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2 February 2001

*Dear Professor Williams,*

### HIGHER EDUCATION FUNDING COUNCIL FOR WALES: REMIT FOR 2001-02

#### Introduction

1. Further to Derek Adams' letter of 22 December 2000 about funding, I am writing with guidance on the distribution of the grant in aid for the Council in the light of the National Assembly's Partnership Agreement and the longer term vision, values and priorities set out in the strategic plan "[www.betterwales.com](http://www.betterwales.com)" (which will shortly be updated to reflect the outcome of the 2000 spending review).
2. The spending plans ratified by the Assembly recognise the important role which higher education has to play in lifelong learning and social and cultural development, together with generating the higher level skills, knowledge and research to underpin economic growth and technological advance in Wales.
3. Although this remit letter concerns higher education, the Council should work closely with the new National Council for Education and Training for Wales (CETW) to promote the delivery of a seamless, well-integrated system of post-16 education and training which is diverse, comprehensive and accessible to all. Where appropriate, the two Councils should liaise on their strategies for outreach work, community development and engaging with the voluntary sector. The respective funding streams should be based on

clear criteria, and the strategies should include SMART objectives against which to evaluate the effectiveness of investment in these areas. The two Councils will also need to work closely together to oversee the all-Wales response from the post-16 education and training sectors to EU funding opportunities.

### **Priorities for Higher Education**

4. Our priorities are that higher education institutions should:

- make continued efforts to increase and widen participation, in the interests of social inclusion, particularly from groups who are under-represented in higher education, through purposeful partnerships with schools, FE institutions and community groups;
- continue to work to drive up quality and standards of teaching and learning alongside flexibility in delivery;
- by fully exploiting the HE knowledge base, continue to increase their contribution to the economy and their responsiveness to the needs of business and the community;
- improve provision for students to gain experience of the needs of employers;
- increase the amount of quality research being undertaken and to make more well-founded bids for Research Council grants so that Wales's share of grant approaches its population share of the United Kingdom;
- collaborate more closely and effectively to cut overhead costs;
- play their part in realising the principles of sustainability and equal opportunity;
- contribute to the development of bilingual capacity within Wales;
- maintain effective governance in all their affairs.

5. These are all important issues and underlie the Assembly's commitment to establishing a strong future for the higher education sector in Wales. I welcome the Assembly's Education and Lifelong Learning Committee's policy review of higher education in Wales. I look forward to seeing the conclusions and recommendations of the review, which will assist me in preparing the 10-year strategy for adequately funded development and expansion of higher education in Wales, as set out in the Partnership

Agreement. I expect the Council to be prepared to play its part in taking forward this work.

## **Widening Access**

### **Participation rates**

6. Institutions need to ensure that they are open to all who have the potential to benefit from higher education. All higher education institutions should incorporate widening participation into their missions and be active in recruiting students from under-represented groups and ensure that their pastoral needs are met. I would like the sector to build on its success in providing access for people from more disadvantaged backgrounds and from neighbourhoods where there is no tradition of attending university as noted in the Funding Councils' publication "Performance Indicators in Higher Education 1996-97, 1997-98."

7. Nonetheless, as illustrated by the Council's paper "Participation Rates for Welsh Students in Higher Education within the UK during 1997/98", there is still a wide disparity in participation within Wales. The Council should continue to work with the HE sector and others to raise expectations and opportunities for participation especially in those parts of Wales where participation rates are lowest. I will reflect on the Council's forthcoming advice on further action which could be taken to help reduce the human and economic cost which is incurred when students drop out of courses, particularly in those institutions which have succeeded in recruiting from the groups hitherto under-represented in higher education. It is important that corrective action is taken where 'drop out' rates at an institution are significantly higher than the sector norm.

### **Allocation of funds**

8. I look to the Council to keep under review, and if necessary develop, the funding formula to recognise success in the recruitment of students from disadvantaged backgrounds or facing particular challenges. The Council should also provide development funds to link HE institutions with schools, colleges and community groups to encourage retention and progression through higher education, to target particular disadvantaged groups and mature students, and to support the promotion and dissemination of good practice.

### **Access and Hardship Funds**

9. Provision for Access Funds (including funds for HE students in FE colleges) is given in the following table.

	(£ million)		
Financial Year	2001-02	2002-03	2003-04
Access Funds	5.425	5.925	5.925

Access and Hardship Funds have increased significantly over the last four years, and are central to supporting the Assembly's policies on widening access to higher education and ensuring that students have the financial help they need to complete their studies. The student support system funded by the Department for Education and Employment for students in Wales as well as England includes a significant package of measures for both mature and young students from disadvantaged backgrounds, designed to attract more of them into higher education. It is crucial that institutions in Wales support these measures by effective targeting of such students both before they enter higher education – so that they are aware of the financial help available to them and can be given early commitments of funding – and once they are there, so that they receive help at the right time.

10. I have appointed an Investigation Group on Student Hardship and Funding to report on options for tackling problems inherent in the current system of student maintenance and support. The investigation will be completed by Spring 2001. The Assembly has made clear its commitment to increasing the numbers of students from less well off backgrounds who enter higher education. A key factor in achieving this is to provide these young people with the necessary confidence to make the transition into higher education. Institutions must ensure that academic and admissions staff, as well as student finance administrators, play a full part in promoting the measures which are implemented by the Assembly, as part of their outreach work with schools and colleges. I also expect institutions to ensure they have arrangements in place to support these students once they have taken up their places, so that they are given the best possible start.

11. Last year, the Department for Education and Employment published the report of its review of Access Funds and Hardship Loans, which showed that the quality of administration of Access Funds in institutions varied widely and that students were often not able to apply for or receive help from the Access Funds in time. Subsequently, our Access Funds Guidance included examples of good practice collected from institutions during the Review, both in administering and promoting the use and availability of Access Funds, and ideas for widening access for other institutions to consider. In the light of these documents, institutions have doubtless been re-examining the way in which they administer these funds and the advice they can offer to students. Nevertheless, I look to the Council to continue to emphasise to institutions the importance of this element of the widening access programme and the priority the Assembly expects them to give to the effective delivery of the Government's access measures.

## **Students with Disabilities**

12. The Council should continue to meet the needs of students with disabilities in higher education through supportive funding arrangements. The Council should take into account the need to meet the additional costs of providing learning support for students with learning difficulties and disabilities when allocating funds to institutions. The Council is asked to continue to monitor the provision made by institutions for disabled students and to note the intended legislation on these issues.

## **Foundation Degrees**

13 The Department for Education and Employment is piloting the introduction of a new two-year route to a degree with high market value, for those who do not feel that a traditional three-year honours degree is right for them. My officials are considering the recent advice from the Council about the manner in which this prospective route might be modelled and established in Wales. The Council's assessment of the impact that such a qualification would be likely to have on lifelong learning and on the Council's objectives for courses hitherto known as "sub-degree provision" will inform the Higher Education Policy Review which is being undertaken by the Assembly's Education and Lifelong Learning Committee. However, the Council should seek to encourage and support those institutions who have identified a capacity to deliver such courses and a student market for them.

## **Quality and Standards**

14. As access to higher education is expanded, it is vital that standards are maintained and enhanced. I welcome the progress made by the Quality Assurance Agency towards introducing a new method of academic review, including recognition of the need to keep bureaucracy to a minimum and to make use of a light touch where appropriate. The Council should continue to work with the QAA to reduce the bureaucratic burden of quality reviews on institutions whilst maintaining standards. The Council needs to ensure that the experience of the first round of reviews in Scotland under the new methodology is appropriately promulgated within the sector, in order to ensure that the standards of higher education are maintained at a consistently high level and that swift action is taken where weakness is found. I expect all assessments in the QAA's first half-cycle (AYs 2001-03), under its new UK-wide academic review process, to be 'approved' and a significant number to include at least one 'exemplary' feature.

## **Students' needs**

15. It is important that all institutions have arrangements for handling student complaints and appeals to the highest standards. I would like the Council to ensure that all institutions have high quality student complaint and appeal procedures in place, including an independent external element.

16. I also wish institutions to improve the quality and availability of careers' advice for students taking into account the establishment of Careers Wales from April 2001 and the results of the review of higher education careers services being carried out by Professor Sir Martin Harris (and nearing completion). The review report is expected to make practical suggestions for improvements that can be made quickly so as to benefit as many existing students as possible. The Council will want to consider how it can assist institutions to restructure or enhance their careers services in the light of specific recommendations from the review and the introduction of Careers Wales, and submit its conclusions to me before the end of the financial year.

### **The Economy**

17. The contribution of the higher education sector is crucial to the development of Wales's economy. Economic growth is increasingly dependent on higher level skills and on the generation and exploitation of knowledge. The products of higher education institutions provide essential underpinning for continued prosperity and the development of human capital.

### **Generic Skills**

18. Higher education institutions have always produced graduates with specialist knowledge. Graduates also need the generic skills which most employers demand, such as team working, communication, and understanding of the world of work. The reports of the Future Skills Wales study give further details. These skills should be developed drawing on the full range of learning experiences, including work experience and voluntary activities (see paragraph 30, below). Some institutions are already making sure their graduates have these generic skills and are able to make an immediate, substantive contribution when they begin work. The Council has assessed the extent to which higher education institutions promote these skills and whether it should make additional funds available to institutions which promote the acquisition of employment-related skills for all their students. I will consider what further action should be taken in the light of the Council's anticipated advice but expect the Council to work with the CETW to maintain and develop, in a co-ordinated way, opportunities for fostering links between entrepreneurship and innovation, and for developing related skills.

### **Graduate Apprenticeships**

19. The Council should continue to work with HE institutions on developing closer and better links with the employers, working together in a way that will benefit students, institutions and business. In particular I would like to see a broader range of students, eg from social sciences and arts faculties, engage more with public and private sector employers in areas that have high growth potential. One way this might be taken forward is by developing work-based learning pathways which involve higher education. Modern Apprenticeship

frameworks are already available at Level 4 and these will shortly be supplemented by the new Modern Skills Diploma for Adults. There are opportunities to link higher education provision to these programmes, particularly for courses that lend themselves to periods of work experience. Higher education institutions should be encouraged, where appropriate, to work with National Training Organisations to develop practical proposals for such Graduate Apprenticeships.

### **Employability indicators**

20. I want to see a continuing increase in the employability of all students completing higher education courses. I look forward to receiving the Council's report on progress in using the extent to which graduates from each institution gain employment as a criterion when allocating additional student places and on the extent to which HE institutions are developing and using employability indicators, due by March 2001. Employability should be used as a criterion if sufficiently robust data are available.

### **Knowledge Exploitation Fund**

21. Higher education institutions are well placed to make links with industry and to demonstrate how knowledge can be used to develop new businesses and jobs and increase productivity. The Assembly is therefore making £34 million available during the years 2000-2004 through the Knowledge Exploitation Fund, to help boost the further and high education sectors' contribution to the development of the economy. I wish the Council to give particular consideration to whether greater flexibility is needed to cater for the needs of small and medium sized enterprises and to allow for multi-disciplinary team working. I also expect the Council to make maximum opportunity for leveraging in EU monies, and would like a report from the Council on the outcome of the first tranche of the Fund by end November 2001. In general, I look to the Council to ensure that the higher education sector plays a full part in delivering the objectives set out in the Entrepreneurship Action Plan.

### **Skills shortages**

22. Higher education institutions need to be aware of skill shortages in the economy, adjusting the number and type of courses they offer in response to local, regional and all-Wales needs. They should make use of the work of Future Skills Wales, the Skills Foresight reports produced by National training Organisations, and CETW's Skills Unit. Institutions should also foster links with individual employers and groups of employers which have been established in particular sectors. The Assembly's forthcoming National Economic Development Strategy will provide important policy guidance and the Council should encourage institutions to take forward relevant aspects of the Strategy and, more generally, the issues which have been identified in the Wales Skills Task Force Report. The Council and HE institutions should work

in partnership with the Welsh Management Council to devise a framework for management development which leads to outcomes directly relevant to employer objectives.

### **International Profile**

23. As set out in [www.betterwales.com](http://www.betterwales.com), the Assembly wishes to raise the international profile and influence of Wales. The higher education sector has an important role to play in achieving this aim, and I should like the Council to liaise with the British Council and WHEILA to assist institutions in marketing the sector and attracting more overseas students to Welsh institutions.

### **Research**

24. The Council should continue to encourage the sector to increase the amount of top quality research undertaken in higher education institutions in Wales; to exploit that more effectively; and to gain a greater share of Research Councils' funding. I expect institutions to collaborate, as appropriate, in the organisation of research capacity and in the submission of research proposals, in order to create the critical mass required to win substantial funding, as is happening in other parts of the UK. Although I recognise the need for continuing selectivity in the allocation of research funding and that not all institutions will be involved in groundbreaking, fundamental research, it is nonetheless important for Wales and for the sector as a whole that it has a highly credible research base. I would like the Council to report further the steps it has taken in concert with institutions to acquire more Research Council funding, by July 2001, including targets.

25. The Government is committed to invest in research in universities, and in 2002-03 and 2003-04 is making available £375 million via the Office of Science and Technology (OST) across the UK for investment in science research infrastructure. The Wellcome Trust is also providing £225 million for infrastructure projects in selected areas. I would like the Council, in partnership with OST, to develop a mechanism for distributing the funding for Welsh institutions. It should take account of research excellence and the volume of research carried out in institutions, and should involve minimal bureaucracy. It will be for institutions to decide their own investment priorities, in the light of wider UK developments in funding for science. They should do so in the context of clearly articulated strategies for research and its exploitation, including, as appropriate, the provision of incubation facilities for new enterprises. SRIF funding should meet 75% of the total investment institutions undertake under the scheme, and institutions should be expected to provide 25% from their own or third-party resources except where investment is undertaken by two or more institutions in collaboration.



## **Capital and IT Infrastructure**

26. The Council should ensure that it has the necessary information to reassure itself that capital funding provided from the public purse is invested soundly. The Council should offer the guidance it considers necessary on investment and procurement, as well as disseminating good practice. In particular, it should encourage and support the use of sound investment appraisal and procurement processes, including public-private partnership and PFI where these seem likely to offer value for money. The Council should continue to provide recurrent funding to support the costs of PPP/PFI.

### **IT**

27. The Assembly is making available £35 million over the period 2001-04 for investment in general infrastructure and IT. This includes a sum of £5 million in 2001-02 specifically for increasing the number of computer workstations for students together with associated software, peripherals and network capacity. More generally, I expect institutions to exploit electronic means to bring HE provision closer to where people live, and to participate actively in the UK e-university project and in international e-delivery collaborations with due regard to the importance of maintaining rigorous standards and high quality in provision.

## **Collaboration**

28. The Council should be proactive in supporting opportunities for institutions to eliminate wasteful duplication of courses, to collaborate, to integrate functions and, where appropriate, to merge. The Council should continue to make available partnership funding to promote such opportunities. It will be essential to benchmark higher education in Wales against emerging groupings elsewhere in the UK. The Council should consider with the sector what patterns of collaboration are emerging; the purposes to which they are being put regionally, nationally and internationally; and their effectiveness.

## **Performance indicators (PIs)**

29. I am concerned that the Council should examine available performance data to identify variations in performance between institutions. Whilst recognising the need to promote a diverse sector, I would like the Council to address differences in PIs and to take steps to progressively eliminate them where they do not relate to differences of mission but where they do bear on spreading best practice. I look forward to receiving the report on what steps the Council will be taking to achieve this in concert with HEIs in Wales, due by January 2001.

## **Volunteering**

30. The Assembly is committed to working closely with the voluntary sector in Wales in achieving the aims set out in "[www.betterwales.com](http://www.betterwales.com)". The involvement of staff and students in volunteering is already a feature in many higher education institutions. However, there is further scope for students to participate in volunteering and community outreach work. Such activity is intrinsically beneficial to all concerned and integral to the development of generic skills among students (see also paragraph 18, above) as well as higher education's wider responsibilities to local communities. Consequently, I wish the Council to encourage universities and colleges to provide help and support to students who are giving so generously of their time and energy, and to develop recognition of these activities before entering as well as during courses. This is important and worthy of further deliberation with appropriate organisations and agencies at the all-Wales and regional level.

## **Employment Practices**

31. I am very keen that the higher education sector should adopt best employment practices, including structured programmes of staff development and effective procedures to deal with staffing issues. There should be agreed consultation processes to avoid the development of grievances and disputes.

## **Equal Opportunities for HE staff**

32. Evidence shows that only a minority of academic staff in higher education institutions are women, or from an ethnic minority background, or have a disability. Relatively few from these groups reach senior positions. I welcome the Equality Challenge Unit which is being set up by the Funding Councils and sector representative bodies, and look forward to hearing by January 2002 what proposals the Council wish to pursue in order to make rapid progress towards achieving greater equality of opportunity for all groups of staff. I also look to the Council and higher education institutions actively to support the Government's Work-Life Balance Campaign.

## **Bilingual provision**

33. Under "[www.betterwales.com](http://www.betterwales.com)" the Assembly is committed to fostering Wales' unique and diverse identity, and the benefits of bilingualism, while looking confidently outwards and welcoming new cultural influences. I have noted the Council's evaluation of the Welsh Medium Provision Development Fund and its decision to set aside funding to underpin plans for taking forward Welsh medium provision on an institution-wide strategic basis. I have also noted that the outcome of discussions with the University of Wales regarding the appointment of a full-time Welsh Education Development Officer. I should be grateful for the Council's proposals about how best to build on this incentive with a view to expanding Welsh medium provision still further, by October 2001.

## **National Languages Strategy**

34. The Council will be aware that the Assembly has issued a consultation paper on its proposals for a National Languages Strategy, the aim of which will be to improve the take-up and standard of foreign languages learning beyond the ages of 14 and 16. The paper proposes that the Council should invite HE institutions to make facilities available to students to encourage them voluntarily to learn another language. Consideration could also be given to the provision of ICT/distance learning facilities for this purpose. I am already concerned about the decline in applications to modern foreign language programmes and encourage the Council to work with institutions to consider ways of maintaining and developing capacity. The Council will wish to note that I will return to this subject later in the year.

## **Governance**

35. Effective governance and management is critical to the success of higher education institutions. The Council will be aware that the Committee of Public Accounts and the Assembly Audit Committee have expressed serious concerns when examples of weak governance and management at UK further and higher education institutions have been reported by the Comptroller and Auditor General. It is essential that institutions have appropriate arrangements in place to ensure proper accountability for, and transparency as regards the use of, the public money made available for higher education. The Council remains responsible for ensuring that sound financial control systems are in place across the HE sector.

36. I expect the Council regularly to review the need for guidance to the sector on matters of financial management and value for money, and look forward to receiving assurance from the Council, by end January 2001, that all institutions have sound institutional planning procedures in place and that revised audit requirements have been issued to institutions.

## **Tuition Fees**

37. I do not expect institutions to charge additional fees above the regulated fee level ("top up" fees). Under the Teaching and Higher Education Act 1998 a condition has been imposed on the Council's grant for the past two financial years, requiring it in turn to place a condition on the funding it allocates to institutions providing higher education, that they should not charge "top up" fees. The same condition applies to the Council's grant for 2001-2002.

## **ETAP Report**

38. A number of the wider issues arising out of the Education and Training Action Group report fall naturally to the Council to pursue. Most are covered

in this remit letter but, for completeness, the issues are set out in the attached Annex. I will expect to see the Council cover this ground over the next two years, in conjunction with CETW where appropriate.

### **Conclusion**

39. This letter sets a challenging and ambitious agenda. I wish formally to put on record my appreciation of the work of the Council. I fully recognise the Council's achievements in widening student participation, expanding student numbers and bringing about improvements in the quality and standards of higher education. As the Assembly continues to take forward its aims, objectives and aspirations for higher education, I look forward to the Council's continuing help and advice, and that of the sector in partnership.

## ANNEX

### Issues arising from the Education and Training Action Plan Report for consideration by the Higher Education Funding Council for Wales (HEFCW)

		ETAP Plan ref <sup>(1)</sup>
1	HEFCW and CETW to operate within a unified strategic framework for the integrated planning and delivery of post-16 learning – creating equality of opportunity, widening access, and raising expectations and levels of achievement	6
2	HEFCW to work with CETW and ACCAC to establish a national credit-based qualifications framework	9
3	HE institutions to be encouraged to become associate partners of CCETs to ensure that cooperation and collaboration with other sectors are sustained and enhanced	10
4	HEFCW to ensure that providers of higher education are kept informed of labour market assessments, and take account of Future Skills Wales (FSW) assessments in planning programmes funded by the Council	15
5	HEFCW to work with CETW to increase the number of graduates and diplomates in engineering and technology, particularly those with design skills	17
6	HEFCW to work with CETW to increase higher level graduate skills and get them used in SMEs	17
7	HEFCW to encourage the development of generic and key skills in higher education, drawing on the full range of learning experiences (including work experience and voluntary work)	18
8	HEFCW to work with CETW and the Wales Management Council to devise a framework for management development which leads to outcomes directly relevant to company objectives	21



**Cynulliad Cenedlaethol Cymru**  
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22 December 2000

## **HIGHER EDUCATION FUNDING FOR 2001-02 TO 2003-04**

1. I am writing formally to notify you of the funding for higher education in Wales over the next three years.

2. The detailed figures are set out in the Annex to this letter. In summary, the settlement increases the full-time equivalent student numbers by nearly 4.6 per cent over the period and overall planned funding for higher education in Wales rises by 12.4 per cent. The real increase in funding recognises the important role which higher education has to play in lifelong learning, and in contributing to economic growth and technological development in Wales. A further letter will follow early in the New Year with guidance on the distribution of the Council's grant-in-aid in the light of the Assembly's priorities.

### **Funding**

3. The figures in the Annex show the total Funding Council grant, and the total funds available for HEFCW-funded courses, taking account of tuition fee income. The Assembly proposes to continue to earmark part of the grant-in-aid to be used for capital purposes, as indicated. In addition, the Assembly looks to the Council to encourage institutions to make sensible provision to maintain and update their equipment and estates, and to ensure their efficient and effective use.

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### Student Numbers

4. The target growth in student numbers in higher education for the next 2 years is also shown in the Annex to this letter by financial year. These targets subsume the following academic year figures for full-time and sandwich undergraduate students:-

<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
52,300	52,800	51,800	52,900

5. The settlement includes an element of provision for additional intake of medical students.

6. The Assembly welcomes the measures the Council has taken to deliver through its funding the level of student numbers assumed in previous expenditure plans. It is important that the Council continues to exercise tight controls to ensure that the number of full-time and sandwich undergraduate students is not exceeded and planned participation rates are met. The need for controls is very important because student support costs have to be contained within DfEE's Departmental Expenditure Limit.

### Tuition Fees

7. The settlement takes account of student contributions, subject to income assessment, to tuition fees. As previously, the figures set out in the Annex provide sufficient funds to enable the Funding Council to provide compensation for the average lower fee (compared with the differentiated fees regime of AY1997/98 and earlier years) in respect of the planned numbers. The Council should allocate funds between institutions so as to reflect the effect of the differentiated fee regime. The Assembly does not expect institutions to charge "top up" fees.

### Pay

8. Institutions in the HE sector will be expected to follow public sector pay policy by taking account of fairness, the need to recruit, motivate and retain staff, and affordability within the limits set by the grant settlement. As in previous years, it is a condition of grant that the Council enables institutions to meet any additional costs for medical and dental schools arising from the Government's award to NHS clinicians following the Doctors' and Dentists' Review Body recommendations.

### Running Costs

9. The figures in the Annex set an upper limit, as shown, on the Council's running costs. The Secretary of State asks the Council to continue to make efficiencies and economies in its running costs and to seek increased value for money.

## Compliance

10. I should like to remind you that payment of grant continues to be contingent on compliance with the contents of the Management Statement and Financial Memorandum.

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## HIGHER EDUCATION FUNDING 2001-02 TO 2003-04

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Recurrent grant	277.495	292.449	299.449	308.449
<u>Less running costs</u>	(1.574)	(1.629)	(1.629)	(1.629)
<u>Plus public contribution to fees</u>	34.6	33.5	33.4	33.8
<u>Plus private contribution to fees</u> <sup>(1)</sup>	21.3	25.0	27.2	28.7
Plus capital grants for:-				
infrastructure and IT	7.000	15.000 <sup>(2)</sup>	10.000	10.000
research	8.162	10.762	10.762	10.762
Total available	346.983	375.082	379.182	390.082
		+8.1%	+1.1%	+2.9%
Student Nos (FTEs) <sup>(3)</sup>	70,200	72,400	72,700	73,400
		+3.1%	+0.4%	+1.0%

1. Net of estimated admin costs
2. Including £5 million from Assembly EYF moneys
3. Including mainstreaming of CE students.