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Llywodraeth Cymru  
Welsh Government

## Welsh Government Consultation Document

# Public Good and a Prosperous Wales

Public Good and a Prosperous Wales – Building a reformed PCET system

Date of issue: 20 June 2017

Action required: Responses by 23 October 2017

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

**Overview**

This consultation sets out proposals for the reform of the post-compulsory education and training system in Wales and for the way in which Welsh Government research and innovation expenditure should be overseen and co-ordinated. The key proposal is the establishment of a Tertiary Education and Research Commission for Wales, with details of the functions for which it may be responsible and options for managing its relationship with post-compulsory education and training providers.

**How to respond**

Please respond by using the questionnaire at the back of the document. Following the consultation, we will analyse and publish a summary of responses. These will also be used to inform a more detailed, technical consultation that will provide a fuller description of the shape and operation of the Commission.

**Further information and related documents**

**Large print, Braille and alternative language versions of this document are available on request.**

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**Data protection**

How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation

was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

## **Foreword by Cabinet Secretary for Education**

It is an exciting period for education in Wales. We are delivering a transformational new curriculum; reforming teacher training and professional standards; and introducing the most progressive and equitable student support system in the UK

Taken together, our education reforms are a national mission to reduce the attainment gap and raise standards for all. Post-compulsory education and training is critical in improving lives and well-being, and is essential to individual and national prosperity.

I am determined to promote and enhance both academic and vocational routes into and through further and higher education, ensuring that we widen access so that learners benefit throughout their lives.

Our reforms take place within a challenging context. Not least the uncertainties associated with the UK leaving the European Union, and the technological transformation of economic and working lives.

It is increasingly important that we connect research and innovation in our universities, companies and public services with education and skills development in these organisations and in our colleges and work-based learning providers.

We need all of our educational and research institutions to make a contribution locally, while being aware and active internationally. To achieve this, we must work together to shape a system where institutions of all types are encouraged to co-operate to meet learners' needs, enabling progression and building strong links with business, so that skills gaps can be addressed.

At the heart of this approach will be a new body, 'The Tertiary Education & Research Commission for Wales'. It draws on models of best practice elsewhere in the world.

In Government, I have challenged our academic institutions to recapture a sense of civic mission. It is critical that they reach beyond the classroom and campus and work with their host communities - promoting knowledge, learning and skills across society. They are stewards of community, city and country.

We recognise that to support this activity, and to ensure a strengthened mutual relationship between citizens, communities, researchers and providers, the framework for our post-compulsory education system itself needs greater clarity. This must promote a sense of purpose and ensure high quality options and outcomes for our citizens.

I am conscious of the growing complexity of the current system and landscape. Regulation and funding differs and diverges, even as boundaries between sectors and institutions break down. Changes elsewhere in the UK will also have a knock-on effect on Wales and we need to ensure our system is fit for purpose and benefits learners of all ages, employers and communities.

As far back as the 1880s, the great progressive and educationalist Elizabeth Phillips Hughes advocated for a Welsh approach to shaping and delivering for our citizens - *"education must be national, and must be in our own hands"*.

This consultation proposes a 'made in Wales' approach to post-compulsory education and training so that it is easier for people to learn and acquire skills throughout their careers.

Our lives and economy are undergoing huge technological change. The knowledge and skills needed in a transformed workplace mean that 'average is over'. Doing nothing, or maintaining the status quo, is not a viable option.

I encourage all who have an interest in shaping a post-compulsory education and training sector which meets the challenges and opportunities ahead - business, learners and providers – to respond to this consultation.

A handwritten signature in grey ink, appearing to read 'Kirsty Williams'.

**Kirsty Williams AM**  
**Cabinet Secretary for Education**

## INTRODUCTION

As we look into the future, Wales faces significant challenges. The success of the Welsh economy is crucial to all our futures; positive health outcomes, empowering our people with the ambition, confidence and learning to succeed, and building a national sense of togetherness and purpose are dependent upon securing economic outcomes that leave our people, businesses and places feeling both prosperous and secure, and confident about the future.

Our ambition is to pursue growth with a purpose. We value prosperity because of the security and well-being it can help deliver and want to grow the economy whilst reducing income inequalities and spreading opportunity. To support national delivery, we are seeking to implement a new regional dimension to our approach on the economy and business, alongside a more refined approach to key sectors. These will help all of Wales to benefit from prosperity and become attractive places into which people want to live, work, learn and invest.

We are looking to improve our productivity as a key to unlocking our growth potential and improving the earning capacity of those at the lower end of the income scale. In focussing on productivity as part of a balanced approach to growing our economy, decent jobs, and opportunity for all, we recognise skills, innovation and infrastructure as critical productivity drivers.

The link between skills and productivity is undeniable. Tackling the productivity challenge is key to unlocking our Gross Value Added growth potential, and the importance of skills as a key driver of productivity cannot be overestimated. Without a high quality labour force, the potential of other productivity drivers - infrastructure, innovation, enterprise and competition - cannot be fulfilled. Skills enable workers to exploit infrastructure and innovation, to be more enterprising and to create a more competitive offer.

Post-compulsory education providers will be key to the way in which learners and companies, citizens and public services are able to respond to these pressures. These educational organisations, whether work-based learning providers of apprenticeships, further education colleges offering vocational qualifications and A 'levels, or universities providing undergraduate and postgraduate degrees and diplomas, are the principal means by which individuals and communities gain, retain and develop skills and understandings, new ways of thinking, doing and being.

These organisations raise and fulfil aspirations for personal and collective advancement. Make and develop beneficial connections with other educational and commercial organisations in Wales, the United Kingdom and other countries around the World. They are important sites for the creation and discovery of new knowledge and for the collection, synthesis and dissemination of research and innovation. They may also become a more important means of spreading an understanding of these developments and their application for social and/or commercial benefit.

Productivity levels in Wales are currently the lowest of any UK region or country. Wales has an ageing population – a third of employees in Wales are aged 50 or over<sup>1</sup>. Employment is projected to grow by 3.8 per cent between 2014 and 2024, equivalent to an increase in employment from 1.412m to 1.466m, resulting in around 54,000 more

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<sup>1</sup> Annual Population Survey, year ending Dec 2016.

people being in employment in 2024, compared to 2014. Taking into account replacement demand, the economy of Wales is therefore projected to have a net requirement of 607,000 workers between 2014 and 2024<sup>2</sup>.

We have seen a rise in vacancy levels among employers, representing a higher demand for labour<sup>3</sup>. Nearly a quarter of vacancies were perceived by employers to be hard to fill due to skills-shortages (i.e. applicants lacking skills, experience and/or qualifications), an increase since 2011. Construction, transport and communications and manufacturing all show an increase in the density<sup>4</sup> of skills-shortage vacancies. For the minority of employers who had skill shortage vacancies (6 per cent of employers), the skills most difficult to find were specialist skills or knowledge, the ability to manage own time and prioritise own tasks, customer handling skills, team working, and solving complex problems. Meanwhile, inward investors and other organisations considering increasing the number of jobs in Wales consistently report that the availability of people with relevant high level skills is a key consideration.

In recent years, employer investment in skills has grown faster in Wales than in the other nations of the UK, increasing from £1.6bn in 2011 to £2.1bn in 2015 – the proportion of staff trained has also increased from 56 per cent in 2011 to 64 per cent in 2015 (although a similar rise was seen in the UK). However, employers have become less willing to use Further Education colleges and Higher Education institutions to meet their training needs compared to commercial providers<sup>5</sup>. For employers, according to recent reports from the CBI the proportion of businesses not confident there will be enough people available in the future with the skills to fill their high-skilled jobs has reached a new high (69 per cent). These worries about the prospects of filling future high-skilled roles are increasing and are shared by businesses across the UK. In Wales, as well as the other UK nations, the gap between those who are not confident and those who are confident in filling future high-skilled roles has increased between 2013 and 2016<sup>6</sup>.

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<sup>2</sup> Working Futures 2014-24 (UK Commission for Employment and Skills). Annex A provides data taken from “Working Futures” on forecasts and trends in relation to qualifications levels, employment and skills in Wales to 2024. As with all projections and forecasts, the results presented in Working Futures should be regarded as indicative of likely trends and orders of magnitude given a continuation of past patterns of behaviour and performance, rather than precise forecasts of the future. Note that whilst Working Futures refers to its figures as ‘employment’, the main source for the production of projections is Workforce Jobs data. This measures jobs rather than persons in employment, and figures for 2014 will therefore be greater than 2014 Annual Population Survey estimates of employment, as some individuals may hold more than one job.

<sup>3</sup> Employer Skills Survey 2015 (UK Commission for Employment and Skills).

<sup>4</sup> Density of skill shortage vacancies is the number of skill shortage vacancies as a proportion of all vacancies.

<sup>5</sup> Employer Perspectives Survey 2014 (UK Commission for Employment and Skills).

<sup>6</sup> CBI/Pearson Education and Skills Survey (2016)

Anticipating that these concerns would emerge alongside the strong recovery of the economy in Wales over recent years, the Welsh Government's White Paper "Taking Wales Forward" in 2016 included a commitment to deliver a minimum of 100,000 quality, all-age apprenticeships. In February this year, we published our apprenticeship policy and action plan<sup>7</sup> which prioritises the development of higher level skills by focussing on apprenticeships at level 4 and above, where returns tend to be higher; and addressing skills shortages by developing apprenticeships, particularly in growth and emerging sectors. Apprenticeships in Wales support both new and existing employees and 13 per cent of employers in Wales have or offer formal apprenticeships<sup>8</sup>.

The overall level of qualifications among the workforce in Wales has grown steadily over the last five years<sup>9</sup>. Over this same time period the number of full-time undergraduate students at Welsh universities has increased, while the numbers of part-time undergraduates and postgraduates, adult learners in further education colleges and community learning settings have declined. These changes in numbers have been accompanied by changes in the subjects studied and the occupations for which these learners are preparing. Subject choices for full-time undergraduates have changed at both a UK and Wales level, with some differences in overall trends. Around 40 per cent of full-time undergraduates from Wales choose to study elsewhere in the UK, with many returning to Wales following graduation.

At the UK level, subject choice changes have included increases in the number of people studying biological sciences, business studies, engineering, maths and the creative arts and design, but declines in building and construction, computer science, foreign languages, teaching and subjects allied to medicine. The increases in people studying business studies and the creative arts and design have not been reflected at a Wales level, where they have declined. Numbers studying engineering, maths and computer science in Wales have been fairly stable. This was also the case for subjects allied to medicine, until a more marked increase in 2015/16. Areas of decline in student numbers often occur in occupations and industries which a growing demand for staff is expected in the future<sup>10</sup>.

There is evidence that some employees' skills are not fully utilised in the workplace. Overall, the under-utilisation of both skills and qualifications is an issue for 34 per cent of establishments in Wales<sup>11</sup>. The proportion of employers with under-utilised staff was less for the smallest employers (with 2-4 staff) than larger employers (5 staff or more), but where an employer did have under-utilisation this affected a greater proportion of staff in smaller employers. Leadership and management skills are also cited by over half of employers as lacking amongst staff and applicants<sup>12</sup>, although these skills offer a potential lever in boosting productivity and the better deployment of skills.

We know that employer networks are also important for innovation, knowledge sharing and growth. Yet only 16 per cent of employers in Wales had worked with other employers to access, develop or share expertise on skills and training<sup>13</sup>. Wales has lower levels of innovation<sup>14</sup> and investment in research and development<sup>15</sup> than the UK average, EU

<sup>7</sup> Aligning the Apprenticeship model with the needs of the Welsh economy:

<http://gov.wales/topics/educationandskills/skillsandtraining/apprenticeships/apprenticeships-skills-policy-plan/?lang=en>

<sup>8</sup> Employer Perspectives Survey 2014 (UK Commission for Employment and Skills).

<sup>9</sup> Levels of highest qualification held by working age adults (2017) Welsh Government,

<sup>10</sup> Working Futures 2014-24 (UK Commission for Employment and Skills)

<sup>11</sup> Employer Skills Survey 2015 (UK Commission for Employment and Skills).

<sup>12</sup> Note this refers to the proportion of employers with skills shortage vacancies and / or skills gaps who state management and leadership skills are a cause. Skill shortage vacancies affect only 6 per cent of employers and skills gaps affect 14 per cent.

<sup>13</sup> Employer Perspectives Survey 2014 (UK Commission for Employment and Skills).

<sup>14</sup> Improving the Economic Performance of Wales: Existing Evidence and Evidence Needs (PPIW, 2016)



average and OECD target, which is unfortunate because the level of citations is high in the areas where Welsh researchers publish and there is evidence of growing international reach in this activity.<sup>16</sup>

In the Research Excellence Framework in 2014 Welsh universities significantly boosted their performance from the 2008 Research Assessment Exercise, with more than three-quarters of the research submitted assessed as internationally excellent (3\*), and almost a third rated 'world leading' (4\*) 17(1). Wales saw strong performances over a range of subjects, with world-class achievements in fields including: Psychology/Neuroscience, Allied Health Professions, General Engineering, Geography/Environmental Studies/Archaeology, Sport and Exercise Sciences/Leisure and Tourism, and English Language and Literature.

In 2015, the Leadership Foundation for Higher Education (LFHE) published a report by Halligan and Bright that provided a comprehensive review and explanation of Wales's relatively less competitive overall research council income<sup>18</sup>. In the report they showed that the critical problem lay not in the quality of the research, but in the inadequate size of the science base and the number of researchers working in STEM.

More recent research by Kings College looking at the impact of Welsh university research on business and society across the UK. found that within the impact case studies submitted as part of the REF process there was a remarkably distinct profile with more impacts originating from research in the Arts and Humanities and Social Sciences than from the Life Sciences, and the Engineering and Physical Sciences (3).<sup>19</sup>

Over the past decade, researchers in Wales's universities have demonstrated strong growth in many areas of research, including renewable energy, environmental sciences, social and bio-sciences<sup>20</sup>. A key feature of recent UK-level industrial strategy as well as research and innovation policy, informed by influential reports,<sup>21</sup> and Science and Innovation Audits<sup>22</sup> has been an increase in government investment in science and technology research linked to key local industrial strengths and future business development with the potential for global application<sup>23</sup>. Greater investment in research and innovation in Wales would help to bolster and increase the volume of current high-quality activity and could help to further grow economic strengths in compound semi-conductors, aerospace, advanced manufacturing and materials, steel, energy, bio-sciences data science and financial and professional services.

The Reid Review of Research and Innovation in Wales is examining the funding and organisation of research in more detail and is scheduled to publish the results of its work and associated recommendations in December 2017. It is intended that the recommendations from this review will complement changes taken forward as a consequence of this consultation.

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<sup>15</sup> Measured via research intensity as a percentage of GDP, taken from The Case for Growing STEM Research Capacity in Wales (Halligan, P., and Bright, L., 2015)

<sup>16</sup> International Comparative Performance of the Welsh Research Base 2010-2014, 2016 update (Elsevier, 2016)

<sup>17</sup> REF 2014 The Results (2014).

<sup>18</sup> The Case for Growing STEM research capacity in Wales, Halligan, P. and Bright, L. (2015)

<sup>19</sup> Impacts of academic research from Welsh universities. (2017)

<sup>20</sup> Impacts of academic research from Welsh universities: a comprehensive review of the REF impact case studies (Hewlett, K. and Hinrichs-Krapels, 2017).

<sup>21</sup> The Dowling Review of Business-University Research Collaborations

<sup>22</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/565261/science-innovation-audits-wave-1-summary-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/565261/science-innovation-audits-wave-1-summary-report.pdf)

<sup>23</sup> <https://www.gov.uk/government/news/business-secretary-announces-industrial-strategy-investment-in-science-research-and-innovation>

## **Key challenges for the future**

The trends identified above represent both a challenge and an opportunity for post-compulsory education and training (PCET) in Wales. We need to respond swiftly to capitalise on opportunities presented by a shift to a more highly-skilled Wales. Greater collaboration is required across our institutions, in conjunction with employers, to respond to the regional demand for employment and skills. We must recognise and address the needs of an ageing workforce, the demand for Welsh language skills (and other languages) and pockets of low-skilled individuals.

In order to respond to the complexity of skills demanded by employers we need to widen work experience opportunities and make far better use of schools, colleges and universities as recruitment channels for employers.

We must raise employer demand for training at a time when resources are tight. The answer to that challenge lies partly in ensuring that FE and HE provision can compete and is relevant to the needs of employers. But we also need to embed co-investment in training as part of the relationship between government, providers and employers.

It is essential that we maintain and enhance the quality of our apprenticeship programme so that vocational education can gain parity with more traditional routes into higher learning.

Employers need support to develop their business practices to put under-utilised skills to more effective use, particularly for smaller companies. We also need to help build leadership and management capacity amongst employers and strengthen employer collaboration in responding to long-term skills needs.

Sustainable jobs and rewarding working lives allow the people of Wales to prosper and feel secure. The future of Wales depends, in no small part, on improving connections between qualifications and the labour market, to strengthen vocational and career pathways within and across education providers and different parts of the labour market. We also need to find a way of linking providers' funding to the employment outcomes achieved by their learners, to strengthen accountability and maximise the impact of scarce public funds.

The PCET system in Wales needs to operate in such a way that all providers, from work-based learning and adult community learning providers through to the most successful universities, are focused on supporting prosperity and security within their locality and region, by providing learning that promotes sustainable local employment and rewarding career pathways.

A truly effective post-compulsory education system is one that meets the needs of all learners. This includes school leavers preparing for their adult lives and careers, young people needing a second chance after disengaging from education, older adults retraining to meet the needs of a changing labour market and people of all ages who want to become more educated in areas of interest to them. Our evidence suggests the current post-compulsory system in Wales is not fully optimised to respond to future trends and the demands of more diverse learners. The system needs to become more capable of responding quickly to changing circumstances, as well as becoming more flexible and adaptable to the needs of learners and employers, trying and adopting new ways of delivering high-quality education and training.

In a recent speech, titled “The national mission of education reform - everybody's business” the Cabinet Secretary for Education noted that:

“A nation’s prosperity, cohesion and well-being are built on a strong and successful education system. That is why I describe our focus on raising school standards, reducing the attainment gap and delivering an education system that is a source of national pride and confidence as our national mission.”

Our national mission does not stop at the school gates. We need to ensure that those leaving our schools in future, with higher attainment levels, more broadly-based skills and greater confidence, progress into a post-compulsory system which provides genuine parity of esteem for vocational and academic routes, and which equips them with the range and quality of skills required for sustainable and rewarding careers over the rest of their lives. Such a workforce will allow our economy to be more productive and competitive, and our people more prosperous and secure.

## EXECUTIVE SUMMARY

In 2015, the previous Welsh Government commissioned Professor Ellen Hazelkorn to undertake a review of the oversight of post-compulsory education and training in Wales. The review examined the effectiveness of the current arrangements, in particular in relation to funding, governance, quality assurance and standards and the management of risk.

Professor Hazelkorn's report<sup>24</sup> was published on 10 March 2016 and made two primary recommendations. The first was that the Welsh Government should develop an overarching vision for the PCET system, with stronger links between education / training policy and providers and social and economic goals. The second was that a new, arm's length body should be established to be the sole regulatory, coordinating and oversight authority for the post-compulsory system.

The Welsh Government accepts Professor Hazelkorn's recommendations. This White Paper sets out proposals for taking forward the reforms needed, and invites the views of stakeholders on some of the key issues which will need to be addressed in legislation.

The White Paper proposes that a 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. The key functions of the Commission would include:

- strategic planning of education and skills delivery across all post-compulsory education and training in Wales;
- establishing a mechanism for managing the relationship between the Commission and the institutions and training providers it regulates or funds;
- funding, contracting, quality, financial monitoring and audit of higher education, further education, work based learning, adult community learning, and relevant employability and employer-led programmes; and
- functions currently undertaken by the Welsh Government.

A key focus of the Commission would be protecting the interests of learners, ensuring that vocational and academic routes are equally valued and helping to impart the skills needed to succeed in an increasingly competitive economy. Through its strategic planning and funding activities, the Commission would also be responsible for aligning post-compulsory education and training more closely with the needs of employers in Wales, helping to build a stronger future economy.

The Commission would have responsibility for quality assurance and enhancement as well as management of performance and risk. It would report annually to the Welsh Ministers on the performance of the post-compulsory sector.

Strength in research and innovation underpins a thriving economy, supports better health and social care and showcases Wales as a modern, vibrant, innovative nation. The Commission would be given responsibility for coordinating research and postgraduate research capacity funding in a more strategic and dynamic way, according to a national strategy. This paper proposes that future legislation should provide for a committee of the

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<sup>24</sup> <http://gov.wales/docs/dcells/publications/160310-hazelkorn-report-en.pdf>

Commission to be known as *Research & Innovation Wales (RIW)*. Its purpose would be to oversee and coordinate Welsh Government research and innovation expenditure with the aim of creating a more dynamic and responsive-to-need research, innovation and knowledge translation environment in Wales.

Providing enhanced opportunities for individuals to learn through the medium of Welsh in the post-compulsory sector will be key to ensuring that the Welsh language skills of young people, learned in our schools, is maintained and developed for use in future employment.

The White Paper explores the relationship between the new Commission and other bodies in Wales and across the UK, which play a role in the oversight, funding and regulation of post-compulsory education and training.

Three possible models are set out for consultation on the relationship between the Commission and the institutions or providers in Wales for which it would have oversight:

1. a *Registration of Provider* model;
2. an *Outcome Agreement* model;
3. a *Regional Compacts* model.

In addition to proposals for establishing the new Commission, this paper seeks views on higher education governance arrangements in Wales and on how these might need to be modernised in light of significant changes to the higher education landscape that have taken place in Wales and across the UK in recent years. These include the introduction of the Higher Education and Research Act 2017 in England.

## **WELL-BEING OF FUTURE GENERATIONS (WALES) ACT 2015**

A key driver for change in Wales is the Well-being of Future Generations (Wales) Act 2015 (WFGA). This is a significant, pioneering piece of legislation, driving how the Welsh Government's policies are being developed and delivered to secure better outcomes for future generations. The purpose of the Act is to promote sustainable development – defined as improving the social, economic, environmental and cultural well-being of Wales. The Act requires specified public bodies to act in accordance with the sustainable development principle, meeting current needs in a way that does not compromise the ability of future generations to meet their own needs.

The Act encourages public bodies to work towards a shared vision, by setting out seven well-being goals. Our aim is to create:

- a prosperous Wales;
- a resilient Wales;
- a healthier Wales;
- a more equal Wales;
- a Wales of cohesive communities;
- a Wales of vibrant culture and thriving Welsh language; and
- a globally responsible Wales.

The Act prescribes five ways of working to implement the sustainable development principle:

- Taking a long term view, balancing short and long term considerations.
- Preventing problems from arising.
- Integrating priorities.
- Collaborating to tackle common problems.
- Involving customers and ensuring that the diversity of the customer base is included.

Public bodies in Wales are under a duty to operate in accordance with the principles of the WFGA and are required to monitor, manage and report their performance in delivering the well-being objectives.

## THE HAZELKORN REPORT

Measured against the requirements of the WFGA and the economic and social challenges facing Wales, the PCET system in Wales suffers from significant weaknesses. There is evidence of duplication, unnecessary complexity and a lack of joining up between levels and providers. As a result, learners may not be clear about the learning pathways available to them. The different institutions may not see themselves as part of a single system and may compete for learners, rather than focusing on learners' interests and the skills needs of employers.

Concerns about the complexity of oversight arrangements in the PCET sector led the previous Welsh Government to commission the Hazelkorn Report. In light of the increasingly challenging funding situation facing Wales, the previous Government also recognised a potential need for better alignment between institutions and others involved in the provision of PCET. The review considered the effectiveness of the current arrangements, in particular in relation to funding, governance, quality assurance and standards and the management of risk.

In undertaking her review, Professor Hazelkorn engaged with all key stakeholders, including further and higher education institutions and their representative bodies, WBL and ACL providers, HEFCW, the QAA, Estyn and secondary schools, as well as business and trade unions. Professor Hazelkorn's Report was published on 10 March 2016. It highlighted serious concerns about the PCET sector, including:

- poor connectivity between and across the different elements of the PCET system;
- insufficient attention to learner outcomes and learner pathways;
- lack of alignment between education and training and wider societal goals; and
- inadequate accountability.

Addressing these weaknesses will require greater cohesion across the system and a stronger appreciation that PCET in Wales has the potential to operate as a single sector, collaborating to meet the needs of learners and of the Welsh economy. It will also require a commitment to equal respect for vocational and academic learning routes, so learners are inspired and supported to choose the path that is right for them.

The report noted the possible impact on higher education in Wales of the changes to higher education governance in England, particularly the implications of the UK Government's more market driven approach. It also identified a range of significant challenges facing PCET in Wales:

- need for a national framework setting out future ambitions, goals and priorities for the post-compulsory system;
- need for greater coherence across the PCET system, as well as between schools and PCET;
- need for closer alignment between PCET and the future economic, social and cultural needs of Wales;
- need for more coherent learning and career pathways for all ages and talents, enabling learners to move more easily across different educational settings;
- need to strengthen collaboration and build critical mass across education and research, to boost coherence, quality and competitiveness; and

- need for more appropriate governance structures with the breadth of expertise to lead, support, monitor and evaluate PCET actions against national, regional and local objectives.

The Hazelkorn report's findings make the case for reform irresistible if Wales aims to develop a sustainable PCET system to meet the needs of learners of all abilities, the Welsh economy and Welsh society. It presents an opportunity to look ahead and work together to design a PCET system which takes a strategic, cross-sectorial approach to delivery of the five skills strands sought after by employers: analytical skills, oral and written Welsh language skills, time management, customer handling and team working.

### *Key Recommendations*

The Hazelkorn report made two primary recommendations. The first was that the Welsh Government should develop an overarching vision for the PCET system, with stronger links between education / training policy and providers and social and economic goals. The vision should form the basis of a strategically coordinated and coherent plan for the post-compulsory system, covering education, training, research, scholarship and engagement.

The second key recommendation was that a new, arm's length body should be established to be the strategic, sole regulatory, coordinating and oversight authority for the post-compulsory system. It would replace the current Higher Education Funding Council for Wales, (HEFCW), steer and monitor improvement across the whole system and work with PCET providers and employers to develop an integrated and coherent PCET system. It would maintain quality, monitor governance and financial practice across the system and establish mechanisms for ensuring good governance and accountability for the public funding allocated to the sector.

To ensure that learners benefit fully from their engagement with PCET, Professor Hazelkorn recommended that clear and flexible learning and career pathways should be established. Other recommendations to benefit learners included supporting learner choice by improving the quality of publicly available information and advice about academic and vocational learning and career pathways and institutions; and the need for effective action to widen access and participation, particularly for learners facing disadvantage.

The Hazelkorn report recommended the focus in respect of learner outcomes should be on longer-term sustainable employment and career success, rather than first destination employment. The report argued the need to improve connections between qualifications and the labour market, by strengthening vocational and career pathways within and across education providers and different parts of the labour market. It suggested that linking funding to performance and learning outcomes would help strengthen institutional accountability.

The Welsh Government has accepted Professor Hazelkorn's recommendations. In her statement on 31 January, Kirsty Williams, the Cabinet Secretary for Education, said:

*“Working lives are now longer, and they change rapidly, and we need a system that makes it easier for people to learn and acquire skills throughout their careers. Our lives and economy are undergoing huge technological change. We know that the skills requirements of our economy are constantly changing and, of course, we must respond to the impact of Brexit. Doing nothing, or maintaining the status quo, is not a viable option.”*



This White Paper sets out proposals for taking forward the reforms which are needed, and invites the views of stakeholders on some of the key issues which may need to be addressed in legislation. Responses to this document, and those received during engagement events, will be used to inform a more detailed, technical consultation, so it is critical we hear from learners, leaders and practitioners on how PCET can meet their needs and become an even greater force for social mobility and national prosperity.

## CURRENT ARRANGEMENTS

### *Regulation and Governance Arrangements for the PCET Sector*

At the moment, governance and oversight arrangements across the PCET sector are complex. The sector covers further education (FE), higher education (HE), work-based learning (WBL), adult community learning (ACL) and sixth forms. Each of these elements has its own distinct arrangements for regulation, governance, quality assurance and policy review. Arrangements for the oversight of institutions and providers receiving public funds to deliver PCET have developed over time and have evolved disparately. As a result, the different arrangements are enshrined in a number of statutes and policy documents.

While oversight of PCET is undertaken by a mix of bodies, the organisations with key responsibilities are the Welsh Government, the Higher Education Funding Council for Wales (HEFCW), Estyn, the Quality Assurance Agency (QAA) and Qualifications Wales, though local authorities also have a role with regard to sixth form education and ACL. An assortment of oversight activities is therefore undertaken by a variety of bodies. As a consequence, there are different arrangements for, different degrees of engagement with, and different levels of effectiveness in the delivery of oversight functions. As well as inconsistency in the way different elements of the PCET sector are overseen and monitored, the powers available to government and other bodies in relation to that oversight also vary.

The Welsh Government has overall responsibility for policy, strategy and funding of PCET, including sponsorship of HEFCW. FE and WBL have been overseen and funded by the Welsh Government since 2006. Sixth forms have been funded by the Welsh Government since this time, with local authorities retaining the statutory responsibility for school improvement. In respect of HE, although broad policy is set by the Welsh Government, it is delivered through HEFCW. HEFCW is a Welsh Government Sponsored Body established under the Further and Higher Education Act 1992. It is responsible for administering funds made available by the Welsh Government to support:

- higher education in Wales;
- research at universities;
- higher education courses at FEIs; and
- teaching by the Open University in Wales;

ITE provision in Wales is currently accredited by HEFCW, under the Education Act 2005, but the Education Workforce Council (EWC) will take on the role of accrediting ITE programmes of study for commencement from 2019/20.

With effect from 1 August 2015, HEFCW became responsible for certain aspects of the new regulatory system for higher education, under powers set out in the Higher Education (Wales) Act 2015 (the 2015 Act)<sup>25</sup>. Full implementation of the 2015 Act will take effect from 1 September 2017.

A framework document between the Welsh Government and HEFCW sets the context within which HEFCW operates and the terms and conditions under which it receives funds from the Welsh Ministers. There is also an annual Ministerial remit letter that sets HEFCW's high-level strategic priorities. In the remit letter, the Welsh Government requests HEFCW to

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<sup>25</sup> <http://www.legislation.gov.uk/anaw/2015/1/contents>

focus on specific policy aims. Nonetheless, the remit letter is advisory, so HEFCW is not bound to comply. The Welsh Ministers have powers to direct HEFCW in certain limited circumstances specified in the 2015 Act.

Outside its statutory regulatory role, HEFCW relies on terms and conditions of funding to influence institutional behaviour. However, changes in the HE funding regime have reduced the level of direct funding over which HEFCW has responsibility. As a larger proportion of funding is paid by students to institutions in the form of tuition fees, HEFCW's influence has diminished somewhat. This has been partly addressed in relation to widening access, quality assurance and financial sustainability, through implementing the 2015 Act.

The statutory duty for quality assessment of higher education in Wales lies with HEFCW, and the Council will implement a new Quality Assessment Framework for the assessment of quality from 2017/18. Providers will be subject to the requirements of a high-level framework which aligns with the principles and baseline requirements of the approach to be followed by England and Northern Ireland, but with the operating proposals tailored to Wales. Providers will be required to undergo an external review of the institution's quality assurance processes, carried out by an agency listed on the European Quality Assurance Register (EQAR), at least every six years. As HE, delivered by FEIs in the regulated sector, falls within the scope of HEFCW's statutory duty for quality assessment, some institutions may fall within the remit of both Estyn and the QAA, or another higher education quality assurance body.

Estyn, the Inspectorate for Education and Training in Wales, has statutory responsibility for inspecting quality and standards in education and training providers, including schools, further education institutions (FEIs) and WBL and ACL providers. Sixth form provision is inspected by Estyn as part of whole school inspection. Specific judgements on the quality of sixth forms are not made separately from the Inspectorate's overall judgements on schools.

Having so many different regulatory and governance regimes for different elements of the PCET sector creates complexity and there is the risk of duplication, overlap and confusion. A more serious problem is that it militates against a coherent, collaborative, integrated PCET sector and makes achieving an overall strategy very difficult. There is no single body promoting collaboration in the interests of learners or employers. Indeed, there is a real risk that institutions providing PCET do not see themselves as part of a single, post-compulsory sector, resulting in unhelpful competition between the various parts of the sector and the loss of opportunities to work together in the interests of learners and the economy.

### *Higher Education Regulation in Wales*

The 2015 Act introduced a new regulatory system for higher education in Wales and is currently being implemented by HEFCW. The public funding of HE in Wales changed from academic year 2012/13, following the adoption of many of the recommendations of the Browne Review<sup>26</sup>, commissioned by the UK Government to consider the future direction of HE funding in England. The major change was to allow institutions in England to charge fees of up to £9,000 per year, and provide students with access to loans to cover the costs of this increase in fees. The Welsh Government responded to this development by allowing institutions in Wales, who were in receipt of HEFCW funding, to charge tuition fees of up to

<sup>26</sup> The Independent Review of Higher Education Funding and Student Finance, 12 October 2010  
<http://webarchive.nationalarchives.gov.uk/+/hereview.independent.gov.uk/hereview/>

£9,000 per annum, subject to fair access commitments from institutions charging fees above £4,000. In addition, students from Wales were provided with access to a non-means tested tuition fee grant, to cover the cost of the increase in tuition fees across the United Kingdom.

Prior to the changes outlined above, the principal source of public funding of the HE sector in Wales had taken the form of recurrent grants (for teaching and other activities) from HEFCW to institutions. Following the introduction of the non-means tested tuition fee grant, funding, (which was previously provided by the Welsh Government to HEFCW and then allocated by HEFCW to institutions in Wales), was re-directed to the Welsh Government's student support budget, with payments made by the Student Loans Company (SLC). The amount of financial support paid directly by HEFCW to institutions in Wales reduced and consequently the ability of HEFCW to attach terms and conditions to that support also reduced. As a result of these changes, the HE regulatory system, which relied on HEFCW imposing terms and conditions of funding relating to fee controls, quality of education and financial management, no longer operated effectively. Tuition fees currently account for 53% and Funding Council grants for 12% of all income to Welsh HE institutions<sup>27</sup>. For this reason, the Welsh Government brought forward legislation (the 2015 Act) to introduce a system of regulation which is not reliant on terms and conditions of HEFCW's recurrent funding.

The 2015 Act introduced a HE regulatory system that ensures the robust and proportionate regulation of institutions in Wales whose courses are supported by Welsh Government backed HE grants and loans. The 2015 Act safeguards the contribution made to the public good, arising from the Welsh Government's significant financial subsidy of HE; maintains a strong focus on fair access to HE and preserves and protects the institutional autonomy and academic freedom of our universities. The 2015 Act conferred new statutory functions on HEFCW. These included, amongst others, duties to monitor the level of tuition fees charged and the quality of education provided by regulated Welsh institutions, as well as to ensure institutions' compliance with a financial management code and delivery of activities in support of fair access to higher education. The 2015 Act provided continuity, as far as possible, with the system of controls previously operated by HEFCW under terms and conditions of funding and did not introduce significant policy reforms. It did, however, change the basis for regulation, made entry to the regulated Welsh HE sector optional and established fee and access plans as the centrepiece of the new regulatory regime.

Higher education is a devolved matter and higher education policy in Wales has increasingly diverged from the approach adopted in England in recent years. However, the UK Government's higher education reforms inevitably impact on Wales, due to significant cross-border flows of students, the previously common legislation underpinning higher education funding and regulation in both countries and the fact that higher education research is not a fully devolved matter. Recent developments provided for by the UK Government's Higher Education and Research Act 2017, including the Teaching Excellence Framework (TEF), the establishment of the Office for Students (OfS), and the transformation of the research funding landscape with the creation of UK Research and Innovation (UKRI), all have implications for Wales.

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<sup>27</sup> HESA publication: Staff and finance of higher education institutions 2015/16  
<http://gov.wales/statistics-and-research/staff-finance-higher-education-institutions/?lang=en>

The Welsh Government assessed the implications for Wales arising from these reforms and concluded that only limited legislative provision for Wales needed to be sought in the UK Government's Bill. This was to ensure that institutions in Wales, the students studying at them and the Welsh Ministers' ability to deal with the implications of the UK Government's reforms were not adversely impacted as a consequence of the changes being taken forward in England. However, Welsh stakeholders identified a wide range of interests and concerns arising from the UK Government's reforms, and the Welsh Government now wishes to seek views on whether policy and legislative change is necessary for matters including:

- arrangements for student protection in the event of course closures or provider failure at institutions designated for statutory student support;
- improvements to widening access, retention and achievement in HE through the transparency of applications to institutions and data-sharing in connection with admissions to acceptance data;
- modernisation of the legislative and procedural arrangements for institutional governance and possible reform of the process and criteria for granting degree awarding powers and university title; and
- changes in arrangements for the designation of higher education courses for student support purposes.

We will return to the issue of the implications for Wales of the current HE reform proposals in England later in the paper.

### *Further Education and Work-based Learning*

Further education in Wales is a diverse sector providing a wide range of qualifications delivered to learners of all ages. FE is delivered through the implementation of Qualified for Life, the Skills Implementation plan and Youth Engagement and Progression Framework. Qualified for Life sets out the Welsh Government's long-term vision for education of 3-19 year olds. The Policy Statement on Skills, published in January 2014, sets out a 10 year vision for a more highly-skilled nation. The Youth Engagement and Progression Framework focuses on progression, enabling learners to fulfil their potential.

Following the enactment of the Further and Higher Education (Governance and Information) Act 2014, FEIs have been afforded greater autonomy. This has encouraged a new working relationship between FEIs and the Welsh Government ensuring colleges deliver effective further education in their communities. A [new Code for further education colleges](#) was published in February 2016, to establish trust in their governance as they move into a new era of independence. The Code, coordinated on behalf of the sector by its representative body, CollegesWales, sets out the shared values and expectations of good college governance.

The Welsh Government issues an annual priorities letter to FEIs and to local authorities in respect of their sixth form provision. This sets out Ministers' overall expectations for delivery, with progress in meeting the priorities monitored as part of the post-16 Planning and Funding Framework. FEIs are required to submit provision plans each year, as part of an annual planning cycle, showing how their delivery of learning programmes will respond

to learner demographics and employer needs; learner data is used to monitor performance against the plans. Officials meet regularly with FEIs and local authorities to discuss progress and changes in provision and there has been some progress in bringing providers together to help address issues of competition and duplication.

The Welsh Government is also responsible for monitoring learner outcomes. Annual learner outcomes reports, summarising course success rates, have been published for a number of years and are underpinned by more detailed benchmarking data which providers can use to evaluate and compare their performance. There are, however, limitations to the measures currently used; they do not differentiate between graded outcomes and do not look at longer-term outcomes such as learner destinations. There is no consistency between the measures used for FEIs and sixth forms, even where the two are delivering identical courses and learning programmes, such as A levels. We are aiming to address this through the introduction of a new, consistent set of performance measures, comprising achievement, value added and destinations, following a consultation undertaken in the first half of 2017<sup>28</sup>.

Work Based Learning includes apprenticeships, traineeships and Jobs Growth Wales programmes. The relationship between the Welsh Government and WBL providers is a contractual one, with the provider network procured through a competitive tender exercise every few years. For this reason and because of the WBL programmes' extensive use of the European Social Fund, there is a performance management function in Welsh Government, which focuses partly on contractual compliance and on audit processes. Nonetheless, the arrangements for publishing learner outcomes are similar to those for the FE sector and in both sectors there is a range of Welsh Government-funded quality improvement initiatives to strengthen teaching, learning, assessment and leadership.

### *The Diamond Report*

The Diamond Review Panel, which reported in 2016<sup>29</sup>, considered a wide range of evidence relating to higher education, including participation patterns and widening access. The Panel's final report referred to the strong consensus amongst students, student representative bodies and widening participation professionals that current maintenance support is inadequate and that this is a bigger issue for students than the level of fees and fee support.

The Diamond Review's overarching recommendation, subsequently accepted by the Welsh Government, was that the focus of grant finance for undergraduate support should move towards support for maintenance, with the cost of tuition fees being met in full through loans. As the Diamond Review's proposals are implemented from academic year 2018/19 onwards, maintenance support will be improved for all Welsh-domiciled students, with the highest level of grant support directed towards those who are most in need. This has the potential to widen access to HE by under-represented groups – specifically students from low income backgrounds. The reforms also have the potential to improve retention and completion, by ensuring that all students – regardless of their background – have sufficient maintenance support to meet their living costs while studying.

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<sup>28</sup> <https://consultations.gov.wales/consultations/consistent-measures-post-16-learning-wales>

<sup>29</sup> <http://gov.wales/docs/dcells/publications/160927-he-review-final-report-en.pdf>

The Welsh Government believes that access to higher education should be determined by academic ability and the wish to benefit from a university education. It should not be determined by a person's social background. We will continue to support students so that we widen access to university, whilst also ensuring our universities are properly funded so that they offer the very best education and research available. The new student support package will target those most in need, and whilst every student will get the equivalent to the National Living Wage, the most grant will be provided to students with the lowest household incomes.

We believe the implementation of our response to the Diamond Review will encourage students from all backgrounds to attend higher education and will increase the numbers choosing to study undergraduate part-time and postgraduate courses.

The initial response, therefore, flagged up the need for the Government to develop a fairer system for distributing risks between the Government, HE institutions and students. However, the responses to the consultation on student support funding for students ordinarily resident in Wales confirmed that there is no consensus on sharing and controlling risks.

A working group undertook an internal analysis of the potential options for reform around these risks. Whilst the group has concluded that there is no immediate need for any changes to the current system, they believe that it would be prudent, in the longer term, for the Government to consider the following issues to ensure that the student support policy remains sustainable and that funding to the institutions in Wales remains stable:

- in line with other devolved administrations in the UK, whether the Welsh Government should implement variable fees depending on the domicile of students attending universities in Wales;
- that there should be a formal link between budgets for higher education and student support. This will allow flexibility in the distribution of budgets depending on demand;
- given that the level of support will be linked to the National living wage, the Government should retain the ability to vary grant and loans levels depending on demand – it is suggested that the level of support should only be reviewed every 3 years to ensure sustainability and to provide security to students.

Retaining / obtaining these powers would provide the Government with enough levers to be able to make sensible and rational decisions on future support and funding levels in a timely manner.

## THE TERTIARY EDUCATION AND RESEARCH COMMISSION FOR WALES

In line with the Hazelkorn report's recommendation, we propose establishing a new strategic authority for Wales, The Tertiary Education and Research Commission for Wales, (the Commission), to provide oversight, strategic direction and leadership for the whole PCET sector. Working under a remit set by Welsh Ministers and within an overarching vision for the post-compulsory education and skills system for Wales – based upon stronger links between policy, providers and socio-economic goals – the Commission would promote a shared focus, drive connectivity across the PCET sector to ensure value for money and improve the information, advice and service provided to learners and businesses across Wales.

By operating at arm's length, the Commission would bring objectivity and a broad perspective when interacting with both the Welsh Government and with the full range of PCET providers and employers. The new Commission would:

- create a stable environment for institutions and learners;
- provide a more long-term, strategic and consistent approach to planning and delivery of PCET;
- help manage the potential impacts of change;
- improve access to education and skills infrastructure and connectivity to virtual learning platforms;
- help grow talent and skills excellence;
- allow Wales to benchmark against international comparators and competitors;
- reduce unnecessary competition and duplication of resources and provision; and
- strengthen the national employer interface.

We propose to transfer a range of existing functions to the Commission, both from the Welsh Government and from HEFCW. Consideration will also be given to ensuring that the Commission employs a sufficient number of suitably qualified staff to carry out its functions effectively and provide the sector with the support and challenge it needs to achieve excellence.

### *Strategic Planning*

The Commission would have responsibility for strategic planning of educational and skills delivery across all PCET in Wales, ensuring:

- Provision is planned to meet the economic needs of Wales;
- coherence of provision and progression pathways across the whole PCET sector; and
- greater flexibility, effectiveness, responsiveness and relevance of provision.

Working with learning and training providers and in consultation with employers and other stakeholders, the Commission would be required to prepare a **strategic plan** covering initially a five-year period. The Commission would be required to submit its draft strategic plan for approval by the Welsh Ministers and, thereafter, to prepare and submit an updated plan for approval every five years. In preparing its strategic plan, the Commission would be required to have regard to any guidance given by the Welsh Ministers.



The strategic plan would be underpinned by the principles of the Well-being of Future Generations (Wales) Act 2015. It would focus on outcomes and the Commission would be expected to demonstrate how, through all of its activities, it will contribute to the goal of making Wales a more prosperous, ambitious, resilient and healthier country. Robust national and regional planning across PCET, based on collaboration and engagement, will also support our ambition to build more cohesive communities, support the Welsh language to thrive and make Wales a more equal place.

Proposals for possible mechanisms by which the Commission might operate are outlined within this paper, and one suggests establishing appropriate **Outcome Agreements** with the institutions and training providers it regulates or funds. Outcome Agreements would set out a mix of medium-term, strategic goals for the institution / provider, alongside operational targets and objectives, which would form the basis of annual funding allocations and performance monitoring by the Commission. Outcome Agreements may comprise a mix of regional, spatial and sector outcome targets or goals. They would also provide a framework for an ongoing dialogue between the Commission and individual institutions, in a spirit of support and challenge. Furthermore, the Outcome Agreements would be within the context of medium and long term strategic ambitions and objectives of each institution. This should reflect the civic, academic, economic and skills context.

To enhance integration across the PCET landscape in Wales, the Commission would work with local authorities and other regional and national bodies to develop new ways of working, joining up programmes and supporting cross-cutting strategies.

## Questions

**Do you agree the Commission should have a role in strategic planning at national level across the PCET system?**

**Should Outcome Agreements form the basis of the Commission's strategic planning relationship with institutions and providers? If so, what steps could be taken to ensure that Outcome Agreements do not encourage short-term thinking by institutions?**

### *A Single Funding Body*

The Welsh Government's intention is that the new Commission would take on all of HEFCW's current functions. In addition, the Commission would be given responsibility for policy, planning, funding, contracting, quality, financial monitoring and audit of further education, Work Based Learning, Adult Community Learning and relevant employability and employer led programmes. These are functions which are currently undertaken by the Welsh Government. Based on current and projected plans the Commission will therefore be responsible for securing value for money from a budget in excess of £500 million per annum.

The Welsh Government recognises the importance of institutional autonomy. Institutions must be free to make the decisions that are in their best interests and in the interests of their learners and communities. Innovation, responsiveness, institutional autonomy and academic freedom are principles that both the Welsh Government and the new Commission will continue to respect. Employers have a leading role in our skills system and the new

Commission would work closely with businesses to help them develop a skilled and motivated workforce to boost commercial success and promote social cohesion. The Welsh Government serves the interests of the nation as a whole. With such significant amounts of public funding provided to a wide range of learning and training providers and the success of our economy dependent on the outcomes for learners and employers, it is essential the Commission and the providers it funds are properly accountable for the outcomes delivered through that investment.

Currently, funding is provided through a range of different mechanisms, depending on the type of course, institution or provider and even the aim of the programme – e.g. gaining employment. The introduction of Outcome Agreements will help ensure accountability and achieve greater consistency. The focus would be on achieving national and regional policy priorities, ensuring that institutions are funded to deliver a specified range of outcomes. The Commission would work with institutions and providers to agree relevant outcomes and targets which contribute to areas of national priority. At a time of national austerity and continuing significant pressure on the budgets devolved to Wales, it is all the more essential that limited funding should achieve maximum impact.

As a result, we propose that eligibility for funding by the Welsh Ministers for PCET in Wales should be made conditional upon agreement to the strategic plan submitted by the Commission. In turn, funding for individual providers (or clusters of providers) could be dependent on performance against Outcome Agreements. We recognise the move to this new funding model would require carefully planned transition, so as to ensure institutions and training providers are not put at unacceptable risk. We set out later in this paper a range of potential models of regulation which could facilitate more effective management of risk across the PCET system, whilst being responsive to the circumstances and needs of different types of provider.

### **Questions:**

**Do you agree that funding to the Commission should be dependent upon the production of a strategic plan approved by Welsh Ministers?**

**Do you agree that a provider's eligibility for funding should be conditional on producing an Outcome Agreement that reflects relevant priorities in the Strategic Plan?**

**Do you agree that the levels of funding should be dependent, in any way, upon a provider's performance against its Outcome Agreement?**

**Do you think that the Commission should be empowered to make recommendations to the institution, and/or to the Welsh Government, where an institution is at serious financial risk?**

**Do you think that where it judges that an institution has become financially non-viable, the Commission should be empowered to make appropriate recommendations to the Welsh Government?**

**What safeguards may be required?**

## Protecting the interests of learners in the PCET sector

We recognise that choosing to undertake a programme of study can be a significant commitment for a learner. If they are no longer able to continue on their course at their chosen provider because of the closure of the course, the closure of a campus or site, or because of provider failure, arrangements should be put in place for them to continue their learning.

Arrangements are already in place in Wales for learners to continue to receive student support to complete their higher education course at a provider that is no longer part of the regulated HE sector. Of course, it is recognised that it may not be desirable or possible for learners to complete their course with the same provider in all circumstances.

Currently, student protection measures in higher education are not a statutory requirement and are addressed through a range of mechanisms. For example, they are part of the baseline requirements in the higher education quality assessment framework for Wales, established by HEFCW. In addition the UK Quality Code for Higher Education<sup>30</sup> establishes the expectation that degree-awarding bodies have obligations to students admitted to programmes of study under their degree-awarding authority. They include, amongst other things, ensuring that adequate contingency plans are in place to protect the academic interests of students, in the event of discontinuation of programmes of study. In cases where HEFCW consider that provision at a regulated institution may be at risk, the institution would be requested to provide HEFCW with a student protection statement confirming how the institution would ensure that students would be able to complete their qualifications in the event of course closure or institutional failure.

We would like to explore whether there would be benefits in requiring higher education providers to produce student protection plans within their Outcome Agreements, which would be subject to approval by the Commission. The plans could be shared with prospective and existing learners to provide information on how they would be supported if their learning were to be disrupted due to closure of a course/campus, or failure of the provider.

Currently, there are no equivalent formal arrangements to protect the interests of a learner in a further education institution if they are no longer able to continue on their course at their chosen provider because of the closure of the course, the closure of a campus or site, or because of provider failure. However, the Technical and Further Education Act 2017 makes provision for a special administration regime to operate alongside ordinary insolvency, with the purpose of protecting learners in the event of a FE college or designated institution (FE bodies) being insolvent. This provision will apply to England and Wales.

WBL delivery is currently procured. This creates a probability of learner displacement at every procurement round; providers with a contract pre-tender may not have a contract post-tender. This change within the network is managed by ensuring successful bidders accept a duty to recruit any displaced learners and to continue their training to the completion of their learning programmes. Commission staff will need to manage this transition carefully to ensure learning is not unnecessarily disrupted.

Where there is provider failure outside the procurement process, the Commission would need to identify alternative provision at the earliest opportunity to enable transfer of learners elsewhere. This may mean that for a period learning is suspended whilst this action is

<sup>30</sup> UK Quality Code for Higher Education: <http://www.qaa.ac.uk/assuring-standards-and-quality/the-quality-code>

pursued. To manage through the interim period, the Commission will need to have a process that enables it to contact learners and employers (and, if necessary, make any allowance payments to learners) to facilitate the transition. Consideration will be given to what protections can be provided to apprentices in the event that an employer fails, or for some other reason an apprentice is unable to complete their apprenticeship.

### **Questions:**

**Do you agree that the arrangements to protect learners studying at PCET providers in Wales need to be strengthened?**

**If yes, what arrangements should be put in place to support learners no longer able to continue on their course at their chosen provider because of the closure of the course, the closure of a campus or because of provider failure?**

**Should providers offering higher education courses that are designated for statutory student support in Wales become required to produce student protection plans within their Outcome Agreements?**

### *Supporting learners who wish to transfer between courses or providers*

The ability for learners to transfer between courses or providers, whilst having their existing learning recognised, is an important element of placing the needs of the learner at the centre of the educational system. Learners may decide to transfer from their original course for a variety of reasons and the ability to transfer can provide flexibility for balancing work, life and study commitments and may help prevent learners dropping out of learning. Awareness of arrangements to transfer courses or providers should be promoted amongst learners.

### **Questions:**

**What support should be provided to learners wishing to change courses or provider?**

**What role, if any, should the new Commission have in ensuring arrangements are in place to facilitate student transfer arrangements and to promote awareness of these arrangements amongst learners?**

### *Managing Learner Complaints*

All PCET providers should have clear policies and procedures in place to enable a learner to make a complaint regarding their learning experience. It is also expected that providers use complaints from learners to improve the quality of their provision.

Learners studying at *higher education* institutions are able to refer their unresolved complaints to the Office of the Independent Adjudicator for Higher Education (OIA). Learners studying on higher education courses at further education institutions and alternative providers of higher education that offer courses designated for statutory student support are also able to take their unresolved complaints to the OIA. The OIA is the designated operator for handling unresolved student complaints in HE in England and Wales. The OIA provides an independent, transparent complaints handling scheme to

review student complaints and academic appeals. The OIA also provides information and guidance to members of the scheme on handling student complaints and academic appeals.

The Welsh Government has issued guidance to *FE institutions and work based learning providers* on handling complaints. However, the Welsh Government has no legal powers to investigate unresolved complaints from learners studying at these providers. Learners on higher level apprenticeship programmes that lead to higher education qualifications may be able to take an unresolved complaint regarding their higher education course to the OIA.

There is no equivalent body to the OIA to which learners following further education and work based learning courses at FE institutions or work based learning providers can refer their unresolved complaints.

**Questions:**

**Is there a need to introduce complaints resolution arrangements for learners in the PCET sector, who are currently unable to take their unresolved complaints to an independent body?**

**If yes, what complaint resolution arrangements should be put in place for learners across the PCET sector?**

*Quality Assurance and Enhancement*

One of the key responsibilities of the new Commission would be to ensure that learning and training opportunities across the PCET sector are of the highest quality and deliver the desired outcomes for learners. Currently, HEFCW has a statutory responsibility to assess or to make arrangements for the assessment of the quality of education provided by, or on behalf of, regulated Welsh institutions. This includes responsibility for programmes of higher education delivered in those further education colleges with approved fee and access plans. Estyn is responsible for the inspection of PCET in FE and related settings and for inspecting the quality of initial teacher education and training in higher education. The Welsh Government has responsibility for ensuring that the provision it funds is of adequate quality to meet learners' needs and, in practice, this includes systems for calculating and monitoring performance measures, as well as financial support for quality improvement initiatives.

Quality assurance is fundamentally important to delivering the best outcomes for learners. The Commission would therefore be placed under a statutory duty to assure the quality of education and training across all post-compulsory sectors. The Commission would not necessarily undertake quality assurance checks and inspections itself, but be free to contract with any suitable agency or agencies – including any international quality assurance body – if that is in the best interests of learners in Wales.

Quality assurance on its own is not sufficient. In keeping with our ambitions for schools and the teaching profession in Wales, we need all parts of the PCET system to be focused not just on maintaining minimum quality standards, but on continuous improvement. We would therefore intend to place the Commission under a duty to promote enhancement in the quality of teaching and learning across the whole sector for which it would be responsible.

**Questions:**

**What models could be used by the Commission for a Quality Assurance Framework encompassing all types of provision?**

**Should quality enhancement be a key feature of the Quality Assurance Framework operated by the Commission?**

*Financial and Governance Assurance*

In order to deliver the highest quality provision for learners and safeguard the significant public investment they receive, PCET providers must have robust and effective financial management and governance arrangements in place.

With current arrangements, HEFCW is required, under the Higher Education (Wales) Act 2015, to publish a financial management code and ensure that regulated higher education providers comply with any requirements placed on them under this Code. HEFCW also provides assurance that institutions adhere to principles of good governance. The Welsh Government is responsible for monitoring the financial health and governance arrangements of FEIs in accordance with its Financial Memorandum with institutions and for monitoring work-based learning providers under its existing contractual arrangements.

To protect the interests of learners and ensure that Wales has a sustainable and high quality PCET sector, we consider that the Commission should be placed under a duty to assure the financial health and governance arrangements of all PCET providers.

Apprenticeships in Wales are governed by the Apprenticeships, Skills, Children and Learning Act 2009 (the 2009 Act). This legislation was brought into effect for Wales in May 2013 and, despite changes made in England, has remained largely the same for Wales since then. We think that, in light of the wider changes to the post-16 sector now being discussed in this White Paper, it is the appropriate time to consider if these provisions are still working in the best interests of apprentices and employers in Wales. This is especially important, given the changes to the apprenticeship system in England over recent years.

**Question:**

**We would welcome views on how Welsh apprenticeships should, in the future, fit within the role of the Commission. In particular, we would welcome views on what, if any, changes could be made to the Welsh apprenticeship system provided for in the 2009 Act.**

*Management of Performance and Risk*

The new Commission should report annually to the Welsh Ministers on the performance of the PCET sector. This would include a financial report and an update on student numbers and other relevant data. This increased amount of publicly available data on institutional and student performance and outcomes would help inform Welsh Government and Commission policy-making, as well as constituting a useful source of information for learners, stakeholders, including businesses, researchers and citizens. The report would be

published and would be considered by the National Assembly for scrutiny. The annual report would provide assurance to the Welsh Government, the National Assembly and the people of Wales that the funding over which the Commission has stewardship is used appropriately and is delivering the intended outcomes. The report would be based on performance against the agreed strategic plan, drawn up by the Commission.

While this approach would also ensure that the Commission and the institutions or providers it funds would have an effective channel for feeding into the national policy-making process and helping to inform national strategic planning, the strategic plan would be reviewed on a three-yearly cycle. This would allow sufficient time for any changes in strategy to embed and would protect the sector both from the dangers of constant change and from the risks of change which is not properly evidence-based. We intend that respect and partnership working should be the values underpinning and ensuring the success of the new system.

During a period of prolonged and fundamental change to PCET systems and funding arrangements across the UK, it will be important for the new Commission to manage risk across the Welsh system. Risks can take many different forms – risks to funding, reputation, governance or quality present complex challenges for any national regulatory and funding body.

Current approaches to managing performance and risk vary across sectors. Higher education institutions are independent bodies, autonomous from government; most established universities and all of those based in Wales have charitable status and some are established by Royal Charter. HEFCW has statutory responsibility for monitoring the financial position of regulated HE providers in Wales and reporting on risk.

Further education institutions are independent of government also, but are more heavily reliant on direct funding from Welsh Government for the activities they undertake. Monitoring of FEIs' financial health is undertaken by the Welsh Government. WBL providers, meanwhile, have a contractual relationship with the Welsh Government. Performance against contracts is monitored and, in the case of provider failure, the Welsh Government manages the impact on learners to ensure that they can complete their training. In addition, the Welsh Ministers are the Principal Regulator of Welsh Further Education Corporations and St David's Catholic College, for the purposes of Charity Law<sup>31</sup>.

Later in the paper we discuss proposals for a new system of registration for PCET providers in Wales. An effective system of registration should enable the Commission to operate an approach to performance and risk management which will be sensitive to the differences between types of education and training provider, whilst safeguarding, as fully as possible, the public interest and the interests of learners and trainees.

### **Questions:**

**Do you consider that the proposals above for monitoring performance and achieving accountability across the PCET system are sufficient and appropriate?**

**What more might need to be done to secure the sustainable operation of the PCET system in Wales over the longer term?**

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<sup>31</sup> Charities Act 2011 (Principal Regulators of Exempt Charities) Regulations 2013/1764

## *Research and Innovation*

Whilst a clear separation between teaching and research has now emerged in England's higher education landscape, our proposed arrangements seek to maintain the benefits of national and institutional links between research, innovation, teaching, skills development and work-based learning. "*Linking teaching and research to societal needs and opportunities*"<sup>32</sup> is crucial to a strong, civically engaged post-compulsory education system. Our proposals provide a clear focus and identity for national research and innovation funding and governance, which gains from close links with wider PCET promotion and oversight.

There is substantial evidence that a strong research base underpins a thriving economy, supports better health and social care and showcases Wales as a modern, vibrant, innovative nation. Evidence also shows that Wales' research is more influential than many comparator countries but that it lags behind them in research capacity and the level of research funding that is secured.

The Welsh Government's 'Science for Wales' strategy was published in the Spring of 2012 and is being implemented with the aim of increasing the research capacity within Welsh universities. The £50 million **Sêr Cymru** funding programme was launched in the Autumn of 2012, as a statement of intent by the Welsh Government to start to address the shortfall in researcher numbers. This has been followed by two new Sêr Cymru programmes, funded by Horizon 2020 and ERDF Structural Funds matched by Welsh Government funds and institution contributions. These programmes focus on three main Grand Challenge areas: Life Sciences and Health, Low Carbon, Energy and Environment and Advanced Engineering and Materials. Major areas of focus under these themes are drug discovery, compound semiconductors, energy resources and photo-voltaic research. New areas are being pursued, such as nuclear power related research, neurodegenerative diseases and dementia research, all based on existing research strengths or on exploiting new economic opportunities.

The UK Government's Higher Education and Research Act 2017 (HERA 2017) introduces major changes in the way research is funded in the UK and in England by the creation of a new body, UK Research and Innovation (UKRI). The aim of these changes is to make the UK research and innovation landscape more responsive to an overarching UK national strategy, in terms of the needs of the economy, industry, health and well-being.

Through the Commission, we need to be able to respond positively to the changes being introduced at UK level, by creating a vehicle to engage and collaborate with UKRI on behalf of Wales. The Hazelkorn report did not specifically address research governance but did recognise it as a specialist area which needs addressing as a discrete activity.

The dual-system of funding research in HEIs is regarded as being the essential bedrock on which the UK has built its world-leading research base. This dual-system is composed of competitively awarded funding, which is managed by the UK Research Councils, and core, or block grant, Quality-related Research (QR) funding that is distributed by the Higher Education Funding Councils (HEFCW in Wales) according to institutions' performance in the Research Excellence Framework (REF). HERA 2017 will protect, in law, this long-standing

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<sup>32</sup> Prof John Goddard, *Reinventing the Civic University (NESTA)*, 2009



dual-support mechanism for the future. There are related risks to Wales inherent in the HERA 2017:

- the distinction between QR (in England) and UK-wide Research Council and Innovate UK funding could become blurred and the dual funding streams entangled at a strategic level in a way that could put Welsh universities at a disadvantage;
- Research England will engage with UKRI on strategy development, which will not be replicated for Wales and the other devolved governments; and
- funding could become targeted increasingly towards a smaller number of elite universities, in particular the 'Golden Triangle' (London & Oxbridge) and 'Northern Powerhouse' universities, as identified by the recent BIS-driven Science and Innovation Audits.

The Hazelkorn Report noted that:

*“Given the strategic importance of research, there is a need for a targeted evaluation of research capacity and capability.”*<sup>33</sup>

Several lines of evidence now show that Welsh researchers operate at a high level but that there are too few researchers in key areas. The recent reports by Halligan & Bright<sup>34</sup>, Elsevier<sup>35</sup> and REF 2014<sup>36</sup> highlight the quality of research in Welsh HEIs, but also illustrate the smaller research capacity in Wales currently, relative to the rest of the UK. The evidence indicates a shortfall of 620 researchers in Science, Technology, Engineering, Mathematics and Medicine across Wales. The Cabinet Secretary for Education announced, on 31 January 2017, that the review of research and innovation will be undertaken by Professor Graham Reid. Professor Reid will report in December 2017.

It is proposed that the Commission, acting as an arms-length body accountable to the Welsh Ministers, would be given responsibility for coordinating QR and post graduate research capacity funding in a more strategic and dynamic way and for ensuring alignment with other, competitively-awarded research capacity funding (e.g. Sêr Cymru) according to a national strategy. This would include other relevant research-related funding and other research capacity funding streams allocated to the Commission from the Welsh Government, such as Ph.D. doctoral funding (but maybe excluding Health and Care Research Wales funding, but with which it would work closely to coordinate funding of complementary research).

We propose that legislation to establish the Commission should also provide for a committee of the Commission to be known as **Research & Innovation Wales (RIW)**. Its purpose would be to oversee and coordinate Welsh Government research and innovation expenditure provided to the Commission with the aim of creating a more dynamic and responsive-to-need research, innovation and knowledge translation environment in Wales. RIW would be a committee of the Commission, comprising experts in the fields of research and innovation and including some members of the Commission. Its specific functions would be set out in the legislation. RIW would be accountable to Welsh Ministers through the Council of the Commission, but would be required to publish a separate strategy, setting

<sup>33</sup> <http://gov.wales/docs/dcells/publications/160310-hazelkorn-report-en.pdf>

<sup>34</sup> The Case for Growing STEMM Research Capacity in Wales', Prof Peter Halligan; Dr Louise Bright published by Leadership Foundation for Higher Education, May 2015;

<sup>35</sup> International Comparative Performance of the Welsh Research Base 2013 – A report prepared by Elsevier for the Higher Education Funding Council for Wales and the Welsh Government February 2014)

<sup>36</sup> REF Research Excellence Framework 2014 published in late 2014.

out its plans for strengthening research excellence and innovation in Wales and to report annually to the council of the Commission on its performance against agreed outcome targets. The Council of the Commission would have overall responsibility for ensuring that its activities across the PCET sector and those of RIW are fully aligned with national strategic goals.

We propose that this committee of the Commission should have the following characteristics:

- it should have a clear identity, remit and freedom to operate within the Commission according to the overall direction of the Commission Strategic Plan;
- it must be recognised UK-wide as the voice and leader of R&I funding within Wales;
- it should be able to protect the identity, integrity and interests of research and innovation in Wales;
- it should have a separate governance, steering and management structure within the Commission, accountable to the main Commission Board;
- it would take account of Welsh Government strategies and national economic, health and social well-being, industrial, environmental and other priorities, as defined in the Commission Strategic Plan agreed between the Commission and Welsh Ministers;
- it would be accountable, through the Commission, to Welsh Ministers for the dissemination, use, monitoring and performance of all research and innovation and related funding (e.g. post graduate research) for which it is responsible;
- it should establish two discrete funding routes: a) that of un-hypothecated Quality-related Research (and innovation) (QR) funding based on REF performance and b) that of hypothecated Strategy-related Research and Innovation (SRI) funding awarded on competitive merit according to Welsh Government national priorities agreed in the Commission Strategic Plan;
- it would be required to consider and protect the principle and the balance between the components of the dual funding system of un-hypothecated QR funding and hypothecated SRI funding;
- it would coordinate SRI and other Welsh Government-sourced research and innovation funding made available to the Commission and integrate these under a common joint strategy;
- it should identify and articulate the national strategic objectives, define deliverables and set targets, award funding, monitor and audit delivery of outcomes against targets;
- it should maintain close engagement and collaboration with other Welsh Government research and innovation funding providers (i.e. Welsh Government R&I funding not routed through the Commission, for example Health and Care Research Wales), UK Research & Innovation (UKRI) and engage with Research England on common activities such as REF;
- it would be focused on research and innovation capacity, capability and infrastructure expansion (people, equipment, laboratories and organisations) within the HE, FE, RTO (Research and Technology Organisations) sectors and industrial private-sector organizations;
- it would act as a driver for changes in behaviour at HEIs, FEIs and other bodies as appropriate.

Professor Graeme Reid is undertaking a review of government funded research and innovation in Wales. He aims to report back by the end of 2017 with recommendations on the future development of research and innovation in Wales.

**Questions:**

**Do you agree that there should be a committee of the Commission to be known as Research & Innovation Wales?**

**Do you agree that Research & Innovation Wales should operate as set out above to develop research and innovation capacity and capability in Wales?**

*Widening access and participation in the PCET sector*

The governing bodies of institutions within the further and higher education sectors in Wales must, when exercising their functions, have due regard to the public sector equality duty in the Equality Act 2010<sup>37</sup>. Such institutions are required<sup>38</sup> to publish and to keep under review a Strategic Equality Plan which sets out their equality objectives, the steps they will undertake to achieve these objectives, the timeframe for achieving each objective and how they intend to monitor progress and effectiveness of the steps. In establishing a new Commission for the PCET sector we have an opportunity to build on the excellent work that has already been done to widen learner access to all aspects of PCET. We must also consider what more can be done to enable learners to access PCET, particularly where they face significant disadvantage or are from under-represented groups.

Although there has been an increase in full-time higher education participation over the past decade (2006/07 – 2015/16), there are notable disparities in participation rates across Wales, at both undergraduate and postgraduate levels. The full-time undergraduate participation rates have been consistently low in local authority areas with higher rates of socio-economic deprivation<sup>39</sup>. For example, the average participation rate in Blaenau Gwent is among the lowest, whereas that in Monmouthshire is among the highest over the same period. Similar trends are evident in relation to postgraduate study, with the more income deprived areas of Wales tending to have fewer postgraduates per full-time undergraduate than more affluent areas. For example, there are approximately twice as many postgraduates per full-time undergraduate in Cardiff and Ceredigion than in Merthyr and Pembrokeshire. In contrast to full-time study, the participation rates in part-time higher education have decreased over the past decade. There are also some notable variations in the rates of part-time undergraduate study, with higher rates in the more income deprived areas. For example, in Neath Port Talbot, nearly 6 out of 10 undergraduates starting a course in 2015/16 were studying on a part-time basis, whereas the rate of part-time study in Monmouthshire was 3 out of 10 undergraduates. These findings suggest that more needs to be done to tackle inequalities in access to higher education, supporting progression from undergraduate to postgraduate study and ensuring the availability of part-time study opportunities. This was one of the major considerations of the Diamond Review, cited above.

The participation rates in further education and work-based learning differ considerably from those in higher education and also show variation across Wales. In general, the participation rates in further education are higher in those local authority areas with higher

<sup>37</sup> Schedule 19 Part 2 to the Equality Act 2010 lists the governing bodies of institutions within the higher education sector and further education sector as being covered, within the meaning of section 91 of the Further and Higher Education Act 1992.

<sup>38</sup> under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011

<sup>39</sup> As demonstrated by analysis of HESA data and the Welsh Index of Multiple Deprivation for the academic years 2005/6 to 2015/16

rates of socio-economic deprivation, being particularly so for the 16-24 year old age group. The same is true of participation in work-based learning. However, the participation rates for the over 25s show a more marked correlation with socio-economic deprivation.

The Welsh Government is committed to higher education being available to all with the potential to benefit and wishing to participate, regardless of social and economic background. The progressive and sustainable student support system, which we are establishing in response to the Diamond Review, supports this commitment.

When choosing to undertake a higher education course, although learners are generally supported by Government loans and grants they are being asked to make a considerable financial investment in their education. Arrangements have been in place for over a decade to ensure that higher education institutions spend some of their income from student fees on measures to encourage and support learners into higher education, particularly learners from groups under-represented in higher education.

The Higher Education (Wales) Act 2015 (The 2015 Act) requires that all higher education providers, who wish for their courses to be automatically designated for statutory student support, must commit to activities and investments which support the promotion of equality of opportunity in connection with access to higher education and the promotion of higher education. Higher education providers are required to set out these activities and investments in fee and access plans which are submitted to HEFCW for approval. In this context, promotion of equality of opportunity, in connection with access to higher education, relates to removing potential barriers to higher education experienced by under-represented groups. Some learners may also need additional support to remain and succeed in higher education.

Higher and further education institutions, schools and other stakeholders work collaboratively as members of the **Reaching Wider Partnerships** in Wales. Reaching Wider Partnerships were established by HEFCW in 2002 as a Wales-wide long-term programme to break down perceived barriers and widen access to higher education and higher-level skills. The Reaching Wider programme aims to increase higher education participation from targeted groups and communities in Wales by raising educational aspirations and skills and creating innovative study opportunities and learning pathways to higher education.

The Diamond Review recommended that funding should be provided to HEFCW to drive change in areas associated with Welsh Government priorities, including widening access. The Review stated that 'there is a strong case for funding, probably on a joint basis with HE providers or consortia of HE providers, to promote and incentivise aspiration-raising and the social aspects of widening access.'<sup>40</sup>

PCET offers vital opportunities for people of all backgrounds and levels of ability to participate and succeed in learning. This includes FE, WBL and ACL offering a 'second chance' to young people and adults who may not have done well at school, or to those who need to develop new skills in order to enter and maintain employment. This provision is wide-ranging, including everything from entry level provision for school leavers, to literacy and numeracy courses for adults and access to higher level qualifications and skills. For some of these learners, developing confidence and motivation are at least as important as gaining formal qualifications.

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<sup>40</sup> <http://gov.wales/docs/dcells/publications/160927-he-review-final-report-en.pdf>

In addition to the wide-ranging offer of provision at all levels, Educational Deprivation funding is given to support Further Education Colleges and Local Authority Sixth Forms to recruit, engage and successfully progress learners domiciled in the most educationally deprived areas in Wales. This funding is based on the Education domain of the Welsh Index of Multiple Deprivation, supporting learners across all levels of provision and providing nearly £17m of additional support for educationally deprived learners.

As part of their conditions of funding, FE institutions and WBL providers are required to have equality policies which ensure that learners with protected characteristics are not disadvantaged in any way. To assist the WBL provider network in planning their strategies and implementing their action plans, Welsh Government are funding an Equality and Diversity Champion. The aim is to increase participation of protected groups on apprenticeships and to instigate a culture change on the programme that embraces diversity. Targeted action, in conjunction with wider specialist organisations such as Remploy, is also taking place to reduce barriers faced by those with protected characteristics when accessing the Apprenticeship programme.

Estyn inspections include a focus on the progression and outcomes for specific groups of learners, including those from deprived backgrounds and protected groups; and benchmarking data is available to help learning providers to measure and compare success rates for different groups of learners. There is, however, a need for more analysis and research to understand the outcomes for learners from different backgrounds and to ensure that PCET providers have all the information they need to advise and support these learners to reach their full potential.

### **Questions:**

**What actions, if any, should be undertaken to encourage greater participation in the PCET sector, particularly by individuals from disadvantaged and under-represented groups?**

**How could we ensure greater retention on and successful completion of PCET courses by these groups?**

### *Measuring impact*

There has been considerable investment, both by Welsh Government and PCET providers, in activities to break down barriers to education and to encourage individuals from under-represented groups to enter and succeed in education. How do we know that these activities are making an impact? How can we identify the most beneficial forms of interventions at each stage of the learner journey?

We will consider what actions can be taken to gain a greater insight into the learner journey and progression within and beyond the PCET sector. We will explore how we can build on current data sharing developments with a focus on learner choices and decision making to provide insights for policy development to support widening access.

We have already introduced an annual matched dataset, which links data on school pupils, FE, WBL, HE and examinations in order to build up an overall picture of learners' characteristics, programmes and outcomes. This will form the basis for measuring educational progression and destinations (including outcomes linked to learner characteristics, such as free school meal eligibility, looked after child status and prior

attainment). Alongside this, we are working with the UK Government to participate in the Longitudinal Education Outcomes Study, which links education records to employment, earnings and benefits records. Together, these arrangements will enable the introduction of robust destinations measures and a programme of research into the effectiveness of PCET in helping learners to achieve sustainable positive outcomes.

We will consider whether a duty should be placed on further and higher education providers to publish and provide to the Commission, data on the application, acceptance and progression rates of students, broken down by gender, ethnicity and socio-economic background. We will also consider how we work with organisations that provide shared central admissions services (such as UCAS) so that the relevant data they hold can be used to support the development of widening access activities.

### **Questions:**

**How can the evidence base for widening access across the PCET sector be strengthened?**

**Should further and higher education institutions be placed under a duty to publish and provide to the Commission, data on the application, acceptance and progression rates of students, broken down by gender, ethnicity and socio-economic background?**

### *Welsh Medium PCET*

Providing opportunities for individuals to learn through the medium of Welsh in the PCET sector is a key priority in ensuring that the Welsh language skills of young people learned in our schools are maintained and developed for use in future employment. This activity fully supports the Welsh Government's objective of a million Welsh speakers by 2050.

The Coleg Cymraeg Cenedlaethol was established in 2011 to provide independent oversight, strategic direction, and support to the development of Welsh-medium higher education across Wales. A task and finish group has been established to review the activities of the Coleg and to make recommendations on its future development. As part of its work the task and finish group has been asked to consider whether the Coleg's remit should extend to the PCET sector and if so provide potential options on how to take this forward. It is envisaged that the task and finish group will submit its report and recommendations to the Cabinet Secretary for Education in Summer 2017.

We will take into account the recommendations of the task and finish group when establishing the new Commission and ensure that it supports the Government's vision of a million Welsh speakers and associated strategy.

### *Relationship with other regulators and relevant UK bodies*

The new Commission will need to work with a range of bodies in Wales and across the UK which play a role in the regulation of PCET. The main focus of here is on bodies with which a statutory relationship will be required. However, the Commission will also need to develop efficient and effective working relationships with a wide range of bodies some of which have their own statutory functions to discharge or provide services on which the regulation and operation of the PCET sector relies. These include but are not limited to: PCET funding

authorities throughout the UK, the Charity Commission for England and Wales, the Privy Council, Estyn, the Education Workforce Council (EWC), Qualifications Wales, Careers Wales, the Sector Skills Councils, the Office of the Independent Adjudicator (OIA) the Quality Assurance Agency for higher education (QAA), the Higher Education Statistics Agency (HESA), the Leadership Foundation for Higher Education, the Student Loans Company (SLC), the Competition and Markets Authority (CMA), the Universities and Colleges Application Service (UCAS) and Unistats.<sup>41</sup>

We envisage the Commission's working relationships with other bodies will be formalised in memoranda of understanding or service level agreements where appropriate. The new Commission would also need to engage with representative bodies including NUS Wales, Colegau Cymru, Universities Wales, the National Training Federation for Wales and staff and teaching unions.

Currently, HEFCW may work with HEFCE and with the Scottish Funding Council to voluntarily exercise their functions jointly provided it appears to them that to do so would be more efficient or would enable them more effectively to discharge any of their functions. Such joint working may be of benefit in light of the cross-border flows of students, collaboration on research activities and maintenance of a UK-wide approach to higher education quality standards. Going forward HEFCE is to be abolished and certain of its functions transferred to the Office for Students (OfS) and to Research England, a Council of Research and Innovation UK (UKRI). Provision has been made in the Higher Education and Research Act 2017 to enable HEFCW to exercise its functions jointly with the OfS and UKRI (in relation to the functions exercisable by research England) where doing so would enable them to discharge their functions more efficiently or effectively. The Welsh Government recognises that the Commission would need to work with the OfS and with UKRI and with the Scottish Funding Council.

### *Sixth forms*

The Hazelkorn report emphasised the need to create greater coherence across the education system and particularly the post-compulsory sector. Sixth forms are a significant and vital part of the PCET landscape. Each year nearly half of 16 year olds who continue in full-time education do so in school sixth forms.

We know that in some areas of Wales, there are strong partnerships between learning providers which help to ensure that all young people get the advice and guidance they need to choose the right learning pathway and to progress to higher learning and employment. The Seren network, which supports academically able learners to progress to selective universities, is an example of how well these arrangements can work. In other areas, however, there is competition and inefficiency. The Commission is being created in order to bring greater coherence to PCET in Wales and it is difficult to envisage how this can happen unless there is close integration with sixth form delivery – and indeed with the whole of the schools system.

However, sixth forms are not a stand-alone entity, but an integral part of schools, falling within the school improvement remit of regional education consortia. Including them in the Commission's remit would create challenges for schools, local authorities and consortia, with the potential for overlapping governance regimes and monitoring arrangements. This,

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<sup>41</sup> Annex B contains a glossary of these organisations

in turn, would risk increasing bureaucracy and workload for schools. There would also be the risk of increasing, rather than reducing complexity in education and of boundaries becoming blurred, in a way that would not be helpful. We may gain more coherence for post-16 learning at the expense of losing it at the point of transition from compulsory to post-compulsory learning stages. There are no straightforward answers to this dilemma.

In making the decision on sixth forms and the Commission, consideration needs to be given to a number of practical issues:

- the long-established common planning and funding framework which operates across sixth forms and FE, which ensures that there is a coherent set of learning programmes funded consistently and planned to meet local needs;
- the development of consistent performance measures for sixth forms and FE. We have just completed a consultation<sup>42</sup> on the proposed measures and found universal support for the concept of consistency in how learner outcomes are measured; both schools and colleges see this as long overdue and want a fair, transparent approach across settings;
- Ministers' desire to improve A level results, which requires a coherent plan across sixth forms (where 70% of A level delivery takes place) and FE (30% of delivery);
- partnership working between post-16 providers, via 14-19 networks, Seren hubs and other mechanisms;
- the need for coherent planning of provision to avoid duplication and gaps; and
- the respective responsibilities of the Commission and education consortia for supporting improvement and arrangements for joint working.

In addition, it is important to bear in mind that the Commission would have a major task of integrating all of the elements of PCET into a single sector. As integrating sixth forms into this sector would present additional challenges, one option might be to integrate the sector without sixth forms, in the first instance, whilst providing for their inclusion at a later date. When the changes have been embedded, the position would be reviewed. Sixth forms could then be included within the Commission's remit if there were clear benefits in doing so.

### Questions:

**Do you think that the Commission should have responsibility for the planning, funding and monitoring of school sixth forms? If yes, please give reasons?**

**Do you think that the Commission should have any other role in relation to school sixth forms, for example provider registration, quality assurance and enhancement, and governance? If yes, please give reasons?**

**Do you think it might be preferable to establish the Commission without including sixth forms within its remit, but with the option of doing so at a later date?**

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<sup>42</sup> <https://consultations.gov.wales/consultations/consistent-measures-post-16-learning-wales>



## MANAGING THE RELATIONSHIP BETWEEN THE COMMISSION AND PROVIDERS

We are committed to upholding institutional autonomy and guaranteeing academic freedom. Both of these principles are vital in any modern democracy. Alongside them, we must ensure the interests of learners are protected. This requires assurances about the financial health and good governance of institutions, as well as assurances that learners receive high quality and appropriate education and training. Accountability for taxpayers' money is a major consideration, particularly when resources are so tight. We would therefore expect providers to contribute to the delivery of national priorities and if it is decided that outcome agreements are the way forward, they could provide the framework for this. However, we also need a system that is flexible enough to support the full range of learning opportunities.

The new Commission is intended 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. However, this requires that careful thought be given to the type of relationship that should exist between the Commission and the full spectrum of learning providers. We need a mechanism which will foster a supportive, constructive relationship, whilst providing the Commission with the means to safeguard both the interests of learners and the government funding that learning providers receive.

We set out here three possible models for this relationship, identifying advantages and disadvantages of each and questions for consideration. The second and third models also incorporate funding mechanisms. Therefore, if we adopt the first model, consideration will need to be given to the funding model that should be in place and whether it would be appropriate to combine the first model with either model two or model three. Whatever mechanism is used for managing the relationship between the Commission and providers, PCET providers would need to ensure that they reflect the relevant priorities in the Strategic Plan.

### *1. The Registration of Provider Model*

The new Commission could operate a registration system to secure a consistent approach across the range of PCET providers. It would operate as a gateway through which institutions must enter in order to benefit from support through public funds. The terms and conditions of provider registration would be proportionate to the levels of fees charged for courses and/or the government funding received, as well as the numbers of students in attendance. We recognise, however, that some providers may deliver provision that could result in them falling within more than one registration category and this would need to be considered. The system of registration for providers of PCET would comprise the following categories:

- Registered Providers
- Certified Providers
- Recognised Providers.

#### (1) Registered Providers

We would expect Registered Providers to be mostly HEIs and FEIs, delivering the majority of provision and receiving public funds, or with students in attendance who are eligible for student support from the Welsh Government. If these providers wished to access public funding for the education and training they delivered, they would be required to register with the Commission. This would include providers wishing to deliver some courses eligible for limited public funding. Registered providers would be subject to regulation by the Commission. Since these providers would benefit most from public funding, they would

have the most rigorous conditions for registration. As the registration process would be a comprehensive one, the timescales within which providers would be required to re-register could potentially be longer than other categories of registration.

## (2) Certified Providers

This category would include predominantly WBL providers or others whose only public funding comes via contracted provision. WBL providers already go through a rigorous procurement process and are subject contract management controls. For that reason, they would not be required to duplicate this by going through a thorough registration process. To achieve certification, however, they would be subject to limited regulation, which might include terms and conditions of funding imposed by the Commission. This would be reflective of the amount of public funding received and the Commission might deem it necessary to require more regular reassurance that providers satisfy those terms and conditions than for providers in the fully registered category.

## (3) Recognised Providers

This might include providers of education or training that do not need to register with the Commission because they are effectively regulated by some other means in Wales. These may include local authority providers of adult community learning (ACL), and potentially sixth forms, if they were to fall within the remit of the Commission. Nonetheless, there would be some relationship between the Commission and these providers, as the Commission would have an overview of the sector as a whole, would encourage collaboration between these providers and others, working with them on issues such as protecting learners' interests and securing learner access.

Differentiating by qualification and awarding powers may, in future, enable greater regulation to be applied where there is a need to strengthen public confidence or further protect public investment. Differentiating as proposed, between types of provider and hence between the level of regulation to which they would be subject, would enable the Commission to manage financial, performance and reputational risks more effectively, with due regard to the nature of the provision being regulated.

One of the primary aims of a system of registration would be to protect the interests of students and trainees. Certain core criteria would therefore need to underpin the registration process – the provision of information about courses on offer and their quality; costs of attending the institution; access to complaints procedures; and provision made for under-represented groups, including disabled learners.

Possible advantages with this model include:

- the system of registration would enable the Commission to operate an approach to performance and risk management that would be sensitive to the differences between types of education and training provider, whilst safeguarding the public interest and the interests of learners; and
- a list of providers and their status could easily be made available to members of the public. This would provide prospective learners with information and confidence that the providers are bona fide.

Possible disadvantages with this model are:

- alternative registration schemes may reinforce differences between types of providers, undermining efforts to promote collaboration across the PCET sector in the interests of learners;

- different levels of registration may cause confusion where a single provider delivers some learning associated with full registration and some that is associated with certification. An example might be a FE institution which also delivers work-based learning; and
- there may be a risk that this would create a perception of hierarchy, with registered providers being perceived as better, or more important, than certified and recognised providers.

## 2. *The Outcome Agreement Model*

An alternative approach might be to align the arrangements for registration with the introduction of Outcome Agreements and the outcomes achieved by each learning provider. The relationship between the Commission and PCET providers would, therefore, be managed through the negotiation and implementation of Outcome Agreements. Each provider would need to have an Agreement approved by the Commission to be eligible to receive support from public funds. Funding and accountability systems would be aligned to meet the needs of learners, providers and employers – at national and regional level. The Welsh Government would set a number of strategic priorities that it would wish to see reflected in the work of the PCET institutions that receive public funding. Strategic priorities might include:

- supporting young people in danger of becoming NEET;
- widening access and raising the attainment of under-represented groups;
- strengthening links between PCET providers and businesses to address skills gaps; and
- augmenting research capacity and capability.

The Commission would engage with the PCET providers on how they might contribute to some or all of these priorities. Each provider would then work with the Commission to draw up an Outcome Agreement describing which priorities it would take forward, how it would do so and the targets it would seek to meet. Relevant targets are likely to include:

- outcomes for learners;
- outcomes for the Welsh economy and Welsh business;
- outcomes in relation to civic engagement; and
- outcomes relating to research, where applicable.

The targets contained in Outcome Agreements would be negotiated between each provider of PCET and the Commission. It could also be a means of ensuring the quality of provision, financial health and good governance of each institution, so that the interests of learners and taxpayers' money would not be put at risk. The dialogue between the Commission and each PCET provider, in drawing up Outcome Agreements, would be one of support and challenge, with the Commission providing advice to providers.

While this approach to registration would focus on the relationship between the individual provider and the Commission, there would also be scope for promoting collaboration. As part of the negotiation process, the Commission could require providers to set out plans to collaborate, where such arrangements are needed to deliver education, skills and employment, or research targets.

Possible advantages with this model would include:

- the Commission could take a holistic approach to each provider and its particular contributions. This could be helpful in meeting the specific needs of learners at

different stages along their learning pathways, whether through full time, part-time or community learning courses; and

- linking registration to Outcome Agreements would be a means of overseeing regulation and funding of new and existing providers, promoting collaboration across the sector and disseminating good practice by means of a single process and document.

Possible disadvantages with this model would include:

- a focus on individual providers, resulting in the onus falling largely on the Commission to identify duplication and gaps in provision and drive forward solutions;
- the potential for the model to be resource intensive, as the Commission would need to work closely with each provider in establishing and monitoring the outcome agreements;
- the need for the model to work on a one to one basis, requiring constructive relationships to be established with each provider, in order for the model to operate effectively;
- any breakdown in relationships could have major impacts for the whole sector; and
- the risk of serious repercussions for students and for taxpayers' money where insufficient challenge is provided.

### 3. *Regional Compacts model*

While the other suggested approaches to registration would focus on the relationship between individual PCET providers and the Commission, this model would be founded on the relationship between the Commission and regional clusters of providers. It would drive forward our goal of collaboration between providers across PCET, encouraging them to work together to meet the needs of learners. Consideration would need to be given to defining the term "region" and to determining how flexible the definition should be. As with the previous model, funding and accountability systems would be aligned to meet the needs of learners, providers and businesses / the economy.

Regional Compacts would be drawn up by the PCET providers within a region, in dialogue with the Commission. As with the individual Outcome Agreements, they would be developed in response to strategic priorities set out by the Welsh Government. The providers, between them, would commit to delivering a wide range of learning opportunities for learners at different levels. This would ensure learners could progress along learning pathways, whilst remaining within their region if they so chose. The institutions, with access to information and advice provided by the Commission, would be responsible for ensuring there would neither be unnecessary duplication nor gaps in provision. They would also be aware of the skills required by local businesses and would consider how best to deliver them. Regional Skills Partnerships would play a key role in identifying local and regional economic needs, to inform the planning of provision and target setting.

While the PCET providers would be responsible for drawing up the regional compact, they would be supported in this by the Commission, which would ensure that they had appropriate information, advice and challenge. The regional compact would need to be approved by the Commission, to draw down government funding for the various programmes. However, each institution could, potentially, be involved in more than one compact.

Possible advantages with this model would include:

- the ability of the Commission to take a holistic approach to each provider and its particular contributions. This could be helpful in meeting the specific needs of learners at different stages along the learning pathways, ensuring the needs of all learners are met, whether they are on full time, part-time or community learning courses;
- opportunities to encourage the full range of providers to work together and pool information, expertise and resources to meet the needs of learners;
- opportunities to achieve more by several learning providers working together towards shared goals than could be achieved by each provider operating individually;
- the ability to share responsibility between the Commission and institutions in identifying skills requirements; and
- the promotion of collaboration across the sector as a mechanism for addressing the fragmentation, complexity and unhelpful competition in the current PCET system.

Possible disadvantages with this model would include:

- the risk that focusing on regional compacts might result in financial or governance weaknesses in individual providers being missed, putting learners and government funding at risk;
- difficulties articulating the precise regulatory relationship between providers and the Commission;
- the risk that existing providers might work to prevent the entry of new providers with innovative approaches to learning; and
- the risk of larger or stronger providers dominating others in the regional compact, dictating the types of learning opportunities that they should provide. This, in turn, could reduce opportunities for learners.

### Questions:

**Do you agree the new Commission should operate a registration system to facilitate a flexible but consistent approach to its engagement with institutions and providers across the full range of PCET activity?**

**If so, which model, if any, do you prefer and why?**

### *Higher Education Governance*

Before moving to a discussion of transitional arrangements, we need to consider our response to recent changes to higher education governance in England, to ensure that the mechanism we have in place works well for higher education institutions in Wales. It is vital to ensure that our universities are well governed, not only to protect the interests of students and the taxpayer, but to preserve and promote the reputation of Welsh higher education on a global stage. To do this, we must ensure that the governance arrangements in which they operate continue to be fit for purpose.

For many years, there has been a common approach to higher education governance in Wales and England underpinned by a joint legislative framework set by the Education Reform Act 1988 and the Further and Higher Education Act 1992. However, the recent Higher Education and Research Act 2017 in England has brought this long standing shared approach to an end and made significant reforms to the legislative and procedural arrangements that apply to higher education institutions in England. In particular, the 2017 Act has revised the legislative arrangements for higher education corporations (HECs) and

made significant changes to the procedures and criteria for granting degree awarding powers (DAPs) and university title (UT) that apply in England.

Alongside these reforms, the Law Commission has also considered matters of higher education governance as part of its *Charity Law: Selected Issues project*. In July 2015, the Law Commission issued a consultation paper on *Technical Issues in Charity Law*<sup>43</sup> which included proposals relating to the way higher education institutions and charities more widely amend their governing documents. It is anticipated that the Law Commission will publish its final recommendations later this year.

### **Questions:**

**We are seeking views on how extant legislation governing HECs in Wales might be modernised to place them on a more equal footing with other providers of higher education, incorporated under different constitutional arrangements and, in particular, whether:**

- **current prescriptions in relation to the governing documents of HECs should be removed;**
- **whether the requirement for Privy Council approval should be removed for certain amendments to HECs' governing documents;**
- **whether the current power for the Welsh Ministers to dissolve HECs should be retained or removed.**

**We are also seeking views on whether any reform to the process and criteria for granting degree awarding powers and university title for institutions in Wales is necessary as a result of the policy divergence between Wales and England. In particular, whether:**

- **the Privy Council's role in relation to the granting of DAPs and UT should be retained in Wales or whether responsibility for part or all of the process should transfer to the new post compulsory education and training body.**
- **any changes to the existing eligibility criteria for DAPs and UT are necessary, including the track record requirement.**
- **the current basis for the award of indefinite DAPs remains appropriate in light of funding and regulatory changes in Wales.**
- **the introduction of more flexible degree awarding powers, such as bachelor level only or limited subject, should be explored in Wales.**
- **powers to vary and revoke degree awarding powers and university title should be considered in Wales,**
- **any changes to degree awarding powers and validation arrangements would improve the effectiveness of existing partnership arrangements for the delivery of higher education by further education institutions.**

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<sup>43</sup> <http://www.lawcom.gov.uk/project/charity-law-technical-issues-in-charity-law/>

**TRANSITIONAL ARRANGEMENTS – PREPARING THE ROAD TO IMPLEMENTATION**

If a decision is taken to implement the reforms, the Welsh Government is aware of the importance of ensuring a smooth transition from current arrangements for the PCET sector to the proposed new PCET system. We recognise that implementing a new system will require careful planning to safeguard the interests of learners and to minimise disruption for providers. We will consider the need for a transitional period in which the current regulatory regime is phased out and the new arrangements are introduced.

**Question:**

**Protecting the interests of learners and minimising disruption for providers will inform plans for the transitional period. Are there any other matters which should be taken into account?**

**NEXT STEPS**

We have set out our proposals for reforming PCET. We believe that they will meet the needs of Wales, both now and into the future. However, we recognise that these reforms will only be effective in supporting learners, businesses and the PCET sector if our stakeholders have had a role in shaping them. Therefore, if you are a learner, a professional with experience of working in the sector, an education or training provider, a business person or if you have an interest in our PCET system, then we would like to hear from you. We have set out questions on all aspects of our proposals for your consideration and we are very interested in your views and suggestions.

Following the consultation, we will analyse and publish a summary of your responses. We will use them to inform a detailed technical consultation that will provide a fuller description of the shape and operation of the Commission. We would then be looking to develop legislative proposals, before the end of the current Assembly, to establish the Tertiary Education and Research Commission for Wales. If the decision is taken to establish the Commission, time will be required to develop legislative proposals and, once the legislation is in place, to set up and transfer the functions to the new Commission.



## Annex A

### Projections of employment

Working Futures 2014-2024 (Wilson et al., 2016) is the sixth in a series of decade-long projections of the UK's labour market, providing projections for output and the demand and supply of skills between 2014 and 2024. This paper provides a summary of some of the trends reported, with a specific focus on those for Wales.

*As with all projections and forecasts, the results presented in Working Futures should be regarded as indicative of likely trends and orders of magnitude given a continuation of past patterns of behaviour and performance, rather than precise forecasts of the future. Whilst Working Futures refers to its figures as 'employment', the main source for the production of projections is Workforce Jobs data. This measures jobs rather than persons in employment, and figures for 2014 will therefore be greater than 2014 Annual Population Survey estimates of employment, as some individuals may hold more than one job.*

#### Summary

Across all sectors, occupations, and qualification levels, Working Futures projects that between 2014 and 2024 Wales could see an increase in employment of 53,600 (3.8 per cent), from 1.412m to 1.466m.

Projections suggest that there is a continued movement towards higher qualifications and higher skilled occupations. However, some lower skilled occupations show growth (with customer service occupations and caring personal services showing particularly high growth) and there will be a need to replace those who have left the labour market across all sectors, occupations and qualification levels.

Whilst projections data should be used with caution and relevant caveats should be noted, many of the projected changes are likely to be in response to long-term trends in demographics (the increase in caring personal service occupations) and technological change (the decrease in secretarial and related occupations).

#### Qualifications

Projections of employment from Working Futures<sup>44</sup> state that much of the employment demand between 2014 and 2024 is likely to be for those with higher level qualifications at levels 4 and above.<sup>45</sup> Figure 1 shows the changes that have occurred and are projected to occur between 2004 and 2024 in Wales. Between 2004 and 2024, the proportion of those in employment who are qualified at QCF level 4-6 is projected to have almost doubled from 22 per cent to 40 per cent. The proportion in employment qualified to levels 7-8 is also projected to have almost doubled, from 6 per cent to 11 per cent. This means that by 2024 it is projected that over half of those in employment in Wales will hold qualifications at level 4 or above. This is in contrast to around a quarter in 2004.

A deeper look at individual levels of qualification reveals that it is QCF 6 that is the main driver behind the projected increase in QCF level 4-6 between 2014 and 2024. Little change is expected for QCF level 5, although increases are projected for QCF level 4. A large increase is projected for QCF level 7 and the number with QCF level 8 is also projected to increase between 2014 and 2024.

<sup>44</sup> Working Futures 2014-24, UKCES, 2016

Whilst the proportion of higher level qualifications amongst those in employment is projected to rise, the opposite effect can be seen for those holding no qualifications. Whilst 13 per cent of those in employment in Wales held no qualifications in 2004, this is projected to fall to just 2 per cent in 2024. Similarly the proportion of those in employment qualified to level 1 is projected to decline from 18 per cent to 9 per cent. A small decline is projected for the proportion in employment qualified to level 2, whilst there is relatively little change in the proportion qualified to level 3.

### *Occupations*

A similar effect can be seen for occupations (Figure 2). The period between 2014 and 2024 is projected to see large expansion-based employment increases for higher skilled occupations in the managerial, professional, and associate professional and technical groups. Only protective service occupations are projected to decline between 2014 and 2024 out of those groups. These occupational groups are likely to require individuals to hold higher level qualifications. The increase in these three occupational groups (SOC 2010 Major groups 1-3) is a continuation of longer-term trends, with this group projected to account for 40.5 per cent of employment in Wales in 2024 compared to 30.1 per cent in 1994.

In addition to higher skilled occupations, a large increase in employment is projected for those in caring personal service occupations. This can be seen as a reflection of the demographic issues facing Wales and the UK and follows strong growth between 2004 and 2014 for the occupation (rising from 97,800 in 2004 to 123,300 in 2014 and projected to rise further to 138,200 by 2024).

Customer service occupations are projected to see the largest percentage rise of all occupations - an increase of 20.5 per cent between 2014 and 2024, rising from 24,400 to 29,400.

Regarding mid-skill level occupations, a sharp decline is projected for secretarial and related occupations, at 30.9 per cent (a net loss of 10,800). Losses are also projected at 12.7 per cent, 8.9 per cent and 8.4 per cent for skilled agricultural and related trades; skilled metal, electrical and electronic trades; and textiles, printing and other skilled trades. Both the wider administrative and secretarial, and skilled trades occupations (SOC 2010 Major groups 4 and 5) are projected to see net job losses up to 2024.

For lower skilled occupations, growth projections are mixed. As noted above, high levels of growth are projected for caring personal service occupations and customer service occupations. However, considerable losses are projected for process, plant and machine operatives and sales occupations.

### *Sectors*

The sector with the largest projected increase in employment between 2014 and 2024 is wholesale and retail trade, which has a projected increase of 19,700, making it the largest sector in 2024. This was the second largest sector in 2014, following health and social work, which is also projected to see a rise between 2014 and 2024, albeit to a lesser extent (7,100). On a proportion basis, the largest increases are projected to occur in the finance and insurance (17.9 per cent), water and sewerage (16.5 per cent) and professional services (13.2 per cent) sectors. However, the combined growth for these sectors (16,200)

is still less than that projected for wholesale and retail trade due to their relatively smaller size.

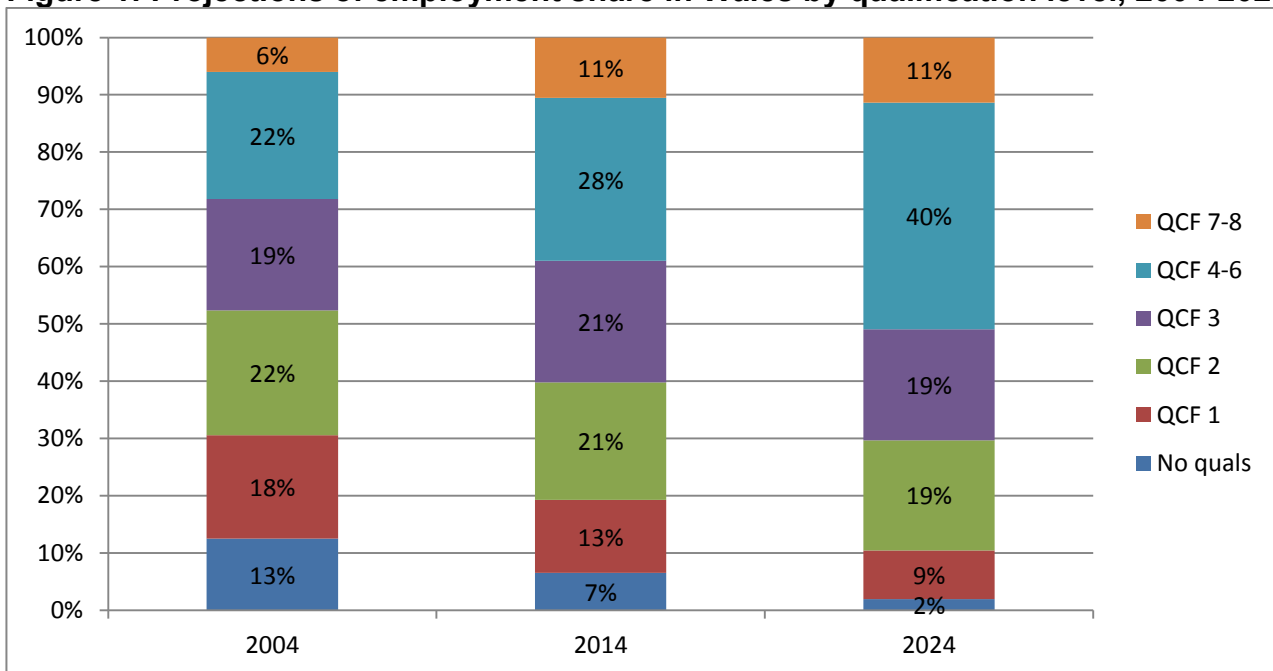
Declines in employment are projected across a number of sectors including agriculture (-10,700), rest of manufacturing (-10,000), and engineering (-5,100). Due to the need to replace workers who have left the labour market, there will still be considerable demand from these sectors between 2014 and 2024.

### *Replacement Demand*

Across all sectors, occupations, and qualification levels, Working Futures projects that between 2014 and 2024 Wales could see an increase in employment of 53,600 (3.8 per cent), from 1.412m to 1.466m. However, in addition to the increase in the number of people in employment, there is also a need to replace workers who have left the labour market due to a variety of reasons. This is known as replacement demand. This replacement demand is far greater than the net change in employment (expansion demand) at 553,400, resulting in a net requirement of 607,000 between 2014 and 2024. This can be seen on an annual basis between 2014 and 2024 in Figure 3.

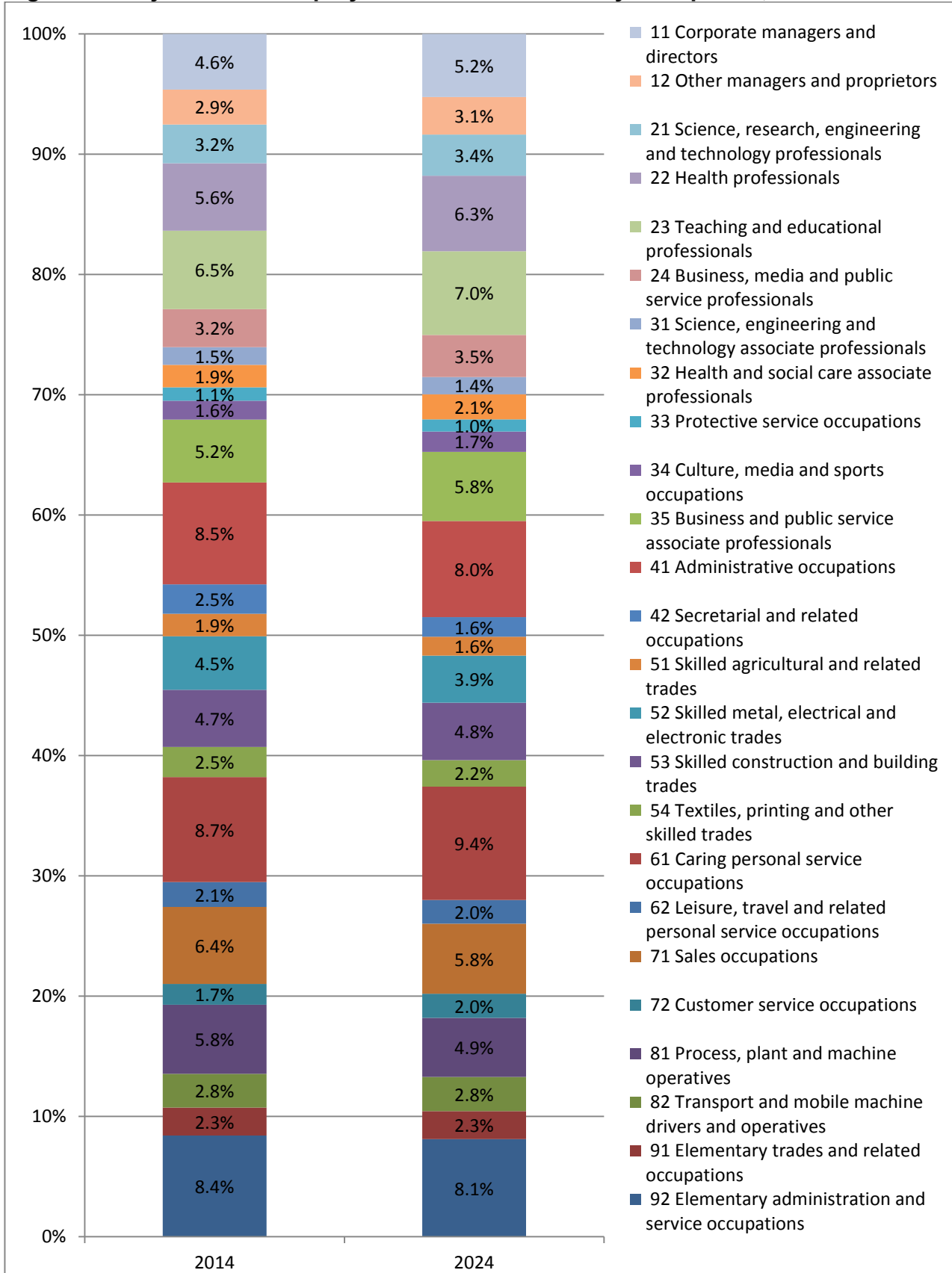
The result of this is that even for sectors, occupations and qualification levels where there is projected to be a fall in the number employed, there will still be new people needed to replace those who leave the labour market.

**Figure 1: Projections of employment share in Wales by qualification level, 2004-2024**



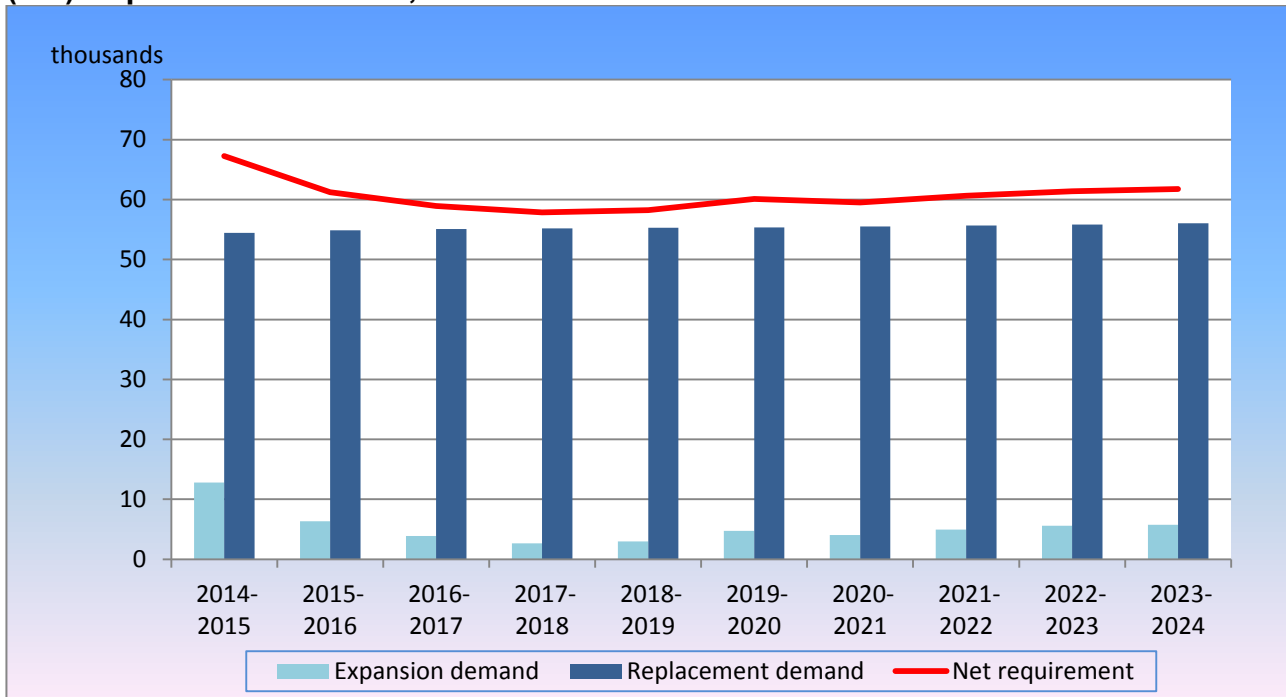
Source: Working Futures 2014-2024

**Figure 2: Projections of employment share in Wales by occupation, 2014-2024**



Source: Working Futures 2014-24

**Figure 3: Projected annual expansion demand, replacement demand and the total (net) requirement in Wales, 2014-2024**



Source: Working Futures 2014-2024

## **Annex B**

### **Cursory explanation of the roles of existing regulators and intermediary bodies for White Paper.**

#### Chairs of Universities Wales (ChUW)

Chairs of Universities Wales (ChUW) is the representative body for university governing body Chairs in Wales. It engages with a wide range of stakeholders and works in close association with Universities Wales (UW).

#### Charity Commission for England and Wales

The Charity Commission for England and Wales regulates the administration and affairs of registered UK charities. All higher education institutions in Wales have charitable status.

#### Coleg Cymraeg Cenedlaethol

The Coleg Cymraeg Cenedlaethol provides independent oversight, strategic direction, and support to the development of Welsh-medium higher education across Wales.

#### Colegau Cymru / Colleges Wales

Colegau Cymru / Colleges Wales is a charity and limited company that raises the profile of further education among decision-makers in order to improve educational opportunities in Wales. It is a member-led body, representing all 14 further education colleges and institutions in Wales.

#### Competition and Markets Authority (CMA)

The CMA is an independent, non-ministerial department. It has responsibility for (amongst other things) enforcing consumer protection legislation to tackle practices and market conditions that make it difficult for consumers to exercise choice and to investigate where there may have been breaches of UK or EU prohibitions against anti-competitive agreements and abuses of dominant positions.

#### Estyn

Estyn is the office of Her Majesty's Inspectorate for Education and Training in Wales. It is an independent Welsh Government Sponsored Body responsible for the inspection of quality and standards in education and training in Wales. Estyn is responsible for the inspection of PCET in FE and related settings and for inspecting the quality of initial teacher education and training in higher education.

#### Higher Education Academy (HEA)

The Higher Education Academy (HEA) is a national, independent, charitable body, which champions teaching excellence. In Wales, the HEA works in partnership with higher education institutions and key sector bodies, to support the development of policy and to enhance practice in learning and teaching in higher education.

Higher Education Statistics Agency (HESA)

The Higher Education Statistics Agency (HESA) collects, analyses and reports on HE statistics for universities and colleges in the UK.

Higher Education Funding Council for Wales (HEFCW)

The Higher Education Funding Council for Wales (HEFCW) is a Welsh Government Sponsored Body established by the Further and Higher Education Act 1992. It is the intermediary body between the Welsh Government and the higher education sector in Wales. It distributes funds for higher education and research and regulates the fee levels, quality and financial management of universities.

The Leadership Foundation for Higher Education

The Leadership Foundation provides a dedicated service of support and advice on leadership, governance and management for all of the UK's higher education institutions.

National Training Federation for Wales (NTfW)

The National Training Federation for Wales (NTfW) is a representative body for training providers and learners. The NTfW is led by an elected National Board chosen from member organisations which, in turn, are supported by a structure of Regional Boards covering South, South East, Mid/West and North Wales.

NUS Wales

The National Union of Students (NUS) Wales is the largest democratic organisation in Wales. It represents over a quarter of a million students from both the Higher and Further Education sectors and works in partnership with students' unions in Wales.

The Office for Fair Access (OFFA)

The Office for Fair Access is the independent regulator of fair access to higher education *in England*. It is a non-departmental public body set up in 2004 to promote and safeguard fair access to higher education for under-represented groups.

The Office of the Independent Adjudicator (OIA)

The Office of the Independent Adjudicator (OIA) is an independent body set up to review student complaints. Free to students, the OIA deals with individual complaints against higher education providers in England and Wales.

Privy Council

The Privy Council is a formal body of advisers to the Sovereign in the UK. Its members are mostly senior figures who are (or have been) members of the House of Commons or the House of Lords. Decisions to grant degree awarding powers and university title are made by the Privy Council, based on advice from the Welsh Government.

### Quality Assurance Agency monitors (QAA)

The Quality Assurance Agency (QAA) monitors and advises on standards and quality in UK higher education. It is an independent body, which is funded by subscriptions from universities and colleges and through contracts with UK higher education funding bodies. The agency's work includes maintaining the UK Quality Code for Higher Education and undertaking external reviews of higher education providers. The QAA also advises government on applications for degree awarding powers and university title in the UK.

### Qualifications Wales

Established in 2015, Qualifications Wales is the independent organisation responsible for regulating general and vocational (non-degree) qualifications in Wales. It recognises awarding bodies, checks qualifications and monitors their activities to make sure that they operate fairly and consistently and that they follow regulations.

### Sector Skills Councils (SSCs)

Sector Skills Councils (SSCs) are employer-led skills organisations that work with employers to define skills needs and skills standards in their industry. The Federation for Industry Sector Skills and Standards is the collective voice and represents, promotes and supports the 16 SSCs and 5 Sector Skills Bodies.

### Student Loans Company (SLC)

The Student Loans Company is a non-profit making, government-owned organisation, set up in 1989 to distribute loans and grants to students in universities and colleges in the UK.

### Universities and Colleges Admissions Service (UCAS)

The Universities and Colleges Admissions Service (UCAS) is an independent charity governed by a Board of Trustees, which includes leaders of higher or further education providers. UCAS provides information and advice to prospective students and application services for UK higher education providers.

### Unistats

Unistats is the official website for comparing UK higher education course data, including data on each course and National Student Survey scores.

### Universities Wales (UW)

Universities Wales (UW) represents the collective interests of Welsh universities to the National Assembly for Wales, the UK parliament, political parties, and European institutions and bodies. Universities Wales is a national council of Universities UK and its membership encompasses all of the universities in Wales.

### Welsh Language Commissioner

The role of the Welsh Language Commissioner is to promote the Welsh language and improve the opportunities that people have to use it, through emphasis of the language's official status in Wales and by placing standards on organisations.





## Consultation Response Form

**Your name:** Post Compulsory Education and Training (PCET) Reform Team

**Organisation:** Welsh Government

**Email:** [PCETReform@wales.gsi.gov.uk](mailto:PCETReform@wales.gsi.gov.uk) or  
[DiwygioPCET@wales.gsi.gov.uk](mailto:DiwygioPCET@wales.gsi.gov.uk)

**Your address:** Cathays Park 2, Cardiff, CF10 3NQ

### Strategic Planning

#### **Question 1:**

Do you agree the Commission should have a role in strategic planning at national level across the PCET system?

#### **Question 2:**

Should Outcome Agreements form the basis of the Commission's strategic planning relationship with institutions and providers? If so, what steps could be taken to ensure that Outcome Agreements do not encourage short-term thinking by institutions?

### A Single Funding Body

#### **Question 3:**

Do you agree that funding to the Commission should be dependent upon the production of a strategic plan approved by Welsh Ministers?

#### **Question 4:**

Do you agree that a provider's eligibility for funding should be conditional on producing an Outcome Agreement that reflects relevant priorities in the Strategic Plan?

#### **Question 5:**

Do you agree that the levels of funding should be dependent, in any way, upon a provider's performance against its Outcome Agreement?

#### **Question 6:**

Do you think that the Commission should be empowered to make recommendations to the institution, and/or to the Welsh Government, where an institution is at serious financial risk?

#### **Question 7:**

Do you think that where it judges that an institution has become financially non-viable, the Commission should be empowered to make appropriate recommendations to the Welsh Government? What safeguards may be required?

Protecting the interests of learners in the PCET sector**Question 8:**

Do you agree that the arrangements to protect learners studying at PCET providers in Wales need to be strengthened?

**Question 9:**

If yes, what arrangements should be put in place to support learners no longer able to continue on their course at their chosen provider because of the closure of the course, the closure of a campus or because of provider failure?

**Question 10:**

Should providers offering higher education courses that are designated for statutory student support in Wales be required to produce student protection plans within their Outcome Agreements?

Supporting learners who wish to transfer between courses or providers**Question 11:**

What support should be provided to learners wishing to change courses or provider?

**Question 12:**

What role, if any, should the new Commission have in ensuring arrangements are in place to facilitate student transfer arrangements and to promote awareness of these arrangements amongst learners?

Managing Learner Complaints**Question 13:**

Is there a need to introduce complaints resolution arrangements for learners in the PCET sector, who are currently unable to take their unresolved complaints to an independent body?

If yes, what complaint resolution arrangements should be put in place for learners across the PCET sector?

Quality Assurance and Enhancement**Question 14:**

What models could be used by the Commission for a Quality Assurance Framework encompassing all types of provision?

**Question 15:**

Should quality enhancement be a key feature of the Quality Assurance Framework operated by the Commission?

Financial and Governance Assurance**Question 16:**

We welcome views on how Welsh apprenticeships should, in the future, fit within the role of the Commission. In particular, we would welcome views on what, if any, changes could be made to the Welsh apprenticeship system provided for in the 2009 Act.

Management of Performance and Risk**Question 17:**

Do you consider that the proposals above for monitoring performance and achieving accountability across the PCET system are sufficient and appropriate?

**Question 18:**

What more might need to be done to secure the sustainable operation of the PCET system in Wales over the longer term?

Research and Innovation**Question 19:**

Do you agree that there should be a committee of the Commission to be known as Research & Innovation Wales?

**Question 20:**

Do you agree that Research & Innovation Wales should operate as set out above to develop research and innovation capacity and capability in Wales?

Widening access and participation in the PCET sector**Question 21:**

What actions, if any, should be undertaken to encourage greater participation in the PCET sector, particularly by individuals from disadvantaged and under-represented groups?

**Question 22:**

How could we ensure greater retention on and successful completion of PCET courses by these groups?

Measuring impact**Question 23:**

How can the evidence base for widening access across the PCET sector be strengthened?

**Question 24:**

Should further and higher education institutions be placed under a duty to publish and provide to the Commission, data on the application, acceptance and progression rates of students, broken down by gender, ethnicity and socio-economic background?

Sixth forms**Question 25:**

Do you think that the Commission should have responsibility for the planning, funding and monitoring of school sixth forms? If yes, please give reasons?

**Question 26:**

Do you think that the Commission should have any other role in relation to school sixth forms, for example provider registration, quality assurance and enhancement, and governance? If yes, please give reasons?

**Question 27:**

Do you think it might be preferable to establish the Commission without including sixth forms within its remit, but with the option of doing so at a later date?

Managing the relationship between the Commission and providers.**Question 28:**

Do you agree the new Commission should operate a registration system to facilitate a flexible but consistent approach to its engagement with institutions and providers across the full range of PCET activity?

If so, which model, if any, do you prefer and why?

Higher Education Governance**Question 29:**

We are seeking views on how extant legislation governing HECs in Wales might be modernised to place them on a more equal footing with other providers of higher education, incorporated under different constitutional arrangements and, in particular, whether:

- current prescriptions in relation to the governing documents of HECs should be removed;
- whether the requirement for Privy Council approval should be removed for certain amendments to HECs' governing documents;
- whether the current power for the Welsh Ministers to dissolve HECs should be retained or removed.

**Question 30:**

We are also seeking views on whether any reform to the process and criteria for granting degree awarding powers and university title for institutions in Wales is necessary as a result of the policy divergence between Wales and England. In particular, whether:

- the Privy Council's role in relation to the granting of DAPs and UT should be retained in Wales or whether responsibility for part or all of the process should transfer to the new post compulsory education and training body.
- any changes to the existing eligibility criteria for DAPs and UT are necessary, including the track record requirement.
- the current basis for the award of indefinite DAPs remains appropriate in light of funding and regulatory changes in Wales.
- the introduction of more flexible degree awarding powers, such as bachelor level only or limited subject, should be explored in Wales.
- powers to vary and revoke degree awarding powers and university title should be considered in Wales,
- any changes to degree awarding powers and validation arrangements would improve the effectiveness of existing partnership arrangements for the delivery of higher education by further education institutions.

*Transitional arrangements – Preparing the road to implementation*

**Question 31:**

Protecting the interests of learners and minimising disruption for providers will inform plans for the transitional period. Are there any other matters which should be taken into account?

**Question 32:**

To help inform our assessment of the possible impact of these proposals, can you foresee any particular impact on those with protected characteristics (within the meaning of the Equality Act 2010) and how they might be particularly affected by these proposals?

What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

**Question 33:**

We would like to know your views on the effects that the establishment of the *Tertiary Education and Research Commission for Wales* would have on the Welsh language, specifically on

- i) opportunities for people to use Welsh and
- ii) on treating the Welsh language no less favourably than English.

What effects do you think there would be? How could positive effects be increased, or negative effects be mitigated?

**Question 34:**

Please also explain how you believe the proposed policy could be formulated or changed so as to have

- i) positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language, and
- ii) no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.

**Question 35:**

We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them:

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here: