



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Mercher, 10 Mawrth 2010
Wednesday, 10 March 2010**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau pwyllgor yn bresennol
Committee members in attendance

Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Chris Franks	Plaid Cymru The Party of Wales
Andrew Davies	Llafur Labour
Brian Gibbons	Llafur Labour
Ann Jones	Llafur Labour
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

David Blaney	Cyfarwyddwr Datblygu Strategol, Cyngor Cyllido Addysgu Uwch Cymru Director of Strategic Development, the Higher Education Funding Council for Wales
Yr Athro/Professor Philip Gummett	Prif Weithredwr, Cyngor Cyllido Addysgu Uwch Cymru Chief Executive, the Higher Education Funding Council for Wales
Richard Hirst	Cyfarwyddwr Cyllid a Gwasanaethau Corfforaethol, Cyngor Cyllido Addysgu Uwch Cymru Director of Finance and Corporate Services, the Higher Education Funding Council for Wales
Yr Athro/Professor Noel Lloyd	Cadeirydd Addysg Uwch Cymru ac Is-Ganghellor Prifysgol Aberystwyth Chair of Higher Education Wales and Vice-Chancellor of Aberystwyth University
Greg Walker	Dirprwy Gyfarwyddwr, Addysg Uwch Cymru Deputy Director, Higher Education Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

John Grimes	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.19 a.m.
The meeting began at 9.19 a.m.

Ymddiheuriadau a Dirprwyon
Apologies and Substitutions

[1] **Angela Burns:** Good morning. I welcome everyone to the Finance Committee's meeting of Wednesday, 10 March 2010. Before we start, I will just deal with some simple housekeeping arrangements. I remind everyone that they are welcome to speak in Welsh or

English, and that headsets are available to hear the translation. Please switch off all mobile phones and any other electronic devices. Finally, if the fire alarm sounds, please follow the instructions of the ushers.

9.20 a.m.

[2] **Brian Gibbons:** Sorry, Chair, but I will have to leave my mobile phone switched on, if I may, as I need to know what is going on in the Chamber. I have questions to ask the First Minister.

[3] **Angela Burns:** My only concern is that they interfere with the broadcasting system.

[4] **Brian Gibbons:** Yes, I realise that it is not satisfactory, but we are supposed to be in three places at once today.

[5] **Angela Burns:** Okay. We have also had apologies from Lorraine Barrett and Kirsty Williams.

9.20 a.m.

**Ymchwiliad i Ariannu Addysg Ôl 16, Addysg Bellach ac Addysg Uwch—
Tystiolaeth Bellach gan Gyngor Cyllido Addysg Uwch Cymru ac Addysg Uwch
Cymru**

**Inquiry into the Funding of Post-16, Further and Higher Education—Further
Evidence from the Higher Education Funding Council for Wales and Higher
Education Wales**

[6] **Angela Burns:** Today is the final evidence-gathering session of our inquiry into the funding of post-16, further and higher education. I welcome the witnesses, who are representatives from the Higher Education Funding Council for Wales and Higher Education Wales. Thank you for coming. I put on record my appreciation that you have come back to the committee. We have asked you back because, in the first session, I do not believe that you all had the opportunity to put your views forward because of the time constraints, and I know that the committee was keen to ask further questions. Please introduce yourselves for the record. Philip, shall we start with you?

[7] **Professor Gummatt:** Yes, I am Philip Gummatt, chief executive of the Higher Education Funding Council for Wales.

[8] **Professor Lloyd:** I am Noel Lloyd, chair of Higher Education Wales and the vice-chancellor of Aberystwyth University.

[9] **Mr Walker:** I am Greg Walker, deputy director of Higher Education Wales.

[10] **Mr Hirst:** I am Richard Hirst, director of finance and corporate services for the Higher Education Funding Council for Wales.

[11] **Mr Blaney:** I am David Blaney, director of strategic development for the Higher Education Funding Council for Wales.

[12] **Angela Burns:** Does anyone wish to make a brief introductory statement?

[13] **Yr Athro Lloyd:** Diolch am ein **Professor Lloyd:** Thank you for inviting us gwahodd ni yma heddiw. Mae'n flin gennyf here today. I am sorry that I was not able to

nad oeddwn yn gallu dod y tro cyntaf, ond yr attend the first time, but we welcome the
ydym yn croesawu'r cyfle i fod yma gyda chi opportunity to be here with you today.
heddiw.

[14] Thank you for giving us the opportunity to come back. We are conscious, as a sector, of our potential and actual contribution to the economy, particularly at this time of challenge, let us say. So, we look forward to the occasion.

[15] **Angela Burns:** Thank you. It is nice to welcome you here. I ask Janet Ryder to start the session.

[16] **Janet Ryder:** I will start by asking a question to Higher Education Wales. I am conscious that, last time, the session was not long enough to ask Higher Education Wales any questions. One or two things have arisen from a supplementary paper that we have received from the Minister and the paper that you submitted to us. From our questioning of the Minister and of the further education colleges, it seems that colleges will be expected to find many savings through reorganisation and by cutting out duplication. In the grants made available to universities, I might be wrong, but I can see only one instance in which colleges have come together and the duplication has been taken out. That came about partly because Swansea University decided to stop offering chemistry as a course, which was then picked up by Cardiff University. Are there any other instances in which universities, as well as working collaboratively, have joined their departments?

[17] **Professor Lloyd:** Are you talking about academic departments?

[18] **Janet Ryder:** Yes. I will make that distinction, because there are a number of instances in which back-room services, such as human resources and finance, are being shared more and more, but I am talking about academic provision.

[19] **Professor Lloyd:** It is an interesting question. To what extent is that possible? In a number of institutions, each department plays a role in relation to other departments. Quite a few areas must collaborate on their provision, and, over the years, physics has been an example of that. If, for example, Aberystwyth were to close its department of Chinese studies, let us say—which does not exist—and transfer that to Bangor, that would have quite serious repercussions for the balance of the portfolio within each institution. At the moment, one can certainly discuss that. There are examples of an exchange of that kind elsewhere, particularly in Swansea, between Swansea University and Swansea Metropolitan University.

[20] Perhaps the most significant area in which this is happening is in initial teacher training. We are establishing the three schools of ITT in south-east, south-west and mid and north Wales. To talk about my own institution—and I am not here to talk about Aberystwyth, but I will use it as an example in relation to Bangor—it is well on the way and needs to do a great deal of careful work to ensure that the co-ordination is in place. All that I would say is that, if one is to go along this road, it has to be in a clearly focused area. We should think about when areas are self-contained, without all the connections that exist with joint honours degrees and so on.

[21] **Janet Ryder:** The teaching example is an interesting one, because that is why the Government stepped in and more or less set a blueprint for where teaching provision would be developed. That has made universities think differently, and it has had a major impact internally on certain universities. Apart from the teaching, could you confirm with a 'yes' or a 'no' answer that universities have not looked, or are not yet looking, at that kind of collaboration? Could you also tell me to what extent universities have looked internally at their own academic structures to see how they might be addressed, how they might become more relevant to today's society, and whether there are savings to be made by doing so?

[22] **Professor Lloyd:** The answer to the first question is that I am sure that universities are looking at it, but I cannot speak for anyone else. However, if you are asking where it has happened, perhaps HEFCW could come in on that, as I may have missed something and there may be examples that I have not covered.

[23] On your second question of whether universities do this internally, the answer is, 'Yes, all the time'. We are continually looking at our structures. All institutions have to do that because, primarily, we have to ensure that our provision is attractive, competitive and that it addresses the needs and requirements of students and employers. Students and employers are both key stakeholders. It is an exercise that all institutions do continually. The most recent example—and, again, I am speaking personally, but I use my own institution—is that we have recently developed a large life sciences department by bringing two large departments together. There is a history of that over the past five or six years, and several examples in which we have done that. It is important for us to look at our structures to be as competitive and effective as possible. We are all looking at our structures all the time.

[24] **Angela Burns:** Philip, do you want to come in on that? I then have supplementary questions from Brian and Chris, and we will then go back to Janet.

[25] **Professor Gummatt:** Yes, thank you, Chair, and thank you for your warm welcome. It is always a pleasure to be here. There are some other examples in relation to undergraduate teaching that one could mention. I am thinking particularly of the then Swansea Institute and Swansea University, which re-jigged law between themselves. The law department moved from Swansea Institute to Swansea University, so they rationalised that into one institution. They moved nursing the same way, so that was rationalised into one institution. Education and teacher training went to Swansea Institute, as it then was before the changes that were referred to a moment ago.

[26] The other area in which there is a lot of activity that I think fits your question, in undergraduate terms, is Welsh-medium provision. There is an awful lot of joint development and sharing of teaching materials rather than individual development by individual institutions. That is prior to the recent debate about the federal college. That has also been going on across institutions for a number of years, with the extensive development of teaching materials and the coaching of teachers to teach through the medium of Welsh. However, the other area in which it is particularly evident, and becoming more and more so, is at postgraduate level. In effect, we now have a number of either formal or informal doctoral training centres operating. We have that in mathematics and computational sciences through the collaborative partnership that has been set up. We are also getting that in low-carbon research and the climate change arena. We will also get it, but it is still very new, in the visual computing field.

9.30 a.m.

[27] We are negotiating with the Economic and Social Research Council and a range of institutions in Wales to set up a formal doctoral training centre for the social sciences that will cover all of the players in social sciences in Wales. So, there is a lot there. That would mean joint supervision, but, above all, joint training, as the training courses will be run on a shared basis across a range of institutions. So, there is a lot going on on the postgraduate side as well.

[28] **Brian Gibbons:** I would just like to go back a little bit. I was keen that you had an opportunity to present further evidence. We understand that the sector has to be its own advocate, and if you are not an advocate for yourself, then no-one else will advocate on your behalf. I understand that. However, a lot of the evidence that we had came under the banner of 'special pleading'. There did not seem to be any real recognition of either the external

challenges in terms of the mission that you are facing across the various strands or that we are facing a completely different set of economic circumstances with regard to public services. The paper that we received contained a sentence or two of acknowledgement that the world is changing in many respects, but the tenor of the paper was 'Count us out; we want to be looked after; we have a special role'. How would you respond to that? Do you think that that is unfair? Is it a case of 'Stop the world, we want to get off'?

[29] **Professor Lloyd:** I do not think that it is, if you do not mind my saying so. However, I can see that, when making a case, one puts forward the positives. We are all conscious in the individual institutions that we are entering a period of perhaps four or five years that will be different and which will be a serious challenge. We have to be competitive and fit for purpose. We are conscious that, as institutions, we need to strive as hard as we can to offer provision to undergraduates and postgraduates that matches what is required, is responsive to the market and competes on a UK basis. After all, although universities operate within their localities in Wales, they are international bodies. It is not a case of either/or; in order to deliver for Wales, we have to be internationally excellent in whatever we do. Quality has to be the driving force, both in terms of student provision and research.

[30] We are conscious of the challenges facing us. My colleagues and I spend most of our working days thinking about these challenges and working on ways to address them. Wales has done well in relation to student satisfaction—institutions come out well in all of the assessments—but that requires continued hard work. You have to respond and look at what needs to be done. Looking at past success is fine, but it is only a starting point for the future.

[31] Similarly, with regard to our contribution to economic, cultural and social development—I think that the three are important, not just the economic contribution—we have to work hard to ensure that we deliver on our potential. We can do these things, we can provide support to industry and commerce in Wales, and to the economy generally, but we are conscious that there is a huge challenge for us and that we need to work hard at it. So, if the suggestion is that we are, in any sense, resting on our laurels, I can certainly reassure you that that is not the case.

[32] **Brian Gibbons:** No, I do not think so. Looking at the papers provided prior to the previous committee meeting, you stressed that HE in Wales is upping its game, and you made a reasonable case to support the view that that is the case. However, as I said earlier, the view was very much that you were trying to prove that you were doing well, but it was also a case of 'Stop the world, let everyone else solve their problems, but leave us alone'. I did not see anything in the evidence to suggest that there was a recognition that we are not in a situation in which linear progress is possible—the situation in which we find ourselves is quite the contrary. We are almost facing a paradigm shift in how we deliver quality, excellence and efficiency in a much harsher economic climate from the point of view of public finances, in trying to get money from the various research bodies and even from other activities such as economic spin-outs and so forth. That was completely absent from the previous presentations. I do not know why that is No. 1, and if you accept that that is the case, what we want to hear is how a sector that has a reasonably good story to tell will build on that in these changed circumstances.

[33] **Professor Lloyd:** I will respond briefly by welcoming it if there is an acceptance that there is a good story to tell about the past. That is fine, but that is in the past. As I said, we are conscious of the challenge of how we need to diversify our income streams. We absolutely need to be as competitive as we possibly can be in all our areas of activity. Broadly speaking, I would separate those into learning and teaching, and research, enterprise and innovation. We are in a good position to be able to do that, but that drive for effectiveness is absolutely crucial, and we are looking at that as institutions internally and we are looking at ways in which we can work together to deliver on those agendas. I feel strongly and always emphasise

that, in research terms—to stray into something that is slightly different—we need to develop an effective mass, by which I mean the appropriate range of expertise so that universities in Wales can respond together to the global challenges. We must look at our own capability, assess it, but address it and match it to the requirements of funders. However, that is only a proxy for the issues that are of real importance to us and to society. So, we have to match what we can do and how we address the real issues and ensure that we have the capacity to do that. Doing that needs focus and it often requires us to work together.

[34] **Brian Gibbons:** I am not reassured by that, because your message, it seems to me, is that it is a bit more of the same. You may be running a tiny bit faster, but it is pretty much linear and more of the same, whereas, given the situation in which we find ourselves, we need to see a difference in activity. We are in a harsher, much more competitive situation and a little bit more of the same does not seem to me to be an adequate response.

[35] **Professor Lloyd:** I am not talking about a little more of the same. I am talking about looking carefully at what we are doing, taking the best of that and ensuring that we do it to the highest possible quality. That will require adaptation to new areas of activity, without any doubt. I fully accept that we are entering a period of economic challenge, probably for the next four or five years, at least. That is absolutely accepted and we are all conscious of that—

[36] **Brian Gibbons:** However, what will change? I cannot see, in the face of what is going on now and those challenges, what will be different at the individual institutional level and corporately in the sector in Wales? You are not telling me anything about how you will substantially change or maybe you feel that you do not need to change, and that the message is that all that you need to do to get there is to run a little faster. If that is your case, fine, because at least that is a case that we can scrutinise. If change is going to happen, I cannot see where it will be.

9.40 a.m.

[37] **Professor Lloyd:** In some ways, I can only answer your question by inviting you to be part of our daily internal discussions in universities. It is a matter of our response at a detailed level, which is difficult to convey in a forum such as this. You said ‘running a little harder’, but if we are going to succeed over the next five to 10 years, we must work a lot harder. I accept that it is not incremental. We are all looking at ways to do that. My own institution, for example, is in the middle of a sustainability improvement programme, in which we are looking critically at the detail of what we are doing, how we are structured and at how to adapt to these challenges in future. So, I do not think that the sector is saying ‘A little bit more of the same’. We are conscious that we need a step change in our effectiveness, quality and, most importantly, in the focus of what we do. That will continue, but, although it is a continuous process, it must move forward sharply and clearly. I am not saying that it is more of the same—far from it. There are huge challenges in front of us and we need to work hard at them. I would be happy to talk to you in detail about my own institution, but I cannot do that today, because I am representing the sector.

[38] **Angela Burns:** Chris, did you want to come in?

[39] **Chris Franks:** I will focus on the financial benefits of collaboration. I am grateful for the information that you have given us about departments working together, but what about the wider world? I would welcome hard figures regarding the investment accrued through links with industry, through commercial interests and through the economy as a whole. You mentioned research grants, which are great. It is great to see, in regular bulletins from universities, a few million pounds for this and a few million pounds for that, but I do not get a feeling that we are talking about hundreds of millions of pounds, which is the scale of investment that is needed. For instance, a secondary school can cost £30 million—that is the

type of world that we are living in. Do you have hard financial information that you can provide us with that demonstrates that you are linking with the wider world and bringing in substantial sums of money?

[40] **Professor Lloyd:** Is that question first to the Higher Education Funding Council for Wales?

[41] **Chris Franks:** It is to whomever who wants to pick up the ball.

[42] **Professor Gummatt:** I would also appreciate a chance to comment on the previous question—not to evade this one, of course. From where we sit, the issue is that, if institutions try to run faster, they will fail. We ran an event last week with the Leadership Foundation for Higher Education and the chairs of Higher Education Wales, which the Minister addressed. The event was for governors and on what we require of them now and in the future. One of the presentations was from a consultancy firm that has something that it calls the ‘red queen effect’, named after a line from the Red Queen in *Through the Looking Glass*, which means that you must run faster to stay in the same place. The point of its message was that you just cannot do that.

[43] **Chris Franks:** Did she also say ‘Off with her head’? [*Laughter.*]

[44] **Professor Gummatt:** Yes, she does, frequently. [*Laughter.*] However, we may debate whether it is productive or counterproductive. The key point is that you cannot do that any longer; it must be done by other means. What we are looking for here is sharply focused strategic plans, with institutions being clear about what their lines of business are and what they are not. Trying to do everything and muddle along will just not do. We think that that message is getting through sharply to governors, who are able to bring their experience of the wider world and bring it to bear on higher education. The approach in ‘For our Future’, which is running into the consultative document on adding a regional dimension to higher education and into our corporate strategy, which has just gone out in draft form for consultation, is on the concept of a system of higher education.

[45] It is easy to say these words, but it is quite hard to work out what, in practice, needs to be done. The essence of it is that we need to see much more working between institutions and much more clarity in the first instance about what the role of each institution is—what they do and what they not do, and who they do it with. So, at a regional level, we are looking to lay down the challenge and ask: how, with respect to locally geographically constrained learners, can groups of relatively neighbouring higher and further education institutions work together better to improve the offer available? That will mean give and take, and sharing, articulation arrangements and a range of different ways of working. That is the challenge that we have laid down, and we now look forward to seeing what comes back in the response to the consultation. We will have to take a view on whether we think that what is coming back is sufficient or whether we need to press harder. We will see. We are in the process of trying to move in that direction.

[46] The second issue, on the specific question about the scale of investment, is that there is a perspective that we need to introduce here. The turnover of the sector as a whole in Wales is somewhat over £1 billion. About £450 million goes in from us. That is slightly more than doubled through a combination of fees and other income. So, if we talk about hundreds of millions of pounds-worth of investment, I think we have to say that that is against £1 billion, and £100 million is a large number against £1 billion. As we look across the UK, we see investments in higher education for major new developments in strategic terms or major new buildings where the sort of quantum you need is in the order of £5 million to £10 million. If you look at what the English or Scottish funding councils put in, that is the order of investment we are talking about, because you cannot do anything significant with less than

that. It is what a building costs—

[47] **Janet Ryder:** Is that £5 million per investment?

[48] **Professor Gummatt:** Yes. That is why we have been husbanding resources through the process of applying efficiency gains to core funding in order to release money that we can put out in quanta such as that through, for example, our strategic development fund and through the reconfiguration and collaboration fund. That is the sort of sum of money you need—£5 million to £10 million. Therefore, if institutions are able to do deals with companies, for example, or to win income of that order, that is about the going rate, and that is where we should pitch it, rather than at a larger figure, relative to the turnover of the whole business, if you like, and relative to the realities of life in the higher education sector across the UK.

[49] **Angela Burns:** Are you happy with that, Chris?

[50] **Chris Franks:** Well, £5 million is not an ambitious figure is it?

[51] **Professor Gummatt:** It has to be won competitively against others going for a similar figure. Consider the scale of a research council programme. A research council would speak about projects as being one-off tightly confined investments and programmes as being larger in volume and taking place over a longer period. I do not think that anything would go beyond £15 million; that would be a very big investment.

[52] **Chris Franks:** How does that compare with your international rivals? Janet is whispering ‘Manchester’, but I was thinking further afield. [*Laughter.*] How would it compare with California or Japan?

[53] **Professor Gummatt:** California is not a rich place at the moment, as we know. However, in the past, I would have said that there would have been more money in California. We are seeing very big investments in the Gulf and the far east, far bigger than anything in Europe or the United States. However, that money is not available in the UK; it is not a matter of Wales, but the UK.

[54] **Angela Burns:** Do any of the other witnesses wish to contribute briefly on this? I will then bring in Andrew and then go back to Janet.

[55] **Professor Lloyd:** I wish to clarify two points. First, about 38 per cent of investment across the sector comes from the funding council; the rest comes from other sources. The figure of £5 million is the quantum of a single project. That is about the going rate; it is not a sum total. My experience is that £5 million, sometimes £10 million, is possible in the UK-wide competitions; that is the case for research councils, but it is just an indication of the quantum for a single project.

9.50 a.m.

[56] **Andrew Davies:** I would like to follow up some of the points made by Brian and Janet. I thank Higher Education Wales and HEFCW for coming today, particularly Higher Education Wales, which we were not able to question previously. I am reassured by Professor Lloyd’s statement that the sector is doing a lot more thinking about this. I would expect the university sector, above all, to do a lot of thinking. However, I suppose that what we are looking for—and this is what Brian Gibbons was asking about—is the changed behaviour. When you consider that £126 million has gone into the reconfiguration fund, apart from a merger between Cardiff University and the medical school, and Trinity and Lampeter, which everyone would understand is effectively due to a crisis at Lampeter, there is not a lot to show

for the funding. Yet £126 million is a very significant amount of money, and it has gone almost exclusively into the sector. I would like your comments on that in view of competing for funds for £5 million projects. You could fund a lot of £5 million projects with £126 million.

[57] **Angela Burns:** Perhaps we will hear from Professor Lloyd first, and then yourself, Philip.

[58] **Professor Lloyd:** Forgive me, but I think the best way that I can respond to that is to talk about my own institution. However, I am very conscious that I am here representing the sector. If I may refer to my own experience of the research and enterprise partnership between Aberystwyth and Bangor, which I think is one of the projects that you have in mind, I am very keen that that is the way forward, because, as I said earlier, it enables us to develop the kind of effectiveness that is required to be competitive. The targets that were established for us over a five-year period for additional income from research councils and other sources UK-wide have already been exceeded halfway through the five years of the project. So, it is working. I have no doubt about that, and I can see it clearly. Others may also be able to comment on that. I can see now that, in these focused areas of activity—and they have to be focused, because this is not a case of one size fits all—people are aware that the benefits of collaboration are significant, and that is an indication that the funding coming into Wales from outside has, in half the time expected, exceeded the target set.

[59] **Andrew Davies:** So, how would you respond to what the Minister said in an annex to his letter to us, which is that his view is that, while these bids for reconfiguration funding have been positive, there has been insufficient impact overall on the performance of the higher education sector in Wales, on the configuration and strength of the HE sector in Wales, and in its contribution to Welsh economic performance. He makes another interesting point in questioning how many of the supported activities would have happened anyway.

[60] **Professor Lloyd:** The initial answer is that my experience is that this is working, but it obviously takes time to recruit people, put teams in place, and get them up and running. The reporting mechanism is historic, so I am firmly of the view that, in my experience, this work is making an impact. The evidence is there to support that.

[61] **Professor Gummatt:** It is not just the Aberystwyth-Bangor partnership that can be said to have delivered results; the same paper mentions the Wales Institute of Cognitive Neuroscience, which was only established in 2006-07, and, by 2008-09, it was already acquiring grant income of over £5 million per year. Some of the other institutes, as Professor Lloyd has said, have only been established in the last 24 months, so to see very concrete returns in terms of research council income is a little premature, but I am sure that they will come through, and we will see the value of the reconfiguration and collaboration fund.

[62] **Andrew Davies:** When was the reconfiguration fund established?

[63] **Mr Walker:** I think that it was established in 2003-04. Professor Gummatt might correct me on that.

[64] **Professor Gummatt:** We are talking about £126 million, or something of that order, over around six or seven years. Therefore, we are talking about something like £18 million per year relative to the quantum of investment, which, typically, is £5 million to £10 million. Put like that, it is not actually a huge number of opportunities.

[65] That said, we require delivery of specified targets, which are agreed at the outset. We also evaluate. There has to be a reasonable time before you evaluate. If you commit to building a new research area and you recruit staff from around the world to come to it, there

will be a two to three-year lead time before you actually have them and they are in place and are settled and delivering. That is just a fact of life. It is not about Wales; it is about the academic world and how long it takes. It is not about university decision processes; it is about the realities of dislodging people from where they presently are. It is about not making a quick appointment for the sake of making an appointment, but hanging on until you get a really good one. As I always say to vice-chancellors, a good vacancy is better than a bad appointment; hang on and do not fill it if you do not have someone that is really world class.

[66] That said, it is also worth noting that reconfiguration is providing us with a channel for making the investments that are needed. The one that I would add to the list of mergers is the University of Glamorgan and the Royal Welsh College of Music and Drama. The point about that—with all due respect to the previous management, which was doing a very good job of leading the college as it was—was that it desperately needed major capital investment. There was an issue related to the scale of the institution and its capacity to cope with major capital investment. We felt, from the funding council perspective, that we needed an arm wrapped around it from an institutional base that had an established capacity to cope with an estates development of that sort. It is a merger that is mainly a capital investment programme to get us to the point where we have a conservatoire in Wales that is worthy of the name and worthy of what we need.

[67] We then have some other investments. Noel Lloyd mentioned IBERS. That represents £23 million altogether, made up of a combination of Assembly Government funding from various sources, funding from us, and funding from the Biotechnology and Biological Sciences Research Council. By UK standards, that is a very big investment. However, it is very recent; therefore it will take some—

[68] **Andrew Davies:** Again, that was a result of a crisis in funding, was it not?

[69] **Professor Gummatt:** No; I do not think so. The BBSRC was certainly looking for ways of changing the basis on which it funded research.

[70] **Andrew Davies:** Exactly.

[71] **Professor Gummatt:** You may call that a crisis.

[72] **Andrew Davies:** Let us say that it was an external challenge.

[73] **Professor Gummatt:** I would agree that it was an external challenge, but it was not being done in a crisis mode. Across the UK, it was rationalising its provision in research, and it was looking for ways of making orderly transition to university partners for laboratories.

[74] **Andrew Davies:** Absolutely.

[75] **Professor Gummatt:** Personally, I do not think that that was a crisis. It was a managed process of change. It is important to say that there was no panic. Things were not falling apart.

[76] **Andrew Davies:** Would that have happened if the research council had not changed its funding basis?

[77] **Professor Gummatt:** If the research council wanted to carry on running it as it was running it, I suppose that the opportunity would not have been there in the first place.

[78] **Janet Ryder:** Why—

[79] **Angela Burns:** Hang on, Janet. First, speakers must speak through the Chair. Secondly, while I absolutely appreciate that there will be a complete difference of opinion on some areas between the questioners and the questioned, we are here to extract your viewpoints, and we will then deliberate on your viewpoints at another place and decide where we take it forward. I think that it is absolutely right and proper that we put forward a different view, but I do not want to get into an endless debate about whose view is the best or most overriding view. It is important to be able to bring forward our different views and that you are given the space to respond with yours.

[80] **Andrew Davies:** I think that there is an issue, because the Minister clearly has sceptical views about the delivery.

[81] Moving on to efficiency savings, HEW's original—

[82] **Angela Burns:** Before you go on to that, Andrew, Brian and Janet have supplementary questions to ask. Are they on this particular section, or can we move on?

[83] **Brian Gibbons:** My question is related to this.

10.00 a.m.

[84] **Janet Ryder:** I am sorry, Chair; I know that I jumped in, but I got slightly carried away.

[85] In its paper, the funding council says clearly:

[86] 'Given, though, the limited levels of surplus that universities have been able to generate historically, it is inconceivable that reductions in grant will not result in the reshaping of provision and, quite probably, the sector.'

[87] Given that and the fact that the Minister has said in his letter that he suspects that some of the modifications would have happened for other reasons, other than the grants being made available, and given the answers that you have just given us, where can we see the sector itself coming forward with plans to change?

[88] **Professor Gummatt:** First, I would say that it is always difficult to answer a question on what would have happened if one had not intervened. I will just make that point. We could debate it and it would be a great dinner-table discussion.

[89] **Ann Jones:** For some, I suspect. [*Laughter.*]

[90] **Professor Gummatt:** I accept that it would not be to everyone's taste.

[91] Where is there change coming? I think that we have a habit of moving down collaborative lines in Wales now, which we also see in Scotland, and which we see much less of in England. We can make that comparison. If you talk to people in the English university sector, they think that this is all rather peculiar. Their view is that you should fund institutions and let them get on with it. There is a pattern of behaviour here and it takes time to change behaviour.

[92] We may all say that we wish that it had been faster and more fundamental and that we wish that there had been some other big mergers and so on, and I understand where all those concerns are coming from. I can appreciate the sense in which the Minister has said what he has said. We would all have liked there to have been more impact and for it to have been faster. The question is: given where we are now, what can we do to accelerate it and move

things forward? I gave an indication a moment ago of how we are doing that. We are applying an increasingly strategic steer to the funding that is going out and we think that that is going to accelerate matters further.

[93] There is a habit of collaboration. I have seen this in talking to people who are working between institutions. One of my questions always, and one of the things that I try to get under the skin of the researchers with, is: are you doing this just because there has been an agreement between universities to do something or is your instinct now, when you start to do something new, to work with your partner in other institutions? My sense is that it is the latter increasingly. People are realising the benefits of working collaboratively. It has taken some time to get there. We can all wish that it could have been done faster. There is now that sense that if we do this together, we can play in a higher league—if I may use that metaphor—than if we stick to our old traditional ways of doing things. I think that we have turned that corner and we now have to start to see the evidence coming through of the benefit in terms of grant capture. We can see it in relation to the oldest established merger between institutions, which is the merger between Cardiff University and the University of Wales College of Medicine, where we can see the increased grant capture coming through. It will take a little bit longer for us to start to see it in some of the cases, but there is already evidence that it is there in some cases.

[94] **Brian Gibbons:** To continue with this line of questioning, I think that you argued in the HEW submission that you felt that too much of the core funding was being top sliced to achieve strategic shifts in activity and direction. Is that a reasonable statement of your view on it? I think that that seems to concur with your view because you said that the view in England is one of, ‘Let us get on with it’ or ‘We are getting on with it’, whereas here in Wales, there is a much more interactive process. I do not want to put words into your mouth. Is it your view that there is too much quasi top slicing of the core funding?

[95] **Mr Walker:** I think that the key line in paragraph 8 of our initial submission is:

[96] ‘If a shift towards separate project and priority funding streams occurs directly at the expense of core investment in universities there is a risk that it may be more difficult to deliver successfully the specific projects that the HE sector is committed to delivering.’

[97] That means that if, at a time of standstill funding, there is a big shift away from core funding towards project-specific funding, that can have unintended consequences and a destabilising effect. We do not oppose in principle strategic funding in the sense of the University Heads of the Valleys Institute or the third mission fund, which is there to incentivise work with business and the community. The concern is that, at a time of frozen spending, a big shift in strategic funding may cause problems. However, we acknowledge what the Assembly Government is doing and we share the common goals set out in ‘For our Future’, and we know that we will have to work strategically to achieve those.

[98] We are also making the point that delivering high-quality learning and teaching, and undertaking high-quality research are also strategic priorities for universities and it is difficult to determine the balance at a time when finances are so tight.

[99] **Brian Gibbons:** However, a number of conflicting messages are coming across. Looking at the evidence—and I think that Phil has said this—to get the necessary finances or to do the top-slicing, if you like, to lever in strategic change, you need to create a certain amount of headroom to release the money to allow that to happen. However, as I said, the tenor of HEW’s submission was that you were not too happy about that and that you would prefer it not to be happening.

[100] Phil has suggested that, in England, the mood is that it is best to leave universities to

get on with it and that they will find their own way to excellence. The Minister has almost pointed 180 degrees in the other direction and argued that it was not necessary to put £125 million into the restructuring fund, that the universities would have done it and that it was almost a wasted opportunity. Is there a role for more directional intervention by the Assembly Government in view of the financial situation that we find ourselves in, as the strategy outlined by Phil suggests that efficiencies have to be made in order to create the headspace to generate the leverage?

[101] **Angela Burns:** Before you start to answer, can we keep our questions and our answers fairly snappy? Thank you.

[102] **Professor Lloyd:** We have to recognise that what universities do in their day-to-day work has to be of high quality, but also strategic and has to be driven by their strategic objectives. Thus, the efforts in learning and teaching, and research and enterprise emphasise competitiveness to respond to market drivers from students, from employers and other stakeholders. We accept that, at the same time, there has to be a focused mechanism—and we have to emphasise focus all of the time—of stimulating particular strategically important areas of activity, such as the reconfiguration and collaboration fund. However, we need to emphasise that the mainstream of our activity must also be strategic.

[103] **Chris Franks:** I am pleased to hear you say that you have turned the corner, which implied that you had not turned the corner in the recent past. However, I want to press you to provide, either today or in follow-up correspondence, hard evidence to say how much additional money you have brought into the sector and into Wales by working in collaboration with the private sector, other institutions, and with the Welsh and UK Governments. I would like to be able to leave this room with the impression that, were it not for your excellent work, certain things would not have happened, or that we will see certain things happen as a result of your work. I realise that that might be a wide question, so I would be pleased to receive a response in writing. However, if you could give me a couple of hard examples—a little bit more than £5 million examples—I would be pleased.

[104] **Angela Burns:** I think that Greg would like to come in on this question.

[105] **Mr Walker:** In paragraphs 3 and 4 of the supplementary evidence that we gave to the committee, we highlight some examples from ‘For our Future’. The sixth bullet point, which begins with ‘knowledge exploitation’, outlines the good record of the sector in four or five different areas in terms of collaborative research, income and graduate start-up spin-outs, and so on.

10.10 a.m.

[106] In paragraph 4, I have highlighted some of the key performance indicators and targets that were set out under the ‘Reaching Higher’ strategy. You will notice that the percentage increase in research income, other than income from research councils, from the baseline in 2000-01 had increased by 78.1 per cent by 2007-08. These are HEFCW figures, not ours. So, there is some evidence that performance is improving and that some of the sums coming into the sector are going up by a considerable margin. However, as Professor Gummatt said, for each of the reconfiguration and collaboration projects, an evaluation process is built into that application and awarding process that will help us to try to disaggregate what the value added from that particular project would be. HEFCW may wish to talk about that.

[107] **Professor Gummatt:** In the follow-up letter to our submission, there is a material annex that we provided to the Minister where we have given information about what has happened in some of the larger investments. I refer to the one between Cardiff University and the University of Wales College of Medicine, which is the oldest established of these. That

was an investment of £15 million in 2003-04 when this all began, and in 2008-09 research grant income has gone up from £60 million to £90 million per year, which is an increase of 50 per cent or £30 million. We are going into tricky historical analysis territory again, but I would not claim that all of that is due to the merger. One of the serious problems is that we probably never can unpick how much is due to the merger and how much is due to other things. However, there is no doubt that research grant income has increased from £60 million to £90 million since that merger, and the investment that went in was £15 million.

[108] We can say the same type of thing, but with less of a track record, in relation to a number of other investments. We would be happy to try to put something together for you in a tabular form where we will try to condense some of this information. We will do our best to do that, but it will inevitably be rough and ready because of the nature of trying to attribute cause and effect in all of this.

[109] **Andrew Davies:** Some would say that since the merger, the performance of the medical school in Cardiff has deteriorated. Is that a result of the merger?

[110] **Professor Gummert:** If we are going to make that kind of claim, we also have to address the counterfactual, namely what would have happened without the merger.

[111] **Andrew Davies:** Sure, but you said that you did not want to discuss counterfactuals.

[112] **Professor Gummert:** No, I am happy to do so—that was the point about the debate that we might or might not have, but if we are going to do it we have to be serious about it, and say what would have happened if there had been no merger, rather than simply look at what has happened since that event.

[113] **Andrew Davies:** Let us have dinner and we will discuss it over the dinner table. *[Laughter.]*

[114] **Professor Gummert:** I would be delighted to do so. Thank you for the invitation.

[115] **Andrew Davies:** Coming back to income, there are very helpful figures from the Minister in his annex about research council funding. Again, the sector has not performed well. There was a target in ‘Reaching Higher’ of 4.5 per cent, which was the UK figure, and it has hardly shifted. In fact, for much of the last 10 years, it has deteriorated—it is only in the last year that it has come back to 3.4 per cent. So, in aggregate terms, the amount of money that has been attracted has increased, but as mentioned by all of you so far, you are working in a very competitive global market, and the indications are that Wales’s competitive position is not improving.

[116] **Professor Gummert:** Broadly, I agree that the position has been fairly static within the noise of it for a long time, and we share that concern. That is why we are driving so hard at this collaborative agenda. We impress strongly on vice-chancellors—Noel may wish to confirm this—that there is work to be done on research management. My view, which I have expressed quite bluntly to vice-chancellors, is that we do not have the required quality of research management in institutions in Wales. We can see better examples of it elsewhere in the UK. That is something that the institutions have the power to address, and I relentlessly remind them of that. When we see their strategic plans, we challenge them on whether or not we think that they are making progress. That is one thing that institutions could and should do themselves.

[117] The second way is collaboration, namely the ability to put forces together that let you compete in the larger competitions. That is where we have been making the investment, and although we have some evidence, we hope that we will have further evidence as time passes,

but we will have to see what comes up. However, that is the principle on which we have been engaging in collaboration.

[118] The third way in which we can do something about this—bearing in mind, as you say, that it is competitive and is a race in which we are trying to catch up from behind, which means running faster than those ahead, not at the same speed—is through investment. There is an issue about the levels of investment, which we are addressing, to some degree, by shifting the balance in the funding available to us. In the present grant round, for example, we have removed funding from the core to put back funding that is targeted specifically at two top Assembly priorities. One is research and the other is widening access. So, we are constraining the universities to spend more in those two areas. That is a contribution within the resources that are available to try to increase the volume of investment that is going into research. Those seem to be three things that we need to do. Some of that is within the power of the institutions and some of it depends on forces beyond their control, particularly levels of investment, and we are trying to address that.

[119] **Janet Ryder:** There are excellent examples in England of universities having internally pooled their departmental research facilities and created core university research facilities. The White Rose University Consortium is an example. I realise that York and Leeds are working together on that, but they have pooled all their research into one central research facility. To take you back to the original question that I asked about reorganisation within institutions, are there any examples in Wales of universities looking internally across their departments, regardless of the subject, and pooling all their research management to create internal central research capacity?

[120] **Mr Walker:** Cardiff University has established a centre for interdisciplinary studies, which it is taking seriously. You will have noted from the newspapers recently that it is building a new campus that will focus on that department. You will also be aware that many universities have established graduate schools across departments to bring postgraduates, their teaching and research, together in those areas. The Aber/Bangor partnership is across a range of disciplinary areas—

[121] **Janet Ryder:** Sorry to interrupt you, but we are pressed for time. Has any university pooled its resources so that all the intellectual knowledge comes together in one central resource that manages all the research, with everyone taking out of it and pooling into it?

[122] **Mr Walker:** I would point to the fact that one aspect of SWWHEP, the South West Wales Higher Education Partnership, is sharing library and learning resources across the three institutions. We can also point to the fact that, in art and design in south-east Wales, a single research assessment exercise bid was put in for the RAE in 2008. They worked together—

[123] **Janet Ryder:** However, no university is crossing disciplinary boundaries internally, is there?

[124] **Professor Lloyd:** May I respond to that? You are talking about what is going on within a single institution. If you are asking about what individual institutions do, I am sure that the real benefit is that big progress is made at the boundaries or the limits of traditional disciplines. All universities are conscious of that. To give a few examples from my own institution again, we talked about IBERS earlier, and it is a huge opportunity for us. We have brought together two large departments as well as the former Institute of Grassland and Environmental Research to formulate a new, large interdisciplinary department. We have put physics and maths together to do the same thing. We are pooling the resources of individual departments all the time, and not just in research, but in their complete management through a single budget centre. We could have a long conversation about what happens in individual institutions, but the answer to your question is that universities are doing it continually. It is

an obvious thing to do, because it is so important to drive interdisciplinary activities.

[125] **Andrew Davies:** The problem is that much of the information that we are given in the paper is about inputs. I see little about outcomes. One area in which Phil has supplied information is on income from the exploitation of intellectual property. In 2007-08, the whole sector generated £1.2 million. If a venture capitalist were looking at return on investment, he or she would think that that was not a good return. It was £1.2 million for the whole sector.

[126] **Professor Gummert:** That is explicitly from the sale of intellectual property, which is a reduced dimension of the return on investment.

10.20 a.m.

[127] **Andrew Davies:** Even so, it is a clear indicator.

[128] **Professor Gummert:** Yes, but if we are looking at the impact of university research on the economy, we see that it is complex. We need to look at a basket of measures, because things work differently in different industrial sectors, and different universities have different strengths. If we look at a basket of measures, it is not obvious that Wales lags behind the UK in any respect. About 15 per cent of graduate spin-outs across the UK are from Wales, which is about three times what you would expect. We also have endurance data and so we can see that they endure. On staff start-ups—

[129] **Andrew Davies:** However, I am looking at value added and at the size, the market capitalisation, and the expansion of those companies. We have many spin-outs but they tend to stay small and do not employ many people or grow very big.

[130] **Professor Gummert:** That is true of most spin-outs. The reports given to the Denham review in England by people like John Chisholm, the then-chief executive of QinetiQ, and Paul Wellings, who looks specifically at intellectual property, or the work of the advisory group to the Department for Business, Innovation and Skills, the Confederation of British Industry, all state that looking at the sale of intellectual property is not the way to go. That £1.2 million, as a fraction of the total research income of universities in Wales, is about 0.7 per cent. The best in the world, by common repute, is the Massachusetts Institute of Technology. The same calculation for MIT comes in at a little over 2 per cent. So, for a specific year—because it fluctuates—the best in the world was a little over 2 per cent and Wales was about 0.7 per cent. Given that MIT has been at this since 1940 and is the best in the world and yet can manage only a bit over 2 per cent, I would enter a plea for perspective. That is not to say that we should not aim to do better and aim to improve, as of course we should, but that figure is not so wildly far away from the best in the world, given our starting point and given our mix of subjects. I submit that we are low on science and technology, which will have an effect on this figure. So, I urge for that figure to be put into perspective, given that it is about the third of the performance of the best in the world.

[131] **Andrew Davies:** Is the sector going to redirect funding or look for a different configuration? It could be argued that one of its weaknesses is that investment in science, technology, engineering and mathematics is significantly below that in England and Scotland.

[132] **Professor Gummert:** There is a commitment in 'For Our Future' to invest more in STEM subjects, which we will take forward. However, we gave the signal in earlier evidence that to do that within a fixed quantum of funding has consequences, because STEM subjects are more expensive than others. By pushing more towards STEM subjects, the cost falls more heavily on other subject areas. That is an unavoidable equation. However, the answer is 'yes'. We must and will push more towards STEM subjects.

[133] **Brian Gibbons:** I have another fairly high-level question. One thing for the Assembly Government and for you to take explicitly as axiomatic is the importance of collaboration and potential merger. That seems to be massively important in moving forward. This would be your opportunity to say that perhaps too many eggs have been put in the merger/collaboration basket and that there are other ways of delivering resilience. Is there agreement on this issue, because probably one of the most crucial strategic levers is greater collaboration and potential mergers in the sector across Wales? I would be interested to hear your view on the importance of collaboration and merger, which are separate, in relation to back-office and departmental activities, which Professor Lloyd mentioned.

[134] Institutional collaboration is fairly straightforward, but is an institutional merger between higher education institutions feasible? Opportunities for collaboration with FE are the one area that we have not covered. I do not know whether FE collaboration will help from the economic point of view, but I am sure that it will be of benefit from the outcome point of view, in allowing students to have a better training and learning experience. From that point of view, collaboration with further education is very important. Can you confirm that we are not putting too many eggs in the collaboration basket? Are there opportunities for collaboration and, possibly, mergers, or have we come to the end of the road with Lampeter and Trinity in Carmarthen? Is that the end of the road?

[135] **Professor Lloyd:** There is a range of models of collaboration, ranging from what you described to some kind of strategic alliance. The only thing that I would say is that it must be for a clearly defined purpose. Going back to my point about focus, you need to know exactly what you are trying to achieve. To drive up effectiveness, there is not a panacea. You have to look at individual circumstances and select the approach that is most appropriate.

[136] **Brian Gibbons:** The way in which that is coming across to me is that this is not strategically important. That is fine and may be an entirely legitimate position—I could not comment one way or the other. However, the impression that I get from you is that you can have a pick-and-mix approach. Alternatively, strategically, collaboration and mergers are crucial and everything that we do must be tested against that. There is a difference. The impression that I get from you is that, overall, it is not a crucial approach, strategically.

[137] **Professor Lloyd:** No, I do not think that you have interpreted what I said correctly. I think that it is strategically important. What I am arguing is for institutions to approach it in the appropriate way, choosing the right model for the particular purpose that they are engaged in.

[138] **Brian Gibbons:** Okay. So, how much leverage is there in the system to achieve that? Are we in the foothills, halfway up the mountain or approaching the summit? My impression from your initial paper was that we were approaching the summit of what could be achieved by all this. Your evidence today is slightly less definitive in that respect.

[139] **Professor Lloyd:** My response to that would be that we are on the road. I do not think that we are near the summit, no. I do not think that we are in the foothills either. It is an evolving scene. Collaboration is not only between institutions but with external bodies. You mentioned FE, but I would also add research council laboratories and industry. This extends to collaborative interests outside Wales. Remember that academics naturally have their own networks of collaborative activities. That is a given.

[140] **Angela Burns:** Philip, you may come in on this very briefly. Then I will bring in Janet before asking committee members for any further questions. I am conscious that questions to the First Minister have already started in the Chamber.

[141] **Professor Gummatt:** Are we at the end of the road with the mergers? No. Are we at

the end of the road with collaboration? No. There is more to do there. Is there scope for more collaboration between HE and FE? Undoubtedly, yes. It is already happening and there are active discussions taking place in various parts of Wales. Is there scope to do more with back-office functions and such like? Yes. There is a great deal going on. Richard would be able to tell you about a great deal going on in that regard. There are some really quite significant efficiency savings coming out of back office activities across Wales, in procurement and a range of other things.

10.30 a.m.

[142] **Angela Burns:** Richard, do you want to make a brief comment on that, because that is one area in which we have not heard from you yet?

[143] **Mr Hirst:** Would it be helpful if we put a note in on the various value-for-money efficiencies, based on the information that we have?

[144] **Angela Burns:** That would be very helpful to the committee. I ask that you send it in fairly soon, because we will be forming our views on this inquiry very shortly. Janet has the next question.

[145] **Janet Ryder:** This is going off on a real tangent, because it is not mentioned in the papers, but we are seeing a change in the way that people access higher education. That will have an impact on the way that higher education offers itself. I cannot find a mention in the papers of the role of part-time students, and therefore the role of the Open University. I would be very interested in how that fits into the future thinking of both HEFCW and Higher Education Wales, and the possible impact of that.

[146] **Mr Blaney:** ‘For our Future’ makes significant reference to the importance of part-time modes of study, and more flexible modes of study. We are in a strong position in Wales in some respects, in that we have an agreed credit framework for the design and delivery of curricula within higher education in Wales, which is the building block for flexible curriculum design. We have that already in place, and we fund on that basis, so some of the groundwork has already been done. We are also aware that there has been a recent decline in the amount of part-time study in Wales, and the Assembly Government has commissioned some work to explore what is going on in that market.

[147] **Janet Ryder:** There has been a decline, did you say?

[148] **Mr Blaney:** Yes, there has been a recent drop-off. We are aware that flexible, part-time provision is important, but there is a drop in demand from the market, and we need to understand what that is about. Some of it could be to do with changes to employment patterns, and the fact that people have more time to pick up full-time study; there could be a range of factors. We are conscious of that, and then, finally, the issue about the flexibility of provision to people who might be unable to move around geographically has been touched on by Phil earlier, in terms of the regional approach that we are pursuing following ‘For our Future’. This is very much about requiring providers within regions to define what the needs of the learners in that region are, and then work collaboratively to meet those needs as well as possible. In that context, we have made it explicit that we expect the Open University in Wales to be a member of each of the regions in Wales, even though it happens to be based in Cardiff—it is an institution of Wales. It can offer certain solutions in providing curricula that cannot economically be provided by other institutions in Wales, because the OU has access to the enormous resources at Milton Keynes as well. So, the OU is an important player across the whole of Wales for that provision.

[149] **Angela Burns:** Janet, would you like to come back on that?

[150] **Janet Ryder:** I would be interested to see the results as to why the number of part-time learners is reducing. It was expected at one time that there would be an increase, as more and more people came back into higher education to improve their employment prospects. If the number is declining because, as you say, putting it very politely, of the time available to pursue full-time courses, that will hopefully be a short-term issue, and as employment rates rise again, that pressure on people to pursue higher education courses while pursuing their employment as well may increase. So, I would be interested to see what comes out of that, and the impact that these cuts might have.

[151] **Andrew Davies:** I would like to pick up on one of the first points that Dr Gibbons made, about special pleading. I speak as someone who is very passionate about supporting higher education, but reading the papers from Higher Education Wales, both the originals and the supplementary note, I would have more sympathy if there was a recognition by the sector that performance has not been that good. It reminds me of the description of the Scottish soccer team in the 1970s—very good on paper, but not so good on grass—although that was said in the Glaswegian demotic, which I will not repeat in polite society.

[152] On the level of research council funding, in paragraph 6 of your supplementary note, you say:

[153] ‘The reasons behind the static proportionate level of Research Council ‘capture’ are complex’.

[154] You refer to the report, and say that it ‘cites a number of reported factors’. It is interesting that you only quote the information about the level of comparative funding; you do not cover anything else. I might have a lot more sympathy if there was wider recognition that this was a complex issue, and if there was a slightly self-critical or self-aware reaction by the sector. The evidence then goes on to talk about the golden triangle, of which we are all aware.

[155] I would like to move on to efficiencies. In your original paper, on paragraph 4, you say—and I think that this is a tendentious statement:

[156] ‘It is also noteworthy that the 5% so called “efficiency gain”’—

[157] it is not so-called; it is an efficiency saving that is being expected—

[158] ‘of the HE and FE sectors in the Assembly Budget is not being demanded of many other public services receiving Assembly funding’.

[159] That is just not true. For several years, the Minister for Health and Social Services—bearing in mind that health expenditure constitutes 40 per cent of the Assembly Government’s budget—has been expecting the sector to provide 5 per cent efficiency savings. So, again, it is as though you are saying, ‘We are different, and we should be treated differently’, when, actually, you are not. The sector has got off quite well compared with other sectors.

[160] To come back to your supplementary note, on pages 6 and 7, apart from those in paragraph 8, in which there are figures regarding procurement, there is not one figure about what has been achieved in respect of efficiency savings. There are a lot of descriptions of collaboration, joint working and shared services—although we have yet to see what alleged savings there will be in south-west Wales, from what I hear from the sector—but not one figure is mentioned, other than in relation to procurement, which, for me, demonstrates either that there are no figures to be quoted, or that they are not very good and, therefore, you do not want to use them.

[161] **Mr Walker:** On the issue of the 5 per cent efficiency gains, that was a reference to the committee's report on the budget, which talked about the need to harmonise the level of the efficiency gain across the different services. I believe that the committee, rightly or wrongly, drew attention in its report to the alleged difference between the efficiency gains in different sectors. That was the basis on which that comment was made.

[162] On the procurement issue, it is important to recognise that nearly £6 million, and possibly more, has been saved on procurement through a variety of collaborative mechanisms, and even more may have been saved by individual institutions. In paragraph 9, we talk about the shared-services agenda that we are pursuing. If you would like us to, we can get information from the South West Wales Higher Education Partnership and the other shared-services projects that we have listed in the evidence, to try to calculate what the opportunity cost, or rather the opportunity savings, of those collaborative projects would have been had they been conducted separately. It is difficult to quantify.

[163] **Angela Burns:** I would like you to get that information. Before I bring in Richard, I will make one observation. We have asked you in for a second time because of the thrust of the questioning at our last meeting. A lot of that was about exactly what Andrew has just said, and yet we are having a second meeting at which you have talked about being able to furnish us with a note on the work that you are doing. You are still not coming back with the kind of information that we asked for in the first meeting, and are now asking for in the second meeting. The whole thrust of this is about understanding the efficiency savings, how you will make yourselves more streamlined and how you will move on. That note is welcome, but this is the second evidence session and we hoped that you would bring this information forward, which you should have been able to deduce from the questions that we asked in the first evidence session.

[164] **Mr Walker:** That is why we submitted the supplementary note, which was unsolicited.

[165] **Angela Burns:** It still is not—

[166] **Andrew Davies:** I will make a point that I have made endlessly. The public sector obsesses about inputs and how much is spent, but it very rarely provides information on the actual, hard outcomes. I accept what Greg says about procurement, but that relates to inputs. This is about all the collaboration, amalgamation and proposals, but there is nothing about outcomes in respect of efficiency savings, costs, proportions or whatever.

[167] **Angela Burns:** Exactly.

10.40 a.m.

[168] **Mr Hirst:** We have information here, which I did not go through for the sake of brevity, but we will put it in a note for you. To give one taster, as it were, space per full-time equivalent student has reduced from 2003-04 to 2007-08 by 0.55 sq m per student. That is the equivalent, in property costs, to a saving of £18.97 million a year. We have other figures that I will happily go through here, but, as I say, if time is short, we can put those in a note for you.

[169] **Professor Gummatt:** We are able to produce data from a range of measures on space reduction, property running costs, energy, savings through networking and UK-wide savings through using the UK-wide processes for organising digital delivery of content and savings through procurement. There are quite significant numbers against all of these. We have those numbers and we can provide them orally, but it may be more convenient to give them to you in a note.

[170] **Angela Burns:** I would like them in a note, because I am conscious of the time. We have been here for just over an hour and we have a full day of other business. I would like that note as soon as possible so that it can inform our deliberations. Do any committee members have any further questions?

[171] **Brian Gibbons:** There has been a conflict between the evidence that we heard from the Minister on the level of funding and that in HEFCW's paper. You said that there is a persistent gap, whereas we had a figure from the Minister that a smidgeon more had been spent in Wales. Is there any way of reconciling those?

[172] **Professor Gummatt:** I do not think that there is a conflict—I hope that there is not, because I would hate to be in conflict with my Minister. The information that we provided on the funding gap is an historical analysis of differences between the volume of funding going out only through funding councils—we tried to be very explicit about that in our original paper—and their equivalent in England. I thought that the Minister said that, in terms of the budget for higher education for next year, there was a 1.4 per cent increase.

[173] **Brian Gibbons:** No—

[174] **Professor Gummatt:** I am sorry if I misunderstood.

[175] **Andrew Davies:** It relates to funding per head of population.

[176] **Professor Gummatt:** Yes, if you do it that way around and look at the investment per head of population, it is the case that in Wales, we invest slightly more per head of population than is the case in England. Those are also our figures, so we are not in any disagreement either with ourselves or with the Minister.

[177] **Brian Gibbons:** So, the Minister states that investment in HE in Wales is £1.60 per head of population higher than in England.

[178] **Professor Gummatt:** Yes and those are our figures in the funding gap analysis. It is a different way of viewing the problem.

[179] **Angela Burns:** Are there any final questions? I see that there are not. I thank the witnesses for coming again and I am happy to have welcomed you again, Professor Lloyd. Thank you for the information. I look forward to receiving the notes and I cannot emphasise enough that we need them fairly quickly, because we will deliberate on this shortly in order to produce this report to help to inform the Government on its next steps.

10.44 a.m.

Cynnig Trefniadol Procedural Motion

[180] **Angela Burns:** We were due to go into private session now to discuss a number of reports, but, given the time and that First Minister's questions has commenced, do you wish to continue to private session to discuss these reports or to draw the proceedings to a close and reschedule?

[181] **Brian Gibbons:** I am happy enough with the draft report, but perhaps we should discuss the supplementary budget report.

[182] **Angela Burns:** We will, therefore, go into private session to discuss the one item, namely the supplementary budget report, as we have to get that in by Tuesday, 16 March.

[183] I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[184] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.44 a.m.
The public part of the meeting ended at 10.44 a.m.*