

Circular

Third Mission Funding Arrangements 2007/08 – 2009/10

03 May 2007

Ref: W07/18HE

To: Heads of higher education institutions in
Wales

Summary: This Circular:

- (i) announces indicative third mission funding allocations for 2007/08-2009/10
- (ii) requests institutions to submit an updated third mission strategy
- (iii) gives notice of a third mission strategy workshop to be held in Newport on 17 May 2007.

Response by: 31 August 2007

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INTRODUCTION

- 1 This Circular:
 - (i) announces indicative third mission funding allocations for 2007/08, 2008/09 and 2009/10 based on the outcomes of the consultation exercise conducted in autumn 2006
 - (ii) requests institutions to submit a third mission strategy for the period 2007/08 to 2009/10.
- 2 The circular is being sent to all higher education institutions in Wales and a wide range of other interested parties from both within and without the Welsh higher education (HE) sector.

BACKGROUND

- 3 Following a widespread consultation exercise HEFCW established the Third Mission Fund in June 2004 as a dedicated stream of core funding to support institutions' third mission activities. We define HEIs' third mission activities as those that "stimulate and direct the application and exploitation of knowledge to the benefit of the social, cultural and economic development of our society". The underpinning principles and key features of our Third Mission Fund are presented at **Annex A**.
- 4 Circular **W04/36HE**, published on 1 June 2004, invited institutions to submit a three year third mission strategy covering the period 2004/05 to 2006/07 and announced indicative funding allocations for each of those three years (release of funding being subject to receipt of a satisfactory strategy).
- 5 Proposed third mission funding arrangements for a second three year cycle between 2007/08-2009/10 were set out for consultation on 18 September 2006 in Circular **W06/38HE**. These proposals were formulated in the context of advice received from the Council's Third Mission Committee and attracted 14 written responses. As part of the consultation process, we also organised a workshop on 11 October 2006, which was attended by 48 delegates, including representatives from all of Wales' HEIs, as well as officers from the Assembly Government's Departments of Education, Lifelong Learning & Skills (DELLS) and Enterprise Innovation & Networks (DEIN); Finance Wales; Higher Education Wales; HEFCE and the Department for Employment and Learning, Northern Ireland.
- 6 The Council's Third Mission Committee considered the outcomes of the consultation exercise at its meeting on 28 November 2006. The Committee's recommendations were submitted to Council on 21 January 2007, which delegated authority to the Chief Executive and Chair of the Third Mission Committee to authorise Third Mission Fund allocations between 2007/08-2009/10 in line with the advice received. A list of current Third Mission Committee members is presented at **Annex B** and the outcomes of the autumn 2006 consultation exercise are summarised at **Annex C**.

THIRD MISSION FUNDING ALLOCATIONS FOR 2007/08-2009/10

- 7 In April 2005 the Assembly Government announced that our Third Mission Fund would double in size to £6.1 m by 2007/08. This means that £6.1m will be available in each of the three years of the next cycle and its intended deployment is set out in the table overleaf.

	£
To be allocated as foundation funding (£100k per HEI)	1.2m
To be reserved for bid-based, collaborative funding	1.0m
To be allocated by formula	3.9m
Total	6.1m

- 8 Indicative allocations for individual institutions are presented at **Annex D**. The majority of monies will be allocated by formula. Details of the formula are provided at **Annex E**. In summary, the formula is designed to:
- provide a measure of each HEI's third mission activity potential and capacity building;
 - reward their income related (third mission) performance (outcome activities);
 - reward their non-income related (third mission) performance (outreach activities).
- 9 In addition to their formula allocations, all institutions will receive a common level of foundation funding (£100k) in each of the three years of the next cycle. Following the precedent set in the first cycle following the merger of Cardiff University and the University of Wales College of Medicine, the University of Glamorgan and the Royal Welsh College of Music and Drama will each receive foundation funding of £100k pa following their Strategic Alliance in January 2007.
- 10 As might be expected, the application of a revised funding methodology has resulted in some variation in Third Mission Fund allocations in comparison with the first cycle (not least because of the increase in the common level of foundation funding). Three institutions face a drop in funding in the second cycle. To help manage more smoothly the effects of this loss of funding (a principle the Council has employed in several of its other initiatives) we have decided to phase in the decrease so that a 50% reduction takes place in 2007/08, with the full reduction then being introduced in 2008/09. In order to do this, the amount of monies to be reserved for collaborative activity in 2007/08 has been reduced from £1m to £640,302 (see also paragraph 12 below). The effects of this approach on the indicative allocations are detailed in Annex D.

Open University in Wales

- 11 From 1 August 2005, HEFCW assumed responsibility for funding the activities of the Open University (OU) in Wales. The nature of the arrangements underpinning the hand-over of funding responsibility from HEFCE means that in the 2007/08-2009/10 Third Mission Fund cycle, the OU in Wales will not be eligible to receive either foundation or formula funding from us. However, the OU in Wales will be eligible to benefit from the funds reserved for collaborative third mission strategies under the arrangements set out in paragraphs 12-15 below.

Collaborative Strategies

- 12 In the second cycle, the Third Mission Committee recommended that the sum of £1m pa - which is new money that only becomes available from 2007/08 onwards - should be reserved to support collaborative third mission activities. However, in 2007/08 the amount of money available for collaborative activity will be reduced to £640,302 in order to allow the Council to implement the mitigation arrangements set out in paragraph 10 above.
- 13 HEIs wishing either to:

- (i) submit a single collaborative strategy; or
- (ii) incorporate a collaborative element within their individual strategies

are eligible to request additional funding of up to £200,000 pa per collaboration (as an initial guideline) to fund costs arising from the proposed collaborative activity, eg the employment of a shared specialist/expert, the creation of a new commercial company or the establishment of a shared administrative function etc. Any institution that chooses to participate in a collaborative strategy will still receive foundation funding of £100k pa throughout the cycle.

- 14 Where institutions have already received monies from our Reconfiguration and Collaboration Fund and/or Strategic Development Fund to support third mission developments, we will expect to see this reflected in their strategies (see also paragraph 18).
- 15 Collaborative strategies will be subject to the same process of analysis as all other strategies and additional monies requested will only be released when we are satisfied that all assessment criteria have been met and the amount sought properly justified.

Accounting for performance between 2004/05-2006/07

- 16 The indicative allocations for 2007/08-2009/10 set out at Annex D will only be released on receipt of satisfactory third mission strategies. The principles that underpin HEFCW's Third Mission Fund also commit the Council to reward HEIs that deliver all their targets in the first cycle at the expense of any HEIs that fail to deliver. In line with the proposals set out in Circular W06/38HE, the Council has agreed that any decision to adjust indicative allocations can only be made after the receipt and analysis of institutions' updated third mission strategies in autumn 2007. Within their strategies HEIs will, therefore, be expected to include a critical review and evaluation of their success in achieving the aims and objectives set out in their original third mission strategies, submitted in August 2004. These, in conjunction with third mission annual monitoring statement (AMS) returns covering the years 2004/05-2006/7 and other operational interactions between HEIs and officers will be used to determine if any funding adjustments are warranted. Any adjustments deemed necessary will be applied only to the element of the allocation calculated via formula, and any monies withheld from one or more HEIs will be re-allocated to satisfactory performers via the funding formula. Institutions are asked to note that the mitigation arrangements set out in paragraph 10 will not be applied to any funding adjustments arising from the evaluation process described in this paragraph. This is because these adjustments will be driven by institutional performance rather than by changes in the funding method.

SUBMISSION OF THIRD MISSION STRATEGIES

- 17 Institutions are asked to submit a third mission strategy to cover the period 2007/08 to 2009/10, which must be signed off by the head of institution. In addition, you are asked to identify a member of the senior management team with specific responsibility for third mission policy, (preferably at Pro-Vice Chancellor level or equivalent in line with the recommendations of the March 2004 *Nexus Report*) to whom we can address any queries arising.
- 18 Where institutions come together to submit a single collaborative strategy, it must be signed off by the head of each participating institution. Where appropriate, such strategies will also need to be consistent with proposals for joint working/operation already agreed and funded under other Council initiatives (see paragraph 12 above).

- 19 The Council intends to hold a third mission strategy workshop on the **17 May 2007**. This will provide an opportunity for attendees to discuss in more detail the nature of the strategies requested and the way in which they will be evaluated (see **Annexes F and G**). Arrangements for this event are in hand and institutions will be advised as soon as a venue and timings have been confirmed. All institutions will be able to nominate up to three representatives to attend this event, one of whom should be the member of the institution's senior management team with responsibility for third mission policy and strategy. In addition, Council officers are willing to meet colleagues in institutions to discuss any issues arising from this request for third mission strategies.

CONTENT OF THIRD MISSION STRATEGIES

- 20 Annex F provides an indication of the type of information and evaluation we expect your third mission strategy to contain, together with a suggested format. However, it is appropriate to take this opportunity to reiterate that the principles underpinning our Third Mission Fund mean that strategies should:
- reflect the particular mission and areas of expertise of your institution(s);
 - be a working document for the institution(s) concerned;
 - take account of HEFCW's policy agenda;
 - pay appropriate regard to Assembly and Whitehall Government policy imperatives;
 - identify the impacts or outcomes on economy and society that will accrue from successful implementation;
 - draw on a wide range of funding sources.
- 21 In other words, third mission strategies are about much more than the planned expenditure of allocations from our Third Mission Fund. Annex F offers more detailed advice and guidance, but ultimately it is for institutions themselves to develop a third mission strategy that best fits with their overall mission, aims and objectives and other institutional strategies. Annex F also draws specific attention to new obligations placed upon the sector as a consequence of the publication in September 2006 of the Assembly Government's Strategy for Action for Education for Sustainable Development and Global Citizenship (ESDGC) and UK equal opportunities legislation in relation to race, gender, disability and age.
- 22 As in the first cycle, all HEIs are welcome to meet with officers before submitting their finalised strategy. We hope that this will not only minimise subsequent queries and delays in the release of funding, but also help mitigate against any over-application for the £1m pa reserved for competitive funding and the need for any application of funding penalties.

RELEASE OF FUNDING

- 23 Release of the funding allocations set out at Annex D will be subject to receipt of a satisfactory third mission strategy. Analysis of the strategies will be undertaken by Council officers, assisted by an independent assessment panel chaired by Dr Len Arthur, Chair of the Third Mission Committee. On the advice of the Third Mission Committee, nominations for the assessment panel will be sought from the heads of Assembly Government departments with a strategic interest in HEIs' third mission activities.
- 24 All strategies will first be analysed by officers using the criteria presented at **Annex G**. The independent Assessment Panel will then meet to debate the outcomes and together with officers will formulate advice for HEFCW's Chief Executive and the Chair of the Third Mission Committee. Institutions' third mission AMS returns between 2004/05-2006/07 will also inform this debate. The Chief Executive and Chair of the Third Mission Committee have delegated authority from the Council to authorise the release of Third Mission Fund allocations between 2007/08-2009/10 and the panel's advice to them will cover the:

- need to seek any further information before release of the indicative allocations set out at Annex D;
 - identification of any funding adjustments arising from institutions' performance in the first three year cycle (see paragraph 14 above);
 - distribution of the £1m pa reserved for competitive bidding to promote collaborative third mission activities (see paragraphs 11-13 above).
- 25 Once agreed, institutions will be informed in writing of the outcomes of the analysis of their particular strategy including success or otherwise in securing any competitive monies for which they might have bid and details of and reasons for any funding penalties to be applied.

PERFORMANCE MONITORING

- 26 Long term aims and objectives for the period 2007/08-2009/10 will be confirmed with all HEIs and as in the first cycle they will also be asked to agree with officers annual milestones or performance indicators to indicate progress towards the achievement of their three year aims and objectives. Performance against these agreed annual milestones and performance indicators will be undertaken via the submission of a third mission AMS as part of the Council's strategic planning interactions with the sector.
- 27 Likewise, as in the first cycle, institutions are asked to demonstrate within their strategy that effective internal systems and procedures are in place for the ongoing monitoring and evaluation of their third mission performance. If operational experience indicates a need to recast any long term aim or associated performance indicator, institutions will be able to approach Council officers prior to submission of their AMS to make a case for renegotiation of the aims and/or associated performance indicator(s) agreed originally. If any such case reveals that an institution's capacity to deliver its overall third mission strategy has been seriously undermined, then funding may need to be withheld.
- 28 In line with our commitment to minimising the sector's reporting burden, no separate data request is being made in conjunction with this request for third mission strategies. However, institutions are reminded that since 2005 returns to the annual UK-wide HE-Business & Community Interaction Survey (HEBCIS) have been made a condition of grant. HEBCIS data, together with the information extracted from HEIs' third mission strategies and related AMS returns, underpin HEFCW's ability to monitor and evaluate the volume and development of knowledge exchange activity between the higher education sector and business and the wider community and to evidence the sector's contribution to relevant Assembly and Whitehall Government economic and social policy goals.

RESPONSES

- 29 Strategies should be submitted no later than **31 August 2007** to the Economic Development Team Administrator at HEFCW, Linden Court, Ilex Close, Llanishen, Cardiff, CF14 5DZ. Please provide one bound and one loose-leaf copy and ensure that all pages are numbered. One electronic copy is also requested.
- 30 Questions related specifically to the formula funding methodology should be directed to Hannah Falvey via e-mail (Hannah.Falvey@hefcw.ac.uk) or telephone 029 2068 2240. Any general queries should be directed to Teresa Cooper via e-mail (Teresa.Cooper@hefcw.ac.uk) or telephone 029 2068 2304, who will also be happy to take suggested discussion topics for the workshop to be held on 17 May 2007.

SUMMARY OF THIRD MISSION FUND PRINCIPLES & KEY FEATURES

PRINCIPLES

1. To recognise the diversity of the HE sector in Wales
2. To reflect feedback the Council has already received from the sector.
3. To respond to requests for continuity in third mission funding from the sector, the Assembly and other parties
4. To enable HEIs to develop a third mission portfolio in line with the vision for the HE sector in Wales set out in HEFCW's Corporate Plan, *Reaching Higher* and other relevant strategies of the Welsh Assembly Government
5. To respond to requests for continuity in 3M funding from the sector, the Assembly and other parties
6. To enable HEFCW to predicate funding decisions on the projected outcomes and impacts of institutions' third mission strategies
7. To provide a catalyst that will help ensure that 3M activities are effectively embedded in HEIs' overall strategic planning and managed at an appropriately senior level
8. To maximise opportunities for the Council and institutions to work with key partners

KEY FEATURES

1. A three year planning cycle.
2. Planned activities that must play to the strengths of each individual HEI's or cluster group's mission, knowledge base and areas of expertise.
3. Strategies put forward must identify the outcomes/impacts that will accrue from planned activities by the end of the three year period and identify a small number of key milestones in each activity area for each year of the strategy.
4. Strategies will demonstrate that appropriate systems and procedures are in place to manage and monitor institutional performance against the key performance indicators (milestones) agreed with Council. After consultation with the Council, HEIs will be able to revise indicators in the light of operational experience.
5. Funding will be allocated at a level that will remain constant in each year of the three year planning cycle.
6. No third mission funding will be hypothecated.
7. All HEIs will receive a common level of foundation funding.
8. HEIs that meet or exceed all their milestones in a three year planning cycle will receive an increase in core funding in the next cycle at the expense of any HEIs that under perform in the previous cycle.

CURRENT MEMBERSHIP OF HEFCW's THIRD MISSION COMMITTEE

NAME	ORGANISATION
Dr Len Arthur (Chair)	HEFCW Council Member
Dr David Bacon	Welsh Assembly Government – DELLS
Professor David Brooksbank	University of Glamorgan
Dr Virginia Chambers	Welsh Assembly Government - DEIN
Ms Judith Cole	Welsh Assembly Government – DELLS
Mr David Craddock	Nominated by Welsh (HE) Industrial Liaison Officers Network (WILOs)
Professor Richard Davies	Nominated by Heads of Higher Education Wales (HEW)
Ms Angela Evans	Welsh Assembly Government – Chief Social Research Officer
Ms Pat Jones	Welsh Assembly Government – DEIN (KEF)
Dr Drew Nelson	IQE plc
Mr Bryan Reid	e-skills UK
Mr Richard Rossington	Welsh Assembly Government - DEIN
Mr Nigel Thomas	Nominated by Welsh Heads of Careers Services (WHECS)
Mr Bob Waller	Welsh Assembly Government - DELLS
Mr Iain Willox	Welsh Assembly Government - DEIN

AUTUMN 2006 CONSULTATION OUTCOMES

- 1 Circular W06/38HE invited responses to five key questions, which were also the subject of debate at the workshop held on 11 October. These and the responses to them are summarised in **Appendix 1** to this annex. Respondents were generally supportive of the Council's proposals and only two respondents expressed strong opposition to the proposed method of deploying the £6.1 million pa available over the next cycle via the three strands set out below:

	£
To be allocated as foundation funding (£100k per HEI)	1.2m
To be reserved for bid-based, competitive funding	1.0m
To be allocated by formula	3.9m
Total	6.1m

- 2 The consultation did, however, raise a number of issues and questions and these are set out below, together with the views taken by the Third Mission Committee (3MC), which were then incorporated in its advice to the Council.

2.1 Foundation Funding Component

Five institutions queried the adequacy of the proposed level of foundation funding at £100k pa per HEI (although another respondent suggested that £100k was too high). The 3MC looked at this issue in detail and concluded that overall, leaving the allocation at £100k pa was appropriate as this equated to approximately 20% of the total monies available each year, which was in line with practice in other parts of the UK.

2.2 Competitive Funding Component

One of the five respondents that advocated an increase in the level of foundation funding, suggested that this should be done at the expense of the competitive funding component (proposed in order to help support collaborative third mission activities across the sector). One respondent argued the case for removing the competitive element altogether and another suggested that there should be no ceiling on competitive/collaborative bids. Whilst the 3MC concluded that there was no case to advise Council to adjust the proposal to reserve £1m pa for competitive funding in support of collaborative activity, it was sympathetic to calls that non-HEI partners should be eligible to participate in collaborative funding bids. The Council subsequently agreed a recommendation from the 3MC that collaborative activities could/should, where appropriate, involve external partners – particularly in relation to the HE sector's contribution to specific Assembly Government policy agenda such as those covered by the Wales Spatial Plan, the *Education for Sustainable Development & Global Citizenship* (ESDGC) or the Beecham Review.

2.3 Formula Funding Component

Widespread support was expressed for a wide range of underpinning measures to reflect the breadth of HEIs' third mission activities. Several respondents, however, expressed concern that Knowledge Transfer Partnerships ((KTPs) did not feed into the proposed formula. The 3MC was advised that the revised HE- Business & Community Interaction Survey (HEBCIS) definitions and guidelines make it clear that income from KTPs should be returned as income from collaborative research in Table 1a of institutions' annual HEBCIS returns. As data from this HEBCIS table was one of the formula measures proposed in Circular W06/38HE, success in generating KTPs was, therefore, already reflected in the funding formula. A number of respondents also expressed concern that none of the measures put forward related to the provision of continuing professional development, short course or non-credit-bearing provision. The 3MC acknowledged that

such provision is a key tenet in many institutions' third mission strategies and accordingly advised Council to include an appropriate measure in the formula funding component.

2.4 *Social/Cultural Impacts of Third Mission Activities*

Concerns were raised over the lack of social/cultural measures in the proposed funding arrangements. Given the present lack of readily available and meaningful social/cultural indicators, the 3MC advised Council that there is presently little room for manoeuvre on this front. However, we will continue to emphasise the continuing importance of HEIs' impacts on society as well as the economy and will continue to work with the other UK HE funding bodies to develop social/cultural metrics, eg through HEBCIS and the *Beacons for Public Engagement* initiative, with a view to including more social impact indicators in future third mission fund cycles. That said it is important to recognise the social impacts of the outreach indicators already proposed for the next cycle. For example, a number of respondents queried why we proposed to use numbers of contracts with SMEs as a measure, rather than the income generated from such contracts. In this (and in most of the other outreach measures to be used) the Council is trying to emphasise the impact of HEIs' activities on the achievement of Assembly (and Central) Government policy imperatives – in this particular case, increasing the number of SMEs that engage with HEIs, which ultimately impacts on social as well as economic well-being. In this context, although important, the level of external income generated for the HEI involved is not the primary concern.

2.5 *Fee income from international students*

The proposed inclusion of fee income from international students as a measure proved particularly controversial with respondents evenly polarised for and against. Those arguing against inclusion see no link between international students and impact on society and economy, whilst those for regard the presence of international students within their locality as a social and cultural benefit for staff, students and their local community as well as a benefit to the local economy. After much debate, the 3MC decided to advise against the inclusion of fee income from international students in the funding formula. Whilst acknowledging that international students do make a positive contribution to the impact of an HEI on its local community and economy, the 3MC concluded that the whole student cohort does likewise.

2.6 *Treatment of Outcome and Outreach Performance Indicators*

In relation to the questions about the treatment of outcome and outreach measures within the formula funding component there was a clear majority in favour of assigning a slightly higher proportion of monies to outreach than to outcome activities. There was a similarly clear majority in favour of allocating outreach monies according to HEFCW's preferred method by dividing available monies equally between the different indicators to calculate a pro rata allocation within each measure.

2.7 *Proposed method of accounting for performance levels in the first Third Mission Fund cycle*

Subject to certain caveats about the need to apply appropriate "sanity checks," the consultation exercise raised no issues in relation to the proposed method of delivering the Council's commitment to rewarding in the next cycle satisfactory performers at the expense of HEIs that fail to deliver agreed targets in the existing cycle.

APPENDIX 1 OF ANNEX C

SUMMARY OF THIRD MISSION FUND CONSULTATION OUTCOMES

QUESTION	Agree	Disagree	No Preference	COMMENTS
Q1. Proposed annual break-down of the £6.1 m	12	2	-	<p>However, of those in agreement:</p> <ul style="list-style-type: none"> • 5 advocated an increase in the level of foundation funding (4 at the expense of formula funding; 1 at the expense of bid-based funding) • 1 advocated removing the bid-based element and adding the £1m to the formula pot • 1 advocated removing the £250k ceiling on collaborative bids <p>Of the two in disagreement:</p> <ul style="list-style-type: none"> • 1 advocated allocating all monies via formula • 1 advocated retaining the foundation element & allocating the remainder via formulae unique to each HEI based on their AMS indicators
Q2. Proposed range of measures for formula element	Broadly agree 11	Broadly disagree 3		<p>Major points of concern:</p> <ul style="list-style-type: none"> • Measures too focused on economic impact at expense of social/cultural impacts • Excludes KTPs as a measure • Excludes CPD, short-course & non-credit bearing training provision as a measure • Inclusion of fee income from international students as a measure • Potential outcome measures to be used as outreach measures instead
Q3. Proposed 20%30% split between outcome & outreach measures	10	3	1	
Q4. Allocation of outreach monies via HEFCW's preferred method	12	1	1	
Q5. Proposed method for rewarding satisfactory performers in cycle 1	13	1	-	However, almost all in agreement cited caveats re appropriate sanity checks before imposing funding penalties
Other issues raised				Collaborative bids should be open to non-Welsh HEI partners & other organisations

ANNEX D

INDICATIVE THIRD MISSION FUNDING ALLOCATIONS PA FOR 2007/08 TO 2009/107

Institution	Foundation funding £	Supplementary funding £	Total funding allocation £	Allocation after mitigation (2007/08 only)*
University of Glamorgan#	100,000	518,137	618,137	618,137
University of Wales, Aberystwyth	100,000	369,709	469,709	469,709
University of Wales, Bangor	100,000	372,025	472,025	570,160
Cardiff University	100,000	1,135,786	1,235,786	1,483,954
University of Wales, Lampeter	100,000	55,398	155,398	155,398
University of Wales Swansea	100,000	720,977	820,977	820,977
University of Wales Institute, Cardiff	100,000	279,885	379,885	379,885
University of Wales, Newport	100,000	145,976	245,976	259,370
North East Wales Institute of Higher Education	100,000	112,183	212,183	212,183
Swansea Institute of Higher Education	100,000	95,513	195,513	195,513
Trinity College Carmarthen	100,000	51,899	151,899	151,899
Royal Welsh College of Music and Drama#	100,000	42,513	142,513	142,513
Total	1,200,000	3,900,000	5,100,000	5,459,698

**See paragraph 10 in main body of circular*

In the context of the strategic alliance between the University of Glamorgan and the Royal Welsh College of Music & Drama a total allocation of £760,650 will be paid to the University of Glamorgan.

Indicative allocations exclude success in securing a proportion of the monies reserved for competitive bidding

THIRD MISSION FUNDING METHODOLOGY 2007/08-2009/10

The allocations at Annex D are comprised of foundation funding plus formula funding. The total funding available for these two elements is broken down as follows:

Foundation funding (£100k per HEI)	£1,200,000
Formula funding	£3,900,000
Total	£5,100,000

The funding allocated through formula is further broken down into funding allocated in relation to:

Potential and Capacity Building	£1,950,000
Rewarding Performance (income related)	£780,000
Rewarding Performance (non-income related)	£1,170,000
Total formula funding	£3,900,000

Details of the how the allocations have been calculated within each of these three elements are shown below.

Potential and Capacity Building

Individual institutional allocations are calculated pro rata to the FTE of professional and academic staff, described below:

Measure	Description	Source
Staff FTE	FTE of managerial, academic, professional, technical and administrative staff with an active contract in the academic year (includes HESA activity codes 1 to 4A). Atypical staff are excluded.	HESA new individualised staff record 2005/06

Rewarding Performance - Income Related

Individual institutional allocations are calculated pro rata to the sum of four income related measures, described below:

Measure	Description	Source
Contract research income	Total value of contracts	HEBCIS survey 2005/06, Table 1b
Income from intellectual property rights	Total revenues (including sale of shares in spin-offs)	HEBCIS survey 2005/06, Table 4c
Income for regeneration	Total income for regeneration	HEBCIS survey 2005/06, Table 3
Income from collaborative research activity	Total income from collaborative research activity	HEBCIS survey 2005/06, Table 1a

Rewarding Performance - Non-income Related

The total allocation available for this element of the formula funding is split equally between 11 measures, giving a total allocated for each measure of £106,364. Within each measure, individual institutional allocations are calculated pro rata to the total of the measure. Allocations

for each measure are then summed for each institution to get individual institutional allocations. The 11 measures are described below:

Measure	Description	Source
Number of engagements with KEF	Number of current active training consortia and Technology Transfer Networks engaged with as lead or partner plus SME development grants obtained and number of Higher Level Skills projects.	KEF, as at March 2007
Number of graduate start-ups	Total number of active firms	HEBCIS survey 2005/06, Table 4d
Number of licences	Total number of non-software plus software licences	HEBCIS survey 2005/06, Table 4b
Number of active spinouts (excluding graduate start-ups)	Total number of active firms including spinouts with some HEI ownership, formal spinouts not HEI owned and staff start-ups (excludes graduate start-ups)	HEBCIS survey 2005/06, Table 4d
Number of contracts - consultancy	Total number of consultancy contracts	HEBCIS survey 2005/06, Table 2a
Number of contracts - facilities and equipment related services	Total number of facilities and equipment related services contracts	HEBCIS survey 2005/06, Table 2b
Number benefiting from GO Wales Scheme	All GO Wales beneficiaries, including placements, up to December 2006	GO Wales phase 2, as at December 2006
Number of businesses engaged in GO Wales	All businesses, including SMEs and larger companies, engaged with GO Wales, up to December 2006	GO Wales phase 2, as at December 2006
Number of outgoing exchange students	Number of outgoing students on ERASMUS/SOCRATES programmes	HESA student record 2005/06
Number of industrial placements	Number of students out on an industrial placement	HESA student record 2005/06
Total learner days - CPD/CE courses	Total learner days of CPD/CE courses delivered	HEBCIS survey 2005/06, Table 2c

CONTENT & SUGGESTED FORMAT

- 1 HEIs' third mission activities contribute to economic and social well-being in many ways and at the same time contribute to the achievement of Assembly and Whitehall Government agendas. Good progress has been made in recent years and examples of key policy areas in which the sector is helping to make a difference are listed below. This list is purely indicative and is not intended to direct future activity – HEIs should continue to mould their third mission strategies around their own particular areas of strength and expertise and to focus their aims and objectives accordingly.

Key policy areas on which HEIs impact

- Skills and employment (including graduate employability)
 - Enterprise and entrepreneurship (including social enterprise)
 - Services to business
 - Science & Innovation (including enhanced levels of applied R & D activity and commercialisation of IPR)
 - Inward investment
 - Health & Community (also covers civic role of HEIs)
 - Culture (including Welsh language issues)
 - European & International activity
 - Sustainable Development & Global Citizenship
- 2 As in the first cycle, you are asked to pay particular attention to the intended impacts of your third mission strategy on economic and social well-being. In doing so, you are specifically asked to demonstrate how lessons learnt from the first cycle are shaping and influencing the ongoing development of your third mission. This is why you are being asked to include a critical evaluation of your success in achieving the impacts on society and economy that were identified as long term aims in your 2004/05-2006/07 strategy.
- 3 You are also asked to demonstrate the way in which planned activities will contribute to key Assembly Government and (where appropriate) Whitehall Government and wider economic and social policy imperatives. The following table highlights some of the current developments and events that are likely to be of significance in the three years covered by the next Third Mission Fund cycle. Once again, this list is intended to be neither exhaustive nor relevant in its entirety to all institutions. As already stated, it is for institutions themselves to play to their own strengths and to highlight within their strategies only those agendas to which they believe they are able to make a real contribution.

Assembly Govt. Driven	Website	UK & International	Website
Vision into Action	http://new.wales.gov.uk/topics/educationandskills/educationskillsnews/wales-action-on-learning?lang=en	Leitch Review	http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm
Reaching Higher	http://194.81.48.132/Sector_Management/targets.htm	Cox Review	http://www.hm-treasury.gov.uk/independent_reviews/cox_review/coxreview_index.cfm
Iaith Pawb	http://www.bwrdd-yr-iaith.org.uk/cynnwys.php?cID=1&plD=109&nID=96&langID=2		

Assembly Govt. Driven	Website	UK & International	Website
Science Policy for Wales	http://www.wales.gov.uk/keypubassemeconddevtran/content/science-e.htm	10 Year Science & Innovation Investment Framework	http://www.hm-treasury.gov.uk/budget/budget_06/assoc_docs/bud_bud06_adscience.cfm
WAVE	http://new.wales.gov.uk/about/departments/dein/publications/wave?lang=en	Lisbon Strategy	http://europa.eu/ http://www.europeunit.ac.uk/home/ http://www.wheb.ac.uk/
Wales for Innovation	http://www.wda.co.uk/resources/innovation-e.pdf	Bologna Process	http://www.dfes.gov.uk/bologna/
Skills & Employment Action Plan for Wales (SEAP)	http://www.learning.wales.gov.uk/pdfs/c5104-seap-report-e.pdf	European Research Council & Framework 7	http://europa.eu/ http://www.europeunit.ac.uk/home/ http://www.wheb.ac.uk/
Webb Review of FE in Wales	http://www.wales.gov.uk/cms/2/EducationLifelongLearningAndSkillsCommittee/AgendasPapersTranscripts/27e522298e106d2c897765f54da971fb.html	EU Life Long Learning Programme 2007-2013	http://europa.eu/ http://www.europeunit.ac.uk/home/ http://www.wheb.ac.uk/
Commercialsn. Review of HE (led by Simon Gibson)		DTI Technology Programme	http://www.dti.gov.uk/innovation/technologystrategy/technologyprogramme/
Beecham Review	http://new.wales.gov.uk/about/strategy/makingtheconnections/beecharreview/beecharrep?lang=en	Beacons for Public Engagement	http://www.hefce.ac.uk/reachout/bpe/
Wales Spatial Plan	http://new.wales.gov.uk/about/strategy/spatial/?lang=en	Legislation relating to equality of opportunity – race, age, gender & disability	
ESDGC Strategy for Action*	http://new.wales.gov.uk/topics/educationandskills/publications/guidance_and_information/ESDGC?lang=en		

* In relation to Education for Sustainable development & Global Citizenship (ESDGC) please cross-refer to **paragraph 6 (c) HEFCW Circular W07/13HE: Strategic Planning & related Requests 2007**. This circular details new obligations placed on HEIs as a consequence of the publication in September 2006 of the Assembly Government's ESDGC Strategy for Action. Recognising that the sector has not yet had much had time to digest this new Assembly strategy document, there will be an opportunity to begin to discuss its relevance to third mission activities at the planned workshop on 17 May 2007

Assembly Govt. Driven	Website	UK & International	Website
2010 Ryder Cup in Newport	http://www.rydercupwales2010.com/		
EU funding arrangements 2007-2013 (including future of GO Wales)	http://www.wefo.wales.gov.uk/		
Emerging WAG International Education Strategy			
MoD investment in St Athan			

- 4 HEIs third mission activities continue to be funded from a wide range of HEFCW and non-HEFCW sources and we will expect to see this diversity of funding reflected in your strategy. In particular, we are looking for evidence that HEIs are adopting a holistic approach that mainstreams *third mission thinking* into all aspects of institutional activity, including the delivery of learning and teaching and research strategies. To this end, we will expect to see clearly demonstrated a strategic approach to the pursuit of non-HEFCW funding to enhance or add value to activities supported via our grant in aid. For example, in the case of activities that help promote economic development we will be looking for evidence that you are using KEF and monies from other Assembly DEIN initiatives strategically alongside our funding to deliver the aims and objectives set out in your third mission strategy. Where appropriate, we will also expect to see plans to mainstream with HEFCW funding those activities that have been successfully pump-primed via KEF – eg in relation to KEF Innovation Training Projects or Early Stage Development Funding. Similarly, where appropriate, we will expect to see HEIs using European Structural Funds and Framework 7 to underpin third mission developments. Third Mission allocations may be used as *clean money* to lever in further funding from Europe and other sources.
- 5 A suggested format is set out overleaf, but feel free to adapt this to align with other internal strategies and documentation. However, please remember that it is important that all of the topics in the suggested format are adequately covered – especially where these relate to compliance with relevant UK legislation and/or the Council’s accountability for the expenditure of public money. Failure to do so, may lead either to delays in the release of our funding or the withholding of funds. As stated in the circular, officers will be happy to meet with you before submission of a finalised strategy with a view to minimising subsequent queries and delays in the release of funding.

SUGGESTED THIRD MISSION STRATEGY FORMAT

1 MISSION STATEMENT

This section should provide a clear signal of how your strategy contributes to the HE sector's third mission agenda. It should:

- state your long term vision and aims (the horizon of which may well extend beyond the three years to be covered in this strategy document);
- indicate how the attainment of the vision set out in this section aligns with the overall mission and strategic plan of your institution; and
- articulate the impacts and outcomes that realisation of this vision will have on society and economy both locally and nationally.

[This section should not extend beyond one side of A4].

2 CONTEXT

This section is likely to constitute one of the more detailed sections of your plan and should be used to demonstrate:

- the extent to which internal circumstances have shaped your plan – eg mission, areas of expertise/specialism, size, location, subject base, student population, available resources, financial imperatives, key partners etc;
- the extent to which external influences/pressures have shaped your strategy – eg Assembly and Whitehall Government strategies, Council policy, funding issues, access to European monies, participation in local, national or international schemes and initiatives, success or failure in collaborative ventures, public opinion etc;
- underpinning market research and/or needs analysis - including use made of existing research such as labour market information (LMI), *Future Skills Wales* surveys and Sector Skills Agreements, etc;
- any other key factors that have affected your thinking – eg successes or failures in past operational experience, changes in key staff, a new strategic alliance, partnership arrangement or merger.

It must also include a critical evaluation of your success in achieving the aims and objectives set out in your first third mission strategy and the extent to which this has helped shaped your future direction and aspirations as set out in this second strategy. Please ensure that this evaluation contains an appraisal of the way in which your institution is impacting on economic and social well-being in both a local and wider context. It should also include an assessment of performance against the PIs included in your third mission AMS returns for 2004/05-2006/07.

3 AIMS FOR THE PLANNING PERIOD 2007/08 TO 2009/10

- This section should be used to set out your long term aims and objectives for the three years of this strategy document, briefly indicating their fit with the overall third mission vision set out in section 1 above.
- To aid clarity, please group your aims and objectives into those that impact on society and those that impact on the economy.

- The emphasis in this section should not be on the activities that will be undertaken to implement your strategy but, rather, on the impacts or outcomes that you expect to accrue from them.

4 **IMPLEMENTATION PLAN**

This section should:

- set out a strategy for the achievement of the aims and objectives set out in section 3 preceding;
- include a financial section that summarises all sources of funding that underpin the overall strategy and a more detailed breakdown of how you intend to use your Third Mission Fund allocations in each of the three years covered by the strategy;
- provide an outline operational plan* in tabular format for each year of the planning cycle that will enable you to monitor and evaluate progress towards the aims and objectives set out in section 3.
- suggest appropriate AMS performance targets for each year that will enable the Council to monitor your overall progress.

** A suggested format is attached.*

5 **MANAGEMENT AND CONTROL**

This section should cover:

- institution-wide (and cross-institution in the case of collaborative strategies) structures and systems to manage, control and develop third mission activity;
- links between operational activity at departmental/faculty level and institution-wide strategy and policy development to ensure that the former is informed by the latter and vice versa;
- initiatives to ensure third mission *thinking* is embedded in teaching and research activities and/or increase staff participation in third mission activity;
- any engagement of partner organisations in managing and developing third mission activity;
- the role of governing bodies in determining/shaping third mission activity.

6 **PERFORMANCE MONITORING AND EVALUATION**

This section should cover:

- the assignment of responsibility for measuring and evaluating performance at both the operational and institution-wide level (and cross-institution in the case of collaborative strategies), including responsibility for initiating strategy revisions in response to outcomes and/or new developments;
- the involvement of stakeholders (eg representatives of business or the community) in reviewing third mission performance;

- information on how the outcomes of your review processes inform the ongoing development of third mission and overall institutional strategy and planning; and
- the annual milestones/performance indicators that you propose to include in Annual Monitoring Statement to enable Council to monitor progress in implementing this third mission strategy. Whilst these performance indicators should clearly derive from the operational plan referred to in section 4 above, this does not mean that all of the verifiable indicators of performance included in the operational plan need to be incorporated into annual monitoring statements. However, the Council will expect the indicators put forward to reflect fully what has been identified as your particular contribution to the third mission agenda in Wales. In the case of collaborative strategies, shared/common AMS indicators may be put forward.

7 COLLABORATIVE STRATEGIES & COMPETITIVE FUNDING

Where institutions and/or other partners come together to bid for a share of the £1m pa being reserved to support collaborative third mission activity, strategies will need to:

- explain/demonstrate how and why the partnership has developed and the benefits anticipated to accrue (eg within the context section);
- clearly identify for what purpose additional monies are being sought and their fit with the strategy/strategies concerned;
- break-down the proposed expenditure of the additional monies sought;
- identify how securing the additional monies will add value to the strategy/strategies concerned.

8 COMPLIANCE

When formulating your strategy you must take into account how it will address the needs of potentially disadvantaged groups (in relation to race, gender, disability and age, including monitoring arrangements).

You should also consider the needs of Welsh speakers, Welsh learners and Welsh speaking communities and, where appropriate, take account of your institution's/institutions' role/roles in the new sector Welsh medium strategic framework and development plan.

SUGGESTED OPERATIONAL PLAN FORMAT

(Please provide an operational plan for each of the three years covered by this strategy)

PART A – BENEFITING SOCIETY

1 Long term aim (ie as set out in section 3 with one table of activities for each aim listed)

.....

PLANNED ACTIVITIES	VERIFIABLE PI(s)	BY WHEN	RESPONSIBLE OFFICER	COST £	SOURCE(S) OF FUNDING	OTHER RESOURCE IMPLICATIONS	COMMENTS

PART B – BENEFITING ECONOMY

1 Long term aim (ie as set out in section 3 with one table of activities for each aim listed)

.....

PLANNED ACTIVITIES	VERIFIABLE PI(s)	BY WHEN	RESPONSIBLE OFFICER	COST £	SOURCE(S) OF FUNDING	OTHER RESOURCE IMPLICATIONS	COMMENTS

THIRD MISSION STRATEGIES 2007/08 to 2009/10 (Analysis Template)

Institution(s):

Part 1: Information provided

Does the strategy include:	Y	N	P	Page Nos.	Comments/Analysis
A statement of third mission aims & objectives and how these relate to the overall mission & vision of the HEI/HEIs concerned.					
A vision of where the third mission strategy will take the HEI(s) over the next 3 years and beyond and how this aligns with their overall strategic plan(s) and other relevant strategies, eg Learning & Teaching, Research, Widening Access.					
The projected impacts and outcomes that will accrue from successful implementation of this third mission strategy.					
A context section that provides the kind of information detailed in Annex F .					
A critical evaluation of success in achieving the aims and objectives set out in the previous strategy/strategies for the period 2004/05-2006/07.					
NB If the strategy is collaborative or includes a collaborative element with one or more partners, the development of this collaboration should be explained within the context section.					

Does the strategy include:	Y	N	P	Page Nos.	Comments/Analysis
Long term aims and objectives for the period 2007/08 to 2009/10, which clearly identify the impacts that will accrue on society and economy from their implementation (Annex F refers).					
An implementation plan that provides all of the information detailed in Annex F , which also provides a suggested format.					
A summary of the way in which third mission activities are planned, managed and controlled – including systems and procedures in place to enable both top-down strategic guidance from governors and senior managers and bottom-up contributions from staff, and any arrangements for stakeholder engagement in the planning process (Annex F refers).					
An account of the systems and procedures in place to monitor and evaluate performance at both an operational and institution-wide level and to ensure that the outcomes inform ongoing policy and strategy of the HEI/HEIs concerned (and other partners where appropriate).					
Annual milestones/performance indicators to include in Annual Monitoring Statements to keep Council informed of progress in implementing this third mission strategy (HEIs will have an opportunity to review these over the 3 years of the cycle).					

Part 2: Evaluation of information provided

Have institutions ? -	Comments (include strengths and weaknesses)
Clearly articulated their existing and planned future contribution to the HE sector's third mission agenda and their impacts on society and economy.	
Recognised how their third mission strategy interacts with and impacts on other plans and strategies and how it contributes to the achievement of overall institutional aims and objectives	
Ensured that the present strategy is informed by their experience in achieving the goals set out in their 2004/05-2006/07 strategies. (This should include an evaluation of their success in meeting selected AMS PIs for 2004/05-2006/07).	
Demonstrated that the strategy is also underpinned by appropriate contextual research and analysis activity that takes account of factors both internal and external to the organisation.	
Ensured that all long term aims and objectives are consistent with the third mission strategy and overall institutional plan(s), and will impact on both social and economic well-being in Wales.	
Demonstrated the existence of integrated management and planning processes to facilitate the above strategic interactions (especially in relation to collaborative strategies).	

Have institutions ? -	Comments (include strengths and weaknesses)
<p>Provided an overview of how planned activities will be funded over the life of the strategy and demonstrated a strategic approach to the use of Council and non-Council funding (especially KEF) to finance third mission activities.</p>	
<p>Provided a more detailed breakdown of how the Council's Third Mission Fund allocations will be used over the 3 year period, which is sufficient to satisfy the Council's duties in respect of ensuring the proper use of public monies.</p>	
<p>Bid for a share of the £1m pa reserved for the promotion of collaborative third mission activities.</p>	<p>If yes – also complete additional sheet attached as Appendix G1.</p>
<p>Presented an operational plan for each of the three years of the planning cycle, which provides the Council with confidence in the institution's ability to deliver third mission activities.</p>	
<p>Developed or are developing a policy for promoting their contribution to the HE third mission agenda in such areas as:</p> <ul style="list-style-type: none"> • Skills and employment (including graduate employability) • Enterprise and entrepreneurship (including social enterprise) • Services to business • Science & Innovation (including enhanced R & D activity and commercialisation of IPR) • Inward investment • Health & Community (also covers civic role of HEIs) • Culture (including Welsh language issues) • European & International activity • Sustainable Development 	

Have institutions ? -	Comments (include strengths and weaknesses)
Paid due regard to the needs of potentially disadvantaged groups (in relation to race, gender, disability, age) and to the Welsh language.	
Demonstrated that they have systems and processes in place to monitor & evaluate performance at both the operational and cross-institution level and how this information will be used to inform future strategy development across the organisation(s) concerned.	
Formulated verifiable indicators of performance to monitor and evaluate success or otherwise in achieving the projected impacts and outcomes of their third mission strategy.	
Evaluated their performance in relation to the achievement of their selected AMS	
Put forward an adequate set of milestones/performance indicators for inclusion in the Annual Monitoring statements to be submitted to Council from 2007/08 onwards. (In the case of collaborative strategies HEIs may put forward common PIs).	

REQUESTS FOR ADDITIONAL MONEY TO SUPPORT COLLABORATIVE ACTIVITY

1 Partners involved	HEIs: Non-HEI Partners:
2 Amount requested	£
3 Reason(s) additional monies are being requested	
4 Proposed expenditure breakdown of amount requested	
5 Are proposed activities consistent with and/or do they add value to overall strategy put forward	
6 Overall assessment and recommendation (all reasons to be detailed)	

SUMMARY

Overall assessment of the plan's strengths and weaknesses:	
Examples of good practice identified	
Funding recommendations (including additional funding for collaborative activities):	