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Ysgrifennydd y Cabinet dros Addysg
Cabinet Secretary for Education

Ein cyf/Our ref: MA-P/KW/3043/18

Lynne Neagle AM
Chair CYPE Committee
National Assembly for Wales
Cardiff Bay
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Llywodraeth Cymru
Welsh Government

23rd October 2018

Dear Lynne,

I am writing to you in response to two actions from the meeting of the Committee on September 20th, agenda item 4, Impact of Brexit on Higher and Further Education - evidence session 4.

1. The risk assessments undertaken for Higher Education (HE) and Further Education (FE) in relation to Brexit.

As set out in my written evidence to the committee, the Higher Education Brexit Working Group, which I established in September 2016, has discussed the implications for higher education of the UK's exit from the EU, which has been informed by analysis provided by the Higher Education Funding Council for Wales, (HEFCW).

Through our ongoing discussions with the sector we have identified the principal elements of Brexit that will have an impact on HE income and activities. Broadly these relate to:

- access to EU funding and support frameworks for international mobility and international research collaborations;
- access to EU structural funds investment, which has benefited research infrastructure;
- concerns about a future UK Government immigration policy or narrative that discourages EU staff and students coming to the UK.

Individual institutions' exposure to these impacts varies across the sector depending on factors such as the level of their involvement in EU funded programmes like Horizon 2020 and the number of EU students at each institution.

Higher education institutions are autonomous organisations and Vice Chancellors will have undertaken risk assessment exercises for their individual institutions and circumstances. The Welsh Government does not have access to that information. However, I would like to

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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.

draw your attention to the written evidence provided to the Committee by HEFCW on the potential impact on the sector, reference IB19. The letter confirms that individual providers are 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. The full picture will not become clear until after we have the full details of any agreements between the UK government and the European Union. In the meantime we continue to work with HEFCW and our institutions to understand and assess the implications as the situation becomes clearer.

As regards the risks arising from EU exit for the FE sector, we have considered the main areas of impact. Unlike HE, few FE students come from the European Union, so the impact of their potential loss is small. Of greater importance is the impact of the loss of European Structural Investment Funding (ESIF) after the end of the current Multi Annual Financial Framework programme. This will be felt in two areas of provision. Colleges run their own ESIF projects which derive an annual income of between £4 million and £10 million per annum. This income is used to supplement government funding and these activities will, most likely, cease if ESIF (or equivalent resourcing) ceases to be made available in Wales. Similarly, ESIF contributes around £15 million per annum to the apprenticeship budget. Without a similar funding stream, volumes of provision would decline. To put this in context, £15 million equates to around 2,000 level three apprenticeship starts in any particular year. Given that ESIF funding is based on the concept of additionality, whilst the loss of income will result in less activity, the impact on college finances will be small, as the costs associated with the activities funded by ESIF will not be incurred; although reductions in staffing numbers may be required.

2. An analysis of how the additional £6.4 million to HEFCW has been allocated or spent in practice.

This funding was allocated to enable HEFCW to deal with any short-term implications arising from demographic changes and the initial implications of EU transition. It was allocated as part of HEFCW's overall grant in aid. It is for the Council to determine how it distributes funds allocated to it by the Welsh Government, albeit within the priorities outlined by the Welsh Government. In this instance, as the allocation was initially earmarked for the 2018-19 financial year, HEFCW made the decision to use the funding to reduce the level of the funding adjustment applied to HEFCW's allocations to institutions in the 2017/18 academic year, ensuring they were able to benefit immediately from the additional funding.

Yours sincerely



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