



THE LEARNED SOCIETY OF WALES CYMDEITHAS DDYSGEDIG CYMRU

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Welsh Government Review of the Regulation and Oversight of Post-Compulsory Education and Training in Wales, with special reference to the future role and function of the Higher Education Funding Council for Wales (HEFCW)

The **Learned Society of Wales** (LSW) is an independent all-Wales, pan-discipline educational charity providing public benefit including expert scholarly advice on a variety of public policy issues related to science, education, engineering, medicine, arts, humanities and social sciences.

With the aim of improving and protecting Higher Education (HE), one of Wales' national assets and economic drivers, the Learned Society of Wales (LSW) welcomes the opportunity to respond to the current review of arrangements for the oversight of HE in Wales. Universities in Wales are currently regulated by means of the terms and conditions of a grant set by the Higher Education Funding Council for Wales (HEFCW), subject in turn to the terms and conditions set by the Welsh Government in its annual Remit Letter. Following the growing pressures on the current regulatory system resulting from changes in the primary source of funding for undergraduate teaching, and increasing number of providers, we recognise that regulation needs to keep pace with changing expectations, if confidence is to be maintained.

Given the breath of the review's Terms of Reference (TOR), however, this response will confine itself to some general principles, effectiveness of current arrangements and recommendations for future over-sight including a more comprehensive role for HEFCW and retention of its role in distributing QR funds.

1. Context and coherence

The last review of HEFCW took place in 2009 and given the significant UK changes in the regulatory landscape and complexity around HE/FE relationships, a review of arrangements in Wales is needed. However, while the background set out in the Minister's 2015 July Statement provides a helpful context, it would have been advantageous to have the review undertaken before the passing of the Higher Education (Wales) Act 2015 which (when commenced in 2017) gives HEFCW significant new regulatory functions and powers as provided by Welsh Government. That is not an argument against the review, but counsel for care and balanced judgment in assessing proposed new arrangements in the light of the recent legislation.

The new bill already provides the basis for a new regulatory framework for higher education in Wales that is not reliant on the terms and conditions of the previous funding grant. Providers of higher education in Wales, which are charities, become 'regulated institutions' and regulated institutions are subject to the new provisions of the bill in return for their courses being automatically designated for purposes of student loan and grant support. The

bill also provides for HEFCW securing a range of new powers including directing institutions, enforceable by injunction, powers to issue statutory advice and guidance, powers of entry and inspection, and powers to remove regulated institution status. Consequently, it would be important that the findings of the current review are congruent with the new bill and coordinated with those of the Diamond Review and any recommended and agreed changes jointly implemented.

2. Facilitating the Welsh government's vision and protecting the sector's reputation

Any good system of regulation should help protect the interests of students, together with the reputation and efficient resource management of the HE sector. As such, any changes to the existing regulatory framework should not simply be about compliance or keeping to the rules, but also needs to be coherent with and supportive of the Welsh Government's and the sector's overarching **vision** to deliver "*a world-class higher education system in Wales that serves the interests of learners and the nation in the twenty-first century*". Consequently any regulatory framework fit for purpose should facilitate the delivery of excellent teaching and learning, quality in research and knowledge transfer, and the effective engagement between higher education and society. Such an approach recognizes the important role that Welsh higher education already plays in the future economic, social and cultural development of Wales that was clearly articulated in the 2013 Welsh Government Policy statement on Higher Education.

This vision is also captured by HEFCW's own mission statement to "*develop and sustain accessible, internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely*". To realize this vision, will however, require resources to promote a strong and credible international presence in both research and teaching, and a framework of oversight that eliminates obsolete and inefficient regulation, tackle inconsistencies in regulatory systems and enhance Wales's overall competitiveness.

3. Underpinning Principles

The main objectives of the current regulation framework is to protect the quality and reputation of the higher education system, ensure effective controls on the use and expenditure of public investment, and achieve public policy objectives. Effective delivery of potential changes to the existing regulatory framework will also depend on recognizing the unique and diverse nature of the Welsh sector. Given the intention to review the range of existing regulatory architecture in the TOR, we suggest a number of underlying guiding principles that should inform the configuration of a coherent and sustainable framework:

- (i) Although the focus of the review is Wales, it would be important to consider issues within a UK-wide context and ensure that the regulatory framework does not undermine the UK brand and is consistent with other nations of the UK.
- (ii) Regulatory frameworks should aim to pursue equitable, but not necessarily equal regulation. An inflexible approach to regulation that ignores the diversity of the sector is likely to be inappropriate and /or ineffective.
- (iii) Accountability mechanisms should be transparent, proportionate with the aim to keep the regulatory burden on institutions to a minimum.
- (iv) A high level of institutional diversity has come to be recognised internationally as one of

the key strengths of well functioning higher education systems. Regulation should seek to safeguard the quality and diversity of higher education and not undermine the ambition to be a strong, vibrant sector able to compete internationally.

(v) Universities are not-for-profit charities operating with direct public funding that now represent a minority of total institutional income. As such, regulation has to respect institutional autonomy and balance the different interests and obligations faced by a diverse range of institutions including institutional mission, programmatic focus and corporate form. In the current competitive environment, institutions need to have the flexibility and agility to respond to changing conditions while also retaining appropriate levels of accountability to ensure that public investment is being used to best effect.

(vi) Finally, sufficient resource needs to be budgeted for the oversight body to fulfill its statutory obligations, including the new requirements of the HE (Wales) Act 2015.

4. The need for a more holistic ‘arms length’ regulatory body.

In our view, it is essential to retain an independent ‘arms length’ funding and oversight body for the regulation of higher education in Wales. We consider this crucial when managing risk and providing stability for the sector. With HEFCW scheduled to acquire new regulatory powers under the Higher Education Act 2015, retaining its independence from Government will be important both for its credibility and interaction with Universities who will need the ability to manage their own affairs by generating income given that direct public funding now amounts to less than 10 per cent of the total institutional income.

HEFCW has demonstrated how a dedicated body with specific expertise and understanding of the sector can effectively administer and successfully implement broad governmental policy for the benefit of Wales’ economy and society. This is evidenced by much improved performances in REF, student satisfaction, access, impact, and innovation. HEFCW has also been successful at generating change within Universities using incentives, informing Government policy and ironing out unintended consequences such as their interventions with respect of the fees and funding regime where HEFCW countered the unintended shift of resources away from STEM and research through the SRON.

While the current funding and arrangements with HEFCW have provided invaluable expertise, informed challenge and assurance on matters of quality, governance and risk, the current fragmented arrangements regarding the oversight of the many different strands of HE are not without their problems.

As a Welsh Government Sponsored Body with responsibility for funding the higher education sector, HEFCW does not have collective oversight of all the relevant funding streams for HE (e.g. WEFO funding, A4B) and has to work to ensure that they are fully aware of relevant developments taking place in other Government departments (e.g. CSAW). HEFCW has limited oversight of the FE/HE interface, which result in an imbalance in governance and oversight arrangements and a permanent tension between the two sectors.

In the light of the above, we offer some recommendations regarding the important issue of having a more holistic oversight body in Wales. With this in mind, there is a need:

- To ensure that high level teaching and research is overseen by one body given the wide range of interdependences (e.g. the importance of Doctoral and Master Students in driving research).
- For better coordination across the different but relevant WG departments relating to education, science and business and in particular between FE and HE.
- For better coordination and collaboration across and between HE/FE sectors. There is already extensive collaboration in Wales between individual HE Institutions and FE colleges involving curricular and widening access aspects.
- For a wider range of tertiary level funding schemes to be overseen and coordinated by one body.

This regulatory review provides an opportunity to address these issues in a more comprehensive manner and in particular consider of the regulatory and funding model that already exists in Scotland.

5. Scottish Practice

The Scottish Funding Council (SFC) has oversight for the whole post-compulsory landscape. As a Non-Departmental Public Body (NDPB) of the Scottish Government the SFC is the national, strategic body responsible for funding teaching, learning provision, and research in Scotland's 26 colleges and 19 universities and higher education institutions. The SFC was created by the merger of the Scottish Further Education Funding Council and the Scottish Higher Education Funding Council with the aim of creating a more cohesive tertiary education sector for Scotland and more effective pathways for learners across both sectors. The benefits of this holistic approach are a more coherent, high quality further and higher learning provision for colleges and universities. For example the SFC employs a range of national and regional initiatives for widening access, skills, knowledge exchange that involve universities, colleges and schools to ensure that school age children from disadvantaged backgrounds are better equipped to progress into higher education.

6. Research and QR support

Unlike the last Welsh Government review of HEFCW in 2009, the current review does not explicitly include HEFCW's responsibilities in relation to research and instead focus on education and training. This may have occurred due to the fragmentation of relevant HE responsibilities within Welsh Government (mentioned above) since 2009 where, for instance, research oversight has increasingly come under the auspices of the CSAW rather than the Minister for Education and Skills.

The exclusion of research is unfortunate as higher education in Wales secures nearly half of all the Research & Development investment and given that it produces 84% of all research publication, universities are the Welsh Research base. Despite their relatively small level of UK research funding, Welsh HE's have manage to produce a disproportionately higher share of the world's published academic articles, global citations and highly cited articles. The findings of the independent report by Elsevier (2013) provide independent evidence of Wales's impressive research activity. This showed that over the past 6 years, Wales has become the most *efficient country in the UK* for converting GERD into publications and one of the most efficient in the world for countries of a similar size.

Currently the two main non-competitive funding sources for research and innovation in Wales are managed by two different Welsh government departments (Department for Education and Skills (DfES) and Department for Economy, Science and Transport (DEST).

7. Importance of QR Funding

HEFCW distributes research funding to the HE sector primarily through their QR (Quality Research) funding stream based on the outcomes of the UK-wide Research Excellence Framework (REF). Currently, this research amounts to some 56% of the total HEFCW budget of £129M, and the Council's research grant remains the single largest source of research income for the sector annually. Despite this sizable contribution, the Welsh percentage of the UK's QR funding has been steadily falling to 3.9% in 2013, significantly below the 4.8% share that might be expected on the basis of its share of the UK population.

The importance of HEFCW's QR grant for Welsh universities cannot be underestimated particularly given the impressive Elsevier (2013) findings and more recent 2014 REF results where more than three-quarters of the research submitted was assessed as world-leading or internationally excellent. In addition Welsh universities also scored particularly well on the new 'impact' part of the REF with nearly half of the research submitted by Welsh universities producing the highest percentage of research whose impact was rated as 'world leading' in the UK.

Given Wales's track record for producing more with less, the importance of protecting QR funding for Welsh Universities cannot be overemphasized. As the largest provider of research output in Wales it is crucial that QR funding is ring-fenced to provide this fundamental underpinning to the research base, which in turn will provide confidence for those that work with them and the academics crucial to their future success. Importantly, it also provides universities win the platform to secure a greater share of competitively awarded research funding.

The LSW suggest retaining as a minimum the current levels of QR funding, but equally that an uplift from its current 3.9% of the UK, should be a priority in view of the benefits it brings to Wales.

Recognising its paramount importance, HEFCW has, despite pressure, avoided thus far cutting the annual spend on QR funding that underpins much of research base in Welsh HEIs. However, following the recent Welsh Government's announcements in December of an overall cut of 32% to HEFCW's budget for 2015/16, it seems likely that QR funding will be significantly affected. Any such move, however, would be both shortsighted and deeply damaging to one of few sectors of the Welsh economy with the capacity to contribute to the national economy, reputation, and generation of export earnings.