

**To: Heads of higher education
institutions in Wales
Principals of directly funded further
education colleges**

Reference: W06/26HE
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Response By: No Response Needed
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The purpose of this letter is to inform the sector of proposed arrangements for establishing a ceiling on full-time undergraduate student numbers for 2006/07 following the Remit letter request that we should "open discussions with the HE sector on managing the finance implications for the Assembly budget of the demand-led nature of student finance" in the context of changes to the fee regime for such students who are recruited from 2006/07.

You will recall that HEFCW circular W05/53HE, issued on 17/10/05, alerted the sector to the fact that, because of the demand led nature of the student finance budget there could well be financial implications for the Assembly budget arising from recruitment of full-time students over and above HEFCW funded places and that institutions would wish to bear these developments in mind when recruiting students thenceforth and act with appropriate prudence.

Early discussion with the sector highlighted a range of possible considerations to be borne in mind when designing a means of managing the potential financial implications of any growth in full-time undergraduate numbers. Not least of these was the clear desire of the sector that any controls should operate at the level of individual institutions. Since those initial discussions, a number of approaches have been modelled by both HEFCW and the Welsh Assembly Government. In this work, it has proved difficult to model the effect in 2006/07 of tuition fees in Wales being lower for English domiciled students than they will be in England. This could lead to a sudden increase in the number of students seeking places at Welsh institutions in that year. Were a recruitment ceiling to be set at too low a level, this could have unintended consequences for Welsh domiciled students which both the Council and the Assembly Government are clearly keen to avoid.

In these circumstances, and in the expectation that institutions, having already been alerted to this issue, will act prudently in respect of their 2006 intakes, Ministers have decided that HEFCW should continue to exercise control through the number of funded students in the system but that there should be no separate ceiling on recruitment of full-time undergraduate students in 2006/07.

You need to be aware, however, that this is predicated on institutions not seeking to expand full-time undergraduate numbers in excess of the normal broad growth trajectory for the sector. It is a matter which we will keep closely under review and, depending on the numbers of students recruited this autumn, action may need to be taken for subsequent years. Monitoring will be undertaken via the usual student data returns but we will also expect to see the prudence advocated in October being fully reflected in institutional plans which are now being finalised.

Were a ceiling to be introduced in future, the Assembly Government has made it clear that HEFCW would be expected to devise a mechanism for recovering the student finance costs associated with any breach of that ceiling. Institutions will appreciate that the pressures on the student finance budget will have a bearing on the funding available to support higher education developments more generally.

I am sure that you will appreciate the importance which attaches to managing the potential demands to be placed on the Assembly's student finance budget for both the Assembly Government and, more broadly, for the future stability of higher education funding in Wales. I'm sure I can count on the necessary caution being demonstrated in strategic plans and in future recruitment patterns.

Yours sincerely

A handwritten signature in black ink, reading "Phil Gummatt". The signature is written in a cursive style with a long horizontal line extending to the right.

PHILIP GUMMETT