

Children, Young People and Education Committee

Date: 18 October 2017

Time: 9:00 - 10:30

Title: Evidence paper on Further Education and Higher Education

1. Introduction

1.1 This paper provides written evidence to the Children, Young People and Education Committee on further education (FE) and higher education (HE). It focuses on the key strategic priorities for each sector, drawn from the areas of interest identified in the Chair's letter of 19 July 2017.

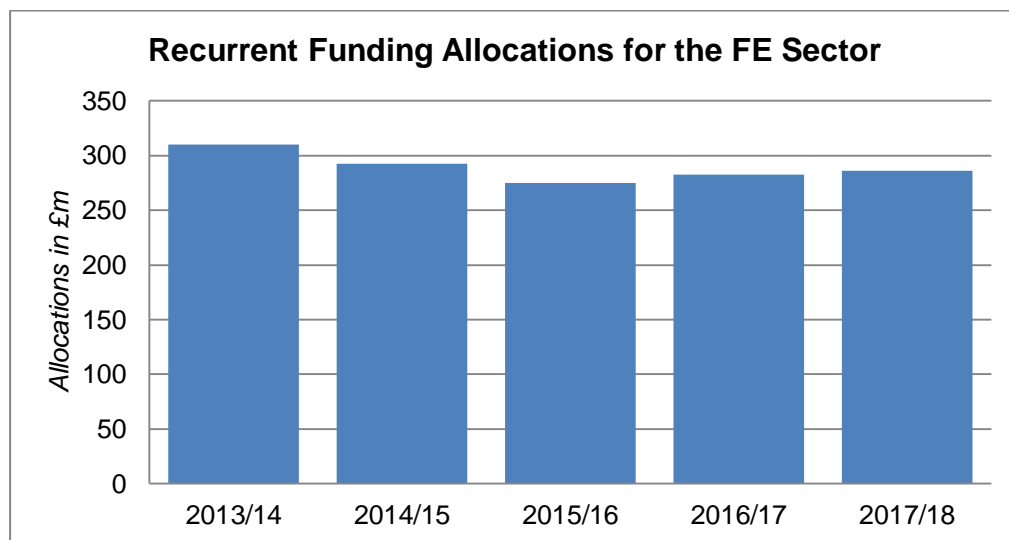
2. Further Education

Welsh Government funding for the FE sector

2.1 As a result of the cuts imposed on Wales by Westminster, the Welsh Government's budget has been significantly reduced.

2.2 Welsh Government recurrent funding for the sector decreased by £23.665 million between 2013/14 and 2017/18, a reduction of 7.63 per cent in cash terms over this period.

Figure 1 below shows the allocations for FE institutions since 2013/14¹.



¹ Within this paper, '/' refers to an academic year which spans the period from 1 August to 31 July and '-' refers to a financial year which spans the period from 1 April to 31 March. FE institutions receive their funding on an academic year basis.

- 2.3 For 2016/17 and 2017/18, funding for the FE sector has remained relatively stable. However, this follows significant reductions in funding to the sector in previous years, the bulk of which have fallen on part-time provision for adult learners. Since 2013/14, funding for part-time provision has fallen by almost 70 per cent in real terms, reflecting the Welsh Government's decision to prioritise its funding to support schools and young people.
- 2.4 Within the allocations for FE institutions, we have protected provision for 16-18 year olds. The allocations for 2016/17 and 2017/18 also include one-off allocations of £796,000 to reflect growth in level 3 provision for learners aged 16-19.
- 2.5 In addition, we have striven to protect our most vulnerable learners by protecting the Adult Basic Education (ABE) budget and English for Speakers of Other Languages (ESOL) budget. We have also protected discrete provision for learners with moderate or profound learning difficulties.
- 2.6 Following the reduction the Welsh Government and the FE Sector have worked closely on a 'creative solutions' project, that is supported by £1.8m Welsh Government funding, to identify and pilot new ways of effective and efficient learning that benefits the learner including accelerated programmes of learning and an introduction of programmes with more workplace learning experience.

Capital funding for the FE Sector

- 2.7 Investment in the FE sector continues to feature significantly in Band A of the 21st Century Schools and Education Programme, which runs between 2014 and 2019. Officials have worked with FE institutions to fund major and smaller-scale schemes in line with institutional priorities. Larger schemes which have attracted funding include the new Cardiff and the Vale College Campus at Dumballs Road, Cardiff, and a new replacement campus for the Aberdare site of Coleg y Cymoedd. There has also been investment in more modest building schemes and the provision of IT and skills equipment.
- 2.8 Discussions are underway with the FE sector to plan for further investment during Band B of the programme, which runs between 2019 and 2024. Decisions will be taken over the coming months with respect to the level of funding which will be available to the sector.

Income from work-based learning contracts

- 2.9 The Welsh Government currently contracts with 19 work-based learning (WBL) providers for the delivery of Apprenticeships and Traineeships in Wales. These providers are a mix of FE institutions, Private Training providers and Third Sector Organisations, working individually or as part of a consortium.
- 2.10 All FE institutions (with the exception of St David's Sixth Form College and Adult Learning Wales) are involved in the delivery of WBL in Wales, either as a lead provider, a consortium member or a sub-contractor.

2. 11 The latest available data from FE institutions' 2015/16 Financial Accounts² shows a combined income of £49.8 million from WBL contracts, around 40 per cent of the total WBL contract value of approximately £125 million.
2. 12 There has been an increase in the WBL budget for 2017-18 to account for increased demand as a consequence of introduction of the UK Government's Apprenticeship Levy. It is therefore expected that the WBL income to FE institutions will increase during the 2017/18 contract year.

Welsh Government response to the Auditor General's report

2. 13 The Welsh Government's response to the report *Welsh Government oversight of FE colleges' finances and delivery*³ was sent to the Auditor General in May 2017.
2. 14 Welsh Government officials are taking action to address the recommendations in the Auditor General's report, including:
- Building routine knowledge gathering into the work of estates and financial monitoring to inform decisions in the event of capital funds becoming available with tight timescales (Recommendation 2).
 - Extending financial forecast work beyond one academic year to include longer-term financial forecasts (Recommendation 3).
 - Allocation of growth funding for 2017/18 and establishment of a sector working-group to look at options for a revised funding mechanism beginning 2018/19 (Recommendation 4).
 - Piloting of new institutional review processes during 2017, with an eye on the long-term future of the process as part of the proposed new oversight body for post-compulsory education and training (Recommendation 5).
 - Publishing more focussed annual guidance for FE institutions (Recommendation 6).
2. 15 An evaluation of the impact of funding reductions on learners (Recommendation 7) will take place during the current academic year. This will be used to inform strategic budgeting decisions; to highlight the impacts of previous reductions and the likely impact of further reductions prior to future budgets being laid.
2. 16 Going forward, our aim is to publish a budget for a three year horizon (Recommendation 1), which would give our FE institutions greater clarity in planning for a longer budget period. However, this can only be achieved with greater clarity about the revenue resources available to Welsh Government and, therefore, the funding settlements will mirror budgets laid by Cabinet.

Changes resulting from the Further and Higher Education (Governance and Information) (Wales) Act 2014

² For the period from 1 August 2015 to 31 July 2016.

³ <https://www.wao.gov.uk/publication/welsh-government-oversight-further-education-colleges%E2%80%99-finances-and-delivery>

2. 17 The Further and Higher Education (Governance and Information) (Wales) Act 2014 made changes to four key areas to help give colleges more responsibility to manage their own affairs:
- Greater powers for colleges to make changes to their Instrument and Articles of Government;
 - The ability of a college to dissolve itself;
 - Greater freedom of colleges to borrow funds; and
 - Reduced intervention by the Welsh Government.
2. 18 A review conducted two years after the passing of the Act concluded that the Programme for Government adopted by the previous administration, and policies developed as a result, had served to safeguard elements of provision felt to be most at risk, while at the same time helping to steer post-16 developments, i.e. policies continue to safeguard provision for 16-19 year olds, ensure protection and development of Welsh Language provision, and continued support for learners with additional needs.
2. 19 The 2014 Act offered FE the opportunity to diversify and develop new income streams as well as the potential for realising efficiency savings by reducing complexity. As a result FEIs in Wales generally are reducing their reliance on government funding.

How the FE sector is taking account of the Well-Being of Future Generations (Wales) Act 2015

2. 20 The FE sector is not directly subject to the requirements of the Act. However, the sector recognises its importance, and in 2016 CollegesWales commissioned a report to guide FEIs on responsive methods to the Act.
2. 21 The research, published in January 2017, found that the majority of FEIs view the Act as an aid to help transform and adapt their organisations' activities. Almost all were taking steps to accommodate the Act. The researchers undertook surveys and interviews with leaders from across the sector, which identified some variations in their awareness of the Act and the extent to which the sustainable development principle was being implemented across FEIs. Overall, more progress had been made in the areas of financial management, procurement and curriculum planning, and less in corporate and workforce planning. The report made recommendations on how FEIs could establish sustainable development as a more explicit part of the corporate planning function.

Update on piloting a new institutional review process

2. 22 Officials are developing proposals for a revised institutional review process, in response to the Wales Audit Office (WAO) recommendation in February this year. This will bring together existing monitoring processes in relation to financial health, quality, planning, funding and infrastructure, in order to come to

a more rounded view on each institution's performance and any areas of concern.

2. 23 In view of the recommendations of the Hazelkorn Review and the proposed PCET reforms, officials are working with HEFCW colleagues who have an established HE institutional review process. It is anticipated that this will lead to a more aligned approach across sectors, which can be developed and piloted prior to the establishment of the new Tertiary Education and Research Commission. Officials are also working with Estyn to ensure that information from inspections is integrated into the review process.
2. 24 The WAO report recommended that the outcomes of the annual institutional review should be published and we are considering the best approach to this, which may involve a sector-wide report which can highlight trends, best practice and any areas of weakness that need to be addressed.
2. 25 The first review cycle is due to be completed by the summer term 2018 and initial engagement with the FE sector will take place over autumn 2017.

Welsh Government monitoring of relationships between the FE sector and other stakeholders

2. 26 Monitoring and evaluation of the FE sector's partnership work takes place in a number of ways, including through the annual planning cycle, the work of Regional Skills Partnerships, and Estyn inspections. Inspections have consistently identified strengths in the way FEIs work with employers and other stakeholders. A specific inspection judgement is awarded for partnership working; since 2010, every FEI inspected has been judged either 'good' or 'excellent' in this area, with every inspection since 2013 resulting in an 'excellent' judgement.
2. 27 In July 2017, the Public Accounts Committee discussed the Wales Audit Office report on the oversight of FE college's finances and delivery. The session included consideration of FEIs' relationships with a range of stakeholders. In summary, there was a view that wider collaboration with schools and other providers is required especially when providing advice and guidance to young people. Many FEIs feel that partnership working with schools could be improved to reduce competition and ensure parity of esteem between vocational and academic learning. In recent years, the Seren network has helped to strengthen cross-sector relationships, in order to jointly support academically able young people to progress into higher education.
2. 28 The Hazelkorn Review identified the need to strengthen relationships between FE and HE institutions, to secure better progression opportunities for learners and a more co-ordinated approach to meeting the needs of employers. As part of the development of the PCET Bill, officials are consulting on how regulatory models could focus on collaborative and regional outcomes, as well as planning by individual institutions.

Changes to the curriculum and potential impact on FE institutions

2. 29 DfES implemented a new Post-16 Planning and Funding Framework from September 2014. At the centre of the framework is a shift from qualifications to programmes as the basis for planning and funding post-16 learning in FEIs.
2. 30 The framework focusses on the quality of the learning offer in terms of the outcome for individual learners. Each programme has a defined purpose and outcome against which it is monitored. Full time programmes of learning comprise a main qualification, the core e.g. Essential Skills/Welsh Baccalaureate, tailored qualifications to meet individual, employer or community need, and work related experience.
2. 31 We have been innovative and creative in collaboration with the sector in FE delivery and are delivering accelerated learning programmes for those learners who can progress faster through learning while maintaining the full duration for those who need it, introducing more workplace learning in programmes, and offering vocational 14-16 pathways for those who are more suited to vocational learning from a younger age. In July, we announced the expansion of the Junior Apprenticeship Programme aimed at 14-16 year olds learners to enable them undertake a level 1 or 2 vocational pathway at a local college; develop practical skills while gaining qualification. We are supporting this programme with an additional £800,000 to be used across all Local Authority areas to facilitate closer collaboration between colleges and schools across Wales. This investment will enable all areas of Wales to trial this innovative approach to engaging learners in vocational pathways at an earlier stage, opening up wider opportunities for them to develop real, practical skills that employers will value.

GCSE resits

2. 32 The Review of Qualifications recommended (Recommendation 23) that all - learners at 14 to 19 should be encouraged and given appropriate teaching and support to enable them to achieve A*-C grade GCSEs in English Language/Welsh First Language and Numeracy, continuing beyond 16 where necessary. Colleges have been supported with additional funding of £1.386m in 2015/16 and £1.404m in 2016/17 to assist with the costs of additional GCSE resits whilst the new GCSE curriculum beds in.
2. 33 We have listened to the concerns of the sector and modified the ministerial priorities accordingly. Originally the expectation was for all learners to achieve an A*-C grade (in Maths and English) and resit where this had not been achieved. Now the ministerial priorities still encourages all learners to aspire to achieve an A*-C but only expects those learners who achieved a D to need to resit.

Estyn GCSE and WBQ thematic report

2. 34 A thematic Review by Estyn is underway to review English, Welsh, Mathematics and Mathematics – Numeracy GCSEs and the Welsh Baccalaureate. Key areas covered will be learners' well-being, the learning experience (including looking at changes to curriculum organisation to

implement the new GCSEs) and leadership and management (including processes for managing change and for tracking and monitoring learner progress).

2. 35 Qualifications Wales has commissioned an independent review of the Skills Challenge Certificate (SCC) and its place within the Welsh Baccalaureate. The review, which is being undertaken over the course of this year will evaluate the design and assessment model of the SCC at all levels. Estyn is liaising with QW in the publication of their reports to help inform Estyn's judgements when undertaking their review.

Funding training: the Welsh Government's co-investment policy

2. 36 The Framework for Co-investment in Skills was published in November 2014 and developed in recognition of a number of challenges facing Wales' skills system over the coming decade. These include the stagnancy in the proportion of employers regularly investing in training, the need to improve overall skills levels (particularly at Level 4 and above) and the switching by employers to commercial training provision. The principle behind the Framework was to be clear on those government investments which will continue to be made and how these will align with, and add value to, the investments which should be made and led by employers.
2. 37 Following the publication of the Framework two key developments have taken place. Firstly, the UK Government's implementation of an Apprenticeship Levy which mandates employers with a wage bill over £3 million each year to pay into the Levy. Secondly, in light of the fact that just 13% of employers offer formal apprenticeships, the commitment by the current administration to support 100,000 all-age apprenticeships. These two factors have overtaken the original terms of the Framework which, at the time of publication, set out a series of investment principles for driving areas of government and employer intervention.
2. 38 The focus of the policy remains in striking the right balance between the support available from government for skills delivery – which will always be finite – and the investments which are and should continue to be made by employers to support the skills of their workforce. Significant challenges linked to Brexit, such as the migration of skilled labour and the availability of EU Structural Funds, reinforce the need to be clear about how investment in skills will continue in the future. In response, the Welsh Government is currently undertaking a review of the Framework for Co-investment in Skills to ensure it can remain responsive to the long term needs of Wales.

3. Higher Education

3. 1 Changes to funding for the Higher Education sector and student support:

Information on UCAS placements four weeks after A Level results (14 September)

3.2 The latest information from UCAS suggests that there has been a slight decrease in the number of full-time undergraduate placements from Wales in 2017, compared with the same point last year (final information will not be available until later in the year). However, the decrease is consistent with a reduction in the number of 18 year olds in Wales, and the figures remain higher compared with trends from previous years.

Updated information on cross-border flows

3.3 The following table summarises full-time undergraduate student flows between the UK nations. The figures confirm that the majority of Welsh students continue to be enrolled at universities in Wales. In addition, Wales remains a net importer of higher education students from the rest of the UK.

Cross border flows of full-time undergraduate UK students, 2015/16

Country of Domicile	Country of Provider					UK
	Wales	England	Scotland	N Ireland		
Wales	35,420	22,600	425	25		58,470
England	30,895	956,370	15,995	1,245		1,004,500
Scotland	170	4,440	98,860	60		103,530
N Ireland	455	9,380	3,575	29,085		42,495
UK	66,940	992,840	118,855	30,415		1,209,045

Source: HESA Student Record via StatsWales

EU and international students

3.4 The following table summarises the latest information on the number of full-time undergraduate and postgraduate EU and international students enrolled at Welsh HEIs.

Welsh full-time higher education enrolments by overseas students

Level	Domicile	Enrolments, Academic year			
		2012/13	2013/14	2014/15	2015/16
Undergraduate	EU	2,745	2,895	3,055	3,510
	Non-EU	8,440	8,380	7,815	7,675
Postgraduate	EU	1,080	1,140	1,165	1,065
	Non-EU	8,175	9,290	8,460	6,830

Source: HESA Student Record via StatsWales

The changes resulting from the Diamond Review recommendations

3.5 The Welsh Government response to the Diamond review confirmed that there would be significant change to student support in Wales and a move towards a fairer, sustainable system of higher education funding.

3. 6 In July 2017, the Cabinet Secretary confirmed the support that will be available for full-time undergraduate, part-time undergraduate and postgraduate students from the start of the 2018/19 academic year. This package will be unique in the UK and will encourage students from all backgrounds to enter higher education.
3. 7 Careful consideration has been given to the sustainability and achievability of each recommendation when drawing up the response to the Diamond Review's recommendations – a full analysis of the costs can be found in annex i.
3. 8 In contrast to the English system, the principle of retaining public support for maintenance is clearly advocated in the Welsh Government response. Responses to the Diamond Review and recent consultation provide evidence of a strong consensus that the level of maintenance support is a bigger issue for students than the level of tuition fees or tuition fee support.

The latest financial modelling of the costs of the student support system

3. 9 Annex i provides the detailed assumptions and the most recent forecasts for student support for 2018/19 onwards. It is important to note that the forecasts reflect a phased implementation and the continuation of cohort protection for students who started their courses prior to September 2018. Numerous assumptions have had to be made to provide forecasts that span several years into the future, not least in relation to future student numbers. Due to the uncertainty around future numbers of full-time undergraduate, part-time undergraduate and postgraduate students, forecasts are based on prudent assumptions, which are subject to continual review and change, as more data becomes available.

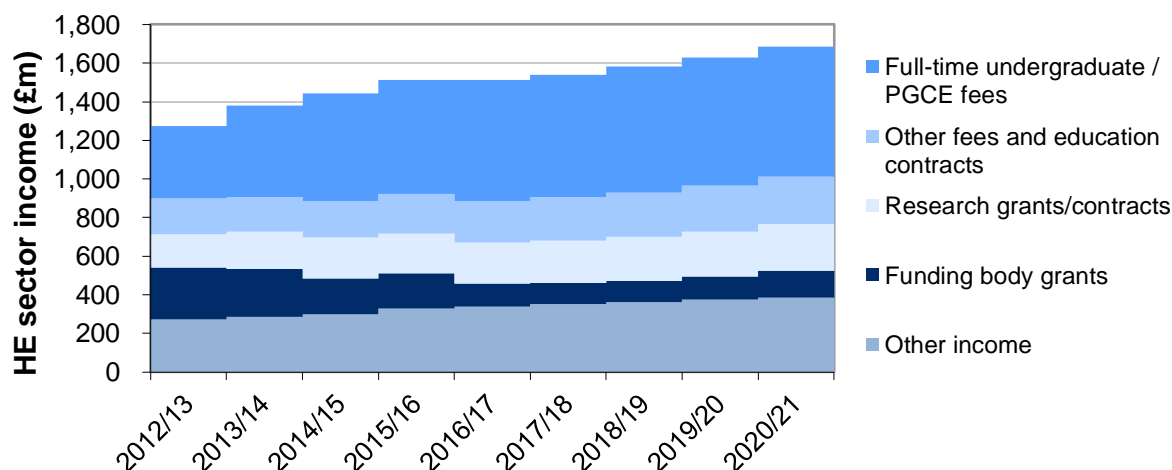
Loans for postgraduate students

3. 10 Loans for postgraduate Master's students are available for students beginning their study in 2017/18. A loan is available irrespective of the type of provider the student studies at and alternative providers have been able to apply for specific designation of postgraduate courses since July 2017.
3. 11 The Welsh Government is finalising its policy for support for postgraduate Master's in 2018/19. The loan value is likely to increase and options for providing additional support to Welsh higher education institutions are being considered.
3. 12 In addition support will be available for doctoral study in 2019/20. Information on the eligibility criteria will become available shortly.

Higher education income

3. 13 As illustrated by the chart below, the financial position of the HE sector in Wales has improved year-on-year in cash terms, despite policy changes and a challenging economic environment.

Income to the Welsh HE sector in cash terms, by academic year



Source: HESA Finance Record and Higher Education Division internal analysis, Welsh Government

3. 14 Between 2010/11 and 2015/16, income from funding body grants decreased by around £232m (from £416m to £184m), but income from full-time tuition fees has increased by around £362m (from £229m to £591m). Overall, income to the sector has increased by around £270m over the period, and is projected to continue to increase into the future.

Staff costs and planned redundancies

3. 15 A number of institutions are currently reviewing their staffing structures in consultation with their staff and trade unions. Universities in Wales are autonomous bodies and as such responsibility for staffing matters rests with their governing bodies. The Welsh Government has no locus in these matters, but we would expect our institutions to work in partnership with their staff.
3. 16 The Diamond reforms will help secure the future stability and sustainability of the sector in Wales. However, the reforms will take a number of years to implement and we need to provide as much help as possible to institutions to ensure that they remain competitive. To that end my remit letter to the Funding council (for 2017/18) confirmed that we expect future financial settlements for HEFCW to increase in each financial year for the lifetime of this Government.

Zero hours contracts

3. 17 Welsh universities became signatories to the Welsh Government's Code of Practice Ethical Employment in Supply Chains in July 2017 – the first in the UK. In working towards compliance with the Code, universities will seek to comply with the following principle, which includes an element in respect of zero hours contracts:
- Ensure that false self-employment is not undertaken and that umbrella schemes and zero hours contracts are not used unfairly or as a means to:
 - avoid, or facilitate avoidance of, the payment of tax and National Insurance contributions and the relevant minimum wages;

- Unduly disadvantage workers in terms of pay and employment rights, job security and career opportunities.
 - Avoid Health and Safety responsibilities’.
3. 18 HEFCW has a role in monitoring the implementation of the Code and will be reporting progress to Welsh Government on an annual basis.

How the HE sector is taking account of The Well-being of Future Generations (Wales) Act

3. 19 Universities have a limited statutory responsibility namely to participate on a public service board as an invited participant, but are otherwise not within the scope of this legislation. They are not required to undertake a statutory needs assessment, or to put in place and report on well-being objectives. However, universities have engaged with the Act in a variety of ways through civic engagement, research, student experience, the curriculum and the management and use of their estates. All of the eight universities in Wales are sitting on one or more public service board.
3. 20 In January HEFCW published Higher Education for Future Generations which provides examples of some of the actions being taken by universities identified against each of the seven well-being goals. These actions continue to develop and represent typical examples of how universities engage with this agenda. An example of how Universities are supporting work in this area can be found in annex ii.

Any competition from new providers of higher education

3. 21 The Regulatory system introduced by the HE (Wales) Act 2015 is designed to allow new applicants (which are institutions based in Wales which are charities) to gain automatic designation for student support purposes for HE courses. In order to gain automatic designation, institutions must gain approval from HEFCW for their fee and access plan. Further information is provided to such applicants on HEFCW’s website.
3. 22 HEFCW has just commenced a consultation on a new gateway process for new entrants to the regulated HE sector in Wales, wishing to meet quality expectations <https://emea01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.hefcw.ac.uk%2Fpublications%2Fcirculares%2Fcirculares.aspx&data=02%7C01%7CAlison.Bryant%40gov.wales%7Cff19a53dfd704bd25f7d08d4ef7ac962%7Ca2cc36c592804ae78887d06dab89216b%7C0%7C0%7C636396758954499452&sdata=SmFriv2ce1I88NLHfErtDUjKUIK%2FwHhPzQr0JS254CA%3D&reserved=0>. These are similar arrangements to those applying in England and Northern Ireland (with a four-year probationary period), taking account of the different requirements of the HE (Wales) Act.

Designation

3. 23 From academic year 2017/18, there are two routes by which an institution in Wales can apply for its qualifying courses to be designated for access to Welsh Government student support: Annex iii provides information on the each route

Strengthening Fee and Access Plans

3. 24 The Welsh Government's response to the Diamond Review indicated that we would ask HEFCW to explore how fee and access plans can be further strengthened in line with the Welsh Government policy priorities relating to widening access and ensuring fair access to higher education. My remit letter to HEFCW for 2017/18 requested HEFCW to work with the Welsh Government on arrangements for strengthening fee and access plans and also to 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.

Any plans to fully regulate the part-time higher education sector by 2020-21

3. 25 The Welsh Government response to the Diamond Review proposed the development of a fully regulated part-time system by 2021.
3. 26 On the basis of the consultation responses received in the consultation on Diamond, moving to a fully regulated part-time system appears to be the right direction of travel. However, it is clear that there are a number of complexities that mean that more work is needed on communication, understanding and timescale before implementation.
3. 27 The Welsh Government will, therefore, work with stakeholders to fully evaluate the evidence, gain a full understanding of the details and to establish a timeline for the implementation of a revised system. This will need to closely link with the work being undertaken on the Welsh Government response to the Hazelkorn report.

Impact of the Teaching Excellence Framework (TEF) on Welsh HEIs

3. 28 The TEF is a UK Government policy. Participation in the TEF is voluntary and it is a *currently* a matter for individual Welsh providers delivering higher education to determine whether or not they want to take part.
3. 29 That said the Higher Education and Research Act 2017 will require the Welsh Ministers to provide consent before HE providers in Wales are able to apply to participate in the TEF, *once the relevant section of the Act is brought into force*. The timescale for when the Welsh Ministers consent will be required has yet to be confirmed by the UK Government. However this is unlikely to be in effect until at least Year 4 of the TEF, i.e. the 2018/19 application cycle.
3. 30 Feedback indicates that some Welsh providers wish to participate in the TEF to avoid competitive or reputational disadvantage. While the criteria for operation of the TEF are not those that the Welsh Government would put forward, the UK Government did make a number of changes to the TEF scheme that placed

institutions in Wales on a more level playing field with counterparts in England. This included TEF assessors taking account of the Welsh context.

3. 31 Seven Welsh institutions delivering higher education chose to apply for Year Two of the TEF and the ratings were published on 22 June. However, it is clear that tuition fees in Wales will not be linked to TEF ratings. The Welsh Government will continue to set tuition fee levels to its own criteria, taking account of financial sustainability, how we maintain our international competitiveness and the impact on students.

Higher and Degree Level Apprenticeships

3. 32 Over the last three years there has been a significant growth in Higher Apprenticeships. There are currently 59 Higher Apprenticeship frameworks available spanning levels 4-7. Higher Apprenticeships represented 25 per cent of apprenticeship starts in 2015/16, 4 percentage points higher than the 2014/15 figure⁴.
3. 33 In 2016/17 officials developed seven new apprenticeship frameworks, six of which were Higher Apprenticeships (85% of all new frameworks). Officials have also commissioned the development of ten new apprenticeship frameworks for 2017/18, nine of these are Higher Apprenticeship frameworks (90% of all new frameworks) to meet Welsh employer needs.
3. 34 Degree Apprenticeships are currently under development in Wales. In December 2016, the Higher Education Funding Council for Wales (HEFCW) invited plans from institutions to develop and combine vocational and academic degree level qualifications which could form part of an apprenticeship. HEFCW identified engineering, advanced manufacturing and IT/computing as particular areas of interest.
3. 35 We are undertaking a co-development approach working with HEFCW and HE institutions to develop Degree Apprenticeships and delivery options. New policy is being developed that brings together apprenticeships and higher education – sectors with different processes and cultures - therefore requiring the widest possible input and perspectives from stakeholders.
3. 36 The new strategic body for all post-16 education in Wales is expected to have a role in strengthening cohesion between the post-16 education sectors through providing routes to higher level education and training, where people can move between academic and vocational pathways.

The Coleg Cymraeg Cenedlaethol

3. 37 The development of Welsh-medium provision within higher education is supported by the Welsh Government through the funding provided to the Coleg

⁴ Welsh Government, Further education, work-based learning and community learning: <http://gov.wales/statistics-and-research/further-education-work-based-learning-community-learning/?lang=en>

Cymraeg Cenedlaethol. The Coleg was established in 2011 in order to plan, develop, co-ordinate and promote Welsh-medium higher education.

3. 38 The final report of the task and finish group which was established to review the activities and future role of the Coleg Cymraeg Cenedlaethol was published on 25 July 2017. The report makes a number of recommendations regarding the future activity of the Coleg with a focus on ensuring that future budgets and activities are targeted at areas which will have the greatest impact in developing Welsh-medium provision and at encouraging more students to continue their studies through the medium of Welsh.
3. 39 The report concludes that support for Welsh-medium provision within HE needs to be continued if the current gains are to be maintained and the provision is to be developed further in line with the Welsh Government's Cymraeg 2050 Strategy.
3. 40 The report also recommends that the role of the Coleg is extended to include the post-16 sectors, (FE and WBL).

The independent Review of Conservatoire and Performing Arts Provision in Wales

3. 41 Lord Murphy of Torfaen was asked by the previous Minister for Education and Skills to carry out a review of conservatoire and performing arts provision in Wales. He began his work on the review in April 2016 and has consulted widely through verbal and written engagement in the higher education and creative industries sector in Wales. Lord Murphy has now concluded his work and is due to submit his report shortly.

The Open University in Wales

3. 42 Since 2013/14, HEFCW has given special consideration in determining the overall allocations to the OU in Wales. In the light of the budget changes, the Council recognised that the OU has no full-time undergraduate fee income to off-set any reductions in the other budget lines. As a result, HEFCW monitors the overall impact on the OU and make an adjustment to compensate for their inability to replace strategy funding with FT UG fee income, and to compensate for the loss of part-time premium funding.
3. 43 In 2016/17, repeating what was done in previous years, HEFCW awarded the OU a one-off payment, essentially to the value of the strategy funding they have lost, the equivalent amount of funding that they would have received in 2015/16 for the PT premium, had HEFCW not removed it, and the amount of part-time postgraduate core teaching funding that the OU received in AY 2015/16 prior to the removal of that funding. HEFCW will provide the same amount of additional funding to the OU in 2017/18 (£1.655m).
3. 44 In addition HEFCW is still committed to monitoring the OU in Wales fees only position, and has put in place a process where, at the end of an academic year, end-year monitoring data will be used to determine the actual delivery of any fees only unfunded provision. As an incentive to continue to grow PT provision,

depending on affordability, HEFCW will retrospectively reward the OU with the funds to cover the fees only element.

Cross-cutting areas

The potential effects of the UK exit from the European Union

4. 1 The UK's exit from the European Union raises concerns about the impact on EU staff working in Welsh Universities, numbers of international students studying in Wales, access to and funding for international research collaborations, and support for international mobility for staff and students. The Welsh Government White Paper "Securing Wales Future" published in January 2017 discusses the impact of Brexit on the higher education sector and identifies the issues which need to be addressed in the UK Government's negotiations with the EU and in future UK Government policy on migration and support for science. The Welsh Government's recent policy paper "Fair Movement of People" discusses the impact of migration policy in more detail, and also covers impact on the higher education sector.
4. 2 The total amount of funding acquired for learners since 2011 through Erasmus+ and Leonardo da Vinci (the European Union's predecessor programme) amounts to just over €1.2million. Equally, international students and their visitors contribute significantly to Wales' economic and cultural prosperity, generating £530 million of export earnings in 2014, which is equivalent to 4% of all Welsh exports. This helped create 7,600 jobs and generate some £400m of Welsh GVA over the same period.

Erasmus+ programme: mobility of students and staff

4. 3 Wales has a good participation rate in Erasmus+, and the predecessor Lifelong learning programmes, which allow people to study or undertake work experience/ volunteering in another EU country. Wales currently gains a significant benefit through active participation in European partnerships. The value is not only cultural and educational; it is also financially and economically beneficial.
4. 4 Higher Education in Wales has attracted €9.8m of Erasmus+ funding between 2014 to 2016. Of this €9m was in respect of student and staff mobilities, with the remainder supporting the development of strategic partnerships. There have been 34 successful project applications from all Higher Education Institutions in Wales.
4. 5 During 2014 and 2015, (the latest data available) Erasmus+ supported 1,782 students for study or traineeships and 312 staff on teaching or training mobilities. In addition a further 162 students and staff, both incoming and outgoing, received International Credit Mobility placements.

4. 6 The Welsh Government is working closely with the UK government and others to ensure that Welsh learners continue to receive the benefits of the Erasmus+ programmes despite the vote to leave the EU.

The impact on higher education research

4. 7 The Technopolis report “The Role of EU Funding in UK Research and Innovation” published in May 2017 highlights the importance of EU funding which provides UK organisations (ie both public and private) with research and innovation income of around €1.1bn, equating to more than 10% of total government support for UK research and innovation and around 5% of UK gross domestic expenditure on R&D (including both public and private funding).
4. 8 The report notes that Higher Education Institutions report around £725m in research grant income from EU government bodies (which could include individual Member States as well as the EU) in 2014/15 – which equates to “12% of UK HEIs’ £5.9bn total income from research grants and contracts, or around 25% of the £2.75bn in research grants provided by UK Government bodies”. The report notes that, in Wales, ERDF support for research and innovation projects has been more significant than funding from the Horizon 2020 programme.
4. 9 The Welsh Government’s White Paper “Securing Wales’ Future” highlights the importance of science, research and innovation capability for Wales and the UK, and our concern that research in Wales will be severely affected through reduction in income, an exodus of researchers and a failure to attract new talent if continued participation in Europe-wide research programmes is not secured. The UK Government’s recent discussion paper on a future agreement on science and innovation published on 6th September states that the UK will seek to *agree a far-reaching science and innovation agreement with the EU that establishes a framework for future collaboration. There are a range of existing precedents for collaboration that the UK and the EU can build on, but our uniquely close relationship means there may be merit in designing a more ambitious agreement. The UK hopes to have a full and open discussion with the EU about all of these options as part of the negotiations on our future partnership.* The paper does not set out the UK Government’s preferred approach. We look forward to further clarification on this matter.

The Hazelkorn proposals to create a single oversight body for FE/HE

4. 10 One of the key recommendations in the review undertaken by Professor Ellen Hazelkorn of the oversight of post-compulsory education and training in Wales was that a new, arm’s length body should be established. To achieve there will be a need for an Assembly Bill and to this end a White Paper was published on 20 June 2017 and it will close for responses on 23 October.
4. 11 The White Paper proposes that this new, strategic authority should be established – the Tertiary Education and Research Commission for Wales (The Commission) – to provide oversight, strategic direction and leadership for the

post-compulsory education and training sector. In establishing the new Commission I intend to strike the right balance between supporting strong, autonomous institutions and providing proper accountability for taxpayers' money through the safeguards that learners have a right to expect.

- 4.12 Following the consultation, we will analyse and publish a summary of responses. We will use them to inform a technical consultation that will provide a fuller description of the shape and operation of the Commission. We will then look to develop legislative proposals, before the end of the current Assembly.

Annex i

The latest financial modelling of the costs of the student support system for 2017/18, 2018/19 (and beyond if available)

This analysis provides the projected costs of implementing the policies outlined by the Welsh Government response to the Diamond Review. Projected costs of near-cash student grants, student loan outlay (Annually Managed Expenditure, AME) and non-cash (Resource Account and Budgeting, RAB, of student loans) are included, on a financial year basis. The principle of cohort protection means that the reforms will apply only to new students, and existing policies will continue to be funded for eligible students already in the system. The announced reforms will, therefore, phase in over several years (depending on level and mode of study).

Numerous assumptions have had to be made to provide forecasts that span several years into the future, not least in relation to future student numbers. These assumptions are agreed and managed through well-established governance procedures within the Welsh Government. Due to the uncertainty around future numbers of full-time undergraduate, part-time undergraduate and postgraduate students, forecasts are based on prudent assumptions. Forecasts and assumptions are subject to continual review and change, as more data becomes available.

Given past unpredictability of full-time undergraduate student numbers, the modelling assumes a continuation of the current number of students, despite a declining population demographic for the number of 18 year olds. The most recent UCAS information, suggesting a reduction in the number of full-time undergraduates placed in 2017/18, has resulted in a review of the short-term student number assumptions, to inform budget setting for the next few years. The forecasts presented below will, therefore, be updated following formal review and sign-off of changes to modelling assumptions and forecasts. A modest increase in numbers of students undertaking part-time undergraduate and postgraduate courses is also included. Any future deviation from the current student number assumptions would impact any policy, not only the announced reforms.

The current macro-economic assumptions underlying these forecasts (e.g. projections of future inflation and earnings growth by the Office for Budget Responsibility) will be subject to change, with implications for the costs outlined in the current forecasts. Forecasts of future RAB are also subject to regular routine revision, as that latest economic and loan borrow data become available, as well as being influenced by factors beyond Welsh Government control (such as the discount rate set by HM Treasury and applied to loan repayments). In addition, the RAB charge is expected to increase with the size of the student loan book and, although this has been accounted for in the modelling as far as possible, it is not possible to predict accurately the magnitude of future increases at this stage.

The projected costs for announced student finance policies are presented in the table below. These forecasts include the 'phase-in' of the post-Diamond reforms for new students from academic year 2018/19 (for undergraduate support) and 2019/20 (for the postgraduate Masters level support).

Projected costs of student finance policies with 'phase-in' of post-Diamond

	<i>Forecasts of financial year costs</i>				
	2017-18	2018-19	2019-20	2020-21	2021-22
Full-time undergraduate					
Maintenance Grant	£135m	£175m	£225m	£270m	£285m
Maintenance Loan outlay	£265m	£280m	£290m	£310m	£340m
Maintenance Loan at RAB	£50m	£55m	£60m	£70m	£80m
Tuition Fee Grant	£270m	£225m	£130m	£55m	£15m
Tuition Fee Loan outlay	£215m	£285m	£405m	£505m	£565m
Tuition Fee Loan at RAB	£40m	£55m	£75m	£85m	£95m
Part-time undergraduate					
Maintenance Grant	£5m	£10m	£20m	£25m	£25m
Maintenance Loan outlay	£0m	£5m	£10m	£15m	£20m
Maintenance Loan at RAB	£0m	*	*	£5m	£5m
Tuition Fee Loan outlay	£5m	£10m	£10m	£10m	£10m
Tuition Fee Loan at RAB	*	*	*	*	*
Full-time postgraduate Masters					
Contribution to Costs Grant	£0m	£0m	£10m	£15m	£15m
Contribution to Costs Loan	£15m	£30m	£30m	£35m	£40m
Loan at RAB	£5m	£5m	£5m	£5m	£5m
Part-time postgraduate Masters					
Contribution to Costs Grant	£0m	£0m	£5m	£5m	£5m
Contribution to Costs Loan	£5m	£10m	£10m	£10m	£15m
Loan at RAB	*	*	*	*	*
Total costs					
Near-cash grants	£410m	£410m	£390m	£365m	£345m
Loan outlay	£510m	£615m	£750m	£885m	£985m
RAB of loans	£95m	£115m	£145m	£170m	£190m

Source: Higher Education Division internal analysis, Welsh Government

Notes:

Figures are rounded to the nearest £5m; individual figures may not sum to totals.

reforms * Indicates figure rounds to zero, but is greater than zero.

There is no release of near-cash for reallocation elsewhere in HE in 2018-19. This reflects the way academic year costs map differently over financial years, for different types of student support. In the 2018-19 financial year, half of the savings from the removal of the tuition fee grant, for new full-time undergraduates in academic year 2018/19, will be realised. At the same time, two thirds of the cost for providing enhanced maintenance grants for full-time and part-time undergraduates will need to be met. The net effect of these is a neutral effect on near-cash costs, compared with 2017-18.

How the HE sector is taking account of The Well-being of Future Generations (Wales) Act

Several universities have developed groups within their governance structure to support and develop sustainable development throughout the university. Bangor University has developed the Sustainability Lab which lists 16 areas of activity on its website. The Universities profile in sustainability was recently recognised when it was ranked 16 out of 516 universities worldwide in the Universitas Indonesia Greenmetric Ranking. University of Wales Trinity St David has also adopted a similar approach with the development of The Institute of Sustainable Practice, Innovation and Resource Effectiveness (INSPIRE) which focuses on developing sustainability within the curriculum, community, culture and campus.

Examples of work in this area include:

- Cardiff Metropolitan University – a strong emphasis on its own sustainability which has been expanded from a grounding in environmental sustainability on campus to include an increasingly diverse range of actions including the development of the Healthy University, and the highly commended School Holiday Enrichment programme.
- Cardiff University – implementation of a programme of environmental management. The university is seeking to implement a substantial capital programme which will look to ensure all its estate achieves specified environmental performance targets through increased insulation and improvements to mechanical and electrical systems within buildings. The University has extensive policies and actions around improving student/staff welfare extensive research around developing and understanding sustainable development through The Sustainable Places Research Institute which has built on the work of the Centre for Business Research and Accountability which was a pioneer in this area from its inception in 2001.
- Swansea University – robust, innovative programmes for student and staff to promote improved environmental performance on campus and to raise sustainability awareness and promote volunteering. The University undertakes significant research related to low carbon energy, the marine environment, and health both and directly and through pan Wales institutes such as WISE which includes Aberystwyth, Bangor, and Swansea University. Cultural research particularly around the Welsh language and culture is also a feature of the research agenda.
- Aberystwyth University –strong partnerships with the NUS, and recently secured Eco Campus Gold award for its environmental management. The University undertakes considerable interdisciplinary research covering a wide range of areas including political engagement, environmental biology, and rural health. It also engages with the local community through shared use of its estates facilities particularly The Arts Centre. It is looking to build on this

engagement through future capital projects at the Institute for Biological, Environmental, and Rural Sciences which will include extensive facilities for engagement with both businesses and the public.

- University of South Wales – making progress in updating its environmental management system following its merger with University of Wales Newport. The University teaches in a number of areas critical to sustainable development including healthcare, engineering, teaching and social work. The University has particular expertise in renewable energy and developed the Baglan Hydrogen Research Facility to implement this emerging technology.
- Glyndwr University – strong environmental management systems and has worked with Carbon Trust Wales to improve its environmental management through strategic advice and interest free funding. It has also complimented this by introducing an increased number of engagement projects and volunteering. The University has particular interests and engagement in sustainable food, and in the wider UNESCO sustainability agenda. The University has extensive links with the local community and utilises its estate to support this.

The UNESCO Regional Centre of Expertise in Sustainable Development (RCE Wales) was originally set up by University of Wales Newport and Swansea University. This organisation, which is part of an international network of organisations, promoting sustainable development. Currently RCE Wales is being redeveloped to bring it more in line with the goals of the FG Act. This is being led by Bangor University and is being managed through the Higher Education Academy Future Generations Group which has representation from all Welsh Universities and partner organisations. This work is at an early stage but is intended to act as a platform to enable, support, and showcase emerging best practice in sustainable development.

1. Automatic designation

The regulatory requirements relating to institutions in Wales whose HE courses are automatically designated for student support (all HEIs and some FEIs) stem from the regulatory framework established by the Higher Education (Wales) Act 2015 and are overseen by HEFCW. Approval of the provider's fee and access plan by HEFCW will lead to all its qualifying courses becoming automatically designated for Welsh Government student support and the institution becoming regulated for the period in which the fee and access plan is in force. In order to be eligible to apply, a provider must meet the following criteria:

- be an institution in Wales
- provides higher education
- Is a charity

Providers will be required to provide information on their financial viability, the organisation and management of their financial affairs and the quality of the education they provide. From academic year 2017/18 the automatic designation of full-time courses of higher education which commence on or after 1 September 2017 will apply only to those courses provided by 'recognised educational' institutions as specified in the Welsh student support regulations. A 'recognised educational institution' is defined as follows:

- (i) a Welsh regulated institution i.e. an institution which has a fee and access plan approved by HEFCW under section 7 of the 2015 Act whilst that plan remains in force;
- (ii) an English regulated institution i.e. an institution maintained or assisted by recurrent grants from the Higher Education Funding Council for England (HEFCE); and
- (iii) an institution situated in Scotland or Northern Ireland maintained or assisted by recurrent grants out of public funds.

2. Specific designation

The compliance requirements relating to those providers (in Wales and elsewhere in the UK) whose HE courses are specifically designated for student support are provided for by the administrative arrangements set out in the Welsh Government's policy for specific course designation published in June 2017. HEFCW currently does not have a role in respect of the specific course designation policy however consideration is being given to the possibility of HEFCW undertaking the administrative compliance checks relating to applications for course designation.

A HE provider can apply to the Welsh Government for specific designation of its courses on a 'course by course' basis. There are five criteria which are taken into account when deciding whether to designate a course:

- Courses are capable of being designated;
- Courses are validated by an appropriate awarding body;
- The provider contributes to the public good;

- The provision offered by the provider is of an adequate quality;
- The provider is financially viable.

With regards to quality, providers are required to provide information relating to quality from the organisation or agency responsible for assuring the quality of the course. Providers should have their HE provision assured by the Quality Assurance Agency for Higher Education (QAA) or an agency on the European Quality Assurance Register for Higher Education and will be required to submit evidence of a successful review. However, given the timescales, providers can submit a designation application form for 2017/18 courses where the quality review has not yet taken place. If the other criteria are met, it would be possible for the provider to obtain designation with a clause that they arrange a QAA review or alternative as soon as is practicable for both parties, to inform future designations. This has already been the case for two FE colleges, both of which have been successful in their applications.

Applications for specific designation of courses for 2017/18 are currently being received and processed and we will endeavour to provide a decision on all applications in time for the start of the academic year.

The specific course designation policy introduced requirements which apply to applications for courses commencing from 1 September 2017. Courses with an existing designation are not currently impacted by this policy. The tuition fees chargeable for specifically designated courses are not subject to fee limits. However, the maximum amount of support payable is currently around £3k less than the maximum payable in respect of automatically designated courses.

EU Funds and Higher Education

Wales' HE sector has been a major beneficiary of EU funding, helping to build research capacity and increase collaborations with business. Welsh universities are currently leading on 21 projects under the 2014-2020 programme worth around £190m of EU funds.

EU funded projects supporting research excellence include:

- £4.6m of EU funds for the award winning Cardiff University Brain Research and Imaging Centre (**CUBRIC**). This state-of-the-art facility supports researchers to rapidly test new ideas and theories to gain a faster understanding of the causes of a range of health conditions, including dementia, schizophrenia and multiple sclerosis.
- £15m of EU funds for **SPECIFIC (Sustainable Product Engineering Centre for Innovation in Functional Coatings)**, led by Swansea University in collaboration with industrial partners including TATA Steel, is helping to progress the commercialisation of technologies, transforming 'buildings into power stations' by enabling them to generate, store and release their own solar energy.
- £17m of EU funds for **SEACAMS 2**, led by Bangor University, is helping to expand Wales' marine energy sector by creating new enterprises in the sector and accelerating job creation in existing businesses.
- £20m of EU funds for **Aberystwyth Innovation and Enterprise Campus (AIEC)**, led by Aberystwyth University, will see the construction of a new state-of-the-art, internationally recognised facility. The commercially focused Innovation Campus will increase the capacity to deliver impact driven collaborative research projects to boost the bio-economy.

the Welsh higher education sector has also secured, as of May 2017, EU funds worth €76m through the EU's largest research and innovation programme, **Horizon 2020**. Welsh HEIs represent 64% of the total funding awarded to Welsh organisations so far. Cardiff University and Aberystwyth University feature in the top 50 UK HES organisations benefiting from Horizon 2020 to date.

Successes include Aberystwyth University's **IMAJINE** project which has secured almost €5m of Horizon 2020 funds to look at regional inequalities. IMAJINE is one of the largest social science projects to be financed by Horizon 2020.

The Colegau Cymru/Colleges Wales report on involvement of Welsh FE colleges and institutions involvement in EU funding which was produced in January 2017] notes that FE institutions participate in European Social Fund (ESF) projects both as

lead and joint beneficiaries. Involvement in ERDF projects has been less – and mainly focused on capital investment – with no current (as at January 2017) FEI involvement in ERDF projects. The report finds that since 2007 colleges have participated in projects and initiatives to an overall value (both EU and match funding) of £594 million.

The UK Government has given an expenditure guarantee to Structural Funds projects 2014–2020 approved before the UK's departure from the EU.

In the case of funding post-Brexit, the Welsh Government's White Paper on Brexit *Securing Wales Future*, published in January 2017, makes clear our position that EU funding must be replaced in full by a revision to the Welsh Government's Block Grant, and that devolved competences will be respected such that a 'made in Wales' approach to future regional investment arrangements can be realised.

Further Education colleges, as well as other providers can bid for Erasmus+ funding in order to help fund work and study placements for vocational learners and apprentices. Colegau Cymru has been particularly successful in recent years in not only supporting individual colleges with bids for funding but also in terms of submitting consortium applications for Erasmus+ funding. This has meant that the Erasmus+ funding available to Further Education colleges in Wales has risen from some €820k in 2014 to over €2m in 2017.

The loss of work placements and the opportunity to study abroad will lessen the opportunity for Welsh learners to develop a whole range of skills including cross-cultural communication, team working and self-management in addition to their vocational skills.

In addition, the loss of opportunities for staff and senior managers to participate in exchanges will diminish the opportunity to investigate best practice, explore different approaches and establish partnerships with counterparts in Europe. It will also deprive European colleagues from the opportunity to learn from good practice in Wales and, therefore, Wales' international reputation.

The Welsh Government's position is clear from 'Securing Wales' Future' that we would like to see continued participation for Welsh learners and staff in Erasmus+ and any successor programme both now and in the future.