

Finance Committee

FIN(3)-05-10 : Paper 3""

Supplementary Note to the Finance Committee on the Funding of Higher Education in Wales

About Higher Education Wales (HEW)

Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales. HEW provides an expert resource on the Welsh Higher Education sector.

Introduction

1. Higher Education Wales (HEW) welcomes the opportunity to give a further round of oral evidence to the Finance Committee's inquiry into the funding of Post 16 Education, Further Education and Higher Education. Our initial submission to the committee (Paper FIN(3)-05-10(p1)) concentrated on what we were asked to provide to the Committee for its 20 January 2010 meeting, which was information relating to the funding system for HE and current funding settlement from the Assembly Government.

2. HEW notes that during the course of the inquiry committee members have raised matters in relation to the efficiency and effectiveness of the Post 16, Further Education and Higher Education sectors. We hope that the information contained in this supplementary note may prove useful in the Committee's deliberations.

Delivering Positive Outcomes for Wales

3. Universities in Wales deliver immense value to our economy and society. As we stated in written evidence to the Committee in January, we are determined to increase our contribution as we face challenging economic times. Universities are making this contribution in a variety of ways. The Assembly Government's HE strategy, "For Our Future "(Nov 2009)", "sets out comprehensively the value produced by the HE sector for the significant investment made by the Welsh taxpayer. In setting out the strengths of the sector "For Our Future" states that:

"Through the leadership of higher education providers, and the talent and commitment of its community of staff, higher education in Wales already makes a substantial contribution to the Welsh economy and Welsh society.

Quality: in audits by the UK Quality Assurance Agency Welsh higher education institutions have consistently demonstrated quality in teaching and learning in Wales.

The student experience: the National Student Survey suggestions that, overall, students in Wales are more satisfied with their courses than those in England.

Widening access: compared with other parts of the UK, Wales has a good reputation for attracting students from non traditional backgrounds including those from low participation neighbourhoods, state schools and those with disabilities.

Research: the UK-wide Research Assessment Exercise (2008) highlighted the existence of areas of world-leading research across Wales. There are now two Nobel laureates working in the Welsh HE sector.

Knowledge exploitation: among other impressive results, in 2006/7 Wales accounted for 7.3% of UK income from consultancy contracts with SMEs and 13.1% of all higher education business spinout and staff start-up activity, despite only representing 5% of the UK HE sector. Other data, compiled at a UK level as part of the Higher Education Business and Community Interaction Survey (HEBCIS), has also shown where Welsh higher education punches above its weight. For example, in 2007-08 Welsh higher education delivered:

6.24% of collaborative research funding (£43m) from projects involving both public funding and funding from business;

4.35% of cumulative portfolio of active patents (higher than all English regions except London and South East and Yorkshire and Humberside);

"15.38 % of formal spin-offs and staff start-ups formed in 2007/8 (40 in total) and 7.05% of the cumulative total of those that were active and had survived at least three years by 2007/8 (76 in total);"

"9.51% of graduate start-ups established in 2007/8 (188 in total) and 10.21% of the cumulative total of graduate start-ups that were active and had survived at least three years by 2007/8 (135 in total)."

"Contribution to the Welsh economy: the annual turnover of the higher education institutions in Wales is over £1billion per annum. It is estimated that this transforms into a contribution to the economy of some £5billion."

"Attracting students from beyond Wales: in 2007/08 over 130,000 individuals studied higher education in Wales, with a net inflow of 11,000 from elsewhere in the UK, and a further 19,000 from beyond the UK. The net inflow is not only a boost to the economy but the presence of students from other parts of the UK and the world adds a healthy cultural dimension to life in Welsh institutions and their communities.""

4. The performance framework in place for the HE sector in Wales is based on the challenging targets set in the wake of the Assembly Government's "Reaching Higher" strategy (2001). The specific targets from the strategy relate to outcomes in 2010/11. Data for this academic year will not be available until 2012 and so there cannot be a final assessment on the sector's delivery against these targets until that point. Nonetheless, HEFCW publishes progress against targets on its website. The latest such update contains data relating to the period 2000/01 (the baseline year for many of the targets) to 2007/08, with the exception of widening access data. In this summary document the HE sector in Wales is shown to be making good progress towards achieving the stretching targets established in "Reaching Higher" in the following areas. In some areas the targets have been exceeded significantly. The "Reaching Higher" targets and their outturn thus far can be summarised as follows:

Recruitment of international students - increase in recruitment compared to universities in England (excluding universities in London & South East):

"The Reaching Higher target has been exceeded every year (2000/01 to 2007/08). Since 2003/04 the Welsh sector's rate of increase in recruitment has outperformed that in the English regions by a factor of 2 or 3."

Number of spinout companies generated by universities:

"2000/01: 25 2007/08: 35 RH Target 2010/11: 42"

% of Welsh domiciled students studying at Welsh universities

"2000/01: 60.1% 2007/08: 66.5% RH Target 2010/11: 70%"

% increase in research income (other than from Research Councils) from baseline in 2000/01

"RH Target 2007/08: +60% 2007/08: +78.1% RH Target 2010/11: +100%"

Lowering administration costs per student compared to the percentile admin cost per student in the England (excluding universities in London and the South East):

"2000/01: 45% 2006/07: 42% RH Target 2007/08: 40% RH Target 2010/11: 25%"

Widening Access - the % of students attending HE courses from Communities First areas

"2000/01: 8.9% 2006/07: 10.5% RH Target 2010/11: 11.4%"

Other "Reaching Higher" targets may prove to be more challenging to reach, though again, on each of these indicators progress is being made:

Welsh Medium - the % of students studying HE through the medium of Welsh:

"2000/01: 5.4% 2007/08: 5.4% RH Target 2010/11: 7%"

[In 2007/08 the university sector launched the National Development Plan for Welsh Medium HE. A Coleg Ffederal will be established in 2010/11 to further enhance Welsh Medium HE provision.]

% of the UK total of Research Council grants awarded to universities in Wales

"2000/01: 3.3% 2008/09: 3.4% RH Target 2010/11: 4.5%"

5. Members of the Committee have drawn attention to this last indicator in the inquiry. We note that although outturn of this "Reaching Higher" indicator has remained broadly the same since the baseline year, the total amount of Research Council income earned by Wales's universities has more than doubled from £23m in 2000/01, to £52m in 2008/09 (though this is partly attributable to the introduction of full Economic Costing). In the same period, total research income from all sources (including EU funded and collaborative research) has increased by £109m; from £125m to £234m.

6. The reasons behind the static proportionate level of Research Council 'capture' are complex. A report authored by the Welsh Assembly Government (May 2009), cites a number of reported factors, including the level of the HE investment gap with England, which reached 15% per student in 2006/07. The report also contains comparative information about the volume of Research Council grants captured by the six so called 'Golden Triangle' universities (Oxford, Cambridge, King's, LSE, UCL, Imperial). For example, the six Golden Triangle universities received considerably more Research Council income than all of the universities in Scotland, Northern Ireland, Wales, the North East of England and the South West of England put together. This 'Golden Triangle effect' may undermine the usefulness of targeting the rate of Research Council capture by population share, broken down by UK nation/region.

Using Public Resources Efficiently and Effectively

7. Universities do not see the achievement of efficiencies as a one off, but as a continuous process. Universities are collaborating on a number of fronts to take forward the efficiency agenda.

8. **Procurement** - Universities in Wales have been making a coordinated effort to make savings by reducing purchasing costs. Individual universities are endeavouring to make savings themselves, but universities have also established a strategic project, with HEFCW's support, to make procurement savings. The Higher Education Purchasing Consortium's (HEPC) latest annual report (2009) has identified

£5.6m or savings that universities in Wales have made in this respect. In 2008/09 universities, on an individual basis, are on course to fulfil and exceed a 3% efficiency savings target in relation to procurement.

9. Collaborative projects and shared services arrangements - Research collaborations established since 2003 have helped to enhance the delivery of effective and efficient services. These include:

Research and Skills Collaboration within Wales

A number of high profile collaborative research projects, sponsored by HEFCW, have been launched since 2005. Further such collaborative projects are in the pipeline. A list of such projects is below:

The Climate Change Consortium of Wales (Swansea, Aberystwyth, Cardiff, Swansea)

Aberystwyth University / Bangor University Research and Enterprise Partnership

Low Carbon Research Institute (Cardiff, Bangor, Glamorgan, Swansea)

Biosciences and Environment Alliance / IBERS (Aberystwyth, Bangor)

Wales Institute of Visual Computing (Bangor, Aberystwyth, Cardiff, Swansea)

Wales Institute of Social and Economic Research, Data and Methods (Cardiff, Swansea, Aberystwyth)

Wales Institute of Mathematical and Computational Sciences (Bangor, Cardiff, Swansea)

Aberystwyth University and Bangor University have also recently launched the collaborative Aber-Bangor Skills Centre (absc.bangor.ac.uk) helped by investment from the HEFCW Third Mission Fund, while both universities are currently scoping a wider shared central services project.

Shared services

The South West Wales Education Partnership (SWWEP) is one example of the HE sector taking forward shared services arrangements, with the support of HEFCW. The Dragon Innovation Partnership (DIP), is one aspect of this wider partnership. DIP enables the three partner universities (Swansea Metropolitan University, Swansea University, Trinity University College) to jointly convene events and services for businesses in relation to innovation and knowledge exchange in South West Wales.

Glyndŵr University and Yale College currently share a procurement officer to save resources. The University of Wales, Newport is also engaged in discussions with a number of regional partners (including Newport City Council and Gwent Police) to explore possible opportunities for shared services. Similarly, the University of Wales, Newport also has an agreement with UWIC to share procurement advisory services. This allows them to benefit from the pool of expertise within the UWIC procurement team.

Widening access work conducted by universities in four collaborative Reaching Wider partnerships with further education colleges and schools across Wales. For example, "First Campus" (www.firstcampus.org) delivers schools projects and events for young people for the four universities in South East Wales.

10. University amalgamations - In the six years from 2004 to 2010 Wales will have seen the amalgamation of three Higher Education Institutions. As members will have noted from this paper, administrative costs in HE in Wales are below the average level in equivalent English regions.

11. Investing upfront to become more efficient and effective - Universities and HEFCW have invested upfront in these collaborative partnerships to improve effectiveness and to become more efficient. As members will have noted there have been six applications to the Welsh Assembly Government's 'Invest to Save' initiative, with a successful application from UWIC for the provision of student services in a more efficient way. Universities also use other 'invest to save' funds from other sources. For example, the University of Wales, Newport is a member of the Carbon Trust Higher Education Carbon Management Scheme, and has successfully applied for interest free loan funding from Salix to finance the replacement of existing lights with modern energy efficient lighting. Wales's universities and the 'Glamorgan Group' (led by the University of Glamorgan) have also made a total of four applications to the Strategic Capital Investment Fund, two of which have been successful.

Conclusion

12. Universities in Wales are working hard to optimise the outputs from the 40% of their income received from the Welsh Assembly Government. As we have indicated in this note, efforts to improve the efficiency and effectiveness of the operation of universities across Wales have been a high priority for senior managers.

13. As we noted in our written evidence to the Committee, we welcome the Welsh Assembly Government's commitment to increase education investment by 1% more than the increase in the Barnett block grant. Investment in high level skills and research and innovation will be the key to transforming the Welsh economy in the years to come. We look forward to working with the Committee and the Welsh Assembly Government on this vital agenda.

Higher Education Wales

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