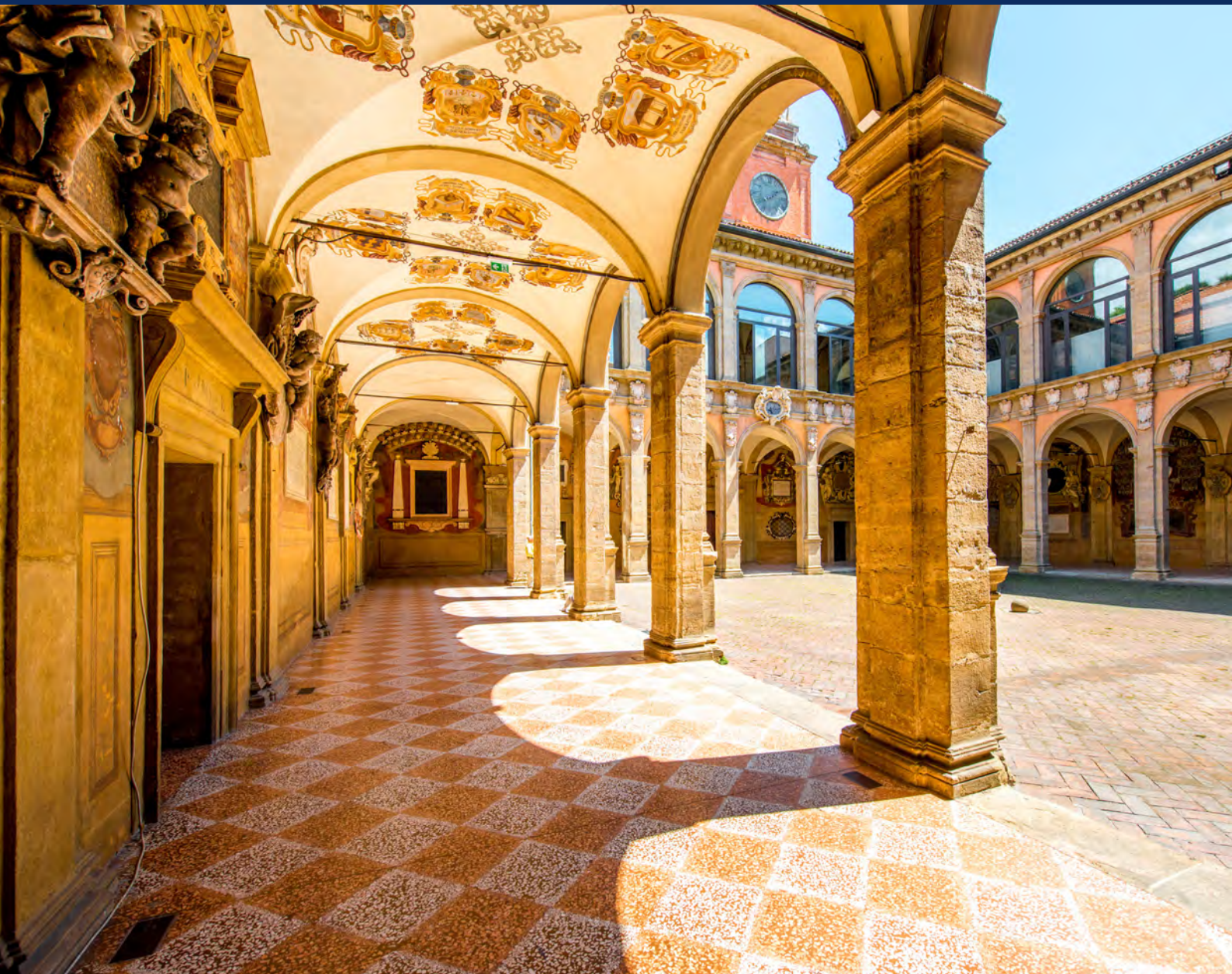


Degrees of Separation?

The Impact of Brexit on Higher and Further Education

December 2018



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Photo: Inner yard of Archiginnasio of Bologna that now houses the Municipal Library and the famous Anatomical Theatre. It is one of the most important buildings in Bologna and was once the main building of the city's University.

The Bologna Process is a series of ministerial meetings and agreements between 48 European states which aim to ensure comparability in the standards and quality of higher-education qualifications. These countries implement reforms on the basis of common key values – such as freedom of expression, autonomy for institutions, independent students unions, academic freedom, free movement of students and staff. It is named after the University of Bologna, where the Bologna declaration was signed in 1999.

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Degrees of Separation?

The Impact of Brexit on Higher and Further Education

December 2018



About the Committee

The Committee was established on 28 June 2016. Its remit can be found at: www.assembly.wales/SeneddCYPE

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The following Members were also members of the Committee during this inquiry.



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Plaid Cymru
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Welsh Conservatives
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Recommendations

Recommendation 1. The Welsh Government should proactively demand, via any future UK Immigration Bill, executive powers for Welsh Ministers that allow them to make spatially different immigration rules specifically for students and academic staff in Wales. *Michelle Brown AM does not agree with this recommendation.*..... Page 16

Recommendation 2. The Welsh Government must commission a research project to answer the question of what motivates EU and other international students to come to Wales to study, and report back within the next 6 months. This research should consider the impact of the removal of the Tuition Fee Grant on EU student recruitment and develop a range of proposals to help universities attract international students to study in Wales, including an evaluation of financial incentives..... Page 20

Recommendation 3. The Welsh Government must publish an evaluation of the Global Wales I programme and in its response to this report, demonstrate the application of any lessons learned from it to the new Global Wales II programme. Page 23

Recommendation 4. The Welsh Government must ensure that the Study in Wales website and marketing material, which is part of the Global Wales programme, is urgently updated and refreshed, not least to include information on the 2019/20 EU student funding guarantee.....Page 23

Recommendation 5. The Welsh Government must, as part of its response to this report, explain how it is ensuring that the Global Wales II programme demonstrably benefits and supports all those Welsh universities that experience reduced demand from EU students.....Page 23

Recommendation 6. The Welsh Government, as part of its response to this report, should provide information regarding the expected impact of the Global Wales II programme, including the expected student numbers and other quantifiable benefits.Page 23

Recommendation 7. The Welsh Government must work with the higher and further education sectors to put in place and test funding arrangements that will guarantee no financial disruption or uncertainty for ERASMUS+ students, particularly those on modern language degrees, taking into account the conditions attached to the current Treasury guarantee. The Welsh Government must report back to this Committee when it has done so. Page 26

Recommendation 8. The Welsh Government must commission a further research project, building on the recent work which informed the international mobility pilot, to develop a more detailed picture of the impact of international mobility on the outcomes of students from under-represented groups in Wales, and report back to the Committee within 6 months.....Page 27

Recommendation 9. The Welsh Government must continue to press the UK Government on future regional investment being a devolved “made-in-Wales” solution and follow through on its commitment that future regional investment will not be subsumed into Welsh core-budgets and will remain multi-annual in nature.....Page 31

Recommendation 10. The Welsh Government must work closely with the higher and further education sectors when developing any detailed regional investment proposals, to ensure the key role universities and colleges play in reducing inequality and increasing productivity is taken into account.Page 32

Recommendation 11. The Welsh Government must commit to working jointly with the further education sector to jointly develop and publish a plan, funded by a EU Transition Fund bid and taking account of the differing regional needs, to identify and respond to any changing skills demands in those sectors most likely to experience Brexit related disruption.....Page 35

Recommendation 12. The Welsh Government must recognise the fundamental importance of research and innovation to the prosperity of Wales and recognise the danger inherent in falling behind England and Scotland in funding these activities in what is an extremely competitive setting. The Welsh Government must therefore begin to immediately fund the recommendations made by Professor Reid in his review. Page 39

Background

1. In April 2018 the Children, Young People and Education Committee agreed to undertake an inquiry to consider the impact of Brexit on higher and further education, including the Welsh Government's approach in preparing for it. The inquiry was based around three significant areas, namely:

- Learner outcomes and employability;
- Financial sustainability and investment opportunities; and
- Research and innovation funding and collaboration.

2. The full terms of reference adopted by the Committee were phrased to ensure they had regard to the opportunities associated with Brexit, as well as the more widely anticipated challenges. The agreed terms of reference were:

Learner Outcomes and Employability

- Explore the potential challenges to future learner success and employability post-Brexit and what is and could be done to meet these.
- Explore the potential impact on the sector of any loss of the EU ERASMUS+ mobility scheme and understand the opportunities for alternative mobility schemes which currently exist or could conceivably be developed.

Financial Sustainability and Investment Opportunities

- Consider the potential challenges posed by Brexit to the financial sustainability of Further and Higher Education Institutions.
- Investigate the exposure to EU funding of the future investment plans of Further and Higher Education Institutions and what the opportunities for alternative sources of investment funding are.

Research and Innovation Funding and Collaboration

- Investigate the reliance of Further and Higher Education Institutions on future EU research and innovation funding.
- Explore what will and could be done to safeguard EU research collaborations and networks post-Brexit.

1.1 Evidence gathering

Oral Evidence

3. The Committee held four oral evidence sessions, details of which are listed at Annex A. These included sessions with higher and further education representatives; the Higher Education Funding Council Wales (HEFCW); the Cabinet Secretary for Education, and the Minister for Welsh Language and Lifelong Learning.

Written Evidence

4. The Committee also undertook a targeted written consultation. This received 19 responses from a variety of stakeholders. Details of those who responded are included at Annex B.

Engagement Activity

5. The Committee held a round-table stakeholder event to hear the views of those working with, or in, the higher and further education sectors. A note of the views expressed at the event is included at Annex C.

1.2 Events during the inquiry

6. Between the points where the inquiry commenced in May 2018, and where the Committee concluded taking evidence in September 2018, events around Brexit continuously progressed, with several UK Government policy positions becoming clearer or changing. They continue to progress almost daily.

7. As a result of this, there was little or no opportunity to take evidence from some witnesses on significant matters that only become clearer as the inquiry progressed. This included, for example, the shape of the future UK immigration system.

8. In addition, over the course of the inquiry the prospect of a “no-deal” Brexit appeared to increase, becoming considerably more prominent within the media and UK Government announcements over the summer. This shift was recognised by the Cabinet Secretary who, giving evidence on 20 September, stated at the time that “the prospect of a ‘no deal’ has become, perhaps, more to the forefront”.¹

¹ Oral evidence. [ROP \[Para 15\]. 20 September 2018](#)

Main Conclusions

9. The Committee has agreed the following three broad conclusions.

Conclusion 1: Even a reasonably favourable Brexit will still require the HE sector to adapt and change in its most important areas of operations, whilst the FE sector, with its much smaller international staff and student bodies, will also need to respond to Brexit related changes including any in their local economies.

10. It is probable that even with a broadly favourable Withdrawal Agreement which sees the proposed science and innovation, and education and culture cooperation accords contained in the UK Government's Chequers White Paper agreed, many key areas of university and college activity will still need to adapt. This is particularly true for the higher education sector where significant activity is currently linked to the free movement of UK and EU staff and students.

11. Although no policy on EU student immigration has yet been announced by UK Government, it has announced the intention to put in place an immigration system for workers that does not distinguish based on nationality. This leaves the prospect open for similar treatment of EU students and researchers.

12. At the same time, even if the cooperative accords in the Chequers White Paper are agreed with the EU, there would likely still be a loss of UK decision-making influence within programmes such as ERASMUS+ and Horizon Europe as a result of the UK having third-country status.

Conclusion 2: Despite Treasury funding guarantees, a no-deal scenario would still be significantly disruptive to both sectors – acutely so for the higher education sector with its wide-range of international collaborations and participation in research networks.

13. A no-deal scenario would likely be extremely disruptive to both sectors, but to the higher education sector in particular due to its larger scale of international collaborations and participation in research networks. This is despite the funding guarantees extended by HM Treasury which arguably don't address important funding matters and, in some instances, are conditional.

14. As shown by the UK Governments "no-deal notices", numerous detailed and technical activities and operations outside cash flows still stand the potential to be severely impacted in a no-deal scenario. Research projects and research

collaborations are particularly reliant on the smooth operation of a large number of activities which may be disrupted by a no-deal.

- Providers may struggle to even use HM Treasury guarantee funding if EU research partners lose confidence in collaborations, or if the new regulatory landscape produced by a no-deal Brexit disrupts key things like data sharing, intellectual property, or medical licensing and research for example.
- The UK would still need to negotiate continued participation in the ERASMUS+ scheme in the event of a no-deal. Indeed the Treasury guarantee appears only to be triggered if this can be done. This means providers may not receive ERASMUS+ guarantee funding for some time after a no-deal, with this dependent again on how the no-deal immigration system would look.
- The status of UK nationals within EU host states whilst on outward mobility placements and whilst conducting research the day after a no-deal could be uncertain if no prior assurances are given by the UK and EU.

15. This potential for wider disruption beyond just funding flows means that a mitigation strategy that relies heavily on the HM Treasury funding guarantees may produce a false sense of security.

Conclusion 3: Few opportunities from either sector were identified as arising from Brexit in the short-term, and those that were raised, were raised in the context of making the best of Brexit.

16. Some stakeholders the Committee heard from argued that there would still be scope for Welsh universities to enter into valuable mutual arrangements with EU institutions to further develop different academic awards such as double, joint and similar degrees.

17. They also argued that universities would still be free to set up their own student and staff mobility agreements and schemes with individual EU universities, but that these arrangements on their own would be far less satisfactory than staying in the ERASMUS+ programme.

18. Finally, one stakeholder pointed to the potential for developing so-called Transnational Education (awarding Welsh degrees to students studying in other

countries), particularly via distance and blended learning using new digital platforms, but that this would require a coordinated strategy from the sectors.²

2.1 Considering the impacts on further education

19. The Committee, in its main conclusions, recognises that both the further and higher education sectors will be impacted by Brexit. However, it is also clear from the evidence received that, although there are many shared themes, the impact on the higher education sector will not exactly mirror the impacts on the further education sector, and vice-versa.

20. The Committee believes strongly that it is important not to simply conflate the very visible impacts on our universities due to their wide international footprints, with the impacts on our colleges which, whilst still having many international links, are on the whole still more locally rooted.

21. This report carefully considers the evidence provided by further education providers, and in-so-doing draws out the key issue of the inter-dependence between colleges and their regional employers. Consequently, the Committee makes a recommendation intended to ensure that the role of colleges in responding to the wider economic challenges of Brexit is recognised and resourced.

22. This said, the Committee is aware of, and welcomes, the ever evolving nature of further education activity in Wales, including its increased and diversifying commercial income, its growing international links and the proposals contained with the Public Good and a Prosperous Wales post-16 reforms which will drive yet more change. In the view of the Committee, it is clear that the impact of Brexit on further education colleges will therefore not be static – as colleges pursue opportunities to develop their research bases and develop their international footprints, they will inevitably grow to be impacted by many of the same challenges universities face. This needs to be monitored.

2.2 Key Issues identified by the Committee

23. The findings emerging from the Committee's conclusions fall mainly into eight key issues. Although these issues are linked to some degree, this report explores their detail, and their implications, separately.

² Written evidence. [IB.13 - Jisc](#)

Key Issue 1 - immigration restrictions for EU staff and students

The Committee found that the higher education sector (and to a lesser extent, further education) is highly sensitive to the UK immigration system.

24. The influence of the UK's immigration system extends over almost all aspects of university operations, from recruitment (and consequent financial performance), to the ability to attract and retain researchers of international standing, to the student experience and student outcomes.

Current immigration requirements

Currently, EU staff can come to work in Welsh universities, and EU students can come to study in Welsh universities under the existing EU freedom of movement framework. EU undergraduate students pay the same £9,000 annual tuition fee as students in Wales, can access UK tuition fee loans, and for continuing students, the Welsh Government's tuition fee grant. In 2016/17 there were 6,235 EU domiciled students at Welsh universities.³

Non-EU international students must normally meet the more prescriptive requirements of a Tier 4 student visa, paying international fees, whilst most non-EU international staff must gain a Tier 2 working visa.

25. Since the summer, the UK Government has begun to clarify its position on a future immigration system. However at the time of writing considerable potential for things to change in response to EU-UK negotiations remained.

26. Whilst remaining silent on EU student immigration (which was not considered by the recent Migration Advisory Committee⁴ report) the UK Government had stated that the future worker immigration rules would have skills as their basis and would not discriminate based on nationality. It therefore remains possible at the time of writing that a UK student immigration system could be established on a similar principle.

³ HESA data, [Where do the students come from?](#)

⁴ Migration Advisory Committee [EEA migration to the UK: Final Report](#)

27. The Committee heard concerns in evidence that EU student and staff numbers would decline post-Brexit if changes were made to the immigration system - especially if students also lost access to tuition fee loans. It was argued by stakeholders that any drop in numbers would impact not only the financial performance of providers, but that it would also have a negative impact on the overall diversity of the staff and student bodies. This would impact on the student experience.

28. Regarding the impact on the student experience, the Committee heard from Professor Maria Hinfelaar, vice-chancellor of Wrexham Glyndwr University that a reduction in EU students on campus would:

“...impoverish the quality and the international dimension to the education programmes that we can offer in Wrexham if we have fewer international students on campus.”⁵

29. Cardiff University in its response remarked that:

“We believe that having students (and staff) from the EU and across the world creates a beneficial and diverse learning environment. This diversity fosters creativity and innovation and is an important part of our culture.”⁶

30. This was echoed by the Learned Society of Wales who argued that the learning environment has been “immensely enriched” through international student mobility.⁷ Universities Wales added that “EU staff play a critical role in supporting the [...] quality and diversity of teaching provision”.⁸

31. More broadly, the Committee noted that a number of Welsh universities had developed Internationalisation Strategies that extol the benefits of an international student and staff presence on campus in Wales. This included, in particular, Cardiff Metropolitan University which states in its Strategic Plan that:

“The internationalisation of the University enriches the learner experience, facilitates the development of relevant programmes and

⁵ Oral Evidence. [ROP \[para 83\]. 12 July 2018](#)

⁶ Written Evidence. [IB 05 – Cardiff University](#)

⁷ Written Evidence. [IB 06 – The Learned Society](#)

⁸ Written Evidence. [IB 15 – Universities Wales](#)

curricula, and is beneficial for the economy and culture of Cardiff and Wales.”⁹

32. HEFCW told the Committee that whilst the basic “threshold standards” of UK degrees would not be impacted by Brexit (the underlying quality would remain the same), “the richness on top of that” that comes from having students from different backgrounds and perspectives may deteriorate, impacting on quality enhancement.¹⁰

Welsh Government evidence

33. The Cabinet Secretary agreed with stakeholders as to the value of a diverse student and staff body. However, when asked about the possibility of having different student and staff immigration rules just for Wales (a so-called spatially different immigration system), she stated that:

“with regard to immigration, clearly, this is something, at the moment, that is out of our hands.”¹¹

34. The Cabinet Secretary did not make it clear if discussions regarding a spatially different immigration system for students and staff had taken place or what the outcomes were if they had.

35. The Welsh Government, in its policy paper on the fair movement of people post-Brexit, states that it is not proactively seeking a spatially different immigration system but that it would demand one if UK immigration policy turns out to not meet Welsh needs. However whilst the Welsh Government paper does reflect on a spatially different immigration system for Wales, it does so primarily from the viewpoint of economic / worker immigration rather than students and staff.

Position elsewhere

36. The Migration Observatory at the University of Oxford published a report in October 2017, which included details on how a spatially different immigration system may function.¹² The Scottish Government has also published a discussion

⁹ [Cardiff Metropolitan University Strategic Plan](#)

¹⁰ Oral Evidence. [ROP \[Para 121\], 18 July 2018](#)

¹¹ Oral Evidence. [ROP \[Para 8\], 20 September 2018](#)

¹² The Migration Observatory Report: [Location, Location, Location: Should different parts of the UK have different immigration policies?](#)

paper on Scotland's population needs and migration policy.¹³ The Scottish Government has called for more powers over immigration.¹⁴

37. The UK Government has previously stated it has no intention of devolving immigration powers. Nonetheless, there already exist specific spatially different immigration rules (for example the post-study work visa pilot at a number of Welsh universities), albeit these are drafted by UK Government.

Committee view

38. The Committee is very concerned that the evidence received indicates that the almost inevitable change from the current immigration status quo will have a detrimental impact on universities.

39. The Committee believes that the evidence shows that to reduce uncertainty, there must be as little change as possible to the rules governing the movement of EU students and staff. Alongside this, the Committee noted evidence regarding public attitudes to student migration which, although limited, suggest that such attitudes are broadly favourable to student immigration and differentiate student migration from other forms of immigration.¹⁵

40. With the above in mind, the Committee believes that the immigration rules for EU students and other international students should be brought together into one set of rules for all international students coming to Wales to study and that this system should operate in a fashion that recognises both the public perception of academic immigration and the economic benefits it brings to Welsh universities and the Welsh economy.

41. At the same the Committee also recognises the value of the research and teaching conducted by academic staff within Welsh universities and colleges, and their positive contribution to the student experience, leading the Committee to conclude that similarly welcoming immigration rules should be established for academic staff.

42. The Committee acknowledges that immigration rules are non-devolved, and that the UK Government has proposed a future UK Immigration Bill which will likely impact staff and student immigration. We call however for a made-in-Wales

¹³ Scottish Government discussion paper: [Scotland's population needs and migration policy: discussion paper](#)

¹⁴ [Guardian Media coverage of the Scottish Government paper calling for devolution of immigration policy](#)

¹⁵ [Universities UK - international student poll](#)

solution and for Wales, in relation to students and academic staff, to join the wider debate regarding spatially different immigration rules for UK nations.

43. We believe the Welsh Government shouldn't just wait and see what any new UK immigration proposals look like. Instead it should do all it can to proactively gain the powers it needs to allow them to put in place the Wales-only immigration rules for students and academic staff the Committee believes the sector needs. *Michelle Brown AM does not agree with this conclusion.*

Recommendation 1. The Welsh Government should proactively demand, via any future UK Immigration Bill, executive powers for Welsh Ministers that allow them to make spatially different immigration rules specifically for students and academic staff in Wales. *Michelle Brown AM does not agree with this recommendation.*

Key Issue 2 – withdrawal of Tuition Fee Grants and potential loss of student loans

The Committee found that the loss of the tuition fee *grant* and the possible loss of tuition fee *loans* may make many Welsh universities less attractive to study at for EU students.

44. From September 2018, as part of the Diamond reforms of student financial support, the tuition fee grant (TFG) is no longer available to new undergraduate students, including those from the EU. This means that from this academic year onwards, new EU undergraduate students will need to fund the entire £9,000 fee.

45. To pay their fees, EU students currently remain able to access a tuition fee loan from the Student Loans Company on the same basis as Welsh domiciled students – the Cabinet Secretary has guaranteed this for EU students starting in 2019/20, even in the event of a no-deal, but at the time of writing has not extended this further.

46. The Committee heard evidence that the withdrawal of the TFG has possibly already had a negative impact on EU student recruitment, and this could at least partly explain UCAS applications data which shows a 10 per cent drop in EU demand to study in Wales so far in 2018/19, as opposed to an overall 2 per cent rise across the UK based on UCAS.

47. With regards to continued future access to tuition fee loans, Cardiff University submitted evidence to the Committee stating:

“without mitigating action such as an EU scholarship or bursary, the worst-case scenario could see Wales lose 80-90 per cent of its current non-UK EU undergraduate students.”¹⁶

48. When asked by the Committee for the basis of its calculation, Cardiff University explained that it was based on the percentage of EU students who have access to, or take advantage of, UK student loans. Professor Nora de Leeuw of Cardiff University explained to the Committee that in 2015-16, about 84 per cent of EU students across Wales fell into this category.

¹⁶ Written Evidence. [IB.05 - Cardiff University](#)

Student Loans Company statistics show that 82 per cent of eligible EU students took up student loans (or 2,700 students).¹⁷

49. In her oral evidence, Professor de Leeuw said:

“We consider that those students that need the Student Loans Company to finance their studies will probably no longer come to the UK [if they lost access to student loans].”¹⁸

50. Professor Hinfelaar of Wrexham Glyndwr University added:

“We work with a number of colleges in Germany, vocational colleges, and we have an articulation route mapped out with those colleges. They send us about 150 students each year, and those students come into the final year of engineering programmes at Wrexham Glyndŵr University. There is absolutely no way that they would be able to afford paying fees up front in the middle of their programme of studies. It’s just not going to happen. So, that particular arrangement would, essentially, die on its feet.”¹⁹

51. Professor Hinfelaar also drew the Committee’s attention to a Universities Wales report²⁰ which claims that each EU student had a per-capita positive impact on Wales of almost £10,000 in 2015/16. She said that this “more than makes up for that £5,000 subsidy [the TFG] that there was”.²¹

Welsh Government evidence

52. In her response to the Committee, the Cabinet Secretary set out her position regarding impact of the withdrawal of the TFG, specifically for EU students, stating that whilst the final recruitment picture for 2018/19 was not yet known, it was “inevitable” recruitment would be impacted by its withdrawal. The Cabinet Secretary went on to argue that “it just puts us in the same position as EU students applying to England” confirming that the Diamond review had anticipated a consequence to the change in policy.²²

¹⁷ Student Loans Company: [Student support statistics for Wales](#)

¹⁸ Oral Evidence: [ROP \[para 34\] – 12 July 2018](#)

¹⁹ Oral evidence: [ROP \[para 36\] – 12 July 2018](#)

²⁰ Universities Wales Report: [The Economic Impact of International Students in Wales](#)

²¹ Oral evidence: [ROP \[para 27\] – 12 July 2018](#)

²² Oral Evidence: [ROP \[para 47\] – 20 September 2018](#)

53. With regards to tuition fee loans, the Cabinet Secretary reiterated the Welsh Government's guarantee for EU students starting in 2019/20 and stated that:

“I wish I could go further, but that's out of my hands. We're working to the limits of what I feel comfortable in being able to guarantee without further guarantees from Westminster.”²³

Committee view

54. The Committee recognises that the final figures for university enrolments this year are not yet known, but it is extremely concerned by the 10 per cent drop in EU student demand to study in Wales so far in 2018/19, especially when measured against an overall 2 per cent rise in demand across the UK.

55. However it is clear from the evidence received that this drop in recruitment cannot be explained by Brexit alone.

56. The Committee believes that the removal of the Tuition Fee Grant is likely to have played a significant role in the current reduction in EU student demand, but accepts that this was a likely consequence of the wider package of Diamond reforms to student financial support.

57. Nevertheless the Committee remains concerned that the removal of the Tuition Fee Grant also removes an inherent advantage Welsh universities enjoyed with regard to EU student recruitment and that this may make Welsh universities less attractive to potential EU students.

58. The Committee believes that the most obvious solution would be to reinstate the Tuition Fee Grant and/or bear the cost of continued access for EU students to tuition fee loans. However it also recognises that this option would, judging by the sums paid out by the Welsh Government and the Student Loans Company, involve significant expense which would first require a case to be made. Prior to gathering further evidence, it is not known if such a course of action would be the most prudent use of public funding considering the other challenges faced by the sectors.

59. The Committee welcomes the Welsh Government's efforts to take a more evidence based approach to supporting international student recruitment

²³ Oral evidence. [ROP \[para 35\] – 20 September 2018](#)

through the Global Wales programme²⁴ which is intended to boost both student recruitment and international research collaboration. But the Committee believes, from its own activity to seek to commission research into this matter, that there remains a significant gap in understanding why EU students come to Wales.

Recommendation 2. The Welsh Government must commission a research project to answer the question of what motivates EU and other international students to come to Wales to study, and report back within the next 6 months. This research should consider the impact of the removal of the Tuition Fee Grant on EU student recruitment and develop a range of proposals to help universities attract international students to study in Wales, including an evaluation of financial incentives.

²⁴ Global Wales is a partnership between British Council Wales, Universities Wales, Welsh Government and the Higher Education Funding Council for Wales that promotes Wales' world class higher education sector.

Key Issue 3 – existing funding pressures and student recruitment

The Committee heard evidence that there is a growing difference in recruitment performance amongst universities, and due to this, some may be more impacted by, and find it harder to respond to, Brexit.

60. The Committee received evidence that the Welsh higher education sector has several pre-existing pressures which are susceptible to being intensified by any negative impacts of Brexit.

61. HEFCW explained to the Committee that the main pressure facing the higher education sector in Wales is the funding position, which in turn is linked with recruitment and research performance.²⁵

62. HEFCW went on to explain that they believed the Welsh and English higher education sectors are showing a trend for an increasing difference in recruitment performance between the different types of providers in favour of so-called “higher-tariff” institutions and those that have a strong international presence.²⁶

63. The Welsh higher education sector has a different structure from the Scottish and English sectors, having only one higher tariff institution. HEFCW also argued that Wales has few institutions with the strong international presence it believes is needed. Dr David Blaney, Chief Executive of HEFCW, told the Committee:

“I think performance is increasing, but increasing substantially with some of the English sector, not all of it. So, you get an average for the sector that is increased performance, but actually the stronger players within that sector, with the stronger international profiles, are bringing that up, and we have fewer in Wales that have that sort of presence.”²⁷

64. Against this backdrop, HEFCW informed the Committee that the higher education sector in Wales is currently in a “managed deficit” position, pending the expected investment from the Diamond and Reid Reviews, without which

²⁵ Oral evidence. [ROP \[para 20\] – 18 July 2018](#)

²⁶ Oral evidence. [ROP \[para 39\] – 18 July 2018](#)

²⁷ Oral evidence. [ROP \[para 45\] – 18 July 2018](#)

universities would need to begin controlling costs to a greater extent than they have been.

65. However, HEFCW also stated:

“Based on the financial results for the year ended 31 July 2016 our view is that the sector’s financial position is currently sound overall but with increasing variability in the performance of individual HEIs. However, risks are growing in relation to EU, international and home recruitment.”²⁸

Welsh Government evidence

66. The Cabinet Secretary in her evidence to the Committee disagreed that lower tariff institutions were disadvantaged regarding international and EU student recruitment, saying that:

“I would argue that it’s not necessarily the case that institutions that are not high-tariff are not able to do very well in this sector. If you look, for instance, at Swansea University – if you look at the work Swansea University has done, that shows you what is possible.”²⁹

67. She went on to say that she believed the sector needs to get its offer to home and international students right:

“It’s a combination, I believe, for all universities, of getting their offer right—so, having a curriculum at their institution that is attractive and offers courses that people want to study [...] high quality ratings for teaching, as well as having an infrastructure that is attractive to students. So, it’s all about getting the offer right and providing what students, both domestically and internationally, want.”³⁰

Committee view

68. The Committee understands that recruitment pressures of the kind described by HEFCW are found across the UK and are not the result of Brexit. Whilst the Committee therefore makes no recommendations with regard to this issue, the Committee does believe that there is a role for the Welsh Government

²⁸ [HEFCW Circular: Financial position of higher education institutions in Wales: 2015/16 financial results](#)

²⁹ Oral evidence. [ROP \[para 53\] - 20 September 2018](#)

³⁰ Oral evidence. [ROP \[para 55\] - 20 September 2018](#)

in assisting universities to mitigate the impact any reduced EU student recruitment would have on existing recruitment pressures.

69. The Committee therefore welcomes the previously mentioned Global Wales II programme in principle. However it is concerned to ensure that this programme, which utilises public funding, not only benefits those Welsh universities most at risk of a fall in EU student recruitment, but it is an effective use of that public funding with a clear understanding of the added value it offers and the objectives of the programme.

70. The Committee was also surprised and disappointed to note that the Study in Wales website, a part of the Global Wales programme, appeared outdated and did not at the time of accessing it, mention the extension of EU student financial support into 2019/20.

Recommendation 3. The Welsh Government must publish an evaluation of the Global Wales I programme and in its response to this report, demonstrate the application of any lessons learned from it to the new Global Wales II programme.

Recommendation 4. The Welsh Government must ensure that the Study in Wales website and marketing material, which is part of the Global Wales programme, is urgently updated and refreshed, not least to include information on the 2019/20 EU student funding guarantee.

Recommendation 5. The Welsh Government must, as part of its response to this report, explain how it is ensuring that the Global Wales II programme demonstrably benefits and supports all those Welsh universities that experience reduced demand from EU students.

Recommendation 6. The Welsh Government, as part of its response to this report, should provide information regarding the expected impact of the Global Wales II programme, including the expected student numbers and other quantifiable benefits.

Key Issue 4 - ERASMUS+ and other mobility schemes

The Committee heard consistently positive evidence regarding international student mobility, hearing that it enhances the student experience, may improve outcomes and is vital to delivering modern language degrees. +

71. In both the oral and written evidence the Committee received, there was complete consensus about the value and importance of student and staff international mobility placements across all stakeholders.

72. The panel of higher education representatives who gave evidence agreed that, despite ERASMUS+ being only one of several mobility schemes, continued participation in it post-Brexit “would still be hugely beneficial”.³¹

73. Panel members explained that the reasons for this included the difficulty of replacing the funding, the fact that ERASMUS+ was a known brand familiar to EU higher education institutions and students, and that in the future the scheme was likely to be able to provide the shorter-term mobility opportunities of the type that under-represented groups are more likely to participate in.

74. When asked about the current inflexibility of the ERASMUS+ scheme, Professor Hinfelaar explained that:

“...the Erasmus+ scheme is evolving and is going to be a lot more flexible from next year onwards, which really addresses any concerns that it was a bit of a straitjacket. So, it’ll be more flexible in terms of the period of time and where students and staff can be supported around mobility.”³²

75. ColegauCymru also submitted evidence showing the importance of ERASMUS+ to the further education sector stating that “Participation in the Erasmus+ and its predecessor programmes has proved invaluable for learners in Wales”.³³ This is despite smaller overall numbers than in the higher education sector.

³¹ Oral Evidence. [ROP \[para 23\] – 12 July 2018](#)

³² Oral Evidence. [ROP \[para 23\] – 12 July 2018](#)

³³ Written Evidence. [IB.01 – ColegauCymru](#)

76. Berwyn Davies of Welsh Higher Education in Brussels offered evidence to the Committee to show the positive impact of international mobility on the student experience and outcomes. He explained that a piece of research has shown that students who have spent some time overseas were 19 per cent more likely to have a first-class degree.

77. Professor de Leeuw drew the attention of the Committee to another significant concern. This related to the dependence on ERASMUS+ grants to deliver modern languages degrees which normally require spending a year abroad. The Professor explained it would be very difficult to replace this funding.

ERASMUS+ Data

Data provided to the Committee showed that:

- 307 students and 55 staff from further education providers in Wales have partaken in ERASMUS+ mobilities since 2015.
- Within the higher education sector in Wales 226 staff and 1,497 students had done so over 2014/15 and 2015/16.
- Almost 700 university students had undertaken a placement in 2016/17 and that 4,500 had done so from 2007 to 2014.
- Within Cardiff University some 27 per cent of university mobility placements were conducted via ERASMUS+ (this represented some 40 per cent of the university's funding for international mobility as ERASMUS students conducted longer placements).

Welsh Government evidence

78. Both the UK and Welsh Governments have expressed the desire for the UK to continue to participate in ERASMUS+ as part of the future relationship with the EU. In its evidence to the Committee, the Welsh Government agreed with the positive view of international staff and student mobility with the Cabinet Secretary stating that:

“there is a huge amount to be gained for Welsh students and young people participating in the Erasmus programme.”³⁴

³⁴ Oral Evidence. [ROP \[para 34\] – 20 September 2018](#)

79. The Cabinet Secretary also confirmed that the Welsh Government “continue to work with officials in Westminster around Erasmus+ provision in a ‘no deal’ scenario, and what a UK stand-alone project would look like”.³⁵

Committee view

80. The Committee agrees whole-heartedly with the evidence received on the value of outward and inward staff and student international mobility, and the fundamental importance of ERASMUS+ grants to modern language programmes.

81. The Committee strongly believes that the Welsh Government is doing, and must continue to do all it can to maintain ERASMUS+ participation, and welcomes the Cabinet Secretary’s statement to this effect on 20 November 2018. The Committee believes that continued participation in ERASMUS+ must be the preferred option for both sectors when compared to creating a new, fledgling UK mobility programme.

82. The Committee welcomes the Cabinet Secretary’s announcement of a three year pilot programme of short-term mobility opportunities of a nature that should particularly attract under-represented groups.

83. However the Committee believes that the evidence base regarding the benefits international mobility brings to under-represented students, particularly in terms of their programme outcomes, is, from the Committees own efforts to commission research into this matter, underdeveloped.

84. The Committee therefore believes that the Welsh Government must continue to develop the evidence base in relation to international mobility, in particular its impact on the outcomes of students from groups under-represented in higher education. Whilst this matter was referenced within the research conducted to inform the recent international mobility pilot, the Committee feels this should be developed further.

Recommendation 7. The Welsh Government must work with the higher and further education sectors to put in place and test funding arrangements that will guarantee no financial disruption or uncertainty for ERASMUS+ students, particularly those on modern language degrees, taking into account the conditions attached to the current Treasury guarantee. The Welsh Government must report back to this Committee when it has done so.

³⁵ Oral Evidence. [ROP \[para.16\]. – 20 September 2018](#).

Recommendation 8. The Welsh Government must commission a further research project, building on the recent work which informed the international mobility pilot, to develop a more detailed picture of the impact of international mobility on the outcomes of students from under-represented groups in Wales, and report back to the Committee within 6 months.

Key Issue 5 – replacing EU funding

The Committee found that both the higher and further education sectors will have to move away from many types of EU funding, toward UK funding that will have different features, whilst considerable uncertainty remains regarding future regional investment.

85. The Committee received evidence to show that the various types of EU funding are integrated into the normal operations of both higher and further education providers in Wales. The Committee was told that this EU funding has particular features that are valuable such as multi-year cycles and covering research overheads, for example.

86. The Committee heard from the further education panel that the Welsh Government's work-based learning programme draws on significant EU funding for which there may be no replacement beyond 2023. This, they argue, calls into question the longer-term sustainability of the work-based learning programmes.

87. In joint written evidence, Universities Wales and Welsh Higher Education Brussels stated that:

“Welsh universities have received significant funding from direct European funding such as the research and innovation programmes, Structural Funds and other programmes.”³⁶

88. Universities Wales claims that some £570 million of EU structural funds have been received by Welsh universities since 2000. In addition, the Welsh Government highlights that up to September 2017 some €83 million has been won by Wales from the Horizon 2020³⁷ research programme, with 66 per cent of this going to universities.³⁸

89. Both Professor de Leeuw and Professor Hinfelaar explained to the Committee that EU research funding has features not shared with UK research council funding, the only other significant source of research funding. In their view

³⁶ Written Evidence. [IB.15 – Universities Wales and Welsh Higher Education Brussels](#)

³⁷ The Horizon 2020 programme was established by the European Union (EU) and is the largest ever European funding programme for research and innovation.

³⁸ Welsh Government: [Horizon 2020 Annual Report 2017](#).

research council funding cannot be considered as a direct replacement for EU funding. Professor de Leeuw said:

“At present we have about £34 million in research income from EU sources, mainly from Horizon 2020 [...] We can expect, over the next two and a half years, to get about another £20 million [...] even if UK Research and Innovation research funding is going to increase, it’s quite different research funding [from EU funding].”³⁹

90. Professor de Leeuw went on to explain:

“If we’re just talking about the money, it’s funded at 100 per cent, and has a 25 per cent overhead. UKRI, on the other hand, is only funded at 80 per cent. Yes, we can look at charities, but charities don’t pay overheads at all. So, that’s a massive financial impact.”⁴⁰

91. Professor de Leeuw continued:

“Cardiff University Brain Research Imaging Centre—it’s the only facility in Europe. The only other facility that is comparable is actually in Boston in the States, and that’s it. Two facilities in the entire world, one of which is in Cardiff. That was very heavily funded by structural funds, to the tune of £4.6 million. UKRI doesn’t fund that sort of research or infrastructure at all.”⁴¹

92. ColegauCymru also provided evidence to the Committee to show the sector’s use of EU funding, stating:

“Over the past 10 years, FEIs in Wales have been involved in the delivery of EU funded projects to a total value of almost £600m, both as project lead or project partner.”⁴²

93. Its submission went on to state:

“The high degree of concern about the potential loss of this funding across the FE sector must not be underestimated.”⁴³

³⁹ Oral Evidence. [ROP \[para 90\] – 12 July 2018](#)

⁴⁰ Oral Evidence. [ROP \[para 90\] – 12 July 2018](#)

⁴¹ Oral Evidence. [ROP \[Para 126\] – 12 July 2018](#)

⁴² Written Evidence. [IB.01 – ColegauCymru](#)

⁴³ Written Evidence. [IB.01 – ColegauCymru](#)

94. David Jones of Coleg Cambria told the Committee that there is a “dependence on [EU funded] projects” within further education and that this was a concern to the sector in the longer term.⁴⁴ Mr Jones went on to say that there was also potentially a significant problem in relation to the apprenticeship programme, stating:

“...a major concern, certainly from my point of view at Cambria, and it’s one of the biggest problems that we face, is the fact that the apprenticeship programme in Wales—the work-based learning programme—has for a number of years now been presented as a European project. So, it has been made bigger in terms of the quantum available for apprenticeships by using European moneys.”⁴⁵

95. With no significant announcement from the UK Government regarding the details of the UK Shared Prosperity Fund⁴⁶, there remains considerable uncertainty regarding this proposed replacement for European structural and development funding.

Welsh Government evidence

96. The Welsh Government provided evidence to the Committee to show that EU funding is secure until the end of 2020 even in the event of a no-deal, with the Minister for Welsh Language and Lifelong Learning stating that “we’re fine until 2020, because we’ve had that guarantee from the [UK] Government”.⁴⁷

97. The Welsh Government in its paper to the Committee also stated that it welcomed the UK Government’s position on wishing to participate in the successor programme to Horizon 2020, Horizon Europe.⁴⁸ However, as has been suggested by the European Parliament⁴⁹, as a third country it would likely be EU policy that the UK would not receive more funding than it pays into a programme, something Cardiff University states the UK benefits from at the moment.

⁴⁴ Oral Evidence. [ROP \[para 196\] – 12 July 2018](#)

⁴⁵ Oral Evidence. [ROP \[para 197\] – 12 July 2018](#)

⁴⁶ The UK Shared Prosperity Fund is a UK Government manifesto commitment. Its aim is to reduce inequalities between communities across the four home nations, once the UK has left the European Union and can no longer receive EU Structural Funds.

⁴⁷ Oral Evidence. [ROP \[para 116\] – 20 September 2018](#)

⁴⁸ Written Evidence. [CYPE\(5\)-24-18 - Paper 1](#)

⁴⁹ [European Parliament: Guidelines on the framework of future EU-UK relation \(para 34\)](#)

98. When asked specifically about the long-term funding of the apprenticeship programme which is heavily reliant on European funding, the Minister for Welsh Language and Lifelong Learning stated that at the present time, there remains uncertainty regarding funding for the final two years of the work-based learning programme. The Minister explained:

“The issue for us is the n+2 that we would have if we do have some kind of transition deal or an agreement with the EU. So, there is a risk and there is concern, beyond 2020, that that would create problems if they [EU] don’t agree to fund that, which is the expectation that we have.”⁵⁰

99. Regarding the UK Shared Prosperity Fund the Minister said:

“I think we have some real concerns about the shared prosperity fund not really following through on the commitments that were made during the Brexit referendum.”⁵¹

Committee view

100. The Committee notes that the EU funding used across both the higher and further education sectors has characteristics that both sectors find valuable beyond the simple sums involved. This includes, for example, the multi-annual nature of the funding (which is particularly valuable to both sectors) and the fact that Horizon 2020 projects are funded up to 100 per cent. The Committee believes that as many of these favourable characteristics as possible should be incorporated into any replacement funding.

101. The Committee welcomes the Cabinet Secretary for Finance’s statement on 16 October 2018 that any future regional investment funding would not be subsumed into Welsh core-budgets and would remain multi-annual in nature.

102. The Committee also believes that when developing any detailed regional investment proposals, the key role universities and further education colleges play in reducing inequality and increasing productivity and prosperity must be taken into account. To help ensure this, the Welsh Government must work in partnership with both the higher and further education sectors when developing its regional investment proposals.

Recommendation 9. The Welsh Government must continue to press the UK Government on future regional investment being a devolved “made-in-Wales”

⁵⁰ Oral Evidence. [ROP \[para 116\] – 20 September 2018](#)

⁵¹ Oral Evidence. [ROP \[para 101\] – 20 September 2018](#)

solution and follow through on its commitment that future regional investment will not be subsumed into Welsh core-budgets and will remain multi-annual in nature.

Recommendation 10. The Welsh Government must work closely with the higher and further education sectors when developing any detailed regional investment proposals, to ensure the key role universities and colleges play in reducing inequality and increasing productivity is taken into account.

Key Issue 6 – the dependence of FE colleges on the strength of employers and the economy

The Committee found that, through their more local focus and skills-based curricula, further education colleges are particularly sensitive to the strength of their local economies and employers.

103. The Committee took evidence arguing that further education colleges have, on the whole, a more local focus than higher education providers. This, when combined with their work-based learning and skills-based provision, leaves further education colleges particularly sensitive to the strength of any employers or economic sectors with a presence within their regions.

104. David Jones of Coleg Cambria illustrated this point using the example of agriculture and how the health of that sector post-Brexit is likely to influence the health of the college's own agricultural provision and vice-versa. He explained :

“In Coleg Cambria, we have the Llysfasi farm in the Vale of Clwyd [...] But the concern that we have is that we face all the difficulties that farmers face. [...] but if we don't look after agriculture in rural Wales, we're going to lose the Welsh language, we're going to lose the culture and our communities, and that is throughout Wales.”⁵²

105. Taking the point further, David Jones explained in relation to Airbus and similar manufacturers in Wales:

“The truth is that many companies throughout north-east Wales, and throughout Wales, depend on the movement of people and goods, or wings of planes, around the place, day by day. And if we do put up barriers to that, that is going to cause a great problem. For us as a college, of course, the issue is that we are the ones who offer the apprenticeships for all of these companies.”⁵³

⁵² Oral Evidence. [ROP \[para 218\] - 12 July 2018](#)

⁵³ Oral Evidence. [ROP \[para 220\] - 12 July 2018](#)

106. Concerns were also raised regarding the impact on colleges and jobs, as well as wider Welsh Government prosperity goals, should significant apprenticeship employers reduce their apprenticeship commitments or, as a result of Brexit, physically move their operations.

107. Mike James of Cardiff and Vale College (CAVC) addressed the potential for colleges to generate additional commercial income to help mitigate the loss of EU funding. He argued that whilst possible and currently being done, a joint-approach to the future funding of apprenticeships between Welsh Government and the colleges would be the optimal course of action.⁵⁴

Welsh Government evidence

108. The Minister for Welsh Language and Lifelong Learning mirrored the views expressed by further education colleges that they were much more exposed to the economic performance of their local regions, stating:

“You’ve got to remember that FE colleges are much more anchored within their communities, they’re much more localised.”⁵⁵

109. The Minister also reflected the dependencies between further education college provision and their local economics stating that the:

“link between apprenticeships and the local work community is absolutely crucial [...] So if the economy nosedives [...] then that will inevitably have an impact on the number of apprenticeships that will be on offer.”⁵⁶

110. The Minister also drew the Committee’s attention to the fact that some of the sectors the Welsh Government is most concerned about “have very strong links to the FE sector” including health and social care, construction, hospitality and tourism, and farming.⁵⁷

Committee view

111. The Committee believes that the evidence it received demonstrates that the localised nature of further education colleges and their skills-based curricula

⁵⁴ Oral Evidence. [ROP \[para 204\] – 12 July 2018](#)

⁵⁵ Oral Evidence. [ROP \[para 22\] – 20 September 2018](#)

⁵⁶ Oral Evidence. [ROP \[para 26\] – 20 September 2018](#)

⁵⁷ Oral Evidence. [ROP \[para 38\] – 20 September 2018](#)

makes their inherent sensitivity to any potential negative economic impacts from Brexit, inevitable.

112. The Committee also strongly believes that the Welsh Government should seek to actively involve colleges in its planning for up-skilling workers in economic sectors that may be exposed to risk from Brexit and that colleges have a vital role to play in this regard.

Recommendation 11. The Welsh Government must commit to working jointly with the further education sector to jointly develop and publish a plan, funded by a EU Transition Fund bid and taking account of the differing regional needs, to identify and respond to any changing skills demands in those sectors most likely to experience Brexit related disruption.

Key Issue 7 – Challenges faced by Welsh research and innovation

The Committee found that Welsh research and innovation activity faces a number of important challenges that go beyond funding.

113. The Committee took evidence on the future of Welsh research projects and funding post-Brexit. A clear theme that emerged was that whilst replacing the level of EU funding Pound for Euro is vital, other challenges to the operation of EU projects and programmes will likely remain. These include:

- The need to continue to attract high quality researchers who are very globally mobile.
- The need to reverse any perception that the UK is a hostile environment to high quality researchers.
- The need to continue to be attractive to high-quality PhD research students in a very competitive global market.
- The need to safeguard and continue to develop general collaborative networks and facilities.
- The different nature of UK research council funding and its inability to act as a direct replacement for EU funding.
- The need to close an already existing research and innovation funding gap.
- The impact of having “third-country” status on decision-making and overall funding.

114. At the July 2018 roundtable discussions with Committee Members, several stakeholders spoke of the need to continue to be an attractive environment for high-quality PhD research students. Stakeholders also emphasised that successful and eminent researchers are very globally mobile, in a very competitive

international market. The stakeholders believed Brexit may put the UK at a disadvantage in this regard if border controls are restrictive.⁵⁸

115. In its written evidence, specifically in relation to the question about what was being done to safeguard EU research collaborations and networks, the Learned Society of Wales said:

“The UK is often currently perceived as a hostile environment to non-British citizens, and this perception needs to be reversed or inevitably, the UK will be unattractive for future projects.”⁵⁹

116. Professor Medwin Hughes, vice-chancellor of University of Wales Trinity St David (UWTSD), raised with the Committee the importance of safeguarding the opportunity for research students to experience different research contexts internationally. He told the Committee:

“For students who potentially come from disadvantaged backgrounds, the opportunities that they have to gain new experiences is huge and it’s really important that we protect that. But also, not only for undergraduates, but for research students the experience of different research contexts in universities, that is also very important to safeguard.”⁶⁰

117. Evidence received from universities Wales suggested there was an urgent need to close the existing research and innovation funding gap with England and Scotland and to rectify the current lack of higher education innovation funding available to Welsh universities which, worth £8 million a year, was cut from 2013/14.

118. Professor Hinfelaar told the Committee:

“On the gap between Wales and the rest of the UK, one thing that would make a big difference, and which is also one of the recommendations in the Reid review, is to put in place higher education innovation funding, HEIF funding, which exists in England.”⁶¹

⁵⁸ [Stakeholder Roundtable Discussion – 04 July 2018](#)

⁵⁹ [Written Evidence. IB.06 – The Learned Society of Wales](#)

⁶⁰ [Oral Evidence. ROP \[Para 46\] – 12 July 2018](#)

⁶¹ [Oral Evidence. ROP \[Para 127\] – 12 July 2018](#)

Welsh Government evidence

119. A key Welsh Government lever in relation to safeguarding research and innovation in Wales is the funding of the recommendations made by Professor Graeme Reid in his review which looked at how Wales' research and innovation competitiveness could be sustained, post Brexit, by securing greater funding from UK research councils.⁶²

120. Whilst giving evidence to the Committee, the Cabinet Secretary explained:

“We also continue to look to respond to the Reid review proposals, about how we can beef up our own research and continue to engage with UK Research and Innovation to make sure that, with any research money that comes out of that negotiation, Wales is in a competitive position to be able to bid successfully for that.”⁶³

Committee view

121. The Committee is clear that funding challenges are not the only matter which could disrupt Welsh research and innovation activity and that careful consideration must be given to these more detailed matters to avoid undue disruption.

122. The Committee believes these potentially disruptive factors include changes to and divergence from: the European regulatory landscape; intellectual property laws; data protection laws; and the potential invocation of force majeure terms in individual contractual agreements in conjunction with many of further detailed matters.

123. The Committee also takes a strong view that in order to continue producing world-leading research and in order to continue working with businesses and other partners to drive forward innovation – described in Prosperity for All as the engine of prosperity⁶⁴ – Welsh universities must be competitive at winning non-EU sources of research funding. This is more important than ever post-Brexit.

124. As such, the Committee agrees and enthusiastically endorses the conclusions and recommendations made by Professor Reid in his review of Government funded research and innovation. The Committee shares his view, based on the evidence received during this inquiry, that Welsh universities need to move

⁶² [Review of Government Funded Research and Innovation in Wales by Professor Graeme Reid](#)

⁶³ Oral Evidence. ROP [Para 41] – 20 September 2018

⁶⁴ [Prosperity for All: economic action plan](#)

forward from their historically greater reliance on EU structural funding and become more competitive at winning wider UK funding to replace it.

125. Given that the review was very much intended to respond to Brexit, and aimed to increase the competitiveness of Welsh universities, the Committee is extremely disappointed that the Welsh Government Draft Budget 2019-20 includes no funding at all for the implementation of Professor Reid's recommendations. This, despite Welsh Government receiving additional Barnett consequential funding arising from an in-year increase in the budget of Research England for 2018/19. Whilst the Welsh Government absorbed this consequential funding into core-funding, the Scottish Government passed on its own consequential funds directly to the Scottish Funding Council, providing an additional £11.6 million in-year fund research and innovation excellence⁶⁵.

Recommendation 12. The Welsh Government must recognise the fundamental importance of research and innovation to the prosperity of Wales and recognise the danger inherent in falling behind England and Scotland in funding these activities in what is an extremely competitive setting. The Welsh Government must therefore begin to immediately fund the recommendations made by Professor Reid in his review.

⁶⁵ Scottish Funding Council [Funding Letter](#)

Key Issue 8 – Welsh Government preparedness for Brexit

The Committee has not been reassured by all aspects of the Welsh Government’s preparations for Brexit, in particular the lack of initial clarity with regards to funding allocations totalling almost £10 million and the lack of funding for implementing the Reid review recommendations.

126. Welsh Government has set out its wider position on Brexit in a variety of policy documents under the overarching Securing Wales’ Future White Paper.⁶⁶ Its demands to the UK Government broadly align with the key issues presented in this report including the papers call for no additional immigration restrictions on EU staff and students, reciprocal tuition fee arrangements with the EU, continued participation in ERASMUS+ and the Horizon programmes, and the guaranteeing of the status of EU nationals working in UK universities.

Welsh Government actions

127. In its preparations for Brexit, the Welsh Government has taken a number of key actions, including:

- Establishing a Higher Education Brexit Working Group.
- Guaranteeing student financial support to EU students starting their courses in 2019/20.
- The acceptance, in principle, of the recommendations made in Professor Graeme Reid’s review of Welsh Government funded research and innovation in Wales.

128. With respect to the risk assessments undertaken in relation to Brexit, the Cabinet Secretary confirmed that the Higher Education Brexit Working Group “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)”.⁶⁷

⁶⁶ [Securing Wales’ Future White Paper](#)

⁶⁷ [Letter from the Cabinet Secretary for Education – 23 October 2018](#)

129. The Cabinet Secretary stated that through ongoing discussions with the sector, the working group had identified the principal elements of Brexit that will have an impact on HE income and activities, which broadly related 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.

130. Evidence from HEFCW on the potential impact on the sector confirmed that individual providers were considering a variety of options for mitigating actions to reduce costs as the specific impact of Brexit clarifies over the coming months.⁶⁸

The Cabinet Secretary, in a letter to the Committee, said:

“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.”⁶⁹

131. The Welsh Government stated that it believes funding for most EU related activities is secure until the end of 2020. When asked specifically about its preparedness for Brexit, in relation to higher education, the Cabinet Secretary said:

“...there has been considerable success in the HE field in securing structural funds for various projects—the exposure and the potential impact of leaving the EU, in a ‘no deal’ or in a ‘deal’ scenario, is very, very different.”⁷⁰

132. Huw Morris, Welsh Government Group Director for Skills, Higher Education and Lifelong Learning, went on to say:

“...More recently, when the prospect of no deal became talked about, officials have been visiting individual institutions to talk to them about their preparedness for that. As you’ll be aware, the funding for much of

⁶⁸ Written Evidence. [IB 19 – Higher Education Funding Council for Wales](#)

⁶⁹ [Letter from the Cabinet Secretary for Education – 23 October 2018](#)

⁷⁰ Oral Evidence. [ROP \[Para 6\] – 20 September 2018](#)

the activity is secured, we believe, even under a ‘no deal’ scenario, until December 2020; that’s a letter we had from the Chief Secretary to the Treasury.”⁷¹

133. The Welsh Government has also made two direct financial interventions:

- Bringing forward and making available to HEFCW £6.241 million to “enable the Council to deal with any short-term implications arising from demographic changes and the initial implications of EU transition”.⁷²
- Providing £3.5 million for the Global Wales II programme to “support a significant increase in the scope and scale of the programme to deliver the Study in Wales brand globally, develop existing activity in the US and Vietnam, and to expand to other markets”.⁷³

134. During scrutiny of the Cabinet Secretary on the two direct financial interventions made by Welsh Government so far, it was unclear how the £6.241 million had been allocated or spent in practice. The Committee sought further clarity on this from the Cabinet Secretary who subsequently wrote to the Committee indicating:

“[the £6.241M]...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.”⁷⁴

135. In further correspondence regarding this funding, the Cabinet Secretary went on to say:

“HEFCW is responsible for determining how the funds allocated to it by Welsh Government should be distributed. In this instance, they will have used their knowledge of the sector and expertise to judge the most appropriate method of allocating the resources provided. In their view, as the funding was money brought forward from funds initially identified for the 2018-19 financial year, they judged that reducing the size of the funding adjustment applied to their 2017-18 allocations would ensure institutions were able to benefit immediately from the

⁷¹ Oral Evidence. [ROP \[Para 101\] – 20 September 2018](#)

⁷² Written Evidence. [CYPE\(5\)-24-18 - Paper 1](#)

⁷³ Written Evidence. [CYPE\(5\)-24-18 - Paper 1](#)

⁷⁴ [Letter from the Cabinet Secretary for Education – 5 November 2018](#)

earlier allocation of funds and would enable them flexibility to further develop contingency planning for Brexit.”⁷⁵

136. When questioned regarding the return on investment expected from the £3.5 million of funding provided for Global Wales II, the Cabinet Secretary stated that:

“that is subject to continuing negotiations with Universities Wales before we let any contracts with them [...]

...We expect that all institutions—should they have a desire to participate—will be able to be assisted, as well as the overall global branding from Universities Wales and the new Study in Wales initiative.”⁷⁶

Committee view

137. The Committee acknowledges that the Welsh Government has undertaken actions to prepare the sectors for Brexit. In particular the Committee welcomes the fact that the Welsh Government, in preparing for Brexit, has:

- Established a Higher Education Brexit Working Group; and
- Guaranteed student financial support to EU students starting their courses in 2019/20.

138. However, the Committee believes that not all aspects of the Welsh Government preparations have been satisfactory. In particular the Committee has been disappointed by the need to make recommendations elsewhere in this report regarding two of the Welsh Government’s own Brexit initiatives, namely the Global Wales programme and funding the Welsh Government’s own review into research and innovation funding.

⁷⁵ [Letter from the Cabinet Secretary for Education – 23 October 2018](#)

⁷⁶ Oral Evidence. [ROP \[Paras 75 & 77\] – 20 September 2018](#)

Annex A – List of oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below. [Transcripts of all oral evidence sessions](#) can be viewed on the Committee's website.

Date	Name and Organisation
12 July 2018	Professor Nora de Leeuw, Cardiff University Professor Maria Hinfelaar, Glyndŵr University Professor Medwin Hughes, University of Wales Trinity Saint David Berwyn Davies, Welsh Higher Education Brussels Mike James, Cardiff and Vale College David Jones, Coleg Cambria Caroline James, Pembrokeshire College Claire Roberts, ColegauCymru
18 July 2018	Dr David Blaney, Higher Education Funding Council for Wales (HEFCW) Bethan Owen, Higher Education Funding Council for Wales (HEFCW)
20 September 2018	Kirsty Williams AM, Cabinet Secretary for Education Eluned Morgan AM, Minister for Welsh Language and Lifelong Learning Huw Morris, Welsh Government Marie Knox, Welsh Government

Annex B – List of written evidence

The following people and organisations provided written evidence to the Committee. All [consultation responses and additional written information](#) can be viewed on the Committee’s website.

Organisation	Reference
CollegesWales	IB 01
Association of the British Pharmaceutical Industry (ABPI) Cymru Wales	IB 02
Undeb Cenedlaethol Athrawon Cymru (UCAC)	IB 03
Cytûn: Churches Together in Wales	IB 04
Cardiff University	IB 05
The Learned Society of Wales	IB 06
Wrexham Glyndŵr University	IB 07
Royal College of General Practitioners Wales	IB 08
Welsh Language Commissioner	IB 09
UK Deans of Science	IB 10
Geraint Talfan Davies	IB 11
Council of Deans Health Wales	IB 12
Jisc	IB 13
British Heart Foundation Cymru	IB 14
Universities Wales and Welsh Higher Education Brussels	IB 15
Plaid Cymu	IB 16
Royal College of Nursing	IB 17
British Council	IB 18
Higher Education Funding Council for Wales (HEFCW)	IB 19
Welsh Government	IB 20

Annex C - Stakeholder Event Note – 04 July

On 04 July, as part of its inquiry into the opportunities and challenges that Brexit poses for Welsh higher and further education, the Members of the Children, Young People and Education Committee held an event to hear the views of stakeholders.

This note summarises views expressed by stakeholders during the event on the three themes of the inquiry. The views expressed are their own and not necessarily the views of their organisations, or Assembly Members.

Learner Outcomes and Employability

- One stakeholder held the view that there continued to be scope for UK and EU universities to work together of their own accord (without being reliant on the EU) to offer joint, dual and double degrees. They believed that this work needs to continue after Brexit. Another view was expressed that some universities may be reluctant to grow this route as they can lose fee income from the students who go and study abroad. Linked to this, some stakeholders held the view that continued common recognition of qualifications and awards between the UK and Europe is vital.
- The ending of the Tuition Fee Grant for new students from September 2018 onwards was considered to be significant as EU students now have to fund the entire £9,000 tuition fee – some stakeholders hypothesised that this might be linked to the lower numbers of EU applicants to Welsh institutions for September 2018. Other factors mentioned as possible explanations for this drop included EU students not feeling welcome, and one stakeholder explaining that that in their view institutions have not having focussed on recruiting EU students as much as other international students.
- The view was expressed that better employment terms need to be offered in order to attract excellent research students in what is a very competitive environment. An example was given of PhD students who teach at Bristol University being employed on “Fair Work” terms.
- No stakeholders expressed a view against the need to continue to ensure both the inward and outward movement of students on international mobility programmes. It was argued on all stakeholder

tables that this two-way mobility offers considerable benefits to students, particularly students from under-represented groups. The view was expressed that inward mobility also aids a more diverse student body which widens student horizons and improves their soft skills. As part of this, Erasmus+ was considered vital as it is a very large and well-established programme, a recognisable brand and is tried and tested. Stakeholders all held the view that the next Erasmus+ programme due to run from 2021 would be a considerable improvement on the current version. The best option, it was argued, was to continue to participate in the new Erasmus+; if this was not possible, stakeholders all agreed that Wales must create a similar scheme.

- Stakeholders expressed the view that engagement between HE/FE and employers and industry, particularly global ones such as General Dynamics and Airbus in Wales, will become more important, post Brexit, in improving the employability of students.

Financial Sustainability and Investment Opportunities

- Stakeholders expressed the view that EU funding was filling funding gaps that will still exist if EU funding ceases. One stakeholder commented that if EU funds cease without replacement, there would need to be a change to the “educational model” in Wales.
- There was wide consensus that the current model of European funding (in particular structural funding) is not without drawbacks and problems – views expressed included that it is bureaucratic, creates artificial geographical boundaries, can split projects across local authority borders and sees institutions look for ways to use the types of funding made available, rather than be able to bid for generic funding for university devised research projects.
- Concern was expressed that future regional investment, post-Brexit, might get absorbed into the Welsh block grant and will not then be accessible in the same way as now. There were varying views on the operation of any future UK regional fund with some stakeholders arguing for the full “pot” to remain with the UK so as not to place a limit on potential funding bids, whilst others felt the “pot” should be devolved.

- There was concern about the lack of information regarding the UK Shared Prosperity Fund⁷⁷ and the level of influence Wales will have over it. Stakeholders expressed the view that Welsh voices need to influence the conversations around post-Brexit funding.
- Stakeholders felt that the fact there does not appear to be an agreed UK Government position on post-Brexit arrangements makes it more difficult to plan. This, they argued, creates a dilemma about whether Wales should be scenario-planning or waiting to see what happens.
- Stakeholders held the view that there was scope to replace some, but not all, EU funding through working in the charitable sector and with industry. However stakeholders from the FE sector in particular warned that institutions will continue to need access to capital funding, not least for estate improvements and to enhance the learner experience.

Research and Innovation Funding and Collaboration

- EU research funding was seen as vitally important and an area in which Wales has underperformed. Stakeholders stated that universities need the capacity to mount successful bids for research funding – they need a lot of research infrastructure already in-place to stand a chance of winning larger funding competitions. Getting to the position of winning large bids therefore requires funding in the first place, and EU funds, some stakeholders felt, have helped the Welsh HE sector build up this capacity. A number of stakeholders argued that Welsh universities are now able to win more UK funding due to the additional capacity EU funding has enabled institutions to build up.
- There was consensus that the UK must remain a part of the European research programme Horizon 2020 and its successor programme Horizon Europe from 2021. Those present believed that these programmes offered longer-term stability with 7 year cycles and multi-year programmes.
- Stakeholders also expressed the view that the recommendations of the Reid Report into Government funded research and innovation in Wales needed to be implemented as soon as possible to help Welsh universities gain funding from UK sources to replace EU funding.

⁷⁷ The UK government has committed to create a UK Shared Prosperity Fund (UKSPF), a domestic programme of investment after leaving the EU. There is little detail available at the moment.

- Stakeholders discussed the potential for winning research from charities. Whilst many agreed this was a large source of funding it remained problematic as:
 - particular types of research conducted by charities may not match provider research profiles; and
 - funding from charities may not cover overheads, requiring these to still be met by institutions.
- It was emphasised by a number of stakeholders that successful researchers are very globally mobile – they will move to the best research institutions in a very competitive international market. They believed Brexit may put the UK at a disadvantage in this regard if border controls are restrictive.