



Eich cyf/Your ref
Ein cyf/Our ref
Dr David Allen
Chair, Higher Education Funding Council for Wales

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Dear David,

Remit Letter 2016-17

1. I am writing to provide you with details of the funding allocations to the Higher Education Funding Council for Wales (the Council) for 2016-17, detailed in Annex 1, and to advise you of the priorities I am setting for the Council for the coming year.
2. Increasing jobs and growth continues to be one of the Welsh Government's highest priorities and we recognise the significant contribution that Higher Education, with support from the Council, makes to sustaining large numbers of high-skilled jobs and ensuring a continuing supply of highly skilled graduates. We also remain committed to the principle that Higher Education should be accessible to all those who can benefit from it, irrespective of circumstances, background, mode of study or their ability to pay. In the face of a very challenging financial climate my over-riding priorities in Wales therefore will continue to reflect the key themes of our Policy Statement on Higher education - strengthening jobs and growth in Wales; working harder in partnership with schools, FE colleges and communities to improve equity and equality by widening access to Higher Education; and ensuring our institutions work collaboratively to achieve a financially secure and globally successful Higher Education system in Wales.
3. The priorities I have set out in this letter will inform the development of the Council's Operational Plan for 2016-17 which I look forward to receiving in due course. Following the Assembly election in May this year, a new strategic agenda may emerge and your Business Plans will need to reflect any significant budget and/or operational changes in policy introduced by the new government.
4. Recent developments taking place in England, including the BIS Green Paper *Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice* published in

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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.

November 2015, have signalled a period of further significant change for Higher Education across the UK. The HE providers in Wales will not be immune and they will need to prepare to be in a strong position to respond. Change is taking place at pace and we can not afford to allow providers in Wales to fall behind. During the first half of the year I would like the Council to work in partnership with providers to develop a Strategy for Higher Education in Wales looking forward over the next decade. The Strategy will need to take account of the challenges and changes taking place within Wales and across the UK and set out how providers in Wales will be equipped to respond. I will expect the Strategy to reflect the Welsh Government's key themes of jobs and growth, financial sustainability and equality and equity , as stated above, but also, taking account of the proposals for a Teaching Excellence Framework, to incorporate a fourth theme of quality and excellence. I would like the Council to submit an initial draft by the end of December 2016. The Strategy should also incorporate the further specific priorities set out in this letter.

5. I care passionately about widening access to Higher Education. Opening up opportunities for higher-level learning is key to raising aspirations amongst communities, lifting people out of poverty and improving the life chances of the people of Wales. Building on HEFCW's Widening Access Programme of Action, and taking account of the recommendations of the WISERD report *Access to Higher Education in Wales*, I expect the Strategy to set out how the Council will work with institutions to encourage support for learners throughout their studies and into higher-level study and employment.
6. Part-time HE provision remains a priority for the Welsh Government which I regard as crucial to increasing opportunities for individuals to up-skill and improve their employment prospects. I also recognise the importance to industry and local economies of ensuring opportunities exist to study part-time both in higher and further education. In the lead up to the publication of the Diamond Report, and building on best practice from the Open University in Wales and elsewhere, I expect the Strategy in particular to identify ways in which the Council and providers will work together to find innovative ways to encourage part-time study and create opportunities to expand part-time provision.
7. I am pleased too that the Council continues to recognise the unique position of the Open University in Wales, especially its inability to access additional income through tuition fees, and hope that, in developing its spending plans, the Council will be able to continue to acknowledge this.
8. The Welsh Government is committed to the continued development of Welsh-medium higher education and I am pleased with the progress that the Coleg Cymraeg Cenedlaethol has made since its establishment in 2011. The Coleg has an important role in the development of Welsh-medium higher education and in ensuring that students have the opportunity to maintain and develop their Welsh language skills for use in future employment. It is important that the activities of the Coleg continue to be supported at a level that maintains the current momentum. I would like the Council to continue its focus on Welsh Medium provision in the coming year. The Council's plans for encouraging continued support for the Coleg and Welsh medium provision in the longer term should also be set out in the Strategy.

9. The recommendations of the Nurse Report will impact on the way research is funded and managed and is likely to have significant impacts on institutions in Wales. The Nurse Report proposed bringing together the UK Research Councils and Innovate UK under a single funding coordinating body, described as Research UK. Also, Nurse proposed creating mechanisms through which Government research priorities are communicated to Research UK so that research can, at least in part, address Government priorities. The Strategy should consider such mechanisms for communication with Welsh Government on research priorities. The Strategy will also need to take account of the changes as outlined in the BIS Green Paper and the implications this may have for research funding awarded to Welsh HEIs. The Green Paper proposes to keep the dual funding system for research (QR and competitively awarded) and the Strategy should reflect this. However, the Strategy should also take account of the proposed changes to QR funding which may not continue to be distributed through HEFCE but may be included in Research UK's remit. With these proposed changes, there is the potential for the QR and competitively awarded research funding to become entangled in England in a way that could disadvantage Welsh HEIs with respect to competitively awarded funding and your Strategy should recognise the need to develop mechanisms for addressing this potential outcome. The Strategy should take account of the Stern Review of REF and be prepared to undertake appropriate actions to address the outcomes of this review.
10. There is no doubt that the UK Government's policy of austerity is having a real and lasting impact on spending decisions in Wales. The cuts the UK Government continues to enforce on us, particularly following last year's Spending Review, have meant that this year's Budget negotiations have been particularly difficult. We have faced some very tough decisions on our spending plans – as the Welsh Government operates within a fixed budget, spending decisions in one area have a direct impact on others. We recognise the impact of the cuts on the Council too and that the funding allocation for 2016-17 will present a challenge in shaping your own future spending plans. I was pleased, therefore, that in her Budget Statement on 9 February the Finance Minister was able to allocate an additional £10m for Higher Education in Wales, specifically £5m to support part-time provision and £5m for research enabling us to continue to build our capacity and excellence in Wales. The Welsh Government takes a whole-system view of the sector in Wales. Set against an annual turnover of £1.4bn the reduction in revenue funding of £10m in 2016-17, is less than 1% of turnover.
11. I understand that the Council is currently reviewing its funding formula to take account of the change in funding streams and the continuing financial climate. I expect the Strategy to incorporate the Council's approach to the funding of Higher Education in Wales in support of the principles, methods and priorities it sets out. The funding approach should take account of all sources of funding, including that realised through public funds (including tuition fees and grants and any other Government grants or subsidies) as well as the distribution of HEFCW's own resources. The Council should take a balanced approach to its funding distribution model looking beyond the short-term impact of spending reductions and to the longer-term benefits of investment as required by the Future Generations Act.

12. The Finance Minister also confirmed that the transfer of the final tranche of Tuition Fee Grant monies for 2016-17 would be delayed until later in the financial year when more robust data on the likely level of expenditure is known. This is likely to be in the autumn. The Welsh Government continues to monitor the recruitment of students against the baseline established in 2010/11. Recruitment exceeding this baseline may result in a reduction in the level of funding allocated to the Council in the following year.
13. As indicated in paragraph 4, the Strategy also needs to reflect the changing environment within Wales. Professor Hazelkorn's report on the review of the oversight and regulation of post-compulsory education and training in Wales, *Towards 2030: A Framework for Building a World-class Post-Compulsory Education System for Wales*, proposes a new framework for post-compulsory education and training in Wales. In addition, Sir Ian Diamond will submit his report later in the year. His report and recommendations will inform the Government's approach to HE funding and student support in the longer-term. Whilst it will be for the incoming Government to consider and take a view on these reports I expect the Strategy to set out the Council's early thinking in relation to potential changes within Wales. I look to the Council to work with officials in taking this crucial work forward.
14. Finally, in these times of austerity, and recognising continuing pressures on public finances, I hope the Council will work productively with my officials in identifying and maximising opportunities to realise efficiencies and reduce costs.

Yours sincerely



Huw Lewis
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills

Annex 1

Detailed allocations for the HEFCW budget Expenditure Lines for 2016-17 are set out below (£s):

HEFCW Running costs	£ 2,491,000
HEFCW Current Expenditure	£ 88,610,000
For our future	£ 30,168,000
Higher Education receipts	-£ 2,798,000
HEFCW Depreciation	<u>£ 82,000</u>
Total Allocation for 2016-17	£118,553,000

HEFCW current expenditure line

The HEFCW recurrent budget line includes the following adjustments;

- An adjustment of £18.5m has been made for the integration of the National Bursary scheme into the HE support system.
- Additional allocations to increase part time support;
 - £18.5m to encourage part time learning in Wales and to allow the council to continue to subsidise the delivery costs of part time courses in Wales
 - £5m allocated to support part time provision
- Additional allocation to support research of £5m

In addition and following the transfer of the costs of the tuition fee grant (TFG) to the Welsh Government student support budget, the recurrent budget line includes an adjustment of £236.7m. Application data from the SLC has confirmed that expenditure on the tuition fee grant in 2016-17 is likely to exceed last years transfer. I have therefore ring-fenced a further £21.1m from the recurrent budget line to cover a potential increase in the tuition fee grant payments in 2016-17. A final decision about the exact amount to be transferred will be made when more reliable enrolment data becomes available (October / November).

For our Future

A budget allocation of £5.4m has been provided to support the Coleg Cymraeg Cenedlaethol.

However, should these commitments not utilise the full resource within the budget line in 2016-17, HEFCW are authorised to use any flexibility that may exist for the progression of wider priorities.

For illustrative purposes only, in addition to the For Our Future 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.