefore be shared by both university and student but the exact share would depend on the relative elasticities of demand and supply. However, this would not be the case in a regulated market such as for full-time undergraduate study where there are restrictions on both fee levels and student numbers.



### **6.1.1 Student grants**

94. In terms of the sharing of the costs of higher education, student grants generally mean that the costs are placed on the Welsh Government, i.e. the general population in Wales, rather than the individual.

95. The evidence points to students grants as being effective in encouraging demand. For instance, a £1,000 increase in grant has previously been estimated to result in a 2.1 percentage point increase in participation, assuming that numbers are not restricted.<sup>39</sup> Experience, however, has highlighted the significant impact that levels of awareness and administration issues can have on the effectiveness of a scheme.<sup>40</sup>

96. There are a variety of options for targeting support to particular priorities and controlling the budget. Eligibility criteria typically include e.g. student background (e.g. disadvantaged backgrounds, hardship), prior education access or attainment, type of course, and/or type of institution (e.g. public or alternative providers). The eligibility criteria can, however, affect how costly a scheme is to administer (e.g. means tested grant compared to an automatic grant).

97. In theory, it would be possible to use student grants to reflect the difference in costs between subjects. Different levels of grant could be made available for courses in different cost bands. Where there is no cap in fees, such as for postgraduate or part-time students currently, we could expect both demand and fee levels to be increased. However, where fees are already capped (as for full-time undergraduates) this could only bring additional income to universities if this increases the maximum for certain subjects and the market can bear the increased fee levels. For Welsh universities, this is very reliant on what is happening elsewhere in the UK and beyond.

98. On the whole, we assume that increased awards for living costs would not support increased income for universities. However, for a student's pocket, it may not make much of a difference whether the grant is awarded for living costs or tuition costs if all costs are essential. It is also noted that EU students are in general not entitled to support for living costs, but they are entitled to support for tuition fee costs.

### **6.1.2 Student Loans**

99. In general, loans help to lower barriers to higher education. Loans help to spread the costs over time and make study a viable investment choice for students who would otherwise be deterred. In general, the costs of higher education fall to the individual student,

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<sup>39</sup> Institute for Fiscal Studies, "The impact of the "2006-07 package" of reforms to HE funding", Submission to the 2010 fees review, 19 January 2010.

<sup>40</sup> The Rees Review, for instance, pointed to issues relating to uptake and knowledge of Assembly Learning Grants for instance which limited their ability to compensate for fee levels.

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not the public/taxpayer. However, the costs of administration, costs of borrowing, and any write-off for bad debt have to be factored in to the costs of a loan scheme, and can be shared in different ways under different schemes.

100. Previous analysis by the Institute of Fiscal Studies has suggested that loans can be comparatively effective: a £1000 increase in loans results in a 3.2 percentage point increase in participation.<sup>41</sup> Income-contingent loans as introduced in England, have ensured that a rise in maximum fees to £9k has not had a detrimental impact on acceptances to higher education or widening access from disadvantaged groups.

101. However, there is a wide variety of different schemes that can be adopted, with significant differences in their impact. There are number of issues to consider:

- The rate of repayment on loans has a significant impact on both the distribution of costs between the government or private individuals.
- Setting an income threshold for eligibility or repayment, may make the difference between a regressive or a progressive scheme (i.e. one which reduces social inclusivity or increases it).
- The cost of administration can be high. A well-constructed loan scheme is imperative for proper budget control. In particular, consideration needs to be given to how far loans are to be subsidised, should fully reflect the real costs of administration and how the risks are managed (including bad debt and debt-write off schemes – for income contingent loans this is seemingly a higher cost associated with female graduates), and how far more commercial rates should apply, particularly for certain courses/students.
- It is argued that loans can adversely impact on the price signals for students and price discipline for universities, resulting in escalated fee levels.
- Awareness, transparency and accessibility. As for grants, these issues can have a significant impact on the effectiveness of the loan scheme. Recent studies point to price and high tuition fees being more of a contributory factor in England<sup>42</sup>.

102. As highlighted in the consultation, the RAB charges in England for student loans are presently much higher than in Wales, and much higher than initially forecast which has been an area for concern for stakeholders. In part this could be expected, given the larger size of the loans, however. It should also be noted that the cost of fee grant payments and RAB charges combined exceed the RAB charges in England: the Welsh grant and loan package is more expensive in terms of government budget.

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<sup>41</sup> Institute for Fiscal Studies, "The impact of the "2006-07 package" of reforms to HE funding", Submission to the 2010 fees review, 19 January 2010.

<sup>42</sup> Callender C., Jamieson A., Mason G., UUK Research Report : The supply of part-time higher education in the UK, (2010).

103. Structuring loans so that the budgets can be managed by Welsh Government is essential. However, experience highlights the difficulty of estimating these, particularly with policy changes over time. There are clearly a number of key areas of sensitivity in forecasting RAB charge e.g. fee assumptions, graduate earnings assumptions (critically, changes in distribution of earnings over time). This all points to a high degree of uncertainty about future costs/returns, even with the most careful planning.

### **6.1.3 Bursaries and scholarships**

104. A variety of schemes have been attempted in the past with mixed success. The national scholarship scheme in England has been recently withdrawn due to its limited impact. In Wales, localised/institutional schemes have been encouraged e.g. through fee planning arrangements. Bursaries, however, have been shown to have limited or no impact on recruitment and encouraging greater access: either the size of the bursaries has been too small to have any significant effect on student choice, or because awards are made after the critical stages of the decision-making process (and the success of an application/the size of any potential award is uncertain in advance).

### **6.1.4 Other**

105. This could potentially include alternatives to grants and loans such as voucher schemes and learning accounts. Graduate taxes have also been suggested (and proponents have argued that avoids issues such as debt write-off), though they have not enjoyed great political favour and would probably require legislation through the UK Parliament to implement.

106. A range of initiatives can/are used to stimulate further demand from business for services and products (including intellectual property). This includes loan and grant schemes, specially funded initiatives, and tax incentives (although currently outside the direct control of the Welsh Government subject to the outcomes of the Silk Review). Issues to consider include:

- The Innovation for Wales strategy in particular would appear to offer further potential to encourage interaction (and clustered activity) with universities.
- Capital funding to support research and innovation infrastructures may be an area where business and universities could share benefits.
- Further consideration could be given to how business, particularly anchor companies, can be used to direct funding for students and/or universities.

## **6.2 Supply-side options**

107. The following are the key options for supporting the supply of higher education provision, i.e. for funding universities. In addition to sources of funding and subsidy, the key

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mechanisms used to control public finance/protect public interests have a major impact on university finance:

108. *Recurrent grant.* The amount of direct grant awarded to universities has diminished, and continues to diminish, very significantly. This is the major driving force behind the regulatory changes proposed in the HE (Wales) Bill 2014. The following issues are of particular note:

- High cost and strategically important subjects. Current public investment funding (PIF) was insufficient to reflect cost differences to the same degree as previously reflected by the grant model, and the PIF funding is expected largely to disappear. Further consideration is required about how to protect against likely instances of market failure that market driven funding could lead to.
- Part-time and postgraduate funding. The future of part-time funding is not yet fully clear, although the Welsh Government has stated its intention to eventually include part-time within the fee planning framework proposed under the HE (Wales) Bill 2013. Grant funding, however, remains a highly flexible tool for supporting part-time study and credit-based study and may remain an important component of the model of choice in future.
- Widening access and social inclusion. Further consideration should be given to widening access as a potential focus for future development. On current estimates, there is likely to be little available grant remaining to support continuation of premiums in this area, thus reducing financial incentives for all institutions and placing HEIs that historically play a greater role in widening access under greater financial pressure. The objectives may also need to be clarified – increased access will only result from removal of restrictions on student numbers.
- Retention, progression and employability. Grant allocations currently incentivise each of these objectives in a number of different ways.
- Research and innovation funding. While research grant has remained relatively static, there has been a significant reduction in special funding for innovation and related initiatives in particular.
- Special funding. Funding is subject to general terms and conditions of grant. Some funding is allocated for specific purposes and has special restrictions on its use. The balance between funding restricted for a particular purpose and general funding to be used at the institution's discretion is an issue to keep under review.

109. *Capital funding.* Increased access to capital funding and development of infrastructure may be critical for higher education, including investment in infrastructure to help universities access European or Research Council funding more effectively. Limited access to Welsh Government capital funding was recently reopened for higher education and, as existing

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commitments come to an end, there may be increased scope for higher education. Further consideration could be given to enhancing the prospects of individual institutions through collective engagement on this front.

110. *Other funding and subsidies.* Pension schemes are a major issue for future university finance, and a favourable solution for universities would have a significant impact. Under current tax rules, universities are able to gain VAT exemptions as a result of their charitable status, but changes, such as the recently revised interpretation of the VAT exemption for supply of research between universities and public bodies, can have financial consequences for the sector. Subsidised business loans for universities could perhaps be explored. Universities' ability to loan without restriction from Government/HEFCW (and the important issue of maintaining NPISH status and avoiding controls on institutional finance more generally) is also an important factor to consider.

111. *Fee regulation.* The Welsh Government is able to set maximum fee limits through current fee planning legislation. The fee maximum only has effect if the market would normally exceed the set fee level. A reduction in fee levels would normally be expected to result in an increase in demand (which may offset the impact in net income terms) – but in full-time undergraduate students this is constrained too. As things currently stand, a £1,000 increase in fees has been estimated to result in a 4.4 percentage point fall in participation.<sup>43</sup> Studies prior to the recent changes in England suggested that widening participation of those studying full-time would not be significantly affected below £5k but would increase and start to become significant by about £7k. However, the experience of increased fees so far appears to show that full-time participation is in fact more resilient (see above). The fee limit is £9k for universities in Wales at present. The following key issues are identified:

- Increasing the maximum fee could result in additional income to universities, given current levels of demand. In both England and Wales, it is clear that full-time fees would gravitate towards the upper limit without intervention. In England there has been fee increase in the 2013 cycle according to the recent UCAS report, but fees have not significantly increased in Wales. The experience of other also countries suggests that where variable fees are introduced under a price ceiling, there is likely to be very little variation in practice.
- HEFCW's strategic reallocation exercise in 2012 required institutions to commit to an average fee of £7.5k from 2013/14 in return for receiving a share of strategically reallocated student number places (about half of all numbers). Access to the £9k maximum fees is a key issue for some institutions, particularly post-92 institutions in Wales.
- High cost subjects – with high cost subjects the potential margin between cost and maximum fee levels is a potential issue. On the basis that grant

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<sup>43</sup> Institute for Fiscal Studies, "The impact of the "2006-07 package" of reforms to HE funding", Submission to the 2010 fees review, 19 January 2010.

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levels previously reflected the different subject costs, at least in approximation, it is difficult to see how some subject areas could continue at their current cost or availability without alternative subsidy.

- Differentiated fees by subject area/institution. In a number of countries (e.g. US, Canada, Australia, New Zealand) fees are differentiated according to subject area or institution. This in part substitute for the reduced flexibility of the direct grant to reflect different subject costs and cost structures – however it would need to be more limited/relatively simple to avoid confusion for potential applicants.

112. *Fee minima*. These have not generally been used in the UK, but it is noted that in Australia, for instance, minimum fee levels were set by their Government for international students – an area of recruitment in which Australia has been particularly successful.

113. *Student number controls*. The maximum student numbers allocated to universities in Wales for 2013/14 for UK/EU full-time undergraduate and PGCE new entrants were originally set at 24,213 (HEFCW Circular W12/14HE) and this figure was used in determining maximum fee grant allocations under revised arrangements for 2013/14 introduced by HEFCW Circular W12/38HE. Further consideration could be given to:

- Removal of restrictions for different groups of student e.g. widening access, or entry qualifications (as in England). In Australia, a set number of publicly funded places are awarded to students on a competitive basis – there is no restriction, however, on privately funded places.
- The balance between formula and strategic allocation, including potential for competitive/bid allocations.
- Wider stakeholder participation in the allocation process e.g. business/anchor companies to stimulate clustering/interaction more generally.
- Allocations that can be used flexibly between mode or level of provision – or reviewing definitions of types of course/new course that fall within the scope of restrictions.

114. *Restrictions on providers/market access*. At the moment HEFCW is able to fund higher education institutions in Wales only. This may change under current proposals for regulatory reform. The potential issue of how/how far to provide funding to new and alternative providers needs to be considered and may have a significant impact on the resource available for existing universities.

115. *Designation of courses for eligibility for student support*. Historically, courses at universities in Wales have been automatically designated for purposes of student support.

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The HE (Wales) Bill 2015 and regulatory developments in England, however, raise the possibility of eligibility for student support being designated on a different basis.

## **7 Efficient and effective funding and student finance policy**

116. The impact of different funding options needs to be considered for each area of activity as there are distinct issues to be addressed.

### **7.1 Full-time undergraduate provision**

117. As in other parts of the UK, the full-time undergraduate provision is a highly regulated market, subject to student number controls and maximum fee provisions.

#### **7.1.1 Current policy arrangements**

118. Full-time higher education provision in Wales (as in the rest of the UK) is highly regulated, and arrangements have undergone a period of major change over the last five years in particular.

119. The major changes in fee, funding and student support arrangements were introduced from 2012/13 in response to changes in England. However, as outlined above, there have been major year-on-year reductions in grant funding for full-time undergraduate provision since 2010/11.

120. In 2012/13 the Welsh Government increased the maximum fee limit to £9k in line with changes in England. In return, universities wishing to charge over a basic rate of £4k, institutions were required to submit an acceptable fee plan to HEFCW which ensured that at least 30% of income was invested equality of opportunity and the promotion of higher education.<sup>44</sup> In addition, as part of a strategic reallocation exercise certain institutions were required to accept an average fee limit of £7.5k from 2012/13 in return for reallocated student numbers.<sup>45</sup>

121. Teaching grant fell from £284m in 2010/11 to £54m in 2014/15 (of which around £30m is currently for part-time and postgraduate provision). The net result of the increased fee levels and reductions in grant are discussed above. These appear to have resulted in a significant dip in funding for full-time undergraduate activity in 2011/2 but thereafter to have increased where currently between the 2011/2 and the 2013/14 levels of grant funding, if the costs associated with student number changes are ignored.

122. In this context it is also noted that fee planning arrangements in Wales, under the Higher Education Act 2004 and subsequent regulations, imposed a requirement on universities to spend a proportion of fee income for specific purposes.

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<sup>44</sup> HEFCW Circular W14/14HE

<sup>45</sup> HEFCW Circular W12/14HE



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123. Student number controls for new entrants to full-time undergraduate and PGCE programmes were introduced in 2011/12.<sup>46</sup> In 2013/14 this was extended to cover all new system entrants. Later in the year the policy was changed to apply the limit to the fee grant allocations (resulting from the Welsh/EU student enrolments) rather than to the enrolments themselves, providing additional flexibility on how the limits were operated in practice.<sup>47</sup>

124. Over the same period (i.e. from 2010/11) student support for full-time undergraduate study has increased significantly. Most of the increase from 2012/13 was due to fee grant payments introduced for Welsh/EU students to compensate for the higher fee levels in 2012/13 (these are discussed in more detail later in this section).

### **7.1.2 Current position**

125. The number of full-time undergraduate enrolments at universities in Wales increased each year since the earliest data we currently have (2002/03) up to a peak in 2011/12 of 75,090, and then fell for the first time in 2012/13 to 74,660. At the same time the proportion of full-time undergraduate enrolments has steadily increased across this period from around 70% to 74% of all full-time equivalents in universities in Wales. (See Data Appendix, Table 4.1).

126. The major issue to address in the long term is the full-time undergraduate participation rate in Wales. Despite an increase to a record level in 2014/15, the application rate of 18 year olds from Wales at the UCAS January deadline was estimated at 30.9% for Wales, compared to Scotland + 32.3, England +35.4%, and Northern Ireland +48.1%.<sup>48</sup> Seen in a more global context, a number of countries across the world are showing phenomenal increases in participation rates and expansion of higher education (63% of Korea's 25-34 year olds held an HE qualification in 2009, compared to 13% of its older age groups for instance).<sup>49</sup>

127. There are also differences in the subject mix between enrolments in Wales and the rest of the UK (see Data Appendix 7.1). For instance, Wales has a comparatively high share of the UK's full-time first degrees in biological sciences, physical sciences and education (at least on 2012/13 data). Conversely, it has a comparatively low share of full-time first degree students in combined subjects, architecture building and planning, and mass communications and documentation. Wales does not have any students enrolled in veterinary sciences at all. The comparative availability of provision clearly has policy implications for student support arrangements in particular.

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<sup>46</sup> HEFCW Circular W10/33HE

<sup>47</sup> See HEFCW Circulars W12/38HE and W13/09HE.

<sup>48</sup> UCAS, UK application rates by country, region, constituency, sex, age and background - published 30 January 2015, January 2015 (see [here](#)).

<sup>49</sup> See UUK, Driving Economic Growth, December 2011

### 7.1.3 Future demand

128. In the short term, there appears to be scope for increasing numbers of full-time undergraduates in Wales. Overall, there is currently an excess of applicants to places for full-time undergraduate study across the UK and in Wales, and UCAS studies for England show that it is possible for providers to maintain acceptances despite decreased applications.<sup>50</sup> Provisional information for universities suggests that the maximum fee grant quota is not being fully used at present. This may be partly due to the reallocation of student numbers in 2012/13 and the ability of different institutions to fill additional numbers in the short-term. Partly this is also likely to reflect management of enrolment numbers to ensure that institutions remain within the tolerance thresholds for recruitment, and the relatively new systems in place to cope with this. On this basis there would appear to be room for further expansion, and there are clearly a number of providers who could expand numbers, if restrictions were relaxed and they wished to do so, particularly in the longer term.

129. In the longer term, previous studies have shown that demand for HE overall is determined by the numbers of school/sixth-form leavers with the requisite qualifications, and that almost all school leavers with two A-levels enter higher education (i.e. the traditional recruitment market is relatively saturated).

130. This means that shifts in demand can be closely linked to demographic change and points to the need for increasing access from low participation groups to achieve increased rates of participation in the longer term. UK/EU applicants and enrolments to institutions in Wales come primarily from students domiciled in Wales and England. The demographic projections for both England and Wales project a significant decline in the key age groups for applying to university between 2010 and 2020, which starts to recover by around 2020. The following table summarises recent Office for National Statistics projections:

**Population projections (000s) of 15-19 year olds 2010-2022**

	<b>2010</b>	<b>2012</b>	<b>2014</b>	<b>2016</b>	<b>2018</b>	<b>2020</b>	<b>2022</b>
<b>Wales</b>	199	191	186	179	171	169	174
<b>% change on 2010</b>		-4.0	-6.5	-10.0	-14.0	-15.1	-12.6
<b>England &amp; Wales</b>	3,465	3,353	3,270	3,175	3,096	3,142	3,289
<b>% change on 2010</b>		-3.2	-5.6	-8.4	-10.6	-9.4	-5.1

Source: Office of National Statistics Population Projections 2010 based

Demand can also vary considerably by subject area and between different institutions, where there is arguably an important proto-market based on tariff points. UCAS analysis has shown that demand for low and medium tariff institutions increased markedly from 2004 to 2011 across the UK.

<sup>50</sup> UCAS, Update Feb 2014. [Check full ref]

#### **7.1.4 Income contingent loans in England**

131. Despite initial concerns that the increase in fees to £9k could deter the less advantaged groups, and that income contingent loans would not be effective in addressing this, the evidence so far in England shows that this was not the case. Record numbers from disadvantaged groups enrolled in higher education and the gap between advantaged and disadvantaged students narrowed. The latest studies now suggest that there may have been a reduction of about 5% in applications through UCAS attributable to the policy, although this is based on a difficult assessment of what the trend might have been had the policy not been in place, and points to the increased conversion of students as (taken as a whole) the average offers lowered.

132. In the most recent analysis, UCAS showed that demand fell but entry rates remained the same following 2011. In the most recent analysis, UCAS showed that it seems likely that the change in tuition fees in England in 2012 did make young people less likely to **apply** (by around 5 per cent or so) but that the proportion of young people who went on to **enter** higher education did not appear to be much affected by the change.<sup>51</sup>

133. In terms of the impact of the changes on widening access, UCAS concluded: “neither application rates nor entry rates have shown any differential effect by background. This has allowed the trend of stronger growth in demand and entry from the most disadvantaged to continue. There has also been no trend of poorer applicants moving away from higher fee courses and this has been reflected in entry rates to higher tariff institutions increasing to set new highs for disadvantaged groups.”

134. It is not yet possible to monitor the change in subject enrolments over time: clearly a potential concern, however, is that in the longer term that the new funding arrangements will have a significant impact on these particularly for higher cost subjects and areas of provision which currently receive a strategic subsidy. According to UCAS there were significant increases in such areas as biological sciences, subjects allied to medicine and computing for 2013, while education and languages and combined subjects appear to have suffered.

#### **7.1.5 Fee grant payments**

135. What this makes absolutely clear is that the fee grant payments in Wales, as an alternative to income contingent loans, were not necessary to support increased fees to £9k or to prevent an adverse impact on widening access. The key difference between the policies in Wales and England is that fee grant payments have reduced student debt, and

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<sup>51</sup> UCAS, UCAS Analysis answers five key questions on the impact of the 2012 tuition fees increase in England, 7 Nov 2014, <https://www.ucas.com/corporate/news-and-key-documents/news/ucas-analysis-answers-five-key-questions-impact-2012-tuition>

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effectively placed a greater share of the costs on the Welsh government (i.e. the general public).

136. From a financial perspective, one of the main advantages of the fee grant payment system is that it has enabled Welsh (and EU) students to continue to access higher education at effectively the same levels as previously. At the same time universities in Wales were able to charge higher fee levels for all students, meaning additional income from students coming from other parts of the UK (primarily England).

137. It could be argued that universities could choose to cross-subsidise other activities from additional fee income. This of course depends on the particular institution. Additionally, under current fee plan arrangements and future provisions of the HE (Wales) Bill, institutions can be directed to spend across activities deemed to 'promote higher education' (this would exclude research however). However, in practice this approach is subject to a number of limitations. Full-time undergraduate students have a right to expect value for money in return for the fees they pay, and they would effectively be funding other university activities.

138. Up until the end of 2014, this unique policy in Wales, however, linked the budget for the fee grant payments with HEFCW's budget for higher education. One implication of this is that HEFCW is responsible for fee grant payments for Welsh-domiciled students who study full-time in other parts of the UK.

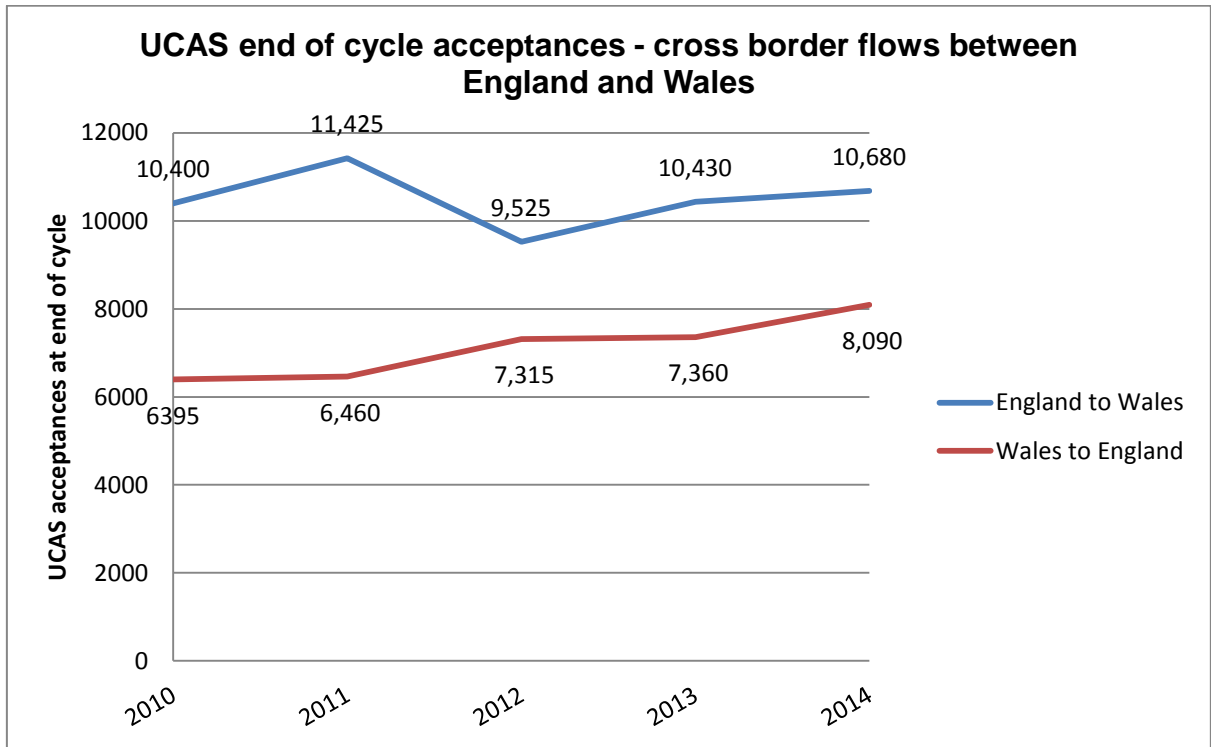
### **7.1.6 Cross-border flows**

139. Different funding, student support arrangements and other factors can have a significant impact on the cross-border flow of students.

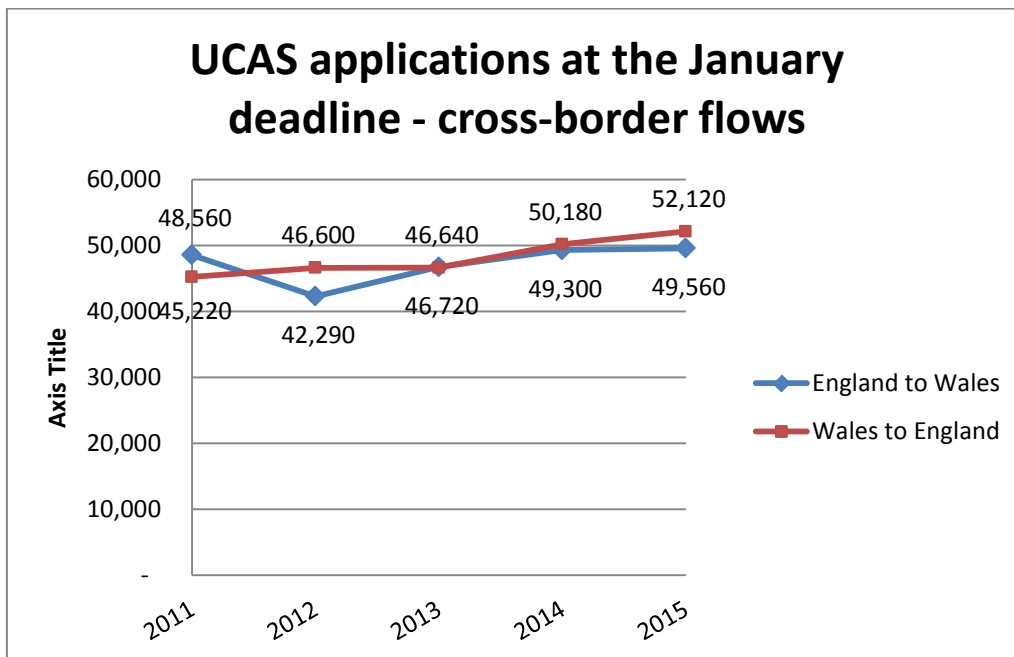
140. The UCAS report on student demand in the 2013 application cycle highlighted the difference in application rates for Welsh students to Wales and other parts of the UK *"Since 2009, the application rate of Welsh 18 year olds to institutions within Wales has decreased almost every year....The application rate of Welsh 18 year olds to institutions outside Wales is relatively high and has been increasing each year since 2008... Wales is the only country of the UK where 18 year olds are more likely to apply outside of their country than within it."* (p.20).

141. The following chart shows cross-border flows between England and Wales, in terms of UCAS acceptances. It confirms that Wales has historically been, and currently remains, a net importer of students. However, the gap has been progressively narrowing, as the numbers of Welsh students accepted to England has increased by a 25% in the three years (between 2011 and 2014):

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142. If we look at the cross-border flows in terms of applications, there is further reason to think that in future the gap could be much narrower. This shows a clear upward trend in applications from Welsh students to England (which increased by 12% from 2011), but a less obvious trend in applications flowing in the other direction (an increase of 2% as at end of 2014). The result is that, since 2011, applications from Welsh domiciled students to England have **exceeded** applications from English students to Wales.



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143. The different trends in applications and acceptances points to a change in the conversion rates: the conversion rates of applications to England have increased year on year since 2011, as conversion rates from Wales to England have decreased.

144. There are two points to take from the analysis of cross-border flow in particular. Firstly, although historically Wales has been a net importer of students from across the border, it is far from certain that this will continue. A straight trend line would suggest that roles of net importer and exporter could reverse within 5 years.

145. Secondly, this points to the importance of conversion rates for net cross-border flow and the factors that can affect them such as admissions policy or the availability of places. We note for instance that, according to UCAS' most recent analysis, a fall in demand following the changes to tuition fees in 2012 was offset by an increased acceptance rate: "By 2013, universities and colleges were making more offers to applicants and being more flexible in entry requirements... many young A level applicants were entering universities and colleges at a rate that, in 2011, would have needed a single extra grade across their three A levels."<sup>52</sup>

146. In the context of funding, this trend clearly has implications for the current funding policy which relies on grant reductions for the sector being offset by additional fees from students from other parts of the UK.

147. It is currently a concern that the policy in England, which has relaxed the student number controls for students with high entry grades, is also drawing the most qualified and mobile students away from Wales. Since 2012, higher tariff institutions have seen the most positive changes in demand.<sup>53</sup> UCAS data shows that this is not a new issue: in the 2011 cycle the proportion of Welsh students holding grades equivalent to ABB+ at A-level was 26% for those attending universities in Wales, and 46% for those attending universities in England. However, it is an issue that appears to have increased following the changes. In 2013 the proportions were 21% and 26% respectively. The following table shows that the proportion of Welsh students holding ABB+ currently being accepted to institutions in England has increased from 54% to 62% since 2011:

**Cross-border flow of ABB+ students accepted through UCAS (18 year olds)**

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<sup>52</sup> UCAS, UCAS Analysis answers five key questions on the impact of the 2012 tuition fees increase in England, 7 Nov 2014: <https://www.ucas.com/corporate/news-and-key-documents/news/ucas-analysis-answers-five-key-questions-impact-2012-tuition>; see also, UCAS, Update on trends in demand for higher education, Feb 2015.

<sup>53</sup> Ibid.

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	Welsh to England	Welsh to Wales	English to Wales	Net flow to Wales	Welsh going to England as % of all Welsh
<b>2011</b>	1,733	1,502	2,476	-759	54%
<b>2012</b>	1,922	1,253	1,975	-1,200	61%
<b>2013</b>	1,873	1,137	1,848	-1,162	62%

*Source: UCAS, Presentation by M Curnock Cook to Universities Wales, February 2014*

### 7.1.7 Support for Welsh domiciled students studying outside Wales

148. Support for Welsh-domiciled students studying outside of Wales raises a distinct set of issues, particularly in the light of arrangements for fee grant payments. At the outset we should be clear that we support a policy which gives maximum possible opportunities to students, whether in Wales or outside. However, with a finite support budget there are clearly choices to be made about the most effective use of funding to maximise those opportunities. The analysis of cross-border flow data above also highlights the importance of the future study patterns for funding and student finance options in Wales.

149. The fee grant payments have proved to be much greater than originally forecast. In fact, history shows that revised forecasts in this area have also repeatedly underestimated payments.

150. This can be shown from forecasts published by HEFCW. As the following table confirms, the last year's forecasts now appear to have underestimated the grant payments to students attending institutions outside Wales in 2013/14 by £12.9m (i.e. by nearly 26%):

Estimated fee grant payments - outside Wales (£m)	2012/13	2013/14	2014/15
March 2012 (HEFCW Circular W12/10HE)	34.3		
March 2013 (HEFCW Circular W13/09HE)	34.7	50.0	
March 2014 (HEFCW Revised forecasts - as distributed)		59.0	67.5
May 2014 (HEFCW Circular W14/18HE)		62.9	77.8

151. There is scope for policy options to be more targeted in this area but they must not force students to study outside Wales due to e.g. student number limits, or making provision unsustainable.

152. In addition to the data cited above on cross border flows, Data Appendices 6.3 and 6.4 identify that Welsh students are increasingly going to a handful of universities. For some students the ability to support the take up of opportunities across the border is essential. Wales' subject portfolio has areas of comparatively high enrolments and low enrolments. Most notably in the subject groupings there is no provision for veterinary science in Wales – but at a lower level it remains true that the UK as a whole provides a wider range of opportunity. We cannot think in terms of closing off cross-border opportunities for students, particularly in those areas where there are fewer opportunities in Wales.

153. At the same time, there are additional costs to the Welsh economy associated with students choosing to study across the Welsh border. We also have to ask ourselves whether the policy is helping to increase access. As indicated above, the evidence suggests that it is not – there is a danger that overall policy provides more opportunities for students in England and investment in universities makes them less attractive to students, which ultimately would affect the disadvantaged and least mobile students the most. We believe that alternative student support arrangements would help to recycle money within the economy and support students with greater need.

### **7.1.8 Student number controls**

154. The future fee limits in England may rise in future, and England is currently in the process of lifting its cap on student numbers. This has significant funding implications for Welsh universities since students choosing to study outside Wales are currently supported by HEFCW's HE budget.

155. England is in the process of increasing student numbers by removing restrictions on intake: the estimated increase of places for 2014/15 is 30,000 and up to 60,000 for 2015/6 when controls are removed altogether.<sup>54</sup> Universities Wales' initial estimates were that Wales could expect to see a proportionate increase of around 600-750 Welsh domiciled students for 2014/15 and the figures would double for 2015/16.

156. In our view the student number controls need to be lifted in Wales. By constraining the number of Welsh students studying in Wales only, this is likely to push more students to study outside Wales. This means that the student number controls are not effective in controlling the student support budget for Welsh students, and means that Wales and Welsh universities also lose out on the indirect expenditure and knock-on impact of study in Wales.

### **7.1.9 High cost subjects**

157. A key issue posed by the current fee-based funding for universities is the impact on provision with different cost levels. HEFCE analysis of TRAC(T) data shows that the cost of teaching exceeds £9k in about half of subject areas, with science, technology and engineering subjects predominantly (but not exclusively) accounting for the higher cost subjects. The estimated mean cost of subjects in different areas (at 2013/14 prices) ranges from around £6,070 to £16,460 for clinical dentistry (the cost of veterinary science is higher at £19,670 but there is no provision in this area in Wales).<sup>55</sup>

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<sup>54</sup> [Autumn Statement 2013](#), HM Treasury, December 2013

<sup>55</sup> HEFCE, High cost subject analysis using TRAC(T) data, September 2012



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158. Taking HEFCE's estimates and applying them to enrolment data for Wales, the total estimated teaching cost for Wales was around £585 million in 2011/12 (at 2013/14 market prices). The teaching grant awarded by HEFCW in the same year was £260m (see above), and the fee income from full-time undergraduate home and EU students was around £248 million in 2011/12 (based on HESA data). That means in 2011/12 the cost of teaching appeared to exceed income by around £37m.

159. If left to market forces at current fee levels, there are clear risks that over time provision in high cost subjects will decline. In our view this needs to be addressed through retaining a significant level of funding grant to address this. Introducing banded fee levels to reflect the costs would only work if a similar system is introduced in England – otherwise, institutions in Wales may be unable to charge higher maximum fees, or the banding simply reduces the comparative resource obtained by English and Welsh institutions. Providing different levels of fee support for students would only address issues of demand from Welsh students, and not demand from English students – and would not necessarily translate into additional funding for different subjects.

#### **7.1.10 Conclusions for full-time funding and support**

160. Some of the key conclusions we can draw from the above include:

- Hindsight now shows that the fee grant payments (compared to income contingent loans) are not necessary to sustain recruitment at fee levels of up to £9k but instead help to avoid student debt. The fee grant payments, likewise, do not have an appreciable effect on widening access. There is a prima facie case for targeting this support more specifically or redistributing this support for other priorities. We would recommend a combination of both.
- In our view there needs to be significant grant support to enable universities to maintain provision of higher cost subjects and to provide high quality learning and teaching infrastructure.
- The student number controls in Wales need to be removed, to avoid the adverse economic impact of Wales and Welsh universities of an increased number of students simply studying in other parts of the UK.
- The fee levels in Wales will need to keep pace with fee levels in England, ensuring that any difference is not large enough to impact on recruitment.
- Further consideration should be considered to extending income contingent loans for full-time undergraduate provision instead of fee grant payments.

## **7.2 Part-time provision**

161. Part-time provision is an integral part of higher education. Part time study presents opportunities for students with highly varied circumstances, backgrounds, characteristics, and needs, and is an active, positive choice for learners, rather than being a 'lesser' alternative to full-time provision. There is no 'default' full-time mode of provision within higher education; rather, there are differing modes of study that are of equivalent value to individuals and society and which respond to the needs of differing sections of the population and top the needs of employers. Both full and part-time provision require a balance of investment from individual and societal contributions but, given the differing student 'markets', it does not necessarily follow that a fees and funding system designed for full-time students will be effective for part-time students if simply divided on a pro rata basis.

162. A higher proportion of students studying part-time are older, and they are more likely to be employed and have family commitments and part-time students tend to be a more heterogenous group than those studying full-time.<sup>56</sup> Part-time study plays a particularly important role in upskilling and reskilling agendas and for continuing professional development, and has a central role in any skills strategy. Likewise, part-time opportunities can provide an important way into higher education for students from disadvantaged backgrounds, contributing significantly to the widening access agenda and to community development and economic regeneration in disadvantaged communities. Through engagement of workers employed in lower paid jobs, part-time higher education can both widen access to higher education and develop skills within the Welsh workforce.

163. Part-time study must form an important part of future higher education provision in Wales, if Wales is to keep up in the global race towards higher skilled economies. In this section we argue that increased support is required for part-time study, both in the form of student support and grant for universities

### **7.2.1 Current position**

164. Part-time provision appears to have fallen very substantially across the UK and Wales in recent years. If we look at the trend in part-time enrolments measured in full-time equivalents (FTEs) back to the earliest point available (2002/3), it appears that numbers in Wales are currently the lowest on record. Part-time FTEs peaked in Wales in 2008/09 at 17,435 before falling by 28% to 12,536 in 2013/14. Over the same period overall part-time FTEs fell by 28% in Scotland, 26% in England and 13% in Northern Ireland.

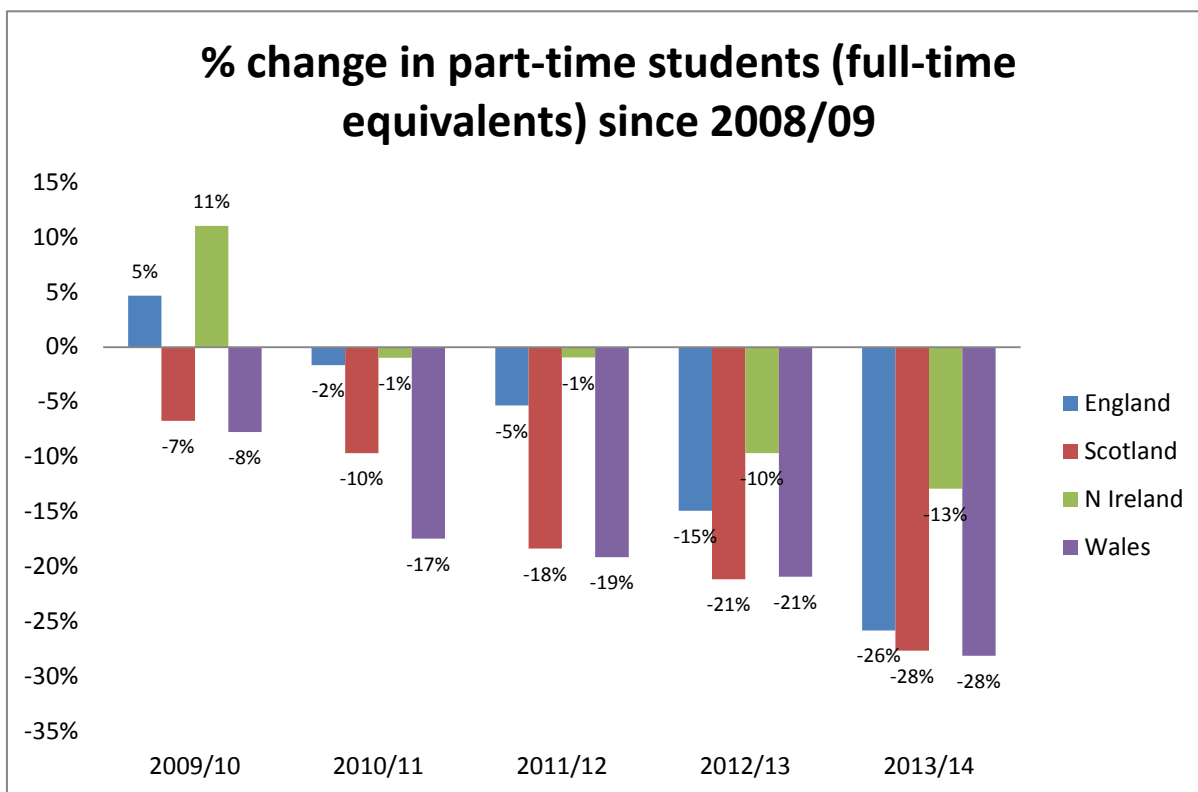
165. It is noted HESA's figures include the Open University in the figures for England. If Welsh-domiciled students at the Open University are included in the figures for Wales it is

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<sup>56</sup> See e.g. Oxford Economics, Macroeconomic influences on demand for part-time higher education in the UK, 2014.

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noted, however, that the fall in Wales was around 20% (a breakdown of the trend for each country with the OU figures apportioned by domicile is provided in the Open University's response)



Source: HESA students in HE (extracted from HEIDI)

166. The key change came from enrolments in 'other undergraduate study, which declined by 45% from a peak in 2007/08, and has accounted for an overall reduction of 3,909 FTEs since then. By contrast, part-time foundation degrees are at the highest level recorded.

167. If we look at a headcount of part-time students (i.e. full-person equivalents), the picture is a little more mixed. If we examine trends from 2008/09 for Wales (in line with the above analysis) overall enrolments fell by 23% to 2013/14. By comparing the two sets of data we can also see that there has been some variability in the average level of intensity of study in Wales during this period ranging from the equivalent of 36% to 40% of full-time study overall.

168. It is clear from this that the decline in numbers is a UK wide issue, even if the trends for different countries are not identical (particularly in terms of new entrants). Studies of the decline in numbers in England have pointed to a complex set of factors (including both macroeconomic factors and policy decisions) and the chain of events which appear to have contributed to this. This includes the phasing out of funding for students who already held an equivalent or lower qualification from 2008.<sup>57</sup>

<sup>57</sup> Oxford Economics, 2014, op cit.

169. Another factor appears to have been increased fees, accompanying the introduction of higher maximum fees for full-time students, coupled with restriction on eligibility for student loans.<sup>58</sup> A report by Claire Callender in 2013 estimated that average fees for part-time bachelor's degrees were £5k in England in 2012/13, and were roughly double the level in 2011/12. Similarly, other studies point to significant increases in part-time fees in England even though they remained lower than for full-time study, connected to increases in fees in full-time provision.<sup>59</sup> While policy divergence appeared to be the major reason for difference in trends between countries, macroeconomic factors appear to have exacerbated the decline and studies point to some correlation between the decline in part-time take-up and the economic recession and unemployment rates.<sup>60</sup>

### **7.2.2 Current arrangements**

170. Unlike for full-time undergraduate provision, there has been no cap on fees or direct control of the numbers of part-time students studying in Wales. Part-time enrolment and fee levels reflect current market dynamics, and are potentially sensitive to factors which affect either student demand or university provision.

171. Part-time grant funding for universities has been reduced significantly in Wales in recent years, and is currently at some risk of being removed altogether. Reported allocations typically combine part-time with postgraduate data, which makes it difficult to trace the part-time element alone. However, the overall teaching budget for part-time and postgraduate taught provision has fallen from £43m in 2011/12 to £28m in 2014/15. By 2014/15 this left £22m for part-time undergraduate provision (down from £31m in 2013/14) and £6m for part-time postgraduate provision.<sup>61</sup>

172. In addition, part-time funding has been affected by the reduction in other funding allocations. The Widening Access Fund (around £7m in 2013/14) and the Innovation and Engagement Strategy (£9m in 2012/13) both previously supported both full-time and part-time undergraduate provision and subsumed the £6m Graham funding for part-time provision in 2011/12. These were both discontinued in 2014/15 in order to - to retain funding for other priorities as a result of reductions in the overall grant available for allocation.

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<sup>58</sup> See also, [Clare Callender, \*The demise of part-time undergraduate higher education in England: who cares?\*, Institute of Education \(2014\)](#)

<sup>59</sup> See HEFCE, *Pressure from All Sides*, 2014: "Part-time fees have risen significantly, but still tend to be lower than full-time fees" (key finding section); Thompson, J. and Bekhradnia, B. (2013) 'The impact on demand of the Government's reforms of higher education: The first evidence on part-time demand and an update on full-time', HEPi report (62), [www.hepi.ac.uk/2013/10/03/the-impact-on-demand-of-the-governments-reforms-of-higher-education/](http://www.hepi.ac.uk/2013/10/03/the-impact-on-demand-of-the-governments-reforms-of-higher-education/), reporting information from the Office for National Statistics pointing to 'large increases in part-time fees for students starting in 2012, in line with the proportional increases found for full-time students'; Oxford Economics, *Macroeconomic influences on the demand for part-time higher education in the UK* (2014) p.15/16, on maximum tuition fees charged in 2012 by the seven largest HE providers (including the Open University) in the UK.

<sup>60</sup> Oxford Economics, 2014, op cit.

<sup>61</sup> See Data Appendix, Table 2.1

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173. There is no fee limit or student number limits for part-time provision at either undergraduate or postgraduate level. It is not clear whether the part-time fee levels in Wales have increased in line with the increases in England (see above) and this is a matter for further investigation. However, fee levels for part-time study in Wales currently appear to remain at lower levels than full-time in general. This points to very different markets for full-time and part-time, and that the potential for revenues from part-time fees are likely to be less than for full-time. The combination of grant reductions and lower comparative fee levels is an issue for part-time specialist providers in particular who benefit less (or not at all) from the full-time undergraduate income increases.

174. Up to 2013/14 the Welsh Government's student support scheme (comprising the maintenance loan and, where applicable, an Assembly Learning Grant) did not apply to part-time students other than those on part-time postgraduate courses of initial teacher training.<sup>62</sup> In 2012/13 £15.6m was paid to around 7,300 part-time students (i.e. a small proportion of the total studying) for course grants and grants for dependents, tuition fee grant and in disabled student allowance, showing increases against the previous two years which have been reported. From 2013/14 a loan was introduced for part-time students studying at an intensity of more than 25% and who registered for a qualification that was not equivalent or lower to a qualification already held. There remain questions, however, about whether the coverage of support for the part-time population is sufficient to prevent the current decline in numbers – particularly given the issues identified in the analysis for England above. A key issue is also the level of parity between full-time and part-time student support, given the importance of both to achieving Government and HEFCW ambitions for higher education.

### **7.2.3 Policy considerations**

175. Some of the key issues that need to be considered include:

- The part-time student market appears to be particularly sensitive to changes in support and the costs of study. Funding policy in relation to part-time provision needs to take into account the complex interaction of demand and supply-side issues. Both the OldBell3 report in Wales and the UUK study in England point to the importance of addressing supply-side issues for maximising part-time recruitment,<sup>63</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.
- There have been significant reductions in funding for part-time provision, both in terms of the core institutional grant and premiums and in strategy funding (see above). While it is difficult to isolate the impact of these changes from other

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<sup>62</sup> SLC, Statistical First Release 06/2013, November 2013.

<sup>63</sup> Gareth Williams, Old Bell3 Ltd, Employer engagement with part-time higher education, (2010); UUK (2010) op cit.

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potential causes of decline in part-time numbers, these make it harder for universities to maintain or increase part-time numbers.

- It appears that part-time market will not currently sustain fee £9k pro-rata fee levels in line with full-time study (see discussion above). Reductions in grant for part-time provision, unlike full-time arrangements, are not off-set by the prospect of increased fees. While cross-subsidy from full-time fee income is a possibility for some institutions, this is not an option for part-time specialist institutions.
- There is a question about whether the current student support package will extend support to a sufficient proportion of the part-time student population to address the decline in part-time study. A large proportion of part-time enrolments come from study at an intensity below the threshold of 25%, particularly for part-time undergraduate study (the mean intensity was 26% in Wales in 2013/14). Similarly, large proportions of the part-time student population are excluded on grounds of prior attainment: 27% of part-time undergraduate students at Welsh universities in 2012 held a first degree/PGCE or higher qualification on entry.<sup>64 65</sup>
- Part-time students are typically older than full-time students, and are often in employment. Therefore they have other financial commitments and as a consequence their conception of financial risk in the context of loans and debt will be different to that of 18/19 year olds. The distinctive patterns and requirements of part-time learners point to the weakness of simply designing a fees and funding regime that 'fits' full-time undergraduate student markets and then applying it on a pro rata basis to part-time student groups.
- The impact of part-time policy is more specific to Wales than for full-time policy. Part-time students are drawn predominantly from Wales or neighbouring regions. 82% of part-time undergraduate students came from Wales in 2012/13, compared to 45% of full-time students (see Data Appendix, Table 6.2). There is also a high proportion in employment and whose studies directly relate to upskilling for the workplace.
- Conceptual distinctions between part-time and full-time activity for similar student groups can sometimes be artificial and unhelpful, particularly for higher levels of study intensity.<sup>66</sup> Care needs to be taken to ensure that arrangements are equitable for students pursuing higher education by different modes of study, subject to the comments made above concerning the different and particular needs of part-time and full-time student groups.

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<sup>64</sup> See Data Appendix, Table 9.1.

<sup>65</sup> See also Callender C., Jamieson A., Mason G., UUK Research Report : The supply of part-time higher education in the UK, (2010), p.18, Table 5, for a useful if earlier analysis.

<sup>66</sup> Higher Education Policy Institute (HEPI) Report, "Flexible Learning: Wrapping Higher Education around the needs of part-time students", March 2013.

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176. In our view, there remain significant issues relating to the parity of funding and student support for undergraduate part-time and full-time study. We recognise that the different circumstances and needs of this diverse student body will not be the same as for full-time and will require different approaches and potentially levels of support. Importantly, there are clearly significant issues which need to be addressed in relation to part-time study by any future funding support system.

177. In light of this analysis there is an urgent need to address part-time provision. This should in our view involve a rebalancing of both funding and student finance across the two modes of study. In particular, the grant allocation system and use of credits appears to be an effective support system for part-time study, and should form an important and significant part of future arrangements.

## **7.3 Postgraduate provision**

### **7.3.1 Current arrangements**

178. Postgraduate enrolments are not subject to fee limits or student number restrictions. Universities have traditionally received grant to support postgraduate provision, but this has significantly reduced over the recent period. For 2014/15, funding for postgraduate taught provision was approximately halved, from £15m to £7m. The teaching element for full-time provision was removed altogether, but reduced levels of per capita payments and premiums for full-time provision were retained.

### **7.3.2 Current position**

179. Postgraduate enrolments in Wales peaked in 2010/11 at a little short of 20,000 full-time equivalents. The two years that followed saw successive reductions and stood at over 18,500 in 2013/14. Despite the recent decline, postgraduate provision has increased significantly over the last decade from a low point recorded in 2003/04 of around 13,300. Similarly, the postgraduate enrolments as a proportion of all full-time equivalent enrolments has increased from 16% to 2003/4 to a high of 20% in 2010/11, and currently stands at around 18% of total numbers. This overall increase in postgraduate numbers, however, is the net result of two opposite trends: full-time enrolments have increased, part-time enrolments have reduced.

180. The mix of postgraduate students in Wales is more international than for undergraduate students. 28% of full-time postgraduates are from Wales and 57% of part-time postgraduates (the corresponding figures for undergraduates are 45% and 84% respectively – see Data Appendix, Table 6.2.).

181. In terms of the size and subject provision, there are clearly many large postgraduate courses particularly for management and professional subject areas such as law. However, postgraduate provision is characterised by a longer tail of small numbers on specialist courses. The more specialist nature of the postgraduate provision means has inevitable implications for funding and student finance policy, since it is unlikely that Wales could reasonably aspire to mirror the full diversity of provision at UK level.

### **7.3.3 Policy considerations**

182. The change of the funding and financial support arrangements for full-time undergraduate students will not have had an impact on the figures at this point. It remains to be seen what the impact may be in terms of progression in future.



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183. On the basis of the above, it would appear that the key priorities in postgraduate are to ensure that the undergraduate debt does not impact on future progression to post-graduate level and to address the part-time decline. We also need to bear in mind that international recruitment and cross-border flows are even more important for postgraduate study than for undergraduate.

184. Given the current market dynamics, it would appear that a mix of demand-side and supply side-measures are required to address these issues. In particular, we would currently recommend that the extension of loan provisions to postgraduate students are explored further, alongside a continuation of grant to support postgraduate provision in strategic areas with higher costs.

185. In terms of student support, Wales will need to respond to further developments in England. In the Autumn Statement 2014, the UK Government announced that postgraduate loans for taught masters of up to £10k would be made available from 2016/17, and a bursary scheme put in place for £50m (with matched funding £100m) for 2015/16. At the moment the coverage of the scheme in England appears to be potentially quite limited (e.g. to those aged under 30, masters courses only) but the package quite generous (£10k). In Wales we would probably wish to seek postgraduate loan scheme that provides a greater coverage whilst retaining support at levels that will be effective.

#### **7.4 International recruitment**

186. In this section, we argue in particular, that given the significant economic and cultural benefits of universities' international activities, it is vital that optimal conditions are maintained to enable the growth of their international networks.

187. The Welsh HE sector does not operate independently from the rest of the world. Like their UK counterparts, Wales' universities are ambitious and have been successful in their development of international activities. In 2012, Welsh universities attracted over 25,000 international students making up almost 20% of the student population.

188. The economic impact of international students in Wales is particularly significant. In addition to paying tuition fees, international students contribute to the economy through high levels of off-campus expenditure, attracting increased visitor numbers to Wales and through acting as an invaluable group of ambassadors promoting Wales as a business and tourist destination. Kelly and McNicoll's figures show Welsh universities' international revenue at £218million. That figure, together with the off-campus spend of international students (£195million), represents a total of £413million of export earnings. The off-campus expenditure of international students creates an additional 1,720 jobs in Wales<sup>67</sup>. In addition to these economic benefits, international students enrich the student experience on Wales'

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<sup>67</sup> Ibid

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campuses, enhance learning and teaching, and help make Wales' graduates more prepared for the international labour market. In total, an earlier also study showed that in 2009/10 Wales' international and EU students contributed £237million to Wales' GDP, equivalent to 0.5% of the Welsh economy, and supported 9,230 jobs in Wales.<sup>68</sup>

189. Current projections point to major growth in the numbers of international students in future and a significant opportunity going forward. International students are projected to rise from 3.7m in 2009 to 7.0m in 2020. China's graduates are projected to rise from 3.8 to 10.5 million per year between 2010 and 2020, exceeding both the US and Europe combined by around 2017. This suggests that given the right conditions there potential to further increase international activity in Wales. However, international HE is an increasingly competitive market. According to a recent report by Universities UK, several governments including the United States, Australia, Canada, New Zealand and Germany, are implementing bold strategies and policies, backed by investment, in an attempt to attract more international students to their own universities.<sup>69</sup> Further consideration could be given to the infrastructure in Wales to take advantage of this opportunity.

190. Recent work by HEFCE has highlighted that a high proportion of transnational students on first degree programmes go on to postgraduate study, including more than half of students from China. A key finding of the report was that over a third of all international entrants to first degree studies are recruited from transnational courses delivered overseas by UK higher education (HE) providers, or partners working on their behalf.<sup>70</sup>

## **7.5 Research and innovation**

191. In this section we show that Wales has a strong and internationally well connected research base dominated by its universities. Wales is punching well above its weight, continually demonstrating value for money for public investment.

### **7.5.1 Current arrangements**

192. HEFCW's core funding for research has remained broadly static, at least in nominal terms, since the last Research Assessment Exercise (RAE) in 2008, at around £78m for Wales up to 2014/15. It is unclear at this stage how far this can be maintained for 2015/16, after fee grant payments have been met from HEFCW's budget. In comparison to England, it is notable that a much lower proportion of HEFCW's overall budget is allocated to core research funding. Wales' share of the UK recurrent grant funding for research was 3.6% in 2012/13.<sup>71</sup>

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<sup>69</sup> [International Students in UK Higher Education: the UK and its competition \(2014\)](#)

<sup>70</sup> HEFCE 2014/19 Directions of travel: Transnational pathways into English higher education, 2014. <http://www.hefce.ac.uk/news/newsarchive/2014/news98684.html>

<sup>71</sup> See Data Appendix, Table 2.2

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193. Research Council funding is also an important source of public funding. Funding for Research Councils is not devolved, and increased Research Council expenditure is not reflected in the Welsh Government's budget under the Barnett formula. Wales competes directly with other UK institutions for a share of the grants. In 2012/13 Wales was awarded £175m in Research Council grants, 3.7% of the UK total.

194. Funding grant has previously been available from HEFCW specifically to support innovation and engagement. However, this has now ceased following the overall budgetary reductions. European funding is also very important for Wales in this context.

### **7.5.2 Current position**

195. There are few sectors of Welsh society or economy with the capacity or scope to increase Wales' inward investment, generate international recognition, facilitate export education and drive Wales' ambition for research-led innovation than its research base. Unlike other regions of the UK with greater industry funded research and development, HE in Wales is the main player in the Welsh research base, accounting for around half of all research and development expenditure in Wales, and producing 84% of Wales' published research outputs.

196. Wales has a strong and internationally well connected research base, which is dominated by its universities. Over the past decade, and despite one of the lowest regional Gross Domestic Product (GDP) per capita in the UK, the international research impact of Welsh research has improved significantly, outperforming many European and international countries of similar size.

197. Wales has a proud tradition of achievement in both science and technology. Wales' scientific heritage includes the theory of natural selection, the early development of crystallography, the discovery of free radicals, the invention of the microphone, fuel cell and teleprinter, and more recently, ground breaking research into embryonic stem cells<sup>72</sup>. Wales has demonstrated strong growth in many areas of science, including renewable energy, environmental sciences, social and biosciences. The life science industry alone is home to over 300 companies, many of which work collaboratively with academic institutions that advance medical diagnostics, ultrasensitive drug tests, computational biology, and wound treatment.<sup>73</sup>

198. Many of Wales' universities are fortunate to be able to boast examples of outstanding, world leading research. This includes research from Nobel Laureates; the award-winning Institute of Biological, Environmental and Rural Sciences (Ibers), impressive work in the fields of environmental protection, Opto-electronics, and innovative advances in materials research and testing. In 2007, the Nobel prize was awarded to Professor Sir Martin Evans of

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<sup>72</sup> [New Frontiers – Cutting edge science in Wales](#), Welsh Government, 2012

<sup>73</sup> Science in Wales, Focus on Careers, Science 2013

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Cardiff University and the building of the Large Hadron Collider. The most powerful particle accelerator ever built, the Hadron Collider is based at the European particle physics laboratory CERN, near Geneva was overseen by Dr Lyn Evans a physicist who received his research training at Swansea University. Groups from Wales also lead the world in many areas including the creation and study of antimatter, in numerical modelling of engineering structures, in psychiatry and neuroscience and in understanding cancer and diseases such as Alzheimer's.

199. As previously highlighted, the results of the Research Excellence Framework (REF) 2014 confirmed Welsh universities' position as a leading academic destination for world class research. The REF showed that more than three quarters of the research submitted was judged to be 'world leading' (30%) or 'internationally excellent' (47%). Across the UK, Welsh universities had the highest percentage of research whose impact is considered to be 'world leading'. The results highlight the profound impact universities are having on Welsh society, economy, public policy, culture, environment and beyond. It is further evidence which highlights that public funding for research is a good investment.

200. From an initial analysis it appears that the volume of staff submitted to the REF 2014 in Wales was about 3.6% of staff submitted across the UK. This is in line with the share of recurrent grant funding received by Welsh universities for research in 2012/13 (3.6% - see Data Appendix, Table 2.2). Wales' share of world class research (4\*), however, was higher at 3.7%. The same is true if 3\* research is taken into account as well – Wales had 3.7% of the UK's world class research. This clearly raises issues to consider in terms of future policy direction. From these results Wales appears to be punching above its weight on a number of measures, yet there is a seeming case for investing in an increased capacity and volume.

201. Wales is also the most efficient country in the UK for converting gross domestic expenditure on research and development (GERD) into publications, and one of the most efficient in the world for countries of a similar size in terms of population. Although the quality of Welsh research currently outperforms many similar sized counties in terms of its research quality, it is important to note that Welsh universities have managed to achieve this with less research capacity than other countries. In 2011, Wales share of the UK regional GERD (gross domestic expenditure on R&D) was 2% compared with Scotland (7%) and England (89%)<sup>74</sup>.

202. The commercialisation of research brings cultural, social, and economic benefits and produces a highly visible international profile for Wales. Welsh universities currently employ a range of initiatives designed to improve and maximise research quality and income, including increased funding from UK Research Councils. These involve implementing strategic improvements, all of which have led universities to pay close attention to levels of

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<sup>74</sup> International Comparative Performance of the Welsh Research Base, 2013, Report prepared by Elsevier  
<http://www.uniswales.ac.uk/wp/media/Elsevier-Report.pdf>

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research productivity, research quality, performance management, interdisciplinary collaboration and an ongoing review of competitive UK and EU funding schemes.

203. The Welsh Government's science strategy presents an ambitious five year vision that reinforces the goals of Horizon2020 to reinvigorate Wales' economy by building upon its research strengths. Welsh Government has funnelled its efforts into recruiting top talent and creating scientific networks and infrastructure to support three Grand Challenge areas: life sciences and health; low carbon, energy and environment; and advanced engineering and materials. A sector wherein science and research are enabled by digital technologies and driven by the globalisation of the scientific community, as well as the need to address the Grand Challenges of our times, is important. In addition to attracting people, investment, and companies, Wales has also emphasised the importance of educating its young and supporting a science based curriculum.

204. A range of policy documents in Wales (e.g. Gibson review) and the UK more generally (the Lambert, Leitch, Sainsbury, and Wilson reviews in particular), point to the need for greater funding from interaction with business and industry. Levels of investment in research and development in businesses/industry within Wales are strikingly low in comparison to other UK countries.

### **7.5.3 Policy considerations**

- As the REF 2014 results confirm, Wales has a high proportion of world-class research and it leads the UK in terms of its impact.
- Welsh universities deliver a particularly high proportion of Wales' research and investment and are vital to the economies knowledge-accumulation.
- Different types of research and innovation are best supported by different policies. Close to market incentives for instance incentivise incremental growth; other areas require long-term core/strategic investment.
- Further investment is needed to make the most of current initiatives e.g. Sêr Cymru and the Welsh Government's science and innovation strategies. Further consideration, however, should be given to how far current policies will be sufficient to meet current expectations and deliver any increased volume sought.
- Investment should follow success.

205. In our view the following funding options need to be explored further include:

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- Investment in research should be increased and grant funding for research continue to be a priority for HEFCW funding grant.
- Opportunities for further investment including capital funding should be explored to develop capacity and infrastructure in strategic areas in Wales including research facilities and infrastructure, particularly as part of the Science and Innovation for Wales strategies. This would also help to leverage funding from elsewhere, particularly the Research Councils and the EU, and for reaching international markets.

## **7.6 Widening access**

206. Universities are a catalyst for social mobility, and continue to invest in ensuring students, regardless of background, have access to good quality HE. Welsh universities perform well in this area, but more can be done – though funding, policy and practice.

207. Universities across Wales are committed to widening access, that is, increasing opportunities for people from a diverse range of backgrounds (especially those communities and groups with historically lower rates of participation) to enter HE. Universities in Wales firmly believe that every person, regardless of circumstance, should have the opportunity to access a higher level learning experience that is appropriate, relevant and valuable. Opportunities to fulfil potential and maximise earnings not only allows an individual to benefit personally, but also to contribute effectively to society and the communities within which they live. An individual's background or age should not be a barrier to their future. University should be equally open to any students with the appropriate academic potential to benefit, regardless of their social or economic circumstances.

### **7.6.1 Current position**

208. The key issue to address in Wales from our perspective is the comparatively low participation rates in Wales. Despite the increase, the application rate of Welsh 18 year olds at the January 2015 UCAS cycle deadline was 30.9%, compared to Scotland +32.3%, England +35.4%, and NI +48.1%.<sup>75</sup> If the analysis is broken down by region/nation, Wales had the lowest application rate of any region/nation. In short, more Welsh students should be entering higher education.

209. In terms of social inclusion, universities in Wales enrol a relatively high proportion of students from disadvantaged backgrounds, but alongside the rest of the UK must continue to address the large historical and deep-rooted disparities in participation from students of different backgrounds:

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<sup>75</sup> UCAS, UK application rates by country, region, constituency, sex, age and background - published 30 January 2015, January 2015 (see [here](#)).

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<b>UK domiciled young full-time first degree entrants 2012/13</b>				
<b>2012/13</b>	<b>% from state schools or colleges</b>	<b>% from NS-SEC classes 4,5,6 &amp; 7</b>	<b>% from low participation neighbourhoods (Polar 3 method)</b>	<b>% from low participation neighbourhoods (Polar 2 method)</b>
Total England	89	32.8	10.9	11.7
Total Wales	92.5	31.2	12.8	10.9
Total Scotland	86.9	26.2		
Total Northern Ireland	99.1	38	6.2	6.6
<b>Total UK</b>	<b>89.3</b>	<b>32.3</b>	<b>10.9</b>	<b>11.5</b>

*Source: HESA Performance Indicators, Table T1 a (Polar 3 data)*

210. Encouraging students from disadvantaged backgrounds to participate in higher education is also important for delivering future increases in students participating in higher education. A number of studies over the last decade have pointed to the near saturation in demand from school leavers with two or more A-levels for entering higher education. Taylor and Gorard, for instance, highlighted that “nearly all young people in Wales currently qualified to enter HE do so”.<sup>76</sup> Increased participation rates across the UK, however, have helped to offset a demographic decline in the new cohorts of potential students. A long-term strategy to increase participation will continue to require sustained investment in encouraging participation among disadvantaged groups.

211. The studies also point to the need to look beyond the full-time undergraduate provision for the achieving the levels of participation that Wales’s workforce will need in future. Professor Teresa Rees in her independent report into the Devolution of the Student Support System and Tuition Fee Regime in Wales<sup>77</sup> stated that this means that if most young qualified 18-year-olds from disadvantaged areas in Wales are already going into higher education then we need to look at ways of increasing investment in both younger and older people. This would be with the aim of increasing the proportion of school leavers gaining the necessary qualifications for HE, and to provide a second chance for mature students who did not have this opportunity earlier in their lives.

212. Similarly, this points to the need to develop and support different patterns for study in higher education. This will mean placing increased importance on participation through part-time study, and continuing to develop sustainable high-quality open and on-line learning provision or alternative models for delivery.<sup>78</sup> It also points to the importance of building clear progression pathways from schools and colleges into higher education, and the aspiration raising activity of universities working in collaboration with schools and colleges and other higher education partners.

<sup>76</sup> [Where Shall We Widen It? Higher Education and the Age Participation Rate in Wales](#), Taylor Gorard January 2005

<sup>77</sup> [The Rees Review](#) May 2005

<sup>78</sup> For example, [OER Wales](#), accessed June 2014

213. Widening access students tend to be less geographically mobile, and in Wales geographical factors such as rural isolation can be a significant factor in low participation. This points to the need for investment in distributed learning centres and delivery models, which of course can mean higher costs for institutions.

### **7.6.2 Current arrangements**

214. HEFCW recurrent funding for widening access has been reduced significantly since 2010/11. There has been a significant removal of funding removes the financial support for widening access activities and recognition of the costs involved, although it has previously been argued that higher levels of premium funding would be needed for financial considerations to be a significant influence on university activities in this area.

215. HEFCW core grant previously included a number of specific sources of funding support for widening access. Full-time undergraduate premiums used to support access and retention, and disability were discontinued in 2014/15. These previously provided an important stream to support activities in this area. It could be argued that previous levels of premium funding did not fully reflect additional costs of widening access activity and were too low for financial considerations to be a serious factor in determining the priority which universities have placed on widening access. Nevertheless, this was regarded as an important contribution for institutions whose mission was more clearly focussed on widening access students in particular. The widening access fund of £7m, a strategic fund, was also removed in 2014. This is significant since collaborative activity within and across sectors can be particularly effective in delivering policy objectives in this area. Although universities continue to devote very considerable resources to support these areas, as monitored under fee plan arrangements, the lack of grant funding at sector level undoubtedly makes collaborative and sector level action harder.

216. Despite the reductions in funding grant, university expenditure on widening access activities continues to be assured. In return for charging higher fees, universities in Wales are required to submit a fee plan to HEFCW for approval. The plan must account for the use of 30% of fee income above the threshold of £4k for purpose of the promotion of equality of opportunity (i.e. widening access) and the promotion of higher education more generally. The plan must include certain mandatory requirements including contributions to widening access, participation and retention, NSS and employability targets.

217. On the student support side, widening access continues to be supported through a range of measures. In addition to a wide range of bursaries and other support provided by universities, a range of means tested loans and grants are available. At the current time, however, there is concern about the future of the Financial Contingency Fund, and the disability grant.



### **7.6.3 Policy considerations**

218. In terms of funding, universities are comparatively well placed under existing fee plan arrangements to use fee income to continue to support widening access activities. There is a danger, however, that expectations and requirements – particularly with the introduction of the Higher Education (Wales) Bill – will place additional and potentially onerous requirements on institutions without the supporting funding.

219. If Wales is serious about increasing the percentage of its population who participate in HE – and not simply providing opportunities to one student at the expense of another – the cap on full-time undergraduate student numbers must be reviewed. There is a risk that, under current arrangements, students simply apply to English institutions instead of to Wales. Low-participation groups are traditionally the least geographically mobile, and therefore least likely to benefit from a policy which relies on student geographical mobility to increase participation.

220. It should be noted that the increase of fees to £9k for full-time study supported by loans in England has not had an adverse impact on widening access for 18 year old cohorts. However, part-time recruitment in England has fallen since the introduction of fees, thus limiting the contribution of part-time provision to widening access. In fact, the evidence appears to point to record numbers on 18 year olds applying to HE and a narrowing of gaps between low-participation groups. This would tend to suggest, for instance, that the current fee grant payments do not have a significant negative impact on widening access amongst school leavers applying to study in HE on a full-time basis. It should be noted that in recent years, the HE part-time support and funding system has been in a state of flux. In addition, the current system has offered little incentive for those universities not specialising in part-time to deliver part-time provision.

221. In summary, the key issues to consider include:

- In general, Wales performs comparatively very well on most key indicators, and social inclusion and widening access are agendas which universities take very seriously.
- There is a need in particular to raise the levels of participation in higher education in Wales. To allow this, the policy of capping student numbers will need to be reviewed. Ultimately, we need to be clear however, that increasing the numbers who access higher education will mean significant investment. If we assume that current numbers supported by SLC reflect the previous rates of participation at around the 30% mark, a percentage point increase in the rate of participation would as a very rough rule of

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thumb equate to around an additional 1,900 students receiving support of a total value of £24m in loans/grants, by our calculations.<sup>79</sup>

- Current grant levels will be unable to give strategic support in this area or to incentivise recruitment/provision directly. This will make it more difficult for collaborative initiatives to get established. Some strategic funding should be retained for this.

## **7.7 Welsh Medium provision**

### **7.7.1 Current position**

222. HE plays a central role in supporting the delivery of the Welsh Government's long term vision and strategy for the Welsh language. Universities and the Coleg Cymraeg Cenedlaethol's activity is closely aligned with the Welsh Government's long term strategy for Welsh medium education.

223. Currently, the bulk of HEFCW funding for Welsh medium provision is provided in the form of strategic funding, primarily used to fund the Coleg Cymraeg Cenedlaethol which was established in 2011. HEFCW's Welsh medium provision fund amounted to £7.6million for 2014/15. The Welsh Government allocated £11.6 million to establish the Coleg in its 2011/12 Remit Letter, and a recent analysis of funding shows that HEFCW grant for the Coleg increased year on year, from £4.1m in the first full year in 2011/12, to £7.6m for 2014/15.

224. In parallel, significant funding is routed through HEFCW to Y Coleg Cymraeg Cenedlaethol to support students. Annual funding for the Undergraduate and Masters Scholarship Schemes increased from £130k to £330k.<sup>80</sup>

225. According to the Coleg, 74% of the Coleg's funding in 2013/14 was expended directly in universities providing and developing Welsh medium education. Some two-thirds of this sum was used to fund lecturers appointed through the Coleg's Academic Staffing Scheme. These lecturers have been crucial in developing the range of Welsh medium provision both in terms of locations and subject areas. The number of degree schemes eligible for the Coleg's incentive scholarship scheme (in subjects where there is no significant tradition of Welsh medium teaching) has more than doubled since the establishment of the Coleg.

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<sup>79</sup> A far more accurate estimate may be possible than this with detailed modelling and data - this assumes a static population (37,490 Welsh 18 year olds in 2014/15) and average award (of £12,780 based on SLC data for 2014/15) and a fixed relationship between the application rates for 18 year olds (30.1% in 2014/15) and the current numbers receiving support (57,700). Nevertheless, a rule of thumb may give some indication of the sorts of level of investment required.

<sup>80</sup> OldBell<sup>3</sup>, An evaluation of the Coleg Cymraeg Cenedlaethol's progress to date, July 2014, p.29

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226. Prior to the introduction of the new fees and funding regime in 2012/13, HEFCW made significant grant allocations to universities in the form of 'premium funding' for Welsh medium provision. Premium funding of £1,499k was provided for Welsh medium provision in 2011/12. For 2014/15, HEFCW's grant allocations included £216k in premiums for undergraduate Welsh medium provision (approximately £50k lower than the previous year), and a further £40k for postgraduate provision. Premiums for full-time undergraduate funding were removed altogether in 2014/15. A premium of 34% for Welsh medium enrolments was allocated to reflect the additional costs associated with delivering Welsh medium provision.

227. The available data shows that the numbers of full-time equivalent enrolments at universities in Wales, with at least some element of teaching in the medium of Welsh, has increased year on year - from 1,785 in 2009/10 to 2,070 in 2012/13. Looking at a simple head-count, it appears that number of students taking at least some element of teaching in the medium of Welsh fell from 5,215 in 2008/09 to 4,715 in 2011/2, with significant variation between years.

228. In the latest year reported, 46% of the full-time equivalent Welsh medium enrolments were in education disciplines. The subject area of 'linguistics, classics and related subjects' accounted for a further 20% of enrolments, i.e. roughly two-thirds of provision is concentrated in two subject areas at present<sup>81</sup>. Extending the coverage of the provision remains an objective for the Coleg Cymraeg Cenedlaethol.

229. According to figures collected by the Coleg Cymraeg Cenedlaethol, the numbers of students studying some element of their course have increased gradually (by some 10%) and the numbers of students studying at least a third of their course in Welsh have increase substantially (by 25%)<sup>82</sup>.

### **7.7.2 Key considerations**

230. Universities in Wales, working together with the Coleg Cymraeg Cenedlaethol, are able to make a significant contribution to the Welsh Government's goal of developing a bilingual country. A clear objective is to create a sustainable basis for Welsh medium HE. Long-term funding to support Welsh medium provision, however, remains an issue:

- The OldBell3 evaluation highlighted that "as a promoter and facilitator of Welsh medium higher education, the Coleg cannot realistically be expected to generate

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<sup>81</sup> StatsWales data, September 2014: <https://statswales.wales.gov.uk/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Higher-Education/Welsh-Medium/Full-TimeEquivalent-FTE-EnrolmentsWithSomeTeachingThroughTheMediumOfWelshBySubject>

<sup>82</sup> 2012/13 figures are included in the HEFCW Commissioned independent review into the Coleg Cymraeg, [http://www.hefcw.ac.uk/documents/policy\\_areas/welsh\\_medium/CCC%20Evaluation%20Report%20-%20Final2%20\(English\).pdf](http://www.hefcw.ac.uk/documents/policy_areas/welsh_medium/CCC%20Evaluation%20Report%20-%20Final2%20(English).pdf); 2013/14 figures have been provided by the Universities in Wales.

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significant sums of external funding. Whilst there is scope for the Coleg to attract some funding at the margins ..., it is difficult to see how it can generate larger sums without essentially competing with its member HEIs.”<sup>83</sup>

- The numbers of students who are likely to want to study through the medium of Welsh remain relatively small – the Coleg estimates that a total of 10,000 students at Welsh universities speak Welsh fluently – and numbers of students in some disciplines are likely to remain low. At the same time, the Coleg’s Academic Plan highlights that “it is neither sustainable nor consistent with best academic practice for a school/department to offer a subject broadly through the medium of Welsh (e.g. at least 80 credits per year) unless at least four members of academic staff are involved in the provision”. In essence, the Coleg seeks to address the problems of capacity in individual institutions and disciplines, through expanding the workforce of lecturers and staff able to deliver HE through the medium of Welsh and greater coordination of delivery.
- The Coleg itself, however, highlights the need for universities themselves to invest in Welsh-medium provision and the importance of striking an appropriate ‘balance between Coleg investment and university investment’ in specific disciplines. This seemingly points to the importance of retaining measures directed at encouraging and supporting the universities’ investment in Welsh medium as well as the Coleg.

## **7.8 Skills needs**

231. Universities in Wales recognise that there is a global race towards high skilled economies and are keen participants. Around the world, countries are investing heavily in innovation, and there are likely to be massive increases in the numbers of graduates worldwide particularly from countries such as China and Korea.

232. There is considerable demand from employers for graduate skills. The UK Commission for Employment and Skills (UKCES), for instance, identified significant future demand for corporate managers; science, technology, engineering and mathematics (STEM) professionals; teaching and research professionals; and business and public service professionals. These roles employ high proportions of graduates: 86% of professionals are graduates, as are over half those employed as managers. It is estimated that over 80% of new jobs created by 2020 will be in occupations with high concentrations of graduates<sup>84</sup>. There is also a developing body of evidence that innovation and entrepreneurial skills are of growing importance to students. The development of these skills within the curriculum can benefit both the individual student and the wider community. There is also a need to improve

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<sup>83</sup> OldBell3, 2014, op cit.p.29.

<sup>84</sup> [The Funding Challenge for Universities – Higher Education a core strategic asset to the UK](#), Universities UK 2013

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the skills of the existing workforce, as the majority of the UK's 2020 workforce is already of working age. Skills development through part-time HE provision for those working in low paid jobs also contributes to widening access to higher education.

233. An undergraduate degree increases an individual's chances of employment, and increases marginal earnings by 27% on average compared to the possession of two or more A-levels. Higher levels of study bring even greater returns on learning<sup>85</sup>.

### 7.8.1 Current position

234. Each year around 10,000 students from Welsh universities enter the workforce in Wales within six months of leaving university, and over 6,200 enter employment in other parts of the UK.<sup>86</sup> From this it can be seen that the majority (61%) of graduates from Welsh universities find employment in Wales.<sup>87</sup>

235. The latest figures show that 92% of graduates from full time first degree courses in Wales are employed or in further study six months after leaving<sup>88</sup> - a higher percentage than the UK average:

**Table: UK domiciled leavers obtaining first degrees from full-time courses 2012/13**

Country of institution	% Employed or in further study
England	91.9
Scotland	93.7
Wales	92.4
Northern Ireland	91.9
<b>UK</b>	<b>92.1</b>

*Source: HESE Performance Indicators, Table E1a*

236. The contribution of skilled graduates to Wales' industry and economy is critical. Wales' economy is growing, although some areas of economic deprivation remain. A range of sectors are experiencing considerable growth, for example, in high technology, and universities are supporting these growing sectors. Universities are absolutely critical to Wales' economic development. Knowledgeable, adaptable and skilled graduates, taught by the very best learning and teaching methods, are key to delivering this growth. Graduates are the key cogs in the machinery of Wales' economic recovery. Universities in Wales are not merely contributing to the local and national economies, they are transforming them.

<sup>85</sup> BIS Research Paper 45, The Returns to Higher Education Qualifications, June 2011.

<sup>86</sup> Higher Education Statistical Agency (HESA), Destinations of Leavers from Higher Education 2011/12, HEIDI Report 2013.

<sup>87</sup> See Data Appendix, Table 11.1

<sup>88</sup> [Destinations of Leavers from Higher Education survey](#), Higher Education Statistics Agency, 2012

## **7.8.2 Policy considerations**

237. A key role of higher education is to equip students with the skills that they or their employers need, and the expansion of a high-skilled workforce in Wales will be critical to its future economy. Universities will continue to need to responding to demand or skills shortages both locally and nationally/internationally, such as identified in the Employer Skills Survey 2013 and demand cannot be met locally such as in the areas of construction, ICT and science related industries. It will be important to continue to invest strategically in the Grand Challenge areas identified in the Welsh Government's innovation and science strategies. Supporting STEM subjects will be important in this, but the economic importance of other areas for the Welsh economy such as finance and the creative industries (both highlighted as the major areas of growth for Cardiff and Newport in previous spatial planning strategies) should not be underestimated. The importance of the creative industries is highlighted at a national level by previous studies.<sup>89</sup>

238. Grant funding has been limited in the past in this area. The removal of HEFCW's budget for innovation and engagement and Skills and Employability Action plan funding, for instance, have an impact on this area.

239. The promotion of part-time study is particularly closely linked to the skills agenda. The comparative lack of current support for part-time study has an effect on the skills agenda.

240. Similarly, postgraduate qualifications are increasingly becoming the discriminator for the employment market as the percentage of the workforce with first degrees increase. In developing a package of support it will be necessary to recognise the importance of continued development of skills and the need to find ways of allowing individuals to study whilst in employment. Opportunities for reskilling and upskilling are vital to individuals and employers, particularly in coping with periods of economic downturn and recovery.

## **8 Conclusions**

### **8.1 Investment priorities and sustainability**

241. A robust, resilient and internationally adept university sector brings widespread benefits to individuals, communities, the nation as a whole and government in Wales and provides the foundation for Wales' long term economic growth. Wales' higher education (HE) sector has tremendous strength in its diversity, providing the capacity – or potential capacity – to cater for the national needs of Wales and those of a diverse student population. With this in mind, Universities Wales believes that the Diamond Review is needed urgently to ensure that the higher education system in Wales can deliver what Wales needs. A strong and productive university sector requires sufficient and flexible resources to provide an

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<sup>89</sup> See for instance UUK, Driving Economic Growth

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extensive, comprehensive learning and research environment that enables students to have access to high quality higher education. In order to deliver key outputs crucial to economic growth and social improvement, investment in universities should be a top priority for Wales.

242. Considering the economic, cultural and life-changing contribution that universities in Wales make, one of the concerns highlighted in this response is the sustainability of the current funding and student finance arrangements in terms of being able to deliver the kind of higher education opportunities that are needed for Wales to thrive as part of modern and increasingly international economy. For future success, universities need to have sufficient resources to enable them to grow the quality of provision, meet the skills requirements of businesses and further to improve outreach to all those with the ability and desire to engage with higher education. High-quality teaching and learning environments are essential for all students to get the most out of their university experience. Wales' universities attract teaching staff from across the world who are able to deliver the very best learning and teaching experience, as well as researchers who can engage in ground-breaking research. This is essential to the health of the higher education sector in Wales. International students are central to the learning and teaching experience at Welsh Universities. Being able to attract these students enriches the classroom environment on Wales' campuses, enhances learning and teaching, and helps to make Wales' graduates more prepared for the international labour market.

243. There is a clear risk that continuation of current levels of investment in universities in Wales is insufficient to match the aspirations of either the sector or Welsh Government in the longer-term. Universities in Wales are committed to giving people with the aspirations and talent for HE a real opportunity to follow their chosen path. Universities contribute to the development of, for example, health and related policy in Wales that enables the Welsh Government to meet its aspirations for health care as well as its ambition in a host of other areas such as agriculture and transport.

244. One of the side-effects of the current policy is that arrangements for full-time undergraduate education have significantly reduced the grant resource available to develop other opportunities for students.

245. The Welsh Government higher education budget was reduced disproportionately between 2010/11 and 2015/16. As the higher education budget fell by 20%, Welsh Government's total allocations fell by only 2%. The higher education allocation has gone from comprising 3.1% of the departmental expenditure limits to 2.6% even before taking into account fee grant payments. Capital funding for higher education was removed altogether in 2011/12. Despite the importance of higher education for both long term and short term economic growth, and the recognition by the Welsh Government that the alternative economic levers at its disposal are comparatively limited, it appears that higher education has fallen significantly in the list of investment priorities.

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246. It appears from provisional analysis of early data that the reduction in grant funding has been offset by increased fee income from full-time undergraduate students from 2013/14, after a significant dip in income in 2012/13. However, a key issue for the sector is the distribution of income. The signs are that there have been significant differences between institutions, with some institutions appearing to be notably worse off than before 2012 and some better off as a result. The fact that the income is now derived from full-time undergraduate fees also affects institutions' ability to use that income for a full range of activities. Fee plan expenditure, for instance, cannot cover research. For part-time specialist providers this is not an option. The Review will need to consider the outcomes of the HEFCW's modelling work on this area very carefully when published. However, the 'lumpiness' of the income presents considerable difficulties for the sector in its own right.

247. Future funding is also very dependent on the cross-border flow of students. Wales has historically been, and currently remains, a net importer of students. However, the gap has been progressively narrowing, as the numbers of Welsh students accepted to England has increased by 25% in the three years (between 2011 and 2014). Since 2011, applications from Welsh domiciled students to England have exceeded applications from English students to Wales, raising the prospect that in future that this position could reverse.

248. It is currently a concern that the policy in England, which has relaxed the student number controls for students with high entry grades, is also drawing the most qualified and mobile students away from Wales. Although this is not a new issue, it appears to be a growing one. The proportion of Welsh students holding ABB+ currently being accepted to institutions in England has increased from 54% to 62% since 2011.

249. When considering the current policy, section 7.1.10 draws out some of the key conclusions following analysis and include:

- Recognition that the fee grant payments are not necessary to sustain full-time undergraduate recruitment at fee levels of up to £9k but instead help to avoid student debt. Fee grant payments do not have an appreciable effect on widening access to full-time higher education and at the same time the cost of the present system has led to a decline in support for part-time provision.
- The need for student number controls in Wales to be removed, to avoid the adverse economic impact on Wales and Welsh universities of an increased number of students simply studying in other parts of the UK.

250. In our view there is scope for rebalancing the components of the current overall funding and student finance package to serve key policy objectives more effectively and to share the costs of higher education more equitably between those who benefit from it.



## **8.2 Options to explore further**

- Future investment requirements

251. Much greater investment in universities in Wales is needed to ensure that they can continue to offer the high quality opportunities for students to pursue higher education in Wales, and to continue to deliver world-class research and development that benefits the nation and enables universities to compete alongside their peers internationally. Long term economic growth is above all determined by knowledge accumulation and technological progress. There are few sectors of the Welsh economy with the capacity or scope to grow and generate export earnings as well as universities and, as recognised by the Welsh Government, the alternative economic levers at its disposal are comparatively limited.

252. The cumulative funding gap between Wales and other parts of the UK is deep and widening, at a time when there is a strong case to suggest that the UK as a whole needs to increase its investment in higher education.

253. Wales' share of Funding Council grants has fallen from 5.0% of the UK total in 2009/10 to around 3.8% in 2012/13. The reduction in grant funding has been in the order of 40% in Wales compared to 24% in England across this period. England appears to have significantly more grant funding, in particular for core research and teaching.

254. This compounds a significant cumulative funding gap that has developed between Wales and other UK countries over the last decade. HEFCW's report identified a funding gap with England of up to £69 million and rising in 2007/08. The Learned Society of Wales, based on HEFCW's data, estimated the negative funding gap with England per student had grown from £20 to £900 per student between 2000/01 and 2008/09 and the cumulative gap between 2000 and 2009 was £361 million (and more for Scotland).

255. This clearly makes it more difficult for universities in Wales to be competitive in offering high quality higher education for students, in catering for the needs of business, and in advancing national research and development. Without levels of investment comparable with our neighbours, we run the risk that universities in Wales become less attractive to students and businesses, and that student finance increasingly supports students and businesses to seek to meet their needs outside of Wales. This could, in turn, disproportionately affect the least mobile and typically disadvantaged Welsh students and businesses, and would have knock-on effects for the economy.

256. Fee levels in Wales will need to keep pace with any changes to fee levels across the border ensuring that any difference is not large enough to impact on recruitment. If fees are maintained at current levels, this means that students would ultimately need to bear a greater share of the costs of their higher education. However, the potential barriers of upfront costs could be addressed through increased access to income-contingent loans and

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hardship support which would support students when they most need it and aid widening access and retention. Greater access to loans is also needed for part-time and postgraduate study, although there is a case for structuring loans to reduce the costs to government while offering loans that are favourable to commercial rates.

257. Grant funding must continue to comprise a major component of the overall funding and student finance system. For full-time undergraduate education, additional student support such as fee grant is not a substitute for funding for universities. This is because, given that fee levels and student numbers are regulated, it does not affect enrolment numbers or fee levels. A number of other options (such as raising overall fee levels or introducing different maximum fee levels to reflect different subject costs) are only sustainable if they do not lead to a change in the cross-border flow of students, since Wales is disproportionately affected by changes in England.

258. Grant funding has also proved to be an effective and flexible policy tool in a number of areas, particularly for part-time study with a variety of different study patterns, and provides a core resource for activities such as research which require sustained long-term investment. In comparison to student loans and grant, the funding is potentially less costly to administer and provides greater certainty over cash flows. It also allows the use of the funds to be more easily regulated particularly under current legislation.

- Potential funding scenarios

259. Despite political and legal devolution, we should be clear that in seeking to fashion a Welsh solution to the particular context and issues in Wales, higher education is disproportionately affected by changes in policy across the border, by England in particular especially when considering that Wales has the highest cross-border flow of students of any UK nation. The only clear forecast in future is further change. We will need to ensure that policy arrangements can be responsive to change, and seek to ensure that the short-term effects of the introduction of policy and transitions can be handled as effectively as possible between governments to minimise potential risks to the sustainability of the higher education system in Wales.

260. There are a number of alternative solutions to the current arrangements that are worth exploring further and in reviewing the options, we are mindful of the budgetary and fiscal constraints on the Welsh Government. Although the Welsh Government may be constrained by the lack of powers over taxation and issues related to the Barnett formula, for example, it is important to make every effort to ensure that these additional administrative and technical considerations do not shape the direction of higher education funding and student finance policy.

261. Addressing the comparative lack of investment in higher education to maintain a successful and sustainable higher education sector that can offer high-quality higher

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education for students and the Welsh economy, should be a priority. Grant funding should be provided at a level which enables universities to grow the quality of provision, adapt flexibly to Welsh skills requirements and further to improve outreach to and retention of widening access learners. A strong and productive university sector must have sufficient resources, including capital resources, to provide an extensive, comprehensive learning and teaching environment and a rich environment for advanced research. In particular, without grant support there is a risk to higher cost subject provision, particularly over time and addressing these funding issues through increased grant funding is crucial.

262. Providing significant grant funding to support and increase world-class research in Wales is essential. Wales' contribution to research is outstanding in many respects, particularly in terms of the wider impact of its research. Nevertheless, further investment is required in research capacity and infrastructure to make the most of this potential.

263. Evidence does not support continuing payment of a universal fee grant payment for students wherever they choose to study. If the Welsh Government were to commit to extending the tuition fee grant policy into the future, it should be targeted at those students who need the support most via a means test. There are a number of potential ways in which this could be implemented and priorities that could be addressed - including greater student support for part-time and postgraduate students.

264. We believe there is scope for adjusting the policy of fee grant payments to release funding to target support to areas of greater need. Fears that a universal change to £9k fee supported only by an income-contingent loan would deter students – particularly disadvantaged students – from entering higher education, have proved unfounded. Although the full-time undergraduate fee and student finance policy introduced in Wales in 2012 does have benefits, and we should seek to preserve these as far as possible, there is a pressing need to address a number of major issues which have arisen as a side-effect of the current system.

265. We believe that an effective system in Wales will require a better balance between grant funding and student support in going forward. Significant declines in part-time and postgraduate activity can only be addressed by a combination of student support measures and grant funding for universities. Options for retaining sufficient grant funding to cover other strategic priorities including an effective form of support for Welsh medium, require careful consideration.

- **Longer term issues**

- **Building research capacity** – Developing Wales' research capacity is absolutely crucial to ensure greater levels of competitive funding are secured. It is essential that Wales invests to develop the critical mass of researchers and facilities it needs to attract top talent, and new funding sources.

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- **HE ready students** – There is a need to both increase the proportion of school leavers gaining the necessary qualifications to enter HE, and to provide a second chance for mature students who did not have this opportunity earlier in their lives.
- **Mobility** - Future demands for increased opportunities to study abroad across a range of subjects – student mobility – will need to be addressed.
- **Capital funding** - Increased availability of capital funding for both teaching and research.
- **Reinvestment** - Renewed university capacity to create surpluses for reinvestment in priority areas for Wales.
- **Reputation** - Continued ability to move up international league tables, underlining Welsh universities' position as an international partner of choice and enhancing the reputation of Wales.
- **Economic contribution** - Capacity to continue to grow our economic contribution to Wales for the benefit of all.

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Table 1.1

## Welsh Government Budgets for Higher education

## Higher Education Budget - Revenue

Financial Year	Draft	Final	Supp 1	Supp 2	Last published
2010/11	429,510	429,510	429,308	432,841	432,841
2011/12	394,479	394,479	394,479	392,325	392,325
2012/13	380,424	380,424	382,375	371,026	371,026
2013/14	382,284	382,284	382,284	380,752	380,752
2014/15	362,529	362,529	362,697	362,897	362,897
2015/16	361,263	361,263			361,263

## Higher Education Budget Capital

Financial Year	Draft	Final	Supp 1	Supp 2	Last published
2010/11	19,436	19,436	19,436	19,436	19,436
2011/12	0	0	0	0	0
2012/13	0	0	0	0	0
2013/14	0	0	0	0	0
2014/15	0	0	0	0	0
2015/16	0	0	0	0	0

## Higher Education - Revenue &amp; Capital (£000s)

Financial Year	Draft	Final	Supplementary 1	Supplementary 2	Last published
2010/11	448,946	448,946	448,744	452,277	452,277
2011/12	394,479	394,479	394,479	392,325	392,325
2012/13	380,424	380,424	382,375	371,026	371,026
2013/14	382,284	382,284	382,284	380,752	380,752
2014/15	362,529	362,529	362,697	362,897	362,697
2015/16	361,263	361,263			361,263

## Higher Education - Revenue &amp; Capital (at 2010/11 market prices) (£millions)

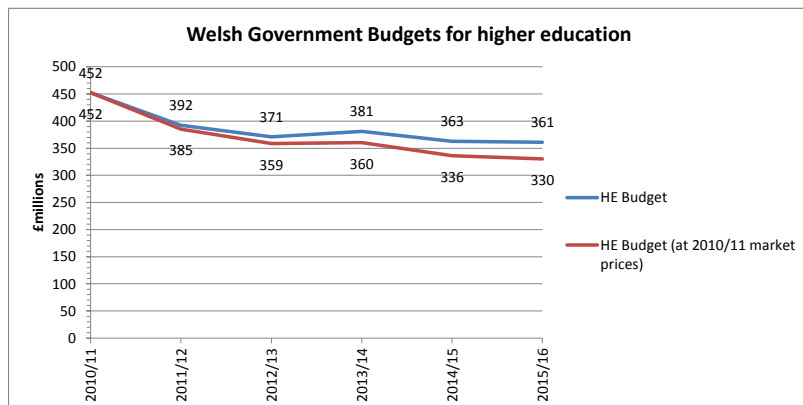
Financial Year	Draft	Final	Supplementary 1	Supplementary 2	Last published	GDP Deflator**	Ratio to 2010/11
2010/11	449	449	449	452	452	94.671	1.000
2011/12	388	388	388	385	385	96.366	0.982
2012/13	368	368	370	359	359	97.921	0.967
2013/14	362	362	362	360	360	100.000	0.947
2014/15	336	336	336	336	336	102.100	0.927
2015/16	330	330	0	0	330	103.529	0.914

Change since 2010/11

-122

% change

-27%

Reduction  
% reduction

Sources: Welsh Government Draft, Final and Supplementary Budgets, 2010/11 to 2015/16; HM Treasury GDP deflators, Dec 2014.

Table 1.2

## Higher education budget as a percentage of total Welsh Government allocations

Financial Year	Higher Education			Education & Skills MEG			Total Welsh Government MEG allocations		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
2010/11	432,841	194,360.0%	452,277	1,809,986	260,535	2,070,521	13,830,994	1,752,022	15,583,016
2011/12	392,325	0	392,325	1,658,140	205,033	1,863,173	13,641,891	1,395,146	15,037,037
2012/13	371,026	0	371,026	1,690,171	235,043	1,925,214	13,673,874	1,312,084	14,985,958
2013/14	380,752	0	380,752	1,968,357	202,134	2,170,491	14,439,395	1,326,468	15,765,863
2014/15	362,897	0	362,897	1,617,518	153,834	1,771,352	14,171,677	1,500,644	15,672,321
2015/16	361,263	0	361,263	1,580,609	173,834	1,754,443	13,903,928	1,440,039	15,343,967
Change	-71,578	-19,436	-91,014	-229,377	-86,701	-316,078	72,934	-311,983	-239,049
Change %	-17%	-100%	-20%	-13%	-33%	-15%	1%	-18%	-2%

## Restated at 2010/11 market prices:

Financial Year	Higher Education			Education & Skills MEG			Total Welsh Government MEG allocations			GDP Deflator	
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Deflator	Ratio to 2010/11
2010/11	432,841	194,360.0%	452,277	1,809,986	260,535	2,070,521	13,830,994	1,752,022	15,583,016	94.671	1.000
2011/12	385,424	0	385,424	1,628,975	201,427	1,830,401	13,401,941	1,370,607	14,772,548	96.366	0.982
2012/13	358,712	0	358,712	1,634,074	227,242	1,861,316	13,220,038	1,268,536	14,488,574	97.921	0.967
2013/14	360,462	0	360,462	1,863,463	191,362	2,054,826	13,669,920	1,255,781	14,925,700	100.000	0.947
2014/15	336,492	0	336,492	1,499,824	142,641	1,642,465	13,140,517	1,391,454	14,531,972	102.100	0.927
2015/16	330,352	0	330,352	1,445,366	158,960	1,604,326	12,714,251	1,316,823	14,031,074	103.529	0.914
Change	-102,489	-19,436	-121,925	-364,620	-101,575	-466,195	-1,116,743	-435,199	-1,551,942		
Change %	-24%	-100%	-27%	-20%	-39%	-23%	-8%	-25%	-10%		

## HE as a % of Total MEG allocations (DEL)

Financial Year	Revenue	Capital	Total
2010/11	3.1%	1.1%	2.9%
2011/12	2.9%	0.0%	2.6%
2012/13	2.7%	0.0%	2.5%
2013/14	2.6%	0.0%	2.4%
2014/15	2.6%	0.0%	2.3%
2015/16	2.6%	0.0%	2.4%

## HE as a % of Education &amp; Skills MEG allocation (DEL)

Financial Year	Revenue	Capital	Total
2010/11	23.9%	7.5%	21.8%
2011/12	23.7%	0.0%	21.1%
2012/13	22.0%	0.0%	19.3%
2013/14	19.3%	0.0%	17.5%
2014/15	22.4%	0.0%	20.5%
2015/16	22.9%	0.0%	20.6%

Sources: Welsh Government Second Supplementary Budgets 2010/11 to 2014-15 and Final Budget 2015/16



Table 2.1

## HEFCW Funding Allocations 2010/11 to 2014/15

Source:	2010/11 W11/12HE	2011/12 W12/10HE	2012/13 W13/09HE	2013/14 W14/08HE	2014/15 W14/08HE
<b>Fee Grant Payments</b>					
To Welsh-domiciled students studying at HEIs in the rest of the UK	0	0	34,656,718	62,858,157	77,805,252
To Welsh-domiciled and EU students studying at Welsh HEIs	0	0	65,037,314	99,177,514	150,003,230
<b>Total</b>	<b>0</b>	<b>0</b>	<b>99,694,032</b>	<b>162,035,671</b>	<b>227,808,482</b>
<b>TEACHING</b>					
<b>Teaching</b>	<b>260,552,672</b>	<b>238,892,513</b>	<b>38,565,956</b>	<b>37,975,315</b>	<b>28,359,585</b>
Teaching - FT UG & PGCE	N/A	195,811,168	0	0	0
Teaching - PT/PGT	N/A	43,081,345	38,565,956	37,975,315	28,359,585
Teaching PTUG	N/A	N/A	N/A	24,333,157	22,187,473
Teaching PT PGT	N/A	N/A	N/A	6,688,058	6,172,112
Teaching FT PGT	N/A	N/A	N/A	6,954,100	0
<b>Premiums</b>	<b>10,478,108</b>	<b>1,771,285</b>	<b>89,167,869</b>	<b>56,775,987</b>	<b>24,043,115</b>
Part-time Premium - PT/PGT	N/A	1,771,285	6,342,847	3,100,869	2,835,958
Part-time premium PTUG	N/A	N/A	N/A	2,432,063	2,218,747
Part-time premium PGT	N/A	N/A	N/A	668,806	617,211
Access and Retention premium	0	0	14,950,880	8,640,286	5,412,987
Access and Retention premium FTUG/PGCE	0	0	9,492,595	3,437,320	0
Access and Retention premium PTUG	0	0	5,458,285	5,202,966	5,412,987
Welsh Medium premium	N/A	N/A	1,433,412	963,944	256,190
Welsh medium premium FTUG/PGCE	N/A	N/A	1,152,809	659,973	0
Welsh Medium Premium - PT/PGT	N/A	N/A	280,603	303,971	256,190
Welsh Medium premium PTUG	N/A	N/A	N/A	264,825	216,178
Welsh Medium premium PGT PT	N/A	N/A	N/A	17,700	14,802
Welsh Medium premium PGT FT	N/A	N/A	N/A	21,446	25,210
Disability premium	N/A	N/A	1,404,900	598,050	360,000
Disability premium FTUG/PGCE	N/A	N/A	1,113,600	261,750	0
Disability Premium - PT/PGT	N/A	N/A	291,300	336,300	360,000
Disability premium PGT PT	N/A	N/A	N/A	54,300	60,600
Disability premium PGT FT	N/A	N/A	N/A	49,200	58,500
Disability premium PGR	N/A	N/A	N/A	31,800	31,200
Disability premium PTUG	N/A	N/A	N/A	201,000	209,700
Expensive subjects premium FTUG/PGCE	0	0	59,262,615	40,641,954	15,177,980
Priority subjects premium FTUG/PGCE	0	0	5,773,215	2,830,884	0
<b>Per capita</b>	<b>5,430,150</b>	N/A	<b>8,306,400</b>	<b>1,069,330</b>	<b>521,845</b>
Per capita FTUG/PGCE	N/A	N/A	4,043,000	667,660	327,225
Per capita - PT/PGT	N/A	N/A	4,263,400	401,670	194,620
Per capita PTUG	N/A	N/A	N/A	277,070	130,245
Per capita PGT PT	N/A	N/A	N/A	86,330	45,290
Per capita PGT FT	N/A	N/A	N/A	38,270	19,085
<b>Per capita and premia</b>	<b>15,908,258</b>	<b>19,579,412</b>	<b>97,474,269</b>	<b>57,845,317</b>	<b>24,564,960</b>
Per capita and premia - FTUG/PGCE	N/A	11,399,950	80,837,834	48,499,541	15,505,205
Per capita and premia - PT/PGT	N/A	8,179,462	16,636,435	9,345,776	9,059,755
Part-time Fee Waiver	529,420	529,420	540,002	540,002	540,002
Graham allocations	5,944,320	0	0	0	0
Erasmus	1,221,700	1,221,700	0	0	0
<b>Total</b>	<b>284,156,370</b>	<b>260,223,045</b>	<b>136,580,227</b>	<b>96,360,634</b>	<b>53,464,547</b>

Source:	2010/11 W11/12HE	2011/12 W12/10HE	2012/13 W13/09HE	2013/14 W14/08HE	2014/15 W14/08HE
<b>RESEARCH</b>					
Quality Research (QR)	70,945,302	71,077,344	71,077,344	71,077,344	71,077,344
Postgraduate Research (PGR)	5,410,203	5,170,336	5,170,336	5,170,336	5,170,336
Sêr Cymru				2,000,000	1,944,000
Research Initiatives	738,843	352,123	296,330	532,560	286,881
<b>Total</b>	<b>77,094,348</b>	<b>76,599,803</b>	<b>76,544,010</b>	<b>78,780,240</b>	<b>78,478,561</b>
<b>STRATEGY &amp; INITIATIVE</b>					
Learning and Teaching Fund	2,571,705	2,641,705	2,554,168	2,069,473	1,300,757
Reaching Wider	0	2,234,805	2,123,793	1,984,999	1,763,666
Strategic Development Fund	9,130,817	14,756,975	11,700,000	15,532,768	9,011,223
Welsh Medium Provision Fund	1,956,584	4,264,751	5,416,754	2,776,092	7,643,549
Widening Access Fund	2,047,595	5,649,955	5,295,542	7,125,918	0
Medical Education - Graduate Entry Scheme transfer adjustment		1,839,000	2,051,000	2,100,000	2,300,000
UHoVI	0	0	0	2,500,000	2,500,000
Other Strategy and Initiatives	5,113,810	3,629,039	2,288,708	3,041,866	2,559,718
Sector Agency Income	0	0	0	0	-3,500,000
JISC/JANET/PSBA/WVWV	2,834,098	3,209,411	3,768,000	3,074,750	2,530,000
ITT Strategy	1,346,125	1,143,125	0	0	0
North Wales Clinical School	1,056,510	0	0	0	0
<b>Total</b>	<b>26,057,244</b>	<b>39,368,766</b>	<b>35,197,965</b>	<b>40,205,866</b>	<b>26,108,913</b>
<b>INNOVATION &amp; ENGAGEMENT</b>					
GO Wales	1,809,453	1,668,367	4,404,824	6,590,408	4,293,099
GO Wales WEFO Match funding		-1,500,000	-2,900,000	-2,577,289	-5,078,478
Innovation and Engagement	6,029,286	8,328,477	8,951,199	4,660,878	0
<b>Total</b>	<b>7,838,739</b>	<b>8,496,844</b>	<b>10,456,023</b>	<b>8,673,997</b>	<b>-785,379</b>
<b>TOTAL GRANT TO INSTITUTIONS</b>	<b>395,146,701</b>	<b>384,688,458</b>	<b>258,778,225</b>	<b>224,020,737</b>	<b>157,266,642</b>
<b>TOTAL ALLOCATIONS</b>	<b>395,146,701</b>	<b>384,688,458</b>	<b>358,472,257</b>	<b>386,056,408</b>	<b>385,075,124</b>

N/A - Information not available

Table 2.2

## Grants for HE provision by country

Wales	Recurrent -						TOTAL FUNDING BODY GRANTS
	Recurrent (Teaching)	Recurrent (Research)	Other (including special funding)	Release of deferred capital grants - Buildings	Release of deferred capital grants - Equipment	Grants for FE provision*	
<b>Grants to Wales (£000s)</b>							
2009/10	285,629	74,343	70,917	6,998	4,694	11,314	453,895
2010/11	266,190	70,391	53,664	8,340	4,304	12,787	415,676
2011/12	249,986	71,056	48,297	9,109	3,761	12,849	395,058
2012/13	125,264	70,553	46,505	9,672	4,248	12,258	268,500
2013/14	90,907	70,212	29,613	10,588	5,164	42,589	249,073
<b>Grants to Wales as % of all UK grants*</b>							
2009/10	4.9%	3.8%	9.1%	2.9%	3.1%	11.0%	5.0%
2010/11	4.7%	3.6%	7.2%	3.2%	3.0%	15.4%	4.7%
2011/12	4.7%	3.7%	9.8%	3.3%	2.9%	16.4%	4.8%
2012/13	3.0%	3.6%	10.2%	3.3%	3.8%	15.9%	3.8%
2013/14	2.9%	3.6%	6.9%	3.6%	5.0%	40.1%	4.1%
<b>% change in grants to Wales since 2009/10</b>							
2009/10	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2010/11	-6.8%	-5.3%	-24.3%	19.2%	-8.3%	13.0%	-8.4%
2011/12	-12.5%	-4.4%	-31.9%	30.2%	-19.9%	13.6%	-13.0%
2012/13	-56.1%	-5.1%	-34.4%	38.2%	-9.5%	8.3%	-40.8%
2013/14	-68.2%	-5.6%	-58.2%	51.3%	10.0%	276.4%	-45.1%

England	Recurrent -						TOTAL FUNDING BODY GRANTS
	Recurrent (Teaching)	Recurrent (Research)	Other (including special funding)	Release of deferred capital grants - Buildings	Release of deferred capital grants - Equipment	Grants for FE provision*	
<b>Grants to England</b>							
2009/10	4,695,906	1,588,342	575,257	198,552	130,321	91,750	7,280,128
2010/11	4,629,218	1,576,059	585,548	215,951	127,855	70,097	7,204,728
2011/12	4,371,545	1,556,994	353,905	230,081	112,201	65,328	6,690,054
2012/13	3,226,654	1,557,527	323,915	240,704	95,833	60,494	5,505,127
2013/14	2,285,134	1,551,652	299,874	236,832	87,466	55,966	4,516,924
<b>% change in grants to England since 2009/10</b>							
2009/10	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2010/11	-1.4%	-0.8%	1.8%	8.8%	-1.9%	-23.6%	-1.0%
2011/12	-6.9%	-2.0%	-38.5%	15.9%	-13.9%	-28.8%	-8.1%
2012/13	-31.3%	-1.9%	-43.7%	21.2%	-26.5%	-34.1%	-24.4%
2013/14	-51.3%	-2.3%	-47.9%	19.3%	-32.9%	-39.0%	-38.0%

Source: HESA Finance Return (HEIDI report)

Note: The UK total includes SFC grant for all provision, and grants for FE provision are not applicable to Scotland.

UK*	Recurrent -						TOTAL FUNDING BODY GRANTS
	Recurrent (Teaching)	Recurrent (Research)	Other (including special funding)	Release of deferred capital grants - Buildings	Release of deferred capital grants - Equipment	Grants for FE provision*	
<b>Grants to UK</b>							
2009/10	5,801,688	1,974,548	775,752	237,889	150,174	103,064	9,043,115
2010/11	5,698,769	1,952,309	740,787	258,535	144,517	82,884	8,877,801
2011/12	5,366,385	1,930,074	490,661	276,873	128,819	78,177	8,270,989
2012/13	4,154,120	1,944,369	455,109	289,249	112,104	76,905	7,031,856
2013/14	3,187,055	1,960,868	429,343	294,098	102,307	106,221	6,079,892
<b>% change in grants to Wales since 2009/10</b>							
2009/10	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2010/11	-1.8%	-1.1%	-4.5%	8.7%	-3.8%	-19.6%	-1.8%
2011/12	-7.5%	-2.3%	-36.8%	16.4%	-14.2%	-24.1%	-8.5%
2012/13	-28.4%	-1.5%	-41.3%	21.6%	-25.4%	-25.4%	-22.2%
2013/14	-45.1%	-0.7%	-44.7%	23.6%	-31.9%	3.1%	-32.8%

**Table 2.3**

**Recurrent grant comparison 2014/15: England and Wales**

<b>Recurrent grant allocations (£ millions)</b>	<b>England</b>	<b>Wales</b>
Teaching	1,569.2	53.5
Research	1,558.0	78.5
Other	150.4	25.3
<b>Total recurrent grant</b>	<b>3,277.5</b>	<b>157.3</b>

<b>Comparators</b>	<b>England</b>	<b>Wales</b>	<b>Wales proportion</b>
Population (Mid Year 2013)	53,865,800	3,082,400	5.72%
Population 18yr olds (Mid Year 2013)	650,210	37,860	5.82%
HE students (FTEs) 2013/14	1,534,954	102,048	6.65%
HE students (FPEs) 2013/14	1,902,370	129,130	6.79%

**Ratios:**

<b>Total recurrent grant, £s per</b>	<b>England</b>	<b>Wales</b>	<b>Difference</b>
HE student (FTE) 2013/14	£2,135	£1,541	-£594
HE student (FPE) 2013/14	£1,723	£1,218	-£505
Person in population (Mid Year 2013)	£61	£51	-£10
Person in population 18yr olds (Mid Year 2013)	£5,041	£4,154	-£887

**Equivalents, based on population**

<b>Recurrent grant allocations (£ millions)</b>	<b>England</b>	<b>Wales</b>	<b>Difference</b>
Teaching	89.8	53.5	-£36
Research	89.2	78.5	-£11
Other	8.6	25.3	£17
<b>Total recurrent grant</b>	<b>187.6</b>	<b>157.3</b>	<b>-£30</b>

**Equivalents, based on 18 year old population**

<b>Recurrent grant allocations (£ millions)</b>	<b>England</b>	<b>Wales</b>	<b>Difference</b>
Teaching	91.4	53.5	-£38
Research	90.7	78.5	-£12
Other	8.8	25.3	£17
<b>Total recurrent grant</b>	<b>190.8</b>	<b>157.3</b>	<b>-£34</b>

**Equivalents, based on HE students (Full-time equivalents)**

<b>Recurrent grant allocations (£ millions)</b>	<b>England</b>	<b>Wales</b>	<b>Difference</b>
Teaching	104.3	53.5	-£51
Research	103.6	78.5	-£25
Other	10.0	25.3	£15
<b>Total recurrent grant</b>	<b>217.9</b>	<b>157.3</b>	<b>-£61</b>

**Equivalents, based on HE students (Full-person equivalents)**

<b>Recurrent grant allocations (£ millions)</b>	<b>England</b>	<b>Wales</b>	<b>Difference</b>
Teaching	106.5	53.5	-£53
Research	105.8	78.5	-£27
Other	10.2	25.3	£15
<b>Total recurrent grant</b>	<b>222.5</b>	<b>157.3</b>	<b>-£65</b>

Sources: HEFCW W14/18HE; HEFCE 2014/05HE;  
ONS, Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid-2013, 26 June 2014

**Table 2.4****Capital funding in England****Capital funding for HEIs in England (£ million)**

	Teaching capital	Research capital	Other capital	Total capital
2009/10	572	366		938
2010/11	207	167	158	532
2011/12	95	204		299
2012/13	90	195		286
2013/14	79	251		330
2014/15	154	286		440
2015/16	300	303		603

**Equivalent for Wales, based on 2013 mid-year population:**

	Teaching capital	Research capital	Other capital	Total capital
2009/10	33	21	0	54
2010/11	12	10	9	30
2011/12	5	12	0	17
2012/13	5	11	0	16
2013/14	5	14	0	19
2014/15	9	16	0	25
2015/16	17	17	0	35

Source: HEFCE Grant Letters from BIS, 2010 - 2015.

Table 3.1

## Student support awarded (SLC data)

(a) Number of Applicants Awarded or Paid * (000s)	2008/09 (Final)	2009/10 (Final)	2010/11 (Final)	2011/12 (Final)	2012/13 (Final)	2013/14 (Final)	2014/15 (Provisional)
Fee Remission Grants	2.1	0.4	0.1				
HE Grant	2.4	0.3					
Tuition Fee Grants	33.6	38.9	24.4	12.8	23.6	37.3	51.0
Assembly Learning, and Special Support Grants*	27.2	31.6	32.4	33.4	32.9	33.9	34.8
Disabled Students Allowance	2.3	2.5	2.6	2.9	3.2	3.3	..
Other Targeted Support	2.6	2.8	2.7	2.6	2.7	2.9	2.7
Maintenance Loans	44.6	47.5	47.8	47.7	49.2	52.1	53.0
Tuition Fee Loans	38.1	43.2	44.9	45.7	48.2	50.6	50.8
<b>Total</b>	<b>53.0</b>	<b>56.5</b>	<b>54.8</b>	<b>52.7</b>	<b>54.3</b>	<b>57.1</b>	<b>57.7</b>
Part Time support (Loans, Grants and DSA)**				7.3	7.0	7	
Postgraduate DSA				0.3	0.3	0.3	
<b>Total</b>				<b>60.2</b>	<b>61.9</b>	<b>64.4</b>	

(b) Amount Awarded or Paid * (£m)	2008/09 (Final)	2009/10 (Final)	2010/11 (Final)	2011/12 (Final)	2012/13 (Final)	2013/14 (Final)	2014/15 (Final)
Fee Remission Grants	2.3	0.4	0.1	0			
HE Grant	1.3	0.2	0	0	0	0	0
Tuition Fee Grants	61.3	72.8	46.7	25.2	108.9	167.5	238.6
Assembly Learning, and Special Support Grants*	55.8	67.9	88.2	111.5	121.9	132.5	132.4
Disabled Students Allowance	5.5	5.7	6.0	7.2	7.7	8.1	..
Other Targeted Support	6.5	7.4	7.3	7.2	7.4	8.3	8.2
Maintenance Loans	151.8	164.1	154.4	144.7	142.5	172.8	181.0
Tuition Fee Loans	66.5	77.7	104.9	129.1	155.9	172.6	177.1
<b>Total</b>	<b>350.9</b>	<b>396.2</b>	<b>407.5</b>	<b>424.9</b>	<b>544.4</b>	<b>661.8</b>	<b>737.4</b>
Part Time support (Loans, Grants and DSA)**				15.6	15.2	15.2	
Postgraduate DSA				0.8	0.7	0.7	
<b>Total including PT and PG DSA support</b>				<b>440.3</b>	<b>560.6</b>	<b>677.8</b>	

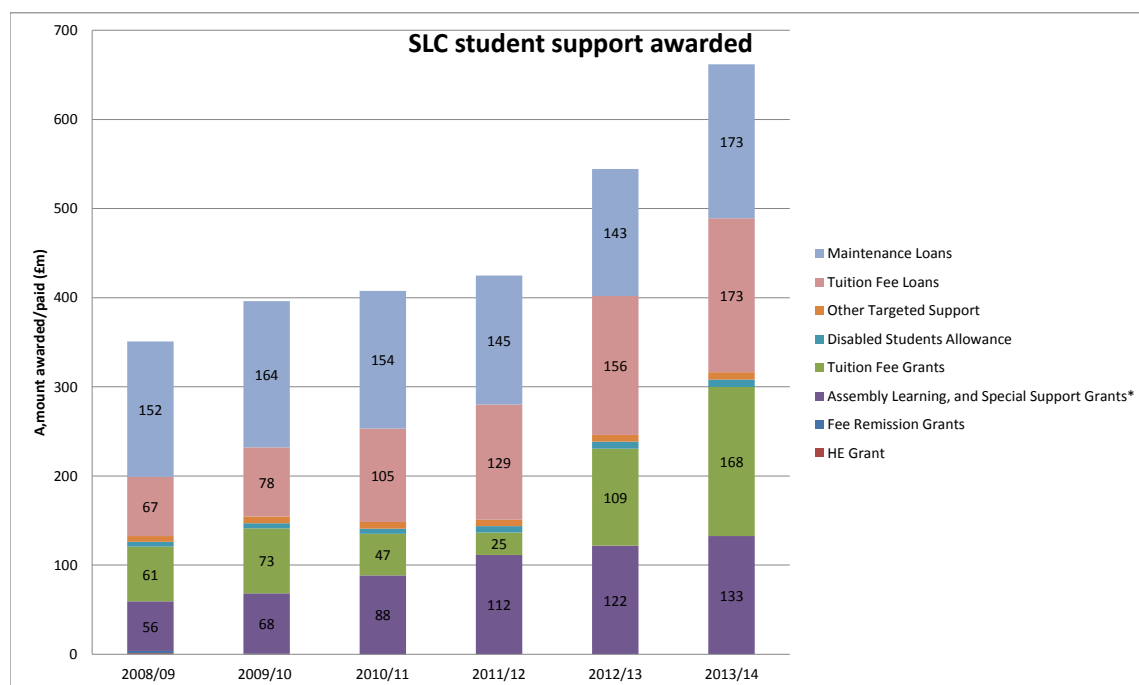
  

(c) Analysis excluding PT and PG DSA support:	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Total grant and loans	350.9	396.2	407.5	424.9	544.4	661.8	737.4
- average per student (£000s)	6.6	7.0	7.4	8.1	10.0	11.6	12.8
Total grant and loans excluding tuition fee grant	289.6	323.4	360.8	399.7	435.5	494.3	498.8
- average per student (£000s)	5.5	5.7	6.6	7.6	8.0	8.7	8.6
Total grant	132.7	154.4	148.3	151.1	245.9	316.4	379.2
- average per student (£000s)	2.5	2.7	2.7	2.9	4.5	5.5	6.6
Total grant excluding tuition fee grant	71.4	81.6	101.6	125.9	137.0	148.9	140.6
- average per student (£000s)	6.6	7.0	7.4	8.1	10.0	11.6	12.8
Total loan	218.3	241.8	259.3	273.8	298.4	345.4	358.1
- average per student (£000s)	4.1	4.3	4.7	5.2	5.5	6.0	6.2

Source: Student Loans Company Statistical First Releases

\* Relabelled Welsh Government Learning and Special Support Grants from 2014

\*\* Labelled as Part Time support (Grants and DSA) in 2014



**Table 9.2**

**Student support awarded (SLC data) by country**

**(a) Total full-time**

	No of students paid 000s					Amount paid £m					Average amount paid £s				
	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15
Wales	55	53	54	57	58	408	425	544	662	737	£7,440	£8,063	£10,026	£11,590	£12,780
England	949	1,023	1,039	1,077	1,022	7,060	7,651	9,489	11,282	12,708	£7,443	£7,477	£9,135	£10,472	£12,434
NI	43	45	46	47		294	310	331	359		£6,867	£6,969	£7,231	£7,694	
<i>Ratio Wales: England</i>	<i>0.06</i>	<i>0.05</i>	<i>0.05</i>	<i>0.05</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>					

*(n.b. Average amounts paid were not provided by SLC - these have been calculated from the published SLC data and are subject to inaccuracy due to the rounding of this data)*

**(b) Total part-time**

	No of students paid 000s					Amount paid £m					Average amount paid £s				
	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15
Wales	6.4	7.2	7.3	7.0		12.8	14.8	15.6	15.2		£1,990	£2,050	£2,150	£2,190	
England	69.7	75.3	79.0	79.5		73.9	83.7	152.7	173.1		£1,060	£1,110	£1,930	£2,180	
NI	4.0	4.6	4.8	4.4		3.8	4.6	4.9	4.5		£950	£1,000	£1,010	£1,010	
<i>Ratio Wales: England</i>	<i>0.09</i>	<i>0.10</i>	<i>0.09</i>	<i>0.09</i>		<i>0.17</i>	<i>0.18</i>	<i>0.10</i>	<i>0.09</i>						

*(n.b. Average amounts were provided by SLC)*

**(c) Total postgraduate**

	No of students paid 000s					Amount paid £m					Average amount paid £s				
	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15
Wales	0.2	0.3	0.3	0.3		0.5	0.7	0.8	0.7		£2,420	£2,430	£2,510	£2,190	
England	3.9	4.7	4.9	4.9		9.6	11.8	10.9	9.8		£2,490	£2,520	£2,240	£1,990	
NI	0.1	0.1	0.1	0.1		0.2	0.3	0.3	0.2		£1,850	£1,870	£1,950	£1,550	
<i>Ratio Wales: England</i>	<i>0.05</i>	<i>0.06</i>	<i>0.06</i>	<i>0.06</i>		<i>0.05</i>	<i>0.06</i>	<i>0.07</i>	<i>0.07</i>						

*(n.b. Average amounts were provided by SLC)*

**(d) Maintenance loans**

	No of students paid 000s					Amount paid £m					Average amount paid £s				
	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15	2010/11	2011/12	2012/13	2013/14	2014/15
Wales		48	49	52			145	143	173			£3,040	£2,890	£3,310	
England		907	932	970			3,331	3,558	3,721			£3,670	£3,820	£3,840	
		40	41	42			126	127	131			£3,140	£3,120	£3,120	
<i>Ratio Wales: England</i>		<i>0.05</i>	<i>0.05</i>	<i>0.05</i>			<i>0.04</i>	<i>0.04</i>	<i>0.05</i>						

Source: Student Loans Company data:

SLC SFR 05/2014, Student support for higher education in England Academic Year 2014/15 (Provisional), 27 Nov 2014.

SLC SFR 06/2014, Student support for higher education in Wales Academic Year 2014/15 (Provisional), 27 Nov 2014.

SLC SFR 07/2014, Student support for higher education in Northern Ireland Academic Year 2013/14 (Final), 27 Nov 2014.

Figures for 2014/15 are provisional.

Table 4.1

HE students at HEIs in Wales - Full-time equivalents (FTEs)

Year	Full-time							Part-time							All						
	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total Full-time	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total Part-time	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total
2002/03	1,835	4,954	2,337	52,104	192	6,576	67,999	516	2,946	1,397	2,624	202	8,025	15,710	2,351	7,900	3,734	54,728	394	14,602	83,710
2003/04	1,955	4,059	2,409	53,329	249	5,885	67,886	610	2,766	1,527	2,716	243	7,966	15,828	2,565	6,825	3,936	56,045	492	13,851	83,714
2004/05	2,164	4,507	2,405	56,695	375	4,365	70,511	625	3,087	1,538	2,491	348	7,867	15,956	2,789	7,594	3,943	59,186	723	12,232	86,467
2005/06	2,418	5,028	2,457	58,347	450	3,787	72,487	1,567	3,167	1,232	2,384	489	7,192	16,031	3,986	8,195	3,689	60,731	939	10,978	88,518
2006/07	2,599	5,706	2,509	58,960	639	3,541	73,954	1,771	3,506	1,479	2,290	602	7,206	16,853	4,370	9,212	3,988	61,250	1,241	10,748	90,808
2007/08	2,648	6,022	2,130	61,247	999	2,987	76,031	1,043	3,566	1,079	2,156	647	8,742	17,232	3,691	9,588	3,208	63,402	1,646	11,728	93,264
2008/09	2,408	6,760	2,027	61,810	1,050	2,713	76,768	898	3,657	1,342	2,068	774	8,696	17,435	3,306	10,417	3,369	63,878	1,825	11,409	94,203
2009/10	2,794	7,656	2,153	67,080	1,433	3,324	84,440	923	4,071	1,230	1,949	802	7,109	16,084	3,717	11,726	3,383	69,030	2,235	10,433	100,524
2010/11	2,871	8,691	2,008	68,143	1,446	2,982	86,141	1,020	3,775	1,312	1,966	795	5,524	14,392	3,891	12,466	3,320	70,109	2,241	8,506	100,533
2011/12	3,018	8,279	1,819	71,299	1,218	2,573	88,207	1,097	3,186	1,323	2,146	1,018	5,328	14,098	4,115	11,465	3,142	73,446	2,236	7,902	102,305
2012/13	3,042	8,299	1,667	70,899	1,331	2,430	87,667	1,058	3,231	1,241	2,117	1,311	4,833	13,791	4,100	11,530	2,908	73,016	2,642	7,263	101,458
2013/14	3,034	9,259	1,630	71,765	1,619	2,206	89,512	687	2,921	1,230	1,835	1,387	4,477	12,536	3,951	12,430	2,860	73,599	3,006	6,683	102,048

-28%

Year	Full-time		Part-time		All	
	Postgraduate	Undergraduate	Postgraduate	Undergraduate	Postgraduate	Undergraduate
2002/03	9,126	58,872	4,859	10,851	13,985	69,724
2003/04	8,423	59,463	4,903	10,925	13,326	70,388
2004/05	9,076	61,435	5,250	10,706	14,326	72,141
2005/06	9,903	62,584	5,966	10,065	15,870	72,648
2006/07	10,814	63,140	6,756	10,098	17,570	73,239
2007/08	10,800	65,233	5,688	11,545	16,487	76,776
2008/09	11,195	65,573	5,897	11,538	17,092	77,112
2009/10	12,603	71,837	6,224	9,860	18,826	81,698
2010/11	13,570	72,571	6,107	8,285	19,677	80,856
2011/12	13,116	75,090	5,606	8,492	18,722	83,584
2012/13	13,008	74,660	5,530	8,261	18,538	82,921
2013/14	13,923	75,590	4,838	7,699	19,241	83,288

Highest enrolments recorded (peak) in the time series  
 Lowest enrolments recorded in the time series



Table 4.2

HE Students Full-person equivalents (FPEs)

Wales	Full-time							Part-time							Total						
	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	TOTAL
2002/03	2,120	5,245	2,550	53,465	190	6,885	70,460	2,660	7,905	2,990	5,575	280	29,670	49,075	4,780	13,150	5,540	59,040	470	36,555	119,535
2003/04	2,265	4,810	2,600	55,485	250	6,615	72,020	2,660	7,575	3,490	5,290	375	30,055	49,445	4,920	12,390	6,085	60,775	620	36,670	121,460
2004/05	2,400	4,820	2,580	58,750	410	4,675	73,635	2,700	7,720	3,410	5,210	625	33,325	52,990	5,100	12,540	5,995	63,960	1030	38,000	126,625
2005/06	2,435	5,180	2,595	60,240	485	4,055	74,990	2,785	8,825	3,455	5,030	785	33,365	54,245	5,215	14,005	6,055	65,265	1270	37,420	129,230
2006/07	2,665	5,835	2,680	61,495	695	3,815	77,180	2,825	9,800	3,865	4,745	880	32,470	54,585	5,490	15,635	6,540	66,240	1,570	36,285	131,760
2007/08	2,730	6,265	2,410	62,430	1045	3,330	78,215	1,300	7,570	2,980	4,215	895	30,365	47,325	4,030	13,835	5,395	66,645	1,940	33,695	125,540
2008/09	2,895	7,295	2,355	64,285	1,155	3,000	80,990	1,340	8,170	3,510	4,250	995	27,220	45,485	4,235	15,465	5,865	68,540	2,150	30,220	126,475
2009/10	2,960	9,030	2,275	68,560	1,550	3,640	88,015	1,390	9,400	3,260	3,905	1045	20,870	39,870	4,350	18,430	5,535	72,470	2,590	24,510	127,885
2010/11	3,060	10,910	2,160	70,570	1,595	3,530	91,830	1,365	9,395	3,540	3,870	1115	19,895	39,175	4,420	20,305	5,700	74,440	2,715	23,425	131,005
2011/12	3,175	10,365	1,955	73,580	1,355	2,765	93,195	1,340	8,085	3,230	4,070	1,405	19,855	37,990	4,510	18,455	5,185	77,655	2,760	22,620	131,185
2012/13	3,270	10,675	1,915	72,665	1,420	2,970	92,915	1,325	7,245	3,190	3,900	1,755	18,455	35,865	4,595	17,920	5,105	76,565	3,175	21,425	128,785
2013/14	3,250	11,505	1,855	73,425	1,700	2,515	94,250	1,275	7,485	3,265	3,440	1,895	17,520	34,880	4,530	18,990	5,120	76,865	3,595	20,035	129,135

Year	Full-time		Part-time		All	
	Postgraduate	Undergraduate	Postgraduate	Undergraduate	Postgraduate	Undergraduate
2002/03	9,915	60,540	13,555	35,525	23,470	96,065
2003/04	9,675	62,350	13,725	35,720	23,395	98,065
2004/05	9,800	63,835	13,830	39,160	23,635	102,990
2005/06	10,210	64,780	15,065	39,180	25,275	103,955
2006/07	11,180	66,005	16,490	38,095	27,665	104,095
2007/08	11,405	66,805	11,850	35,475	23,260	102,280
2008/09	12,545	68,440	13,020	32,465	25,565	100,910
2009/10	14,265	73,750	14,050	25,820	28,315	99,570
2010/11	16,130	75,695	14,300	24,880	30,425	100,580
2011/12	15,495	77,700	12,655	25,330	28,150	103,035
2012/13	15,860	77,055	11,760	24,110	27,620	101,165
2013/14	16,610	77,640	12,025	22,855	28,640	100,495

Year	Part-time							Part-time						
	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total	Higher degree (research)	Higher degree (taught)	Other postgraduate	First degree	Foundation Degree	Other undergraduate	Total
2002/03	0.19	0.37	0.47	0.47	0.72	0.27	0.32							
2003/04	0.23	0.37	0.44	0.51	0.65	0.27	0.32							
2004/05	0.23	0.40	0.45	0.48	0.56	0.24	0.30							
2005/06	0.56	0.36	0.36	0.47	0.62	0.22	0.30							
2006/07	0.63	0.36	0.38	0.48	0.68	0.22	0.31							
2007/08	0.80	0.47	0.36	0.51	0.72	0.29	0.36							
2008/09	0.67	0.45	0.38	0.49	0.78	0.32	0.38							
2009/10	0.66	0.43	0.38	0.50	0.77	0.34	0.40	4%	15%	-7%	-8%	5%	-23%	-12%
2010/11	0.75	0.40	0.37	0.51	0.71	0.28	0.37	2%	15%	1%	-9%	12%	-27%	-14%
2011/12	0.82	0.39	0.41	0.53	0.72	0.27	0.37	0%	-1%	-8%	-4%	41%	-27%	-16%
2012/13	0.80	0.45	0.39	0.54	0.75	0.26	0.38	-1%	-11%	-9%	-8%	76%	-32%	-21%
2013/14	0.54	0.39	0.38	0.53	0.73	0.26	0.36	-5%	-8%	-7%	-19%	90%	-36%	-23%

Population changes - 2007/08

The HESA session and HESA standard registration populations changed from 2007/08. Students on sabbatical are no longer included and additionally, writing-up students are not included in the HESA standard registration population.

**Table 5.1****UCAS Jan 2015 deadline statistics - summary for Wales**

<b>Applicant domicile</b>	<b>Applications to Wales</b>				<b>Applications to UK</b>	
	<b>2014</b>	<b>2015 +/-</b>	<b>% change</b>		<b>% change</b>	
England	49,300	49,560	260	1%		1%
Northern Ireland	1160	1140	-20	-1%		2%
Scotland	220	220	0	0%		8%
Wales	36700	35480	-1,220	-3%		1%
EU	4780	5030	250	5%		8%
Non EU	5890	5920	30	1%		4%
UK	87,380	86,390	-990	-1%		2%
<b>All</b>	<b>98,040</b>	<b>97,350</b>	<b>-690</b>	<b>-1%</b>		<b>2%</b>

**Table 5.2**

**UCAS cross-border flows**

**(a) Applications by domicile and country of institution at the January deadline**

Cross-border flow	2011	2012	2013	2014	2015	Change since 2011
England to Wales	48,560	42,290	46,720	49,300	49,560	1,000 2%
Wales to England	45,220	46,600	46,640	50,180	52,120	6,900 15%
Net flow to Wales	3,340	-4,310	80	-880	-2,560	

Source: UCAS, Applications by country and type of institution at the 15 January deadline, Jan 2015

[https://www.ucas.com/sites/default/files/insts\\_mr\\_january\\_150115.pdf](https://www.ucas.com/sites/default/files/insts_mr_january_150115.pdf)

**(b) Acceptances at end of cycle by domicile and country of institution**

Cross-border flow	2010	2011	2012	2013	2014	Change since 2011
England to Wales	10400	11,425	9,525	10,430	10,680	-745 -7%
Wales to England	6395	6,460	7,315	7,360	8,090	1,630 25%
Net flow to Wales	4,005	4,965	2,210	3,070	2,590	

Source: UCAS, End of Cycle Report 2014, December 2014

<https://www.ucas.com/sites/default/files/2014-end-of-cycle-report-dec-14.pdf>

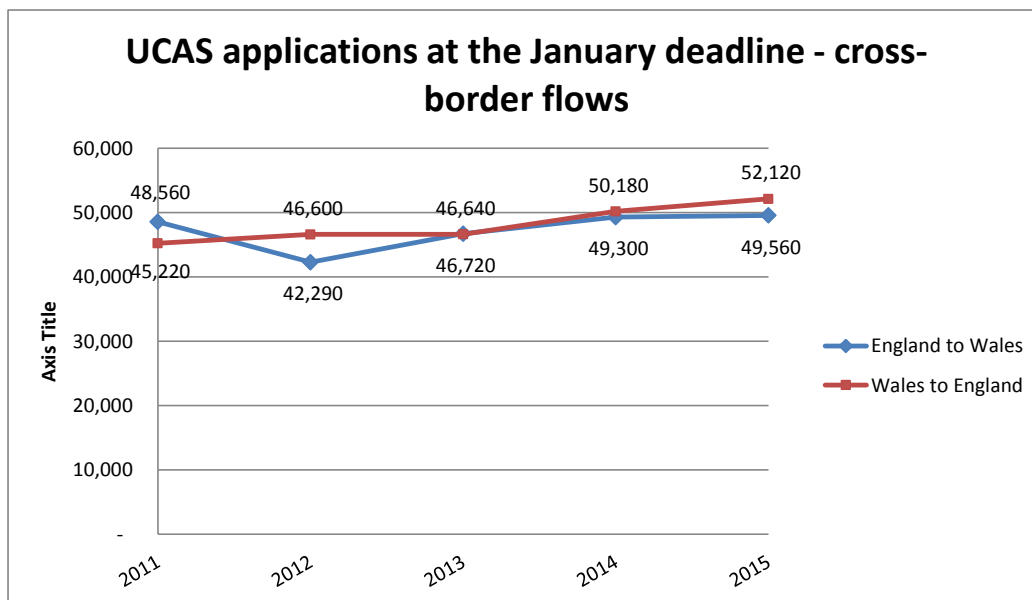
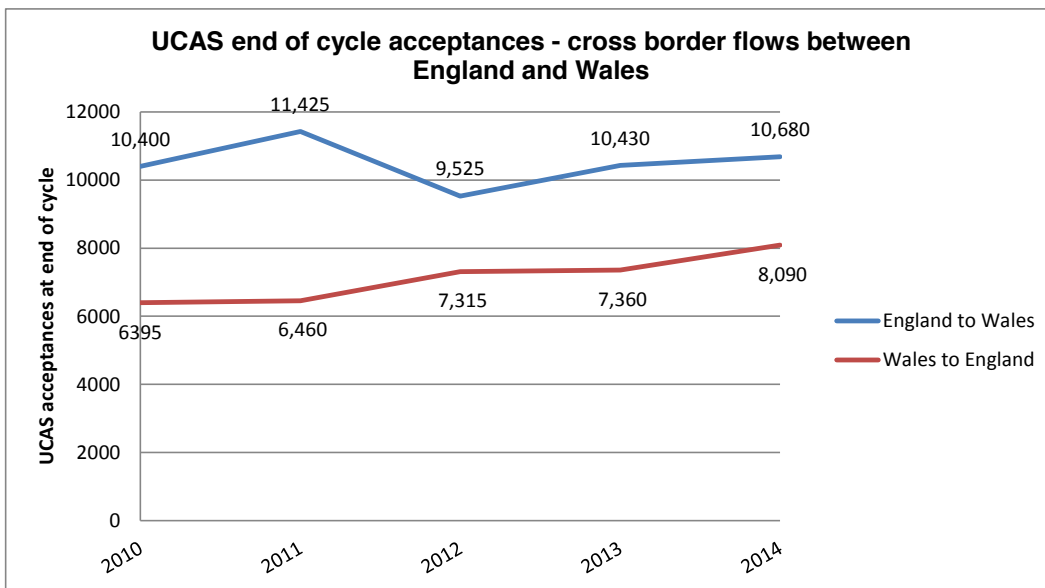


Table 6.1

## HE Full-time Undergraduate England-domiciled students at institutions in Wales

Institution	All years						First Year only			Full-time equivalent (FTE)			Full-person equivalent (FPE)		
	Full-time equivalent (FTE)			Full-person equivalent (FPE)			Full-time equivalent (FTE)			Full-person equivalent (FPE)					
	2011/12	2012/13	+/-	2011/12	2012/13	+/-	2011/12	2012/13	+/-	2011/12	2012/13	+/-	2011/12	2012/13	+/-
Aberystwyth University	4,295	4,427	132	4,410	4,505	95	1,763	1,382	-381	1,825	1,410	-415			
Bangor University	3,580	3,553	-27	3,635	3,665	30	1,235	1,154	-81	1,265	1,200	-65			
Cardiff University	8,580	8,842	262	8,550	8,890	340	2,768	2,712	-56	2,775	2,750	-25			
Cardiff Metropolitan University	2,482	2,473	-9	2,560	2,560	0	1,039	779	-260	1,075	810	-265			
Glyndŵr University	690	597	-93	830	680	-150	281	168	-113	355	215	-140			
The University of Wales, Newport	1,167	1,050	-117	1,195	1,070	-125	539	299	-240	560	305	-255			
Royal Welsh College of Music and Drama	0	0	0	0	0	0	0	0	0	0	0	0			
Swansea Metropolitan University	793	0	-793	820	0	-820	372	0	-372	395	0	-395			
Swansea University	4,146	4,008	-138	4,210	4,040	-170	1,487	988	-499	1,515	1,005	-510			
University of Wales Trinity Saint David	1,029	1,671	642	1,025	1,680	655	470	483	13	475	490	15			
Trinity University College	0	0	0	0	0	0	0	0	0	0	0	0			
University of South Wales	3,077	3,107	30	3,155	3,160	5	1,460	884	-576	1,510	910	-600			
The University of Wales (central functions)	0	0	0	0	0	0	0	0	0	0	0	0			
University of Wales College of Medicine	0	0	0	0	0	0	0	0	0	0	0	0			
<b>Sum aggregate</b>	<b>29,839</b>	<b>29,729</b>	<b>-110</b>	<b>30,390</b>	<b>30,255</b>	<b>-135</b>	<b>11,415</b>	<b>8,849</b>	<b>-2,566</b>	<b>11,745</b>	<b>9,100</b>	<b>-2,645</b>			

Source: HESA Student Record (extracted via HEIDI)

Table 6.2

## Proportion of Welsh students at Universities in Wales

## HE Full person equivalent (FPE) Students 2012/13

Institution	Part-time Undergraduate			Postgraduate			Full-time Undergraduate			Postgraduate			Total		
	All	Wales	% Wales	All	Wales	% Wales	All	Wales	% Wales	All	Wales	% Wales	All	Wales	% Wales
Aberystwyth University	1,805	1,355	75%	685	220	32%	8,035	2,310	29%	1,090	375	35%	11,615	4,265	37%
Bangor University	1,145	1,030	90%	960	420	44%	7,315	2,590	35%	1,940	570	29%	11,360	4,610	41%
Cardiff University	3,685	3,225	88%	3,430	1,460	43%	17,335	5,500	32%	4,090	1,080	26%	28,540	11,265	39%
Cardiff Metropolitan University	725	650	90%	1,285	655	51%	7,845	4,010	51%	2,585	570	22%	12,440	5,885	47%
Glyndŵr University	3,220	1,425	44%	580	365	62%	3,915	1,700	43%	805	60	8%	8,520	3,550	42%
The University of Wales, Newport	4,165	3,920	94%	1,330	1,075	81%	3,805	2,395	63%	475	140	30%	9,775	7,530	77%
Swansea University	1,830	1,765	96%	715	590	83%	10,075	4,715	47%	1,735	585	34%	14,355	7,655	53%
University of Wales Trinity Saint David	3,035	2,815	93%	960	695	73%	6,690	4,345	65%	1,140	475	42%	11,825	8,330	70%
University of South Wales	4,500	4,070	90%	1,815	1,190	66%	12,030	7,225	60%	2,000	550	28%	20,345	13,035	64%
<b>Sector total</b>	<b>24,110</b>	<b>20,260</b>	<b>84%</b>	<b>11,755</b>	<b>6,665</b>	<b>57%</b>	<b>77,055</b>	<b>34,785</b>	<b>45%</b>	<b>15,860</b>	<b>4,415</b>	<b>28%</b>	<b>128,780</b>	<b>66,125</b>	<b>51%</b>
The Open University	156,970	8,325	5%	10,945	410	4%	5	0 ..		290	0 ..		168,210	8,735	5%
England	359,270	10,085	3%	200,395	3,135	2%	1,140,600	19,315	2%	244,730	1,800	1%	1,944,995	34,335	2%
Scotland	25,965	55	0%	21,765	205	1%	136,060	400	0%	30,995	70	0%	214,785	735	0%
N Ireland	8,820	5	0%	6,050	45	1%	31,960	15	0%	4,885	5	0%	51,715	75	0%

## Summary

	UG	PG
<b>Full-time</b>	45%	28%
<b>Part-time</b>	84%	57%

**Table 6.3****HE Full person equivalent (FPE) Welsh Domiciled Students 2012/13 - Top 20 UK institutions**

Institution	PT		FT		Total
	UG	PG	UG	PG	
University of South Wales	4,070	1,190	7,225	550	13,035
Cardiff University	3,225	1,460	5,500	1,080	11,265
The Open University	8,325	410	0	0	8,735
University of Wales Trinity Saint David	2,815	695	4,345	475	8,330
Swansea University	1,765	590	4,715	585	7,655
The University of Wales, Newport	3,920	1,075	2,395	140	7,530
Cardiff Metropolitan University	650	655	4,010	570	5,885
Bangor University	1,030	420	2,590	570	4,610
Aberystwyth University	1,355	220	2,310	375	4,265
Glyndŵr University	1,425	365	1,700	60	3,550
University of the West of England, Bristol	115	155	1,470	75	1,815
University of Chester	135	375	860	120	1,485
Liverpool John Moores University	80	95	830	30	1,030
The University of Manchester	10	105	635	70	820
The University of Liverpool	15	30	685	30	760
The University of Bristol	10	65	555	100	725
The Manchester Metropolitan University	35	55	580	30	700
The University of Birmingham	50	100	470	65	675
The University of Bath	20	70	535	40	660
The University of Exeter	0	15	555	70	645

**Table 6.4**

**HEIs outside Wales with the largest number of Welsh domiciled HE Full-person equivalent students domiciled in Wales by year**

Institution	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	% increase over period
University of the West of England, Bristol	1,770	1,660	1,625	1,625	1,680	1,815	3%
University of Chester	1,340	1,375	1,540	1,410	1,350	1,485	11%
Liverpool John Moores University	1,005	1,050	1,055	1,000	980	1,030	2%
The University of Manchester	870	835	835	805	815	820	-6%
The University of Liverpool	825	760	745	760	765	760	-8%
The University of Bristol	815	820	770	750	715	725	-11%
The Manchester Metropolitan University	715	695	665	675	670	700	-2%
The University of Birmingham	690	615	600	610	680	675	-2%
The University of Bath	595	545	580	610	630	660	11%
The University of Exeter	550	535	565	565	580	645	17%
Sum aggregate	9,175	8,890	8,975	8,805	8,870	9,315	2%

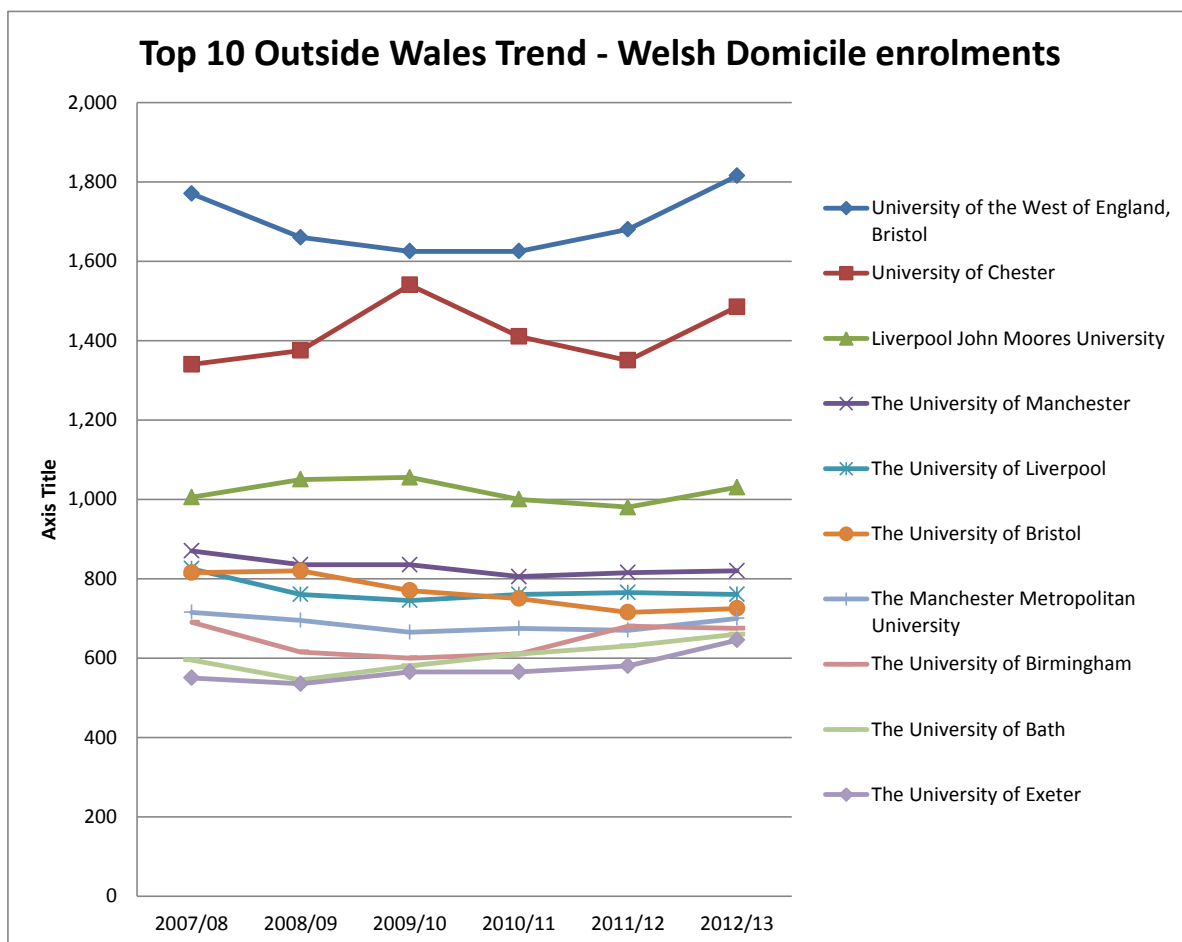


Table 7.1

Enrolments by subject area - FT First degree (FPEs)

	(1) Medicine & dentistry	(2) Subjects allied to medicine	(3) Biological sciences	(4) Veterinary science	(5) Agriculture & related subjects	(6) Physical sciences	(7) Mathematical sciences	(8) Computer science	(9) Engineering & technology	(A) Architecture, building & planning	(B) Social studies	(C) Law	(D) Business & administrative studies	(E) Mass communications & documentation	(F) Languages	(G) Historical & philosophical studies	(H) Creative arts & design	(I) Education	(J) Combined	All
<b>UK</b>																				
2007/08	43,440	86,545	107,890	4,080	7,140	51,460	22,270	50,920	74,155	27,785	105,135	53,020	145,470	34,240	75,690	52,115	119,590	42,830	4,915	1,108,685
2008/09	44,315	90,305	111,095	4,240	7,235	53,160	23,840	51,335	77,700	29,575	110,505	54,850	154,740	34,865	75,940	52,280	122,075	44,565	3,935	1,146,550
2009/10	45,005	99,005	117,530	4,350	7,565	55,690	25,870	53,780	82,615	31,010	115,715	56,690	165,035	36,970	78,015	53,700	129,075	46,755	4,255	1,208,625
2010/11	45,375	105,690	123,445	4,545	8,130	58,340	27,380	55,970	85,640	30,365	119,965	56,970	170,780	37,935	79,870	55,060	132,975	48,445	3,375	1,250,255
2011/12	45,940	116,690	131,565	4,640	8,675	61,430	28,925	57,165	89,915	28,835	126,780	58,195	180,995	39,910	82,395	55,940	139,165	50,525	4,430	1,312,115
2012/13	45,890	125,845	135,260	4,790	8,695	62,845	29,505	56,705	91,455	27,580	126,965	56,860	180,005	37,435	79,285	54,235	135,490	49,775	3,715	1,312,335
<b>Wales</b>																				
2007/08	1,960	6,530	7,800	0	500	3,520	810	2,400	3,805	1,015	5,000	3,135	6,220	1,635	4,695	3,255	6,915	2,950	280	62,430
2008/09	2,140	6,390	7,995	0	485	3,550	915	2,695	3,960	1,110	5,045	3,070	6,950	1,730	4,650	3,320	7,045	2,980	255	64,285
2009/10	2,105	6,710	8,650	0	490	3,700	1,025	2,935	4,425	1,155	5,125	3,365	7,715	1,790	4,795	3,480	7,490	3,390	215	68,560
2010/11	2,090	6,795	9,050	0	555	3,835	1,100	2,900	4,750	1,140	5,275	3,365	8,365	1,825	4,700	3,535	7,660	3,535	95	70,570
2011/12	2,090	6,935	9,660	0	590	4,245	1,160	2,845	5,140	980	5,380	3,435	9,440	1,800	5,015	3,250	7,660	3,870	90	73,580
2012/13	2,140	6,680	10,105	0	540	4,425	1,185	2,940	5,115	960	5,365	3,140	9,570	1,475	4,665	3,150	7,355	3,790	60	72,665
<b>Wales as % of UK (market share)</b>																				
2007/08	4.5%	7.5%	7.2%	0.0%	7.0%	6.8%	3.6%	4.7%	5.1%	3.7%	4.8%	5.9%	4.3%	4.8%	6.2%	6.2%	5.8%	6.9%	5.7%	5.6%
2008/09	4.8%	7.1%	7.2%	0.0%	6.7%	6.7%	3.8%	5.2%	5.1%	3.8%	4.6%	5.6%	4.5%	5.0%	6.1%	6.4%	5.8%	6.7%	6.5%	5.6%
2009/10	4.7%	6.8%	7.4%	0.0%	6.5%	6.6%	4.0%	5.5%	5.4%	3.7%	4.4%	5.9%	4.7%	4.8%	6.1%	6.5%	5.8%	7.3%	5.1%	5.7%
2010/11	4.6%	6.4%	7.3%	0.0%	6.8%	6.6%	4.0%	5.2%	5.5%	3.8%	4.4%	5.9%	4.9%	4.8%	5.9%	6.4%	5.8%	7.3%	2.8%	5.6%
2011/12	4.5%	5.9%	7.3%	0.0%	6.8%	6.9%	4.0%	5.0%	5.7%	3.4%	4.2%	5.9%	5.2%	4.5%	6.1%	5.8%	5.5%	7.7%	2.0%	5.6%
2012/13	4.7%	5.3%	7.5%	0.0%	6.2%	7.0%	4.0%	5.2%	5.6%	3.5%	4.2%	5.5%	5.3%	3.9%	5.9%	5.8%	5.4%	7.6%	1.6%	5.5%
Percentage point change	0.2%	-2.2%	0.2%	0.0%	-0.8%	0.2%	0.4%	0.5%	0.5%	-0.2%	-0.5%	-0.4%	1.0%	-0.8%	-0.3%	-0.4%	-0.4%	0.7%	-4.1%	-0.1%
<b>Change since 2007/8</b>																				
<b>UK</b>																				
2007/08	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2008/09	2%	4%	3%	4%	1%	3%	7%	1%	5%	6%	5%	3%	6%	2%	0%	0%	2%	4%	-20%	3%
2009/10	4%	14%	9%	7%	6%	8%	16%	6%	11%	12%	10%	7%	13%	8%	3%	3%	8%	9%	-13%	9%
2010/11	4%	22%	14%	11%	14%	13%	23%	10%	15%	9%	14%	7%	17%	11%	6%	6%	11%	13%	-31%	13%
2011/12	6%	35%	22%	14%	21%	19%	30%	12%	21%	4%	21%	10%	24%	17%	9%	7%	16%	18%	-10%	18%
2012/13	6%	45%	25%	17%	22%	22%	32%	11%	23%	-1%	21%	7%	24%	9%	5%	4%	13%	16%	-24%	18%
<b>Wales</b>																				
2007/08	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2008/09	9%	-2%	3%	0%	-3%	1%	13%	12%	4%	9%	1%	-2%	12%	6%	-1%	2%	2%	1%	-9%	3%
2009/10	7%	3%	11%	0%	-2%	5%	27%	22%	16%	14%	3%	7%	24%	9%	2%	7%	8%	15%	-23%	10%
2010/11	7%	4%	16%	0%	11%	9%	36%	21%	25%	12%	6%	7%	34%	12%	0%	9%	11%	20%	-66%	13%
2011/12	7%	6%	24%	0%	18%	21%	43%	19%	35%	-3%	8%	10%	52%	10%	7%	0%	11%	31%	-68%	18%
2012/13	9%	2%	30%	0%	8%	26%	46%	23%	34%	-5%	7%	0%	54%	-10%	-1%	-3%	6%	28%	-79%	16%



**Table 7.2**

**Average subject-related costs per HEFCE-fundable FTE (2007-08, 2008-09 and 2009-10 data combined)**

<b>Cost centre</b>	<b>Average cost per FTE (£s)</b>	<b>Wales FT UG FTEs 2011/12</b>	<b>Total teaching cost (£000s)</b>
(03) Veterinary science	£19,670	1	20
(02) Clinical dentistry	£16,460	397	6,535
(01) Clinical medicine	£14,940	1,999	29,865
(18) Mineral, metallurgy & materials engineering	£10,820	0	-
(12) Physics	£10,620	794	8,432
(14) Earth, marine & environmental sciences	£10,140	1,351	13,699
(16) General engineering	£10,010	1,875	18,769
(21) Mechanical, aero & production engineering	£9,940	1,315	13,071
(20) Electrical, electronic & computer engineering	£9,930	1,378	13,684
(11) Chemistry	£9,840	980	9,643
(08) Pharmacy & pharmacology	£9,740	430	4,188
(17) Chemical engineering	£9,690	0	-
(10) Biosciences	£9,190	3,335	30,649
(04) Anatomy & physiology	£9,130	559	5,104
(19) Civil engineering	£8,910	717	6,388
(13) Agriculture & forestry	£8,780	931	8,174
(37) Archaeology	£8,570	276	2,365
(25) Information technology & systems sciences & computer software engineering	£8,560	3,065	26,236
(33) Design & creative arts	£8,380	7,062	59,180
(30) Media studies	£7,690	1,475	11,343
(28) Geography	£7,380	1,004	7,410
(26) Catering & hospitality management	£7,350	0	-
(07) Psychology & behavioural sciences	£7,250	2,898	21,011
(35) Modern languages	£7,250	997	7,228
(06) Health & community studies	£7,200	3,180	22,896
(23) Architecture, built environment & planning	£7,110	1,058	7,522
(05) Nursing & paramedical studies	£7,060	4,224	29,821
(24) Mathematics	£7,060	1,271	8,973
(38) Sports science & leisure studies	£6,790	3,295	22,373
(27) Business & management studies	£6,720	9,743	65,473
(34) Education	£6,670	4,109	27,407
(31) Humanities & language based studies	£6,400	8,022	51,341
(29) Social studies	£6,280	7,302	45,857
(41) Continuing education	£6,070	48	291
<b>Total</b>	<b>£7,790</b>	<b>75,091</b>	<b>584,948</b>

Source: HEFCE, High cost subject analysis using TRAC(T) data, September 2012

[http://www.hefce.ac.uk/media/hefce/content/data/2012/trachighcost/TRAC\\_methodology\\_for\\_high-costs\\_subjects.pdf](http://www.hefce.ac.uk/media/hefce/content/data/2012/trachighcost/TRAC_methodology_for_high-costs_subjects.pdf)

Note: The costs are stated in terms of 2013/14 price levels

**Table 8.1**

**Part-time HE full-time equivalent (FTE) enrolments by level**

(a) Enrolments

	Postgraduate						Undergraduate						ALL					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
UK	107,675	112,118	104,564	99,634	93,317	80,738	208,110	214,435	201,817	194,692	173,448	153,573	315,785	326,553	306,381	294,326	266,765	234,311
England	90,286	94,655	87,674	83,385	77,863	66,616	183,159	191,543	181,306	175,489	154,798	136,274	273,445	286,198	268,980	258,874	232,661	202,890
Scotland	8,723	8,328	8,450	8,140	7,585	6,870	10,308	9,423	8,744	7,398	7,422	6,900	19,031	17,751	17,194	15,538	15,007	13,770
N Ireland	2,769	2,911	2,334	2,504	2,338	2,414	3,104	3,609	3,482	3,313	2,968	2,701	5,873	6,520	5,816	5,817	5,306	5,115
<b>Wales</b>	<b>5,897</b>	<b>6,224</b>	<b>6,107</b>	<b>5,606</b>	<b>5,530</b>	<b>4,837</b>	<b>11,538</b>	<b>9,860</b>	<b>8,286</b>	<b>8,492</b>	<b>8,261</b>	<b>7,698</b>	<b>17,435</b>	<b>16,084</b>	<b>14,393</b>	<b>14,098</b>	<b>13,791</b>	<b>12,535</b>
<b>Wales incl OU</b>	<b>6,032</b>	<b>6,360</b>	<b>6,231</b>	<b>5,721</b>	<b>5,639</b>	<b>4,931</b>	<b>14,172</b>	<b>12,915</b>	<b>11,458</b>	<b>11,948</b>	<b>11,918</b>	<b>11,282</b>	<b>20,204</b>	<b>19,275</b>	<b>17,689</b>	<b>17,669</b>	<b>17,557</b>	<b>16,213</b>

(b) Percentage change

	Postgraduate						Undergraduate						ALL					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
UK	0%	4%	-3%	-7%	-13%	-25%	0%	3%	-3%	-6%	-17%	-26%	0%	3%	-3%	-7%	-16%	-26%
England	0%	5%	-3%	-8%	-14%	-26%	0%	5%	-1%	-4%	-15%	-26%	0%	5%	-2%	-5%	-15%	-26%
Scotland	0%	-5%	-3%	-7%	-13%	-21%	0%	-9%	-15%	-28%	-28%	-33%	0%	-7%	-10%	-18%	-21%	-28%
N Ireland	0%	5%	-16%	-10%	-16%	-13%	0%	16%	12%	7%	-4%	-13%	0%	11%	-1%	-1%	-10%	-13%
<b>Wales</b>	<b>0%</b>	<b>6%</b>	<b>4%</b>	<b>-5%</b>	<b>-6%</b>	<b>-18%</b>	<b>0%</b>	<b>-15%</b>	<b>-28%</b>	<b>-26%</b>	<b>-28%</b>	<b>-33%</b>	<b>0%</b>	<b>-8%</b>	<b>-17%</b>	<b>-19%</b>	<b>-21%</b>	<b>-28%</b>
<b>Wales incl OU</b>	<b>0%</b>	<b>5%</b>	<b>3%</b>	<b>-5%</b>	<b>-7%</b>	<b>-18%</b>	<b>0%</b>	<b>-9%</b>	<b>-19%</b>	<b>-16%</b>	<b>-16%</b>	<b>-20%</b>	<b>0%</b>	<b>-5%</b>	<b>-12%</b>	<b>-13%</b>	<b>-13%</b>	<b>-20%</b>

(c) Wales as a % of the UK (market shares)

	Postgraduate						Undergraduate						ALL					
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Wales</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.8%</b>	<b>5.6%</b>	<b>5.9%</b>	<b>6.0%</b>	<b>5.5%</b>	<b>4.6%</b>	<b>4.1%</b>	<b>4.4%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>5.5%</b>	<b>4.9%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>5.2%</b>	<b>5.3%</b>
<b>Wales incl OU</b>	<b>5.6%</b>	<b>5.7%</b>	<b>6.0%</b>	<b>5.7%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>6.8%</b>	<b>6.0%</b>	<b>5.7%</b>	<b>6.1%</b>	<b>6.9%</b>	<b>7.3%</b>	<b>6.4%</b>	<b>5.9%</b>	<b>5.8%</b>	<b>6.0%</b>	<b>6.6%</b>	<b>6.9%</b>

**Table 9.1**

**Highest qualification on entry  
HE student full-person equivalents (FPEs) at Welsh universities in 2012/13 by mode and level**

**As % of total (including unknowns)**

**First degree/PGCE or higher qualification**

	Undergraduate	Postgraduate
<b>Full-time</b>	4%	86%
<b>Part-time</b>	27%	77%

**Undergraduate or higher qualification**

	Undergraduate	Postgraduate
<b>Full-time</b>	13%	94%
<b>Part-time</b>	45%	83%

**Other qualification, Levels 2&3, and No formal qualification**

	Undergraduate	Postgraduate
<b>Full-time</b>	85%	5%
<b>Part-time</b>	43%	13%

**Not known & Not applicable**

	Undergraduate	Postgraduate
<b>Full-time</b>	2%	1%
<b>Part-time</b>	12%	4%

**As % of total (excluding unknowns)**

**First degree/PGCE or higher qualification**

	Undergraduate	Postgraduate
<b>Full-time</b>	4%	87%
<b>Part-time</b>	31%	80%

**Undergraduate or higher qualification**

	Undergraduate	Postgraduate
<b>Full-time</b>	14%	95%
<b>Part-time</b>	51%	86%

**Other qualification, Levels 2&3, and No formal qualification**

	Undergraduate	Postgraduate
<b>Full-time</b>	86%	5%
<b>Part-time</b>	49%	13%

*Source: HESA student record (HEIDI Report)*

**Table 9.2****Average tariff points of entrants to Full-time undergraduate courses by institution 2012/13**

<b>Institution</b>	<b>Average tariff points</b>	<b>UK Ranking (153)</b>	<b>Percentile</b>
Cardiff University	420	32	21%
Swansea University	338	70	46%
University of South Wales	328	78=	51%
Aberystwyth University	324	86	56%
Bangor University	305	110=	72%
Cardiff Metropolitan University	301	115=	75%
The University of Wales, Newport	289	126	82%
Glyndŵr University	270	139=	91%
University of Wales Trinity Saint David	254	145	95%

Source: HESA Patterns of HE data (HEIDI Report); ranking calculated from data report.

**Table 10.1**

**Welsh taught postgraduates by age**

2013/14 Welsh domiciled HE students  
Age at 31 August

Level	Age										Total
	17 and under	18 years	20 years	21-24 years	25-29 years	30-39 years	40-49 years	50-59 years	60 and over	unknown	
Higher degree (taught)			2	1,700	840	845	673	237	59		4,356
Other postgraduate	0	0	1	1,139	495	474	326	114	12	1	2,562
Higher degree (taught) %	0%	0%	0%	39%	19%	19%	15%	5%	1%	0%	100%
Other postgraduate %	0%	0%	0%	44%	19%	19%	13%	4%	0%	0%	100%
Higher degree (taught) - cumulative %		0%	0%	39%	58%	78%	93%	99%	100%	100%	100%
Other postgraduate -cumulative %		0%	0%	44%	64%	82%	95%	99%	100%	100%	100%

Source: HESA student enrolments (HEIDI data report, with Universities Wales calculations)

Table 11.1

## Employed graduates from Welsh universities by employment region 2012-

Institution	North East	North West	and the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Wales	Scotland	Northern Ireland	Other UK unknown	Non UK	Total employed
Aberystwyth University	5	80	30	40	175	65	85	125	105	495	10	5	5	80	1,305
Bangor University	15	185	45	50	90	40	65	80	45	635	20	0	5	75	1,350
Cardiff University	5	80	35	45	140	80	395	280	450	1,505	35	20	15	170	3,255
Cardiff Metropolitan University	5	15	10	20	75	20	75	110	240	1,270	5	5	5	60	1,915
Glyndŵr University	0	130	5	10	110	5	15	15	15	760	5	5	0	105	1,180
The University of Wales, Newport	0	15	5	10	35	10	30	45	95	1,025	0	0	0	30	1,300
Swansea University	0	25	15	30	80	40	110	170	180	1,020	5	0	5	90	1,770
University of Wales Trinity Saint David	5	30	10	15	45	25	55	55	85	1,280	5	10	5	55	1,680
University of South Wales	5	40	20	15	65	30	85	95	195	1,865	10	5	0	55	2,485
<b>Total</b>	<b>45</b>	<b>590</b>	<b>175</b>	<b>230</b>	<b>810</b>	<b>310</b>	<b>920</b>	<b>970</b>	<b>1,410</b>	<b>9,855</b>	<b>95</b>	<b>50</b>	<b>35</b>	<b>720</b>	<b>16,215</b>
Total - % in each region	0.3%	3.6%	1.1%	1.4%	5.0%	1.9%	5.7%	6.0%	8.7%	60.8%	0.6%	0.3%	0.2%	4.4%	100.0%

Source: HESA Destinations of Leavers from HE (HEIDI report): respondents only, employed only.

**Table 12.1**

**Mid-Year Population estimates 2013**

	<b>Mid-2013 population (£000s)</b>	<b>% of UK</b>	<b>% of Eng</b>
UK	64,105.7	100.0%	
England	53,865.8	84.0%	
Scotland	5,327.7	8.3%	
Wales	3,082.4	4.8%	5.72%
NI	1,829.7	2.9%	

Source: ONS, Annual Mid-Year population estimates, 2013 (26 June 2014)

[http://www.ons.gov.uk/ons/dcp171778\\_367167.pdf](http://www.ons.gov.uk/ons/dcp171778_367167.pdf)



## Completed Pro-forma



## Respondent details

To help with our analysis please let us know who completed this response.

Name	Universities Wales / Prifysgolion Cymru
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Are you responding in a personal capacity or on behalf of an organisation?

I am responding in a personal capacity [  ]

I am responding on behalf of an organisation [  ]

### Contact details (optional)

Position/job title (where relevant)	Ben Arnold, Policy Adviser / Cynghorwr Polisi
Name of organisation (where relevant)	Universities Wales / Prifysgolion Cymru
Contact address	Universities Wales / Prifysgolion Cymru 2 Caspian Point / 2 Pentir Caspian Caspian Way / Ffordd Caspian Cardiff Bay / Bae Caerdydd CF10 4DQ Main Line / Ffon: ++44 (0)29 2044 8020
e-mail address	<a href="mailto:b.arnold@uniswales.ac.uk">b.arnold@uniswales.ac.uk</a>

In the event that there are any queries about your response, are you willing to be contacted by a member of the review team? Yes [  ] No [  ]

### If responding on behalf of an organisation, which of these best describes your organisation:

Private sector [  ] Public sector [  ] Third sector [  ]

Other: please specify

Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK. Universities Wales' Governing Council consists of the Vice-Chancellors of all the universities in Wales and the Director of the Open University in Wales.
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### If your organisation is a company/employer:

is it based in Wales? [  Yes ] is it based elsewhere in the UK?

[  ]

does it employ graduates? [  ] does it sponsor HE students? [  ]

Please provide details of type of organisation/business sector classification:

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## Questionnaire

### **Q1. To what extent do current student finance/support arrangements (student grants and loans) meet the needs of HE students, support the delivery of high-quality HE provision and provide value for money?**

The Review Panel is interested in hearing about the strengths and benefits of current arrangements as well as any weaknesses or issues.

Very well [  ]      Well [  ]      Not very well [  ]      Don't know [  ]

Please provide a reason(s) for your answer and where available, supporting evidence.

#### **PLEASE SEE THE MAIN SUBMISSION**

##### **Introduction**

In our main submission we highlight the importance of higher education for individuals and Wales as a whole (Section 1) and our future aspirations (Section 2), building on our report submitted to the Diamond Review in July 2014. We pose ourselves three fundamental questions which shape our response:

- What does higher education in Wales need to look like to best serve the interests in Wales?
- What is the level of investment required to deliver the necessary return for Wales?
- How should the costs of higher education be shared among those who benefit from it?

From the outset we should recognise the importance that higher education has for individuals and the wider public in Wales. A strong sustainable sector can a strong and equitable university sector can be summarised in 6 key areas:

- Delivering for the Welsh economy - In terms of its impact on the economy, Welsh universities are more important than in other parts of the UK. The proportion of GVA generated by Welsh universities is higher than that in most English regions and Wales' universities generate 3% of Welsh GDP.
- Providing the skills required - As other countries grow to compete with Wales, it is vital that Wales' skills base also grows. There are likely to be massive increases in the number of graduates worldwide, particularly from countries such as China and Korea. The UK Commission for Employment and Skills estimates that over 80% of new jobs created by 2020 will be in occupations with high concentrations of graduates.
- Increasing participation - Universities are a catalyst for social mobility and

continue to invest heavily in ensuring that students, regardless of background, have access to good quality higher education that has the ability to change lives.

- Underpinning Wales' Research and Development base - Welsh universities bring in nearly half of all expenditure on research and development in Wales and are responsible for 84% of all Wales' published research outputs.

### **Student finance and support arrangements**

*In Section 4, we examine the student support arrangements. The impact of full-time undergraduate arrangements is discussed in 7.1 (see 7.1.4 in particular) and fee grant payments in*

Effective student support arrangements are essential for a successful higher education system. Without the provision of financial support, there are clear dangers in terms of participation in higher education. Placing the full costs of study and associated living costs on students can be prohibitive to participation, and disadvantage those without the means to do so at the detriment of the individuals, society and the economy more generally.

In Section 4, we argue that the continuation of significant public financial support for Welsh students is critical. In determining the package of support it is essential to recognise the need to give Welsh students the opportunity to access high quality higher education whether in Wales or outside it. However, we argue that by rebalancing the student finance, available resources could be used more effectively to increase the opportunities for Welsh students to access high quality higher education.

Compared to other UK countries the student support is generous. Total student support awarded to students has increased from £351 million in 2008/9 to a provisional £737 million in 2014/15. The average per student has increased from around £6,600 to £12,800 in this time. A large part of the increase is due to fee grant payments, to compensate for fee increases. However, if we exclude these there still appears to have been a steady increase in nominal terms, both in the total payment and the average per student.

In particular, hindsight shows that there potential alternatives to fee grant payments (see Section 7.6). The increase to £9k fees in England supported by income contingent grants enabled students did not affect participation levels (although more recent studies have suggested that recruitment may have been affected by 5%) and has led to a growth in demand and entry rates from disadvantaged groups: see Section 7.1.4.

Our view is that higher education in Wales would benefit from this resource being used in a different way. There appears to be a case for reviewing how far resource should be used to support living costs as opposed to subsidising students in meeting the costs of fees. It is clear that the payments of fee grant have significantly exceeded forecasts, and this poses a question whether we currently have the right balance between grant funding and student support finance to ensure that Welsh students have the best possible opportunities for accessing high-quality higher education in future.

**Q2. Do you think that the Welsh Government policy of supporting Welsh domiciled students to study elsewhere in the UK is sustainable and/or desirable in the long term?**

Sustainable: Yes [ ] No [X]                      Desirable: Yes [X] No [ ]

There has been a lot of debate in the run-up to the Review about cross-border flows of HE students in and out of Wales and about the sustainability of the Welsh Government's decision to provide financial assistance (in the form of a fee grant) to Welsh-domiciled students that study at universities elsewhere in the UK. The Review Panel is keen to hear stakeholder views regarding this particular policy position.

Please provide a reason(s) for your answer and where available, any supporting evidence.

**PLEASE SEE THE MAIN SUBMISSION**

*See Section 7.1.7 for a discussion of relating to support for study outside Wales. See also related discussions on fee grant payments and cross-border flows in Section 7.1.*

We support a policy which gives maximum possible opportunities to students, whether in Wales or outside. However, with a finite support budget there are clearly choices to be made about the most effective use of funding to maximise those opportunities. Support for Welsh domiciled students studying outside of Wales raises a number of issues, particularly in the light of arrangements for fee grant payments.

An analysis of the subject base in Wales suggests that not every choice of subject is catered for in Wales. Veterinary science is the most obvious subject group that Wales does not currently provide, but more generally Wales has comparative areas of strength and size. The UK as a whole offers a wider set of opportunities for students and it is important that they continue to access them (see Section 7.1.2 and Data Appendix).

One of the key issues we have previously identified with the fee and student support system introduced in 2012 was that fee grant payments were made from HEFCW's budget. This means that so far, in effect, that increases in enrolments of Welsh-domiciled students outside Wales were paid for by Welsh universities. A significant part of the issue was that this effectively transferred the risk of adverse variance against forecast to the sector which was less able to absorb variations of this kind than the Welsh Government – and successive estimates have significantly underestimated the costs of this: see Section 7.1.6. A recent decision to transfer the support budget out of HEFCW looks like it may address this issue, but the details of the arrangement are as yet unknown. There is a risk that in effect it operates in just the same way, if the HE budget is annually adjusted to compensate for increased take up of places outside Wales.

At the same time, supporting a student to study outside costs Wales in a number of ways. In addition to reducing the resource available to universities in Wales for fee grant payments, and the cost to the government in the form of other grants and loans, there is a significant economic cost to Wales in the form of off campus and living expenditure and the knock-on impact for the region due to the growth of the institution in question. In section 7.1.6 we also highlight these costs. We also note that the students are highly likely to be employed locally to their university after graduating, so this can have significant impact for employment as well.

Could access to opportunities outside Wales be supported in other ways? The answer appears to be that income contingent loans are sufficient to provide access.

The analysis of cross-border flows highlights the importance of the future study patterns for funding and student finance options in Wales.

In our view the evidence does not appear to support continuing payment of a universal fee grant payment for students wherever they choose to study. If the Welsh Government were to commit to extending the tuition fee grant policy into the future, it should be targeted at those students who need the support most via a means test. There are a number of potential ways in which this could be implemented and priorities that could be addressed - including greater student

support for part-time and postgraduate students.

**Q3. To what extent does the current HE sector funding system support high-quality provision and deliver value for money?**

The Review Panel is interested in hearing about the strengths and benefits of current arrangements as well as any weaknesses or issues.

Very well [  ]      Well [  ]      Not very well [  ]      Don't know [  ]

Please provide a reason(s) for your answer and where available, supporting evidence.

**PLEASE SEE THE MAIN SUBMISSION**

In our main response we point to the significant underfunding for the sector compared to other parts of the UK (see Section 5.2) and questions about current financial sustainability (5.1.) and threats to the mission. A key concern expressed in our submission is that it will be harder for universities in Wales to offer the quality of provision or be able to deliver value for money in the light of higher levels of investment in other parts of the UK. This will in turn have an impact on students, particularly less mobile students (including a disadvantaged students).

Particularly in Section 3.2 we highlight the difficulties in meeting pressing needs from current funding levels, and the difficult choices faced in future in the light of further expected reductions.

In Section 3.3 we draw attention to work on modelling the impact of the change to the new funding and fee arrangements from 2012/13. In particular we highlight the difficulties that arise from significant redistribution of income across the sector for particular institutions and for particular activities.

The Welsh Government has asked the Review Panel, in particular, to consider funding mechanisms that impact positively on:

- widening access – ensuring that any future system has widening access as its core objective, is progressive and equitable
- supporting the skill needs of Wales
- strengthening part-time and postgraduate provision in Wales
- long-term financial sustainability.

The following questions consider these components.

**Q4. To what extent do current HE sector funding and student finance arrangements support measures to widen access and improve participation in HE? Are there any alternative arrangements that you would like to see?**

Very well [  ]      Well [  ]      Not very well [  ]      Don't know [  ]

Please provide a reason(s) for your answer, and where available, supporting evidence. If the response is 'Not very well', please provide details of any alternative arrangements that you would like to see.

**PLEASE SEE THE MAIN SUBMISSION**

*We discuss issues in relation to widening access in our main submission at Section 7.6 in particular.*

Universities across Wales are committed to widening access and continue to invest considerably in this activity despite the sizeable grant reductions.

In terms of social inclusion, universities in Wales enrol a relatively high proportion of students from disadvantaged backgrounds, but alongside the rest of the UK must continue to address the large historical and deep-rooted disparities in participation from students of different backgrounds.

The key issue to address in Wales from our perspective is the comparatively low participation rates in Wales. Despite the increase, the application rate of Welsh 18 year olds at the January 2015 UCAS cycle deadline was 30.9%, compared to Scotland +32.3%, England +35.4%, and NI +48.1%.<sup>1</sup> If the analysis is broken down by region/nation, Wales had the lowest application rate of any region/nation. In short, more Welsh students should be entering higher education. Participation by older learners is equally vital.

<sup>1</sup> UCAS, UK application rates by country, region, constituency, sex, age and background - published 30 January 2015, January 2015 (see [here](#)).

In terms of social inclusion, universities in Wales enrol a relatively high proportion of students from disadvantaged backgrounds, but alongside the rest of the UK must continue to address the large historical and deep-rooted disparities in participation from students of different backgrounds.

By our calculations a percentage point increase in the rate of participation would as a very rough rule of thumb equate to around an additional 1,900 students receiving support of a total value of £24m in loans/grants, by our calculations.

**Q5. To what extent do current HE sector funding and student finance arrangements support measures to widen access to HE provision through the medium of Welsh? Are there any alternative arrangements that you would like to see?**

Very well [  ]      Well [  ]      Not very well [  ]      Don't know [  ]

Please provide a reason(s) for your answer, and where available, supporting evidence. If the response is 'Not very well', please provide details of any alternative arrangements that you would like to see.

**PLEASE SEE THE MAIN SUBMISSION**

*See Section 7.7.*

The analysis in our submission points to the need to balance investment in support of the Coleg Cendelaethol and to continue to provide measures to support and incentivise universities in relation to this agenda.

**Q6. To what extent do current HE sector funding and student finance arrangements support measures that respond to the skills needs of Wales? Are there any alternative measures that you would like to see?**



Very well [ ] Well [ ] Not very well [ X ] Don't know [ ]

Please provide a reason(s) for your answer, and where available, supporting evidence. If the response is 'Not very well', please provide details of any alternative measures that you would like to see.

**PLEASE SEE THE MAIN SUBMISSION**

*Skills needs are discussed in Section 7.8 of the main submission.*

Universities in Wales recognise that there is a global race towards high skilled economies and are keen participants.

Each year around 10,000 students from Welsh universities enter the workforce in Wales within six months of leaving university, and over 6,200 enter employment in other parts of the UK.<sup>2</sup> From this it can be seen that the majority (61%) of graduates from Welsh universities find employment in Wales.<sup>3</sup>

Universities will continue to need to responding to demand or skills shortages both locally and nationally/internationally.

This is likely to include further strategic investment in the Grand Challenge areas identified in the Welsh Government's innovation and science strategies. Supporting STEM subjects will be important in this, but the economic importance of other areas for the Welsh economy such as finance and the creative industries (both highlighted as the major areas of growth for Cardiff and Newport in previous spatial planning strategies) should not be underestimated. The importance of the creative industries is highlighted at a national level by previous studies.<sup>4</sup>

Grant funding specifically relating to skills has been limited in the past. The removal of HEFCW's budget for innovation and engagement and Skills and Employability Action plan funding, for instance, have an impact on this area. More generally, it will be vital for this agenda that part-time and postgraduate study are better funded and supported.

**Q7. Does the current system of HE sector funding and student finance arrangements provide an appropriate balance of funding to support**

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<sup>2</sup> Higher Education Statistical Agency (HESA), Destinations of Leavers from Higher Education 2011/12, HEIDI Report 2013.

<sup>3</sup> See Data Appendix, Table 6.1

<sup>4</sup> See for instance UUK, Driving Economic Growth

**full-time undergraduate, part-time undergraduate and post-graduate study? If you think it does not, how might you change this balance?**

Yes [  ]

No [  ]

Don't know [  ]

Please provide a reason(s) for your answer, and where available, supporting evidence. If the response is 'No', the Review Panel would be interested to hear your views on what would be an appropriate and sustainable balance.

**PLEASE SEE THE MAIN SUBMISSION**

In sections 3 and 4 we discuss the reductions in grant funding and increases in student finance since 2010/11 respectively. There has been a major shift from grant funding to student support funding, particularly in the form of fee grant payments over this period.

With hindsight it appears that the introduction of £9k fees and income contingent loan support in England did not reduce access to higher education or have a damaging impact on widening access. Despite concerns over RAB charges in England, the combination of fee grant payments and loans in Wales costs more. The main impact of the fee grant payments is to reduce student debt.

The need to meet fee grant payments and to focus remaining funding on a smaller set of priorities has raised a number of significant issues. Issues in particular relating to high cost subjects are discussed in Section 7.1.9, and funding for part-time and postgraduate provision in particular are discussed in Sections 2 and 3 respectively. The need for continuation of grant and greater investment in research and innovation is also discussed in Section 7.5.

There is clearly a balance to be struck in determining how the costs of higher education are shared among those who benefit from it. However, we believe that currently a better balance needs to be struck with other priorities. Replacing the fee grant with a more targeted tuition grant for students or removing it altogether would release important funds to help address these key issues.

**Q8. What does a top-class HE system look like and what would be the implications of not having a top-class HE system in Wales?**

This is deliberately broad. Your response will inform the Review Panel's thinking about the type of HE system that the final recommendations are designed to support. The question may be considered from an economic development, innovation and research, community, social, cultural, quality, structural, financial, student, employer or any other perspective you think appropriate. In forming your response, examples of good practice that you wish to draw to the Review Panel's attention would be welcome.

**PLEASE SEE THE MAIN SUBMISSION AND PREVIOUS SUBMISSION**

A detailed vision of what the higher education system in Wales should look like was submitted for July 2014. We outline some of the key features of this in the current submission in Section 2. In particular, we highlight the need for the university sector can be characterised by the following critical success factors including:

- Sufficient resources to provide an extensive, comprehensive learning and teaching environment providing both full-time and part-time opportunities to study for learners of all ages, and a rich environment for advanced research
- Favourable governance allowing and encouraging autonomy, strategic vision, innovation, efficient resource management and flexibility
- Critical mass of talent for both faculty and students
- A system that highlights and values the heterogeneity of different university missions, seeing them as serving the full range of different students in different ways and producing a good quality “system-as-a-whole”.

Universities are essential to the future economic growth and prosperity in Wales. They must continue to respond to the higher education needs of Welsh students, businesses and the economy. Welsh universities will need to continue to offer high-quality higher education in keeping with the levels of private and public investment.

**Q9. What does a top-class HE sector funding system look like?**

(It would be helpful if when forming your response consideration could be given to any related aspects identified within the terms of reference.)

**PLEASE SEE THE MAIN SUBMISSION**

The key principles and characteristics of a high quality higher education system for Wales are discussed in Section 2.

A strong and equitable university sector can be characterised by the following critical success factors including:

- Sufficient resources to provide an extensive, comprehensive learning and teaching environment providing both full-time and part-time opportunities to study for learners of all ages, and a rich environment for advanced research
- Favourable governance allowing and encouraging autonomy, strategic vision, innovation, efficient resource management and flexibility
- Critical mass of talent for both faculty and students
- A system that highlights and values the heterogeneity of different university missions, seeing them as serving the full range of different students in different ways and producing a good quality “system-as-a-whole”.

In particular, we emphasise that policy decisions need to be informed by evidence of what works in practice and funding needs to target priorities effectively. We discuss particular policies in context – for instance, the income contingent loans (Section 7.1.4) and fee grant payments (7.1.5) in the context of full-time undergraduate policy. More generally we identify and discuss a range of options in Section 6.2. A key conclusion is that grant funding remains an important and necessary part of the solution in many areas.

The HE system must ensure that the sector is not only financially sustainable but able to maintain a high quality higher education in comparison to other countries. Ultimately, the resource should be commensurate with the levels of ambition, and ensure that the sector’s aspirations are achievable. This has significant consequences for the future size, shape and nature of the higher education sector in Wales – for instance in achieving a growth in the percentage of the population who are graduates. Sustainability seen from each of these perspectives is discussed in Section 5.

**Q10. What would you see as the components of a top-class HE student finance/support system?** (It would be helpful if when forming your response consideration could be given to any related aspects identified within the terms of reference.)

**PLEASE SEE THE MAIN SUBMISSION**

In general, we discuss student finance policy in Section 4. Otherwise, we discuss particular policies in context – for instance, the income contingent loans (Section

7.1.4) and fee grant payments (7.1.5) in the context of full-time undergraduate policy. More generally we identify and discuss a range of student finance options in Section 6.1.

Again, we emphasise that policy decisions need to be informed by evidence of what works in practice and funding needs to target priorities effectively.

Student finance and support packages primarily address the issue of student demand. This can be important for some areas such as part-time and postgraduate student markets where fee levels and student numbers are not currently regulated, but is not the case for the full-time undergraduate market. A key conclusion is that fee grant payments are not addressing issues access and participation or increasing university resources (the rise in fee levels did that). Instead, they are addressing the issue of debt and reducing the total cost of higher education ultimately borne by the individual.

In Section 7.1.7 we discuss the policy of funding students wherever they wish to study, and identify the particular issues arising from that.

A key conclusion is that there is scope for rebalancing elements of the student finance better to meet priorities more effectively.

**Q11. Do you think that current HE sector funding and student finance arrangements in Wales are sustainable? If you do not think so what are the components of the current scheme that you would omit or change?**

Yes [  ]

No [  ]

Don't know [  ]

Please provide a reason(s) for your answer and where available, supporting evidence.

**PLEASE SEE THE MAIN SUBMISSION**

*The sustainability of arrangements is discussed in Section 5 in particular.*

The HE system must ensure that the sector is not only financially sustainable but able to maintain high-quality opportunities to access higher education in Wales in a globally competitive higher education context. This has significant consequences for the future size, shape and nature of the higher education sector in Wales – for instance in achieving a growth in the percentage of the population who are graduates.

In our analysis (see the response to Question 12 below) the current position is not sustainable on a number of levels. We would like to see fee grant payments reduced or removed and the resource used for other priorities.

**Q12. Does the current system of funding HE provide for an appropriate mix of funding allocations to the HE sector (e.g. via HEFCW or Welsh Government funding allocations to higher education institutions (HEIs)) and subsidised loans and grants to students to ensure long-term sustainability? If you do not think the current system does this what would be the implications of maintaining the status quo? And are there any changes you would like to see?**

Yes [  ]

No [  ]

Don't know [  ]

Please provide a reason(s) for your answer, and where available, supporting evidence. If the response is 'No', the review panel would be interested to hear your views on what alternative arrangements are required to deliver an appropriate and sustainable mix.

#### **PLEASE SEE THE MAIN SUBMISSION**

Funding arrangements for higher education in Wales in recent years have been subject to major change. In Section 3, it is argued that maintaining the 'status quo' is not an option and it would be misleading to think of current arrangements as static. Current funding levels are the result of dynamic shifts in grant funding and fee income which continue to change rapidly. Even if the current system is retained it is unlikely that it will be able to deliver the kinds and levels of support seen in previous years.

In particular, the successive reductions in grant funding since 2010/11 have not yet stopped and we can expect further reductions in grant funding. As outlined in Section 3.2, seemingly, difficult choices must be made for 2015/16 between the current levels of funding for research (£78m), expensive subjects (£15m), part-time (£30m), postgraduate provision (£7m) and the range of strategy and initiative allocations (£26m) including the strategic development (£9m) some of which are subject to existing commitments.

In Section 7 we highlight key issues in each area of provision which currently need addressing, and the main difficulties of the current arrangements. In Section 6 we highlight that some solutions are more effective in some situations in others.

Overall we conclude that a mix of funding and student finance support measures are necessary.

In our view, however, there is a pressing need to increase grant funding in particular for high cost subjects, part-time and postgraduate provision and research. We also highlight the need for greater student support for part-time and postgraduate activities.

**Q13. What challenges are institutions in Wales facing or likely to face that might affect their long-term sustainability or future direction and what measure can be taken by a) the HE sector itself; and b) the Welsh Government to address this?**

Please provide supporting evidence, where available.

**PLEASE SEE THE MAIN SUBMISSION**

In Section 5, we examine sustainability from three perspectives and conclude:

In terms of financial sustainability, we conclude in Section 5.1 that although the sector has been very successful in managing major changes in configuration regulation and funding (both within Wales and outside it) there are clear threats to financial sustainability in future, and it is a concern that there is a growing deficit on a full economic cost basis in Wales.

Although financial sustainability is essential, the key issue facing universities in Wales is currently competitiveness. If universities in Wales are unable to maintain a competitive position and the quality of what they offer, students and those who access the services of universities will simply turn to alternative providers. In Section 5.2. We conclude that the gap in funding between Wales and other parts of the UK is growing and that current funding arrangements are unsustainable if universities in Wales are to remain competitive.

More fundamentally sustainability is about the mission and contribution of universities to Wales. We have to ask ourselves what the price of reductions in investment are in terms of the range of activities, the quality of education and services, that universities currently offer. Ultimately, investment will affect the size and shape of the sector, and we need to be clear about what sort of sector we can expect as a result of current or future investments. In Section 5.3 we conclude that if sustainability is understood in terms of the mission and activities, then it appears that current arrangements are not sustainable.

As discussed in Section 1.5, a key issue running throughout our submission is the need to take into account the particular context of Wales. It is clear that the policy

in Wales must take into account what is happening across the rest of the UK and elsewhere. We know that despite political and legal devolution, the Welsh economy is closely linked to that of the wider UK economy. With the highest cross-border flow of students of any UK nation, higher education in Wales is in effect a small part of a much bigger system, affected disproportionately by policy changes in England. The financial (and regulatory) implications for Wales will be very different, for instance, depending on whether full-time undergraduate fees of £9k are maintained in England or reduced to £6k. This means that the funding and support system in Wales needs to be flexible and responsive to change.

**Q14.** A decade of financial austerity has been forecast with regard to public sector funding in Wales. A finite budget will be available to the Welsh Government and the Department for Education and Skills. The Review Panel will need to take this into account when making its final recommendations if they are to be deliverable, affordable and sustainable. The Review Panel will need to ensure that its recommendations for HE funding are set within the wider education context, and it will need to provide a very strong evidence base to support any recommendation that is likely to result in a redirection or increase of funding to HE. Given this position, and considering the education system as a whole:

**Where should the highest priority be for any future redirection or investment of additional education sector funding?**

Schools  Further education  Higher education

Other  Please specify:.....

Please provide a reason(s) for your answer, and where available, supporting evidence.

**PLEASE SEE THE MAIN SUBMISSION**

It is clear that education as a whole in Wales needs priority investment.

In our submission (particularly in Section 1.1 and our previous submission in July 2014) we outline the importance and value of investment in higher education. There is a wide range of evidence showing that investment in universities will have an impact on the economic growth and international competitiveness of Wales as a whole. Countries with high levels of innovation on average tend to have a



stronger track record of investment in higher education and higher proportions of graduates in their populations.<sup>5</sup> Long-run economic growth is above all determined by knowledge accumulation and technological progress.<sup>6</sup>

In our analysis of widening access in particular (Section 7.6) we highlight the importance of educational attainment at lower levels for participation in higher education, and for the importance of taking a whole system approach particularly to addressing disadvantage in particular. Successful school and further education systems are also important for success in higher education.

In Section 3.1, however, we present analysis which shows that higher education has fallen significantly in the list of the Welsh Government's budgetary priorities. Although budgetary austerity may have played a part in this, it appears that the higher education budget has suffered disproportionately. As the higher education budget fell by -20%, Welsh Governments total allocations fell by only -2% (-27% and -10% respectively at 2010/11 prices). The higher education allocations have gone from comprising 3.1% of the budget to 2.6%. Capital funding for higher education was removed altogether in 2011/12.

In Section 5.2 we also identify the significant gap in investment in higher education compared to other parts of the UK, and the need for the UK as a whole to be investing more in higher education.

In our view there is an urgent need to redress the position of higher education in the list of current Welsh Government budgetary priorities. The range of options and potential actions that we think merit further exploration in this context is provided in the 'Proposals' section below. Overall, however, the need for further investment is outlined in Section 8.2:

- To remain sustainable there is a pressing need in the particular to address issues relating to funding for high cost subjects and research, and the support of part-time and postgraduate study. A significant part of the resource for this should come from reductions in fee grant payments.
- There must be a significant increase in investment in universities to ensure that they remain viable in an internationally competitive environment and are able to offer the high-quality higher education and continue to make a major contribution to the development of the nation's knowledge economy. Most immediately the gap in investment between Wales and other parts of the UK needs to be addressed through a combination of removal of restrictions on average fee levels and maximum student numbers, and increased funding

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<sup>5</sup> Universities UK, Higher Education in Focus: Driving Economic Growth, 2011.

<sup>6</sup> OECD, The OECD Innovation Strategy - Getting a head start on tomorrow, 2010.

grant. To ensure competitiveness the share of UK funding grants received in Wales should be restored to around at least 5% (in line with its comparative size), increasing from 3.8% currently.<sup>7</sup> It is noted, that before fee grant payments are taken into account, higher education allocations have gone from comprising 3.1% in 2009/10 of the budget to 2.6% in 2012/13.<sup>8</sup> A higher priority will need to be given to higher education in the Welsh Government's budget.

- In the longer-term significant further investment in universities and students will be required to raise the levels of participation in higher education in Wales. From very rough 'rule of thumb' calculations, each percentage point increase in the rate of participation would as equate to around an additional 1,900 students receiving support of a total value of £24m in student support (either grant or loans), by our calculations.<sup>9</sup>

**Q15. What changes could be made to existing HE arrangements (financial, structural or otherwise) that would enable a more efficient and effective targeting of HE funding to where it is most needed and would have the greatest impact?**

Please provide a reason(s) for your answer, and where available, supporting evidence.

**PLEASE SEE THE MAIN SUBMISSION**

In Section 8.1 we summarise what we currently regard to be the key investment priorities for higher education in Wales. Within the sector, there are likely to be a range of views on competing priorities, reflecting the diverse nature and missions of individual institutions. However the following can be highlighted in particular on the basis of our analysis:

- Raising the entry rates and participation levels of Welsh students entering higher education. This will require a major increase in investment in HE funding and student support over time.
- Giving greater priority to part-time and postgraduate provision, particularly in the form of means-tested loans.

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<sup>7</sup> See section 5.2 above, on competitiveness.

<sup>8</sup> See section 3.1 and 3.2 above.

<sup>9</sup> See widening access section above. A far more accurate estimate may be possible than this with detailed modelling and data - this assumes a static population (37,490 Welsh 18 year olds in 2014/15) and average award (of £12,780 based on SLC data for 2014/15) and a fixed relationship between the application rates for 18 year olds (30.1% in 2014/15) and the current numbers receiving support (57,700). Nevertheless, a rule of thumb may give some indication of the sorts of level of investment required.

- Addressing funding issues associated with high cost subject provision, particularly for full-time undergraduate provision through increased grant funding.
- Providing significant grant funding to support and increase world-class research in Wales.
- Retaining sufficient grant funding to cover other strategic priorities where grant appears to be provide an effective form of support including Welsh medium.
- Addressing the comparative lack of investment in higher education to maintain a successful and sustainable higher education sector that can offer high-quality higher education for students and the Welsh economy.

**Q16. It is estimated that the RAB charge for new students in 2014/15 is 34.6 per cent. Do you think this is appropriate?**

(The resource accounting and budgeting (RAB) charge comprises the interest rate subsidy and the cost of loans to students that are not recovered.)

Yes [ X ]

No [ ]

Don't know [ ]

Please provide a reason(s) for your answer, and where available, supporting evidence. If the response is 'No', the review panel would be interested to hear your views on what is appropriate and what actions are necessary.

**PLEASE SEE THE MAIN SUBMISSION**

*RAB charges are discussed in our submission in the context of student loans in Section 6.1.4.*

Structuring loans so that the budgets can be managed by Welsh Government is essential. However, experience highlights the difficulty of estimating these, particularly with policy changes over time. There are clearly a number of key areas of sensitivity in forecasting RAB charge e.g. fee assumptions, graduate earnings assumptions (critically, changes in distribution of earnings over time). This all points to a high degree of uncertainty about future costs/returns, even with the most careful planning.

As highlighted in the consultation, the RAB charges in England for student loans are presently much higher than in Wales, and much higher than initially forecast which has been an area for concern for stakeholders. In part this could be expected, given the larger size of the loans, however. It should also be noted that

the cost of fee grant payments and RAB charges combined exceed the RAB charges in England: the Welsh grant and loan package is more expensive in terms of government budget.

Our view that loans should continue to play an important role in providing student support. They should be extended to part-time and postgraduate students and potentially to replace fee grant payments for full-time undergraduate students. The likely costs will need careful modelling and appropriate arrangements put in place to manage uncertainties in future costs and returns.

## **Proposals for reform and alternative higher education sector and student finance funding models**

Professor Diamond and the Review Panel will identify and evaluate potential funding options after all evidence-gathering and stakeholder-engagement stages of the review process have been concluded. In the meantime, unless already specified, if you have any other proposals that you wish to share with the Review Panel at this time please provide details below.

Proposals for the reform of current HE sector funding arrangements or for the introduction of alternative funding models.

**PLEASE SEE THE CONCLUSION (pages 78-84) OF THE MAIN SUBMISSION**

Please provide details of the objectives and outcomes that your proposals are seeking to achieve.

### **OUR VISION**

**A higher education system comprising diverse, autonomous Institutions, internationally competitive in their own right, but with the combined strength to meet the needs and aspirations of Wales.**

Do you envisage that your proposals will:

- i) deliver cost savings [ ]
- ii) be cost neutral [ ]
- iii) require additional financial investment [ ]

## Additional information

Please use the space below to record any other views or comments you would like to make in relation to the review.

Our response is contained in the Main report and appendices. This pro-forma has been provided as an appendix for referencing the main report and ease of analysis.

In presenting our views we should emphasise at the outset that we currently operate in highly fluid environment. It is possible that our current assessment of the present arrangements and future options would need to be revisited during the review period.

We will be continuing our work on this area, and would like to provide the Review with every further assistance possible in this respect.

Please provide the titles of additional information, evidence or research papers that you are submitting with your response. (Where appropriate, please include web links.)

**PLEASE SEE THE MAIN SUBMISSION**

## **How the views and information you give us will be used**

Any response you send us will be seen in full by Professor Diamond and the Review Panel, together with Welsh Government staff who are supporting the review.

Professor Diamond may choose to publish a summary of the responses to this document and/or selected quotes. The responses may also be published in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the call for evidence was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

**Please tick here if you would prefer not to have your name and address published with the response:**

