

9 April

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

Dear Mr Lambert

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 Gummatt

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 (WEED). Professor Lee Harvey of Sheffield Hallam University analysed last year's WEEDs 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 WEEDs indicate that over half of Wales' HEIs involve business and industry representatives in curriculum planning and development activities and last year's WEED 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.