

9 April

Lambert Review of Business-University Collaboration
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Lambert Review of Business-University Collaboration

Thank you for providing the Higher Education Funding Council for Wales (HEFCW) with an opportunity to contribute to this review.

Before responding to the specific questions that you have raised, we thought it would be helpful to draw to your attention a number of points that place the HE sector in Wales in a different context to the rest of the UK. This information is set out below in two sections. The first provides some general background information, and the second concentrates on the way that Wales' separate funding regime has been utilised to support links between universities and business over the last decade.

General Context

- ◆ Wales has a total of 13 higher education institutions (HEIs), all of which are subject to a funding regime that pertains only to Wales;
- ◆ The compact size of the sector in Wales facilitates a more personal working relationship between the Council and its funded HEIs than is possible in a larger sector like that covered by the HEFCE;
- ◆ Responsibility for higher education in Wales is devolved to the Welsh Assembly Government, meaning that Whitehall policies and procedures do not necessarily apply in Wales; the HEFCW receives its annual remit letter directly from the Welsh Assembly Government. In March 2002, following an extensive review by its Education and Lifelong Learning Committee, the Assembly Government published *Reaching Higher*, its 10 year strategy for HE in Wales. This makes detailed reference to the academe/business interface, and I enclose a copy for your information;
- ◆ A single development agency, the Welsh Development Agency (WDA), operates across the whole of Wales. This has facilitated the development of effective working relationships between staff in the two organisations. Since 1992 the HEFCW and the WDA have co-funded a number of joint initiatives and programmes aimed at fostering links between business and HEIs in Wales for the economic benefit of all parties, including the wider Welsh and UK economies;

- ◆ Since its inception in 1992 until 1 April this year, the HEFCW has shared a Chief Executive with the statutory body responsible for funding further education (FE) in Wales. This has helped foster a culture of HE/FE collaboration in Wales and business support is one of the key areas in which this collaboration is manifest;
- ◆ In 2001 the Welsh Assembly Government established a Knowledge Exploitation Fund (KEF) with support from the European Social Fund (ESF) and the European Regional Development Fund (ERDF) to provide support for the effective transfer of knowledge, skills and ideas from HE and FE to industry, business and commerce, with a particular view to supporting the development of a knowledge economy in Wales. Funding is split 50/50 between HE and FE
- ◆ Finally, it is important to note the importance of the Welsh language in the context of university-business interactions in Wales. Many small businesses in Wales, together with a number of public sector organisations – including some of Wales' local authorities – prefer to conduct their business through the medium of Welsh. A number of Welsh HEIs have, therefore, developed a niche market that provides services to business through the medium of Welsh.

Funding information

- ◆ The HEFCW began specifically supporting university-industry collaboration in the mid 1990s in the form of funding for training and consultancy services (TACS) and contract research. Since 1995/96 HEIs' income from TACS and contract research has increased by 74% and 67% respectively.
- ◆ Since the mid-Nineties the HEFCW has collaborated with the WDA to support a centres of excellence programme in our HEIs. These centres now known as CETICs (Centres of Excellence for Technology and Industrial Collaboration) were originally established to enable companies to tap into Welsh expertise in science, engineering and technology, although they now span several other areas of commercially relevant academic activity.
- ◆ Also with the WDA, the Council has been a co-funder of the Wales Spinout Programme (which seeks to encourage and enable new businesses to be set up by university staff and graduates based on the expertise contained in our HEIs. It is a mark of the success of this programme, that the latest HE-Business Interaction Survey indicates that in 2001/01 Welsh HEIs accounted for 9.7% of UK HEI spin-outs.
- ◆ In respect of preparing students for employment, since 2000/01 Welsh HEIs have been required to submit annual Work Experience and Employability Plans (WEEPs) to the Council and the release of part of institutions' teaching and learning allocations has been linked to the submission of satisfactory WEEPs. In addition, the Assembly

Government has given the Council responsibility for managing and funding two programmes (Graduate Wales and Cymru Prosper Wales) that help promote the graduate employability agenda within Wales (briefly put, these are web-based schemes for linking employers and students, either while still in HE or on graduation). A report published by UUK and the CSU in 2002, entitled *Enhancing Employability, Recognising Diversity*, recommended that funding bodies across the UK should adopt Wales' strategic approach to the graduate employability agenda.

- ◆ In addition to the HEFCW funding outlined above, the Assembly Government put up £24m for KEF (see above) for the period 2000-01 to 2002-3, which was supplemented by a further £9m in EU structural funding, with bids presently under consideration for a further £14m. In December 2002, the Assembly confirmed that a further £40.5m would be made available to support KEF up to 2005-06. We understand you have separately approached the KEF Director, Pat Jones, who will I'm sure provide you with further detail on KEF.
- ◆ The Council is aware that the picture presented has been of a somewhat fragmented approach to funding in this area. Both the Assembly Government and HEIs in Wales have been keen to see the establishment in Wales of a permanent, sustainable stream of third mission funding. A recent working group set up by the Council and the Heads of Higher Education in Wales (HEW), the Wales branch of UUK, recommended that such a stream of funding should be established sooner rather than later.
- ◆ As a first step towards this, the HEFCW established in 2000/01 a Higher Education Economic Development (HEED) Fund that brought together in a single pot the Council's funding in support of TACS and contract research, the WSP and centres of excellence programme. However, the size of this combined pot is only £3.1m and even when the Council's funding for the Graduate Wales and Cymru Prosper Wales programmes is added to it, the total still only accounts for just over 1% of HEFCW's annual budget. KEF plans (underpinning the allocation of significantly larger sums) are already being integrated into the HEED process, and closer working arrangements are in prospect. A separate report by the Institute of Welsh Affairs in April 2002 recommended that £50m a year was needed to support third mission activity properly in Wales. In its Budget Planning Round discussions with the Assembly Government the Council has been seeking progress in increasing the funds available for these activities on an annual basis.
- ◆ Following a consultation exercise with the sector, HEFCW has committed itself to turning its HEED fund into a full-blown third mission stream by 2004/05. A copy of **HEFCW circular W03/19HE** is enclosed with this letter. The circular provides more detailed information about how the Council intends to progress the third mission agenda in Wales.

Turning now to the specific questions asked in your consultation document, we have put our response in a separate document that is also enclosed with this letter. We have largely focused on Question 2 onwards. I hope that the information we have provided is of help to your review process. Should you wish to explore further any of the issues raised, or look in more detail at any of the programmes and initiatives referred to, then please contact our Head of Economic Development, Roger Carter, who will be happy to assist you and your team.

Finally, we have been aware through press reports that your review has been given an additional term of reference relating to management issues in higher education institutions. If you wished to confirm precisely what you have now been asked to cover, and thought our views on these additional aspects would be useful, we would be glad to respond on this matter also.

Yours sincerely

Professor Philip Gummett