

## **Paper from the Minister for Education and Skills to the Finance Committee for their review of Higher Education Finances**

### **Introduction**

1. As outlined in the Welsh Government Policy Statement on higher education, I believe that Welsh Higher Education is a success story. The sector contributes more than £3 billion a year in gross expenditure to our economy and Universities are significant employers, with more than 24,000 employees. They play a major role in supporting higher-end skills development, as well as generating opportunities for further growth through innovation and engagement with businesses.
2. The Welsh Government remains committed to opening up higher education to all those with the potential to benefit from it. We have seen success here too – the number of Welsh-domiciled students enrolled in higher education in the UK has risen from 93,405 in 2000/01 to 102,110 in 2011/12.
3. Our universities generally score highly in surveys of student satisfaction. They have been more successful in achieving participation by students from non-traditional backgrounds than other areas of Britain. They have considerable strengths in research and teaching and we are proud that Wales is a net importer of students and its higher education system is held in high regard around the world.
4. Changes to higher education funding and student finance arrangements in Wales introduced in 2012/13 have put the HE sector in a much stronger financial position.
5. Part one of the paper will outline the governance and control framework for the modelling of student finance and higher education to ensure that the policy is sustainable, its impact on finances, on regulation and legislation and of course on students and their ability to benefit from higher education. I will also outline my future plans for a review of higher education and student finance in Wales.
6. Part two of the report is a contribution from the Chief Scientific Advisor on the performance and funding of research in Wales.]

### Part 1

#### **Tuition fee income and support, the financial impact**

7. In 2010, the previous Minister announced the Welsh Government's response to the UK Government's decision to significantly increase tuition fees in England. The basic tuition fee in Wales was increased to £6,000 (since revised to £4,000) per annum from academic year 2012/2013 and higher education institutions (HEIs) are able to charge tuition fees up to £9,000 per annum, providing they can demonstrate a commitment to widening access and other strategic objectives

through fee plans approved by the Higher Education Funding Council for Wales (HEFCW). Welsh students are eligible for a Tuition Fee Grant (TFG) to cover any real-terms increase in fees.

### **Governance and control of the modelling of student finance and higher education expenditure**

8. Student Finance policy is underpinned by a sophisticated financial model which takes into account the current financial provision set aside for higher education in Wales as well as other sources of institutional income such as tuition fees. Forecasts are reviewed regularly as new or more robust data becomes available. Updated forecasts are produced by the Knowledge and Analytical Services Department at regular points during the financial year to ensure that the latest information regarding student behaviour, demographic trends, take-up rates, socio economic factors and other relevant data are taken into account.
9. Decisions to amend the assumptions contained in the model are based on advice from a Student Support Forecasting User Group (SSFUG) of officials which includes representatives from Higher Education Division, Knowledge and Analytical Services, Corporate Services Division and HEFCW.
10. In addition to discussions at the SSFUG, the high-level modelling assumptions are discussed at the Higher Education Funding and Student Finance Project Board and the Higher Education Delivery Programme Board. These Boards are made up of Welsh Government officials and key delivery partners including the Student Loans Company, HEFCW, Higher Education Wales and the Welsh Local Government Association.
11. The revised assumptions, data and macro economic factors are entered into the student finance model, which produces future forecasts.

### **Original tuition fee grant (TFG) financial modelling (2010/11)**

12. To support the HE policy changes introduced in 2010, detailed financial modelling was carried out on the impact of increased tuition fees at universities and the additional funding that would be provided to Welsh domiciled full-time undergraduate students to cover any increase in fees.
13. In order to complete the initial modelling, a number of assumptions were made regarding expected student numbers, loan take up and a number of other factors. These assumptions were based on previous years' trend data as well as future estimates about student and institutional behaviour.
14. The original modelling for the TFG was carried out in autumn 2010 and various scenarios were modelled. The models have been released following Freedom of Information requests in February (ref Ed33) and March (ref Ed53) 2011. The modelling scenarios included maximum tuition fees of £7,000 and £9,000. The

information can be found via the following link:  
<http://wales.gov.uk/publications/accessinfo/disclogs/dr2011/addysg/?lang=en>

15. The policy announced in November 2010 was based on the following assumptions for academic year (AY) 2012/13:

- a maximum variable tuition fee of £7,000 per annum (pa) at Welsh and English HEIs;
- a fee of £3,500 pa for Northern Irish HEIs; and a tuition fee of £2,190 pa at Scottish HEIs (2011/12 fee increased by inflation of 2.7%);
- 100% of students taking up tuition fee grants;
- financial year split: 51.5% previous AY and 48.5% current AY;
- future years' forecasts were based on tuition fees, both loan and grant elements, increasing by inflation each year. Inflation was forecasted as 2.7% for 2012/13 onwards;
- continuing students would not be eligible for the new support and would be subject to the existing package.

Table 1 shows the student numbers that would be eligible for support

**Table 1 - student numbers by Academic Year**

Student number projections (thousands)	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh in Welsh HEIs full fee-loans	11.991	21.982	30.433	32.837	34.182
Welsh in other UK HEIs full fee-loans	5.043	9.243	12.795	13.806	14.371
EU students	0.803	1.485	2.061	2.225	2.316
UK (non-Welsh) students in Wales	8.679	16.055	22.288	24.063	25.049

**Table.2: Forecasts for financial year 2012-13 to 2016-17 (Based on above assumptions)**

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	145.2	161.6	169.7	174.7	179.2
New Fee Grant	31.5	92.7	147.3	182.9	198.9
RAB* Charge	47.0	53.4	58.0	61.4	62.9

\* RAB – Resource Accounting Budget

16. The assumptions contained in the modelling were revised when institutions in Wales submitted their fee plans (to HEFCW) containing estimated fee levels. Whilst at that stage it was not possible to confirm the exact average fee level in Wales, it was decided that the modelling should take a prudent approach and assume an average fee of £9,000 pa. The revised modelling can be found in Table 3:

**Table 3: Forecasts for financial Year 2012-13 – 2016-17**

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	141.6	157.8	166.0	171.3	175.9
New Fee Grant	51.8	150.4	236.1	292.5	314.3
RAB charge	44.5	47.5	48.2	49.5	50.3

## Tuition fee grant financial modelling (2012/13)

17. The final forecasts prior to academic year 2012/13 were produced in July 2012. The following assumptions were agreed:

- a maximum variable tuition fee of £9,000 pa;
- 100% of students taking up a tuition fee grant;
- financial year split: 51.5% previous AY and 48.5% current AY;
- future years' forecasts are based on tuition fees, both loan and grant elements, increasing by inflation each year. Inflation was forecast at 3.22% in 2013/14, 3.3% in 2014/15 and 3.3% in 2015/16.

Table 4 shows the student numbers that would be eligible for support.

**Table 4 Student numbers by Academic Year**

Student number projections (thousands)	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh in Welsh HEIs full fee-loans	11.908	21.183	29.128	31.366	31.895
Welsh in other UK HEIs full fee-loans	6.149	11.148	15.397	16.580	16.860
EU students	1.079	1.962	2.730	2.948	3.000
UK (non-Welsh) students in Wales	10.614	18.753	25.601	27.501	27.953

**Table 5: Forecasts for financial year 2012-13 to 2016-17 (as of July 2012)**

Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	138.9	155.3	164.3	170.8	176.1
New Fee Grant (a)	51.8	150.8	238.0	296.4	319.5
RAB Charge	43.6	46.7	47.7	49.4	50.3

(a) £5,535 from 12/13 – difference between current fees and £9k

## Current tuition fee grant financial modelling (2013/14)

18. Using up-to-date information provided by the Student Loans Company (SLC), HEFCW, UCAS and HESA and taking account of the Ministerial statement on the 13 September 2012, the following changes to the assumptions contained in the student finance model were agreed:

### For 2012/13;

- a tuition fee of £8,680 pa for Welsh students at Welsh HEIs (HEFCW average);
- a tuition fee of £8,385 pa for Welsh students at English HEIs (Office for Fair Access (OFFA) average);
- a tuition fee of £9,000 pa for Welsh students at Scottish and Northern Irish HEIs;
- a tuition fee of £8,902 pa for other UK students at Welsh HEIs (HEFCW average);
- 98% of students taking up a tuition fee grant; and

- financial year split: 51.5% previous AY and 48.5% current AY.

Future years' forecasts are based on;

- a tuition fee of £8,291 pa for Welsh students at Welsh HEIs in 2013/14 (HEFCW average), 2014/15 and 2015/16;
- a tuition fee of £8,507 pa for Welsh students at English HEIs in 2013/14, 2014/15 and 2015/16 (OFFA average);
- a tuition fee of £9,000 pa for Welsh Students at Scottish and Northern Irish HEIs in 2013/14, 2014/15 and 2015/16;
- a tuition fee of £8,718 pa for other UK students at Welsh HEIs in 2013/14 (HEFCW average), 2014/15 and 2015/16;
- for Welsh domiciled students, the tuition fee loan would increase by inflation in 2013/14, 2014/15 and 2015/16, and the tuition fee grant element of fee support would decrease accordingly. Inflation was forecasted as 3.22% in 2013/14, 3.1% in 2014/15 and 3.2% in 2015/16;
- a tuition fee grant take-up rate of 98%;
- a financial year split: 51.5% previous AY and 48.5% current AY.

Table 6 shows the number of students eligible for support.

**Table 6**

Student number projections (thousands)	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh in Welsh HEIs full fee-loans	11.821	21.198	29.196	31.447	31.978
Welsh in other UK HEIs full fee-loans	6.056	11.058	15.294	16.473	16.751
EU students	1.006	1.835	2.554	2.760	2.808
UK (non-Welsh) students in Wales	11.006	19.606	26.297	28.117	28.537

Its should be noted that actual information on student numbers for 2012-13 are not yet available

**Table 7: Forecasts for 2012-13 to 2016-17**

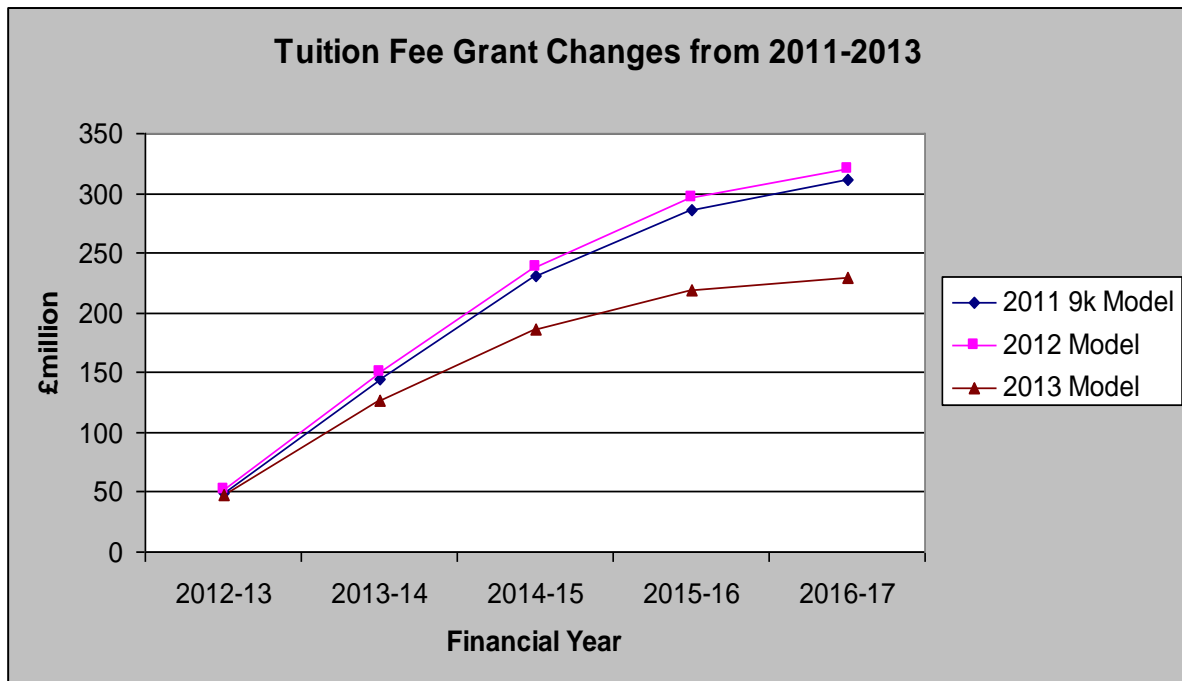
Grant/Loan (Millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Tuition Fee Loans	139.8	155.6	164.4	171.4	176.7
New Fee Grant (a)(b)	47.2	127.2	185.7	219.3	229.7
RAB Charge	43.9	46.8	47.6	49.5	50.5

(a) £5,535 from 12/13 – difference between current fees and £9k

(b) actual outturn data from SLC for 2012-13 was £47.8m

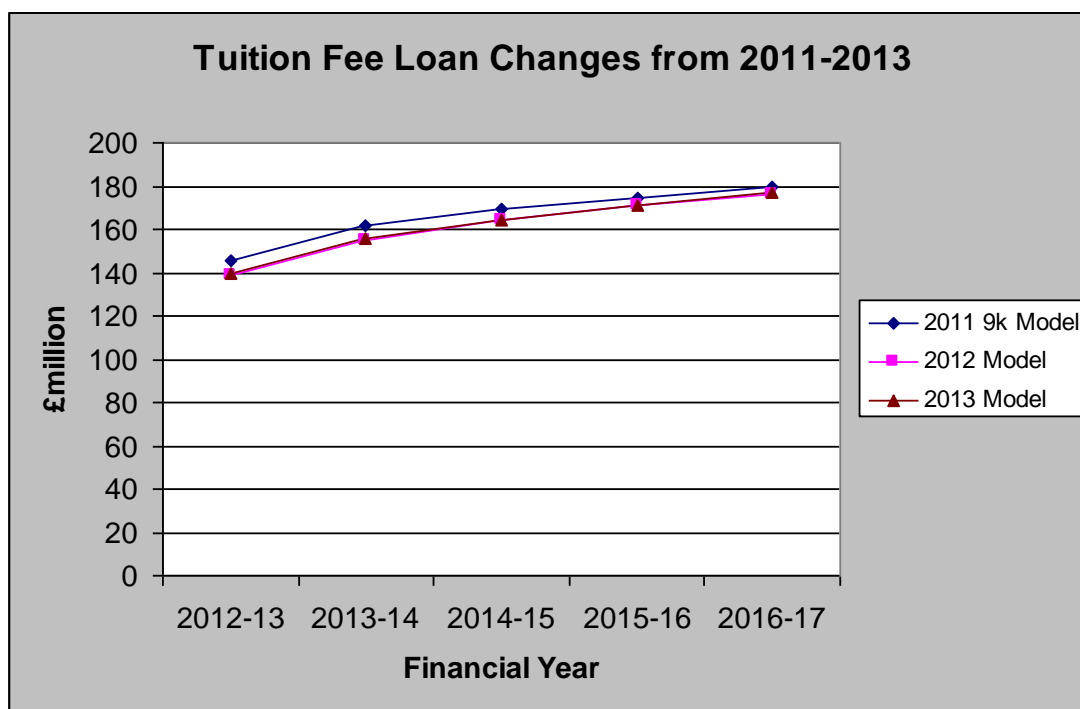
## Differences in the modelling from 2011 – 2013

Chart 7.1



19. Since the initial forecasts the expected cost of the tuition fee grant (during the lifetime of this Government) has decreased from £1.2 billion over five years to £809 million.
20. One of the main reasons for the decrease in the forecast cost of the tuition fee grant is that the average tuition fee for Welsh students has reduced from £9,000 pa to £8,680 pa for 2012-13 and from £9,000 pa to £8,291 pa for future years.

**Chart 7.2**



21. There has been a slight reduction in the expected cost of the tuition fee loan, with the costs dropping from £830 million over five years to £808 million over the same period, this reflects a change in the expected take-up rate from 100% to 98% (from AY 2013/14).

### **Additional Income into HEIs**

22. In addition to the tuition fee grant provided by the Welsh Government, HEIs also receive income from other sources, for example tuition fee income from non Welsh domiciled students studying in Wales and funding for research.

23. The following assumptions are contained in the modelling for tables 8 and 9 which assumes that:

- current levels of cross border flows and student recruitment continue at current levels.

24. Data for the financial year 2016-17 has not been included as information concerning Welsh Government budgets is not available at the present time. The budget for HEFCW will be dependent on finalisation of the UK Government settlement to the Welsh Government and the agreed budget provision for the

Department for Education and Skills. However, it would be prudent to plan on the continuation cuts to budgets in 2016-17.

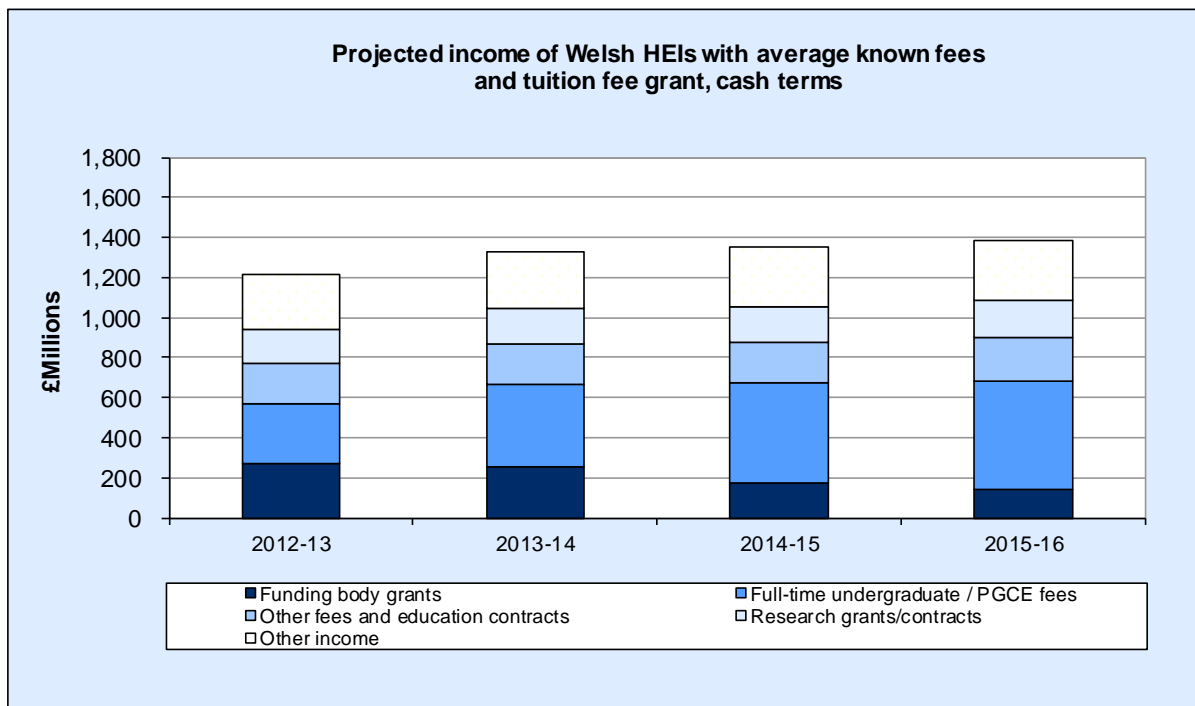
25. The planning assumptions of possible reductions would need to be applied to the overall Education and Skills budget, and then consideration would need to be given to areas where funding is protected such as schools etc.

**Table 8: forecasted additional income for HEIs in cash-terms (financial year)**

<b>Projected income of Welsh HEIs, with average known fees and tuition fee grant, cash terms</b>				
<i>£Million</i>	2012-13	2013-14	2014-15	2015-16
Funding body grants	269	254	177	141
Full-time undergraduate / PGCE fees	304	414	494	544
<i>current level of fees</i>	240	239	240	245
<i>higher additional fee income</i>	37	101	148	175
<i>English contribution</i>	27	74	107	124
Other fees and education contracts	196	202	208	215
Research grants/contracts	170	173	178	184
Other income	278	283	291	301
<b>Total</b>	<b>1,217</b>	<b>1,324</b>	<b>1,349</b>	<b>1,384</b>

*Source: WAG forecasts, HESA finance record and student numbers projected forward*

**Chart 9**



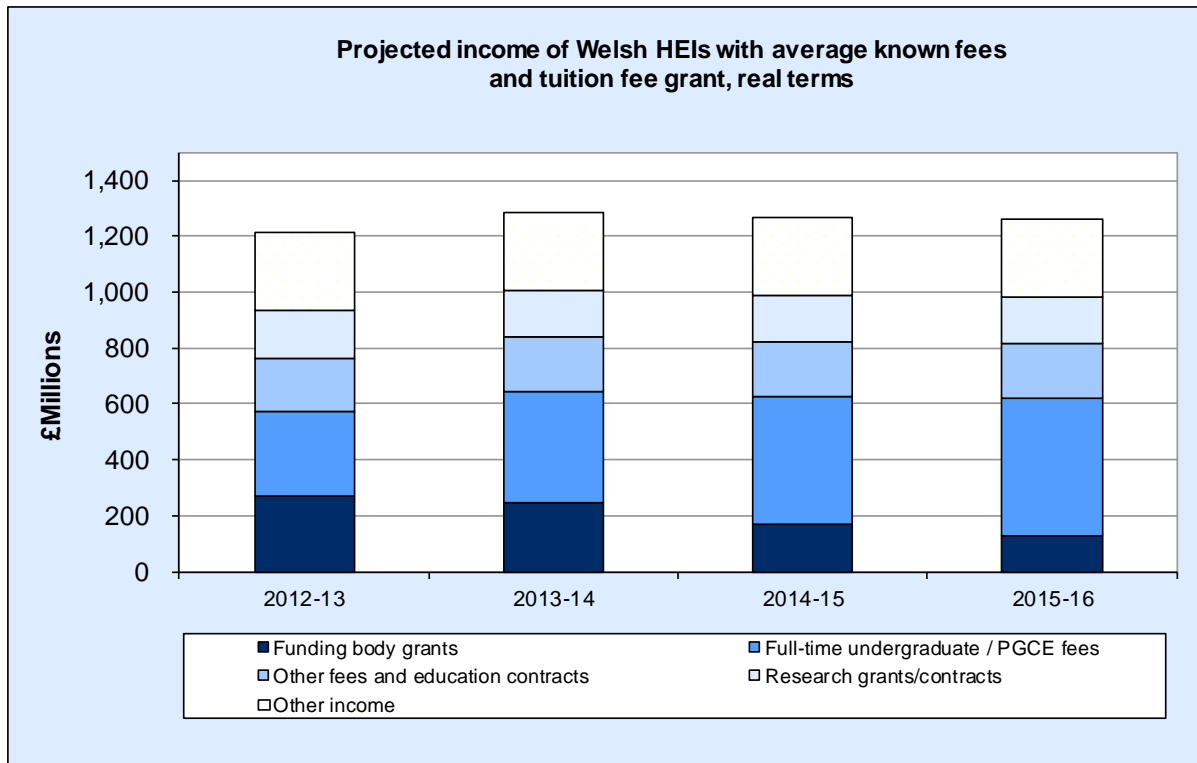


**Table 10: forecasted additional income for HEIs in real-terms (financial year)**

<b>Projected Income of Welsh HEIs, with average known fees and tuition fee grant, real terms</b>				
<i>£Million</i>	2012-13	2013-14	2014-15	2015-16
Funding body grants	269	246	166	129
Full-time undergraduate / PGCE fees	299	396	459	490
<i>current level of fees</i>	237	230	223	221
<i>higher additional fee income</i>	36	96	137	158
<i>English contribution</i>	27	71	99	112
Other fees and education contracts	193	193	193	193
Research grants/contracts	170	170	170	170
Other income	278	278	278	278
<b>Total</b>	<b>1,209</b>	<b>1,283</b>	<b>1,267</b>	<b>1,261</b>

*Source: WAG forecasts, HESA finance record and student numbers projected forward*

**Chart 11**



26. In cash terms, income to Welsh HEIs is projected to increase in each year for the lifetime of this Government.

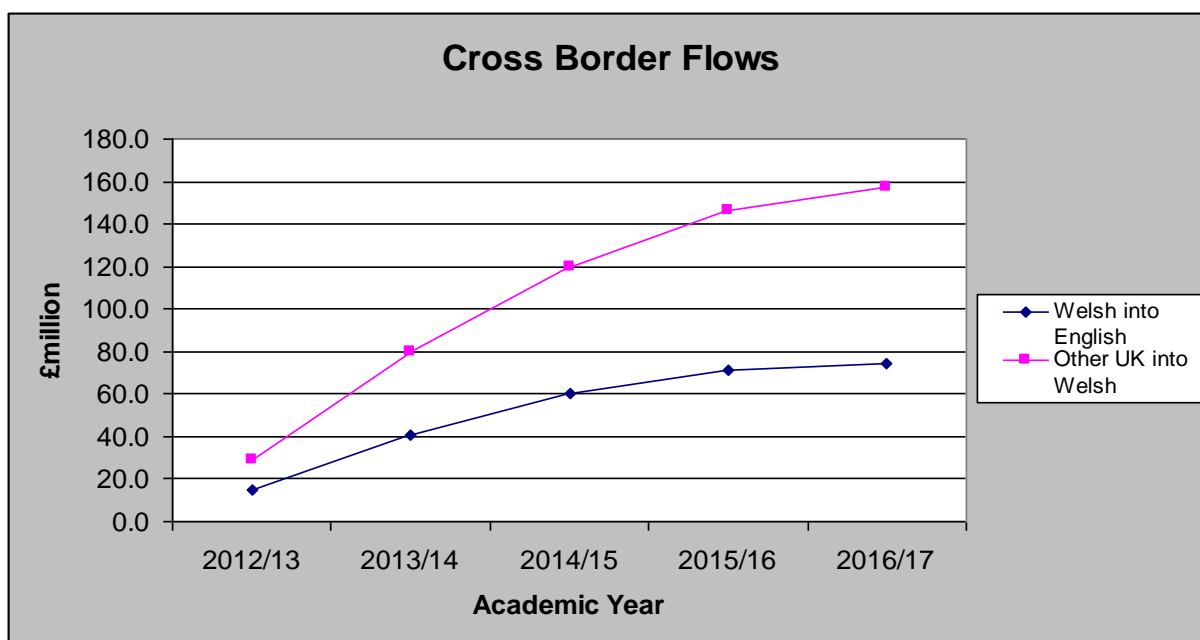
27. Income from funding body grants is projected to decrease over the next few years. However, the contribution from non Welsh domiciled students' fees is expected to increase. All other sources of income are likely to remain at a relatively similar levels.

### Cross-border flows

28. Wales is a net importer of students from other parts of the UK, and as a result institutions in Wales receive far more fee income from those students than HEFCW pays in fee grant to institutions outside Wales.

29. Chart 12 shows the value of fees projected to be paid by HEFCW to HEIs outside Wales and the value of fees projected to be received by Welsh HEIs from outside Wales.

**Chart 12**



**Table 13 Student numbers by academic year**

£million	2012/13	2013/14	2014/15	2015/16	2016/17
Welsh into English	15.1	41.1	60.3	71.3	74.7
Other UK into Welsh	29.0	79.7	119.5	146.4	157.0

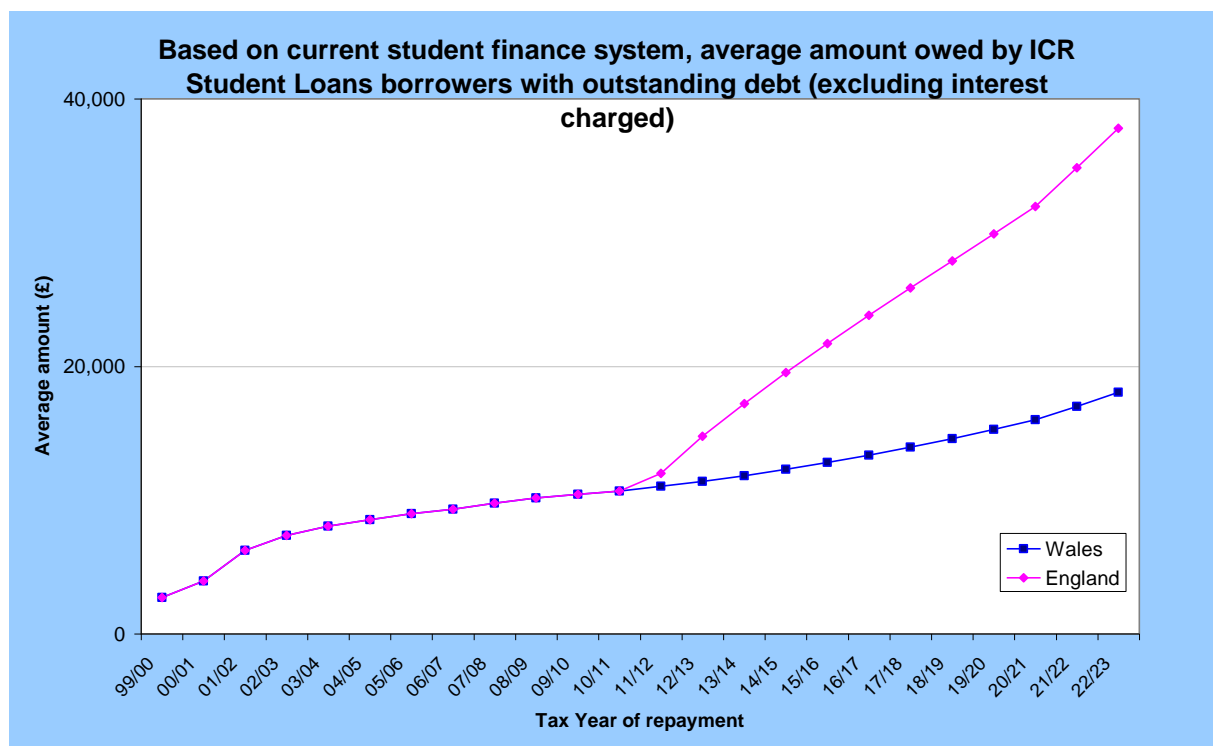
### Student Debt

30. The Programme for Government commitment (and in its predecessor "One Wales") to students to mitigate the cost of any increase in tuition fees introduced by the UK Government has been driven by our belief that that access to higher

education in Wales should be on an individuals ability not what they can afford to pay.

31. Chart 14 forecasts the projected debt level for Welsh domiciled students when compared to their English counterparts during the next 10 years (based on the current student finance systems in both countries, excluding interest charges). It demonstrates the impact that the tuition fee grant and the partial cancellation of maintenance loans policies have had on Welsh students.

Chart 14



Notes:

- i. For illustrative purposes only. Exact figures for projections should not be used.
- ii. Historic data up to present (including 2011/12 totals) is based on Student Loan Company data on numbers of borrowers and total amount owed.
- iii. Projections based on most recent 4 year average of changes in numbers of borrowers and amount owed.

Conclusion

32. The tuition fee policy introduced in 2012/13 will remain in place for the term of this Government. The policy has been fully costed and remains sustainable. The Higher Education Funding Council for Wales (HEFCW) has concluded the average increase in funding for HE institutions (HEIs) in Wales is 13.8 per cent in 2013/14. Based on the assumptions contained in the student finance model, the HE sector will continue to receive increases in total income until at least 2015-16, if institutions are able to recruit their allocated numbers of students. However, these figures will be dependent on the outcome of the next spending review and its impact on Welsh Government funding.
33. Even in the current economic climate and with significant pressures on government funding, income to the HE sector in Wales remains strong and is forecast to increase over time without significantly increasing debt on the part of Welsh domiciled students.
34. The financial model that supports this policy is reviewed on a monthly basis by officials and updated when new information is obtained.

## **Other implications of HE funding reform**

35. The new higher education funding and statutory student support arrangements have direct implications for the way in which HEFCW discharges its functions (the funding implications have already been dealt with above).
36. HEFCW has a statutory duty, under the Further and Higher Education Act 1992, to secure that provision is made for assessing the quality of education provided in institutions for whose activities the Council provides, or is considering providing, financial support. HEFCW currently discharges this duty via the Quality Assurance Agency (QAA) and enforces specific requirements concerning the quality of higher education via conditions attached to the funding it allocates to institutions. HEFCW's requirements in respect of institutions' financial health and governance arrangements are also implemented via conditions attached to funding made available to institutions. These conditions are included in the financial memoranda between the Council and individual institutions.
37. The current arrangements for higher education tuition fees are underpinned by the Higher Education Act 2004 which makes provision for institutions in Wales charging fees above the basic amount (currently £4,000) to secure equality of access to higher education.<sup>1</sup> These arrangements have been implemented under the new fees regime in the form of fee plans and in March 2011, HEFCW was designated as the body with statutory responsibility in Wales for the approval and enforcement of fee plans. In line with the new arrangements for the regulation of tuition fees from 1 September 2012, all institutions in receipt of funding from HEFCW which seek to charge fees above £4,000 per annum for full-time undergraduate level courses are required to have an approved fee plan in place. An institutional fee plan must set out measures, such as outreach work and financial support, to be delivered by the institution to promote higher education and equality of access to higher education. HEFCW's ability to enforce fee controls and fee plan commitments is also underpinned by conditions attached to funding which the Council allocates to institutions.
38. Under the new funding arrangements introduced from academic year 2012/13, a significant proportion of higher education recurrent grant funding (previously allocated to institutions by HEFCW under section 65 of the Further and Higher Education Act 1992), will start to be paid out by HEFCW through student tuition fee grants. Such grants to which eligible students are entitled to are outside the regime through which the Welsh Government makes funding available to HEFCW to fund higher education. Over time this shift in funding will have implications for the continued discharge of HEFCW's functions.

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<sup>1</sup> Welsh Ministers have made regulations under the Higher Education Act 2004 which set out the requirements for fair access, namely: The Student Fees (Approved Plans) (Wales) Regulations 2011 (SI 2011/884) (W.128) and The Higher Education Act 2004 (Relevant Authority) (Designation) (Wales) Regulations 2011(SI 2011/658) (W. 96).

39. HEFCW's influence over the higher education sector through conditions attached to the recurrent grant allocated to institutions will reduce over time as a significantly greater proportion of institutions' funding is derived from tuition fees. This has implications for the way in which HEFCW:
- imposes fee controls and enforces fee plan commitments;
  - makes provision for the assessment of the quality of higher education; and
  - provides assurance about institutions' financial health and governance arrangements.
40. The higher education landscape is undergoing significant change both in terms of the type of provision and the nature of the provider base, for example, growth in e-learning and distance learning and a more differentiated provider base with more higher education courses being offered by FE institutions and by other providers. In addition, as the recurrent grant allocated by HEFCW to Welsh HE institutions is replaced by fee income, it will become increasingly difficult to rely on HEFCW's existing functions in order to: enforce fee controls, assess the quality of higher education provision and provide assurance about the use of public funds. The regulatory controls administered by HEFCW need to operate in relation to the full range of courses which the Welsh Ministers automatically designate for statutory student support. Consequently, HEFCW's functions need to be amended to reflect the higher education landscape changes and the tuition fee support and funding arrangements.
41. The Welsh Government considers that all institutions and other providers offering higher education courses which are designated for the purpose of statutory student support should be required to comply with regulatory controls in order to protect the interests of students, taxpayers and Welsh society (although there will be a greater measure of control in respect of those courses which are automatically designated for the purposes of student support proportionate to the nature of support made available). A new regulatory framework for higher education is needed to provide assurance about the financial health and governance of higher education providers and the quality of their provision, to enforce fee controls and to safeguard equality of opportunity to access higher education in Wales. The Welsh Government's intention is to bring forward a bill during this Assembly's term to seek provision for HEFCW to have regulatory oversight of all higher education courses automatically designated for statutory student support delivered in Wales. The specific provisions to be sought are described in the sections which follow.

## **Challenges and Opportunities**

42. The HE sector has experienced much change. New types of providers have entered the market in recent years and significant numbers of HE courses are now being taught in further education colleges. Devolution has brought new powers to Wales to enable the Welsh Government to work more closely with

universities and other HE providers. Implementation of the Browne review's recommendations by the UK government has brought fundamental change to the way in which higher education is funded. New higher education funding arrangements have brought consequential changes for the way we support learners in higher education.

43. Structural changes driven by successive Welsh Governments have resulted in a Welsh higher education sector that is stronger and more sustainable. In April this year, the former University of Glamorgan and University of Wales, Newport merged to become the new University of South Wales serving the whole of the south-east Wales region. The University of Wales, Trinity St David and Swansea Metropolitan took effect in August 2013.
44. The Welsh Government will work in partnership with HE providers and with HEFCW to deliver our shared ambition for a world-class higher education system in Wales that serves the interests of learners and the nation in the twenty-first century. We believe that this close cooperation between Government and the sector itself can work to mutual benefit.
45. To ensure that Wales has the skills it needs to meet the challenges of the future, universities and students have to have access to the resources and support they need. The Welsh Government has set a clear strategy in terms of tuition fees and support. The UK Government continues to make a number of piecemeal changes, some of which may have an unintended impact on universities in Wales.
46. University funding and student finance models will require careful monitoring and review in the light of any further changes in policy or student numbers and flows in order to minimise potential negative impacts and ensure that universities in Wales are not destabilised as a result. With risk comes opportunity and universities must seek to maximise any opportunities in this shifting landscape.
47. The context within which Welsh higher education providers operate is changing rapidly. Fundamental changes to the way in which UK higher education is funded, together with technological innovation and increased student expectations, represent a challenge to traditional models of delivery. The distinction between different modes of delivery is becoming increasingly blurred from the learners' point of view, with many students also working full or part time and with full- or part-time caring commitments. The HE sector in Wales can respond by developing more flexible models of provision, both full time and part time, to build a more successful and sustainable future.

### **International students**

48. Universities and the Welsh Government will work in partnership to develop international links that will help Wales become a partner of choice for international business and investment and destination of choice for international students and staff. Wales needs to strengthen and maximise the

value of the international connections already forged by universities, using those connections to drive inward investment. Wales must project the consistent message overseas that we are open for business and that international students add to the richness and diversity of the student body and are, therefore, welcome and valued. Students and staff in Wales must be supported to be internationally mobile – through physically relocating to another country, or through increased online participation with international peers.

## **Review of HE and Student Finance**

49. I announced on 18 November, my intention to undertake a review of higher education and student finance chaired by the Vice Chancellor of Aberdeen University, Professor Sir Ian Diamond. The review will commence in the early part of 2014 and will report to the next Welsh Government in 2016.
50. This review is consistent with the Welsh Governments original announcement in the Senedd in November 2010. We made it clear that we do not support full cost or near cost fees, do not believe that higher education should be organised on the basis of a market or that it is sustainable long term for the UK to adopt a policy of having the highest tuition fees for higher education in the world outside the United States.
51. I want to see a successful higher education system in Wales supported by a robust and sustainable funding regime. I also want to see a robust student support system linked to the principles of access and fairness.
52. Given the wide ranging scope that the panel will need to cover, I will be inviting political parties in Wales to nominate individuals to join the expert panel to take forward this review.
53. Whilst the panel is being formed, I can confirm that my priorities for the review are:
  - widening Access – we need to ensure that any system has widening access as its core objective, is progressive and equitable;
  - supporting the skills needs for Wales;
  - strengthening part-time and postgraduate HE in Wales; and
  - long-term financial sustainability

## **Student Choice**

54. It is encouraging to see so many people wanting to go on to higher education. I believe that Higher education should be available to all those with the potential to benefit regardless of age, gender, mode and level of study, country of origin and background. Universities in Wales should aspire to become the destination of first choice for students from Wales, the UK and across the world.



55. To that end, we believe that we have put in place what we believe is the most equitable student finance system we've ever created." Even though we are still facing tough economic and financial conditions we continue to provide targeted support for students who live in Wales.
56. For illustrative purposes, students starting their studies on or after the 1 September 2013 were eligible for:
- a means tested maintenance non repayable grant of up to £5,161;
  - a means tested maintenance loan of up to £4,715
57. In addition the following support will be available to everybody regardless of household income:
- A maximum tuition fee loan of £3,575
  - A tuition fee grant (non repayable) of up to £5,425: and
  - a partial cancellation of up to £1,500 of their maintenance loans when they start repayment.
58. The Welsh Government's commitment to supporting Welsh students remains unequivocal and in my view we provide the most generous student support system in the UK.
59. However, regardless of the support provided by the Welsh Government the sector has a duty to undertake additional work to support students, whatever their background. We will not make a reality of our ambitions for a high-skilled economy in Wales unless HE institutions collaborate deeply with schools and further education providers to ensure that opportunities for progression are available for all learners. I want those who are able to benefit from opportunities such as higher skills development or continuing professional development to be able to progress.
60. It follows that universities need to see themselves as partners, not just within the HE sector, but also within the wider range of stakeholders in supporting economic and skills development.
61. I also expect universities to focus on the employability of their students. Economic success for Wales depends on a highly skilled and capable workforce.
62. 91% of graduates from full-time first degree courses in Wales are employed and/or studying within six months of leaving higher education – so we are doing something right. But that doesn't mean that more can't be done to enhance the employability prospects of other students, especially those who choose to study part time. HE institutions must offer meaningful opportunities for students to engage in work experience. I also expect them to continue working with employers to identify specific training needs profiles, highlighting for example what will be needed, and when, in terms of skills, levels and qualifications. Students are becoming ever more careful about what courses

and at what institutions they target and we must be able to demonstrate a clear step towards career enhancement through their HE experience. Employability is and will increasingly be key.

63. While universities will be benefitting from additional income over the next few years, the Welsh Government in return will be looking to them to play their full part in supporting our strategic agenda for Wales. HEFCW will have new powers through legislation we will be bringing forward next year, but universities must step up to the plate and make significant improvements in relation to widening access and other priorities.

## Part 2

### Research Grant

#### Income from Research Councils UK (RCUK)

**Table 15 Research grant income 2011-12 £000s**

Research Council	AHRC	BBSRC	ESRC	EPSRC	MRC	NERC	STFC	Other	Total
<b>English HEIs</b>	41,393	134,816	97,686	449,353	238,281	90,136	94,812	58,219	<b>1,204,696</b>
<b>Welsh HEIs</b>	2,762	9,592	7,714	15,711	5,149	5,149	2,888	785	<b>49,750</b>
<b>Scottish HEIs</b>	6,066	38,168	10,498	71,181	58,905	21,196	12,681	10,520	<b>229,215</b>
<b>N. Ireland HEIs</b>	661	1,262	2,185	9,913	2,153	692	690	5,807	<b>23,363</b>
<b>All UK HEIs</b>	50,882	183,838	118,083	546,158	304,488	117,173	111,071	75,331	<b>1,507,024</b>
<b>England % UK</b>	81.4%	73.3%	82.7%	82.3%	78.3%	76.9%	85.4%	77.3%	<b>79.9%</b>
<b>Wales % UK</b>	5.4%	5.2%	6.5%	2.9%	1.7%	4.4%	2.6%	1.0%	<b>3.3%</b>
<b>Scotland % UK</b>	11.9%	20.8%	8.9%	13.0%	19.3%	18.1%	11.4%	14.0%	<b>15.2%</b>
<b>N. I. % UK</b>	1.3%	0.7%	1.9%	1.8%	0.7%	0.6%	0.6%	7.7%	<b>1.6%</b>
<b>All UK HEIs</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	<b>100.0%</b>

**Source:** HESA Finance Records 2011-12. The 'Other' column consists of the Royal Society, British Academy and Royal Society of Edinburgh funding. These are not Research Councils but HESA includes them in the category for data collection purposes

1. Wales's Research Council income has been consistently between 3.1% and 3.4%. A series of reviews – by the then Department for Children, Education and Lifelong Learning, by a subgroup of the HEFCW Research, Innovation and Engagement Committee, and most recently by the Chief Scientific Advisers Department – all looked at why Welsh HE research income is not closer to the 4.5% target set for the sector by the 'Reaching Higher' strategy in 2002 or the 5% in the *Science for Wales* strategy (based on Wales' 4.9%, share of UK population). The leading factor seems to be low numbers of academics in disciplines relating to the highest-spending research councils, the Engineering and Physical Science Research Council (EPSRC) and the Medical Research Council (MRC).

2. Note that Welsh universities do perform strongly in grants from the Arts and Humanities Research Council (AHRC), the Biotechnology and Biological Sciences Research Council (BBSRC) and the Economic and Social Research Council (ESRC). Except for the BBSRC these bodies have only modest budgets. There are areas of genuine strength which would be funded by the EPSRC and MRC including civil engineering, psychology and neuroscience. However, scale is a significant challenge for Wales. The four main research-active universities in Wales – Cardiff, Swansea, Aberystwyth and Bangor are all relatively small in UK terms. Remaining Welsh research is of a smaller scale.

3. A number of initiatives are underway to raise Wales' share of Research Council funding:

- Sêr Cymru – a programme to attract world-class scientific talent to Wales;
- National Research Networks - to create larger and more competitive research teams;
- Smaller joint co-investments alongside HEFCW and the main research universities, e.g. to promote Wales' research, improve research leaders' training and understand performance.
- HEFCW are focusing their research funding (the QR stream) to incentivise and reinforce 'sustainable research excellence'.

<b>Research Income of Higher Education Institutions in Wales 2011-12 - by Institution</b>	Total Research Income	Recurrent Research Funding	Research Councils	UK-based charitable bodies	UK central government bodies	UK industry, commerce and public corporations	EU sources	Non-EU sources	Other sources
University	£k	£k %	£k %	£k %	£k %	£k %	£k %	£k %	£k %
<b>Glamorgan</b>	6,816	2,626	455	207	1,609	613	1,303	3	0
<b>Aberystwyth</b>	28,365	7,779	8,987	568	4,028	1,518	5,239	182	64
<b>Bangor</b>	26,395	7,645	5,286	1,203	4,513	350	6,375	669	354
<b>Cardiff</b>	130,354	42,700	26,465	18,158	25,231	4,667	8,542	4,037	554
<b>University of Wales, Trinity St David</b>	907	708	42	1	59	49	0	0	48
<b>Swansea</b>	45,704	12,573	9,506	1,642	8,189	1,498	11,241	378	677
<b>Cardiff Metropolitan</b>	3,779	1,201	29	57	1,687	181	616	3	5
<b>University of Wales, Newport</b>	867	469	222	14	88	0	74	0	0
<b>Glyndŵr</b>	1,785	0	439	28	746	454	109	9	0
<b>Swansea Metropolitan</b>	326	148	18	112	48		0	0	0
<b>University of Wales CAWCS‡</b>	891	397	354	50	0	61	26	0	3
<b>WALES TOTALS</b>	<b>246,189</b>	<b>76,246 30.97%</b>	<b>51,803 21.04%</b>	<b>22,040 8.95%</b>	<b>46,198 18.77%</b>	<b>9,391 3.81%</b>	<b>33,525 13.62%</b>	<b>5,281 2.15%</b>	<b>1,705 0.69%</b>

**Table 16 Research Income of Higher Education Institutions in Wales 2011-12 - by Institution** ‡Centre for Advanced Welsh and Celtic Studies

**Sources:**

Higher Education Statistics Agency - Resources for Institutions of Higher Education 2011/12 (all figs. except recurrent research funding)

All figures subject to rounding

HEFCE, HEFCW and SFC Recurrent Grant Circulars, 2011/12 (recurrent research funding - consists of QR and PGR, or equivalent)

**Table 17 Research Income of Higher Education Institutions 2011-12 Wales compared to England, Scotland, Northern Ireland and UK Totals:**

	Total Research Income £k	Recurrent Research Funding £k %	Research Councils £k %	UK-based charitable bodies £k %	UK central government bodies £k %	UK industry, commerce and public corporations £k %	EU sources £k %	Non-EU sources £k %	Other sources £k %
<b>WALES</b>	246,189	76,246 31%	51,803 21%	22,040 9%	46,198 18.8%	9,391 3.8%	33,525 13.6%	5,281 2.2%	1,705 0.7%
Wales as per cent of UK (%)	3.8	4.0	3.4	2.3	5.7	3.3	5.6	1.6	3.5
<b>ENGLAND</b>	5,206,219	1,558,000 29.9%	1,204,696 23.1%	779,666 15%	636,593 12.2%	230,147 4.4%	479,295 9.2%	285,269 5.5%	32,553 0.6%
England as per cent of UK (%)	80.9	80.9	79.8	83.0	79.1	80.8	79.9	88.2	66.8%
<b>SCOTLAND</b>	851,082	241,196 28.3%	229,215 26.9%	127,209 15%	96,429 11.3%	40,221 4.7%	74,672 8.8%	29,310 3.4%	12,830 1.5%
Scotland as per cent of UK (%)	13.2	12.5	15.2	13.5	12.0	14.1	12.5%	9.1%	26.3
<b>NORTHERN IRELAND</b>	132,401	50,734 38.3%	23,363 17.7%	9,902 7.5%	25,888 19.6%	4,925 3.7%	12,237 9.2%	3,680 2.8%	1,672 1.3%
N. Ireland as (%) per cent of UK	2.1	2.6	1.5	1.1	3.2	1.7	2.0	1.1	3.4
<b>TOTAL UK</b>	6,435,891	1,926,176 30%	1,509,077 23.5%	938,817 14.6%	805,108 12.5%	284,684 4.4%	599,729 9.3%	323,540 5%	48,760 0.8%

**Sources:**

Higher Education Statistics Agency - Resources for Institutions of Higher Education 2011/12 (all figs. except recurrent research funding).

All figures subject to rounding

HEFCE, HEFCW and SFC Recurrent Grant Circulars, 2011/12 (recurrent research funding - consists of QR and PGR, or equivalent).

## Welsh Government Funding of Research, via HEFCW

4. HEFCW allocation of QR is formula based, using results from the 2008 Research Assessment Exercise (RAE). QR is awarded by Unit of Assessment (UoA). There are quality and volume thresholds which are then multiplied by weighting for given subjects and for quality. The latter are applied in proportion to the quality profile for the submission and the outcome scaled to the total funding available for QR.
5. To meet WG's remit to use core funding more strategically, with reduced funding in 2011/12, the QR formula was adjusted from 2011/12 on in order to focus more on sustainable excellence. This particularly focused on support of the highest levels of research performance, to maintain Wales's competitiveness at the leading edge. From 2011/12 only the top two ratings (3\* and 4\*) were included, and their quality weightings were adjusted.

Research	Academic Year	
	2011/12	2012/13
Quality Research (QR)	71,077,344	71,077,344
Post-graduate Research (PGR)	5,170,336	5,170,336
Research Initiatives	352,123	185,867
<b>Total</b>	<b>76,599,803</b>	<b>76,433,547</b>

Institution	Allocation £
University of Glamorgan	2,379,9890
Aberystwyth University	7,264,466
Bangor University	6,927,940
Cardiff University	40,208,429
University of Wales Trinity St David	795,305
Swansea University	11,530,052
Cardiff Metropolitan University	1,123,735
University of Wales, Newport	449,227
Glyndŵr University	0
University of Wales Centre for Advanced Welsh and Celtic Studies	398,211
<b>Total <sup>(1)</sup></b>	<b>71,077,344</b>

1. Totals may not add up due to rounding

Institution	Allocation £
University of Glamorgan*	201,717
Aberystwyth University	378,082

Bangor University	639,926
Cardiff University	2,806,953
University of Wales Trinity Saint David	31,229
Swansea University	977,422
Cardiff Metropolitan University	123,39
University of Wales, Newport*	15,587
Glyndŵr University	0
<b>Total</b>	<b>5,170,336</b>

(1) Totals may not sum exactly due to rounding. \* now forming the University of South Wales

**Table 21: Research Councils UK: Funding to HEI**

Research funding to HEIs including grants, studentships, fellowships (RC expenditure) (£k)								
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Total England</b>	1629027	1658660	1555192	1570628	1482350	1298748	1174432	1046230
<b>Total Wales</b>	49177	55540	54471	53955	52941	48040	42619	37729
<b>Total Scotland</b>	256791	243217	239101	233314	236794	186430	149209	142395
<b>Total Northern Ireland</b>	18833	18947	17491	18328	16050	12596	9163	7154
<b>Total all Countries</b>	1953829	1976363	1866254	1876225	1788135	1545815	1375423	1233508
Research funding to Research Council Institutes, IROs, infrastructure funding (RC expenditure) (£k)								
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Total England</b>	866478	935930	906385	890107	865008	840386	796774	773850
<b>Total Wales</b>	9597	9780	19127	20771	13757	14069	11879	12045
<b>Total Scotland</b>	50080	54668	85763	106141	67986	69519	67741	72365
<b>Total Northern Ireland</b>	379	482	3145	3610	3857	2682	3020	3926
<b>Total all Countries</b>	926534	1000861	1014420	1020629	950609	926656	879415	862185
% of expenditure against UK total								
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Total UK Spend</b>	2880363	2977225	2880674	2896854	2738743	2472471	2254838	2095693
<b>Total England</b>	2495505	2594590	2461577	2460735	2347358	2139134	1971206	1820080
<b>% of total in England</b>	86.6%	87.1%	85.5%	84.9%	85.7%	86.5%	87.4%	86.8%
<b>Total Wales</b>	58774	65321	73598	74725	66698	62109	54498	49774
<b>% of total in Wales</b>	<b>2.0%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>2.6%</b>	<b>2.4%</b>	<b>2.5%</b>	<b>2.4%</b>	<b>2.4%</b>
<b>Total Scotland</b>	306872	297885	324864	339455	304780	255949	216950	214760
<b>% of total in Scotland</b>	10.7%	10.0%	11.3%	11.7%	11.1%	10.4%	9.6%	10.2%
<b>Total Northern Ireland</b>	19212	19429	20635	21938	19907	15278	12184	11079
<b>% of total in Ireland</b>	0.7%	0.7%	0.7%	0.8%	0.7%	0.6%	0.5%	0.5%

These figures include studentship; fellowship grants and capital spend as well as research grant funding. Research Councils can treat funding differently making the figures complex with 18 caveats detailing these differences.



6. Although Research Council funding attracted by Welsh universities has reduced in 2012-13, universities are still bringing in 30% more Research Council money to Wales than seven years ago, based on these figures.
7. As stated above, our spread of subjects means research awards are more likely to be in areas covered by Research Councils which deploy less funding than EPSRC and MRC do in their area.
8. We remain committed to securing sustainable excellent research in higher education. I must stand comparison internationally. The Welsh Government continues to implement the *Science for Wales* agenda, including the Sêr Cymru programme, planning to increase the HE sector's access to Research Council and other sources of external funding. We also point out that Wales has significant strengths in the arts, humanities and social science research, which impact on culture, society and the economy. These need to be maintained.
9. Recent successes in attracting Research Council income in Wales include: a new Arts and Humanities Research Council (AHRC) Doctoral Training Partnership for a consortium which includes two Welsh universities; and an award of £8 million from the Economic and Social Research Council (ESRC) to establish an Administrative Data Research Network

### Technology Strategy Board

10. The Welsh government encourages HEIs to access other avenues of funding including Technology Strategy Board (TSB) grants. These are generally collaborative ventures with Business partners. Universities receive about 30% of the overall TSB funding. The Business partners take the lead role. For the current year 2013 Wales has gained TSB commitments of £12,563,971 covering 82 projects (6% of the UK total, higher than our UK population share).

<b>TSB Commitments 2013</b>	<b>£</b>	<b>Number</b>	<b>%</b>	<b>%</b>
<b>Northern Ireland</b>	4,473,989	38	2%	3%
<b>Scotland</b>	26,101,883	158	13%	12%
<b>Wales</b>	12,563,971	82	6%	6%
<b>England</b>	151,468,273	1083	78%	80%
	194,608,116	1361		

**Huw Lewis AM**  
**Minister for Education and Skills**