

Cynulliad Cenedlaethol Cymru | National Assembly for Wales  
Y Pwyllgor Plant, Pobl Ifanc ac Addysg | Children, Young People and  
Education Committee

Blaenoriaethau ar gyfer y Pwyllgor Plant, Pobl Ifanc ac Addysg |  
Priorities for the Children, Young People and Education Committee

CYPE 03

Ymateb gan : Tim Davies

Response from : Tim Davies

I am writing to you as the Diamond Review on HE funding is due to be released soon. I have worked in the sector in Wales for over 20 years (I am of course contacting you in a personal capacity – not on behalf of my organisation). I am a keen observer of the sector and in particular its finances and policy. The last 5 years of tuition fee policy have seriously damaged Welsh Universities. The Brexit vote will also have a dramatic impact on the sector further affecting its competitiveness with institutions in the rest of the UK and internationally. This is a period where Wales' HE sector needs the support of the Welsh government before fully exposing it to the market forces the Westminster HE bill is establishing.

I have attached a brief paper outlining a proposal for sector funding that would be cost-neutral, sustainable and lead to the growth of the sector and prosperity in Wales. I would be most grateful if you could give this consideration. We are at a pivotal moment for HE in Wales and have an opportunity to put things on a sustainable and growth footing. I fear if the wrong decisions are made over the coming months the effects will last for generations and dwarf the issues we currently have with the steel industry. This will be felt more keenly in rural regions of Wales with Universities that are much more dependent on HE economically – further increasing inequalities in wealth and opportunity. The proposal balances both generous student support and funding for HE institutions in Wales to the wider benefit of the Welsh tax payer. It also meets all of the criteria of the Well-being of Future Generations (Wales) Act 2015 – something that policies that financially support students studying outside of Wales would not (they effectively outsource HE to England). Would welcome an opportunity to discuss this further.

## HE Funding in Wales

### Proposal for an integrated policy

#### Introduction

Welsh HE is at a crisis point. Prompt and focused action is needed at this time to reverse years of poor education policy and underfunding. A combination of a number of factors impact on the very future of a successful HE system in Wales:

- The marketization of UK HE
- Years of underfunding have placed Welsh HEIs at a distinct disadvantage in the market
- Austerity budgets and Brexit (reduced EU student and research income) further compound the issue

Future policy needs to be considered in a longer term and wider social, economic and cultural context rather than a purely narrow focus on the student. HE in Wales is a public good and essential for a prosperous, resilient, healthier, more equal, globally responsible, cohesive and culturally vibrant Wales.

#### Key issues with current HE funding system

- Current system not sustainable financially going forward
- There is an imbalance of Welsh government funding following the student. Welsh students have the most generous support package in the UK, while Welsh Universities have the least favourable funding settlement.
- Inadequate funding of Welsh HEIs. This includes an historic funding gap for at least 10 years.
- More and more Welsh HE funding is following students across the border. Poor Welsh HE policy has made the domestic system less attractive to Welsh students. £90M / year of Welsh tax payers' money per year is now going to English Universities through the tuition fee grant. Most of this to post-92 Universities along the border
- Inadequate support for postgraduate study
- Failure of current funding mechanisms to widen participation in Wales

### Impact of poor HE funding arrangements

- The funding regime – particularly the last 5 years – has damaged the HE sector in Wales. This has made it less competitive in an environment that is being heavily marketised (the government whitepaper “Higher education: success as a knowledge economy”) and impacted by other areas of cuts (Brexit and impact of lower EU student numbers and research funding). This damage needs to be reversed before exposing the sector fully to a marketised environment.
- Unless the funding is significantly rebalanced, this will see the closure of many Welsh HEIs (especially in mid and north Wales) and outsourcing of Welsh HE to England. Poor competitiveness is seen through league table performance of Welsh HEIs (eg Guardian) compared to other nations and regions. HE will therefore not be able to provide for needs of Wales. There will be a further brain drain out of Wales and it will impact permanently on the brand of Welsh HE.
- There will be wide-scale economic, social and cultural impact of a failing Welsh HE system. This will impact significantly on regions as well as the nationally. This is being disproportionately felt in rural / non-urban areas that are much more dependent on HE in their local economies. Again this will further shift wealth and Jobs to the S Wales / Cardiff region, increasing inequality across Wales further. There will also be a further shift of wealth out of Wales, increasing inequality between England and Wales.

### Principles of a fair HE funding

- **A world-leading and successful HE sector across Wales is essential to the future of the country.** Higher education offers social and economic benefits to individuals and to society as a whole. It contributes over £3bn a year in gross expenditure to the Welsh economy. The HE sector doesn't provide a service – it invests in the future of Wales, our economy and the country's development.
- **The HE budget should be maintained at its current level** (including both fee grant, maintenance & HEFCW funding combined).
- **The HE funding gap needs to be redressed quickly.** Action needs to be taken on changing the funding environment before the 2017

recruitment round (ie before December 2016). This will prevent a further loss of around £90M a year leaving Wales.

- **All Welsh government HE budget should be spent in Wales**, whether it is supporting students or funding via HEFCW to institutions. Given Wales' poor educational and economic performance this is essential in a time of austerity and uncertainty. It is also needed to rectify the funding gap with the English HE system.
  - **All student funding (whether that that follows the student – be it maintenance or tuition fee support) should be retained in Wales.** This strikes a balance between benefit to the student, as well as to the HEIs, economy, culture, language and society in Wales. Universities are a public good and Welsh tax payers money should be focused on Wales, not a handful of English Universities along the border.
- **Welsh students wishing to study in the rest of the UK (RUK) should be able to do so only through tuition fee and maintenance loans.** This places the cost on the student and not Welsh tax payers. These students would have the same treatment as English students studying at English institutions; ensuring fairness of treatment for students in English HEIs.
- **A better balance needs to be struck between student support for tuition fees (deferred debt) and support for maintenance.** It is clear that maintenance support is a key factor for students, especially in increasing participation from poorer socio-economic groups. A “learning grant” could be implemented for all Welsh domicile students studying at Welsh HEIs of £3–4,000 per year for full time undergraduate study. This could be used for maintenance support and / or part-paying of fees. Part-time study could be supported on a pro-rata basis.
- **Overall Welsh Government funding could be controlled via quotas on Universities for Welsh domicile students receiving government funding.** This could also be used to distribute Welsh student numbers across Wales' Universities. This would ensure sufficient places as well as rural and poorer areas of Wales benefiting from Welsh government HE funding. RUK and International student numbers would be

uncapped (as no Welsh government funding implication) allowing for University growth.

- **Welsh HEIs need the ability to raise fees in line with English HE system** – via Teaching Excellence Framework (TEF) (to prevent further funding gap). Those reaching the TEF level 1 standard could raise fees by inflation levels. This provides parity of funding with English HEIs.
- **Postgraduate loan system needs to be introduced** in line with English system–this has already had a negative impact on applications for postgraduate study in Wales. This would be for PGT and PGR in line with the English system. Again, would provide a level playing field for Welsh students and HEIs.
- **The Welsh HE sector should offer the full range of subjects.** This includes Veterinary Science at Aberystwyth and possibly expanded medical training capacity at Bangor. Funding (capital and expensive subject premium) should be made available for to fill this gap. Detailed costings are required as well as a cost benefit analysis
- **Enhance University capital funding.** Historically HEFCW has not made available capital funding to Universities as HEFCE has done in England. Government capital funding or support for government-backed loan finance is needed to ensure University estates are maintained and developed to be competitive.

### Policy Summary

The policy would consist of the following key stands:

1. A **“Learning Grant”** for all Welsh domicile students studying in Wales that could be used for maintenance and / or tuition fees of £3–4,000 pa for FT UG. Part time study could be supported on a pro-rata basis. This grant would be made regardless of parental income and available on-top of existing means-tested maintenance grants and loans. It could be used for either tuition fees and / or maintenance depending on the preference and personal circumstances of the student.
2. Potential **quota system** to ensure sufficient spaces and distribute benefit across Wales (perhaps mitigating some of the effect of lost EU funding)

3. Savings made from current Tuition Fee Grant to be used to **increase HEFCW funding**
4. **Postgraduate loan system** equivalent to English system
5. Welsh HEIs able to **increase tuition fees by inflationary levels** in line with English HEIs (via TEF)
6. The policy would be **cost-neutral**

The policy would meet the 2 key requirements of a fair funding system that is:

1. generous to students and addresses the needs of maintenance support / reducing debt
2. improves and rebalances funding for Welsh HEIs meaning they can
  - a. provide an excellent experience for their students
  - b. be competitive with RUK HEIs

The policy would favour investing in Wales (to deliver a prosperous, resilient, healthier, more equal, globally responsible, cohesive and culturally vibrant nation) over unrestricted government supported student choice. This would benefit the Welsh tax payers who are paying for it as well as students. The package for students staying in Wales would be more generous than a system supporting study anywhere in the UK.

Conversely, a policy that provided watered-down maintenance support to students wherever they study combined with some additional HEFCW funding will not address the long term sustainability of the Welsh sector already damaged by years of underfunding. The scale of negative effect to Wales would dwarf the current steel crisis and would have generational impact. It would also miss a great opportunity to improve the lives of people in Wales in a period of significant uncertainty.

### Policy Impact

- Cost of HE continues to be shared between the student and state in a sustainable way.
- Reduces barriers for students to enter HE. Students able to better meet maintenance needs and / or reduce tuition fee loans.

- Continues to reduce student debt and offer a fairer package than English students.
- Increased student numbers in Wales will mean more funding to Welsh Universities.
- Students in Wales (the majority, even today, around 2/3) will have an improved experience as it will be better funded (at least on par with England). This will involve better staff–student ratios, increased facilities spend per student, and capital expenditure on campus facilities.
- More direct funding via HEFCW to support strategic initiatives – including: research, part–time study, welsh medium, widening participation, expensive subject premium, teacher training.
- Improved league table position of Welsh HEIs
- Improved research output
- Reduced brain drain of high quality students (average tariff point on entry would rise – but sector could allow for differentiation)
- Reduced brain drain for new entrants to Welsh workforce (students more likely to stay where they study)
- More study through the medium of Welsh – supporting growth of Welsh language and culture
- Significant economic impact throughout Wales. This would have a major impact on local / regional economies as well as Wales’ economy as a whole. This would include rural areas / areas apart from Cardiff – with the potential to reduce inequalities. *See details below*
- Overall improved Welsh GVA
- Develops a vibrant and high class domestic HE sector
- This policy would meet the aims outlined in the Well–being of Future Generations Act 2015 – delivering on all of the Well–being goals outlined. A policy that does not financially favour students studying in Wales and increase HEFCW funding actually works against all of these goals (effectively outsourcing HE to England and reducing the well–being of future generations).

### Estimates of Economic Impact

Conservatively estimate that 5,000 more students stay in Wales per year with a £4,000 “Learning Grant” support package – that is approximately an extra

15,000 pa students in the Welsh undergraduate HE system in 3 years' time. 15,000 will be contributing £9k each fees to Welsh HE = extra £135M in the sector. They will also be contributing say £7k p each in secondary spend = extra £105M pa into regional economies. For every £1 of public "Learning Grant" money spent £4 will come to the HE sector and Welsh economy. The other Welsh students studying in England will not be costing Welsh tax payers directly as they will fund their courses through loans (maintenance and tuition). Not including all the other implications of these extra students in Wales and increased HEFCW grants, there will be an extra £240M in the Welsh economy. The cost of this policy would be far less than the current fee grant policy is costing now (£5,500 per student per year wherever they study). The difference could be used to increase HEFCW funding for research, widening participation, welsh language delivery and other government aims. This policy will also boost league table positions of Welsh HEIs leading to increased recruitment from overseas and RUK (again increasing income to the sector and Wales as a whole). It will improve research grant capture due to increased staffing levels and greater QR and capital funding. Secondary spend and research output would also have a positive impact on other businesses in Wales. Ultimately this policy could make an estimated £0.5 – £1Bn pa contribution to the Welsh economy. This alone would have a significant impact on Wales' poor GVA.