

Leighton Andrews AC/AM
Y Gweinidog dros Blant, Addysg & Dysgu Gydol Oes
Minister for Children, Education & Lifelong Learning



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf/Your ref
Ein cyf/Our ref SF/LA/0129/11
Mr Roger Thomas
Chair
Higher Education Funding
Council for Wales
Linden Court, Ilex Close
Llanishen,
Cardiff
CF14 5DZ

16 March 2011

Dear Roger,

**HIGHER EDUCATION FUNDING COUNCIL FOR WALES
REMIT LETTER 2011-12**

1. I write to provide you with details of funding allocations to the Higher Education Funding Council for Wales for 2011-12 and to establish the priorities that I am setting for the Council for the coming year. I expect the guidance in this letter to form the basis for the Council's Operational Plan for 2011-12. The Council's Operational Plan should be submitted in draft by the end of May 2011.

Our Strategy

2. I wish to reiterate my gratitude to the Council for the pace and determination it demonstrated in the past year in responding to *For our Future: the 21st Century Higher Education Strategy and Plan for Wales*. I thank the Council for establishing the *For Our Future* Action Plan, which has the full backing of the One Wales Government Cabinet. The objectives set out in *For our Future* remain the key priorities for change in 2011-12. I recognise the challenging climate in which the Council needed to deliver in 2010-11. I appreciate that the year ahead is certain to present even greater challenges, particularly in light of the radical changes to student finance and HE funding required to protect Welsh domiciled learners following decisions made by the UK Government. Nevertheless, delivery of *For our Future* is the overriding objective on which the Council must focus in 2011-12, and to which all its actions must demonstrably relate.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Ffacs * Fax 029 2089 8241
Correspondence: Leighton.Andrews@wales.gsi.gov.uk

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

Printed on 100% recycled paper

3. On that basis, the twin priorities of delivering on social justice and a buoyant economy remain key measures by which we must assess the contribution of the Welsh higher education sector to the social and economic well being of Wales. In order to meet that expectation there is a need to focus more strongly on the sustainability and competitiveness of the Welsh higher education sector. To ensure that momentum is maintained I expect the Council to continue to provide me with regular progress updates and to continue to work with my officials to address these ongoing challenges.

Planning for delivery of the new fee grant and for the new role of approving and enforcing tuition fee plans from 2012/13

4. I recognise that this will be a major new step for the Council in 2011-12. In line with Welsh Assembly Government policy, and in fulfilment of its new responsibilities, the Council will play a significant role in the delivery of the revised tuition fee package from academic year 2012/13. I appreciate that the timescales are challenging and will mean that delivery arrangements will need to be developed during 2011-12. I expect HEFCW officers to continue to work closely with my officials to ensure that this is implemented effectively.
5. I am determined that the new arrangements demonstrate our commitment to social justice, while positioning the HE sector in Wales to make an ever more significant contribution to Welsh economic renewal and success. To be able to achieve these objectives the sector itself must be sustainable. In 2011-12, I therefore expect to see the Council, when planning and designing the new arrangements for approving and monitoring fee plans, to take every opportunity to use them to drive delivery of *For our Future*, within the context of promoting higher education and the pursuit of equality of opportunity to access higher education.
6. As you know, legislation is currently being introduced to extend the Council's functions in such a way as to enable the Council to undertake student support functions, to administer the new fee grant for students ordinarily resident in Wales with effect from academic year 2012/13. The new fee support arrangements for 2012/13 are pivotal both to the Assembly Government's strategy for higher education and to our efforts to promote social justice. I recognise that the administration of student finance represents an entirely new function for the Council. I expect the Council to work closely with my officials and with the Student Loans Company over the course of the next year to ensure that students ordinarily resident in Wales who wish to enter higher education in 2012, wherever in the UK they choose to study, will be able to apply for the new fee grant in good time. I also look to the Council to ensure that the costs of administering the new fee grant (both for the Council and for HE Institutions) are kept to a minimum.
7. I also intend to set out in forthcoming guidance my expectations of the Council in relation to its new role in approving and enforcing fee plans. You will wish to work with the sector in order to ensure robust monitoring and reporting arrangements are put in place in readiness for the first round of fee plans to be submitted for 2012/13 onwards. I expect the Council to report to me by March 2012 on progress to date. This should make particular reference to how the Council has built on its existing work in relation to widening access, and how it has incorporated the new approach to fee plans into the reporting and monitoring arrangements which it has already put in place with the sector.
8. I look to the Council to keep in place the mechanisms recently established to prevent over recruitment. Over-recruitment of full-time undergraduate students in the coming

year may mean that it would be necessary to reduce the Council's grant in future years in order to meet the unanticipated student support costs arising from increased student numbers. It is essential that student numbers are managed effectively in order to maintain opportunities for access, standards of provision and the quality of the learner experience. This will remain important in the new fees environment from 2012/13 and I look to the Council to provide advice to me by February 2012 on the impact of control measures for the academic year 2011/12.

9. Responsible recruitment by the Welsh HE sector will be increasingly important from 2012/13. Should over-recruitment occur in 2011/12, I will need to ensure that there is a balance between the financial impact on the higher education and student support budgets to provide assurance of the long term sustainability of Welsh Assembly Government policies. If institutions recruit above the permitted levels I will need to consider options that maintain the appropriate level of financial sustainability.

Building a sustainable sector:

10. A world class higher education system is essential to meet the social and economic challenges we face in Wales. The Welsh higher education sector must demonstrate excellence in all it does and be financially sustainable and competitive on the international stage. *For Our Future* identified the need for radical change in the shape, structure and provision of higher education in Wales. Too many Welsh higher education institutions are too small to operate effectively in response to the growing pressure of international competition, or yield sufficient economic benefit to Wales. This has been a cause of concern to successive Ministers for several years, as has the lack of fundamental change in the shape of the sector, despite it being a long standing policy priority, with significant financial support available to institutions.
11. In that respect, I welcome the Council's statement on the future shape of the Welsh HE sector, unequivocally setting out the number of institutions which the Council considers to be sustainable. I see that statement as pivotal and it has my full backing. I expect to see a greatly increased momentum in 2011-12 towards the HEFCW Corporate Strategy target of at least 75% of Welsh HE institutions having annual incomes in excess of the UK median, with no institution in the lower quartile by March 2013. Radical reshaping of the HE sector in Wales is fundamental to the delivery of *For our Future*, and therefore achievement of this should be a core consideration across HEFCW's strategies and actions. I will expect the Council to use all the levers at its disposal to pursue this objective within the timescale allocated and to support my officials as I continue to press for progress on this matter.
12. The new arrangements for student finance and fees in Wales from AY 2012/13 entail a shift in the balance of funding of teaching in universities, from mainly funding council grant-led, to mainly student fee-led. This shift will require greater weight to be given to the student voice in assuring that provision meets student needs. There will, however, be a balance of funding that will remain with HEFCW. The precise amount will depend upon the actual additional fee costs for full-time undergraduates (and in time part-time also) ordinarily resident in Wales (which in turn depends upon the level of fees actually charged), and the actual net cross-border flow of students, together with the costs of EU students in Wales. I want that balance of teaching funding to become a new Public Investment Fund. Its purpose will be to support, in the public interest, activity within the priorities of *For our Future* that a student-led teaching funding system alone would not necessarily deliver. I will give further guidance annually in my remit letter, but initial priorities include widening access to which increasing focus should be given by institutions' in their fee plans, areas of importance to Wales (including those emerging

from the Economic Renewal Programme and planned revised Science Policy), especially when the delivery of this provision is more expensive than fees alone can cover, and structural change in the delivery of HE in Wales. I expect you to develop a new funding approach for this Public Investment Fund to take effect from AY 2012/13 and that in so doing the Council continues to focus on the increased delivery of subjects of strategic importance namely Science, Technology, Engineering and Mathematics (STEM) and the maintenance of modern foreign languages (MFL).

13. Maintaining the pace of change to deliver a sustainable Welsh higher education sector remains a critical priority if our goals of social justice and economic buoyancy are to be met. The needs of Wales must come before the preferences of individual institutions. Therefore I am keen to see progress this year towards fewer but stronger institutions and I will be considering the scope for using my powers under the Education Reform Act 1988 to effect mergers. In addition, I intend to explore the option of imposing a condition on the funding made available to the Council requiring the Council to require HE institutions to set out in their strategic plans how they will contribute to the reconfiguration of the Welsh HE sector.
14. In that context, I see the following as critical contributions to remodelling the HE sector in Wales:
 - *Regional planning:* I am pleased to note the progress made to date on regional planning. There remains, of course, much to be done: the regional plans need to be implemented and a regional dimension embedded in institutional and sector strategy and planning from this year forward. I look to the Council to maintain pace and ensure that the regional strategies deliver increasing evidence of more accessible and more cost effective higher education opportunities for learners and employers. I also expect the Council to reinforce the message to the sector that regional planning must not be seen as an alternative strategy to merger.
 - *Front line services review:* I expect the Council to continue to contribute to the Welsh Assembly Government's efficiency initiatives, in particular, the Front Line Services Review. In 2011-12 I expect to see action by institutions to shift a greater proportion of expenditure to the front line. In addition, in line with the obligations on all public bodies to reduce costs, I expect the Council to make the necessary adjustments to its own operations in line with future running costs projections.
 - *HE Governance Review:* I expect the Council to work with my officials in delivering any relevant Assembly Government policies arising out of the recommendations of the independent HE Governance Review (chaired by John McCormick).
 - *Quality and Standards:* sustained quality in higher education is critical to the wider reputation of Wales in the eyes of the international community. I am pleased that this has been broadly maintained, and that Wales still performs well in terms of the student experience and key areas of private sector engagement. However, *For our Future* makes clear the need for the bar to be raised both in scale and performance. I expect the Council to be vigilant regarding the standard and quality of higher education during a period of rapid change. I also look to the Council to continue its engagement with the University of Wales in respect of quality and governance assurance, including monitoring whether the University fully implements the improvements and recommendations made in the Hughes, McCormick and QAA reports.

Action to address social justice

15. The accessibility of higher education remains critical to improving social mobility and providing opportunities for people from all backgrounds to improve their contribution to society and the economy through higher knowledge, skills and confidence. I am encouraged by the pace and thoroughness of the Council's recent revision of its approach to widening access. I am keen to see evidence that the new arrangements, coupled with action on regional planning, transformation, and business links, are raising yet further the level of participation and success in higher education. This includes recruitment from Communities First areas and improved retention and completion rates of students studying at Welsh institutions, and I welcome the inclusion of these as priorities in the revised approach.
16. It is essential that action to widen access to higher education remains core, sustainable and effective. In order to ensure continued improvement, I expect the Council to utilise research and evidence to inform future action and to build on the revised arrangements for widening access with particular emphasis on part-time, employer focussed provision and opportunities for progression from further education. I look to the Council to report to me by March 2012 on progress made in this regard and any initial findings.
17. Separately, the Council will of course be continuing to support economic and social regeneration in the Heads of the Valleys.
18. Increasing the availability of, and participation in, Welsh Medium higher education remains a Welsh Assembly Government priority. I am pleased with the progress achieved to date with Coleg Cymraeg Cenedlaethol. I look to the Council to ensure that the necessary arrangements are in place to permit the launch of the Coleg in April, prior to its becoming operational in September 2011.

Action to improve the learner experience

19. A high quality student experience is a fundamental principle of *For Our Future*. The changes to tuition fees arrangements will mean students have higher expectations. I expect HEFCW to ensure that institutions place the quality of student experience at the core of their strategic development plans and work constructively with representative bodies such as the National Union of Students Wales, and local students unions in Wales, to improve the student experience. Student voice will become more, not less, important.
20. Students are active participants in shaping the quality of their learning experience and have responsibilities as well as rights. In this regard I expect HEFCW to ensure that HE institutions and their student unions jointly agree a student charter which clearly lays out the mutual roles and responsibilities of institutions and of their students.
21. It will be important to ensure that student unions are appropriately funded if the student voice is to be meaningful. I expect HEFCW to discuss this matter with the National Union of Students Wales, to establish best practice in the funding of effective, democratic students' unions, and student representation on decision making bodies, and to ensure that best practice in respect of student union representation becomes the norm in the Higher Education sector in Wales.

Action to contribute to a buoyant economy

22. *For our Future* recognised that leaving the present research base unchanged would pose a significant risk to Wales's future economic success. Wales has too many small and dispersed research units and, moreover, still produces too many small scale and individual bids for UK research funding. Wales needs to build a strong, dynamic and sustainable research base that compares well across the UK and internationally, and one that can contribute to our economic prosperity. The Welsh Assembly Government identifies R&D and innovation as key drivers of economic growth and the long-term well being of Wales in *Economic Renewal: a new direction*.
23. I look to the Council to work to increase both the quality and volume of both industry led and internationally recognised research undertaken in Universities in Wales and our level of externally generated research income, particularly in our priority sectors, and to exploit more effectively the research for the benefit of the Welsh economy. I recognise the steps taken by the Council in 2010-11 to alter its approach to research funding. However, in 2011-12 I wish to see this translate into a coherent strategy to build, at pace, coherent and effective research bases, in line with the priority areas already identified and which develop global recognition of research excellence in Wales. I will expect the Council to co-operate with the Chief Scientific Adviser in delivering the new Science Policy as well as with officials as we explore ways of improving our R&D performance.
24. We need people with higher level skills to support the industries and technologies of tomorrow, including STEM skills. I look to the Council to play a key role in delivering these skills, which are key to achieving economic growth, and in encouraging the HE sector to develop strategic relationships with businesses across Wales, the UK and globally. The Council will have a key role in delivering our Economic Renewal agenda. Critical to this must be evidence that the design, content and delivery of programmes reflect employers' needs. I expect the Council to work with my officials to ensure a strong focus on provision of post-graduate training, including fostering a more collaborative ethos, through for example, shared training opportunities across Wales which could potentially lead to new Doctoral Training Centres.
25. I look to the Council to continue to work to enhance graduate employability, linking with employers directly, particularly in areas of economic growth, so that our students gain an extra 'edge' that can make them more attractive to employers and more able to compete successfully in the global economy.
26. A corollary of the need to improve graduate employability skills is a clearer articulation of the careers services on offer to the entire student body at undergraduate and post graduate levels. I have recently issued the Welsh Assembly Government's response to the Report '*Future Ambitions: developing careers services in Wales*.' In this I accepted the need for HEFCW to ensure that HE institutions more clearly articulate the careers services on offer. HE institutions should, at the very least, explain what the minimum service entitlement is and the eligibility for that service (with particular reference to HE students in FE colleges, course drop-outs and graduates beyond first destination, and priority groups).
27. *Future Ambitions* also sets out an agenda for closer collaborative working with the wider careers services and with employers. These developments are unlikely to be taken forward substantively in 2011-12; but I would expect HEFCW to facilitate closer relationships between the Welsh HE sector the wider careers family and employers.

Conclusion

28. There are significant challenges to be addressed in 2011-12 and beyond. I look to the Council to maintain the pace of change initiated in 2010 to ensure that the Welsh HE sector maximises public investment to support Welsh economic performance and social justice, by achieving the scale and critical mass necessary to compete on the international stage

Yours sincerely
Leighton Adams

Leighton Andrews AM

Minister for Children, Education & Lifelong Learning
Y Gweinidog dros Blant, Addysg & Dysgu Gydol Oes

Detailed allocations for the HEFCW Budget Expenditure Lines for 2011-12 are set out below:

	£'s
HEFCW Running Costs	3,013,000
HEFCW Current Expenditure ¹	375,982,000
For our Future - Coleg Cymraeg Cenedlaethol (excluding the Welsh medium scholarship) ²	11,582,300
Higher Education Receipts	-2,798,000
HEFCW Depreciation	82,000
Total Allocation for 2011-12	387,861,300

¹ HEFCW Current Expenditure Budget Line

- a) As announced on 25 May 2010, the Welsh National Bursary (for new entrants in academic year 2011/12) will be integrated into the HE statutory support system as an integral part of the Assembly Learning and Special Support Grants. The Welsh Assembly Government's statutory student support arrangements for living costs are for Welsh domiciled students only (namely students who are ordinarily resident in Wales). Whilst institutions will no longer pay a minimum national bursary to new entrants from 2011/12 they can continue to make arrangements for their own institutional awards. In line with the announcement, an adjustment will be made to the HEFCW Current Expenditure budget line to meet the funding requirement for the minimum bursary (totalling £4.1m) in the 2011-2012 financial year. This is reflected in the allocation outlined above.
- b) The HEFCW Current Expenditure budget line Includes funding of £0.81 million for reconfiguration of the ITT sector. This funding will be available for draw down by HEFCW upon Welsh Assembly Government approval of a progress report from HEFCW, and agreement of the ITT reconfiguration funding requirement for 2011-12. Should this sum not be fully utilised for ITT reconfiguration purposes, HEFCW are able to use any remaining funds for other revenue funding purposes. However, the Assembly Government will seek assurance that satisfactory progress has been made in respect of ITT reconfiguration before any balance of funding can be used for other purposes.
- c) Funding for the Open University is included within the HEFCW Current Expenditure budget line

² For our Future - Coleg Cymraeg Cenedlaethol Budget Line

- a) An adjustment to the published Welsh Assembly Governments budgets has been made in respect of this budget line as £100,000 has been retained by DCELLS to support International Higher Education Initiatives.
- b) The budget allocation outlined above is provided to support Coleg Cymraeg Cenedlaethol. However, should this commitment not utilise the full resource within the budget line in 2011-12, HEFCW are authorised to use any flexibility that may exist for the progression of wider For our Future priorities including in the first

instance those reconfiguration and collaboration projects for which funding has already been committed. **It is expected that HEFCW will manage all other priorities from the HEFCW Current Expenditure budget line.**

- c) Welsh Assembly Government officials are working with HEFCW to draw up an arrangement under section 83 of the Government of Wales Act 2006, for Welsh Ministers' functions under section 61(k) of the Government of Wales Act 2006 relating to the funding and administration of a Welsh Medium Scholarship Scheme to be exercised by HEFCW. This arrangement will be communicated separately.

Capital Funding

HEFCW will not receive a dedicated capital budget in 2011-12, however, funding will be made available to support IBERS and to secure UK match funding for research infrastructure. Funding for other strategic capital investments will need to be secured from DCELLS Strategic Capital Investment Fund through a business case submission process.

PLEASE NOTE - THESE FIGURES MAY BE SUBJECT TO IN-YEAR ADJUSTMENT