

## **HEFCW Corporate Strategy 2013/14- 2015/16 Consultation**

### **- Joint response from Higher Education Wales and the Chairs of Higher Education Wales**

#### **1. About Higher Education Wales and Chairs of Higher Education Wales**

1.1. Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales and the Director of the Open University in Wales. HEW provides an expert resource on the Welsh Higher Education sector.

1.2. Chairs of Higher Education Wales (CHEW) is the representative body for university governing body Chairs. It is a unified body which encompasses all Welsh universities irrespective of their mission or origins. As such, it reflects the diversity of the Welsh higher education sector, and therefore seeks to address generic rather than specific issues. It engages with a wide range of stakeholders and works in close association with Higher Education Wales.

#### **2. Executive Summary**

2.1. In the view of Higher Education Wales and the Chairs of Higher Education Wales HEFCW's Corporate Strategy generally balances the need for continuity with the need for update subject to addressing the following key points in particular:

- There is a need to demonstrate how universities contribute to the wider economic and social agenda more clearly.
- The strategy needs to make reference to the considerable change, uncertainty and risks both for HEFCW and the sector and to identify plans for managing this effectively.
- In developing its new role, we would welcome further consideration of how HEFCW could rationalise its planning requirements and enhance its communication and leadership roles.
- Research and innovation need to be seen as priorities in the context of Welsh Government's emphasis on science and innovation strategies and Horizon 2020 and future structural funding. There is a need to retain or increase the budget for research.

- The new fee and funding arrangements for part-time students will be essential to delivery of the Welsh Government's widening access objectives.
- The focus on student experience, the student voice and the skills agenda are welcomed – quality assurance, and the sharing of best practice, and development of achievement records could be further emphasised.
- There are three important areas which require more explicit monitoring: risks arising from change, sustainability and competitiveness.

### **3. The consultation**

3.1. On 27 July 2012 the Higher Education Funding Council for Wales (HEFCW) published its consultation Circular W12/27HE on a revised corporate strategy for 2013-14. In responding to this consultation we have taken the set of questions identified in the circular as the headings for our comments, and attempted to address the more detailed/alternative questions set out in HEFCW's response form where appropriate.

### **4. Does the strategy remain relevant?**

4.1. The proposed HEFCW's corporate strategy sets out HEFCW's plans and expectations not only for its own role but for the performance for the Welsh Higher education sector more widely. In this respect the Funding Council was expressly remitted to develop its corporate strategy in light of the Welsh Government's vision for higher education and to establish 'desirable outcomes at national level' which the Welsh Government 'may expect from the sector'. In responding to this consultation we have been mindful that the consultation and resulting document is designed to fulfil both these purposes. In this light, our view is that in broad terms the core content of the strategy remains relevant subject to the following comments. This reflects the continuity in HEFCW's support for the higher education agenda stemming from For Our Future and the sector's shared vision of higher education as a key driver of social justice and a buoyant economy.

4.2. Since the last strategy was drafted, however, there have been significant developments in the overall strategic environment in which higher education operates. The Welsh Government's Annual Report 2012 shows that according to a number of economic indicators there remains an urgent need for Wales to take action to secure its long-term prosperity.<sup>1</sup> In its Programme for Government, the Welsh Government confirms that jobs and the economy are their 'over-riding priorities'. In light of this, as indicated by the recent Draft Budget 2013-14, the

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<sup>1</sup> Welsh Government. "Programme for Government, Annual Report, May 2012." 2012. See also, Welsh Government. "Economic Renewal: A New Direction." 2010.

Welsh Government also attaches considerable importance to the strategic agendas for science and innovation. The HEFCW Corporate Strategy has a potentially important role in demonstrating the sector's contribution to this wider agenda more clearly. A key change we would like to see reflected in the strategy, from our perspective, is a clearer demonstration of how higher education contributes and is essential to the delivery of the overriding economic and social objectives.

4.3. In particular, there is a wealth of evidence that points to the critical and unique role of higher education in delivering sustained economic growth:

- Countries with high levels of innovation on average tend to have a stronger track record of investment in higher education and higher proportions of graduates in their populations.<sup>2</sup>
- Long-run economic growth is above all determined by knowledge accumulation and technological progress.<sup>3</sup>
- Interaction between universities and business has been shown to be important for stimulating innovation and economic growth,<sup>4</sup> and university research and innovation helps to create high value industrial clusters.<sup>5</sup>

4.4. More specifically, the Corporate Strategy should be more confident in regard to the economic role of the sector. The contribution of Welsh universities to the Welsh economy includes:

- 9,835 students from Welsh universities entered employment in Wales within six months of leaving in 2009/10.<sup>6</sup>
- Higher education accounts for nearly half of all Research & Development expenditure in Wales.<sup>7</sup>
- Universities are major employers in their own right with a total turnover of over £1.2bn. Based purely on patterns of expenditure, for every £100m that is invested in higher education £102m will accrue to industries located in Wales (a comparatively high 'multiplier effect').
- Universities also play a significant role in leveraging additional resource into Wales. In 2007/8 for instance the university sector gained £238m of export earnings for Wales and generated an additional direct boost to the Welsh economy of more than £90m a year from attracting students from outside Wales.

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<sup>2</sup> Universities UK. "Higher Education in Focus: Driving Economic Growth - Higher Education a core strategic asset to the UK." 2011.

<sup>3</sup> OECD. "The OECD Innovation Strategy - Getting a head start on tomorrow." 2010.

<sup>4</sup> Lambert, Richard. "Lambert Review of Business-University Collaboration - Final Report." 2003.

<sup>5</sup> Higher Education Wales. "Investing in the Upturn." 2011.

<sup>6</sup> Higher Education Statistical Agency (HESA). "Destinations of Leavers from Higher Education 2009/10." 2011.

<sup>7</sup> Welsh Government. "R&D expenditure by UK country." StatsWales. March 2012.

4.5. To ensure that the Corporate Strategy remains relevant it is also essential that the strategy more clearly identifies the considerable change, uncertainty and risks that the sector will face over the period covered by this strategy and sets out how this will be managed effectively. Major issues such as changes to funding arrangements, tuition fees, the changing role of HEFCW, the Welsh Government White Paper and the absence of the UK White Paper, for instance, require further attention (see further discussion at 5.9 and 7.2 below).

**5. Are the strategic and enabling themes/objectives the correct ones and will they assist in achieving the overall For our Future outcomes of social justice and a buoyant economy?**

5.1. Looking more closely at the content of the strategic themes, we are pleased to note the continuity in strategic approach and broadly agree with the strategy outlined, subject to consideration of the following points:

5.2. Widening Access

- Higher education contributes significantly to the Welsh Government's social justice agenda. Access to a university education has always been an important springboard to better living standards in Wales for individuals and families. For many people in Wales a degree has helped to advance their careers, broaden their horizons and raise their aspirations. The expansion of higher learning is one the most important ways in which social mobility can be advanced.
- The new fee and funding arrangements for part-time students, as well as being important for a much wider set of policy objectives, will be essential to delivery of the Welsh Government's widening access agenda. Our research and work with the Welsh Government in considering proposals, point to the comparative sensitivity of student demand and importance of provision being available. As a consequence it follows that there is need to find an appropriate balance of support for both students and providers. Noting that the direct grant to support part-time provision has been significantly reduced for 2012/13, we are concerned about how far HEFCW can support the sector in realistically meeting the Welsh Government's objectives and targets with the current budget envelope.
- In setting targets for widening access and part-time enrolments we will need to manage expectations accordingly.

### 5.3. Student Experience

- We welcome the strong focus on student experience and agree that promoting the learner voice is crucial. As part of this we will need to further consider how to capture views of the diverse student body, bearing in mind that different groups will have closer interaction with Student Unions and university communities than others.
- We would welcome a stronger emphasis on quality, including student enhancement, particularly given its importance in a period of major change in funding and governance arrangements.
- We would like to see more best practice shared and celebrated across the sector – e.g. on matters such as Student Charters. We would like to see HEFCW leading in this by, for instance, producing a best practice guide for institutions and student unions.
- The major issue over the next few years in terms of learning and teaching will be the UK Professional Standards Framework. What can HEFCW do to encourage this to be used in terms of CPD (benchmark professional development)?

### 5.4. Skills, Employability and Enterprise

- We support the plans in this area. In such initiatives as GO Wales, the Strategic Insight Programme and UHOVI and others it is clear that Wales is able to demonstrate a pioneering approach in pursuance of this agenda. We think it may be necessary for the Skills and Employability framework to be taken forward with vigour, however, if we are to see the results that we want in this area.
- The Higher Education Achievement Record (HEAR) is very important in the context skills and employability and as a key element of student experience. Improving the future employability of our graduates, the HEAR will give a more rounded impression of student achievements and is transferrable across the UK. The fact that all Welsh universities have agreed in principle to award a HEAR means that Wales is unique in offering this advantage across the whole sector.

### 5.5. Innovation and Engagement

- Looking at Wales' future strategy from a global perspective highlights the importance of research & development, innovation and engagement are for

the long-term sustainability and competitiveness of the economy. Wales' current level of investment in innovation appears to fall below the recommended level of 3% of GDP recommended by the EU Commission as part of their Horizon 2020 agenda. The increased resource for science and innovation in the Draft Budget for 2013/14, however, affirms the importance that the Welsh Government currently attaches to this area, and it is essential that this agenda is seen as a priority for universities in Wales.

- We would expect HEFCW to carefully consider how it can support and enhance universities' role in delivering high-impact research, development and innovation with businesses and industry in the context of an emerging SMART strategy for Wales (as advocated by the EU Commission) which encompasses both science and innovation agendas. We welcome the prospect that higher education may access capital funding again from 2014/15<sup>8</sup>. Our work with institutions in this area suggest that there are a range of specific research capital investment opportunities which could make a significant impact on the achievement of the objectives of both science and innovation agendas, and wider objectives of the Department of Business Enterprise, Trade and Skills (BETS).
- As part of this it will be important to support universities in taking advantage of potential access to the significant amounts of European Funding European funding through contributing to Europe 2020 and the 'Innovation Union' flagship initiative<sup>9</sup> and developing its regional innovation strategy as a pre-condition for Cohesion Funding 2014-20.
- In the light of these comments, further consideration could be given to the whether research and innovation/engagement themes would be strengthened by being combined, emphasising the importance of the economic and social impact of both of these activities.

## 5.6. Research

- In our reading of the performance statistics, Wales has clear areas of strength in Research and evidence of an overall strong performance relative to its input/resource. The level of excellence exhibited in Wales is not well reflected in its research income streams, however, due in part to the subject mix in Wales. There are also a number of areas of identifiable further opportunity for success. We welcome HEFCW's firm statements of commitment to securing sustainable excellent research and working with the Welsh Government to implement its Science and Innovation agendas.

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<sup>8</sup> HEFCW Circular W

<sup>9</sup> European Commission. "Europe 2020." n.d. [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm).

- A strategy of concentrating funding and focusing on research is supported. At the same time it is clear that excellence can be achieved in different areas and institutions throughout Wales. There are excellent examples in Wales, for instance, of successful collaborative research and REF submissions, and pan-Wales initiatives such as the Wales crucible and Ser Cymru. HEFCW's approach will need to reflect this appropriately.
- The resources available to support research remain critical. There is an overarching requirement to retain or increase the budget for research. There is also a need to carefully monitor the impact of funding and market changes on the infrastructure and teaching base which supports science and research including high-cost subjects.

5.7. Looking at the enabling themes, we would make the following comments:

#### 5.8. Reconfiguration and collaboration

- CHEW has not taken a collective position on reconfiguration. HEW's position, however, remains as stated on 02 July 2011: *“Though universities are legally autonomous and mergers are a matter for university governing bodies to decide, in this changed environment we are working with the approach of the Higher Education Funding Council for Wales and the Welsh Government on the size and shape of the university sector. We are clear that this new strategic approach will require further reconfiguration of the university sector and will be of all round benefit. The gains for Wales of fewer but stronger and more successful universities working collaboratively with the Welsh Government will be substantial. Higher Education Wales will therefore be working to fulfil the goals, including on reconfiguration, outlined in the Funding Council's Corporate Strategy for 2010-11–2012-13. In this process we are pleased to have the support of colleagues in Universities UK, the wider representative body for Britain's universities.”*
- In the current strategy, our view is that reconfiguration and collaboration should form separate themes. These agendas are in practice sufficiently important and distinct to benefit from being treated as distinct themes, and this would help to demonstrate the sector's progress and achievements as part of a wider transformational agenda more fully.
- We regard the reconfiguration indicator as unhelpful in this respect. It does not reflect the extensive collaboration which is a comparative strength of the sector. The indicator also does not reflect significant aspects of the sector's wider reconfiguration such as the recent strategic reallocation of student

numbers.<sup>10</sup> We would prefer to see the indicator replaced with a measure that reflects the desired outcome of the transformation agenda, i.e. the comparative strength and competitiveness of the Welsh higher education sector.

#### 5.9. Governance and Organisational effectiveness

- The corporate strategy is being drafted at a time when the role and powers of HEFCW are under review, following the FE/HE Bill consultation and the McCormick Review of governance. Understandably, this makes it more difficult to set out HEFCW's plans in this area. However, we would make the following comments:
- It would be helpful to acknowledge that change is likely, and that a key part of the Funding Council's objectives are in reality likely to focus on adapting to its new role.
- We note the Council's intention to make reference to its role as 'buffer body' as indicated in the Circular. As highlighted in HEW/CHEW's response to the Welsh Government's Further and Higher Education (Wales) Bill consultation, we believe that there is considerably practical value in having an independent Funding Council which operates within the framework of provisions and regulatory safeguards of the Further & Higher Education Act 1992. In our view HEFCW provides expertise, resources, and a detailed knowledge of the sector which places it in a unique position to administer funds in pursuance of government objectives.
- In adopting more of a leadership role in higher education, we would welcome its commitment to working in partnership with the sector. In 2009 the Jones Review (Part 2) concluded that "Wales needs unambiguously to redefine the relationships that govern the direction and management of its higher education system" and we potentially have a fresh opportunity that the changes give us to enhance the approach that the Funding Council, Welsh Government and sector take on this.
- As part of the shift to a risk-based approach to planning, we would welcome further review and rationalisation of the planning process and information requirements. We would support best practice such as that developed by the Higher Education Regulation Review Group which advocated that regulation needs to be 'proportionate, consistent, transparent, targeted and accountable' and demonstrated the value of reducing unnecessary burdens in a regulatory context.

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<sup>10</sup> HEFCW Circular W12/03HE & W12/14HE.

- In terms of performance measures, HEFCW's corporate strategy currently reflects targets for the sector's performance rather than for the Council's. The development and ownership of measures which relate more specifically to the Funding Council's direct control (including input measures for the sector – see below) would be welcomed and we would expect to be featured in its corporate strategy.

## **6. Are there any gaps?**

- 6.1. Given the likely changes in its role, HEFCW's communications role is likely to increase in prominence in future. HEFCW may wish to further consider how to take forward this agenda with universities, and whether this should be a new enabling theme.
- 6.2. We would welcome a more conspicuous international focus in the strategy. It is critical that the sector maintains its international outlook and continues to extend its international links and collaboration to underpin the quality, relevance and unique value of the contribution of Welsh universities. The challenges facing the Welsh economy and higher education sector must also be seen from an international perspective. To secure its long term prosperity, Wales needs to compete in these areas at a global level. Seen from this perspective, for instance, there needs to be substantially more investment in research, development and innovation within Wales (see 5.5 & 5.6 above) both in higher education and the private sector.

## **7. Do the measures, collectively, give a sufficient sense of whether or not the HE system is performing well enough?**

- 7.1. As with any set of indicators, the proposed measures will need careful interpretation in the light of a broader set of information and the use of a single indicator for any complex area clearly bears a risk of reducing its depiction beyond recognition. Looking at the measures collectively, however, there are three key areas in particular which are not fully reflected and will need to be monitored:

### Risks

- 7.2. There remain many uncertainties for higher education in terms of funding arrangements and policy impacts given the major changes to the higher education environment in Wales and the UK. There are clear risks that this could have wider implications for sector's ability to meet the Government's objectives as a result. The impact for enrolments of full-time undergraduate students arising from the move towards fee-based funding is uncertain and poses risks in relation to higher-cost subjects, widening access and the cross-border flows of students. Part-time funding arrangements for 2013/14 and postgraduate taught arrangements are yet to be determined and there may be a particular need to manage the transition years for

part-time providers where there is a risk of a significant drop in support. At the same time there is an overarching requirement to retain or increase the budget for research.

### Sustainability

7.3. HEFCW in its most recent analysis of the financial position of the higher education sector in Wales concluded that *'the figures [for operating surplus] for 2010/11, when adjusted to take account of the full economic cost adjustments for the cost of capital and infrastructure, show that the sector's position is an aggregate deficit of £56m compared with a deficit of £62m in 2009/10. This represents the degree to which the sector is not in a position to provide for a fully sustainable future.'*<sup>11</sup>

### Competitiveness

7.4. Previous analyses indicate that universities in Wales have been at a significant comparative funding disadvantage to other UK countries throughout most of the preceding decade. HEFCW's Report identified a funding gap with England of up to £69m and rising in 2007/08. The Learned Society, based on HEFCW's data, estimated the negative funding gap with England per student had grown from £20 to £900 per student between 2000/01 and 2008/09 and the cumulative gap between 2000 and 2009 was £361m (and more for Scotland).

7.5. More broadly, we would welcome the development of more input measures which can help to contextualise performance and enable the sector to demonstrate value for money.

## **8. Are the individual measures the appropriate ones (views are invited on the detailed measures in Annex B)?**

8.1. The main comments we would wish to raise at this stage on specific indicators have been made in our response above and are regarded as crucial to the overall success of the strategy. Our members have presented varied suggestions for individual measures, however, and we look forward to working with HEFCW over more detailed consideration of these.

## **HIGHER EDUCATION WALES**

**October 2012**

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<sup>11</sup> HEFCW Circular W12/08HE.