



House of Commons
Welsh Affairs Committee

**The Provision of cross–
border public services
for Wales: Further and
Higher Education:
Government Response
to the Committee's
First Report of Session
2008-09**

**Second Special Report of Session
2008–09**

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The Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

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Second Special Report

The Committee published its First Report of Session 2008-09, *Cross-border provision of public services for Wales: Further and higher education* on 16 January 2009. The Government response was received on 16 March 2009 and is published as the Appendix to this Report.

Appendix

1. The House of Commons Welsh Affairs Select Committee published its report *Cross-border provision of public services for Wales: Further and higher education* on 16 January 2009. The Government welcomes the Committee's report as a helpful contribution to the debate about the provision of public services. This memorandum sets out the Government's response to the report.

2. In the areas under consideration by the Committee, devolution operates differently. Responsibility for Further Education (FE) and Higher Education (HE) is devolved (with a devolved Higher Education Funding Council operating since 1992), whereas responsibility for research is retained.

3. In further and higher education, there is an appreciable movement of students between England and Wales. In 2007/08, 8,483 (3%) of English domiciled applicants were accepted to Welsh Higher Education Institutions (HEIs), and 5,306 (31%) of Welsh domiciled applicants accepted places at English HEIs. In FE, localised data suggests that cross-border study is likely to be significant in some border counties.

4. The importance of developing skills to the fullest possible extent, carrying out world class research and scholarship and applying both knowledge and skills remains at the heart of the Government's goal to create an innovative and competitive economy.

5. In research, the long-standing policy of the Government has been to support the highest quality research wherever it is found. To that extent, the Government's policy does not have a geographic component.

6. The principle of devolution is that the devolved administrations can adopt policies for devolved matters which they believe are best for their populations. Nothing should detract from that. However, there is much to be gained from Government Ministers and officials discussing their plans with their opposite numbers in the Welsh Assembly Government (WAG) and vice versa.

The Government's Response to the Committee's conclusions and recommendations

1. Given that there was strong objection at the time to FE being taken away from local authorities in Wales, the role of local authorities should be reconsidered in Wales in the context of the Webb Report and policy developments which flow from it.

(Paragraph 5)

7. The WAG notes that the Webb Report identified an important role for local authorities to work in collaboration with other providers such as Further Education Institutes (FEIs). This concept has been carried forward by the Assembly Government's Transformation Policy which seeks to "...work with providers and stakeholders to comprehensively address provider structure, function and networking potential to help increase the efficiency, effectiveness and responsiveness of education and training for all learners beyond the age of 16; and fully to support local authorities that wish to progress associated reorganisation of post-11 learning delivery. The WAG expects this to result in more cross-sector networking between and across all provider sectors; more university and college mergers; and more post-16 tertiary arrangements."¹ This policy is implementing the key proposal of Webb for greater partnership and collaboration across providers and stakeholders such as local authorities.

2. In the FE sector, there is now a significant policy divergence between Wales and England. The different policy and funding priorities result in different opportunities and challenges for learners in the two nations.

(Paragraph 10)

8. The Government believes FE policy and funding priorities must be responsive to the needs of learners and employers within a local, regional or national area as appropriate. Funding is based on a national funding formula to ensure consistency across all FE college and providers in England in how funding is calculated. The actual amount of funding a college/provider is allocated can then be adjusted through a provider factor to take account of the provider's performance and any additional costs associated with for example the recruitment and retention of harder to reach learners. It is important that learners are equipped and supported to make decisions that are suited to their needs and aspirations and will enable them to progress economically and socially. The new adult advancement and careers service, which will be operational from autumn 2010, will help people to progress in work and life by providing personal help and support. We are working with the WAG to ensure that the adult advancement and careers service and Careers Wales maximise opportunities for the customers they serve.

3. We regard both sets of funding guidance as unhelpful and inappropriate and urge all authorities to see ease of access across borders, including access across regional borders within England, as something to be encouraged.

(Paragraph 12)

9. While recognising that some colleges have specific national, sub-regional or specialist focus, the Government believes it is important to recognise the particular contribution that further education colleges make within a local community. We expect that a college will focus its attention and resources to respond to those needs which have been identified with the communities they serve. The guidance issued by the Learning and Skills Council (LSC) to further education colleges should not be seen as restrictive or as a deterrent to English colleges responding to the needs of Welsh or Scottish learners. Rather it supports our expectations that individual colleges will focus primarily on their local communities. Where such communities embrace cross-border travel-to-learn or travel-to-work areas it is

¹ *Transforming Education and Training Provision in Wales*, Assembly Government, Sep 2008

appropriate for those colleges to include these factors within their planning and marketing strategies. While the LSC's funding is properly focused on FE colleges and other learning providers based in England and the local communities they serve, it does recognise that in some instances their reach will be beyond local communities including across the borders and from other regions in England.

10. The Government recognises that further education colleges have a vital role to play in meeting the social and economic needs of the United Kingdom. It is essential each institution seeks to maximise its contribution to the well-being of its community regardless of its geographical location. This is particularly so where a college offers specialist provision relevant to the local economy in response to employer needs. That particular colleges offer specific specialisms should not be viewed negatively if travel-to-learn areas support a degree of specialisation in curriculum delivery within the provider base. The fact that further education colleges are not conscious of the border most of the time would suggest that this is not a significant factor for the sector.

11. As independent institutions there is no reason why English further education colleges should not engage with local stakeholders on either side of a national border if this is appropriate to support the learning needs of any group of learners, including those in Welsh schools. We are not aware of any impediment to Welsh schools entering into arrangements with English colleges. However, it should be recognised that the different approaches to education operating in England and Wales may affect the perceptions of both learners and learning providers.

4. We are not entirely convinced that cross-border arrangements are satisfactory as they stand as they seem more focussed on the convenience of providers than the objective of inspiring would-be students.

(Paragraph 15)

5. Again, 'need' seems an unduly restrictive concept and the wishes of students and their ability to gain access to the right course for their personal aims and those of their employers should be paramount.

(Paragraph 16)

12. The Government believes the needs of learners, employers and local communities (including regional or national considerations as appropriate) are paramount in shaping the learning opportunities offered by further education colleges and other learning providers in an area. The changes proposed in Raising Standards: enabling the system to deliver and set out in the Apprenticeships, Skills, Children and Learning Bill are very much focused on the needs of existing and potential learners. In particular, the move to local authority commissioning for 16-19 provision and "demand-led" funding for adult learners/employers challenge all learning providers to meet the learning needs articulated by those such as the UK Commission for Employment and Skills tasked with identifying the knowledge and skills required within a local, sub-regional or regional area. The Young People's Learning Agency will provide support to local authorities in border areas to ensure that educational provision is focused on the needs of all learners in the area. We would therefore expect that every learner should be able to reasonably access suitable learning opportunities within their local community as defined by local travel-to-learn parameters. For this reason we would not expect large numbers of learners to "need" to

cross national borders except where this was a normal part of travel patterns within an area.

13. Within any normal travel-to-learn/work area we would expect that a further education college would be an active participant in working with local stakeholders to identify/respond to identified learning needs as appropriate to their learning offer regardless of the age or employment status of the learners in questions.

6. There is a not only a need for some FE learners to cross the border between Wales and England to attend college, but it should be welcomed and encouraged. Geographical convenience for those living close to the border, or a wish to attend a specialist course which is not available locally and conveniently in the learner's home country are not the only reasons for crossing the border. There are advantages to colleges and learners on both sides of the border if this type of cross-border provision is made available when required and driven by learner and employer choice rather than by regulation. The evidence suggests to us that some processes to enable this to operate are in place, but that the border does act as a barrier, or at least as a perceived barrier, to colleges in their recruitment and to students in their search for the right course. (Paragraph 17)

Recommendations

We recommend that the Learning and Skills Council and the Welsh Assembly Government take steps to improve the level of cooperation, and that they give due consideration to cross-border issues when reviewing coverage and student demand in respect of FE provision on both sides of the border, particularly when local authorities in England take over responsibilities which currently rest with the LSC.

In addition, we recommend that they encourage FEIs to provide information to all potential or prospective learners, bearing in mind that the nearest convenient college or nearest provider of specialist courses could be across the border.

14. Funding for further education and skills for learners studying at further education colleges and other learning providers based in England is currently the responsibility of the LSC. The LSC and the WAG already have effective reciprocal arrangements with the funding councils for Wales and Scotland for colleges and providers close to the borders. As described above, this reflects the need to take account of situations where individual learners may choose to travel to or reside in England where for relevant and/or specialist provision is not available locally.

15. There are also reciprocal arrangements in place to allow learners commuting daily to work in England to access Train to Gain funding.

16. As part of the reforms planned through the Apprenticeships, Skills, Children and Learning Bill, the Government will continue to build on these arrangements and to encourage further education colleges and other learning providers to provide information, advice and guidance to signpost prospective learners towards courses that meet their needs, whichever side of the border they are situated. For adults and employers, the Skills Funding Agency will administer the funding system; making payments to colleges and training providers based on the course selections of learners and employers. It will manage

gateway services which ensure easy access to learning, whether that is an apprenticeship, learning in work through Train to Gain or individuals going direct to a further education college or other learning provider. It will support individuals to make informed choices about their learning through a universal adult advancement and careers services, which is integrated with Jobcentre Plus. For learners under the age of 19, the Young People's Learning Agency will work with the WAG to ensure that the administrative systems that are adopted complement the needs of learners.

7. Sector Skills Councils (SSCs) play a key role with regard to consistency and transferability of skills throughout the UK. We believe that they should play a bigger role in coordinating cross-border issues for employers arising from policy divergences. We are not convinced that the SSCs are adequately resourced to fulfil their role, particularly when taking into account the need for each SSC to have the capacity to give due regard to territorial differences in skills policies.

(Paragraph 24)

17. The Government notes that, during 2008/2009, all SSCs will undergo a relicensing process which includes a rigorous assessment by independent third party assessors against a framework set out in the document 'Empowering SSCs — Employer driven skills reform across the UK. A Relicensing Framework for Sector Skills Councils' (available at: <http://www.dius.gov.uk/publications/empoweringSSCs.pdf>).

18. The purpose of the framework is to directly assess the capacity and capability of the SSC: to deliver a well run SSC; to deliver core products and services i.e. Labour Market Intelligence, National Occupational Standards and qualifications; to deliver sector specific solutions based on employer demand; and to build partnerships with stakeholders across the broader UK skills system to deliver real results and impacts for employers. They are expected to achieve these across all parts of the UK. Any SSC not meeting the standard will not be relicensed.

19. Additionally, the WAG notes that it works closely with SSCs to ensure that they are engaged in the key policy issues facing Wales and are supported in building partnerships with other stakeholders. It is expected that SSCs will be engaged with providers in developing elements of the transformation policy.

8. The evidence suggests that at least some aspects of the Train to Gain (TTG) scheme are working better than the Workforce Development Fund. One advantage of devolution is that the different administrations can learn from each other's successes and failures and we suggest that the WAG might consider the lessons to be learned from the implementation of TTG. In particular, the Workforce Development Fund should be more actively advertised and better funded.

(Paragraph 31)

20. The Government will continue the real help that is being provided by Train to Gain in ensuring that people and businesses get the support they need to help them survive the recession and make the most of the new opportunities the upturn will bring. We would be happy to discuss the lessons learned from the implementation of Train to Gain with colleagues from the WAG.

21. The WAG notes that evidence given to the Committee by the Director of CBI Wales highlighted the advantages of the Workforce Development Programme in Wales (para 28). The Webb Report also referred to the evidence that "...most employers who have received such funding (workforce development accounts) are extremely positive about the about the support it has provided for growing their businesses."² The WAG will work to ensure that consideration of alignment between funding support mechanisms with DIUS continues to take place to inform support for employees and businesses.

9. Employers need clearer information about the government training schemes available on each side of the border. This is especially important for smaller employers in border areas and employers with sites in both Wales and England.

(Paragraph 32)

Recommendation

We recommend that DIUS and WAG work together to ensure that employers understand the support available to them, how they can gain access to that support and to treat the border as an opportunity for comparison and cross-fertilisation of best practice rather than as a barrier.

22. Employers, whether from Wales or England, can access information on Train to Gain from two main sources:

i) The Employers Guide to Training Providers – a search engine that details all the provision offered geographically by LSC providers

<http://www.employersguide.org.uk/egt/search>

ii) Train to Gain website

http://www.traintogain.gov.uk/Helping_Your_Business/extrasupport/

23. Skills Brokers also offer free impartial information and advice service to employers in England — From 1 April 2009 these Skills Brokers will be integrated into Business Link, who will operate a brokerage service including skills.

24. The Government is working to simplify the system through the establishment of the Adult Advancement and Careers Service. Eighty-three per cent of the 100,000+ employers that have already benefited from Train to Gain are pleased with the service.

25. The Government will work with the WAG to ensure that employers in both England and Wales will continue to understand what support is available to them, and how they can access that support.

26. The WAG provides employers access to training advisers who give advice on funding opportunities-including Workforce Development Accounts. The current review of Careers Wales that the WAG is carrying out will also evaluate the nature of advice given to employers and, where relevant, suggest recommendations. Similarly the ongoing work of

² *Promise and Performance: The Report of the Independent Review of the Mission and Purpose of Further Education in Wales in the context of the Learning Country: Vision Into Action.* Para 4.12 p46

the Wales Employment and Skills Board (WESB) considers the impact of both advice and funding to support the training needs of employers and advises the WAG accordingly.

10. Given the relatively small size of many FE colleges in Wales, we believe that it is essential to aim at the highest quality and that FE colleges must be encouraged to work with HEIs and for such cooperation to be required rather than encouraging separate development. This is particularly important in view of the recent change of course signalled by a Ministerial announcement that FE colleges in Wales may be given powers to award foundation degrees.

(Paragraph 37)

27. The WAG notes that high quality of FE provision in Wales has been noted by Estyn, Her Majesty's Inspectorate in Wales in its reports. The Transformation Policy seeks to build on this strength and, where relevant, develop the appropriate critical mass for the delivery of further education. The Transformation Policy is based in building collaboration and partnership across stakeholders and providers, including Higher Education Institutes (HEIs) and FEIs.

28. The awarding of Foundation Degree Awarding Powers (FDAPS) to FEIs in Wales will place Welsh FEIs on an equal footing to those in England and will thus remove a potential disadvantage. Integral to this policy is an intent to ensure that partnership and collaboration between foundation degree providers in Wales, continues to be the norm. This will ensure providers work together to benefit from collective economies of scale and scope and employers and learners benefit from the range of potential expertise available from both FE and HE providers. In response to the Webb Report and the Skills That Work For Wales policy, the WAG is developing a foundation degree policy with stakeholders from HEIs, FEIs and employers.

11. There is bound to be some divergence in qualification systems and apprenticeship programmes between Wales and England and the proposed Apprenticeships Bill seems likely to widen these. This creates further problems for employers whose businesses are close to, or straddle the border. A lack of clarity with regard to the geographical extent of the Draft Apprenticeships Bill suggests to us that DIUS paid inadequate regard to the implications of devolution when developing its apprenticeships policies. This is unacceptable.

(Paragraph 42)

Recommendation

We recommend that DIUS works more closely with WAG when it comes to drafting the final version of the Bill. Similarly, it is important for WAG to engage with and seek to influence DIUS at an early stage of policy development. In the final analysis, the overriding objective should be to equip learners with a qualification that is recognised on both sides of the border.

29. During the development of the draft Bill the Government has worked with all the devolved administrations, including the WAG. It is part of the devolution settlement to allow the devolved administrations to decide for themselves how they want the powers to be exercised in the devolved areas.

30. The Apprenticeships, Skills, Children and Learning Bill (ASCL) includes provisions in respect of the operation of statutory apprenticeships in Wales, requested by WAG Ministers.

31. Through regular formal meetings, DIUS and WAG officers are already working closely on the ASCL to ensure Welsh clauses and issues within the Bill are managed successfully and appropriately, and to ensure a coherent approach in both countries and qualifications that are recognised on both sides of the border.

12. Our inquiry has persuaded us that there is a need for greater joint working to consider the impact of proposed new policies relating to FE on both sides of the border, before decisions are made. The evidence shows that there is also a need for better and more timely communication of policies to employers, so that they can consider how any changes will affect their businesses and to enable them to influence the design of courses and qualifications. In particular, officials in Wales and both in Whitehall and at regional level in England need to be outward looking and sensitive to the realities of our long and porous border. It should be a cause for celebration and cooperation rather than an obstacle to efficiency and effectiveness.

(Paragraph 46)

32. In England, the new Skills Funding Agency will have a new dynamic and entrepreneurial approach at regional level, focused on addressing strategic skills needs. It will communicate and respond to policy changes quickly and flexibly and will work with employers and employer groups to identify needs and use capital and resource levers to broker solutions from FE colleges and providers.

33. DIUS and the Wales Office will work in collaboration with the WAG in improving communications with a view to taking into account FE policy development and delivery on either side of the border.

34. The WAG notes that in Wales, the WESB considers, as part of its brief, the impact and timeliness of policy communication to employers and reports to the WAG its findings.

13. Finally, there is a need for greater transparency in the way that WAG and the UK Government and their respective agencies collaborate with emphasis on recognising the advantages of co-operation as well as distinctiveness and divergence.

(Paragraph 47)

14. Most aspects of HE policy development are now devolved, and each of the four nations has distinctive approaches and priorities for its HE sector. Nevertheless, the benefits to all of maintaining consistently high standards in HE institutions throughout the UK and the existence of other common interests such as shared markets for staff and student recruitment mean that in practice there continues to be a high

level of interdependency between the nations. The HE sector in England is much larger than that in Wales, and whilst Wales has the powers to develop its own policies, it remains in a number of significant respects subject to the consequences of policy changes across the border in England.

(Paragraph 53)

15. Student flows from England to Wales are very significant for Welsh higher education institutions and for the Welsh economy. Although it appears that increasing numbers of Welsh-domiciled students are choosing to study in Wales, within the UK Wales has the highest proportion of full-time HE students coming from outside the country. Policy decisions made in England which alter the pattern of student flows, whether as an intended or unintended consequence, could have a major impact on Wales. Similarly, decisions of WAG need to take account of the reality of choices made by would-be students and the health of Welsh HEIs.

(Paragraph 60)

35. It is the Government's view that devolution was intended to allow administrations to introduce policies which they believe to be in the best interest of their populations and economies. Nothing should detract from that important principle. That does not detract from the need for Ministers and officials to confer on the changes they plan to introduce. And where services provided by one administration are used by the residents of another, there need to be agreements about how those arrangements work.

36. Consequently considerable work is now carried out between officials in the Government and the WAG — in both policy development, project delivery and policy implementation. Regular meetings and discussion had been established between officers from the two departments in a number of key policy areas shortly after the Department for Children, Education, Lifelong Learning and Skills' (DCELLS) restructuring was completed in June 2008 and as the HE Review in Wales was being initiated. These meetings continue. The key policy areas where meetings are taking place on a systematic and regular basis are: HE governance; HE Reviews in England and Wales; and student finance and management of student loans. Further dialogue is being established on the following issues: index linked repayment thresholds and student finance statistical modelling.

16. Differences in spending priorities between the governments in Wales and in England have led to a funding gap, estimated on 2005/06 figures to be £61 million, between the amount which the HE sector in Wales receives compared to what it would receive if it were funded on the same basis as the HE sector in England. Witnesses told us that if this funding disparity were to continue, the HE sector in Wales would become unable to compete effectively with institutions in the UK and other EU nations and that this would limit its ability to contribute to a growing economy in Wales.

(Paragraph 65)

37. In 2008/09 the WAG has made available some £451m to HEIs via HEFCW. In addition to this, approximately £346m has been provided via student finance. Taken together, the level of HE institution funding and student finance is on a par with levels in England. Alongside this, there have been opportunities to increase income into Higher Education in Wales through, for example, the EU structural funds process and the WAG's

new Strategic Capital Investment Fund. Both of these were competitive processes, with competing priorities from across the WAG.

38. The outcome of the first phase of the Jones Review, and subsequent WAG action, has created the potential for releasing additional monies into the sector.

17. The introduction of a matched fundraising scheme for universities in England, and the absence of any equivalent scheme in Wales, will inevitably increase the funding disparity between England and Wales and the advantages of such a strategy should be explored by WAG.

(Paragraph 73)

39. The WAG announced the initiation of a matched fundraising scheme for Wales in January. The Higher Education Funding Council Wales are developing the details of the scheme and it is the intention to implement the scheme in the coming academic year.

18. Witnesses expressed concerns about the decision to merge the responsibilities of the Medical Research Council (MRC), which has a UK-wide remit, with the National Institute for Health Research (NIHR), whose remit covers England only.

(Paragraph 75)

Recommendation

We recommend that the newly formed UK Office for the Strategic Coordination of Health Research (OSCHR) implements procedures to ensure that the views and priorities of health researchers in Wales are fully taken into account when considering its strategic approach to clinical research across the UK.

40. The Government notes that OSCHR was created in 2007 in order to develop a more coherent strategic approach to health research in England. It does not merge the responsibilities MRC with NIHR. OSCHR's co-ordinating role was extended to two of the Devolved Administrations (Scotland and Wales) with Wales becoming a full partner of OSCHR in October 2007 following a meeting between Rhodri Morgan (First Minister for Wales) and Sir John Bell (Chair of OSCHR). This change reflects the collaborative, multi-disciplinary, multi-centre nature of much health research, and the need to maximise UK competitiveness in a global health research environment. The Government announced in CSR07 that funding for health research will rise to £1.7 billion per annum by 2010/11, an increase of around £300m per annum.

41. The WAG will launch the National Institute of Health Research for Wales in March 2009. Such initiatives help ensure that researchers in Wales build to articulate and develop in detail research strategies, capacity and requirements and thereby improve opportunities to access to funding.

19. We have been assured that the necessary arrangements are in place to enable the funding councils of Wales and England to support cross-border collaborative projects. We are supportive of such projects and believe that they could help foster better cross-border cooperation and as a consequence, potentially improved research funding in Wales.

(Paragraph 79)

Recommendation

We recommend that DIUS and WAG monitor this issue so as to ensure that joint funding is provided to appropriate projects.

42. The Government does not see the geographical boundary as being an artificial barrier to collaboration. Universities can work with other institutions to boost the quality of their research and this is something we would encourage. Following John Denham's meeting with Jane Hutt last year, we have asked the four HE funding bodies in the UK to explore whether they can further improve their support for collaboration between HEIs.

43. The WAG agrees with this view.

20. It is clear that the HE sector in Wales receives a smaller share of UK research funding than would be expected from its relative size. Witnesses have suggested various explanations for this, including the possibility that the lower level of HE infrastructure investment in Wales is compromising the quality of research bids; the fact that there is a greater proportion of smaller institutions in Wales; the possibility that Welsh interests are inadequately represented when selecting successful research bids; and the possibility that current systems for awarding funding favour established institutions with a proven track record rather than ones with future potential.

(Paragraph 86)

44. The WAG notes that the most recent evidence indicates that Welsh representation on Research Council Boards and panels is adequate and that this is not the key issue — although we will take a proactive approach to ensuring that Wales is well represented across Research Councils. Research Councils will continue to fund excellence wherever it is found across the UK. The WAG is working with Higher Education Wales (HEW) to build a picture of all Welsh HEI representatives across Research Councils and make better strategic use of intelligence gathered to explore mechanisms for improving Wales' success rate in future.

45. The WAG is developing strong links between DCELLS and Research Councils with regular meetings in addition to the annual Concordat meetings between Research Councils, WAG and HEFCW. For example, the WAG and the AHRC recently hosted a joint event to encourage research in the area of the Digital Economy. The event was well attended by HEIs, SMEs, funders and end users of research and has resulted in exploratory talks regarding cross-HEI funding for research collaboration in this area.

21. Research investment brings significant economic benefits to the surrounding localities. HEIs in Wales will be disadvantaged if the funding gap continues to grow, which will make it increasingly difficult for them to compete on an equal basis with English institutions for research funding, with the prospect of a downward spiral developing. This would have a significant and negative impact on the economy of Wales. We believe that the UK-wide distribution of research funding by DIUS should take account of the relative needs of different parts of the UK for such economic investment. However, it must be acknowledged that it will be harder to attract research funding if the funding gap referred to in paragraph 65 continues.

(Paragraph 87)

Recommendation

We recommend that DIUS prepares and publishes a report on the varying levels of research investment across the different nations and regions of the UK, together with an explanation of the variation and steps which could be taken to achieve a more equitable distribution, giving consideration to each of the factors listed in paragraph 86 above.

46. The Government's ten year framework provided a clear statement of policy in this area:

Public funding of research at a national level, through the Research Councils and funding bodies, is dedicated to supporting excellent research, irrespective of its UK location. The 'excellence principle' is fundamental to safeguarding the international standing and scientific credibility of the UK science and research and supporting an excellent, diverse, expanding and dynamic science base, providing value for money for public investment.

47. This policy remains firmly in place. The national distribution of research funding reflects the national distribution of research excellence. The Government supports Research Councils in their aim of funding excellent research wherever it is located in the UK.

48. The Government has no plans to publish a report on the varying levels of research investment across the different nations of the UK. Government policy for research funding is to fund the best research wherever it occurs in the UK, not to aim for a particular national or regional spread of research investment.

49. The Government refutes the suggestion that Welsh interests are inadequately represented when it comes to selecting successful research bids. Research Council funding allocations for individual projects are informed by peer review panels composed of experts in the field, rather than representing regional interests. Funding is awarded to those projects that are judged to be of the highest scientific merit, irrespective of geographical location.

50. The WAG already engages with the Research Base Funders' Forum to influence future thinking on research funding, and this is a useful body to enhance effective dialogue.

51. The WAG notes that it is right that Research Councils fund world-class research excellence. Following RAE 2008 it is now clear that there is internationally excellent research across Wales, including pockets of excellence at many non-research intensive HEIs and at a range of departments of all sizes.

52. It is a clear priority for the WAG to strengthen the research base in Wales and this aim forms part of the Terms of Reference of the Jones Review. While ensuring adequate investment is critical, to achieve this aim there is also a need to focus on building excellent research management capacity within Welsh HEIs, strong research strategies (including mechanisms for peer review of all applications submitted) and the clear need for continued and greater collaboration across the sector (including outside Wales) so that Wales has the scale and critical mass as well as research excellence to compete effectively with the rest of the UK. Consequently there is also an expectation that Research Councils will recognise and reward this and ensure appropriate representations for Welsh HEIs.

53. It is also important that Welsh HEIs are collaborating with the best in their field which is particularly important when emerging areas of research excellence are seeking funding from Research Councils. Many of the Councils fund networks which include researchers from a range of institutions who gain enormous value from working with strong and well-established partners who already have a track record of Research Council funding.

22. We believe that research councils should not just follow excellence, but must also foster it. HE funding should not be based on a winner takes all model. We support the suggestion of Universities UK that, given the economic impact of research spending, funds should be made available at a UK level to support the development of research capacity in economically deprived areas of the four nations.

(Paragraph 88)

Recommendation

We recommend that DIUS makes available a specific allocation of research funds to develop the research capacity of HEIs outside the established elite to enable them to gain a track record of success and so be able to compete more effectively for research funds from other sources.

54. The Government has no plans to make a specific allocation of research funds to develop research capacity of any HEI, whether across the UK through Research Councils or in England through the HEFCE block grant. However, devolution means that the WAG could invest in developing research capacity in Welsh HEIs through the Higher Education Funding Council for Wales (HEFCW) if they so wish.

55. The WAG is keen to ensure that Research Councils recognise and fund excellence wherever it is found across the UK, and that Wales can compete with the best. The WAG's policy is to foster and encourage research excellence across our HEIs through a range of policies and support frameworks. For example, HEFCW's Reconfiguration and Collaboration Fund encourages institutional collaboration to build capacity and excellence in research.

23. Whilst there are undoubtedly a number of communications mechanisms in place between DIUS and WAG, it is clear that these have not been sufficiently effective. We fear that the liaison between the two departments is of a formal nature only and steps need to be taken to create a relationship which develops into a true partnership. We heard evidence of instances where UK policy had been developed with little attention given to Welsh issues, and of policy developed for England without consideration of the impact it would have on Wales and vice versa. We look to the Wales Office to improve communications and ensure that they are fit for purpose. There should also be better liaison between the Wales Office, WAG and HEFCW.

(Paragraph 93)

56. The Government and the Wales Office will work in collaboration with the WAG in improving communications with a view to taking into account policy development and delivery on either side of the border. As indicated (response to conclusions 13-15) since June 2008, considerable work has gone on in developing both formal and partnership links between policy officers in DIUS and the WAG. The Wales Office has recently met HEFCW and will continue to meet regularly.

24. DIUS is responsible for science policy throughout the UK and must ensure that all of the four nations benefit from its science investments. WAG has defined its own science priorities for Wales but has provided no specific additional funding to pursue these aims. There is a clear risk that neither body will give sufficient priority to science investment in Wales, despite the obvious benefits to the economy there.

(Paragraph 96)

Recommendation

We recommend that DIUS explores with WAG the potential for a joint science investment fund or a joint strategic science site in Wales.

57. The Government does not want to raise expectations of a science investment fund or science strategic site in Wales. Government policy for science and research funding is to fund the best science wherever it occurs in the UK, not to aim for a particular national spread of research investment.

25. In order to encourage better joint working, we suggest a greater use of secondments between the two government departments as well as between funding bodies on both sides of the border.

(Paragraph 104)

58. Both the Government and the WAG support secondments and, as a first step, both will build on existing linkage by developing secondment opportunities and placements in DIUS from WAG. Equally, given that HE policy issues impact upon both the Wales Office and other departments, such as the Privy Council, the WAG will seek to explore further opportunities for staff secondment in these relevant departments.

26. Some of the responsibilities of DIUS are UK-wide and others relate only to England. Our evidence suggests that this situation has given rise to confusion, both within and outside DIUS. Welsh interests are not being adequately taken into account when formulating UK policy, and UK policies are overly based on English interests.

(Paragraph 105)

Recommendation

We recommend that DIUS establishes processes to ensure that the territorial extent of any policy is clearly identified and communicated by officials before any developments to it are proposed and that this should be done in consultation with the Wales Office and WAG.

59. DIUS and the Wales Office will work in collaboration with the WAG with a view to taking into account policy development and delivery on either side of the border.

60. Wales Office officials actively engage with policy officials and Bill teams, and have built up a good working relationship with fourth session Bill teams to ensure that devolution aspects, where necessary, are covered in policy UK Government Bills. The Wales Office is working on an outreach programme aiming to improve communication and arrangements with Departments with a view to ensuring that devolution implications for Wales are properly taken into account early in policy development.

61. Processes are in place in several policy development areas between WAG officials and DIUS to identify the territorial implications and share issues of particular policy developments. These will be built upon to ensure liaison is systemic.

27. With regard to the development of HE policy, we were told that there are a number of opportunities for officials of all administrations to meet and share information, but there appears to be no framework to ensure that future strategy is developed with due regard to the interdependencies of the HE sectors of the four nations. We saw no evidence of any clear process for considering the implications for the devolved administrations before decisions about policies for England were made. Because of its relative size, changes to the HE sector in England will inevitably have an impact throughout the rest of the UK. Policy decisions must be taken in the knowledge of the likely consequences on both sides of the border.

(Paragraph 106)

Recommendation

We recommend that DIUS ensures that the devolved administrations are fully consulted before any further decisions are made with regard to future HE policy in England, and that any future reviews routinely include this type of consultation as a matter of course. We look to the Wales Office to ensure that this happens.

28. Occasional and *ad hoc* meetings serve a useful purpose in exchanging information about current issues, but there is also a need to establish better protocols and relationships to ensure that the Government's policymaking process routinely considers devolved interests at an early stage.

(Paragraph 107)

Recommendation

We recommend that until any alternative structure is put in place, the coordination of HE policy should be a top priority for the Joint Ministerial Committee, and that information about its discussions is made publicly available.

29. Throughout all the strands of our cross-border inquiry, our evidence has suggested that the decision-making process on each side of the border needs to be more coordinated, more coherent and more transparent. Democratic devolution means that decisions should be taken in England and Wales in the best interests of the local population. This does not mean, however, that governments on either side of the border should close their eyes to the consequences of their decisions on the population of the UK as a whole, particularly those living in close proximity to the border itself. We have found clear evidence that a better interface between government departments and WAG would be to the benefit of students and education staff both in Wales and in England.

(Paragraph 108)

30. WAG has chosen to invest less in HE than DIUS has in England and the consequences of this are increasingly evident in competition for students, the strength of the institutions and capacity for research. We note the Minister's willingness to address these issues, many of them identified by Professor Merfyn Jones' review. DIUS appears to be pressing ahead with strategic changes to HE policy, with little regard for the consequences for the devolved nations, and little consultation. The role of the Wales Office is to be the voice of Wales in Westminster, but with regard to the development of HE policy it has failed to make the UK Government factor Wales into its planning. Equally, neither the WAG nor HEFCW appear to recognise the importance of the Wales Office in raising Welsh HE and funding issues at the UK level.

(Paragraph 109)

62. It is the Government's view that administrations will develop policies that are appropriate to them and their circumstances — that is the inescapable consequence of devolution. But there should be exchanges between Ministers and officials so that each administration understands the rationale and implications of the policies. The Wales

Office is working to improve communications with a view to taking into account policy development and delivery on either side of the border.

63. The WAG has advised that it supports this work and has meetings with Wales Office officials to share thinking on current developments and identify potential future issues, including the current and future stages of the Jones Review.

64. The Wales Office is already working with DIUS to ensure that devolution implications/border considerations are factored into HE Policy and into policy development across Whitehall. The Wales Office has and will continue to look to improve on this via the major awareness-raising programme. Officials will meet with colleagues in UK Government departments including DIUS, to further discuss the importance of devolution in policy deliberations and development. The meetings will also emphasise the need for best practice sharing and seeking advice from Wales Office and Welsh Assembly Government where necessary. The Wales Office also continues to work with Cabinet Office and the other Territorial offices hosting formal and informal training sessions with officials dealing with devolution issues across Whitehall.

65. Meetings have been established between HE policy officers in the WAG and other devolved administrations. Opportunities to introduce these on a more regular systemic basis are being considered. Also under consideration is the role of JMCs in the co-ordination of HE and FE policy.

66. As indicated (response to conclusions 13-15), considerable work is now carried out between officials in the Government and the WAG — in both policy development, project delivery and policy implementation. Regular meetings and discussion had been established between officers from the two departments in a number of key policy areas shortly after DCELLS' restructuring was completed in June 2008 and as the HE Review in Wales was being initiated. These meetings are ongoing. The key policy areas where meetings are taking place on a systematic and regular basis are: HE governance; HE Reviews in England and Wales; and student finance and management of student loans. Further dialogue is being established on the following issues: index linked repayment thresholds and student finance statistical modelling.

31. In addition, the approach of the research councils is blind to the social and regeneration consequences of their decisions. Unless there is a more active acknowledgement of Wales by the UK Government, better coordination with WAG and an increased awareness within the funding bodies of the UK dimensions of their decisions, all of these factors add up to a gloomy prospect for Welsh HE.

(Paragraph 110)

67. It is the Government's view that the purpose of Research Council funding — part of the ring-fenced Science and Research Budget — is to promote excellent research on behalf of the UK as a whole — not to provide regional development in a specific location. In England the RDAs also invest in science with regional objectives in mind. In Wales that would be a matter for the WAG.