

## THE RESPONSE OF HIGHER EDUCATION WALES TO HEFCW THIRD MISSION FUNDING ARRANGEMENTS 2010/11 TO 2012/12 CONSULTATION

### Introduction

This response has been drawn together following consultation with HEW members, the Higher Education Institutions (HEIs) in Wales. HEW is a National Council of Universities UK. The response will report on areas of common concern from within the Welsh HE sector

We welcome this opportunity to comment on the future of the Third Mission Funding Arrangements in Wales. The contribution of higher education institutions to Wales' social, cultural and economic well being is becoming of ever greater importance. This has been further reinforced by the Welsh Assembly Government's (WAG) higher education strategy and plan for Wales, *For Our Future*, published in November 2009. The strategy states that, "the two pillars of social justice and supporting a buoyant economy form the basis of our refreshed national policy on higher education".

The significance that WAG places on the economic value of universities to Wales is fully justified. The HE sector in Wales is already an economic powerhouse, with a £1.1bn annual turnover which, in turn, generates a further £1.1bn for local communities in Wales. About 33,000 jobs are either directly or indirectly created by universities and they also bring in £238m in export earnings to Wales through our international students and research income. The HEB-CI survey of university/business links has demonstrated that Welsh universities outperform the HE sectors in most English regions in their collaborative research with partners and in learning in the workplace. We will only succeed in creating a high performance knowledge-based economy if universities continue to be at the centre of the Assembly's educational and economic development priorities. The recent decision by the Deputy First Minister to review the Assembly approach to economic development to further bring these links to the fore is therefore particularly significant.

The value of higher education to the economic well being of Wales has been recognised in an increasing number of influential arenas. The House of Commons cross-party Welsh Affairs Committee report on 'Globalisation and its impact on Wales' in February 2009 concluded that, "it is vital that Wales should recognise the economic potential of higher education institutions". The WAG Enterprise and Learning Committee considered the role of HE of sufficient importance to conduct an inquiry on the Economic Contribution of Higher Education in Wales. The report summarised that, "Welsh universities and colleges have a crucial role to play in planning a way out of the current economic downturn, in the long-term development of a more skilled and more educated workforce, and in the creation of a modern knowledge economy for Wales".

The importance of HE to the economic, social and cultural well being of Wales is arguably greater than it has ever been before. Effective use of the Third Mission fund will be valuable to showcase to external stakeholders how HE can respond to the challenges facing Wales.

The HEFCW Circular on the consultation arrangements highlights that Wales does not perform well in relation to the commercialisation of intellectual property (IP). It will be valuable for HEFCW/WAG to consider how they can work with universities to improve performance in this area.

The final year of this third tranche of Third Mission Funding coincides with the likely significant decline of European Regional Development and European Social Funding to Wales. As the University of Salford and Innovas Evaluation of HEFCW's Third Mission Fund 2004/05 to 2006/07 highlights this will mean the Third Mission Fund becomes of increasing proportional importance after 2013.

### **HEW Response to consultation questions**

#### **1. How can HEFCW most effectively support HEIs in their intentions to deepen and broaden their efforts to embed an ethos of wider engagement beyond academia across all the activities of the institution?**

There is strong support for the continuation of support by HEFCW for Third Mission activities and to deepen and broaden engagement across institutions. The particular value of the HEFCW Third Mission fund is that it provides assured and long term continuous funds which allows institutions to put in place dedicated high quality staff that can be attracted, developed and retained.

Some institutions suggest a change of name for the fund and HEW would support this. It is important that universities are widely perceived by all key stakeholders as central to the economic well being of Wales. Obviously the importance of teaching and research to universities missions is well understood. However, the term "Third Mission" gives the impression that the economic, social and cultural role of universities is somehow third class. The responses to this consultation have made various suggestions for alternative names, including, "Innovation and Engagement", "Engagement" and "Knowledge Exchange". It would be valuable to have a wider debate on the future terms used.

#### **2. Do you think HEFCW should increase core 3M funding, even if at the expense of other funding?**

It is clear that the Third Mission fund is very valued and various institutions would generally welcome more funding if there was a climate of general growth. The majority view though is that Third Mission Funding should not be increased if it is at the expense of other funds. However, there is a strong feeling that third mission funding should not be decreased.

#### **3. Have we reached the point where we no longer need to ring-fence core 3M funding? What would be the advantages and/or disadvantages of its removal?**

Institutions feel that there is a continued need to maintain separate ring fenced Third Mission Funding. Removing a specific Third Mission fund would give a message to key internal and external stakeholders that the university sector does not have a central role to play in the future economic, social and cultural wealth of Wales. This would go against the principles of *For our Future* which perceives the delivery of social justice and support towards a buoyant economy as priority areas for HEIs.

The sums distributed via Third Mission are not extensive and there must be no dilution of the model currently operated.

**4. If we maintain a separate stream of 3M funding should we replace the common level of foundation funding with a guaranteed minimum funding allocation? If so, is £150k a reasonable level?**

There is generally felt to be considerable value in maintaining a guaranteed minimum funding level for each institution (although one institution felt this was unnecessary). This is especially important for smaller institutions to continue to be effective contributors to this agenda by having the necessary funds to pump prime activity. If some institutions are not able to be involved in effective Third Mission activity there would be a loss of capacity in Wales and potential resource under-utilised. Institutions have different views on the minimum funding level with views ranging from £100,000 to £250,000.

**5. If we maintain a separate 3M funding stream, should we alter - and on what basis - the current balance between formula and bid-based allocations?**

Views on this issue are mixed. In general most respondents were not in favour of increasing the bidding pot or decreasing the formula element of the fund. There are various advantages and disadvantages of focusing on either formula or a bid-based methodology to allocate Third Mission funding.

Use of a formula allows a clear and transparent way of recognising performance. Increasing the formula allocation supports the embedding process within the university by incentivising increased levels of activity from the academic community. A bid based element could encourage more central university initiatives that are administratively costly with a lesser proportion of the fund being spent for the direct benefit of the economic, social and cultural development of Wales. There is certainly scope, though, to review the current formula.

With bid based allocations, there is an opportunity for institutions to play to their strengths. This could allow advantage to be taken of all the subjects on offer. If HEFCW were to introduce more contestability then a clear set of metrics would need to be established.

It is important that, regardless of which funding method is preferred, the metrics upon which decisions are based need to be clear and communicated to the sector and have a minimal bureaucratic impact.

**6. Should any bid-based monies continue to be restricted to collaborative bids?**

In general institutions would prefer to see a more open criteria used for bids, including but not restricted to collaboration. The key issue is that the best projects delivering the best outcomes against the stated objectives of the fund are put forward.

**7. What is your view of the value to HEIs of demonstrating in a coherent way, within 3M strategies, their overall approach to engagement and exploitation, across at least all public funding sources?**

It is valuable for an HEI to demonstrate in a clear and coherent way its overall approach to engagement in Third Mission activities. The value of having a Third Mission strategy is so that institutions can seriously consider their approach to engagement as well as offering opportunities to identify and measure performance. By strengthening the links between the Third Mission strategy and other institutional strategies greater coherence is given to the way in which public funding is employed. There are clear internal and external advantages to developing a strategy for engagement. However, there is a danger. HEFCW would need to be careful, however, that it did not require universities to account for funds which fall outside HEFCW's