

3 March 2004

Mr Richard Lambert  
Lambert Review of Business-University Collaboration  
1 Horse Guards Road  
London  
SW1A 2HQ

Dear

### **RESPONSE FROM THE HIGHER EDUCATION FUNDING COUNCIL FOR WALES**

I am pleased to have the opportunity to respond on behalf of the Higher Education Funding Council for Wales (HEFCW) to the outcomes of your *Review of Business-University Collaboration*.

The publication of this report was particularly opportune for HEFCW as it coincided with our final preparations for a major consultation exercise on future third mission funding arrangements in Wales. I attach for your information a copy of our consultation circular, in which we were able to draw on your thinking. We would be very pleased to receive any comments your review team might like to offer on the issues raised in our consultation circular.

You will see from the attached document that whilst our proposed way forward chimes with many of your recommendations, there is also a significant point of departure in relation to funding arrangements – on which I shall elaborate later. You will also see that the level of funding the Council is able to commit to third mission activities falls somewhat short of your recommended level. Whilst we need to point out here that the Knowledge Exploitation Fund also provides a significant funding contribution to the economic development activities of Welsh HEIs, we should, nevertheless, like to have seen a more positive emphasis on the need to ensure that any increased support from central Government for third mission activities accruing from your recommendations, should also be channelled to the UK's devolved administrations.

Although the title of your report refers to university-business links, the body of the document talks much about third stream (in Wales referred to as third mission) activities in the round, which is where we are presently placing the emphasis in Wales. Your report is most helpful here - on page 31, for example, you refer to how “transferring the knowledge and skills between universities and business and the wider community increases the economic and social returns” from investment in higher education. On page 101 you refer to “ a modern university’s far-reaching role and breadth of activities” and to the “number of stakeholders who hold the institution to account”. In Wales, the Assembly Government has specifically remitted HEFCW to be mindful of the social as well as the economic development agenda in driving forward third mission policy and strategy in Welsh HEIs. This is why our proposed third mission framework places such an emphasis on asking institutions to begin articulating

in a new way, what they are doing and why. To assist institutions to move in this direction, the Council has defined third mission in the following way:

*“Third Mission activities in universities stimulate and direct the application and exploitation of knowledge to the benefit of the social, cultural and economic development of our society.”*

The articulation of an institution's overall contribution to society and economy in this way requires a senior management team that has an effective grasp on its overarching strategic direction and mission. For this reason, we particularly welcome the emphasis your review has placed on the importance of effective management, governance and leadership within the UK higher education sector.

We also welcome your celebration of sector diversity, whilst at the same time stressing the benefits to be gained from increased levels of collaboration. Wales currently has 13 HEIs, which contribute to its economic and social well-being in very different ways and on very different scales. The arrangements set out in the attached consultation document seek to find a way to allow institutions to play to their individual strengths, while at the same time to encourage them to work together in order to increase the impact of what they have on offer.

HEFCW began consolidating hitherto separate pots of third mission initiative funding into a single stream two years ago. From 2004/05 we intend to initiate a third mission fund in which allocation levels will remain constant for a three year period. All of this is in line with recommendations made in your report. However, subject to the outcomes of our present consultation exercise, we are not minded to allocate monies on a formula basis and this is where we move slightly out of step with the recommendations of your review.

HEFCW has used formula funding since the early 1990s to support third mission activity. A funding and metrics task and finish group established at the behest of the Council's Third Mission Committee concluded that a formulaic approach put too much emphasis on activities per se and not enough emphasis on the outcomes accruing from such activities. The task and finish group also counselled that a one size fits all formula approach would not recognise diversity in the sector, and suggested that it might also push institutions into areas of activity in order to attract increased funding irrespective of fit with their particular mission.

The attached circular details our funding proposals and these were discussed at a consultation event held only yesterday, 2 March 2004. It is evident that the Council will have to refine its proposals in the light of the likely outcomes of the consultation exercise, which closes on 31 March. However, we would still advise guarding against a third mission funding regime that rewards activities for their own sake and not the impacts and outcomes that result from those activities.

Finally, we note that you will be visiting Cardiff on the 19 March as a guest of the Institute of Welsh Affairs to talk about *Universities' Engagement with Business*. I hope that the attached circular will prove useful in providing an insight into current developments in Wales in this area. I also attach for your information a copy of the press release that we issued on the publication of the latest HE-Business Interaction Survey. This press release highlights some

of the ways in which Welsh universities are interacting with business and you will see that in a number of key areas Wales is punching above its weight in UK terms. Wales has also received recognition for its approach to the skills and employability agenda, and a UUK report published in 2002 entitled, *Enhancing Employability, Recognising Diversity*, urged other UK funding bodies to follow Wales's lead in encouraging and facilitating a "strategic approach" to the graduate employability agenda. HEFCW continues to support this strategic approach and has recently launched the Graduate Opportunities Wales (GO Wales) initiative, which aims to assist thousands of Welsh businesses – and especially SMEs – to access graduate skills for the first time. Again, I attach some information, which I hope you will find useful for your visit to Wales.

If you would like to discuss any of the points raised in this letter in more detail, I would be delighted to hear from you. I regret that I will be unable to attend the IWA lunch meeting on 19 March as it clashes with a meeting of the Council. However, HEFCW will be represented at this event and we look forward to your remarks with interest.

Yours sincerely

Phil Gummett  
Acting Chief Executive

cc Niki Cleale (Lamber Review Team)  
Derek Adams (Welsh Assembly Government)  
Ron Loveland (Welsh Assembly Government)  
Virginia Chambers (Welsh Development Agency)

## **RESPONSE TO THE LAMBERT REVIEW BY THE HIGHER EDUCATION FUNDING COUNCIL FOR WALES (HEFCW)**

### **1 Examples of business-university collaboration in Wales**

Our covering letter has already provided some examples of the programmes and initiatives that are operating in Wales to foster such links. Several of these also represent joint ventures with the WDA – for example, the CETIC and Wales Spinout Programmes. In addition, the WDA is represented on the Steering Group that oversees the operation of the Knowledge Exploitation Fund (KEF). WDA and KEF monies have also been deployed jointly in a number of key areas including to help secure the award of the Wales Gene Park, under the DTI//DoH/Welsh Assembly Government's "Genetic Knowledge Parks" initiative. KEF and the WDA (and the HEFCW) also fund complementary projects in areas such as entrepreneurship and patenting and proof of concept.

The HEFCW has been a long-term supporter of the WDA's Entrepreneurship Action Plan for Wales and more recently, alongside our sister Council, the National Council-ELWa, has been working with the WDA on the establishment of an all-Wales Technology Commercialisation Centre and the creation of a business *Gateway* that will provide a single port of first call for businesses who wish to tap into the services/expertise etc that resides not only in Wales' institutions of higher and further education, but within Wales' private training provider network as well. The HEFCW is also about to embark on joint work with the WDA and the National Council-ELWa in relation to the development of sectoral approaches to business support activities in Wales.

### **2 Strengthening Relationships**

It would, however, be wrong to suggest that there are no overlaps in support for university-business collaboration in Wales. In areas such as support for entrepreneurship, e-learning, business diagnostics, training needs analyses and consultancy advice to exploit technology the key players noted above, together with Wales' HEIs and FEIs, are often offering duplicated services and products. We recognise that this situation can be confusing for the targeted clients in business and industry. Clarification of the roles of the various individual funding bodies, together with a more strategic approach across their combined operations, is called for on the one hand whilst, on the other, the funding regime needs to do more to encourage institutions to be more collaborative in their interactions with business and industry.

Whilst the HEFCW is remitted by the Assembly Government to foster better links between HE and business in Wales, it has itself no traditional, direct lines of communication with business or its representative bodies. To date the HEFCW's contact with business and industry has been very much second-hand, and it has relied upon HEIs to identify and make sure that the services and products offered to business are those that business really wants and/or needs. As the HEFCW develops its third mission agenda this is an issue that will need to be addressed. Steps already in train include the work with the National Council-ELWa and the WDA referred to above to develop sectoral approaches to business support, and further joint work with the National Council-ELWa to develop in tandem with the Wales Management Council a "*Management Development Plan*" for Wales. However, a dilemma yet to be addressed is, to what extent could concentrating on the businesses needs of Wales impact adversely on the imperative of many HEIs to operate not only on a regional stage, but in international arenas as well?

Following a January meeting with relevant Assembly Ministers, an Action Plan is being worked up to underpin and drive closer and more effective working arrangements between

the HEFCW and the WDA. In particular, it is intended to improve and better integrate the collective service they separately offer Welsh business and commerce.

### ***Technology transfer***

**KEF has a key role in Wales in seeking to change the culture and capacity of higher education institutions in terms of enterprise, entrepreneurship and innovation, of which technology transfer is an essential component. As set out in the covering letter, the KEF Director will elaborate on these matters in her reply.**

Welsh HE can produce some good examples of technology transfer activities. However, as indicated above there is some duplication of programmes that can be confusing for business clients. For example, the WDA operates a Technology Exploitation Platform Programme and a scheme – Know How Wales – which provide separate avenues for SMEs in particular, to harness HE assistance. Another programme, HELP Wales, provides a third avenue – again primarily targeted at the SME market. HELP Wales is a European-funded project managed on behalf of all Welsh HEIs by the University of Glamorgan.

In the area of technology transfer it is important to note also the planned all-Wales Technology Commercialisation Centre led by the WDA and supported by HEFCW, the Assembly Government, Finance Wales and KEF. This will be a new type of organisation in Wales that will seek to source and exploit leading edge technology opportunities for the benefit of the Welsh economy. It will be an independent body comprising a small, expert, experienced and commercially focused team of venture managers (scouts) with a high profile team leader.

### ***Intellectual property***

This is an area in which the performance of Wales falls behind that of the rest of the UK – see, for example, the outcomes of the 2002 all UK HE-BI Survey. The Assembly Government is keen to address this issue and is pressing the HEFCW, the National Council-ELWa and the WDA for action.

In response, the HEFCW has given its support to utilising KEF monies to create a Patent and Proof of Concept (PPOC) Fund. One of the central purposes of the KEF is to build capacity within HEIs to enable them to successfully exploit the knowledge generated by HEI research teams. The focus and expertise for knowledge exploitation resides typically within the commercial centres or units within HEIs, and KEF has a number of other complementary funding support packages including innovation and entrepreneurship masterclasses and seminars, and other support arrangements for technology/IPR audits. The KEF internal evaluation of current funded activity in HEIs has pinpointed a need for early development funding in the exploitation of ideas and products generated by research teams in the HEIs. This funding is required not only for the patent protection of the ideas themselves but to 'prove' the viability of the technology claims (in effect, to test them) and so reduce the investment risk involved in future exploitation of the product concerned. This early 'proof' will make the idea or technology more acceptable and attractive to venture capital companies and other potential sources of funding, e.g. Challenge Fund and Finance Wales. Moreover, PPOC funding should not be seen in isolation but as a component in HEIs' developing HEED strategies alongside the emerging innovation and entrepreneurship strategies being fostered under KEF

In developing the PPOC proposals, there have been detailed discussions with colleagues in the WDA and Assembly Government to ensure that the PPOC will complement the technology commercialisation support arrangements being taken forward by the WDA as part of the establishment of the Technology Commercialisation Centre, which will also be

resourced to fund proof of concept activities (but at the post-PPOC stage where higher levels of funding are required, and higher risk experienced).

### 3 Graduate Employability Agenda

As our covering letter indicates, the HEFCW has an established strategic approach to this agenda and for the past three years it has been the only UK funding body to require HEIs to produce an annual Work Experience and Employability Plan (WEEP). Professor Lee Harvey of Sheffield Hallam University analysed last years WEEPs on behalf of the Council and reported that considerable progress has been made with the employability agenda in Wales since the inception of an Employability Audit in 2000. During this relatively short period of time, Professor Harvey notes that five trends have appeared in the sector in Wales:

- (i) A much clearer understanding of employability and appreciation of the array of different work experience and skill-development possibilities.
- (ii) A clear shift towards facilitating learning from vacation and term-time part-time work, rather than ignoring it or even being actively hostile to such work.
- (iii) A much clearer notion of the need to embed employability skill development in the curriculum and a general shift away from only providing stand-alone employability modules
- (iv) A general encouragement of reflection on learning from work experience.
- (v) A critical analysis of the notion of 'employability' away from simple indicators, such as institution-based graduate employment rates, to an evaluation of the employability of the graduate and serious enquiry as to what enhances student employability attributes.

The WEEPs indicate that over half of Wales' HEIs involve business and industry representatives in curriculum planning and development activities and last year's HEED plans further indicated that 12 out of our 13 HEIs work with local authorities and other key local partners in the development of regional skills and/or economic development strategies.

However, as indicated previously, the HEFCW itself has no formal mechanisms in place to receive feedback from employers. We are currently in the process of merging our two graduate support initiatives (Graduate Wales and Cymru Prosper Wales) into a single, re-focused and re-packaged support programme. Employer representatives will be engaged in this process – not least because experience of operating the existing programmes has shown that for many SMEs in particular, the decision to begin employing graduates has arisen directly out of the opportunity to “*try a graduate /undergraduate*” on a placement basis through participation in one of our employability initiatives.

As part of its long term strategy for HE in Wales, the Assembly Government has also tasked the HEFCW with initiating “roundtable meetings” to help foster links between academia, industry in Wales and risk finance experts. Work on this is about to be progressed. However, in developing the third mission agenda in Wales HEFCW has already encouraged HEIs to ensure that the employability agenda is regarded as an integral component (see also Circular HEFCW/03/19HE attached). The only way for the Council and HEIs to know if we are delivering graduates and post-graduates with the skills and attributes that employers want is for them to tell us. Accordingly, appropriate channels of communication must be opened up. This will be an important dimension to the closer working relationships proposed between the Council, the National Council and the WDA.

In considering the employability agenda it is also important not to disregard self-employability and the need to provide graduates and post-graduates with the necessary skills to boost economic development via new business start-ups. New curriculum developments in Wales – such as entrepreneurship modules in undergraduate courses and masters degrees in entrepreneurship skills (including through the medium of Welsh) – plus initiatives funded by KEF, HEFCW and the WDA have all generated some success and the latest HE-BI survey indicates that in 2000/01 Wales accounted for 23.5% of UK graduate business start-ups.

#### **4 Making a difference**

Our covering letter has already addressed some issues relating to the funding regime. It is our view that fundamental to making a difference in this area is the need to address the current funding imbalance, that is, to increase the funding available for third mission work. We do not regard it as an option to reduce current allocations to teaching and research in order to boost third mission activity.

We would also contend that success in increasing the current scale of university-business collaboration must involve opening up new lines of communications between the two sectors at both senior management and operational levels. Furthermore, the role that the FE and wider post-16 sector can play in facilitating these communications should not be overlooked. Many small businesses will approach a college of further education or a local private training provider, but would not currently entertain the idea of approaching a university. Developing better links between HE and FE will require greater attention and a higher profile.