

**Welsh Government draft budget proposals for 2013/14:
National Assembly for Wales, Enterprise and Business Committee
27 September 2012
Written Comments from Higher Education Wales (HEW)**

1. Introduction

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. The following comments address the three specific questions set out in the invitation received by HEW to attend the Enterprise and Business Committee.

2. Your expectations from the Government's budget allocations, particularly progress against the 'Programme for Government' commitments within your sector

2.1 The Welsh Government set jobs and the economy as their 'over-riding priorities' in the Programme for Government. The 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.¹ In our view, higher education is critical to sustained economic growth and there is greater potential to drive future economic growth through prioritising investment in higher education:

- 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.²
- Long-run economic growth is above all determined by knowledge accumulation and technological progress.³
- Interaction between universities and business has been shown to be important for stimulating innovation and economic growth,⁴ and university research and innovation helps to create high value industrial clusters.⁵

2.2 Some of the key ways in which higher education contributes to the economy include:

- 9,835 students from Welsh universities entered employment in Wales within six months of leaving in 2009/10.⁶

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

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

³ OECD. "The OECD Innovation Strategy - Getting a head start on tomorrow." 2010.

⁴ Lambert, Richard. "Lambert Review of Business-University Collaboration - Final Report." 2003.

⁵ Higher Education Wales. "Investing in the Upturn." 2011.

- Higher education accounts for nearly half of all Research & Development expenditure in Wales.⁷
- 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.

3. Any concerns you may have regarding particular commitments/allocations

3.1 There remain many uncertainties for higher education in terms of funding arrangements and policy impacts given the major changes and instability of 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.

Risks

3.2 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

3.3 The Higher Education Funding Council for Wales (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.’*⁸

⁶ Higher Education Statistical Agency (HESA). “Destinations of Leavers from Higher Education 2009/10.” 2011.

⁷ Welsh Government. “R&D expenditure by UK country.” StatsWales. March 2012.

⁸ HEFCW Circular W12/08HE.

Competitiveness

3.4 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).

4. Where you would like to see resources focused

4.1 For the reasons identified above we believe that Wales as a whole would benefit from giving investment in higher education a greater priority. We believe that investment in higher education that enables it to enhance its sustainability and competitiveness is key to driving long-term economic growth.

4.2 There is also plenty of scope for further success and for enhancing universities' role in fostering research, development and innovation in businesses and industry. Our own work with institutions 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).

4.3 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 initiative⁹ and developing its regional innovation strategy as a pre-condition for Cohesion Funding 2014-20. In this context we note that EU Commission as part of their Horizon 2020 agenda recommends that 3% of GDP should be invested in innovation.

4.4 Despite limitations on the Welsh Government's ability to influence short-run economic growth,¹⁰ its role in determining longer term prosperity in Wales is critical. In conclusion, we must ensure that resource decisions in the short-term do not store up problems or miss opportunities for the longer-term.

Higher Education Wales September 2012

⁹ European Commission. "Europe 2020." n.d. http://ec.europa.eu/europe2020/index_en.htm.

¹⁰ Welsh Government. "Programme for Government Annual Report 2012." 2012. p.3 & 6.