

The Open University in Wales
Response to the Finance Committee's call for information:
Welsh Government draft budget proposals 2017-18

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. 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 University¹. 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.

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5. Professor Sir Ian Diamond is currently conducting an independent review of higher education funding and student support which is due to report imminently. The findings of the review, and the Welsh Government's response, will be crucial in establishing a fair and sustainable funding system for higher education, something that The Open University in Wales has been calling for.

¹ 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.

6. When the current 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. 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 finances². 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 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 market³.”
7. The Open University in Wales and others raised concerns about the sustainability of part-time higher education funding in submissions to the previous finance committee’s inquiry on higher education funding⁴. 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 complete⁵. We were disappointed that the Welsh Government did not fully accept these recommendations⁶.
8. The forthcoming final report of the Diamond Review and the subsequent Welsh Government response may result in a change in Welsh Government HE funding policy but we cannot know the exact timescale for this change. While we hope that in the longer term part-time HE funding will be put on a more sustainable foundation we remain concerned about shorter term implications of the next budget round for 2017/18.
9. In response to the draft 2016/17 budget The Open University in Wales expressed deep concern about a proposed cut in the *Higher Education* budget line within the Education and Skills Main Expenditure Group. This budget line represented 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 indicated a cut of £41 million in this budget line, this represented a decrease of 32 per cent on the 2015-16 allocation of £129 million.

² Wales Audit Office, *Higher Education Finances* (2013), p.12. Available at http://www.wao.gov.uk/system/files/publications/HE_Finances_English_2013.pdf

³ Ibid, p.11

⁴ 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>

⁵ 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>

⁶ 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>

10. The proposals in the draft budget would have placed 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 would have been especially severe as it does not have income from full-time provision with which to cross-subsidise.
11. Following the discussions around the draft budget we were very pleased when the Welsh Government announced that an extra £10 million would be available in 2016/17 specifically for part-time HE in order to ensure that part-time study opportunities could still be made available to those who want to benefit from them. This decision went some way to ensuring that those who wish to study part-time were not disadvantaged at the expense of their full-time counterparts. While we await the final outcome of the Diamond Review and the implementation of any policy changes (which may take some time) we need to continue to protect and support part-time students and the ability of institutions to offer part-time courses.
12. The Open University in Wales asks the Finance Committee to consider the very serious implications that the next budget could have for the future of part-time higher education in Wales if further cuts are proposed within the Higher Education budget line for 2017/18. The Finance 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 budgets⁷." There is a danger that this could happen if that budget line comes under threat once again, thus closing off opportunities for adult learners, disabled people, and carers. While a longer term solution may be on the horizon following the Diamond Review we are keen to ensure that the short-term position of part-time HE also remains stable.
13. The Open 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.
14. We hope this submission is useful ahead of the committee's consideration of the forthcoming draft budget for 2017/18. We would be pleased to provide any further information to the committee as required as part of this important scrutiny exercise.

19 September 2016

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⁷ 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>