

**The Open University in Wales  
Response to the Finance Committee's call for information:  
Welsh Government draft Budget proposals for 2016-17**

**About The Open University in Wales**

1. The Open University (OU) was established in 1969, with its first students enrolling in 1971. It is a world-leader in providing innovative and flexible distance learning opportunities at higher education (HE) level. It is open to people, places, methods and ideas. It promotes educational opportunity and social justice by providing high-quality university education to all who wish to realise their ambitions and fulfil their potential.
2. Over 7,000 students across Wales are currently studying with The Open University, enrolled on around 10,000 modules. There are OU students in every National Assembly for Wales constituency and we are the nation's leading provider of undergraduate part-time higher education. Almost three out of four Open University students are in employment while they study and with an open admissions policy, no qualifications are necessary to study at degree level. Over a third of our undergraduate students in Wales join us without standard university entry level qualifications.
3. In 2015, for the eleventh successive year, The Open University was at the top of the National Student Survey in Wales for 'overall student satisfaction'. As a world leader in educational technology, our vast 'open content' portfolio includes free study units on the free online learning platform [OpenLearn](#) (including many Wales-related materials and our Welsh Language platform [OpenLearn Cymru](#)) and substantial content on YouTube and on iTunes U where we have recorded over 70 million downloads.
4. There are currently over 30,000 part-time students in Wales and The Open University is the largest provider of part-time undergraduate higher education provision. Our learners in Wales, and the Welsh economy, benefit from the significant added value that accrues from the UK-wide and global reach of the University<sup>1</sup>. The OU is unique in offering part-time flexible learning that benefits both learners and employers. The average age of our students is around 30 years of age and the vast majority are in employment or seeking to return to the labour market. All students with the OU in Wales are resident in Wales, and the OU is one of the few institutions that exceeds HEFCW targets for widening access to higher education. The OU is particularly successful in attracting disabled students, who make up around 17 per cent of our undergraduate student body in Wales, and carers. OU study is often the only or best option for individuals from both of these groups.

**The Welsh Government draft budget proposals for 2016-17**

5. We have restricted our comments in this submission to question 2 on the committee's call for information paper – "*Looking at the draft budget allocations for*

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<sup>1</sup> A study by London Economics estimated that the total economic impact associated with the activities of the OU within Wales was approximately £137million in 2012/13 after the cost to the exchequer is taken into account. The HEFCW grant to the OU in that year was £11million.

2016-17, do you have any concerns from a strategic, overarching perspective, or about any specific areas.

6. The Open University in Wales is deeply concerned about the implications of the proposed cut in the *Higher Education* budget line within the Education and Skills Main Expenditure Group. This budget line represents the monies allocated to the Higher Education Funding Council for Wales (HEFCW) which are used to fund part-time higher education and other priority areas. The draft budget for 2016-17 indicates a cut of £41 million in this budget line, this is a decrease of 32 per cent on the 2015-16 allocation of £129 million.
7. It is important to note that this is not the money that is used to fund the Welsh Government's generous full-time tuition fee grant which is paid to all full-time undergraduates domiciled in Wales regardless of their household income or where they study within the UK. The funding for this commitment is protected in the draft budget and an extra £10 million has been allocated to support this policy. The provisional cost of the Welsh Government tuition fee grant in 2015/16 is £264 million<sup>2</sup>. In the academic year 2015/16 the HEFCW allocation for part-time HE is c. £34 million<sup>3</sup>.
8. As there are no proposals to reduce the full-time fee grant, the income from full-time undergraduate student fees to higher education institutions will remain unchanged if present recruitment levels are maintained. This income will also include fees from students elsewhere in the UK who choose to study at HEIs in Wales.
9. The proposals in the draft budget will therefore inevitably place considerable pressure upon the institutional learning and teaching grant distributed by HEFCW in respect of part-time undergraduate students. This means that part-time undergraduate provision and the students that study part-time (which as things stand receive less public financial support than full-time) will be *disproportionately affected*. The OU in Wales provides part-time provision only, so the consequences for the OU will be especially severe as it does not have income from full-time provision with which to cross-subsidise.
10. When the full-time fee grant was introduced in 2012, elements of HEFCW funding for part-time provision were removed in order to underwrite the full-time settlement. This means that the proposals in the draft budget would represent the second occasion on which funding for part-time provision is being removed in order to underwrite the costs of the full-time fee grant policy, thus exacerbating the differential levels of public support for the two modes of provision.
11. The full-time undergraduate fee grant policy has therefore led to a net transfer of resource from undergraduate part-time to undergraduate full-time study, facilitated in part by the removal of HEFCW strategy funding streams. This was noted by the Wales Audit Office in its report in 2013 into higher education finances<sup>4</sup>. This funding underpinned targeted work in widening access and in skills development via links with employers. In respect of institutions that also provide full-time undergraduate provision the increased fee income from the higher fee levels and fee grants compensated for

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<sup>2</sup> Response by the Minister for Education and Skills to written question on 9 December 2015

<http://www.assembly.wales/en/bus-home/pages/plenaryitem.aspx?category=written%20question&itemid=3165&assembly=4&c=Written%20Question>

<sup>3</sup> This figure includes the undergraduate and postgraduate part-time teaching grant, part-time premiums and the OU in Wales mitigation funding which has been provided on a year by year basis.

<sup>4</sup> Wales Audit Office, *Higher Education Finances* (2013), p.12. Available at [http://www.wao.gov.uk/system/files/publications/HE\\_Finances\\_English\\_2013.pdf](http://www.wao.gov.uk/system/files/publications/HE_Finances_English_2013.pdf)

the removal of their strategy funding. However, this funding was also removed for part-time undergraduate provision where no equivalent to higher fees or fee grants exist to provide replacement or additional income. These policy decisions contributed to a decrease in the number of undergraduate part-time students across the sector as there is less financial incentive for institutions to offer provide part-time provision at undergraduate level. The Wales Audit Office report also concluded that “a longer-term solution needs to be reached to provide greater certainty across the part-time market<sup>5</sup>.”

12. Committee members will recall that The Open University in Wales and others raised concerns about the sustainability of part-time higher education funding in submissions to the committee inquiry on higher education funding<sup>6</sup>. We were pleased to see these concerns recognised by the committee and subsequent recommendations that the Welsh Government and HEFCW should monitor the number of part-time students; that they should set a clear strategic direction for part-time higher education and that they should implement a holistic, strategic funding package for The Open University as an interim strategy until the work of the Diamond Review is complete<sup>7</sup>. We were disappointed that the Welsh Government did not fully accept these recommendations<sup>8</sup>.
13. In order to sustain part-time higher education in Wales the HEFCW allocation for part-time must be protected. This means that HEFCW must be provided with sufficient funding to be able to support part-time alongside consideration of their other funding priorities. In the 15/16 remit letter from the Minister to HEFCW, part-time higher education is set out as a Welsh Government priority including specific mention of the unique position of the OU<sup>9</sup>. The HEFCW allocation to The Open University in Wales in 2015-16 is c. £10m – this includes widening access premium funding and mitigation funding that is designed to meet, in part, the loss of funding from the former strategy funding streams (as referred to in paragraphs 10 & 11 above).
14. If funding to support part-time is not protected institutions will have little choice but to withdraw from the part-time market or increase their fees by a significant amount. Given the contribution that part-time higher education makes to the economy and social mobility in Wales this would be a deeply unsatisfactory outcome.
15. The considerable increase in part-time fees in England has seen the number of people studying part-time at undergraduate level drop by 41 per cent over five years. The Education Minister has explicitly stated that he does not want to see part-time numbers in Wales decline in the same way but the evidence suggests that this will happen if support for part-time provision is significantly reduced or removed altogether.

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<sup>5</sup> Ibid, p.11

<sup>6</sup>The Open University in Wales evidence to the Finance Committee inquiry into Higher Education Funding 2014, available at <http://www.senedd.assembly.wales/mglIssueHistoryHome.aspx?lId=5931>

<sup>7</sup> National Assembly for Wales Finance Committee, Higher Education Funding (2014), p.32. Available at <http://www.assembly.wales/laid%20documents/cr-ld9755-r-%20-%20report%20of%20the%20finance%20committee%20-%20higher%20education%20funding-03062014-256437/cr-ld9755-r-e-english.pdf>

<sup>8</sup> Written response by the Welsh Government to the report of the National Assembly for Wales Finance Committee on Higher Education Funding (2014). Available at <http://www.assembly.wales/laid%20documents/gen-ld9809-%20-%20written%20response%20by%20the%20welsh%20government%20to%20the%20report%20of%20the%20national%20assembly%20for%20wales%20finance%20committee%20on/gen-ld9809-e.pdf>

<sup>9</sup> Minister for Higher Education and Skills, [Higher Education Funding Remit Letter 2015-16](#). The letter states “I was pleased that HEFCW recognised the unique position of the Open University in Wales in its financial settlement for 2014-15. Given that the OU is unable to access additional tuition income, I would hope that the Council is able to continue to recognise this when it delivers its plans to the sector.”

16. We understand that the Government is under considerable pressure to make savings and increase efficiencies and we accept that higher education must play its part in this. However, that burden should be shared equally across institutions, and part-time learners should not bear the main brunt of high level funding decisions in manner that is disproportionate. A consequence of reducing the HEFCW budget alone would be that certain institutions, and part-time adult students in particular, will have to bear the pressures more than others, with the OU and its students being most exposed.
17. This would have the effect of full-time students from well-off households continuing to receive a high level of public subsidy in the form of the generous fee grant. By contrast, for example, a part-time learner in her or his 30s on a low income wishing to upskill or return to study after having children or a disabled learner or carer, will have far less public financial support and will face fees at a considerably higher level than currently exists for part-time courses. She or he will probably have fewer opportunities as institutions pull back from part-time provision. This is not in the interests of social mobility or the Government's wider economic and anti-poverty objectives.
18. Nor would it support the principle of equality of opportunity, with the clear likelihood of younger learners benefitting at the expense of adult learners, disabled students and those who are carers.
19. We have serious concerns about the equality impact of this draft budget proposal. Women are more likely than men to study part-time (56.7% of part-time students in Wales are women compared with 51.5% of full-time students) and considerably more older people study part-time than full-time (21.8% of part-time students in Wales are over 40 compared with 1.5% of full-time students). **On grounds of age, and in respect of disability, it is difficult to see how a major reduction in public investment in part-time passes any test in the area of equality of opportunity, given that no reduction is being proposed to the public investment in the full-time undergraduate fee grant.**
20. If HEFCW is required to reduce the funding available to support part-time (and it would be difficult to see how this would not happen given a 32 per cent cut to their budget) the OU and other part-time providers would no longer be in a position to offer accessible, affordable part-time courses in the current format. A fee increase and/or reduction in provision would be inevitable. A reduction in the number of part-time courses and/or an increase in the cost will impact the most on those more likely to study part-time – older learners, those in work, those with disabilities or caring responsibilities.
21. Many part-time learners are sponsored or supported in their studies by their employer. Significant increases in fees is likely to see fewer employers able to support their staff to up-skill.
22. There is a specific logistical challenge for the OU if fees have to be raised significantly. The University recruits early in the calendar year so it will be very difficult, perhaps impossible, to market courses for recruitment in the autumn of 2016 when prospectuses have already been prepared.
23. The Open University in Wales asks the Finance Committee to consider the very serious implications that this draft budget could have for the future of part-time higher education in Wales. The committee's own report in 2014 stated "The Committee was concerned that funding for part-time study may be squeezed as a result of pressures

on other budgets<sup>10</sup>.” It would appear that this is exactly what has happened and unless mitigating steps are taken it is inevitable that the number of part-time students in Wales will decline, thus closing off opportunities for adult learners, disabled people, and carers.

24. As stated above, the University is fully cognisant of the pressures on public finance, and that higher education is not immune from those pressures. However public policy should be designed and implemented in such a way as to ensure that the effects are borne equally across full and part-time modes of provision and their respective learners.

25. We would be pleased to provide any further information to the committee as required as part of this important scrutiny exercise.

06/01/05

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<sup>10</sup> National Assembly for Wales Finance Committee, Higher Education Funding (2014), p.32. Available at <http://www.assembly.wales/laid%20documents/cr-ld9755-r%20-%20report%20of%20the%20finance%20committee%20-%20higher%20education%20funding-03062014-256437/cr-ld9755-r-e-english.pdf>