

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 13 : Ymateb gan: Y Brifysgol Agored (Saesneg yn unig) | Response from: The Open University (English only)



Response to call for information

The Welsh Government's 2024–25 Draft Budget Proposals

The Open University in Wales is pleased to have the opportunity to respond to the committees of the Senedd's consultation to inform their scrutiny of the Welsh Government's 2024–25 draft budget proposals.

Committees' scrutiny will take place at a time of severe pressure on public finances, and it follows that the same kind of pressure is being felt by public bodies and services, businesses, communities, and households across Wales.

In this response, we will set out some of the challenges that we as a university are facing, and the need for sustained investment in the sector as the Commission for Tertiary Education and Research starts its work.

Summary

- The Open University in Wales is the largest provider of part-time higher education in Wales and has sustained growth in the part-time sector since the reform of the student finance system.
- Despite this, the amount of funding we receive per full-time equivalent student has fallen significantly in actual and real terms since the reforms.
- HEFCW acknowledges that part-time higher education is underfunded but is unable to resolve this issue without additional funding or moving funding away from other areas of higher education.
- The maximum amount that students can borrow to fund part-time higher education has remained static since 2012/13. This amount is worth 27% less in real terms today than it did when it was set.
- These pressures, together with the removal of additional funding in 2021, mean we are under increasing pressure. This pressure is constraining our ability to deliver transformative higher education to people in some of Wales' most underprivileged communities and to contribute to economic growth.

Background

The Open University in Wales is Wales' largest provider of part-time undergraduate higher education. With over 15,500 students, we are the country's fourth largest university overall, and have the distinction of being the only university with students in every Senedd constituency.

Since the reform of the student finance system in 2018, we have supported significant growth in the number of students choosing to take up the opportunity of distance higher education. Indeed, we are now double the size we were before the reforms.

In light of this growth, we now represent more than 50% of the entire part-time market in Wales. Indeed, without the growth that we have supported, the size of the part-time market would have shrunk since the introduction of the new student finance system.

We are particularly proud of how we have supported yet more students from some of Wales' most underprivileged communities to study with us, while remaining in their communities. We also have a large proportion of students who are working while studying, and who have disabilities.

Funding challenges

Despite the role we have played in growing the part-time sector and thereby delivering a key Welsh Government policy priority, we are now getting to a point where the public funding we receive is insufficient.

Our funding is made up of a number of elements, and the value of all of these combined has been falling for some years. In fact, the value of the funding we receive (for part-time provision) continues to fall relative to the funding that other universities receive for their full-time provision.

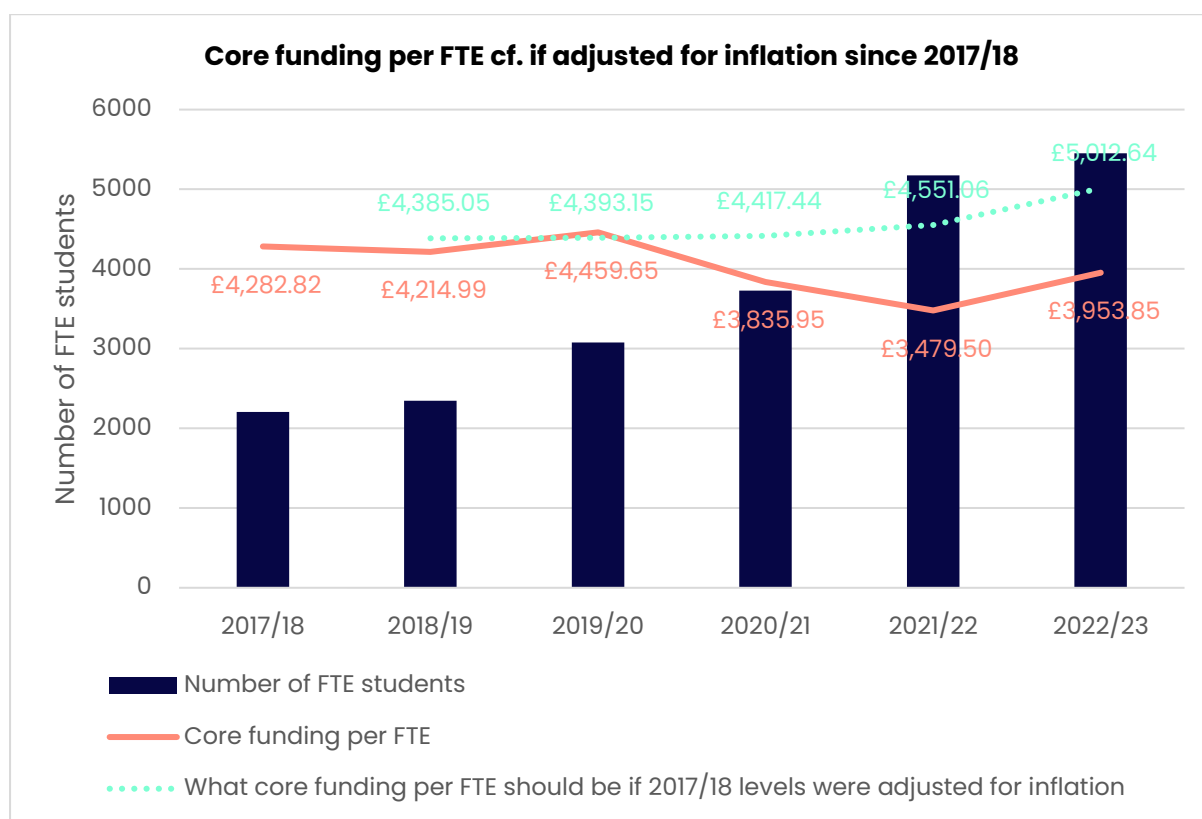
In carrying out their scrutiny of the draft budget, we encourage committees to take care fully to appreciate that raw numbers might not always tell the full story. By way of an illustrative example, the blue bar in the graph that follows shows that student numbers at the OU have grown year on year.

Meanwhile, the amount of core funding we receive per full-time equivalent

student (orange line) has fluctuated. Despite our growth, it has mostly been below the value of the funding we received in 2017/18, and still in 2022/23 was more than £300 less per FTE.

In real terms, the difference is even starker. Had the amount of funding we had per FTE in 2017/18 have risen in line with inflation, it would have increased annually to just over £5,000 in 2022/23. What we received in reality fell more than £1,000 short of this (green line).

This would not have been immediately obvious without interrogating the context of growth in total funding numbers.



Under-funding of part-time higher education

From 2021 to late 2022, the Higher Education Funding Council for Wales conducted a review of its teaching funding methodology. We engaged constructively in the review throughout. The review concluded that part-time higher education is underfunded relative to full-time higher education, but that, in order to resolve this longstanding issue,

“[HEFCW] would need to be in receipt of additional funds from Welsh

Government, or be required to accept substantial shifts in funding between providers and between undergraduate modes of study leading to potential destabilisation of some provision, which could go against other policy intentions such as supporting expensive and higher costs subjects.”

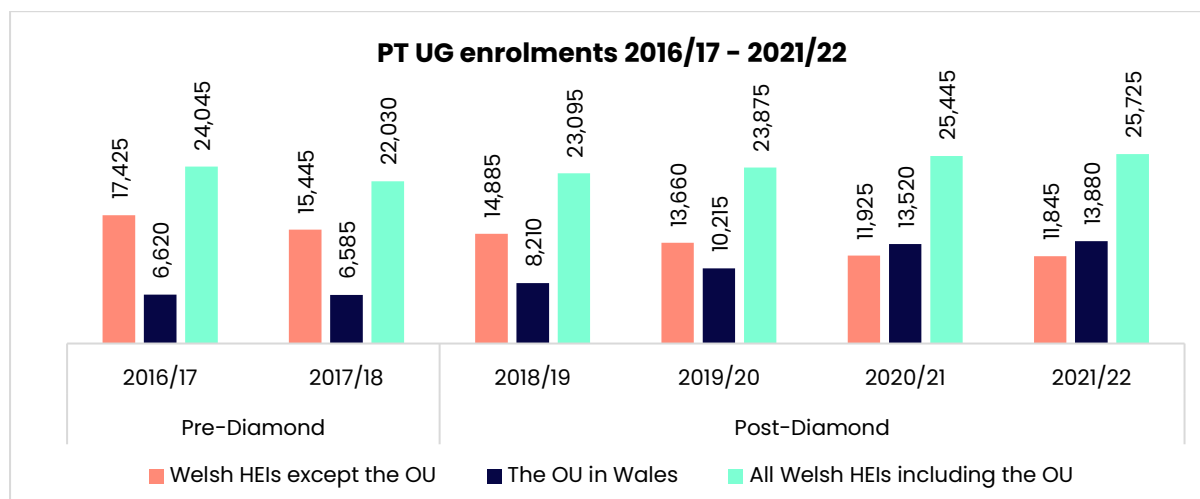
Additional funds were made available to support expensive and higher cost subjects in the full-time sector in 2021/22. Despite the Minister for Education and Welsh Language's remit letter to HEFCW requiring that this kind of support be made available to both the full-time and the part-time sectors, the part-time sector received no equitable support.

Committee colleagues will recall that Prof Sir Ian Diamond's review of higher education funding and student finance arrangements recommended an additional £63 million (2015/16 prices) of funding for part-time higher education. This has never been achieved, and in fact falls some way below this level.

This goes some way to explaining why most part-time provision in the wider sector outside The Open University in Wales has reduced to the point where it is almost non-existent. Increasingly over the past decade or so, those universities whose main or only form of provision is full-time would have to cross-subsidise their part-time provision from their full-time fee income, and other sources of income.

In that context, and as universities across the board come under increasing pressure, colleagues will understand why much part-time provision across Wales has now been withdrawn, to the point where the majority of part-time provision in Wales is now offered by one institution: the OU.

The graph below shows how part-time undergraduate enrolments have grown since the reform of the student finance system. The green bars show almost 17% of growth across all universities including the OU in Wales. However, the orange bars show more than 23% of reduction across all university excluding the OU in Wales. What this tells us is that the 110% growth at the OU in Wales alone, shown by the blue bars, has sustained any growth in the take up of part-time higher education.



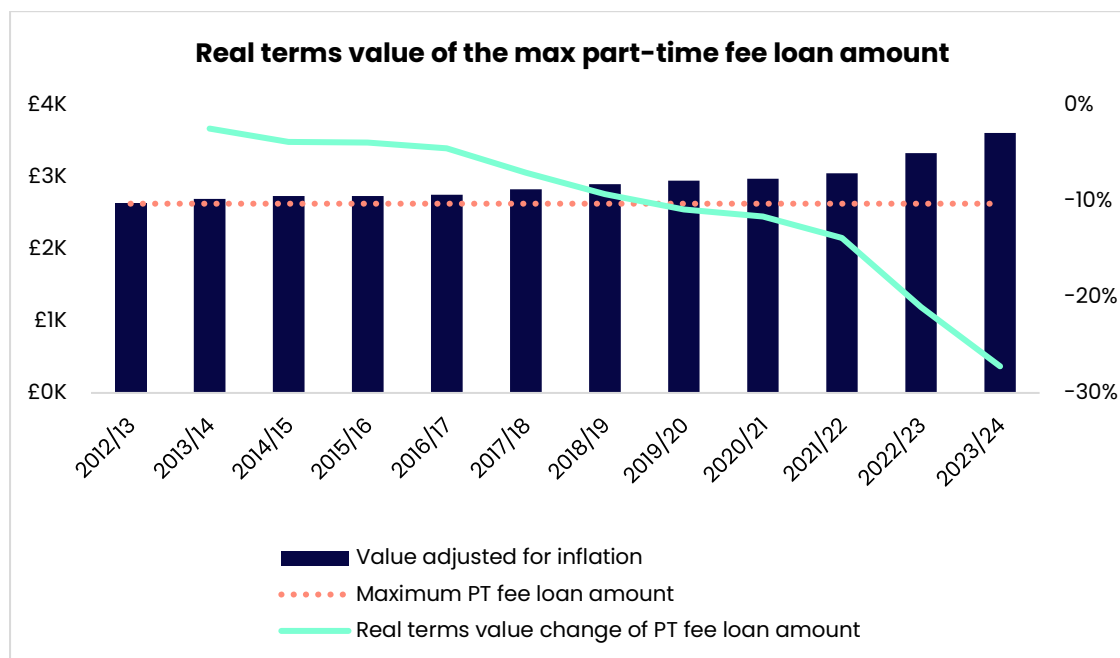
Resolving this significant issue will now be a matter for the Commission for Tertiary Education and Research. We are seriously concerned, however, that any continued reduction to the Education and Welsh Language MEG could lead to an inability to do anything but tinker around the edges of the problem.

This will also have the effect of increasing the pressure on the CTER budget before it even begins its work. It will be operationalised with high expectations, and it is true that it will have some substantial projects and systems changes to deliver. These will require not just funding, but investment.

Maximum part-time fee loan amount

One of the issues that is compounding the pressure on our funding is that the fee loan limit for part-time higher education has remained static at £2,625 since 2012/13. Adjusted for inflation, that is the equivalent of £3,607 in today’s money.

The graph below shows how the value of the maximum part-time fee loan amount of £2,625 has changed in real terms since it was set in 2012/13. Over time, as inflation has continued year on year, the value of that amount has fallen, such that by the current academic year, its value has decreased by more than a quarter. The blue bar shows the actual amount (static at £2,625) while the orange bar shows what it would be had it have kept pace with inflation; the green line shows its decreasing real terms value.



While the Welsh Government had indicated its willingness to work with us to increase the maximum fee loan amount, this is now being paused due to capacity and funding issues within Welsh Government.

We think this would be a relatively cheap measure that would be an important part of a wider suite of measures to help sustain part-time higher education; if even this is unachievable in the current climate, we have serious concerns about the feasibility of other much-needed measures aimed at resolving our longstanding funding challenges.

Universities are, of course, not prevented from charging part-time fees that are over the maximum amount that students can borrow; indeed, some do. The Open University in Wales has always taken the view that we would not want to do that, because to do so would run the risk of making our provision less accessible.

Removal of strategic funding from the OU in Wales

One of the other issues that is compounding our challenges is the removal of mitigation funding from The Open University in Wales. This had been granted to us until 2020/21 in recognition of the fact that, as a wholly part-time provider, we are not able to cross-subsidise our part-time provision in the way that full-time providers are theoretically able to. In 2020/21, this additional funding amounted to some £1.655 million.

In 2021, this funding was removed, and replaced with around £1 million less of strategic funding. HEFCW's rationale for its removal was that we were expected to benefit from new funding pots (e.g. the Research Wales Innovation Fund and capital funding). HEFCW also said that part of its reasoning was because it proposed to "continue to incentivise growth in PT UG provision".

While we have indeed benefited from Research Wales Innovation Fund and capital funding, the challenge we face is that these are hypothecated for specific projects and purposes. They do not fund teaching and learning.

The other challenge, simply, is that no new measures have been implemented to incentivise growth in part-time undergraduate provision.

Conclusion

What this response demonstrates is that the very real challenge we are facing is that our ability to serve our communities and our economy is being, and will be increasingly, constrained by the continued underfunding of even our core provision, and the inability of either our funder or the Welsh Government to resolve this problem.

We have seen, and continue to see, the amount of funding we receive per full-time equivalent student falling; a persistent under-funding of part-time higher education compared with the recommendations of Prof Sir Ian Diamond; and a fee loan cap which continues to be static at 2012/13 levels.

As a result of the extreme financial pressure on part-time higher education, most other universities have withdrawn some or most of their part-time offering, and even then, some are charging above what students can borrow to fund their studies.

The OU in Wales is the main provider of part-time higher education, and we are now getting to a point where we may be unable to sustain any more growth.

We are the only university in Wales whose entire student population is Welsh domiciled. This is because our model enables people to take up the life-changing opportunity of part-time higher education while remaining in their own communities.

The funding pressures we are facing have an inevitable impact on our ability to deliver the kind of provision which has been so transformative for so many people. They also constrain our ability to contribute to effective workforce planning, to deliver on the well-being goals, and invest in the green economy.

Those pressures also constrain our ability to innovate. It is well established that there will be more demand for different kinds of provision in the future, such as degree apprenticeships, short courses, and other types of 'alternative' provision, but developing and delivering these requires funding.

In their scrutiny of the Welsh Government's 2024-25 draft budget proposals, we strongly urge the Senedd's committees to consider the extent to which those proposals might start to resolve these longstanding funding challenges, which are growing more pressing, and enable the development of part-time, distance, and flexible learning opportunities for the benefit of Wales.

It is also noteworthy that this budget scrutiny will be taking place just a few short months ahead of the operationalisation of the Commission for Tertiary Education and Research. CTER's job will be to deliver a world-class post-16 education and training sector; sustained and sufficient funding will be essential to enable it, and all providers, to deliver on that mission.

Therefore, we also encourage committees to consider the extent to which the proposals might enable the Commission for Tertiary Education and Research to live up to the high expectations that many have for it, in terms of delivering an innovative and joined-up tertiary education system which serves students, providers, communities, and the economy well.

We are grateful for the opportunity to submit this response, and remain at the disposal of any of the Senedd's committees to provide further input, either in writing or verbally, if that would be useful.