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Ysgrifennydd y Cabinet dros Addysg
Cabinet Secretary for Education



Llywodraeth Cymru
Welsh Government

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Dear David,

Introduction

1.1 2018-19 will be an exciting, and challenging, year for Welsh education as we continue to raise standards, open up opportunities for all, and work together to be innovative, ambitious and international.

1.2 Before detailing funding allocations and my priorities for the year ahead, I want to thank you and your team for your work over the last year. We are in a period of substantial education reform, and HEFCW, working with government, institutions, students and others, has made a significant contribution.

Context

2.1 Delivering our new innovative and distinctive student and higher education finance system is a matter of national pride, student opportunity and sector success and sustainability. This year we will be well on our way to being the first country in Europe to deliver a student support system that offers equivalent maintenance support across modes and levels of study.

2.2 Prosperity for All: the national strategy is clear that a vibrant higher education system is crucial in building the Welsh economy, equipping individuals with the highest levels of skills required, supporting key sectors, society and culture through research, as well as building the public service workforce of the future.

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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.

2.3 The national strategy is clear that collaboration is key to meeting our local and national challenges and ambitions, as are Education in Wales: Our National Mission and the Economic Action Plan. Adopting the Five Ways of Working provided for by the Well-being of Future Generations (Wales) Act 2015 will ensure our work addresses current needs without impacting on the well-being of the generations to come. I would hope that the Council will continue to engage with officials in the Welsh Government and across the public sector to ensure we capitalise on opportunities to join up our work and provide coherence to our joint efforts to achieve the Wellbeing Goals.

2.4 Therefore, I recognise that the Council would benefit from further clarity on its role as we move forward with our reforms in post compulsory education and training. Publication of a technical consultation is imminent, and I have made clear my commitment to bring forward legislation within this Assembly term.

2.5 The recent appointments to the Council have enabled a broader perspective, encompassing the wider PCET sector. I look to the Council to build on the opportunities presented through its wider membership to develop strong links with its partner organisations across the PCET sector (including Colleges Wales/Colegau Cymru and the National Training Federation for Wales and the Coleg Cymraeg Cenedlaethol and its expanded remit) and together with the Welsh Government, continue to work collaboratively to help us realise our ambitions for tertiary education, research and training.

HE Funding

3.1 I recognise the challenges facing the sector, and have been grateful for the Council and sector's constructive engagement during my time as Education Secretary. Working together, we have been able to find solutions, whilst prioritising continued excellence, student experience and a fair deal for staff.

3.2 I was therefore pleased to be able to identify a number of additional elements of funding for the Council this year, including £5m to help mitigate the impact of the decision to freeze the maximum tuition fee level and £5m to encourage post graduate study in Wales until we are able to implement the new system of support outlined in our response to the Diamond review. As I outlined in the Written Statement I made on 18 October my intention is for similar funding to be made available to the Council in 2019-20 subject to the National Assembly's consideration of the Budget for that year.

3.3 I can confirm that the first phase of Diamond has been implemented successfully and I still expect income to the Council to increase in each year for the lifetime of this Government.

3.4 I expect the Council to continue its work in monitoring annually the price of a basket of goods in order to monitor any irregularities in the costs of study arising from implementation of the Diamond Review's recommendations and look forward to your report on an annual basis.

3.5 The Diamond Review was clear that the fees and funding regime should be as simple and transparent as possible to applicants and students. I expect the Council, therefore, to monitor fee levels for post graduate and part time provision in order to ensure that there are no disproportionate increases that may deter future students. The continued expansion and enhancement of both part-time and postgraduate provision is integral to the success of our

reforms.

3.6 In addition, I expect the Council to continue to work with my officials to ensure that we are in a position to implement the second phase of the Welsh Government response to the Diamond Review. This will include work to begin the process of phasing in additional payments in relation to expensive subjects, both full-time and part-time, and assisting the Welsh Government in its evaluation of the reforms and their impact on widening access.

3.7 You will be aware of the National Assembly for Wales Finance Committee's continuing interest in scrutinising the cost of the Welsh Government's legislative programme, in particular the accuracy of the associated Regulatory Impact Assessments. The 2017-18 academic year saw full implementation of the HE (Wales) Act and we have given a commitment to undertake post-implementation reviews at one, two and three years following implementation. To assist in the review process I should like the Council to undertake a review of the cost of moving to the HE regulatory system under the 2015 Act and provide a report by 30 June 2018.

Capital Funding

4.1 I am pleased to confirm that Capital resources have been allocated to the Funding Council for the next 3 years. Building on the work begun in response to my revised 2016-17 remit letter, I expect the Council to develop a scheme that will help reduce institutional financial risks associated with estate utilisation. I am keen to ensure that the Council is able to help institutions reduce the level of future expenditure on university operations as a tool for preparing institutions for significant regulatory and financial reform during the next 5 years.

Widening Access

5.1 I would like the Council to work with officials to develop a programme of action for higher education, which takes into account the additional funding allocations provided to the Council in 2017-18 and builds upon the various strands of activity taken forward in response to WISERD's 2015 report to the Council on access to higher education in Wales. This should include the role of part-time and post-graduate study as key drivers of social mobility for students of all ages. I should like the action plan to be in place by the end of January 2019.

Degree Apprenticeships

6.1 The expansion of provision to include Degree Apprenticeships will make a significant contribution to our offer in Wales and to re-aligning our skills system to deliver the higher level skills that our economy needs.

6.2 I am grateful for the contribution the Council and the sector has made, in response to my last remit letter, to developing the Welsh offer and for the collaborative approach demonstrated by Council officials in undertaking the preparatory work to enable the delivery of degree apprenticeships in Wales.

6.3 I would like the Council to continue with this work as articulated in my letter of February 2018. To support this I have allocated up to £3m in 2018-19 to enable the Council to fund the provision of degree apprenticeships by institutions in Wales. This allocation has not

been included in HEFCW's budget. I have asked my officials to confirm separately the funding arrangements for this and future years. I would like the Council to use its best endeavours to ensure some places are available from September 2018.

6.4 Further, although the Council will manage the funding for degree apprenticeships, the provision itself will form part of Wales' wider apprenticeship programme. As such I would hope that the Council and my officials will continue to work collaboratively, having due regard for the Welsh Government priorities for degree apprenticeships so that we can ensure that we develop provision that is sustainable and delivered in line with the needs of employers and the economy. So far my officials have commissioned frameworks in digital and engineering / advanced manufacturing and it would be beneficial, in line with regional skills partnership plans, if higher education providers were able to offer degree apprenticeships in these areas.

Specific Designation

7.1 You will be aware of our intention to transfer the exercise of functions in relation to specific designation to the Council with effect from 1 April 2018. An updated specific designation policy was published in March 2018. My officials have liaised closely with the Council on the continued strengthening of the policy and accompanying guidance. We will continue to work closely with Council officials as the new arrangements are implemented.

Student Experience

8.1 I am pleased that our HE system continues to perform well overall and that student satisfaction in Wales remains high. I recognise that some institutions have performed very well indeed and significantly exceeded their benchmark in many areas. However, the comparatively low scores achieved by some institutions in the areas of assessment and feedback and student voice are of concern.

8.2 We pride ourselves in Wales on having an HE system that is world class and achieves high standards that are recognised both domestically and internationally. A system that is responsive to the student experience and their views is vital to growing and retaining the good reputation of the sector. In the coming year, I would like the Council to place a particular focus on the student experience and consider, in collaboration with the sector, what specific measures are required in order to deliver improvements in the areas identified.

National Assembly for Wales: Children, Young People and Education (CYPE) Committee – Report on the Teachers' Professional Learning and Education inquiry (December 2017)

9.1 In giving evidence to the CYPE Committee last year, I outlined my expectations for universities to introduce more students to teaching in their undergraduate studies, as part of growing the civic mission of Higher Education in Wales. The CYPE Committee agrees and has made the recommendation that I should 'encourage greater use across Welsh Universities of the scheme in place in Imperial College London, whereby undergraduates are exposed to teaching through modules as part of their standard degree'.

9.2 I would expect to see universities recognise the benefits of a wider community engagement with schools and resulting positive impact on school pupils and undergraduate students. I expect the Council to work proactively with all universities in Wales to make progress against this recommendation and to report back to me on progress made. This

has and will continue to be a priority in my remit letters to HEFCW and I expect the Council to continue to give this activity high priority.

Quality Research

10.1 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. Our 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 and that the contributions made to the current Sêr Cymru programmes will continue as planned.

10.2 Furthermore, I expect the Council to take due account of the Welsh Government's response to any recommendations arising from the Reid Review of Government Funded Research and Innovation in Wales.

10.3 In addition, I would like to see some support being made available to drive the development of emerging pockets of research excellence in areas which have the potential to meet the economic, industrial, health and well-being, social and environmental priorities of Wales as defined in *Prosperity for All* and its *Economic Action Plan*. Universities have an important contribution to make to the successful and effective implementation of the Plan.

10.4 There are 33 recommendations set out in the Talented Women for a Successful Wales report, at least ten of which are specifically aimed at Welsh universities. I trust that you will support HEIs in Wales in responding to the recommendations.

International

11.1 I continue to be grateful to the Council and wider sector for their engagement and contribution in thinking through the challenges, and identifying any opportunities, within the context of Brexit. It is important that this work continues, and deepens, over the next year.

11.2 I am keen that the Council, and sector, works with Government in further strengthening higher education's international links for the benefit of students, researchers, institutions, economic regions and the nation as a whole. Our sector is a huge academic, cultural and economic asset and must play an even bigger role in securing Wales's international reputation for business, culture and innovation. International opportunities for Welsh students should increasingly be a key element of this.

Civic Mission

12.1 I have been pleased by the sector's response so far to my challenge on recapturing a sense of civic mission. We must not lose momentum on this. I expect to see further regional and national civic leadership from the sector, focusing in particular on social innovation, helping to raise standards and leadership capacity in our schools, and sector-wide enterprise and entrepreneurship opportunities and impact.

Digital

13.1 Working across the whole education system, I expect the Council and universities to further increase their engagement with industry, schools and public sector in enhancing

access to coding and wider digital skills learning from primary age through to life-long learning clubs and courses. I will be providing additional funding to support this – ensuring a whole system approach from research and innovation through to skills acquisition.

Well-Being

14.1 Through our new action plan for schools, 'Education in Wales: Our National Mission', I have committed our system to excellence, equity and well-being. I expect the Council and higher education sector to also recognise this emphasis on learner outcomes and well-being. I am keen to see you work with partners in Wales and beyond, on strengthening the approach to enhancing safeguarding practices and resilience, supporting employee and student initiatives that tackle violence against women, harassment and address other adverse factors affecting mental health in particular.

Senior Pay and Workforce Matters

15.1 We have seen significant progress in the past year in the sector's approach to openness and transparency in relation to senior pay, for which I am grateful. I recognise that the position in Wales on senior pay has demonstrated more restraint than examples in England, and I would like to see that continue.

15.2 I note that there is a gender pay gap in some areas, which is disappointing given the progress elsewhere, and I look to the Council to continue its work with the sector to ensure the anticipated improvements in this area are realised.

15.3 I am pleased with the sector's commitment on the real living wage and to the Code of Practice: Ethical Employment in Supply Chains. These actions by Higher Education Institutions support our Wellbeing Objectives to tackle regional inequality and promote fair work.

15.4 The Government published guidance on the appropriate use of non guaranteed hours contracts in December 2016, following agreement at the Workforce Partnership Council.

15.5 In line with our shared commitment to ethical employment, I would welcome an assessment by the Council of the extent to which these principles have been adopted by the Council and by HEIs and an understanding of the extent of use of these forms of contracts by Institutions. Work is underway by Welsh Government officials with other stakeholders to seek to define the level and kind of information which would be useful and this should inform the Council's consideration of this issue. Officials in Welsh Government will keep you in touch with developing work on this with the intention that the Council could provide an assessment in the same timescales as other sectors, and no later than end March 2019.

Climate Change and De-carbonisation

16.1 *Prosperity for All – the national strategy* – highlights Wales' commitment to tackling climate change and actively managing the risks it poses to health, well-being and communities. In Wales our Environment (Wales) Act sets a legislative target for decarbonisation with a commitment to reduce our emissions by at least 80% by 2050.

16.2 To achieve this, we need to widen our efforts in order to fully realise our ambition of becoming a strong, low carbon economy. There is huge potential for the sector to make a

significant contribution in this area through research, business and industry collaborations but we need to encourage individual and organisational activity to reduce carbon emission still further which does not rely on low carbon technology alone. I am aware that institutions already have a number of measures and initiatives in place to reduce carbon emissions across their estates but I would encourage the Council and the sector to consider what further measures could be taken in support of the Government's efforts to decarbonise our economy through, for example, greater use of low emission vehicles, renewable energy generation and further opportunities for active travel.

16.3 Significant technical support and finance is available through Welsh Government's Green Growth Wales initiative. Whilst a number of HE bodies are taking advantage of the support and developing multi-million pound energy efficiency projects, there is scope for all bodies to deliver carbon and finance saving projects.

Ongoing Priorities and Reporting

17.1 HEFCW has published its Corporate Strategy for 2017-2020 setting out the Council's objectives and performance outcomes for the next three years. Whilst implementation of the Welsh Government's reforms will continue to figure strongly in the Council's work this year it is essential that the Council and sector maintains a focus on key Welsh Government priorities. I therefore welcome the Council's ongoing work to establish performance measures for the sector and look forward to the outcomes of this work.

17.2 The priorities set out in this letter will inform development of the Council's Operational Plan for 2018-19, which I look forward to receiving by the end of July 2018. Officials will continue to monitor performance against the Operational Plan on a quarterly basis. In addition, I would like the Council to report to me on an annual basis on progress against the specific activities identified in this letter.

17.3 This letter will be published on the Welsh Government website on xxxx2018.

Conditions imposed on grant provided to HEFCW

18.1 Annex 1 provides details of the funding allocated to HEFCW for the financial year 2018-19. The grant made by the Welsh Ministers to HEFCW under section 68 of the Further and Higher Education Act 1992 is made subject to the terms and conditions specified in Annex 2 to this letter.

Yours sincerely



Kirsty Williams AC/AM

Ysgrifennydd y Cabinet dros Addysg
Cabinet Secretary for Education

Annex 1

Detailed allocations for the HEFCW Budget Expenditure Lines for 2018-19 are set out below (£s):

	2018-19
HEFCW Revenue	118,429,000
Expenditure	
HEFCW Depreciation	90,000
HEFCW Capital Expenditure	10,000,000
Total	128,519,000

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 are now the responsibility of the Council. However, at the start of each financial year, HEFCW must provide the Welsh Government with an estimate of their running costs for the year and an estimate of their anticipated receipts for the year. Any shortfall in anticipated receipts will need to be managed within HEFCW's overall budget allocation, unless otherwise agreed in writing with the Welsh Government.

The HEFCW Revenue Expenditure Line includes the following additional allocations:

- £5m to help mitigate the impact of the decision to freeze the maximum tuition fee level; and
- £5m to support a scheme to encourage post-graduate study in Wales.

It does not include expenditure relating to the delivery of degree apprenticeships in Wales. Arrangements for the payment of these sums will be communicated separately.

Provision has been made within the Welsh Government budget for £10m capital resource to be allocated in 2018-19 to support proposals from institutions that promote more effective use of their estates.

Annex 2

Conditions of Grant

HEFCW will comply with the terms of the Framework Document agreed between the Council and the Welsh Government and dated September 2014 or such other document that may be issued to HEFCW by the Welsh Government from time to time.

Condition of Grant on Regional Coherence

In the exercise of its functions to allocate funding to providers of higher education, HEFCW must have regard to regional coherence