

Our ref: SF JD 35 06

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**Higher Education Funding Council for Wales
Remit Letter 2006-07**

1. I am writing to you with guidance on the distribution of grant in aid for the Higher Education Funding Council (HEFCW) for the financial year 2006-07. The statutory role of HEFCW is to administer funds for the provision of education and the undertaking of research by higher education institutions, and for the provision of associated facilities and services. In writing this letter, I am exercising my powers under section 68 of the Further and Higher Education Act to attach terms and conditions to the grant available to HEFCW.
2. It has been a momentous year for higher education in Wales. Following on from the Rees Review of HE funding and Student Finance we have secured political agreement for the introduction of flexible fees in Wales from 2007/08. The new source of income to which this will give rise offers the prospect of securing significant improvements in the higher education available in Wales.
3. The Council has made an important contribution in bringing us to this point and, through your involvement in fee plans you will have an even more critical role to play moving forward.
4. I was also grateful for the serious and careful consideration that HEFCW gave to the task of assessing funding differentials between Wales and other parts of the UK, and in responding to the two Audit Committee reports, on procurement and on energy and water management.
5. This remit letter should form the basis for the Council's Operational Plan for 2006-07, which should be submitted in draft by 24 March 2006. This

will allow sufficient time for the plan to be discussed with your sponsor division for final approval and sign off by 1st April 2006. There may be advantages to you using the same programme headings in your planning as adopted by the Assembly Government for the 2006-07 budget to assist coherence and officials will be happy to discuss this with you. The remit letter relates to the financial year 2006-07 but it recognises that in your dealings with HEIs, you operate on the basis of an academic year, which spans two financial years.

6. Updating the Corporate Plan will not be a requirement for 2006-07, although you may wish to do so in any case. Should you decide not to produce a new Corporate Plan I would expect you to include a strategic statement at the front of your operational plan, which should briefly describe any key updates to the current Corporate Plan.
7. The Assembly Government's budget proposals have now been finalised and approved by a vote of the National Assembly and include an allocation to the Council of £428,360,000, including Reaching Higher resources. **Annex 1** contains details of the Assembly Government's financial support for the Council.
8. **Reconfiguration and Collaboration** - We have seen encouraging signs over recent months that the HE sector in Wales is now responding constructively to the challenge set out in Reaching Higher. I have been pleased to approve significant collaborative proposals and I would like the Council to continue to focus its energies on promoting further initiatives that will enable Wales to build on its strengths - both in relation to teaching and research. Wherever possible I would expect such proposals to reflect HEFCW's strategic determination of priorities. The Council has made important steps towards adopting a more strategic approach to the deployment of the Reaching Higher budget in 2005. I would expect the Council to make further moves in this direction during 2006. This should include the preparation of advice by January 2007 on early indications arising from the Council's planned review of its research policy as to what if any further steps should be taken to support preparation for the next Research Assessment Exercise, and to strengthen research capacity more broadly.
9. During 2005 the report from Professors Cooke and Bull established an important new objective for your efforts to promote reconfiguration under Reaching Higher. I will look to the Council to continue to provide leadership to the governing bodies of the post-92 institutions in South East Wales in order that we might build on their generally positive response to the report.

10. **Tuition Fees** - the second strategic priority during 2006 will surround the work that will be required involving the Council to prepare for the introduction of flexible tuition fees in Wales from 2007/08. The Assembly Government's aim is that significant injection of new funds into the HE sector, beginning with the Supplementary Income Stream available in 2006/07, should lead to a significant strengthening of HE provision. The role of the Council in agreeing fee plans will be crucial in this regard. HEFCW's approach should be non-bureaucratic but effective. You should seek to build on existing data gathering and monitoring arrangements wherever possible but use the supplementary data relating to the use of fee income to drive forward Reaching Higher whilst promoting equality of opportunity. You should aim to have completed the process of agreeing fee plans and reporting their final content to the Assembly Government by October 2006.
11. Following the decision to devolve responsibility for student finance to Wales my officials wrote to you in October 2005 to open discussions with the HE sector on managing the finance implications for the Assembly budget of the demand-led nature of student finance. It will be essential that this work is completed well in advance of the academic year 2006/07. The Council should be aware that I will expect you to have arrangements in place to recover the wider cost of overshooting agreed targets, if you are unable to agree a satisfactory control mechanism with the HE sector in Wales. I will expect further advice on this matter with a view to my being able to announce an agreed way forward by April 2006.
12. I will also expect the Council to consider the broader implications for your business of flexible fees being introduced. The developing HE marketplace is likely to have a bearing on HEFCW's work aimed at identifying subjects of broader importance to Wales. I would like the Council to prepare a report by October 2006 on what if any action should be taken to safeguard or promote the teaching of those subjects. This report should also take account of this year's remit requirements that HEFCW should develop proposals for making more strategic use of core funding.
13. **Widening Access and Participation** - the introduction of the new fee arrangements coupled with the new statutory student finance package alongside institutional bursaries is likely to have an important bearing on widening participation activities. I would like the Council to take stock during 2006 of whether, and if so what, changes should be introduced at national level and through Reaching Wider partnerships so as to ensure that we can maintain progress towards progressively opening higher education opportunities to all parts of our society. A report on your conclusions should be submitted by January 2007. I will expect this advice to include whether further specific steps should be taken to reflect

the particular circumstances of young people entering HE having been in care.

14. HEFCW also have an important part to play in implementing the recommendations, when they are published, of the Graham Review of **part-time students**. I will look to the Council to contribute towards formulating an Assembly Government response to those recommendations. It is too soon to say what, if any, impact the introduction of flexible fees will have on the numbers of part-time students but I will expect HEFCW to keep this matter closely under review.
15. In order that Wales can build on its strong track record on widening participation I will also expect HEFCW to contribute to the developing policy agenda on fair admissions during 2006. With the consultation on **post qualification applications** underway, I look to the Council to help ensure that the sector in Wales plays a full part in implementing the outcomes of the consultation and that the sector in Wales is fully engaged with developments elsewhere in the UK.
16. **HE Funding** - I expect the question of HE funding levels and comparisons between Wales and other parts of the UK will continue to generate interest in 2006. I was grateful for the detailed contribution HEFCW was able to make to the political discussions on this matter in 2005. You should aim to refine your analysis during 2006. It would be helpful if the methodology could reflect any comments received from the sector in response to your original analysis. I would be grateful if you could submit an updated report on this matter by September 2006.
17. **Learning and Teaching** - I welcome the fact that HEFCW established a new Learning and Teaching Committee during 2005. This should enable you to take a still more strategic approach to this area of activity during 2006. Moving forward this needs to become an even more critical aspect of the student experience within every institution. Reflecting this I would like the Council, working with the HE Academy and others and with the assistance of the new committee, to draw up a programme of action. The aim should be to highlight those areas where concerted activity at a national level can enrich the learning experience within individual institutions. ICT is likely to be amongst the areas that could benefit from innovative approaches being developed and tested, though I would expect the action plan to extend across a wider range of activities. You should aim to develop an outline of this plan by December 2006.
18. The Council will also need to take a continuing interest in **quality assurance** arrangements as they apply in Wales. The Council will need to work closely with the Quality Assurance Agency to ensure that institutional changes flowing from the review of the University of Wales are

based on the best possible evidence base. I also want the Council to work with the Agency to make sure that there are effective quality assurance arrangements in place where joint teaching or awarding arrangements are emerging in Wales.

19. **Welsh Medium Education** - I would like to receive early notification of the findings of the Options Appraisal of models for future sustainable Welsh-medium provision and of the study of the costs of Welsh medium provision. Subsequently I will expect the Council to report to me with your recommendations as to the way forward and with clear identification of priorities. We need to build upon existing pockets of good practice to create more responsive and sustainable patterns of Welsh medium provision across all institutions. Given the timing of the consultants' reports you should aim to let me have your advice with the evidence base that underpins it by December 2006.
20. **Initial Teacher Training** - the arrangements for initial teacher training provision in Wales will need to be reviewed fundamentally in light of the Welsh Assembly Government's response to the recommendations contained within the Furlong review. I have stressed on different occasions that I do not expect any destabilization of the sector to arise as a result of this important piece of work, and I will look to HEFCW, working alongside institutions and the new Practitioners Division within the Department, to produce evidence based work in areas where our response to the review calls for the Council to undertake specific action. Specifically, if in this context I decide to remit HEFCW to produce a plan for a reconfiguration of the way in which ITT is provided through HEIs in Wales, I will expect the Council to produce firm proposals covering practicalities such as suitability, the robustness of continued provision, timing and costs. In particular, I will look to the Council to devise whatever transitional arrangements will be necessary in relation to student numbers so as to take forward the Assembly Government's response to Furlong in a manner which both promotes and strengthens the sustainability of Welsh institutions.
21. **Third Mission** - I look to the Council to ensure that the Third Mission and Research activities of the HE sector in Wales take full account of this as it develops and its particular areas of focus. As I indicated in my letter of 12 January 2006 responding to the Council's October 2005 report on the sector's role in economic development, I recognise the degree to which Wales is already well placed in this aspect of HE activity. I would also expect the Council to be closely involved in the moves by the HE sector to develop a more unified approach to its economic development role as discussed with Assembly Government Ministers in December 2005. I am also grateful for the Council's work to date on the Assembly Government's consultation on a **Science Strategy**.

22. The HE sector also has a crucial part to play in ensuring that Wales can offer the higher level skills that will be essential to attract new business and that will enable our existing companies to compete successfully. I would like the Council to pay particular close attention to the interface between FE and HE in this regard, as well as on progression routes between the two sectors. I also want the Council to develop an evidence base concerning the contribution which foundation degrees might make towards fulfilling this skill needs. This will involve linking with Sector Skills Councils and other key stakeholders and taking account of the primary sectors identified in Wales: A Vibrant Economy (i.e. including high technology, automotive, aerospace, agri-food, tourism, financial services and the creative industries). I would also expect this to include research into the market for Foundation Degrees from both students and employers. You should aim to let me have your advice on strengthening the sector's role in support of the skills agenda by December 2006.
23. **Equality and Diversity in Higher Education** – I welcome and encourage further the Council's work in taking forward the growing equalities agenda, not least in respect of forthcoming legislation. I would like the Council to continue its work helping to generate the evidence base that will enable us to respond, in due course, to demands that arise from the implementation of the new pay framework for the sector. I understand that completion of this work is not due until summer 2007, but expect activity in these important areas to continue nonetheless. The Council should, for example, continue to participate in the cross-cutting work being undertaken by the Welsh Assembly Government on equal pay issues.
24. **Reaching Higher Targets** - 2006 will mark the halfway point of the Reaching Higher programme of activities aimed at producing a more specific and sustainable HE sector in Wales by the end of the decade. As we approach the introduction of flexible fees and the new opportunities to which they will give rise, the coming year will provide an opportune moment to take stock of the sector's progress towards those targets. I would, therefore, like the Council to undertake a review of progress towards the Reaching Higher targets, and in the case of any areas where progress is less than those targets required, to recommend by February 2007 what additional action should now be taken.
25. **Europe** - during 2006 I will look to HEFCW to continue to play an active role in support of the European dimension to HE in Wales, including the establishment of an HE presence in Brussels, Framework 7, and preparations for future funding opportunities after 2006. A key aim should be to encourage greater numbers of students to include a European element within their HE experience, as well as to encourage students from Europe, and beyond Europe, to study in Wales. Institutions will need to

establish stronger European links if this is to be achieved, not least by building on Wales's established position with its credit and qualifications framework, and its active engagement with the Bologna process. I will look to HEFCW for advice on promoting greater student mobility in the context of your proposals for future funding of Erasmus students which I would expect to receive during the first quarter of the financial year.

Approach to delivery

26. The Welsh Assembly Government set out its vision for improving public services in *Making the Connections* and its associated 5-year action plan - *Delivering the Connections*.

27. In drafting your Operational Plan you will need to reflect the targets and key actions you have identified in your Value for Money Action Plan. These should reflect as far as possible the targets for the sector already agreed under *Reaching Higher*. We will issue further guidance on arrangements for formal reporting of value for money gains shortly.

28. You are advised to review your services against the core standards for 'customer service' and 'public engagement' set out in *Delivering the Connections* (pp 3 – 4). More detailed standards, associated guidance and good practice advice will be issued in the autumn of 2006.

29. Your Operational Plan should identify how you will:

- support implementation of the Wales Spatial Plan, and the Sustainable Development Action Plan;
- support the delivery of local authorities' Community Strategies;
- engage with relevant Community First Partnerships, where appropriate, to assist in the delivery of Community Action Plans.

30. You will also need to highlight where you propose to work in partnership with other ASPBs or other partners (including merged ASPBs) to help deliver key outcomes that inherently go wider than any one body. This should include details, where relevant, of how you plan to communicate, engage and work closely with the Voluntary Sector.

Mainstreaming

31. The Welsh Assembly Government's duties towards sustainable development¹ equality², partnership working³, and promoting the Welsh

¹ Section 121 of the Government of Wales Act 1998

² Section 120 in the Government of Wales Act 1998

³ The Assembly has a duty under sections 113, 114 and 115 of the Government of Wales Act 1998 to promote the interests of Local Government, the Voluntary Sector and Business sector.

language⁴ should be mainstreamed into the way the Council does its business including through your estate management, procurement processes and programme activities. Your Operational Plan should set out how you will be mainstreaming these principles including how you will implement the statutory duties placed upon you. The Welsh Assembly Government's Policy Gateway Integration Tool reflects the strategic agenda and I suggest that this be used as a way of testing your work against the key duties and themes.

32. We recognise that the Council already is taking this forward through various initiatives on which it is collaborating with the Welsh Assembly Government, such as the preparation of an Asset Management Plan, and contributions to the Estate Condition Survey and to the Capital Investment Strategy. On AMPs, it has already been agreed between our officials that the Council can include an appropriate section in its Operational Plan.

33. As usual, I will meet you for an annual report against activity in this remit letter in, or near to, October 2006. In addition I will ask my officials to meet your officers on a quarterly basis for more frequent progress reports.

JANE DAVIDSON AM

⁴ As set out in section 47 of the Government of Wales Act 1998, and the Welsh Language Act 1993.

Annex 1

Resources

The allocations to the Council for 2006-07 split by Budget Expenditure Line are:

	£'000s
Running Costs	2,999
Current Expenditure ¹	367,474
Supplementary Income Stream	22,589
Open University Transfer ²	7,516
Current Receipts	-7,798
Capital Expenditure	18,396
Depreciation/cost of capital	284
HEFCW Core Funding	411,460
Reaching Higher Current Expenditure ³	13,900
Reaching Higher Capital Expenditure	3,000

¹ Recurrent figures subject to adjustment following outcome of current discussions on implications of review of ITT places.

²OU transfer figure, [which comprises both capital and recurrent funding](#), subject to adjustment following confirmation of ITT transfer figure

³ The total Reaching Higher budget has been top sliced by £100k for widening access initiatives by the Welsh Assembly Government. It is for the Council to determine the amount given to Reaching Wider but we would suggest a minimum of £2m and would be open to considering a higher amount on the basis of a strong case made by the Council.