

# Paying for higher education

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**While some have argued that access to higher education should be on the basis of the individual's potential to benefit not on their ability to pay for it, Wales also needs a competitive and strong higher education sector. To what extent can the public purse afford to fund both?**

## The challenges

Universities are facing serious funding challenges. The Higher Education Funding Council for Wales (HEFCW) announced a 5.1 per cent decrease in funding for teaching and research in 2011-12 compared to 2010-11.

Although income from student fees will increase, there is a limit on funded student places. Income from increasing numbers of non-EU students is an important source of revenue. Other funding issues include an increasingly competitive international market for higher education and research grants. Interestingly, charitable donations to Welsh universities increased by £2 million in 2009-10.

This is happening at a time of intense public debate on university funding and student support in all parts of the UK.

## Restructuring higher education

The higher education sector in Wales has been challenged to implement major structural change including:

- a massive reduction in the number of Welsh higher education institutions from eleven to six institutions by 2013;
- a regional approach to planning delivery and fundamental reform of higher education governance;
- greater collaboration between higher and further education; Universities Heads of the Valleys Institute (UHOVI) is an innovative example; and

- new ways of delivering Welsh medium higher education, led by the Coleg Cymraeg Cenedlaethol.

## Will student numbers increase?

There are a number of factors that will affect the numbers of students in future. Limits on the numbers of undergraduates recruited by higher education institutions now exist in all parts of the UK. This is to manage the demand from eligible undergraduates for statutory student support.

There was a 5 per cent decrease in accepted applicants to Welsh universities in September 2010 compared to a year earlier. In addition, commentators predict that some young people may see investment in higher education as a potential gamble and may choose government / employer funded apprenticeships or on-the-job training.

## Widening access

Widening access to higher education is still a policy priority and has been set as a condition of charging maximum fees. Support for students from lower income households is currently available through bursaries and grants, including the Assembly Learning Grant.

## Student debt

The sector's need for income from student fees has to be considered alongside individual student debt. The annual survey of 2,000 UK students for university guide Push found average yearly debt had increased by 5.4 per cent to £5,600 per year of study. Average debt

levels for students starting university in September 2010 are £25,000.

### **Changes to tuition fees in England**

Following recommendations in the Browne report, tuition fees in England will increase up to a maximum of £9,000 in September 2012. Loans will take longer to be repaid under the new system, however monthly repayments will be smaller which could be similar to a graduate tax. Some research suggests that over two thirds of the universities in England would like to charge the maximum fees.

Approximately 16,000 Welsh domiciled students study in England. If English universities were to charge average tuition fees of £7,000, the cost to the Assembly Government of providing increased tuition fee loans to Welsh students is estimated as an additional £70 million by 2015-2016. If Welsh universities don't increase their fees to similar levels, there could be significantly increased competition for places or conversely Welsh higher education might be seen as cheaper and potentially of an inferior quality.

### **Tuition fees policy in Wales**

In February 2011, the previous Minister announced higher fees, although he set the basic fee level at £4,000, compared to £6,000 in England. He also announced a non-means tested tuition fee grant for all Welsh domiciled students, regardless of where they study, for the fees increase above current fee levels.

It is estimated that average student debts in England could rise to around £38,000 when the new system is introduced in September 2012. Three accountancy firms have estimated that some students borrowing £39,000 for a three-year course could pay back up to £83,000 in total, in cash terms.

### **Graduate earnings**

Latest figures from the Office for National Statistics show that people with degrees earned an average of £12,000 a year more than non-graduates over the past decade.

However, not all degrees are of equal value. Research shows that some degree subjects appear to have little impact on earnings on average when compared to the earnings of people qualified to A level standard, while other degree subjects earn a substantial earnings premium.

### **The cost to the Welsh government**

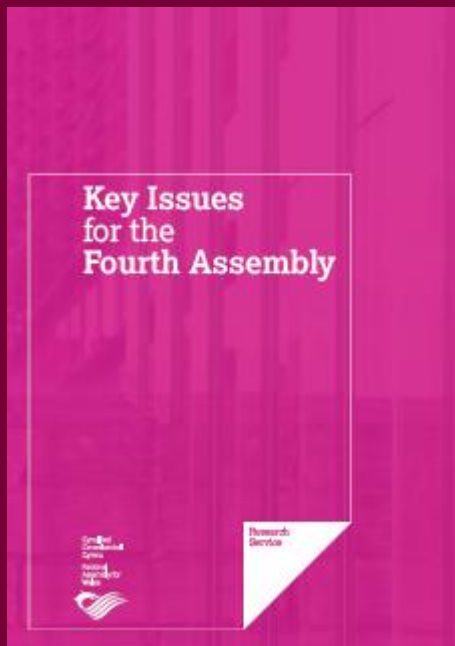
A government commitment to fund additional student fees above the present level for Welsh domiciled students would incur significant costs.

The previous Welsh Government provided detailed financial modelling based on average new fees of £7,000 in response to Freedom of Information requests. This estimates the cost of a non-means tested Tuition Fee Grant for Welsh domiciled students to cover the additional costs of increased tuition fees, starts at around £30 million in 2012-13 but potentially rises to over £180 million by 2015-16.

### **The dilemma**

The political dilemma is how best to balance the cost to government budgets with the cost to the individual student and still provide the foundations for a strong and competitive higher education sector.

# Article taken from Research Service publication



## Key Issues for the Fourth Assembly

This document has been specially prepared for Assembly Members by the Research Service. It sets out some of the key issues likely to matter to Members during the Fourth Assembly.

**[Key Issues for the Fourth Assembly](#)**

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