

23 August 2018

Kirsty Williams CBE AM
Cabinet Secretary for Education
Welsh Government
5th Floor
Tŷ Hywel
Cardiff Bay
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Dear Kirsty,

In anticipation of your appearance before the National Assembly for Wales' Children, Young People and Education committee (CYPE) in September to inform their inquiry on the impact of Brexit on Higher and Further Education, I am writing to provide you with the key points that arose from HEFCW's evidence session with the committee on 18 July. Copies of the full transcript of our attendance, together with the briefing document that we submitted in advance as well as evidence provided separately by Universities Wales, Welsh Higher Education Brussels (WHEB), Welsh Universities and other stakeholders is available [here](#).

Whilst it is difficult, if not impossible, to provide a definitive assessment of the impact of Brexit, particularly in advance of the conclusion of current negotiations between the UK Government and the European Union (EU), the UK's withdrawal from the EU is likely to have an impact on all aspects of Welsh HE activity and to have a knock-on effect on the local economy and communities. The Welsh Government's HE Brexit Working Group has been helpful in scoping some of that potential impact and in identifying potential responses which have contributed to the development of the Welsh Government response to Brexit.

In our evidence to the committee we suggested some actions that could be taken by Welsh Government, or the UK Government, to mitigate some of the impact on HE providers in Wales. I have summarised those actions below.

Suggested actions to help mitigate impacts

1. Clarifying as soon as possible the fee and loan status of EU students studying in Wales from 2019 onwards;
2. Confirming UK immigration arrangements for new EU students and staff from 2019 onwards, and for UK students studying and on placements in the EU;
3. Investing in increased activities in Global Wales to promote Wales in the EU and other countries outside the EU as a welcoming destination to study;
4. Ongoing communication by Welsh Government to continue to confirm that Wales warmly welcomes EU and International staff and students to its universities and colleges;

Mr David Allen
Cadeirydd/Chair

Dr David Blaney
Prif Weithredwr/Chief Executive



5. Implementing as soon as possible the recommendations made by Sir Ian Diamond in the 'Independent review of Higher Education funding and student finance arrangements' to increase funding to Welsh Higher Education providers to better enable them to meet the needs of Wales and the policy priorities of the Welsh Government;
6. Continuing engagement with European Standards and Guidelines (ESG) for qualifications, programmes and other provision, and relevant European Commission (EC) directives (e.g. on professional standards) to maintain the recognition and comparability of qualifications across the EU;
7. Confirming the UK's continued participation in ERASMUS. Promoting bilateral mobility schemes in Wales, which provide a wide diversity of opportunity and experience for learners in Wales;
8. Implementing the recommendations made by Professor Graeme Reid in the 'Review of Government Funded Research and Innovation in Wales', again to better enable them to meet the needs of Wales and the policy priorities of the Welsh Government and to position Wales more strongly to prosper in a post-Brexit context;
9. Agreeing the UK's status in the Horizon Europe programme as an early element of the future UK-EU relationship agreement. Clarifying the detail of this status at an early stage, including whether the UK will have access to all parts of Horizon Europe and the influence it will have relative to EU countries;
10. Influencing platforms and networks that contribute to the EU's informal decision-making and engagement processes. This will serve to compliment any continued UK engagement with existing networks/ programmes, and help strengthen Wales' relationship with the EU;
11. Aligning UK level strategic funding opportunities with the priorities and 'missions' of Horizon Europe. This could facilitate and showcase UK and Wales engagement, and support the critical mass to enable breakthroughs in other key areas (such as health and energy systems), over a 10 to 15 year period;
12. Articulating the urgent need for significant, strategic investment in research and innovation capacity building in Wales to 'replace' Structural Funds. A new regional development fund should build on capabilities which transform the economy. Proposals could explore how strategic, large-scale investment can continue to support Welsh HE providers as economic and social anchors, that are positioned to respond quickly once funding becomes available;
13. Contributing to shaping the development of new UK and bilateral research and innovation programmes, so that HE providers in Wales are not disadvantaged in accessing these funds and can add value by linking different streams. This might include building on existing mechanisms, such as the targeted Global Challenges Research Fund and the Newton Fund, and developing more bilateral partnerships;
14. Building on and developing new informal networks and relationships with regions and countries of strategic importance. These could offer opportunities for research and academic collaboration outside of formal EU structures, and be aligned with priority areas or areas of strength for Wales; and

15. Supporting HE providers to engage in and build upon significant bilateral strategic collaborations with European universities and agencies.

It is encouraging to note that, since we submitted our briefing, you have taken action and made decisions to implement many of these and we stand ready to continue discussion with you and your officials to maximise opportunities for further development as they arise during the next few months.

Financial Sustainability implications

We have indicated to the HE Brexit Working Group that the total exposure to income from the EU for the Welsh HE sector in 2016/17 was in the order of £104 million. This is against a total annual turnover for the sector of £1,490 million. This gives a sense of the scale of cost reductions which would be required by the sector if all EU funding ceased simultaneously with no alternative sources of income being found. Individual providers are, and will continue to be, considering a variety of options for mitigating actions that they may need to take to reduce costs as the specific impact of Brexit clarifies over the coming months. At the extreme, this would result in a range of unpalatable actions, including job losses and a reduction in the range of activities undertaken by the HE sector to meet the needs of Wales. The precise action required, though, will not become clear until such time as the terms of the UK's exit from the EU have been settled.

During our evidence session we confirmed that the financial position of the overall sector had deteriorated in 2016/17 with the sector showing an operating deficit (before other gains and losses) of £17 million (£16,796 thousand). Of the eight institutions in the sector (excluding the University of Wales) half of them reported deficits in 2016/17. An initial overall operating surplus is estimated for 2017/18, but this includes some large non-recurring items of research income. Once these are removed the underlying operating position is in fact expected to remain in deficit in both 2017/18 and 2018/19. The position is currently forecast to improve to a small surplus from 2019/20 as a consequence of planned restructuring to reduce costs but more significantly as a consequence of the assumed increase in funding that will become available following the implementation of the Diamond review and in response to the Reid review. HEFCW's funding allocation for 2018/19 is still £12.5 million below the 2015/16 baseline funding that the Diamond report started from.

We have received updated financial forecasts from most of the institutions at the end of last month and are currently in the process of analysing them. The current financial position of HE providers in Wales is generally lagging behind their competitors in England but is not yet critical to their long term sustainability, subject to the future funding for HE providers in Wales from Welsh Government increasing as expected. Neither do we see cause for concerns in respect of short-term financial crises.

We also provided the committee with an update on the latest UCAS information as at 30 June and that information is summarised in the attached Annex.

Yours sincerely



David Blaney

Note for Children, Young People and Education Committee Inquiry

The following information providing a comparison between the number of EU domiciled and international domiciled UCAS main scheme **applications** to Welsh, and **English** higher education providers was provided by HEFCW to the Children, Young People and Education Committee Inquiry at its meeting on 18 July 2018:

- EU (excluding UK) domiciled **applications** to Welsh institutions have decreased by 8% while EU (excluding UK) domiciled **applications** to English institutions have increased by 2%
- Non EU domiciled **applications** to Welsh institutions have decreased by 9% while non EU domiciled **applications** to English institutions have increased by 7%

This document seeks to provide a comparison between the number of EU domiciled and non EU domiciled applicants to Welsh, **Scottish** and **Northern Irish** higher education providers as requested at the meeting referred to above. All figures relate to the number of **applicants** or **applications** to UCAS main scheme courses in 2018 by the deadline of 30th June and are compared with figures for the previous year. All figures are taken from the UCAS data release of 12th July 2018¹. Differences between **applicants** and **applications** are explained in the notes section.

Applicants

Country of provider	Domicile	2017	2018	Change from 2017	Percentage change
Wales	UK	59,270	55,590	-3,680	-6%
	EU (excluding UK)	5,290	4,770	-520	-10%
	Non EU	7,630	7,060	-570	-7%
	All domiciles	72,200	67,420	-4,780	-7%
England	UK	468,300	450,550	-17,750	-4%
	EU (excluding UK)	42,080	42,830	750	2%
	Non EU	69,020	73,570	4,550	7%
	All domiciles	579,410	566,950	-12,460	-2%
Northern Ireland	UK	20,490	19,820	-670	-3%
	EU (excluding UK)	1,710	1,760	50	3%
	Non EU	2,120	2,150	30	1%
	All domiciles	24,330	23,720	-610	-3%
Scotland	UK	85,730	84,680	-1,050	-1%
	EU (excluding UK)	19,090	18,810	-280	-1%
	Non EU	17,690	19,230	1,540	9%
	All domiciles	122,500	122,730	230	0%
UK	UK	529,620	511,460	-18,160	-3%
	EU (excluding UK)	49,250	50,130	880	2%
	Non EU	70,830	75,380	4,550	6%
	All domiciles	649,700	636,960	-12,740	-2%

Source: UCAS 30 June Deadline 2018 press release, Applicants (I.7)

¹ <https://www.ucas.com/corporate/news-and-key-documents/news/english-18-year-olds-are-more-likely-ever-apply-university>

- Between 2017 and 2018, the number of EU (excluding UK) domiciled **applicants** to Welsh institutions has decreased by 10% (from 5,290 to 4,770), to Scottish institutions has reduced by 1% (from 19,090 to 18,810) and to institutions in Northern Ireland, has increased by 3% (from 1,710 to 1,760).
- For the same period, the number of non EU domiciled **applicants** to Welsh institutions has decreased by 7% (from 7,630 to 7,060), to Scottish institutions has increased by 9% (from 17,690 to 19,230) and to institutions in Northern Ireland, has increased by 1% (from 2,120 to 2,150).

Applications

Country of provider	Domicile	2017	2018	Change from 2017	Percentage change
Wales	UK	86,840	82,180	-4,660	-5%
	EU (excluding UK)	7,590	6,960	-630	-8%
	Non EU	8,740	7,970	-770	-9%
	All domiciles	103,170	97,110	-6,060	-6%
England	UK	1,887,430	1,806,820	-80,610	-4%
	EU (excluding UK)	158,540	162,160	3,620	2%
	Non EU	274,830	294,620	19,790	7%
	All domiciles	2,320,800	2,263,600	-57,200	-2%
Northern Ireland	UK	56,470	54,510	-1,960	-3%
	EU (excluding UK)	2,980	3,120	140	5%
	Non EU	2,240	2,260	20	1%
	All domiciles	61,690	59,890	-1,800	-3%
Scotland	UK	238,170	234,870	-3,300	-1%
	EU (excluding UK)	45,490	45,110	-380	-1%
	Non EU	24,520	26,530	2,010	8%
	All domiciles	308,180	306,520	-1,660	-1%
UK	UK	2,268,910	2,178,390	-90,520	-4%
	EU (excluding UK)	214,580	217,350	2,770	1%
	Non EU	310,340	331,380	21,040	7%
	All domiciles	2,793,830	2,727,120	-66,710	-2%

Source: UCAS 30 June Deadline 2018 press release, Applications (1.5.2 to 1.5.23)

- Between 2017 and 2018, the number of EU (excluding UK) domiciled **applications** to Welsh institutions has decreased by 8% (from 7,590 to 6,960), to Scottish institutions has decreased by 1% (from 45,490 to 45,110) and to institutions in Northern Ireland has increased by 5% (from 2,980 to 3,120).
- For the same period, the number of non EU domiciled **applications** to Welsh institutions has decreased by 9% (from 8,740 to 7,970), Scottish institutions has increased by 8% (from 24,520 to 26,530) and to institutions in Northern Ireland, has increased by 1% (from 2,240 to 2,260).

Notes

Applicant - A person who has made an application in the UCAS system during the cycle reported (including applications for deferred entry). Records of prior acceptance (RPAs) are excluded.

Application - An application to a course at a provider made by an applicant in the UCAS main scheme. Applicants may make up to five main scheme applications.

Country of provider - An applicant may be counted once for each provider country they have applied to in the main scheme. If an applicant has applied to providers in multiple countries then the applicant is counted once within each country of provider applied to.

Main scheme - The main UCAS application scheme through which up to five providers/courses can be applied to. This opens in September and closes to new applications on 30 June the following year.

Calculations – the change from 2017 and the percentage change have been calculated using rounded figures and therefore may differ from calculations using unrounded data.