



The Open
University
Y Brifysgol
Agored

Buffy Williams MS
Children, Young People and
Education Committee
Senedd

By email

Date: 2 April 2025

Dear Chair,

Re: Issues facing the higher education sector

Thank you for your letter of 12 March 2025 requesting information about the challenges that we are facing, along with our colleagues across the higher education sector.

You will be aware that there are several common challenges affecting all nine of Wales' universities. There are also challenges that are unique to individual institutions. Your committee's inquiry is an important opportunity to bring these issues to the fore.

In your letter, you asked three specific questions. I will respond to these in turn and provide some wider reflections which I hope will be of use to the committee. We would

Rydym yn croesawu gohebiaeth yn Gymraeg a Saesneg ac ni fydd gohebu gyda ni yn Gymraeg yn arwain at oedi. | We welcome correspondence in Welsh and in English and corresponding with us in Welsh will not lead to delay.

Ymgorfforir y Brifysgol Agored drwy Siarter Frenhinol (RC 000391), sef elusen eithriedig yng Nghymru a Lloegr ac elusen gofrestrredig yn yr Alban (SC 038302). Awdurdoddir a rheoleiddir y Brifysgol Agored gan yr Awdurdod Ymddygiad Ariannol mewn perthynas â'i gweithgaredd eilradd o froceru credyd. | The Open University is incorporated by Royal Charter (RC 000391), an exempt charity in England & Wales and a charity registered in Scotland (SC 038302). The Open University is authorised and regulated by the Financial Conduct Authority in relation to its secondary activity of credit broking.

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be very happy to give additional oral evidence to the committee as part of its work on this issue.

1. Overview of the financial challenges facing The Open University in Wales with reference to key data that underpins this assessment

Context

The Open University, established by Royal Charter, operates across all four nations of the UK, as well as in the Republic of Ireland and elsewhere. The Open University in Wales is not a separate legal entity; it is part of The Open University.

The Open University in Wales receives funding from Medr and is regulated on that basis, but as part of The Open University, our principal regulator is the Office for Students.

In 2022/23, The Open University introduced a plan to return to surplus by 2026/27, which set a range of cost saving and efficiency targets across the whole organisation. Further savings targets are in place for 2025/26 and 2026/27. These savings will also help us protect our reserves, some £150 million of which has already been used in recent years.

A voluntary severance scheme is now open across the whole Open University.

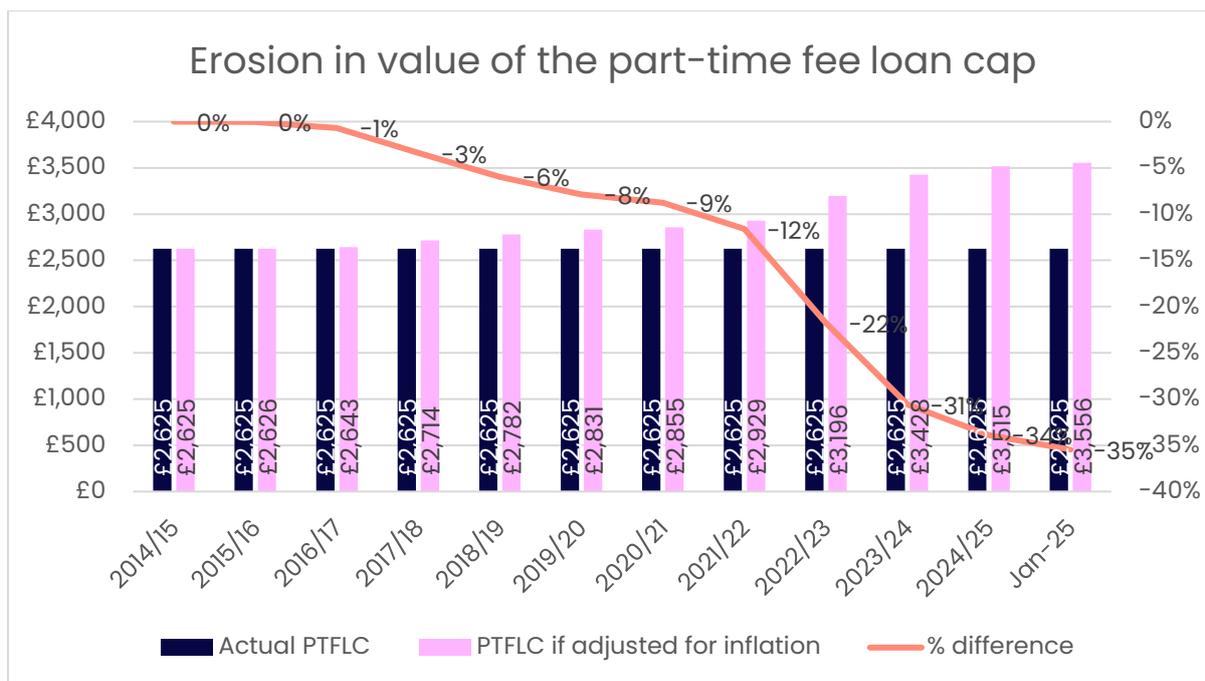
More information about the financial position of The Open University is available in our most recent financial statement on [our website](#).

1.1. Part-time fee loan cap

One of the main issues we are concerned about is the part-time fee loan cap. This is the maximum amount students can borrow to fund part-time study. The cap has been set at £2,625 since it was introduced in 2014/15.

It is legally possible to charge fees that are above the cap for part-time study as the fee is unregulated. We have chosen not to do this because it would mean students self-funding any amount above the borrowing limit. We are concerned about the effect that would have on participation among the most financially underprivileged students.

Because the cap has failed to keep pace with inflation, its value has eroded significantly since 2014/15. By January 2025, its value had fallen 35%, or £931 since it was set.



The Open University in Wales has delivered significant growth in part-time higher education (142% increase in the number of full-time equivalent undergraduates between 2017/18 and 2023/24, i.e. we have more than doubled our students), particularly in some of Wales' most underprivileged communities.

Given our financial challenges, our ability to continue reaching, recruiting and supporting more students, especially those from the most underprivileged communities, is coming under increasing pressure.

The committee will also be aware that the full-time fee limit has been increased twice in recent years, bringing in more than £50 million additional funding to the full-time sector from September 2025.

In 2023, the then-Minister for Education and Welsh Language Jeremy Miles MS said: "[The Welsh Government] will explore what more we can do to ensure the part time loan cap in Wales supports our aim of widening access to the broadest range of part time courses. Work will start on that shortly."¹

By March 2025, limited progress had been achieved. You will have seen that the Minister for Further and Higher Education committed in her written statement on the higher education reform programme on 3 March 2025 to "exploring an increase in the part-time fee loan to ensure that universities can continue to deliver sustainably and learners can continue to access part-time opportunities."²

¹ <https://www.gov.wales/we-do-best-when-we-collaborate>

² <https://www.gov.wales/written-statement-update-higher-education-reform-programme>

For The Open University in Wales, it is essential that an uplift of the fee is achieved. The fee as it stands does not cover the cost of learning and teaching. We are equally keen that this does not jeopardise progress and participation for the most vulnerable. If an uplift is not achieved, we will have no choice but to consider setting our fees at a level above the cap from 2026-27.

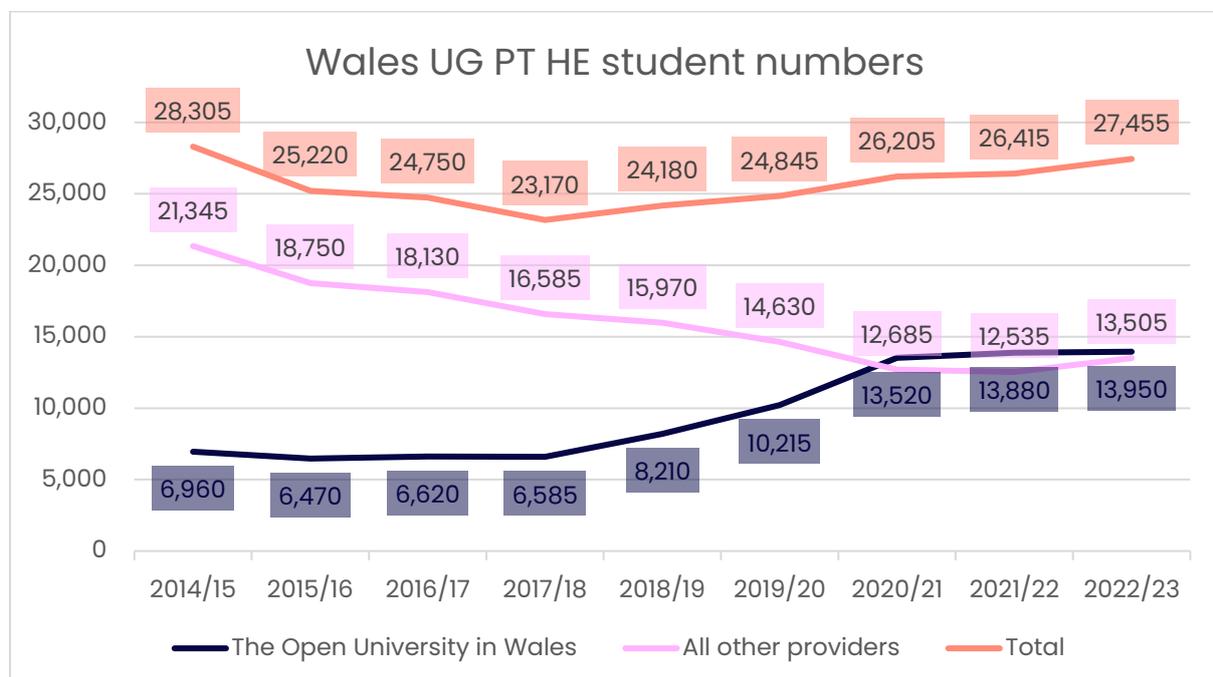
1.2. Institutional funding

The committee will wish to consider the real-terms erosion of institutional funding for part-time provision during the last decade.

Total learning and teaching funding for part-time provision increased from some £30.4 million in 2014/15 to some £34.6 million in 2024/25. This represents a 17.1% reduction in real terms; had funding have kept pace with inflation, it would have reached more than £40.7 million in 2024/25.

The failure of funding to keep pace with inflation means that cumulative funding during the period 2014/15-2024/25 is 12.8% or £42.2 million short in real terms. Expressed on a per student basis, funding is down 7.33% in real terms.

As previously noted, during the same period The Open University in Wales has delivered substantial growth in student numbers. This should be considered alongside the prevailing trend in the rest of the HE sector.



The Diamond Review in 2016 recommended learning and teaching funding of £61 million (equivalent to £81.3 million in 2024). The failure to deliver this recommendation

in the intervening period means that funding for part-time provision has been cumulatively short of the recommendation by some £350 million or 129% in real terms.

The underfunding of part-time provision was recognised by the Higher Education Funding Council for Wales as part of its three-stage teaching funding review before its dissolution last year. It conceded that part-time provision had been underfunded but determined that it could not address that underfunding within its budget envelope at the time without destabilising other parts of the sector.

Meanwhile, there has been a growing tendency to allocate additional in-year funding and short-term funding to meet new ministerial priorities, e.g. capital projects. While any additional funding is welcome under the circumstances, it is important that the committee understand that these types of funding do not offer a resolution to the long-term challenge of diminished learning and teaching funding.

As part of the Welsh Government's evaluation of the 'Diamond reforms', it is essential that the demand-side reforms are maintained, especially equitable maintenance support for part-time students. These have been transformational in terms of student access and participation, as recognised several times by successive education ministers.

The Diamond Review's recommendations for how the supply side is funded has not been delivered. The imbalance of stimulating the demand side while offering no additional support to the supply side has now reached the limit of its sustainability.

We submit to the committee that the part-time sector should be represented as part of that evaluation, given its importance to the wider agenda. We would welcome the committee's support in that regard.

2. Specific Wales or UK government policies that have significantly impacted The Open University in Wales' ability to operate sustainably

As described at length above, the most significant immediate issue we face relates to the part-time fee loan cap and implications for funding and student participation. Funding for part-time provision has fallen in real terms sharply over the last decade. This has had the effect of squeezing the amount of resource that is available for learning and teaching.

Provision of part-time teaching across Wales has reduced across most providers in recent years. The committee may wish to make enquiries with other providers directly, but it is our belief that this is because it is not financially viable to maintain this kind of provision in a Wales-only context.

For The Open University in Wales, we have been supported by The Open University at large, benefiting from economies of scale and shared curriculum across the whole University. Given the financial position of The Open University overall, this position is no longer sustainable. Action is required if the Welsh Government and Medr want to sustain delivery even at current levels, and certainly if expansion is desirable as has been set out in various fora.

The committee will be aware that Medr has a statutory duty to promote lifelong learning. We believe that, alongside learning at lower levels, part-time higher education is crucial to achieving this duty. We therefore submit to the committee that resolving this challenge is essential in order for Medr to deliver on its legal responsibilities.

The rise to employer National Insurance contributions will place an additional burden on us in what is already a challenging financial environment. It is cited as a factor in the University's decision to implement additional savings targets in the next two academic years.

3. Change that have already been made in recent years to mitigate the impact of the financial challenges facing The Open University in Wales

The Open University in Wales has been able to sustain growth in recent years because we are part of the wider Open University and have therefore benefited from economies of scale and shared curriculum across the UK.

Our ability to do this is coming under strain given the financial position of The Open University. The part-time student market in England has declined and is expected to continue to decline. This, together with increased employer National Insurance contributions, means we are currently forecasting an operating deficit of £10 million across The Open University in the current 2024-25 financial year, before investments and restructuring costs.

We have an active voluntary severance scheme in place throughout 2025. This follows similar schemes operated in previous years, which led to some 5% of our workforce across the UK leaving the organisation. Voluntary severance is an enabler to support a wider strategy to make our operations more efficient.

We have significantly grown our student numbers since the reform of the student finance system in 2018. We are proud that many of our new students come from some of Wales' most underprivileged communities. A large proportion are people who would not be able to consider entering higher education were it not for the options The Open University in Wales is uniquely positioned to offer. This is a crucial contribution to the Welsh Government's efforts to strengthen Wales' economy, make our communities more cohesive and resilient, and end poverty.

We have chosen to keep our fees at a level that means students can access a student loan for the full amount. If the Welsh Government is unable to deliver an uplift to the part-time fee loan cap, we will have no choice but to consider setting our fees for 2026/27 at a level above the cap to attempt to cover our costs

Conclusion

We face an extremely challenging financial environment. The committee will note that while the challenges we face are different to those facing the much larger full-time sector, they are no less difficult. In any case, addressing the challenges we are all facing requires a whole-system approach.

We are pleased that the Minister for Further and Higher Education is seeking to work with the Baroness Smith of Malvern on this agenda. Ensuring coherence between the Welsh and English systems, while respecting that higher education is devolved, will be of particular importance to us as a four nations institution. We would welcome clarity on the extent to which it is expected that this joint work will lead to changes to funding.

From our engagements with the Minister for Further and Higher Education, it is our understanding that the Welsh Government does want people to continue to learn flexibly and to increase access to this opportunity across Wales. This is further reflected in the establishment of Medr and reflected in its statutory duties.

The creation of Medr is an opportunity for us all to think differently and more creatively about how we deliver tertiary education in this country. Our system should promote much more flexible and modular study, lifelong learning, clear horizontal and vertical pathways, and credit transfer. All of these would be good for learners, good for communities, and good for the economy. The funding system we have does not sufficiently enable nor encourage this.

I hope that this letter will be of use in informing the committee's considerations. I would be pleased to attend the committee to give further evidence or discuss this submission, if that would be helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Lewis', with a small dot at the end of the line.

Ben Lewis
Director, The Open University in Wales