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Remit Letter 2017-18

1. Introduction

- 1.1. I am ambitious, and confident, that higher education can continue to deliver on our national mission to open up opportunities for all our citizens, raise standards across the board and ensure an education system that is a source of national pride, innovation and confidence.
- 1.2. Taking Wales Forward outlines the Welsh Government's belief that our future prosperity and stability depends on the skills and values of the people of Wales. An ambitious and learning Wales can meet the undoubted challenges ahead and help build a country that is more confident, better skilled and more resilient.
- 1.3. A vibrant further and higher education sector is vital to this vision – educating people and supporting businesses and universities in their pursuit of innovation. Our universities, now more than ever, have opportunities and responsibilities as local, national and international institutions. In turn, I am committed to ensuring providers' future sustainability and security.
- 1.4. We are in a period of substantial educational reform, at all levels, which is a collective effort across schools, government, colleges, universities and national, local and regional agencies. I believe that HEFCW has a significant role to play, and I am writing with details of the funding allocations for 2017-18, and to set out clearly my priorities for the year ahead.

2. HE Funding

- 2.1. I am aware of the financial challenges facing the Council in the forthcoming financial and academic period. The final transfer of the funding to cover expenditure on the

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

tuition fee grant in 2017-18 would have meant that overall funding available to the Council would have been reduced to around £75m.

- 2.2. I was therefore pleased that I was able to allocate £25m to HEFCW as part of the last round of budgetary discussions. Whilst this leaves the Council with a shortfall in comparison with previous settlements, latest forecasts suggest that overall income to the sector will continue to increase year on year.

3. Quality Research

- 3.1. The Council has traditionally supported original and applied excellent research through QR grant funding. Evidence shows that we are lacking numbers of STEM researchers compared to the rest of the UK. The Welsh Government Science for Wales Strategy, including Sêr Cymru, is beginning to address this deficit by enabling universities to recruit more excellent researchers from around the world. However, these additions need to be over and above the current baseline number of researchers. I therefore expect that QR funding will remain a priority for the Council.

4. Diamond Implementation

- 4.1. It remains my intention to implement, with only minor modification, the full Diamond Package. We will deliver the first system in the UK, from 2018/19 onwards, that is consistent, progressive and fair in its support for full and part-time undergraduates and for post-graduate students. I believe that this will be an international model of best practice.
- 4.2. The Council will play a crucial role in ensuring successful implementation of these reforms. I appreciate that through co-operation with the SLC and HEFCW, we are delivering ahead of some predictions. These reforms represent a fundamental shift to a successful and innovative whole-system approach which will help ensure the future stability and sustainability of the sector.
- 4.3. I have made clear the Government's responsibility to protect the rights of students already in the system and we will continue to provide cohort protection. This will mean that the new system will be more expensive to operate for the first two financial years and that any financial benefits generated from our reforms will be phased in over a five-year period.
- 4.4. However, I can confirm that I expect future financial settlements for HEFCW to increase in each financial year for the lifetime of this Government. This is in line with my agreement with the First Minister and expressed in Taking Wales Forward, that early implementation of Diamond will be secured without negative effect on the higher education budget.
- 4.5. In the meantime, we will look to the Council to show strong leadership in steering and supporting the sector through this interim period until the full benefits of Diamond are realised.
- 4.6. In preparation for the implementation of the "Diamond Package" in particular, I expect the Council to take forward the following activities:
 - work with my officials to compile and publish on an annual basis the prices of a basket of goods, to be agreed with Government, for each institution;

- work with Welsh Government to fully scope and timetable the implications of the Government's response on the following areas - quality; research and knowledge transfer; strengthening fee and access plans; funding for the Learned Society for Wales; and plans to fully regulate the part-time system by 2020-21;
- assist the Welsh Government in its work to evaluate the Diamond reforms by considering the current evidence-base relating to widening access and how it might be strengthened;
- prepare proposals for managing the phasing in of additional payments to reflect the cost of teaching more expensive subjects (full and part-time).

5. Response to the Hazelkorn Report

- 5.1. Pursuing a civic mission should be a principle by which higher education is shaped and be a measure of the value that institutions place on improving the well being of communities and nations.
- 5.2. Through the Government's response to the Hazelkorn Report, I recognise that the framework for our post-compulsory education system needs greater clarity and coherence. Our aim is a greater sense of purpose and ensuring high quality opportunities and outcomes for our citizens. We will consult shortly on proposals to establish a single regulatory authority to oversee the whole of post-compulsory education and training.
- 5.3. Notwithstanding the upcoming consultation, I have been clear in my belief that there is a need to work in partnership to develop a more cohesive and learner-centred post-compulsory system. I appreciate the Council's delivery of a Higher Education Strategy at the end of 2016, and now expect the Council to work closely with Government as we move forward with our vision of a more coherent post-compulsory system.
- 5.4. I am pleased that you have provisionally agreed to continue as chair of HEFCW for a further period of three years. I believe that this will bring stability and valuable experience as we move through a sustained period of change.
- 5.5. Alongside this, I will be seeking new members for the HEFCW Council with experience in a wider range of areas, including work based learning, further education and major public and private sector employment, in addition to existing strengths in higher education, innovation and research.

6. HE in FE and the Development of HE Apprenticeships

- 6.1. Previous remit letters have encouraged the Council to incentivise more innovative and flexible approaches to part-time study, including the development and expansion of HE courses offered by FE colleges. I would like the Council to continue to explore these opportunities and I expect you to work closely with officials within Welsh Government and Regional Skills Partnerships to guide closer working between providers, in order to boost the numbers of learners studying at level 4 and 5 areas across Wales.

6.2. I am grateful for the enthusiasm demonstrated by the Council for the development of employer led degree qualifications that can be delivered as part of a Higher Apprenticeship. In line with the revised remit letter I issued in October 2016, I expect the Council to continue to work with my officials to prioritise and further develop this approach in order to add value to the current apprenticeship offer.

7. Enhancement of Part-time Provision

7.1. In my response to both Diamond and Hazelkorn, I underlined the Government's recognition that life-long learning, part-time learning and work-based learning is essential to individual and national prosperity. We are committed to ensuring the continued expansion and enhancement of part-time provision. I expect the Council to continue its prioritisation of part-time provision, in particular its recognition of the unique contribution and position of the Open University as a UK-wide institution that must adapt to the investment and priorities of each nation.

8. Initial Teacher Education (ITE) and University-School Engagement

8.1. The Welsh Ministers, through the 2017 Order¹ and 2017 Regulations², will confer additional functions on the Education Workforce Council (EWC) to take on the role of accrediting ITE programmes of study for commencement in 2019. In addition the Welsh Government will take on the role of allocating the places for these new programmes.

8.2. It is critical to ensure that students enrolled on a programme of initial teacher education prior to the new arrangements coming into force are not unfairly prejudiced in the event that any current ITE provider fails to secure accreditation of their courses or programmes of study under the new arrangements. As we take forward ITE reforms through to 2021 and potentially 2023³ it is essential that the Council continues to work with the Welsh Government and the EWC.

8.3. The Welsh Government will continue to work with the Council to manage initial teacher supply through the setting of overall intake target allocations for recruitment to ITE in Wales.

8.4. Increased university-school engagement should not be limited to ITE. Through Government funding, I've been pleased to note the success of the MFL Student Mentoring Project in particular and its positive impact on school pupils and undergraduate students. I am keen to see the development of such partnership approaches in other disciplines. I would expect to see universities recognise the benefits of such civic engagement by working together and delivering further investments of their own.

8.5. I recognise the work HEFCW has done to help build capacity for educational research, and I would like to see that momentum built upon through strengthening the relationship between high quality education research and ITE provision both within and between institutions; this should be focused on both capacity building for research production and transmission and use of evidence by the profession.

¹ The Education Workforce Council (Accreditation of Initial Teacher Training) (Additional Functions) (Wales) Order 2017

² The Education Workforce Council (Accreditation of Initial Teacher Training) (Wales) Regulations 2017

³ Institutions accredited by the Council will remain accredited until the earlier of the circumstances set out under the 2017 Regulations (regulation 3(3))

9. Transparency of Senior Pay

- 9.1. With tax payers and students making a significant contribution to the income of our institutions, I expect institutions to be transparent and properly accountable for the use of those funds. HEFCW published its first report on Senior Staff Pay in universities in Wales last year which I look to see continued on an annual basis.
- 9.2. I note with interest that in England the Minister of State for Universities, Science, Research and Innovation's letter to HEFCE included a section on efficiency that called for restraint in senior pay. I agree with the sentiments and would like to see senior leaders in the UK exercise much greater constraint than has been evident in recent years.
- 9.3. My officials will also be working with HEFCW during the year to explore how we can continue to improve transparency and access to information about senior pay. In addition I would like to see further development and articulation of measures that providers have in place to support their lowest paid employees.

10. Living Wage

- 10.1. The Welsh Government has been an accredited Living Wage employer since 2015. I would also like the Council to begin working with institutions to create a living wage sector, in line with the Welsh Government's Code of Practice on Ethical Employment in Supply Chains. I expect to see rapid progress on this. It is disappointing that only one of our universities is an accredited living wage employer.

11. Civic Engagement

- 11.1. Providers' commitment to a civic mission requires reach beyond campus and into their host communities. This is not restricted to teaching and research and widening access, but should include procurement activities. I would like to see the Council work with institutions on these matters, with an emphasis on efficiency, social responsibility and impact, and greater student/graduate/employer opportunities.

12. Regulation

- 12.1. Academic year 2017/18 will see the full implementation of the new HE regulatory system created by the Higher Education (Wales) Act 2015. I am grateful to the Council for the work it has done to date towards the implementation of the new arrangements. The Council should continue its work to ensure the timely implementation and effective operation of the new regulatory system from August 2017. The Council should also continue to monitor progress and the impact of the reforms as the new regulatory system beds in. I also expect the Council to continue its watching brief on developments taking place elsewhere in the UK, especially progress on the Higher Education and Research Bill in England and its implications for higher education in Wales.

13. Exiting the European Union

- 13.1. I am grateful to the Council and wider sector for their constructive engagement in my Brexit Working Group and through other forums. I have been encouraged by the willingness to think creatively about how we meet the undoubted challenges, but also how we can re-energise an international approach.

13.2. Staff and students from across the UK, Europe and the world join with Welsh citizens and students to make a significant contribution on campus and in communities across our nation. This goes far beyond financial impact and contribution, and I would welcome the Council, working with the sector, keeping this wider contribution in mind through the coming period.

14. Student Engagement

14.1. I am pleased with the progress that has been made in embedding student representation into the governance structure of institutions in Wales. Of course there is more that can be done and I would like to Council to continue its joint working with student representatives to ensure that we maximise students' involvement in the shaping of their education.

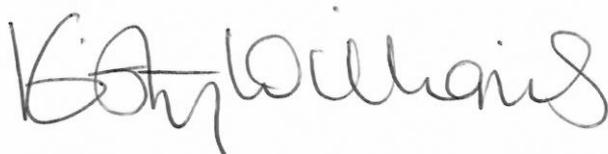
15. Ongoing Priorities

15.1. Whilst work associated with implementation of both the Diamond and Hazelkorn reforms must be prioritised, I expect the Council to maintain its momentum and continue to focus on the Welsh Government's longstanding and fundamental priorities of widening access, part-time and research. In addition I would expect the Council to continue to work closely with the *Coleg Cymraeg Cenedlaethol*, notwithstanding the funding changes, to support achievement of its strategic objectives.

15.2. The priorities set out above will inform development of the Council's Operational Plan for 2017-18, which I look forward to receiving by the end of July 2017.

15.3. This letter will be published on the Welsh Government website on 28 March 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kirsty Williams'.

Kirsty Williams AC/AM

Ysgrifennydd y Cabinet dros Addysg
Cabinet Secretary for Education

Draft Annex 1

Detailed allocations for the HEFCW budget Expenditure Lines for 2017-18 is set out below (£s):

HEFCW Revenue Expenditure 2017-18	£100,301,000
HEFCW Depreciation	£ <u>90,000</u>
Total	£100,391,000

The HEFCW revenue expenditure is an amalgamation of the following budget lines that were in place in previous financial years:

- For Our Future;
- HEFCW running costs; and
- HEFCW receipts.

Decisions on the level of funding allocated to each expenditure line will now be the responsibility of the Council. However, the Welsh Government will still expect HEFCW to provide at the start of the financial year a statement on the level of their running costs for the year together with an estimate of their anticipated receipts to be received during the year, in line with the requirements of the Framework Document. Any shortfall in anticipated receipts will need to be managed within HEFCW's overall budget allocation.

In addition to the sums outlined, a further £3.665m has been allocated within the Welsh Government budget for the implementation of the response to Diamond – specifically for any costs arising from systemic changes required in the SLC to implement any changes to the student support. If this allocation is not required, this money will be made available to HEFCW. An updated remit letter will be issued once the position is clearer.

For illustrative purposes only, in addition to the HEFCW Revenue Expenditure budget line, HEFCW also have access to the funding for Welsh Medium Scholarships (£330,000) that cannot be drawn down as grant in aid.

Arrangements for the payment of these sums have been agreed via a section 83 agreement. As such, HEFCW will need to be able to identify spend in each of the areas and raise separate invoices to the Welsh Government prior to payment of the sums due.

Annex 2

Conditions of Grant

It is part of the terms and conditions of this letter that HEFCW will comply with the contents of the Framework Document agreed between the Council and the Welsh Government.

Condition of Grant on Regional Coherence

Under section 68(1) of the Further and Higher Education Act 1992, the Welsh Ministers are imposing by way of this letter a condition on the grant made to the Council requiring it, in the exercise of its functions, to have regard to regional coherence in exercising its functions to allocate funding to providers of higher education.