

PAPER FOR NATIONAL ASSEMBLY FOR WALES  
EDUCATION AND LIFELONG LEARNING COMMITTEE, 20 MARCH 2002

## POLICY REVIEW OF HIGHER EDUCATION

- 1 The Council discussed in February 2002 the report of the Education and Lifelong Learning Committee (ELLC) on its policy review of higher education. At its meeting on 15 March the Council considered the Welsh Assembly Government's Strategy Statement entitled *Reaching Higher: Higher Education and the Learning Country – A Strategy for the higher education sector in Wales* (hereafter "the Strategy"). This paper outlines the Council's main conclusions, for elaboration in oral evidence on 20 March.

(Paragraph numbers cited below refer to the Strategy).

## THE COUNCIL'S RESPONSE

- 2 In our evidence to the Committee in December 2000, we said that the status quo was not an option for the higher education sector in Wales, given the competitive pressures that were growing elsewhere in the UK. The passage of time has confirmed that judgment.
- 3 There is much in the Strategy and the ELLC report which the Council welcomes unreservedly:
- the clear commitment in both the Strategy and the ELLC report to a strong and dynamic HE sector, and the recognition of the sector's many existing strengths and achievements;
  - the clarity of vision for the future of HE in Wales;
  - the concept of a sector defined less by institutions than by "networks of excellence";
  - the principle of a broadly even geographic spread of provision;
  - the principle of a diverse sector of varied missions;
  - the commitments to widening access, and to increased bilingual opportunities;
  - the proposal to commission comparative analyses of experience in Wales to benchmark the progress of Welsh higher education institutions (HEIs) against the very best in the UK and internationally;
  - the challenge, to the sector and the Council, to give the National Assembly confidence about its ability to improve so as to enable the major additional investment to flow.
- 4 We particularly welcome the additional £3m made available in 2002-03 to support restructuring, and the prospect of rolling funding of a similar order subsequently.
- 5 We note the views expressed in the Strategy on the University of Wales (paragraphs 26-27). We, too, welcome the assessment being carried out by Sir David Williams. We believe that there is, in particular, much to be said for a common award structure across Wales, as a means of building on the Credit Framework, in support of transferability of students and teaching between institutions.
- 6 Observations follow on specific sections in the Strategy.

## WIDENING ACCESS

- 7 The Council is already fully committed to the National Assembly's agenda for social inclusion via widening access to higher education. Widening access and seamless progression are key elements of the agreed programme of joint work across the two Councils of ELWa (the National Council and the Higher Education Council). An advisory group to support that work will meet on 25 March. In the meantime, officers of both Councils are working with senior representatives of

HE and FE institutions to explore ways of developing FE-HE relations in order to improve access and progression.

- 8 We agree that retention is as important as recruitment, and recognise the need for financial support to underpin both these aspects of widening access.
- 9 We welcome the announcement of an additional £2m in 2002-03 for innovative community based schemes to support widening access, and look forward to working with the National Council and other partners to develop these. We see an important role for consortia of local providers to come forward with proposals for initiatives that may meet the needs of local learners.

#### *MANAGEMENT DEVELOPMENT AND HUMAN RESOURCES*

- 10 The Council endorses the emphasis within the Strategy on the importance of improving management practice and expertise within HEIs. We are already discussing with the other UK HE funding councils ways of developing this agenda on a common basis, so as to optimise the use of resources and maximise the sharing of best practice. We are also already supporting, with the National Assembly, equal pay audits in 3 Welsh HEIs. In addition, through our Structural Change Fund, we are supporting a project to address equality and reward in pay structures in Welsh HEIs, to be conducted collaboratively across all 13 HEIs, together with other projects that will lead to shared staff development programmes and other administrative activities.

#### *RESEARCH*

- 11 We welcome the additional £6m already provided to recognise the progress made by HEIs in Wales in RAE 2001. We also welcome the statement that research should not be restricted to a single research-led cluster. This recognises the reality that, despite the considerable concentration of research strength in Cardiff, nevertheless half the 5/5\* grades in the RAE fall outside Cardiff. Networks of excellence, linking research centres across Wales while maintaining geographical coverage, is surely the way to proceed – provided that in each subject area this approach enables a critical mass of activity to be maintained.
- 12 We are in the process, jointly with HEW, of appointing a research facilitator to explore with the sector ways of advancing collaboration between institutions. We have also shown through a combination of funding in the field of bioscience from the Science Research Investment Fund and, more recently, the Structural Change Fund and KEF, how strategic targeting of funding can be used to build strength – such as the successful bid to other sources for the Wales Gene Park.
- 13 We are keen to explore further, and in partnership with the Assembly, the WDA, HEW and other funding bodies, ways of developing a more coherent research strategy for Wales, recognising that such a strategy must be rooted in international, and not only national, capability.
- 14 We note the reference in paragraph 39 to the question of whether the current research funding methodology provides enough incentives for excellence, or whether it needs to be applied more selectively. Naturally, this is a matter that must be kept under constant review, just as we will, with other UK funding bodies, review the future of the RAE.

#### *KNOWLEDGE EXPLOITATION*

- 15 We welcome the recognition in the Strategy of the strength of Welsh HEIs in commercialising the knowledge that they generate. At the same time, we share the belief that much more remains to be done in this respect, funding permitting.

- 16 Within HEFCW we have established a new Economic Development team to lead on this agenda. We have already begun the process of merging “Third Mission” funding streams, and will continue that process in the next 2-3 years. We are also streamlining the planning and reporting processes for funding under the Higher Education Economic Development Fund and the Knowledge Exploitation Fund (KEF).
- 17 We acknowledge the importance of research clusters locking into key growth sectors in Wales, but recognise also the potential of work in HEIs to strike out in unexpected directions and create new economic possibilities. We are conscious of the importance (perhaps particularly for a small country) of looking for opportunities at the interfaces between well-established research and economic domains, as was discussed recently at the First Minister’s Knowledge Summit.

#### *EXCELLENCE IN TEACHING AND LEARNING*

- 18 We welcome the desire to see excellence in teaching accorded the same status as excellence in research. We observe that, unless we adopt processes in Wales that are completely different from those elsewhere in the UK (which would probably not be helpful to the competitiveness of our HEIs in a UK market), future arrangements for quality assurance will not yield scores for teaching quality that could be used as the basis for a reward mechanism.
- 19 We do, however, welcome the invitation to draw up a strategy for the teaching mission and to consider how best to reward achievements in terms of retention and attainment, while being conscious at the same time that the real issue in such a discussion is about “added value”. Benchmarking institutions against each other in terms of the nature of their intake offers a way to get a purchase on this question.
- 20 We also see significant scope to encourage institutions to build on excellence through a process of continuous enhancement of learning and teaching, and would wish to develop this way of working within a framework of more clearly differentiated institutional missions.

#### *WELSH MEDIUM PROVISION*

- 21 We recognise the concern in the Strategy (paragraphs 54-55) for a sound evidence base to the development of policy for Welsh Medium provision. We would expect to meet the requirement to commission a report into current and projected levels of demand and supply, and steps that could be taken to increase demand, in close dialogue with the Welsh Medium Teaching Development Unit. The Unit, which we part fund, is already addressing these questions.

#### *DEVELOPING A SKILLED WORKFORCE*

- 22 We welcome the commitment in the Strategy to funding for development of alumni networks. In respect of careers guidance, we are near the end of a review of HE careers services, jointly with Careers Wales, the National Council – ELWa, the NUS, and the Assembly. We expect to report to the Assembly on this to a similar timescale to that being pursued in England following the Harris Report on careers services there. Our aim will be to provide careers support in HE in Wales that plays its part in developing the seamless service for all ages envisaged by Careers Wales, and which is equal to best practice in the UK. This will require additional funding.

#### *INTERNATIONAL MARKETS*

- 23 We welcome the emphasis placed upon international links. We see overseas students not simply as a source of income but also as important to the cultural and intellectual enrichment of higher education, and as potential longer term ambassadors for Wales.
- 24 We note in particular the reference to the work of the Welsh Higher Education International Liaison Association (WHEILA). We are already working with WHEILA and HEW to appoint a

consultant to review current practice on international recruitment to Wales, and to advise on future possibilities.

## ISSUES FOR FURTHER CONSIDERATION

- 25 In welcoming the broad thrust of the Committee's report and the Assembly Government's Strategy, the Council see a number of critical issues that need to be tackled for the Strategy to succeed.
- 26 First, the overall financial position of the HE sector in Wales is poor. Six institutions reported an operating deficit in 2000/01, compared with five in 1999/2000. Across the sector as a whole, the level of operating surplus has fallen between 1998/99 and 2000/01. Even though it is forecast to rise slightly in the next few years, it will still be too low to generate sufficient cash for future investment. Staff costs are rising faster than inflation, and the pressures on the pay bill, not least over implementing equal pay for work of equal value, will not diminish. Expenditure on maintaining the estate, and therefore the attractiveness of the environment to staff, students and industrial and other partners, is falling, both in absolute terms and as a percentage of total expenditure.
- 27 This position has implications for the approach to funding outlined in the Strategy, in particular that:
- the forward baseline published under BPR 2001 should not be uplifted save to reflect GDP;
  - any supplementary funding should be on a "something for something" basis, via hypothecated funding streams for the medium and longer term, to be agreed in successive budget planning rounds;
  - existing formula funding be complemented by more targeted strategic funding;
  - and that there be a move, in the longer term, towards a basis of funding closer to that currently being introduced in Scotland (where 'jam-jars' are being reduced, by rolling more of the total funding into the core grant, in return for improved strategic planning by HEIs, coupled with the delivery of several key policy objectives as a condition of grant).
- 28 While appreciating the underlying logic, we are concerned that an over-rigid application of this approach in the early years of the Strategy would create difficulties that could be counter-productive.
- For example:
- core needs, especially in relation to pay (including the costs of equal pay for work of equal value) will not be met solely on the basis of an uplift in core funding by GDP (and would face special difficulties if core funding elsewhere in the UK rose more sharply);
  - planning for significant action on, eg, widening participation, or on economic outreach (Third Mission), cannot be done effectively unless there is a reasonable presumption that it will be sustained over several years (because a prime need is for continuity of employment of specialist staff);
  - whereas some savings or performance improvements can be made fairly quickly, others will require pump-priming.
- 29 We will, therefore, wish to discuss how to ensure that sufficient funding is available in the early years to meet core needs, and to enable early investments to be made in order to secure gains as quickly as possible.
- 30 Second, we look forward to working with the sector to demonstrate how substantial gains in performance can be made, and will present initial evidence of potential outcomes as soon as possible within 2002-03. This is, however, a very short timetable. We trust, therefore, that

flexibility will be shown over the full delivery of outcomes in relation to budget planning for FY 2003-04, decisions on which will begin to be made quite soon.

- 31 Third, part of the planning for future funding is based on presumed economies in administrative costs. The Strategy (paragraph 8) suggests that a reduction in overhead costs of 4% would yield £3 million. Our view is that attributing administrative costs reliably is a complex matter. Moreover, while economies can undoubtedly be made, it will require further analysis, and experience, to establish how soon and to what extent they can be gained.
- 32 Fourth, we note that the “first call on extra resources for HE for the foreseeable future will be funding for collaboration and re-configuration” (paragraph 23). While endorsing the force of the position with respect to collaboration, we can also envisage circumstances where pump-priming of restructuring within *single* institutions could also yield significant contributions to the Assembly’s priorities. We would hope to have funding, and scope, to support restructuring of this type, where the Council judges that the business case is compelling.
- 33 Fifth, we shall work actively and creatively with the Assembly and the sector to develop the more detailed range of target outcomes that are referred to in paragraph 71 of the Strategy. We note the ambitious set of initial outcomes identified at paragraph 72, and will wish to discuss these in more detail with the Assembly Government, in order to develop realistic profiles for their achievement.
- 34 Sixth, the evidence from England and Scotland of structural change, including significant collaboration between institutions, or mergers, suggests that the sums of money required can be very substantial indeed (several millions at a time). Moreover, while the sums involved may be manageable if averaged over several years, the funding requirement year by year could fluctuate considerably. There is here another issue about flexibility that we will wish to discuss further.

#### ROLE AND REMIT OF HEFCW

- 35 Finally, we welcome the recognition that delivery of this ambitious agenda will have implications for the capacity of HEFCW to deliver. With the recent appointment of the Council’s chair, and the anticipated announcement of new members to bring us to full strength, we will be better equipped in terms of the Council itself, but will wish to discuss the Council’s staffing further with the Welsh Assembly Government.
- 36 We note the more proactive role that is identified for the Council. It is unclear to us how far any legislative changes will be needed, our belief being that if the will for this agenda exists in all quarters, and is supported by adequate funding, then the necessary powers to achieve it may already exist.
- 37 A possible exception to this position may arise over funding arrangements in respect of the constraint upon the Council, under the 1992 Further and Higher Education Act, to fund institutions, and whether this will raise any issues in respect of the development of networks. Further exploration of this question will be needed.
- 38 It will also be important, in taking the agenda forward, for the sector to develop its capacity to work collectively with HEFCW, and this is a matter that we shall wish to discuss with HEW and the University of Wales.