

Professor Sir Roger Williams
Chairman
Higher Education Funding Council for Wales
Linden Court
Ilex Close
Llanishen
Cardiff
CF14 5DZ

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Higher Education Funding Council for Wales Remit Letter 2008-9

1. I am writing to you with guidance on the distribution of grant in aid for the Higher Education Funding Council for Wales (HEFCW) for the financial year 2008-09. 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. The remit letter relates to the financial year 2008-09, but it recognises that in your dealings with HEIs you operate on the basis of an academic year which spans two financial years. This remit letter and Annexes should form the basis for the Council's Corporate Plan for 2008-09 to 2010-11 and its Operational Plan for 2008-09, which should be submitted in draft by 30th March 2008.
2. The Welsh Assembly Government's strategic agenda for 2007-2011 is embodied in the *One Wales* document. Our vision is of a strong and enterprising economy with full employment based on high quality, highly skilled jobs. The Assembly Government, individuals, employers and learning providers including HEIs must all work together to turn this vision into a reality.
3. The ambition of *One Wales* is "no less than to transform Wales into a self-confident, prosperous, healthy nation and society, which is fair to all". Higher Education must make a contribution to all of these commitments and meet the needs of students and employers.
4. HE has a key role to play in meeting higher-level skill needs in Wales. During 2008-09 I will be beginning to consider a refresh of *Reaching Higher*, which will need to reflect a number of emerging agendas including the 'Skills that Work for Wales' consultation and the 'Independent Review of Further Education' chaired by Professor Sir Adrian Webb.

5. My aim for HE is that with the learner as the focus, there is the widest possible access and opportunity, underpinned by a strong focus on quality, competitiveness and efficiency within the UK and increasingly, global market. The HE sector in Wales must remain vibrant and sustainable, demonstrating economic impact, employability of its graduates and a research base and knowledge transfer that underpins the economy in Wales.
6. In accord with developing approaches in the Welsh Assembly Government towards to the specification of annual remit letters for AGSBs, I expect the Council to continue to deliver its core services and that they will be reflected in your operational plan. This letter focuses on a smaller number of strategic themes and specific priorities. In developing your work programme for the coming year, I would ask that the Council be mindful of the following four themes;
 - I Contribution to the delivery of *One Wales*, delivering specific commitments and making a contribution to wider themes of Assembly.
 - II HEIs contribution to economic performance and social inclusion including strategic agendas emerging from the 'Independent Review of Further Education' chaired by Professor Sir Adrian Webb and the 'Skills that Work for Wales' consultation.
 - III Cooperation, collaboration and reconfiguration in the sector to raise performance and meet future challenges.
 - IV Performance of the HE sector in Wales; encompassing quality, effectiveness and efficiency of delivery, underpinned by a financial framework which is sustainable and affordable.

I Contribution to the delivery of *One Wales*, delivering specific commitments and making a contribution to wider themes of Assembly.

7. One Wales sets out our strategic agenda for this term of the Assembly. I expect your corporate and operational plan to set out the specific actions that you will undertake to deliver on the following One Wales commitments:
 - Support the development of NEWI to full university status.
 - Establish Welsh medium HE network.
 - Establish a National Science Academy.
 - Establish new National Research Centres.
 - Ensure that extra funding (e.g. European funding) is tied to approaches in higher education, to develop proposals for joint working and for the further development of inter-university agreements and for co-working between departments.

8. I would also expect to see plans for your contribution to the following One Wales commitments;
 - HE contribution to a national Welsh medium strategy.
 - Widen participation for all ages in Further and Higher Education.
 - Assess the impact on HE of new patterns of in-migration.
 - Placing Wales in the world.

9. One Wales emphasised the Welsh Assembly Government's duties towards mainstreaming key themes into the way we all do business (further detail is at Annex 2). In deploying resources and influencing the HE sector, please consider five key objectives for the year;
 - a. **Widening access** to higher education and increasing participation from under represented groups, recognising and identifying the added value by HEIs in this regard.

 - b. Within appropriate governance, contribute to improved **diversity** in senior management posts and Governing Bodies of both HEFCW and HEIs, by taking specific actions to remove barriers and encouraging a wider pool of applicants.

 - c. Support our objective of creating a bi-lingual Wales particularly through **Welsh medium provision** including the HE network and Welsh medium strategy.

 - d. Meet **sustainable procurement** targets at Annex 2.

 - e. Contribute to **Public Sector Reform** as an organisation and in influencing HEIs.

II HEIs contribution to economic performance and social inclusion including the strategic agendas emerging from the 'Independent Review of Further Education' chaired by Professor Sir Adrian Webb and the 'Skills that Work for Wales' consultation.

10. I will be considering the strategic agendas emerging from the current 'Skills that Work for Wales' consultation and our reform of post-16 education arising from the recommendations of the 'Independent Review of Further Education' chaired by Professor Sir Adrian Webb. "Skills that Work for Wales" recognises the need to create stronger partnerships with employers, to target our funding where it is needed most (including Science Technology Engineering and Maths) and to develop a more effective learning network that will take us from success today to excellence tomorrow. I plan to refresh *Reaching Higher* in the light of these priorities, evidence of delivery and impact and review the underpinning funding framework as a result.

11. In particular, during 2008-09, I would expect that you;
 - Provide a response to me on the potential contribution to be made by HEIs and by HEFCW in delivering the emerging strategic

agenda, which I will consider in my consideration of *Reaching Higher*.

- Develop a coherent interface with employers and specific actions to create stronger partnerships between HEIs and employers (this may include GO Wales and Foundation Degrees).
- Develop plans to respond to the Research Assessment Exercise and meet demand for researchers and technologists.
- Identify specific actions and set up pilot projects to develop opportunities for flexible provision, improve quality and reduce barriers to study.
- Participate in joint working on socio-economic regeneration, commercialisation, research, and sector skills.
- Ensure that the emerging Webb and "Skills that Work for Wales" strategic approaches underpin work undertaken in delivery of this remit letter.

III Co-operation, collaboration and reconfiguration in the sector to raise performance and meet future challenges.

12. I would like the Council to continue to enhance existing work on strengthening the HE sector through reconfiguration and collaboration. This will continue to include research commercialisation, the development of research centres and the science academy concept. But I wish to see collaboration on other areas of delivery by HEIs such as learning and teaching, the student experience, asset management and consideration of cross sector collaboration in the light of the Webb review.
13. I also expect to see HEFCW working across the Welsh Assembly Government on issues such as skills, employment, research and knowledge transfer as well as promoting and supporting such joint working in its dealings with HEIs.
14. In 2008-9 HEFCW will want to consider its role in promoting and facilitating HE collaboration across further education, communities, the economy and employers. Working with my officials, the key projects for 2008-09 are;
 - Foster opportunities for HEFCW to work across the Welsh Assembly Government in the delivery of higher level skills, research and knowledge transfer.
 - Identify opportunities for HEFCW to promote and facilitate collaboration across HE.
 - Deliver the One Wales commitments to research centres and the science academy.
 - Deliver Initial Teacher Training (ITT) functions, including taking forward reconfiguration of provision, accrediting and funding ITT and setting recruitment targets for each HEI to reflect the Assembly's overall national targets.

IV Performance of the HE sector in Wales; encompassing quality, effectiveness and efficiency of delivery, underpinned by financial framework which is sustainable and affordable.

15. You are aware that the financial settlement for the next period of the Welsh Assembly Government is tighter than in previous years. At the same time we have additional challenges and opportunities for the sector, a commitment to higher-level skills in the workforce in Wales, demographic changes, the outcome of the Research Assessment Exercise and an increasingly competitive market within the UK and internationally.
16. I want to ensure that all education and training in Wales meets the needs of its clients; both students and employers. The HE sector in Wales must be able to demonstrate effectiveness, quality and efficiency, whilst growing and adapting to meet ever changing challenges. I am therefore keen to see your work form part of the DCELLS-wide delivery and performance management framework and be underpinned by a theme of integration and cross sector working between higher education, further education, communities, the economy and employers.
17. It is increasingly important that we all ensure that the resources available are used to best effect and that they are deployed to underpin our strategic objectives. The Assembly Government is increasingly implementing an evidence based approach to the deployment of funding. Higher Education will need to demonstrate the effective use of all its resources and make further significant progress to ensure a strong case is presented, underpinned by strategic direction, a strong performance framework and funding methodology.
18. We have agreed as a Cabinet to make the most effective use of capital funding through a Strategic Capital Investment Board. I want to see HEFCW contributing to a case to that Board, but that too will need to be underpinned by a strong evidence base. A priority for the next period will be to ensure the case for HE can be made.
19. The priorities are therefore:
 - a. Working closely with officials in my Department to develop a framework for the funding of a sustainable HE sector, in the context of available resources. It will underpin strategic direction emerging from the work to refresh *Reaching Higher*. The framework will promote a fit for purpose HE sector, within the resources available and reflect the contribution of students, HEIs, employers, EU funding streams and Welsh Assembly Government.
 - b. Developing a framework to evaluate the effectiveness of current expenditure in securing outcomes, underpinned by consistent management information on outputs and delivery. This may

include information on client satisfaction and expectation, “added value” achieved by HEIs through their widening access initiatives and impact on the economy and society.

- c. Proposing and taking forward specific action to ensure the most efficient deployment of resources to HEIs to meet priority outcomes for Wales. This may include reducing overlap, taking action on under performance, improved governance, increasing income or identifying efficiencies.
- d. Actively exploring the opportunities to, for example, improve efficiency in asset management and maximise funding streams through philanthropy, capital investment and other sources.
- e. Develop plans for the HE sector to make full use of the new Structural Funds programmes to support the knowledge economy through development of higher level skills, knowledge transfer, research and development and innovation.

HEFCW Review and Performance

- 20. In addition to our ambitious targets for delivery, you will be aware of the commitment in One Wales that “We will review the governance of public bodies in Wales to ensure their alignment with this improvement agenda”. I understand it is some time since an independent review of the Council has been undertaken and much has changed here in Wales, in the UK and in the wider global market. With this in mind, I have asked my officials to put in place arrangements for a quinquennial review. This will be set in the context of wider considerations of Beecham, Webb, Skills that Work for Wales, the refresh of *Reaching Higher*, wider UK framework and the emerging performance and funding framework.
- 21. In terms of the operational plan, detailed guidance is at Annex 2. I would want to see a greater alignment with planning frameworks in DCELLS, with a smaller number of measurable strategic and operational deliverables, supported by milestones and performance indicators. I would also expect to see clear efficiency and public sector reform based objectives to deliver running cost efficiencies of 1.5%, year on year from 2009-10.
- 22. The key deliverables for HEFCW in 2008-9 are to produce a Corporate Plan covering the 3 financial years 2008-09, 2009-10 and 2010-11 and showing;
 - How HEFCW will respond to the objectives set in this remit letter including performance indicators for the organisation.
 - Delivery of the *One Wales* agenda over the duration of this Assembly.

- How activity relates to the DCELLs Operational Plan delivery and performance framework for the same 3-year period.
- Efficiency plans to deliver annual running cost efficiencies of 1.5% per year from 2009-10.
- Streamlining operations with specific consideration of opportunities for shared services and shared corporate and HR frameworks.
- Implementing recommendations from the quinquennial review.

23. I expect of course, an Operational Plan 2008-9 with regard to the guidance at Annex 2, setting out more detailed plans for the delivery of the corporate plan in year 1.

24. As usual, I will meet you and your Chief Executive for an annual report against activity in this remit letter in, or near to, October 2008. In addition I will ask my officials to continue to meet yours on a quarterly basis for more frequent progress reports.

Jane Hutt
M CELLS

Resources

The allocations to the Council for 2008-9 split by Budget Expenditure Line are:

	£'000s
Running Costs	3,183
Current Expenditure ⁽⁴⁾	397,781
Open University Transfer ¹	0
Current Receipts	-7,798
Capital Expenditure ⁽⁵⁾	23,745
Depreciation/cost of capital	284
HEFCW Core Funding	417,195
Reaching Higher Current Expenditure ²	16,270
Reaching Higher Capital Expenditure	3,000

¹ The OU transfer figure is still being negotiated with DIUS. We will provide you with a revised table as soon as the outcome of the negotiation is known.

² The Reaching Higher budget has been top sliced by £50k 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. Therefore, the total amount available to HEFCW for Reaching Higher and Reaching Wider activities after the above deduction is £16.270m.

This amount includes £1.720m for One Wales commitments (including Welsh Medium HE network, widening participation in FE and HE and science academy.)

⁽³⁾ All years in this remit letter reflect financial years.

⁽⁴⁾ Includes £9.280m for HEI pay

⁽⁵⁾ Includes £5.349m for construction price pressures/BREEAM.

Guidance on the Operational Plan

In addition to the strategic direction identified in the remit letter, the following represents guidance on what is expected to be included in the Operational Plan.

1. Deliverables

Using the remit letter as the underpinning strategic direction identify

- a. 3-4 strategic deliverables, contributing to the prime purpose and to the *One Wales* agenda,
- b. 3-4 operational/statutory deliverables.

For each deliverable, specify in appropriate detail:

The reason for the activity, i.e. the benefits of doing it or what the activity is attempting to achieve

What success will look like (a description of outcome, quantified and related to the PIs in the DCELLS operational plan).

How you will engage HEIS and other stakeholders, and communicate to support delivery.

Programme and staff resources available for the next 3 years

Quarterly delivery milestones, Performance indicators,

Risks

2. Partnership and collaboration

Using the remit letter as the underpinning strategic direction identify

- Key deliverables through partnership and collaboration by HEIs.
- Key contributions by HEFCW to other public bodies' work, noting any proposals to work in partnership with other AGSBs, Departments other than DCELLS for example DE&T, Social Justice, or other partners to help deliver key outcomes that inherently go wider than any one body.
- How HEFCW will communicate, engage and work with the Private Sector (and Voluntary Sector where appropriate).
- HEFCW communications plans, including arrangements for measuring and reporting effectiveness in delivery of services, engaging with stakeholders and in communicating progress. This will include the development of a joint communication plan with DCELLS.

3. Effectiveness

Effectiveness of the sector and HEFCW are key elements of the remit letter and will feature in both the strategic and operational deliverables, in addition identify;

- Efficiency targets and associated key actions in the Value for Money Action Plan.
- The relationship between activities and the allocation of resources, both financial and staff.

- Arrangements for evaluating the effectiveness of existing programmes.
- Performance indicators for HEFCW.

Contribution to wider themes

Supporting cross government working: you will wish to set out how HEFCW 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;
 and

Ensuring personal data security, both within HEFCW and in HEIs, as stipulated in the Permanent Secretary's letter of January 2008.

Mainstreaming: sustainable development¹ equality² (diversity in senior management and widening access), partnership working³ and promoting the Welsh language⁴ into the way it you exercise your functions (HE network and Welsh medium strategy).

- In addition to those set out in the remit letter you will wish to set out how you will mainstream and comply with applicable statutory duties (through your operational activities, corporate management, estate management, procurement processes and programme activities)

Procurement: you need to be aware of, and to plan to meet, the commitments on sustainable procurement;

Action 1: to achieve Level 3 of the Sustainable Procurement Assessment Framework (SPA) overall and Level 5 in at least one area by March 2010. Key Performance Indicator: SPA and Action Plan for improvement completed annually and returned to Value Wales for benchmarking. This will enable you to track their progress against other public sector bodies in Wales and fulfil commitments in WAG's Sustainable Development Action Plan.

Action 2: The wider public sector to apply the Sustainability Risk Assessment (SRA) template for "goods" or "services" to all procurement activity over Official Journal for the European Union (OJEU) thresholds.

¹ Section 79 of the Government of Wales Act 2006

² Section 77 of the Government of Wales Act 2006, and additional public sector duties created by the Race Relations (Amendment) Act 2000, Disability Discrimination Act 2005 and Sex Discrimination Act 1975 (Public Authorities) (Statutory Duties) Order 2006

³The Assembly has a duty under sections 73, 74 and 75 of the Government of Wales Act 2006 to sustain and promote Local Government, promote the interests of the Voluntary Sector and take account of the interests of Business.

⁴ As set out in section 78 of the Government of Wales Act 2006, and in the Welsh Language Act 1993.

Key Performance Indicator: Proportion of contracts where the SRA template was applied. This will ensure that specific actions when agreeing contracts for goods and service are addressed and fulfil commitments in WAG's Sustainable Development Action Plan.

Child poverty: You will wish to work with officials in considering a proposed voluntary agreement to tackle child poverty. Signatories to the Agreement will undertake to meet principles and existing statutory duties that impact on tackling child poverty. The HE sector may wish to consider how it can contribute. HEFCW will wish to set out proposed contribution, particularly in regard to promoting the agreement with HEIs.

Public Sector reform: you will wish to set out how HEFCW will meet the objectives set out in the remit letter in the context of public sector reform.