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An Investigative Study to Support the Higher Education Governance Review
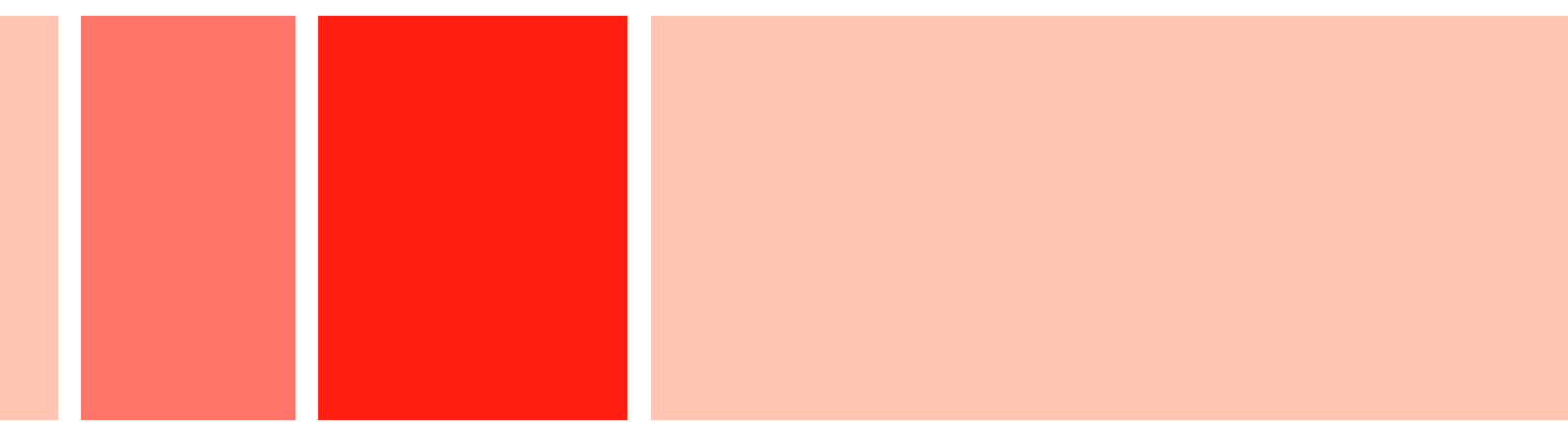
An Investigative Study to Support the Higher Education Governance Review

oldbell³

Research Policy Analysis
Ymchwil Polisi Dadansoddi

Views expressed in this report are those of the researchers and not necessarily those of the Welsh Assembly Government

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1.0 Introduction

1.1 Old Bell 3 Ltd., in association with Dateb and Steve Raybould, was appointed by the Welsh Assembly Government in November 2010 to undertake an Investigative Study to Support the Higher Education (HE) Governance Review.

1.2 The Review has been established by the Welsh Assembly Government and is chaired by John McCormick. It issued a questionnaire to all Welsh Higher Education Institutions (HEIs) about their current governance arrangements, issued a call for written evidence and interviewed a number of stakeholders. It will report in March 2011.

1.3 The investigative study supports the Group by:

- undertaking a comparative review of alternative HE governance arrangements, drawing on the available literature, concentrating on the governance of the HE sector as a whole and more particularly, the institutional relationships between Higher Education Institutions (HEIs) and Government;

- deepening the understanding of the current governance arrangements within Welsh HE emerging from the questionnaire by undertaking qualitative interviews with senior managers in Welsh HEIs, with a specific focus on:
  i) the effectiveness of current internal governance arrangements in providing strategic direction, oversight and scrutiny and in representing broader stakeholder interests;
  ii) the role of governors in 'overseeing, and supporting collaboration, regional planning and merger': and
  iii) the current relationship between HEIs, government and the Higher Education Funding Council for Wales (HEFCW) 'as an intermediary body'.

1.5 The work programme underpinning this report has involved:

- an extensive literature review;
- individual face-to-face interviews with eight of the Chairs of Council/Board of Governors of Welsh HEIs and one Deputy Chair[1];
- face-to-face interviews with seven Vice-Chancellors, nine Clerks/Registrars[2] and two Pro Vice-Chancellors;
- the Director of the Open University in Wales.

1.6 There was a very high level of participation from HEIs, particularly in view of the very tight timescale set for the research: the research team is extremely grateful to all those who participated.

1.7 In the remainder of this Report we firstly present (in Part I) the findings from our fieldwork with HEIs considering in turn:

- Views on the appropriateness of the composition of Boards in terms of representing broader interests (Section 2);
- Views on the utility of the Guidance issued by the Chairs of University Councils (CUC) and the extent to which this is reflected in practice (Section 3);
- Views on the recruitment and induction processes (Section 4);
- Views on the effectiveness of Boards in terms of setting the strategic direction of Institutions (Section 5);
- Views on the effectiveness of Boards in monitoring performance (Section 6);
- Views on the extent to which Boards are engaged in the reconfiguration and collaboration agenda (Section 7);
- Views on barriers to Boards working effectively (Section 8);

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[1] For the sake of simplicity and to preserve anonymity, we henceforth refer to each HEIs Governing Body as the "Board" (even though the term Council is used for the pre-1992 HEIs.
[2] Again, henceforth we use the word "Clerk".

- Views on the relationships with the Welsh Assembly Government and the Higher Education Funding Council Wales (HEFCW) (Section 9).

1.8 We then, in Part II turn to the findings from our literature review, setting out in in turn:
- The background to the literature review (Section 10);
- a brief review of the background to the higher education governance model in Wales, presenting some findings (and tensions) in relation to the effectiveness of the current approach (Section 11);
- the findings of research into the effectiveness of the higher education governance structures in England and Scotland which share many of the characteristics of the Welsh model: wider UK research on the advantages and disadvantages of having more or less autonomy in higher education is also considered (Section 12);
- some international developments in relation to autonomy in higher education (Section 13);
- three international case studies that compare approaches to autonomy (and lessons learnt) in other regions and countries.(Section 14).

PART I: FINDINGS FROM THE FIELDWORK

2.0 Composition

2.1 Most of those HEI representatives interviewed were broadly satisfied with the size and composition of their Board, though it was perhaps interesting that several of the Chairs were keen to contrast what they regarded as their good fortune in having strong Boards by comparison with other HEIs in Wales, one for example claiming that there were probably only around three Boards which were effective. Thus, one Clerk claimed that the current membership was 'the most engaged, high calibre' group in his career, while the Vice-Chancellor of another Institution saw his current Board as 'very effective…[with the] necessary experience to challenge and influence the work of the University'.

2.2. From the analysis of questionnaires it was clear that almost all the Boards consist of between 20 and 30 members, although Cardiff University is currently considering whether to reduce the size of its Council (currently 35 members). The pre-1992 Universities had generally reduced the size of their Boards over the last decade and longer-serving members of these Boards argued that this had had a positive effect in terms of ensuring a real engagement of members with governance issues. Some interviewees believed that Boards were still on the large side, particularly when compared to the private sector, though it was felt that reducing the numbers still further would compromise the ability of the Boards to achieve a good mix of skills and backgrounds. As it was, a small number of interviewees felt that it was impossible, even with current numbers, to ensure that the very broad range of interests which touched on the life of a University could be adequately represented within the Board (although most said that they had other ways of involving this broader network of stakeholders).

2.3 Having said this, it was striking that, although the size of Boards varied relatively little, the composition of pre- and post-1992 Institutions was quite different, largely due to different statutory and regulatory regimes. The former

generally having larger numbers of staff representatives, and the latter having fewer staff, but also having a distinction between independent and co-opted members.

2.4 In almost all of the HEIs, the majority of the work of the Board had been devolved to Committees. However, while some routinely co-opted external members onto these Committees as a way of broadening the expertise available and to avoid spreading members too thinly (and also in some Institutions, 'trying out' potential future Board members), others did not do so, with the exception of their Audit Committees.

2.5 Almost without exception, Executive interviewees stressed that Board members were expected to make a very significant contribution in terms of their time, particularly given that the role was unpaid – 'we ask a very great deal of them' or 'we rely very heavily on the lay members' being typical comments. Most Chairs echoed this to a greater or lesser degree, with one arguing that the fact that the role was onerous but voluntary and unpaid was a 'fundamental weakness'.

2.6 The demands in terms of the required time commitment were widely seen as being one reason for what was admitted as being a problem, namely ensuring a suitable balance in terms of age profile, with lay members of Boards generally being aged 50 and above. A number of Institutions had clearly succeeded in attracting a fair proportion of members who were still working and many chose to hold Board and Committee meetings at times which were designed to make this possible, but there was as one Chair put it, a heavy reliance on the 'young retired – those who have still got zest'.

2.7 The requirement to involve lay members in additional tasks such as appointments panels or disciplinary hearings, as well as full Board and Committee meetings, was also a practical reason why Institutions tended to look

for members who were predominantly based relatively locally. This was perceived in Institutions away from South East Wales as constricting choice, particularly in respect of experience with big business (although there was a tendency for Chairs of pre-1992 Institutions in particular to be drawn much more widely).

2.8 Almost all of the HEIs used either a formal or an informal 'skills matrix' to identify particular skills and experience which were required by the Board. Finance/accountancy, audit, HR, and estates/property expertise were areas which were frequently cited as being required, while an effort was also made to ensure balance between public and private sector experience, as well as to ensure a degree of gender balance and (though less commonly, given the demographic context of some parts of Wales) ethnic diversity. In some instances, it appeared that Executive teams made significant use of the professional skills on the Board to complement (and possibly even substitute for) paid-for advice and in-house expertise.

2.9 While most Boards included at least some lay members with Executive experience of Higher Education (alongside the representation of staff from within the Institution), there was a view in some Institutions that the lack of current 'practitioners' amongst the lay members was an issue in terms of ensuring that the Boards really had good 'knowledge of the business of Higher Education'. A number of Chairs acknowledged the risk that Boards could have insufficient real detailed grasp of the specific issues to challenge the Executive. Appointing Board members who occupied senior positions in HEIs outside Wales was seen as one way of addressing this while a small number of interviewees argued that having some representation from the international academic community would be desirable.

2.10 Related to this, it was clear that the relations between the Board and the Academic Board or Senate[3] were in most cases not entirely straightforward, despite the presence of members of the latter on the former: one Vice-Chancellor, noted that 'they [the Board] do struggle with the Senate', while Board members had a standing invitation to attend the Senate and one or more usually did so, they usually seemed to find the discourse there 'opaque'. Efforts in some Institutions were made to address this through such invitations to attend the Senate or through joint Away Days, but in at least one, the Board itself had decided it was not appropriate for its members to become involved in the workings of the Senate.

2.11 Almost all interviewees argued that there was no evidence of particular groups within the Board contributing less than others, though this was often coupled with the view that members most often had their say through Committees rather than at the full Board, or conversely of any one constituency dominating debate, arguing that Chairs almost invariably worked hard to ensure participation by all. In two HEIs, interviewees argued that academic staff represented on, or attending, the Board were more reticent to speak up, with this being attributed to a fear of being seen to step out of line with the Executive.

2.12 However, most commented that it did take new members time to 'get up to speed' – with it relatively often being said that it took members at least a year to become confident in contributing: 'it takes one to two years before they are really comfortable'.

2.13 This was often coupled with an argument in favour of the practice of more or less automatically renewing members' mandates after a first term, and against the external recruitment of Chairs who did not have prior experience of the work of the Board.

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[3] Henceforth, we use Senate as the generic term, though the term Academic Board is used in post-1992 Institutions.

2.14 Possibly related to this, a majority of the Chairs made a specific point of commenting on the fact that they made a considerable effort to ensure that Student representatives were fully engaged in the debate at the Board (given that these typically changed annually). It was notable that most Chairs were very alert to the importance of listening to the 'student voice', seeing the current students as a key stakeholder: 'students are key. They are our customers and the customer is king'.

2.15 More generally, most (but not all) interviewees thought that there was considerable cut and thrust within the debate at Board meetings and even more within Committees, a typical comment being that 'lay members are not reticent about challenging issues if they don't understand what they're hearing'. However, a small number of interviewees (from at least two Institutions) disagreed, with one contrasting anodyne Board meetings at present with more fiery discussions in the more distant past and saying he had been trying to establish why 'some of the people I had helped to appoint were not making the contribution …I had expected to them to do from their interview'.

2.16 A number of the interviewees were keen to challenge a view attributed to the Minister for Education that Boards were 'the last resting place of the crachach'. In reality, it certainly appeared true that the extent to which Boards were filled by the 'great and the good' varied, largely according to the two factors of distance from Cardiff and the research credentials of the Institution. Indeed, in a number of the post-1992 Institutions, one reasonably well worn (but perhaps unexpected) route onto the Board appeared to be from school governors.

3.0 CUC Guidance

3.1 In general terms, Chairs were clearly familiar with the CUC Guide, though it appeared that for many of them the Guide was not a regular source of reference. Thus one talked of it 'not being something we've had a lot to do with', another argued that the Guide was too long and detailed for members to use routinely, and a third saying that 'it's quite a long time since I looked at it'.

3.2 By contrast, Clerks and other Executive interviewees tended to be more effusive about the Guide. One argued that the Guide was well grounded in thorough research and that it was a relief to no longer have to 'make it up as we go along', while another, in contrast to the comments of Chairs, said that the language used was particularly appropriate to lay members and argued that the CUC Guide was particularly useful for members (although less so for officers as it was not detailed enough to satisfy their needs).

3.3 The Guide was for most Institutions a core part of the briefing pack given to new Board members. However, even amongst Clerks, there was at least one sceptic who believed that few of his members had read the guidance and that there was an element of 'overkill', not least in the production of a series of 'short guides'. This interviewee was critical of the fact that, in their view, the CUC failed to provide clear cut guidance on issues such as the extent to which Board members were individually as well as corporately liable for any mismanagement at the Institution.

3.4 None of the interviewees identified any ways in which their Institution diverged from the CUC Guide, though in one case, it had had to be supplemented in order to ensure issues related to the bilingual nature of the HEI were fully covered. At the same time, it does need to be said that in the case of terms of office, a number of Board members appeared to have served for terms considerably longer than those recommended by the Guidance.

4.0 Recruitment and Induction

4.1 Most interviewees said that it was 'difficult but not impossible' to recruit appropriately qualified individuals as new lay members of Boards. Some Executive interviewees, in particular, thought this was surprising, in light of their view that the role could be extraordinarily demanding given its unpaid and voluntary nature. There were differences of view as to whether it was becoming more difficult or not, though difficulties with finding appropriate candidates were most commonly associated with needing to fill specific gaps in the skills matrix, such as accountants and lawyers. Without exception, interviewees insisted that they would leave places empty rather than recruit insufficiently qualified individuals.

4.2 A large number of interviewees referred to the discussion at the recent Chairs of Higher Education Wales (CHEW) event of recruitment to Boards, and commented on what they believed was the Minister's misinterpretation of the role of informal networks in recruitment. Almost all of the Institutions appeared either routinely or normally to use public adverts (mostly through the press, as well as through their websites etc.) as a recruitment tool, though there were varying degrees of enthusiasm for this. Some interviewees argued that it was relatively ineffective to use paid for advertising for unpaid posts – 'who is going to be attracted to an unpaid position through a cold advert?' – and others were relatively scathing about the results, arguing that they attracted insufficient applications from people of the 'right calibre': 'last time, we had three applications ... the most suitable was from a man in his 80s who didn't like to drive at night'.

4.3 For these interviewees, advertising was principally a means of being seen to be transparent and open, rather than a useful way of attracting new members. Others had somewhat more positive experiences, though it seemed generally true that only a minority of members were recruited directly as a result of

applications as a result of such open adverts. More useful for some was the use of the Public Appointments website, though at least one Clerk had been told that a vacancy could not be advertised formally through Public Appointments Wales, because the University was not a public body (though informal help had been forthcoming which had resulted in an appointment).

4.4 However, interviewees from every Institution insisted that the use of formal and informal networks (both those of the Institution and of its staff) to identify and encourage potential applicants (which one interviewee termed 'internal executive search') was essential, particularly in view of the need to ensure an appropriate mix of skills, experience and characteristics on the Board as a whole. It was argued vigorously that 'sometimes relying on the tap on the shoulder is inevitable ...you just have to' if, for example, the Chair of the Audit Committee was retiring and another Board member with very solid audit and accountancy experience was required.

4.5 Some interviewees went further and suggested it was also important to ensure that potential recruits could fit in with the existing culture and ethos of the Board: 'you don't want a Board fighting itself'. However, most were insistent that this was not the same as wanting only to recruit members in the same image as those in place – though with the rider that, of course, members had to be committed to the values of the Institution and intellectually capable of making a contribution: 'you want independent minded people, aligned to the missions and values certainly, but who won't just acquiesce'. In this context, for some Institutions, alumni network were an important source of recruits.

4.6 However, interviewees argued that any appearance of 'the old boys' network' was misleading with the telephone call out of the blue to a potential candidate being 'just the tip of the iceberg, coming after a long process'. It was argued that however individuals were identified, all Institutions had a formal process to scrutinise nominations, while most – particularly post-1992 HEIs – required a

formal application even from those who had been invited to apply and/or had a formal interview as part of the appointments process. A key part of this was said to be less scrutinising the suitability of the candidate than explaining the nature of the commitment to ensure that applicants were not under any misapprehension.

4.7 As already noted, a number of HEIs routinely co-opted non Board members onto their Committees and this was seen as a useful way of providing a pool of potential recruits to the full Board. Similarly, a number of Institutions were able to use more broadly-based stakeholder bodies as a way of identifying potential future members.

4.8 In terms of induction, most interviewees were relatively positive about the arrangements in place, though Chairs were somewhat more nuanced in their views, with one, for example, arguing that in the past this had been a 'bit amateurish' and another suggesting that it was only in the very recent past that the induction process had consisted of much more than a meeting with the Vice-Chancellor.

4.9 However, for the most part it appeared that, while new board members were given extensive written material (with most Institutions having a handbook for new Governors, drawn on a number of sources, including the CUC Guide), initial induction training was in many cases quite light touch, often involving a one-day series of briefings with the Chair and key Executive members.

4.10 However, interviewees in many cases argued that there was a continuous process of briefing members, often including regular briefing sessions from Faculties/Schools on a rotational basis associated with Board meetings, with one Clerk saying that 'induction is a process rather than an event …[it's] about relationship building as well as building new members' expertise'. Moreover, in a handful of Institutions, there was a formal 'twinning' arrangement between individual Board members and Faculties, designed to enable members to really

get to grips with concerns at the 'chalk face' – though others had considered this and rejected on the basis that it ran the risk of turning individual members into the advocates for sectional interests on the Board.

4.11 While mentoring arrangements were rare, a number of Chairs also had annual one-to-one sessions with each board member as a way of teasing out concerns or requirements in terms of further briefing or training.

4.12 A number of interviewees argued that more could and should be done to provide greater cross-Institution induction and training activities ('there ought to be a training programme across Wales at minimal cost in how to be an effective Board member'), though it was recognised that considerable progress had been made, and that it was probably impossible to insist on individual Board members attending such sessions as they were serving in a voluntary capacity. It was felt that exposure to other Boards was a really positive experience.

5.0 Boards' Role in Providing Strategic Direction

5.1 The overwhelming majority of interviewees argued that their own Board played a key role in the development of institutional strategy and, in this regard, felt equipped to challenge and interrogate the proposals made by the Executive. Typical comments were:

> 'They [Board Members] are not there for a free lunch and a cosy chat …they take their responsibilities very seriously'. (Clerk)

> 'You can't have people of the calibre of [name] on the board and not have forensic scrutiny'. (Vice-Chancellor)

5.2 Techniques which were thought to be effective in ensuring that Boards made a real contribution to setting institutional strategy included:

- engaging them early in annual planning process (often through away days at the start of the session): this was the case in most Institutions, though in at least four this was something which was either very recent or only in prospect: one Chair expressed frustration that to date, the Board had done little more than sign off the completed Strategic Plan (usually without the detailed budget annexes) at the final meeting before the year end and another – commenting about other Institutions rather than their own – thought that it this was relatively common with 'Governing Bodies just end[ing] up improving the punctuation';
- actively engaging Board members in major reviews of strategy, which in at least four cases were either underway or had recently been completed, either through joint steering groups or through an iterative process between the Executive and external consultants and the Board;
- in a minority of cases, using a fairly powerful strategy committee, often bringing together the key members, to take an ongoing interest in

strategy and the external policy environment in which it was being implemented: though in at least one case, the merger of two committees to form a single committee overseeing both finance and policy was being resisted by the Executive on the grounds it might constitute an Executive of the Board;

- more generally, delegating work down to the committees (with the board just endorsing agreed actions) in order to free up the board for horizon scanning and strategy development: one argued that this was: 'a powerful way of bringing new Governors in…dealing with the "meat" of issues …and freeing up the Board to deal with really strategic issues, the issues where the Board as a whole needs to sign up'.

5.2 At the same time, it did seem reasonably clear that the drive and direction of strategic planning came from, and was expected to come from, the Executive. Some Chairs felt strongly that this should be the case, with one joking that it was the Vice-Chancellor who was 'paid to have sleepless nights' and another making a similar point:

'It [the Strategic Plan] is assembled by the Executive ...you have to recognise that the Executive is full time, the Governing Body is part-time and unpaid – you can't cascade down to every little stone and turn it over ...We use the Executive to provide the defined route ... and the Governors are there to tweak it'.

5.3 Two Vice-Chancellors similarly argued that it was unreasonable to expect a Board to originate strategy, as opposed to providing interrogation and challenge, while another noted that a recent major review of Corporate Strategy had involved the Board spending 'several hours' discussing various issues and proposals put forward by the Executive which had led to the Executive being charged with making refinements in response to those discussions before a further discussion at the next Board meeting.

5.4 More generally it seemed clear that Boards were relatively rarely offered a range of options to consider and decide between. This point was made strongly by one interviewee who was unusual in expressing strong doubts that the current Governance arrangements allowed Boards to even influence strategy in any meaningful way:

> 'I'm a bit of a maverick in my view ...but I think we could actually do without governance ...It isn't all its cracked up to be …They [Board members] are meant to be the authority in law and to delegate it to the Vice-Chancellor, but in reality its the Vice-Chancellor running the ship and they are just passengers on it'.

5.5. This interviewee argued that it was wholly unreasonable to expect 'a body which meets five times a year and doesn't have any detailed knowledge of the Institution [to] really be a Corporation which controls an Institution with a £[xx] million turnover'.

5.6 Perhaps in line with this more sceptical view, when asked to identify examples where the Board had disagreed with or forced a change to the Executive's strategic direction, most interviewees were unable to do so or pointed to relatively practical issues, such as the site plan of a new development or the marketing strategy, rather than fundamental questions of missions and values. However, there were some examples where Chairs and Boards did have different views than the Executive on key strategic issues (e.g. the role of research, the degree of engagement with other HEIs, the need for internal restructuring), though in all of these cases except the last, the difference had not led to any significant change. In this context, one Vice-Chancellor argued strongly that the nature of the Board's shaping of the strategic agenda was incremental, with informal discussions and work in committees teasing out the

Board's priorities and the Executive reshaping and refining its approach to address any concerns before disagreement became visible.

5.7 More generally, almost all interviewees argued that a close working relationship between Chair and Vice-Chancellor was critical to ensuring the smooth running of the Institution, though this did not mean that relationships were always good. In general terms, it appeared that Chairs of post-1992 Institutions were more 'present' than their opposite numbers in the pre-1992s, but across the board, regular (weekly or fortnightly) one-to-one discussions appeared to be the general rule, while in several instances, Chairs clearly spent part of several days each week on University business.

5.8 Many interviewees emphasised the importance of using these meetings to ensure there were 'no surprises' when business came to Committee or the full Board. This could involve sorting out disagreements behind closed doors – one Chair acknowledging that 'we've certainly had stand up shouting sessions' – even though several argued that the environment in more formal meetings was such that public challenge was appropriate.

5.9 Several Chairs also emphasised the importance of mentoring and providing a sounding board for Vice-Chancellors in what could be quite a lonely role:

'I think the role of Vice Chancellor is interesting because like all numero uno's it can be quite a lonely existence. And that's as it should be of course. There should be that distance between the top man and other members of staff. But the problem then is who does the Vice Chancellor go to to bounce ideas off? Who's his sounding board? For [name] that sounding board is me'.

5.10 Finally, while few interviewees specifically commented on this, even where Chairs spent relatively significant amounts of time working within the Institutions, it was striking that they generally had neither offices, nor administrative or

secretarial assistance. While this was clearly regarded as standard practice – and indeed, as important in distinguishing between the Executive and the non-Executive – this is, of course, in sharp contrast to large private sector organisations where even non-Executive Chairs would be expected to have an independent support structure in place.

5.11 In several cases, Clerks stressed however that they and their support staff reported directly to the Board rather than to the Vice-Chancellor.

6.0 Boards' Role in Monitoring Performance

6.1 As with Boards' capacity to set the strategic direction of their Institutions, so most interviewees argued forcefully that their Board was able to monitor the performance and effectiveness of the Institution, albeit mostly at a high level and relying heavily on the Committee structure to drill down into some more detailed issues. Chairs and Executive alike tended to argue that the composition of Boards allowed for 'forensic' examination and interrogation of performance.

6.2 Most placed considerable weight on a core set of Key Performance Indicators (KPIs) and it was clear that, in some Institutions, a lot of work had gone into refining these and relating them more closely to strategic planning: in one case, for example, these had been winnowed down to 13 core indicators. In another case, the Executive reported against all 60 objectives at each Board meeting with the Vice-Chancellor noting that:

> 'there is a written update on each of the objectives and targets ...there is no stone to hide under, the Chair goes through it page by page',

although the Chair in the same HEI thought that the health of the Institution could be gauged by a very small number of headline indicators:

> 'if you are not recruiting students, if there's no money in the bank, if there are constant complaints from the Students Union, you get the message'.

6.3 A minority of interviewees felt that they still had some way to go to making KPIs useful to the Board, with one noting that setting KPIs 'became an industry' in which the utility of the traffic light system which had been developed was open to question: 'One of the more perceptive of the Board asked "why are there no 'red lights' if we are supposed to be setting KPIs which are challenging?"'. Another reported a conflict with the Executive, where the latter believed that the

data underpinning two of what were from the Board's point of view most important KPIs was worthless.

6.4 Unsurprisingly, perhaps, information management more generally was a concern of some Chairs – with a feeling that Boards were in some instances overwhelmed with papers and were hampered from doing their job by this ('papers can really get in the way of discussion') – though Clerks and Vice-Chancellors tended to be more sanguine. In one case, a Clerk had addressed this by ensuring that every paper was accompanied by a short briefing note outlining the main issues and decisions required but this was clearly not universally the case.

6.5 There was generally considerable confidence in Boards' capacity to undertake financial monitoring and control, with most interviewees arguing that the presence of (serving or retired) senior accountancy or public finance professionals on key committees gave a strong assurance in this regard.

6.6 Indeed, it seemed clear that Boards more generally were more confident in dealing with what might be termed generic aspects of HEIs operations (Estates and HR were two other areas which were often mentioned where the Board had expertise and was particularly active in scrutinising the Executive) than in dealing with the core academic 'product' (whether teaching or research). Most interviewees emphasised that significant attention was devoted to the quality of the student experience and some also mentioned that Boards were kept closely in touch with the work of the Quality Assurance Agency (QAA) – with one Board also insisting on sampling the reports of external examiners as a way of gauging quality of provision. But a minority of Chairs and Executive interviewees (mostly but not exclusively in the post-1992 Institutions) explicitly acknowledged that Board members often lacked confidence in dealing with issues of academic structures or provision.

6.7 Thus, a Clerk commented that the Board was 'happy dealing with finance and estates, and with the main issues of strategic planning but the more academic work doesn't come their way to the same extent', while a Chair admitted that, in relation to the teaching provision 'there's a bit of a knowledge gap …it's the area of least comfort for the Board because of lack of knowledge'.

6.8 More generally, one of the most common observations from Chairs, in particular, was that 'we don't know what we don't know' – that the whole edifice of governance was based on trust that the Executive was not withholding key information.

6.9 In terms of monitoring the effectiveness of governance arrangements themselves, many Institutions undertook an internal self-evaluation of the Board each year, while more formal mechanisms were in place for regular (quinquennial or sexennial) reviews, following CUC Guidance. Some with relatively recent experience of these were not entirely positive about the results, with one more extreme view being that: 'I was disappointed by the results ...The Executive had too much control of it, deciding what things should be ruled out'.

7.0 Boards' Engagement with Reconfiguration and Collaboration

7.1 Almost every interviewee argued that the question of reconfiguration and collaboration figured large on their Board's agenda (two, for example, noting that their Boards 'spent two years discussing a potential merger' which ultimately did not go ahead) and Chairs generally demonstrated considerable awareness of the history and current state of play with regard to discussions both with other HEIs and Further Education Institutions (though perhaps inevitably it was for the post-1992 Institutions that potential mergers with FEIs were most in focus).

7.2 Moreover, a perhaps surprising number of interviewees claimed to have sympathy for the principle of fewer, larger Institutions (though in this context, one Vice-Chancellor railed against 'mechanisms in place that prevent us from growing') and for enhanced collaboration with a view to reducing 'nugatory competition, as Rhodri Morgan used to say'. There were exceptions, however, including from interviewees within some of the Institutions most actively pursuing mergers, who argued that the case had not been proven that larger institutions would be more effective.

7.3 If Boards were aware of, and generally embracing this agenda, it was not necessarily case that they were driving it. One Clerk argued that his Board had thrown itself consecutively into the detail of a number of merger discussions, without ever having a clear discussion of what the potential options were for collaborative relationships or mergers, and other interviewees gave the impression that (as with strategy more generally) there was relatively little appraisal of options in terms of the reconfiguration agenda: it was often left to the Executive to moot possible collaborations, with the Board reacting to, critiquing and commenting on proposals.

7.4 A number of (mostly Executive) interviewees clearly felt that the agenda was in fact driven by Welsh Assembly Government policy (and more particularly the

prospect of major upheaval in funding arrangements) rather than by any internal logic:

> 'If you were to ask why there has been more change in this part of Wales than any other parts of Wales – in terms of policy change – then I think this is down to the dynamics of a governing body which is alert to the changing policy requirements and can respond to it, but has also an appropriate relationship with officers from within the institution to make change happen'.

7.5 Along with the professed willingness to consider structural change, there was also a common tendency to blame other Institutions for the blocking or failure of potential mergers, though a minority of interviewees also argued that the Welsh Assembly Government and HEFCW had been insufficiently forceful in the past in curbing the aggressive expansionist tendencies of other HEIs and to themselves get involved in brokering structural change, with one Vice-Chancellor, for example, arguing that:

> 'there is need for help to guide universities – policies are all very well and good but don't help with the implementation. There is nobody who has an objectivity about this to help broker these changes – there is a crying need for this …I think HEFCW could do much more than they currently do'.

7.6 Generally, interviewees argued that there was 'not a cigarette paper between the Board and the Executive' in terms of their views on potential mergers or other forms of collaboration (though in one case a Chair did believe on a personal level that the Executive was insufficiently engaged). Where both Chairs and Executive were from the same Institution were interviewed separately, the views expressed were also virtually identical.

7.7 However, while a small number of interviewees argued that Boards were in principle less likely to favour the status quo than Executive teams, whose jobs might be at risk, in reality, it appeared that at the margin, Boards were often more cautious in their approach to potential structural change. Thus in the case of one relatively recent merger discussion, it was said that 'governors were very concerned about whether it was the right thing to do', while in another Institution, it was said to have been 'a Board decision not to go ahead with [a specific] merger at the end of the day'. The same Board had also expressed serious doubts about a much more limited transfer of provision to another Institution, which, it was argued, undermined the Institution's standing in the area. In a third case, a Clerk commented that the Board was supportive of moves to strengthen the critical mass of the University and joint working, but noted that the Board was absolutely committed to preserving the identity of the Institution and would stop short of any course of action which did not do this.

7.8 In many ways, the fact that Boards may be more resistant than Executives to radical structural change should not be so surprising, since the main role of the member (certainly as a Trustee under the Charities Act, as they have recently become) is to act in the best interests of the organisation, rather than the broader public good. In this context it was interesting that in the case of the Institution whose Chair argued that the Board's main duties were to the students, the Vice-Chancellor argued that:

> 'For him, it's all about what's best for the students, whereas for me it's about what's best for the students and the staff'.

7.9 While the Chairs and Executive interviewees from post 1992 Institutions were more likely to acknowledge a broader duty to the specific region in which they were based (something which was more problematic for their pre-1992 counterparts who relied heavily on recruiting students and winning research contracts from across the UK and the wider world), this comment illustrated the

strong focus of most interviewees on promoting the good of the individual Institution and considering structural change through the prism of the immediate benefits from an institutional perspective. As one interviewee pointed out, this might suggest a certain circularity of the current governance model whereby Boards were appointed to uphold the interests of the Institution which appointed them, rather than any failure of Boards to discharge their duties conscientiously.

7.10 Having said this, it was clear that where mergers had taken place, Boards had generally been extremely active in steering and managing the process, particularly in terms of exercising due diligence.

8.0 Barriers to Effectiveness

8.1 As will already be clear, most interviewees argued strongly that governance arrangements (at least within their own Institution) were working well and identified few barriers to the effectiveness of the Board. One Vice-Chancellor, for example, argued that his Board was

> 'independent, has integrity of opinion, is ready to challenge officers, ready to manage risks and as a unit is very prepared to take decisions that have major implications. It also has an element of maturity in terms of interpreting policy. You only have to look at the outputs achieved to see this'.

8.2 Only two actual or potential barriers to effectiveness were identified on a fairly consistent basis, though in each case, by only a minority of interviewees.

8.3 The first was the inherent challenge of attracting and retaining the necessary commitment in terms of time and expertise from individuals acting on a voluntary and unpaid basis:

> 'the big issue for us is attracting and recruiting strong people – this is the biggest anxiety'.

8.4 However, none of those interviewed favoured moving to a system of paying Board members, even if this were possible. It was argued that this would lead to the attraction of 'mercenaries' and that Boards would lose 'the moral high ground' which they were said to currently possess. Executive interviewees tended to argue that it would be impossible or unacceptable to pay members in a way which equated to their skills and experience and interviewees with experience of the private sector or of government bodies where non-Executives were paid argued there was little evidence this improved corporate governance: indeed,

one interviewee with long experience of the Boards of major private companies argued that paid Non Executive Directors often ended up having too big a stake in not rocking the boat and maintaining the status quo.

8.5 Moreover, a number of Clerks noted that they had had significant problems with their Charity Commission registration following the inclusion of Welsh HEIs under the recent Charities Act because of the payments made to academic staff who were also members of the Board. In their view, charitable status made it virtually impossible to provide remuneration for individual Board members for fulfilling this role.

8.6 The second factor which was widely cited as impeding Boards' effectiveness was the rate of change in the external policy agenda, and particularly what was seen as the rapid development of the Welsh Assembly Government's approach to Higher Education. A number of interviewees pointed out that the flurry of consultations over the summer period had made it impossible to engage Boards effectively in responding, while in many (but not all) cases, Boards' opportunity to actively engage with the recent Regional Plan submissions had been very limited. Thus one Clerk argued that 'the very rate of change tends to lead to a foreclosure of the options'.

8.7 Other than these (and the limitations with regard to knowledge and experience of the core academic business of Higher Education highlighted above) barriers which were highlighted by individual or a handful of interviewees included:

- the lack of opportunities for ordinary Board members (as opposed to Chairs) to meet and discuss with their opposite numbers in other Institutions in order to 'see the bigger picture ...the ordinary lay member isn't exposed in quite the same way to the debate';
- the lack of a strong enough perspective from outside Wales on Boards;

- in post-1992 Institutions, the legal requirement to distinguish between Independent and Co-opted Members, which reduced the number of lay members available for certain key functions (e.g. to do with appointments and disciplinary matters);

- the weight of legal and regulatory responsibilities which were carried by Boards, and which required various policies and procedures (equal opportunities, health and safety, protection of vulnerable adults, anti-bullying, audit etc.) to be formally considered by the Board.

9.0 Relations with the Welsh Assembly Government and HEFCW

9.1 Most interviewees argued that Boards were kept fully briefed on policy developments emanating from the Welsh Assembly Government and the UK Government (notably the Browne Review). Briefings on critical developments in the external environment were generally included in Vice-Chancellors' papers to Board meetings, while some Institutions had specific Committees charged with monitoring such issues. While the full texts of policy documents were generally circulated to Board members, some Clerks argued that Government could do a better job of ensuring that Executive Summaries could serve as stand-alone documents.

9.2 Almost all of those interviewed believed that the Welsh Assembly Government agenda as set out in 'For our Future' was clear and consistent, even where they disagreed with certain aspects of it. A majority tended to express support for the main elements of the Strategy, and even for the robust way in which it was being pursued, with one Chair saying that the Minister's bullishness was understandable given that Universities in Wales 'have been asked nicely for change by successive Ministers and have played for time'.

9.3 The main concern voiced by interviewees from a number of pre-1992 Institutions was what was perceived as a lack of focus on the international environment in which research-focused Universities were working in, with one Vice-Chancellor arguing that:

> 'our role is to compete globally – we serve Wales by being globally strong, but main policy documents such as 'For Our Future', don't mention the word internationalisation'.

9.4 There were varied views of the extent of political contact between Institutions and the Welsh Assembly Government (with pre-1992 Institutions generally

feeling better connected), though in general terms, there was a concern that Ministers were not particularly keen at listening to Boards' views. One Chair argued strongly that the lack of engagement with Boards (with, for example, correspondence routinely sent to Vice-Chancellors rather than to Chairs) made the alleged lack of 'clout' of Boards vis-à-vis the Executive a self-fulfilling prophecy and thought that while CHEW was making progress, it remained the poor relation, commenting that in the trilateral meetings between CHEW, HEW and HEFCW 'the Vice Chancellors come with their agenda, HEFCW have their agenda and the Chairs come and have tea and a sandwich'.

9.5 Most interviewees reported having very little contact with Welsh Assembly Government officials. The majority also felt that this was appropriate, given the arms length relationship although one Clerk argued that: 'If you want a managed economy in higher education with regional planning, it probably does require a direct relationship between DCELLS and HEIs.'

9.6 However, there was some criticism of what was perceived as a lack of knowledge of the sector on the part of officials and 'a lack of collective memory', given the high turn over of senior staff.

9.7 Most interviewees echoed the official position of CHEW and HEW in expressing fairly strong formal support for HEFCW because, firstly, of a view that of principle it was desirable to have an arms length body to take decisions over resource allocation that impacted differentially on different parts of the country and, secondly, because of a degree of respect for the specialist knowledge and expertise of the Council ('a pool of expertise that is useful').

9.8 However, at the same time, a minority of interviewees argued that HEFCW was not really fulfilling its potential in terms of providing a strategic lead to the sector and in practice operated principally as a funding agency. In practice, this

was linked by some to the evidence that HEFCW was now kept on a very short rein by the Welsh Assembly Government.

9.9 More widely, interviewees did not think that there was any evidence of any significant difference in message coming from HEFCW than from the Welsh Assembly Government, though one worried that in developments such as taking forward the regional agenda, HEFCW had just added an unnecessary layer of complexity and bureaucracy to a concept from the Minister which was quite straightforward, and that any capacity of HEFCW to provide a buffer between the Welsh Assembly Government and Institutions that might once have existed had been sharply reduced: 'if it's a buffer then it doesn't have much absorptive capacity'.

PART II: LITERATURE REVIEW

10. Background to the Literature Review

10.1 Phase 2 of The Independent Review of Higher Education in Wales reported to the Welsh Assembly Government in April 2009. The review, chaired by Professor Merfyn Jones, considered fundamental issues around the future mission, purpose, role and funding of higher education in Wales. In particular, *a* clear message was formed that despite making significant progress in recent years, higher education in Wales needed to change to meet the needs of Wales in the global economy.[4]

10.2 Drawing upon the findings of the Merfyn Jones Report and the wider One Wales Strategic Framework[5], the Welsh Assembly Government published '*For Our Future'*, the new Strategy for higher education in Wales.[6] The Strategy made clear the need for a decisive response from the higher education sector in Wales. Marginal or transactional change would be insufficient in both ensuring the long term success of Higher Education Institutions (HEIs) and fully capitalizing on their potential impact on the wider economy and society in Wales.

10.3 Central to achieving the necessary change was a transformation in the relationship between Government and the higher education sector. What was needed was a step change defined by the creation of a national higher education system for Wales where HEIs and wider stakeholders all work together to complement and enhance their individual strengths and missions.[7]

10.4 Higher education is a 'devolved' area, which means that most strategic level decisions that are made about higher education in Wales are taken by the Welsh

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[4] Welsh Assembly Government (April 2009) *Review of Higher Education in Wales Phase 2 Report* presented by the Task and Finish group Chaired by Professor Merfyn Jones, WAG: Cardiff

[5] Welsh Assembly Government (June 2007) One Wales – A Progressive Agenda for the Government of Wales An agreement between the Labour and Plaid Cymru Groups in the National Assembly, WAG: Cardiff

[6] Welsh Assembly Government (November 2009) *For Our Future: The 21st Century Higher Education Strategy for Wales*, WAG: Cardiff

[7] ibid

Assembly Government. HEIs in Wales also receive a substantial portion of their income from public funds provided by the Assembly. In receipt of this public money the Welsh Assembly Government is keen that HEIs should be more accountable and more responsive to national needs defined by the strategic goals of the Assembly.[8]

10.5 However, HEIs in Wales also receive income from a number of other sources, including student fees, research projects and commercial activities. They are constituted as private bodies independent of government. Historically they have guarded their sense of independence fiercely.

10.6 The Welsh Assembly Government is also restricted by law in directing higher education. Section 68 of the Further and Higher Education Act 1992 (FHEA 92) allows Welsh Ministers to make grants to higher education by way of the intermediary Higher Education Funding Council Wales (HEFCW) but prevents the Welsh Ministers from funding or directing the funding to particular courses or specific institutions.

10.7 Against this background, this review considers what the literature has to say with regard to 'the effectiveness of current lines of direction and levels of accountability between government and the universities in terms of the delivery of national strategies', considering in particular the effectiveness of the current model of governance in Wales, in comparison with other national models of governance.

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[8] Welsh Assembly Government (2009) *Report on the Citizen-Centred Governance Review of the Higher Education Funding Council for Wales*, Performance and Governance, WAG: Cardiff

11. Autonomy and Accountability in Welsh Higher Education

Towards a funding council model in Wales

11.1 Issues of autonomy and accountability within higher education are not new. From the early self-governing Guilds of Masters of Arts at Oxford and Cambridge in the thirteenth century, HEIs have fought to maintain their independence, and not without success.[9] However, over the last half century there has been a clear diminution of HEI autonomy across the UK.[10]

11.2 For much of the twentieth century the University Grants Committee (UGC) represented the interface between the UK government and higher education institutions.[11] The UGC – *c*omprised of a small group of senior (often retired) university staff - was established by a Treasury Minute in July 1919 to:

> 'enquire into the financial needs of University education in the United Kingdom and to advise the Government as to the application of any grant made by Parliament to meet them.'[12]

11.3 In effect, the UGC was fundamental to upholding the principle of university autonomy: although it could give general guidance on how it thought the university system should evolve, it oversaw an undemanding accountability process (over a five year planning cycle) and explicitly rejected the view that it

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[9] Richards H., (1997) *The collision of two worlds*, Times Higher Education, 5 December 1997
[10] *Tapper T. & Salter B., (2002) Understanding Governance and Policy Change in British Higher Education OxCHEPS Occasional Paper No. 11*
[11] 'Governance' refers to "the formal and informal exercise of authority under laws, policies and rules
that articulate the rights and responsibilities of various actors, including the rules by which they interact" (Hirsch, Werner Z. Weber, Luc E. (eds) (2001) Governance in Higher Education. The University in a State of Flux)
[12] Berdahl RO. (1959) *British Universitees and the State,* London: Cambridge University Press, p58

had the authority to intervene in the affairs of individual institutions.[13] The concept of the UGC was to form a buffer between individual universities and the Government to prevent political influence on the funding of individual universities.[14]

11.4 In 1964 the UGC left the auspices of HM Treasury for the then Department of Education and Science. Arguably this period marks the emergence of formal recognition (and to a degree acceptance) that higher education had an important function within society beyond its traditional roles in teaching and research.[15]

11.5 What followed was something of a quickening in the pace of change away from HEI autonomy. 1972 to 1977 was the last period during which university funding was issued on a quinquennium basis; in 1981 the UGC was 'forced' by government to administer cuts of 17 per cent over following three years.[16]

11.6 It was 1988 Education Reform Act[17] that gave rise to the funding council model of governance in higher education in the UK. The Act replaced the non-statutory UGC with the statutory Universities Funding Council, and crucially, expressly prevented direct interference by the then Secretary of State with the activities of individual HEIs[18]: 'the conditions subject to which grants are made by

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[13] Tapper T. & Salter B. (2002) *Understanding Governance and Policy Change in British Higher Education* OxCHEPS Occasional Paper No. 11: September

[14] The term buffer was introduced in the Haldane Report (1918). *Report of the Machinery of Government Committee under the chairmanship of Viscount Haldane of Cloan.* London: HMSO. The report stated that decisions about what to spend research funds on should be made by researchers rather than politicians. This view was partially rescinded with The Rothschild Report (1971). *A Framework for Government Research and Development.* London: HMSO, which called for some government control in respect of research funding.

[15] Tapper T. & Salter B. (2002) *Understanding Governance and Policy Change in British Higher Education* OxCHEPS Occasional Paper No. 11

[16] Richards H. (1997) *'The collision of two worlds'*, Times Higher Education, 5 December 1997

[17] Education Reform Act (ERA) 1988 c.40 (http://www.legislation.gov.uk/ukpga/1988/40/contents)

[18] Under the Act the Secretary of State for Education was the given power to direct funding councils though opposition in both Houses of Parliament ensured key elements of autonomy were retained e.g. ensuring that the Secretary of State would have to take 'directions' from Parliament, give the Universities Funding Council the right to advise him, not discourage the Universities Funding Council from allowing universities to raise external funds and protect academics' right to question and test the received wisdom behind the direction.

the Secretary of State to either of the funding councils shall not relate to the making of grants or other payments by the Council to any specified institution.'[19]

11.7 In practice the subsequent 1992 Further and Higher Education Act[20] might well have removed this restriction were it not for the intervention of the House of Lords.[21] What the 1992 Act did mark was a seismic shift in the make-up, structure and administration of higher education in the UK. In addition to the creation of 35 'new' universities the Act also facilitated the merging of the then Polytechnics and Colleges Funding Council and the Universities Funding Council to funding councils delineated on a national basis. The 1992 Act also clarified two key areas: firstly, the formal location of policy direction, and secondly the lines of institutional accountability.[22]

Higher education autonomy and accountability in Wales

11.8 Since the 1992 Act, the constitutional context created by the Government of Wales Act 1998 and more latterly, the Government of Wales Act 2006, has allowed the Welsh Assembly Government to play a primary role in shaping and conditioning the higher education sector in Wales. Policy priorities are normally initiated by the incumbent Minister[23], though in practice exogenous factors - such as policy changes at the UK government level - may also provide the 'trigger'.

11.9 In generating a strategic plan the Assembly will - through a formal consultation process - draw upon the views of a wider higher education 'policy network'.[24] A key contributor will be Higher Education Funding Council for Wales

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[19] Education Reform Act (ERA) 1988 s134(7)
[20] Further and Higher Education Act 1992
[21] Hansard, 1991, 21 November
[22] Tapper T. & Salter B. (2002) *Understanding Governance and Policy Change in British Higher Education* OxCHEPS Occasional Paper No. 11
[23] Within the Department for Children Education Lifelong Learning and Skills (DCELLS), or its forerunners.
[24] A term used by Tapper T. & Salter B. (2002) in *Understanding Governance and Policy Change in British Higher Education* OxCHEPS Occasional Paper No. 11

(HEFCW) which, since the 1992 Act, performs the role of directly funding and overseeing accountability within the higher education sector, but also provides advice and guidance on the sector to the Assembly. Other contributors include the HEIs, other Assembly departments (like Health),[25] sponsored bodies like the relevant Audit Committee, other organisations such as higher education representative bodies (e.g. Committee of University Chairs, Universities UK and its Welsh 'arm', Higher Education Wales), the Higher Education Statistics Agency (HESA), the Quality Assurance Agency for Higher Education (QAA) and many others. Figure 1 presents the linkages between the Welsh Assembly, HEFCW, other agencies/representative bodies and the HEIs.

Figure 1: Higher Education Policy Network
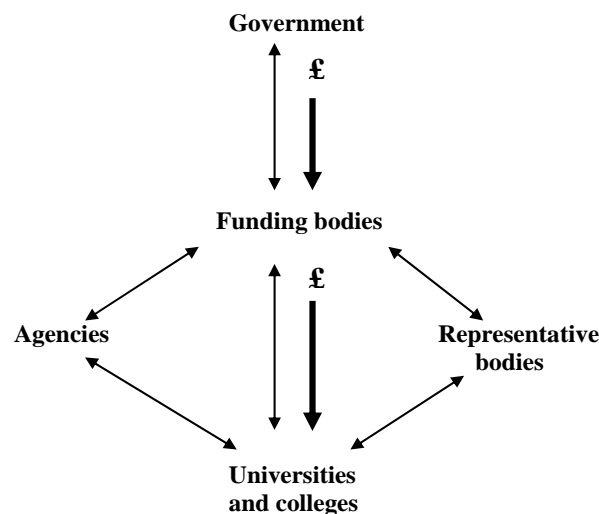
Source: Higher Education Funding Council for Wales[26]

Higher Education Funding Council for Wales

11.10 Following the 2006 Government of Wales Act, HEFCW became an Assembly Government Sponsored Body with the specific mission to: 'promote

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[25] Health, for example, because of the responsibility for the higher education of doctors, dentists and other health professionals

[26] In Clark T. (2006) *OECD Thematic review of Tertiary Education Country Report: United Kingdom* London: DFES, p65

internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely'.[27] [28]

11.11 Essentially, the strategic aims of HEFCW are to:

- Widen participation and access in support of social inclusion and economic up-skilling;
- Deliver the highest quality learning and related support **for students;**
- Deliver improved research performance to underpin the knowledge economy and cultural and social renewal;
- Deliver more productive relationships between HEIs and other stakeholders in Wales;
- Deliver high quality new teachers;
- Emphasise reconfiguration, collaboration, and other measures to sustain improved performance of HEIs and the higher education system as a whole;
- Ensure HEFCW operates as an effective public sector body.[29]

11.12 Within the context of the 'For Our Future' change agenda, these aims illustrate that much hinges on HEFCW's role as an intermediary between the Assembly and the higher education sector and its willingness to drive forward delivery of Government priority objectives. Particularly crucial are the formal and informal links between HEFCW and the Welsh Assembly Government.

11.13 In terms of formal links, each year HEFCW receives a remit letter from the Assembly Government Minister outlining the priority areas and funding for higher education over the following year. HEFCW then works with universities in Wales to help ensure that the allocated funding - the annual 'block' grants to higher

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[27] http://www.hefcw.ac.uk/about_us/our_responsibilities/vision_mission.aspx
[28] It should be noted that not all Higher Education areas have been devolved: Wales continues to work on an England and Wales or UK-wide basis in areas such as the annual survey of student satisfaction, assessments of the quality of research in higher education and applying to university
[29] http://www.hefcw.ac.uk/about_us/our_responsibilities/vision_mission.aspx

education institutions based on enrolments and research performance, as well as smaller amounts to meet specific strategies - is spent:

- 'in accordance with their own missions and aims;
- in a way which helps achieve the objectives for higher education in Wales outlined by the Welsh Assembly Government;
- effectively so that public funds can be accounted for.'[30]

11.14 In essence therefore HEFCW's main role is to convert guidance from the Welsh Assembly Government into practical arrangements for allocating funds. The degree of prescription within this role is a crucial factor in determining the level of HEI autonomy and moreover, provides for possible tensions between the Assembly and the higher education sector.

Tensions around Higher Education Autonomy in Wales

Assembly Priorities

11.15 The findings of the Merfyn Jones Review (2008)[31] and the subsequent publication of 'For our Future: A 21st Century Higher Education Strategy and Action Plan for Wales' sharpened the focus on issues of higher education autonomy in Wales. 'For Our Future' made clear the Welsh Assembly Government's intentions to 'make higher education more open, accessible and responsive to regional and national need' and 'in so doing higher education will enhance its contribution to social justice and economic performance.'[32]

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[30] http://www.hefcw.ac.uk/
[31] Review of Higher Education in Wales Phase 1: Student Finance Arrangements
Report from the Chair of the Task and Finish Group, Professor R. Merfyn Jones October 2008, p1
[32] http://wales.gov.uk/docs//dfm/minutes/cabinet/100105highereducationstrategy1en.doc , p16

11.16 In the 2010/2011 remit letter to HEFCW the Minister draws upon the recommendations of 'For our Future' to outline Welsh Assembly Government's expectations in relation to funding, namely that HEFCW should:[33]

- 'Instigate a step change in its approach to funding';
- Undertake a 'comprehensive review and re-structuring of existing funding streams from 2010-11';
- 'Ensure greater use of core funding to drive forward strategic goals';
- Progressively implement a new Strategic Implementation Fund from 2010/11 to replace the Reaching Higher Fund;
- Ensure that all planned capital developments are demonstrably aligned with 'For Our Future';
- Introduce an integrated approach to a 'regional planning and delivery system for HE' in Wales;
- Guide institutions to match national priorities for Science, Technology, Engineering and Mathematics (STEM) and Modern Language subjects.

11.17 The subsequent 'circular' sent by HEFCW to HEIs in Wales presents the funding priorities together with associated measures and targets. [34] In this respect, the recent (W10/37HE) circular identifies that significant action is needed to achieve the target on Reconfiguration and Collaboration[35] though notably, work was still needed at the time of writing to define appropriate funding levers in order to finalise proposals.

11.18 More notable perhaps is that the HEFCW remit letters (from the Assembly) since 2004-05 reveal frequent coverage of Reconfiguration and Collaboration agenda. For example, in 2004-05 remit letter the then Minister for Education and Lifelong Learning stated:

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[33] Higher Education Funding Council for Wales Remit Letter 2010/11 sent by Leighton Andrews AM 10 March 2010 http://www.hefcw.ac.uk/documents/about_he_in_wales/wag_priorities_and_policies/2010-11%20remit%20letter.pdf
[34] Higher Education Funding Council for Wales (November 2010) *Initial proposals for changing the funding system for higher education in Wales,* W10/37HE
[35] Measure 11: At least 75% of the Welsh higher education institutions will have an annual income in excess of the UK median (36% in 2008/09), with no institution to be in the lower quartile by 2012/13 (4 in 2008/09)

'I continue to place prime importance on the reconfiguration of the sector. This is at the centre of our "something for something" approach to funding. The Council's focus for the year should be to work with institutions to support and deliver their collaboration and merger plans, and to work closely with those institutions without concrete plans, in order to develop firm proposals.'[36]

11.19 While all this might be expected in relation to an ongoing policy, it does hint at questions around the speed at which reforms are being implemented by the HEIs.

11.20 This issue was taken up by the Welsh Audit Office (2009).[37] They considered progress made towards achieving the Assembly Government's policy objectives for higher education through collaborative projects. Fundamentally, the report recognises that Wales has a number of small HEIs offering overlapping provision. It further notes that in 2002, with the aim of reducing costs and achieving critical mass in teaching and research capacity, the Welsh Assembly Government established a Reconfiguration and Collaboration Fund, available for Welsh HEIs to apply for in support of collaboration projects.

11.21 Though the Audit report presented some evidence of good progress on targets associated with the Collaboration Fund, it also identified clear room for improvement (for example, in relation to increased collaboration (or full merger) between the University of Glamorgan, University of Newport and University Wales Institute Cardiff).

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[36] Higher Education Funding Council for Wales Remit Letter 2004-05
http://www.hefcw.ac.uk/documents/about_he_in_wales/wag_priorities_and_policies/Remit%20Letter%202004_05.PDF
[37] Wales Audit Office (January 2009) Collaboration Between Higher Education Institutions, Report presented by the Auditor General to the National Assembly on 14 January 2009 Cardiff: WAO

11.22 The review did however identify factors that formed barriers to HEI collaboration or merger, including:

- Not all institutions shared the Assembly Government's view that increased collaboration was necessary to remain competitive;
- Higher than expected levels of mistrust and competition among some HEIs institutions;
- Other factors like institutional history, potential impact on the locality and job losses.

11.23 Despite (or perhaps, in part, because of) these factors, the Assembly Minister recently stated that HEIs in Wales would either 'adapt or die'. In particular he noted that:

'Successive evidence points to the need for fewer institutions with greater critical mass building on respective strengths rather than wasting resources competing with neighbours. Wales has been held back for years by too many institutions which are too small to cut a mark internationally, too small to operate effectively and efficiently and too small to respond to the growing pressure of international competition.' [38]

11.24 Making clear his frustration with the pace of change, the Minister further forewarned that: 'There will be fewer higher education institutions in Wales by 2013 (.....).'[39]

Economic Context

11.25 Of course, the Minister's comments (and many of the existing Assembly policy priorities) are rooted in the wider current context of economic austerity.

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[38] Speech by Leighton Andrews AM to the Institute of Welsh Affairs, Carmarthen, 4 December 2010 (http://www.walesonline.co.uk/news/education-news/2010/12/04/mergers-pay-for-fees-deal-91466-27765439/)
[39] ibid

Though the Welsh Assembly Government has responded to the Browne Review[40], as well as wider UK Government austerity measures, the full implications for higher education in Wales are as yet unknown. What is known is that such measures will continue to focus attention on the efficiency by which the sector in Wales operates.

11.26 In this regard a recent report by PricewaterhouseCoopers on the costs of education in Wales also raised doubts about the efficiency of current arrangements. The report identified a number of areas (and actions) where potential savings might be made in higher education in Wales. The recommendations focused, in particular, on where reducing support costs such as back office costs, access and assessment and service management and administration.[41] Ten 'hypotheses' falling under two broad themes were identified - with varying applicability to higher education specifically - including:[42]

- 'Simplify governance structure' (reducing the demands on the system as result of excessive policy development, administration requirements and performance monitoring):
    - Reduce and simplify the number of specific grants requiring individual management and administration;
    - Prioritise policy objectives based on value and achievability;
    - Rationalise inspection and performance management.
- 'Standardise and Share Provision' (more aligned and collaborative ways of working):
    - All non-departmental public bodies use a single back office function;

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[40] The 'Independent Review of Higher Education Funding and Student Finance' chaired by Lord Browne of Madingley considered the future direction of higher education funding in England. The findings, published on 12 October 2010, recommended wide-ranging changes to the system of university funding, in particular removing the cap on the level of fees that universities can charge, and increasing the income level at which graduates must begin to pay back their loans to £21,000
[41] PricewaterhouseCoopers (2010) *Review of the cost of administering the education system in Wales – Phase 1*
[42] Ibid, p5

- o Standardise access, assessment and admissions processes;
- o Simplify, standardise or share the support to Higher Education (reconfiguring the delivery of support services between faculties within institutions);
- o Converging on leading practice in common support functions (increase the pace of improvement by developing a common measure of leading practice for each support function and setting a presumption that each organisation will self-assess, establish the performance gap and address it). [43]

11.27 Noticeably PricewaterhouseCoopers claimed that 'there is an appetite for reducing the number of institutions although political difficulties mean that this is not a fast route for shifting cost.'[44]

11.28 The report further points to a lack of trust as underpinning the need for control: for example, comments from respondents such as: 'If I don't trust providers to deliver I will increasingly use funding levers and regulation to force a solution'.

11.29 Acknowledging the potential difficulties, PricewaterhouseCoopers describe the need to build the case for change. This will likely include blunt acceptance from stakeholders that things cannot continue the way they have done, but also emphasise a way forward based around a set of agreed principles presented in Figure 2.

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[43] Ibid, p6
[44] ibid

Figure 2: Enabling factors

> **A national deal:** to be politically acceptable across the system, each constituent organisation must play a part with an equal focus on reducing the costs of governance and reconfiguring provision.

> **A national presumption to give direction and pace:** the local appetite for change is building, but to cut through resistance and to deliver efficiently the sector should work towards a presumed model and use commonly developed tools and methods to deliver it.

> **Adopt or amend:** allow for local configuration and progressive adjustment of the model to best accommodate local circumstances and workable coalitions of stakeholders while setting an expectation of challenge and pace.

> **A new trust across the system:** a new ability to deliver through others, replacing line management, enforcement and control mechanisms with dialogue, transparency and an acceptance of a mutual responsibility to deliver.

Source: PricewaterhouseCooopers (2010)[45]

Role of HEFCW

11.30 Another potential fault line comes in the link between the Assembly and the Welsh HEIs. A report by the Assembly Government surveyed views on HEFCW's position between the Welsh Assembly Government (to whom it is accountable), and the higher education sector (whom it funds). Many respondents saw the need to balance views as potentially 'uncomfortable'.[46]

11.31 In the report HEFCW was variously described as a 'buffer' or 'translatory body', or a body with a 'triangular' relationship with other stakeholders. It follows that respondents thought there was 'a need for greater clarity and understanding of each other's roles and responsibilities.' Moreover, HEIs and Welsh Assembly

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[45] Ibid, p7
[46] Welsh Assembly Government (2009) Report on the Citizen-Centred Governance Review of the Higher Education Funding Council for Wales, Performance and Governance, p12

Government expressed a desire for 'further transparency about HEFCW's decision-making, and the rationale behind decisions.'[47]

11.32 In terms of value for money, it was noted that compared to its larger counterparts in England and Scotland, 'HEFCW was unable to benefit from economies of scale and so would appear to be relatively more expensive'.[48]

11.33 Despite this there was 'a huge amount of respect' for HEFCW's role from within the higher education sector, which had 'good day to day communications' with HEFCW.[49] The concerns raised were not all one way either: a particular problem in the system was perceived to be the delay in HEFCW's receiving its Remit Letter from DCELLS, which impacted on timeliness of HEFCW's preparing its corporate and operational plans.

11.34 More generally, the literature points to good levels of satisfaction with HEFCW's performance. Despite the concerns described previously in this review, the Welsh Audit Office (2009) report into the Reconfiguration and Collaboration Fund did state that HEFCW 'has generally managed the ….Fund effectively' and been 'helpful in providing informal advice' and 'operated transparent criteria'.[50]

11.35 HEFCW has also showed itself to be responsive including in making – subsequent to the Welsh Audit Office's recommendation for improved working with HEIs - a 'major overhaul of its approaches for strategic engagement with the institutions, including proposals to establish a "governors tool kit"'.[51]

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[47] Ibid, p13-18
[48] ibid, p5
[49] Ibid, p18
[50] Wales Audit Office (2009) Collaboration Between Higher Education Institutions, Report presented by the Auditor General to the National Assembly on 14 January 2009 Cardiff: WAO , p10
[51] Response to the report of the National Assembly Audit Committee's report on *Collaboration between Higher Education Institutions*: Committee Report (3) 05-09

11.36 Findings from the recent stakeholder survey on the effectiveness of HEFCW also pointed to good overall performance.[52] However, the survey also pointed to areas where potential improvements could be made, including:

- Working more closely with HEIs, and particularly more direct (one to one) contact which improves understanding and builds trust;[53]
- Reducing micro-management, HEIs stating that detailed strategies should not be required when bidding for relatively small pots of money;
- Continuing to improve electronic communication;
- Improving representation of the sector to the Welsh Assembly Government;
- Providing more detail on support and policies for reconfiguration and collaboration.

Legal Context

11.37 The Welsh Assembly Government's frustrations in its inability to fully shape higher education in Wales must also be considered in the wider legal, administrative and commercial context of the higher education sector in Wales. HEIs in Wales are independent bodies whose autonomy is protected under the 1992 Act. But they are also organisations that receive funding from many sources including: tuition fees; research grants and contracts, their own commercial activity (e.g. consultancy, employer training, spin off companies) and assets (e.g. residences & catering), donations and endowments.[54] Indeed the autonomy paradox here is that increasing calls for accountability are coming at a time when HEIs in Wales will receive less funding from the public purse.

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[52] Strategic Marketing, Stakeholder Survey for HE and FE Institutions 2007, Higher Education Funding Council Wales (HEFCW), April 2008
[53] Which is somewhat ironic since it has been claimed by Tapper and Salter (2002, p9) that the pre-1964 approach to funding HEIs in the UK relied as much on the basis of personal social contacts as of bureaucratic procedures
[54] Clark T. (2006) OECD Thematic Review of Tertiary Education Country Report: United Kingdom, Department for Education and Skills, Research Report RR767, London: OECD, p16

12. Higher Education Autonomy and Accountability in England and Scotland

12.1 A history of autonomy in higher education forms the cultural backdrop to the higher education sector in other countries of the UK. Similarity in structural processes around the use of the funding council model also means that much might be learnt in Wales by looking at the perceived strengths, weaknesses and tensions in the systems in England and Scotland.[55]

Accountability and the funding council model in England

12.2 The English higher education sector is by far the largest of the UK sectors. The Higher Education Funding Council in England (HEFCE) provides the intermediary role between the UK government and HEIs. HEFCE is a non-departmental public body. This means that although it works within the a policy framework set by the Secretary of State for Business, Innovation and Skills it is not part of the Department for Business, Innovation and Skills.

12.3 HEFCE has five core strategic aims:
- Enhancing excellence in research;
- Enhancing excellence in learning and teaching;
- Enhancing the contribution of HE to the economy and society;
- Widening participation and access;
- Employer engagement and skills.[56]

12.4 To meet these aims in 2010/11 HEFCE will:

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[55] As a result of the 1992 Further and Higher Education Act the Funding Council models in England, Scotland and Wales are broadly similar, though with some notable differences. The situation in Northern Ireland is complicated by the history of the Peace Process and currently the UK Department for Employment and Learning provides funding directly to HEIs.
[56] http://www.hefce.ac.uk/aboutus/history/GuidetoHEFCE.pdf

- Distribute £7.4billion to 130 universities and 123 further educations colleges delivering HE for higher education teaching, research and related activities;
- Fund programmes to support the development of higher education;
- Monitor the financial and managerial health of universities and colleges;
- Provide guidance based upon research findings about 'what works well' and fund national co-ordination teams to support HEIs on specific developments widening participation of under-represented groups.[57]

12.5 The Government decides the total amount of funds to be distributed each year. In practice HEIs receive most of their HEFCE funding as a 'block grant' and then choose how allocate funds across teaching, research and other functions. Like the situation in Wales, there are, however, some restrictions placed by HEFCE on how funding allotted to HEIs for special initiatives is spent.

12.6 HEFCE works in partnership with other organisations and agencies to fulfill other functions of control. The Quality Assurance Agency for Higher Education carries out on behalf of HEFCE the role of assessing standards in quality of teaching and learning. Together with the other UK funding bodies, HEFCE also periodically assesses the quality of research in higher education. This will continue under the new Research Excellence Framework.

12.7 HEFCE provides informed advice to Government on the funding needs and development of higher education. By drawing on the views of HEIs as well as their own commissioned research HEFCE can help shape Government policy development. It also 'acts as an advocate for universities and colleges' in relation to Government plans and helps HEIs respond to Government priorities for higher education [58]

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[57] http://www.hefce.ac.uk/aboutus
[58] http://www.hefce.ac.uk/aboutus/history/GuidetoHEFCE.pdf

Strengths of HEFCE and funding council model in England

12.8 A review - undertaken before the 2010 General Election - of key HE stakeholders in England pointed to overall satisfaction with the work of HEFCE (and implicitly the funding council model in England). In particular:

- The then UK Government valued HEFCE for its expertise in developing detailed policy and in its efficient administration of public funding in higher education. In particular 'the Council is perceived to be professional, expert in discharging its functions and responsive to the development of public policy';[59]

- HEFCE was also thought to provide the Government with real insight into the sector not available from other sources;

- Government also valued the responsiveness of HEFCE to change, citing the Economic Challenge Investment Fund (ECIF) which demonstrated HEFCE's ability to respond rapidly to a high priority requirement;

- Both Government and HEIs valued the varied role played by HEFCE as a 'policy broker, funder and proportionate regulator'[60]. It is seen as 'both interlocutor and agent, broker and policy manager, investor and regulator';[61]

- HEIs viewed HEFCE as 'cheap, effective, stable.'[62] For 2008-09 HEFCE's running costs were 0.27% of total expenditure, lower than either the Scottish (0.54%) or Welsh (0.66%) equivalents.[63] Efficiency has been improved with the use of 'strategic response teams' - to deal with the implications of new policy development – and the use of secondments (though more could be done here);[64]

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[59] Oakleigh Consulting (2010) Independent Review Group of the Effectiveness and Efficiency of HEFCE (Final Report), March, page 6
[60] Ibid, p6
[61] Ibid, p7
[62] Ibid, p8
[63] Ibid, p12
[64] Ibid, p8

- HEIs also saw HEFCE as 'sector sensitive'.[65] In particular, the 'reflective and self-critical' approach adopted by HEFCE is perceived as a strength, allowing the Council to operate flexibly, to 'improve performance or adjust its processes' where appropriate.[66] It undertakes a range of improvement and benchmarking activities and in 2008 achieved the European Foundation for Quality Management (EFQM) accreditation. Stakeholder perceptions are also seen by HEFCE as central to their overall effectiveness. In 2008 three institutional teams were set up specifically in relation to build and review links with HEIs;[67]

- HEIs also stated that it was important for HEFCE to be 'respected' by HEIs and to work in partnership with them: HEFCE was found to be performing well on these measures;[68]

- Non-HEI stakeholders thought HEFCE 'approachable' and 'effective' and commented that their relationship with HEFCE has improved since 2005. Crucial was the feeling that 'familiarity breeds favourability' because other agencies over time come to learn and understand HEFCE's role;[69]

- The effective management of stakeholder relationships has generally developed to a high degree. Both HEIs and Government cited the handling of the stakeholder consultation in the development of proposals for the Research Excellence Framework (REF) as being particularly effective;[70]

- Overall, Government and HEIs are pleased with the role and effectiveness of HEFCE 'as funder, market regulator and a catalyst for improvement.'[71]

- HEFCE oversees a 'a successful and thriving' HE sector in England. Though not solely responsible for this success, HEFCE is a 'key enabler and could

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[65] Ibid, p8
[66] Ibid, p7
[67] ibid
[68] Ipsos MORI (2008) 2007 Survey of Communications and Relations between HEFCE and Universities and Colleges, Higher Education Funding Council for England
[69] Ipsos MORI (2009) *Survey of Communications and Relations between HEFCE and its Key Non-HEI Stakeholders and Staff*, Higher Education Funding Council for England, 25 September 2009
[70] Oakleigh Consulting (2010) Independent Review Group of the Effectiveness and Efficiency of HEFCE (Final Report), March.
[71] Ibid, p7

equally be a hindrance were it to lack the necessary competence and sensitivity to understand how HEIs and the sector actually work.'[72]

Weaknesses of HEFCE and the funding council model in England

12.9 Recent findings also suggest room for improvement in HEFCE's performance in relation to:

- Mitigating the complexity around the teaching funding model (the complexity of the model means it is increasingly less well understood outside of the Council itself).
- The need to continue to improve the quality and consistency of interaction via its Institutional and Assurance teams;
- The balance of support provided by HEFCE in its engagement with higher risk HEIs. The perception has been one of inappropriately disproportional focus on *'poorer performing'* HEIs at the expense of those not at risk (especially in times of economic austerity). [73]

12.10 The wider UK literature also points to some weaknesses in the funding council approach more generally. Tapper and Salter (2002) have been particularly critical of funding council based models: 'The funding council quangos are essentially managerial bodies that work within the parameters established by government. Similarly, whilst the universities may formally retain their corporate independence, they have little choice but to work within the framework established by the funding councils.'[74]

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[72] Ibid, p8
[73] Oakleigh Consulting (2010) *Independent Review Group of the Effectiveness and Efficiency of HEFCE* (Final Report), March, p12
[74] Tapper T. & Salter B. (2002) *Understanding Governance and Policy Change in British Higher Education* OxCHEPS Occasional Paper No. 11: September Page 12

12.11 They further contend that the funding council system is an 'inherently instable model of governance'[75] due to tensions around:

- The potential for disagreement on how policy priorities should be achieved (how tax revenue is spent in higher education);

- The varying contexts and approaches adopted by each national council in respect of the differing policy context across the devolved Government (for example student support arrangements in England are different to those in Wales);

- Competition amongst HEIs for scarce funding council revenue;

- Internal competition between academics for university budgets and how HEIs balance the demands of academics with their accountability to the funding council.[76]

12.12 In these respects Evans (2010) speaks of the two fault lines. The first is at the 'junction between the institution and state.' The second is within the institution itself, which, he contends, because of their fragmented nature, questions the whole notion of viewing HEIs as functioning autonomous and internally united entities.[77]

12.13 More generally, the diversity of HEI activities and specialisms make control difficult (and can lead to conflicting priorities; for example, encouraging a focus on STEM subjects within a HEI that is capable of producing world class research but not in STEM subjects).[78]

12.14 All this is not helped by remit letter from the Secretary of State in England which has become longer over the years and offers 'increasingly more detailed guidance on both what policy directions the Government want the Funding

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[75] Ibid, p12
[76] Ibid, p13
[77] Evans G.R. (2010) *University autonomy: two fault lines*, Higher Education Review, Vol 42, No 3, 2010
[78] *Tapper T. & Salter B., Understanding Governance and Policy Change in British Higher Education, Page 22*

Council to follow and, more frequently of late, recommendations on how they should be achieved.'[79]

12.15 Indeed the complexity of higher education and the breadth of its activities mean that many different bodies may have the right to make regulations and other bureaucratic demands on institutions (e.g. Higher Education Statistics Agency (HESA), the Quality Assurance Agency for Higher Education (QAA)). Clark (2006) identifies a particular disadvantage of the separate Funding Bodies is that both the different arms of Government and the Funding Bodies may impose requirements on universities and colleges which may lead to excessive bureaucracy.[80]

12.16 However, Clark (2006) accepts that the UK Government has had some success in recent times with parallel approaches aimed reducing the burden of externally imposed bureaucracy on public institutions. In this way the Better Regulation Task Force oversaw an estimated 25% reduction in the cost of bureaucracy for English universities in the four years to 2004. Its successor the Higher Education Regulation Review Group (HERRG) has also been praised by Government for its success in 'changing the sector's attitudes and approaches to regulation' leading to the agreement of a higher education Concordat on quality assurance and data collection.[81] This paved the way for changes in 2008 towards a more self-regulatory system with a more light touch approach from government.[82]

12.17 The search for control of policy direction without destroying the legacy of institutional autonomy has led towards a policy network approach bringing

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[79] Ibid, p10
[80] Clark T. (2006) OECD Thematic Review of Tertiary Education Country Report: United Kingdom, Department for Education and Skills, Research Report RR767, London: OECD
[81] The Government's response to Final Report of Steve Bundred Chair of the Higher Education Regulation Review Group (HERRG) (2006)**, page 1
[82] Essentially a senior civil servant within the Department for Innovation Universities and Skills with a clear responsibility to champion better regulation

together powerful groups of key stakeholders who shape policy development and implementation.[83]

12.18 At one level this is somewhat contradictory: a funding council central function is to find the ways and means of delivering policy goals, yet it is a role which it can only accomplish with critical inputs from individual academics and their universities (and other stakeholders).

12.19 Other findings also acknowledge the requirement of HEFCE (and funding councils generally) to face 'more than two ways at the same time.' Though founded on a statutory basis HEFCE's effectiveness is dependent on working 'within a framework of informed consent with both the Sector and Government.'[84]

12.20 Tapper and Salter (2002) contend that actually the role of the policy network might be something of a mirage since it is the government that holds the 'political and bureaucratic muscle' and that what in practice occurs is an 'orchestrated interchange of ideas between unequal partners'. In this respect might policy networks – orchestrated by funding councils - actually provided additional control to Government through the 'divide and conquer' rule?[85]

Issues of accountability in Scotland

12.21 Higher education in Scotland is a devolved matter. Since devolution the Scottish Parliament has used its powers to abolish up-front tuition fees, to provide for the payment of fees post-graduation by those earning above a threshold, and to introduce a unique system of means-tested grants.

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[83] *Tapper T. & Salter B., Understanding Governance and Policy Change in British Higher Education*
[83] Ibid
[84] Oakleigh Consulting (2010) Independent Review Group of the Effectiveness and Efficiency of HEFCE (Final Report), March, p7
[85] *Tapper T. & Salter B., Understanding Governance and Policy Change in British Higher Education, p 29-30*

12.22 The structure of HE sector administration and accountability broadly resembles that in England and Wales, though with notable differences.[86] Formed in 2005 out of the merger of the previously delineated further and higher education funding councils the Scottish Funding Council (SFC)[87] is the national, strategic body that is responsible for funding teaching and learning provision, research and other activities in Scotland. The SFC oversees around £1.7 billion worth of funding to the 43 colleges and 20 HEIs in Scotland.[88]

12.23 In 2007 the Scottish government presented the 'New Horizons' report into the future of higher education in Scotland. The report made explicit reference to the Scottish Government's desire for allocated funding to higher education to be used in ways that best support achievement of national level Strategic objectives and outcomes. The report presents a number of challenges set by government to universities and *vice versa*. These are presented in Figure 3:

Figure 3: Challenges in New Horizons

Challenges from the Scottish Government: 1. Scottish universities must demonstrate that they use the funds they receive from the Scottish Government to support activities which are well aligned with the Scottish Government's Purpose, its economic and skills strategies and its other policy frameworks; 2. Learning provision in universities must become more flexible (if it is to respond to the changing needs of students) and more capable of being delivered by closer and differing institutional collaborations and structures; 3. Universities must contribute more directly to Scotland having a world-class knowledge economy by embedding a culture of engagement between themselves and the Scottish micro, small and medium sized business base. Challenges from Universities Scotland: 1. By 2028 Scotland must be in the top quartile of OECD countries for percentage of GDP

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[86] Scottish Government (2008) *New Horizons: responding to the challenges of the 21st century: The Report of the Joint Future Thinking Taskforce on Universities*

[87] Scottish Funding Council is the commonly used name of the Scottish Further and Higher Education Funding Council

[88] Scottish Funding Council (2010), *The 2010 at a glance guide to the Scottish Funding Council.*

invested in its universities and for national investment in research, development and innovation. These are not excessively ambitious targets for a country aspiring to develop an advanced knowledge-based economy, but currently Scotland falls far short of them. Progress towards achieving them needs to start now;

2. In order to meet the future labour market needs of an advanced knowledge-based economy, as a minimum Scotland must aim to be in the top quartile internationally for its higher education participation rate and must substantially increase postgraduate taught and research student numbers;

3. The new General Fund for Universities funding stream must deliver sustainable funding for all mainstream university activities, including learning and teaching, research, knowledge exchange and the renewal of infrastructure; and the Horizon Fund for Universities funding stream must provide the resources necessary to support strategic change and non-standard funding needs and to fund new initiatives and projects, including investment in capacity building.

Source: Scottish Government, New Horizons Report[89]

12.24 In meeting these challenges 'New Horizons' proposes 'a new relationship between the Scottish Government and Scotland's universities.'[90] The starting point will be recognition of the university sector 'as a sector of the economy in its own right.'[91]

12.25 The Scottish Government has sought to encourage debate – rather than prescribe a solution – about the new arrangements. It did this by presenting seven models – shown in Figure 4 -illustrating how the relationship between the Scottish Government, the Scottish Funding Council and Scotland's universities might be redrawn.

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[89] Scottish Government (2008) *New Horizons: responding to the challenges of the 21st century: The Report of the Joint Future Thinking Taskforce on Universities, p3*
[90] Ibid, p9
[91] ibid

Figure 4: Options for New Arrangements

Model	Description	Strengths	Weaknesses
Status Quo	No change to the present relationships.	Stability from continuation	Escalating costs, Scottish HEIs less competitive internationally
Incentivised/ Progressive	As status quo but Government sets new direction aligned to the Government's Purpose	Make clear and agreed statement that links HE to sustainable economic growth in key industry sectors	Challenge to existing mindset e.g. asks that more room is made for research with economic application
Highly Directive	Furthers the Progressive model to point where all subjects are set by the Government and all research funding is based on competition.	Government/SFC take on the role the public already perceives them to be doing	Emphasis on Government choice places substantial pressure on Government obtaining high quality labour market projections.
Covenant	HEIs are given the funding with high level objectives and they must manage resources to meet outcomes targets. HE Principal Officers replace SFC. Targets are based on negotiations.	More equal negotiating position based on HEI understanding of their own strengths and future capacity	Government monitors progress against targets but what happens if outcomes are not met?
Self-Differentiating	Where competition on teaching is introduced through a Teaching Assessment Exercise	Generates dynamism in teaching in the sector. Sector already does this through the RAE.	Winners but also losers
Centrally Differentiated	Target high level of funds towards one HEI to achieve top 20 (world) status. Other HEIs receive funds directed towards meeting skills and applied research needs.	Evidence of the economic benefits associated with a top twenty HEI	Is this legal? Could agreement be reached on the 'one HEI?'
Threshold	Where the Government purchases a fixed number of places at Scottish HEIs with the market becoming unregulated beyond that.	Would make costs manageable for Government. Government controls number of places for Scots.	Questionable under EU laws on student support? What about research?[92]

Source: adapted from http://www.scotland.gov.uk/Resource/Doc/82254/0058120.pdf

12.26 In practice a hybrid model was agreed based upon:

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[92]The indivisibility of teaching and research is recognised as a defining characteristic of Scottish university system

- The 'adaptive capacity' of the HE sector in Scotland and the ability of the Scottish Government, the Scottish Funding Council and Scotland's universities to support and develop the sector within this parameter;[93]

- A 'something for something' approach between the Scottish Government and universities which is 'mutually reinforcing, focusing on outcomes as a measure of success';[94]

- The notion that incentives are attractive as long as quality and excellence is maintained;

- Entry into university should be flexible with multiple access and exit points;

- HEIs know their own strengths and capacity and the system should allow them to play to these (Self-Differentiating);

- Diversity is a strength of the HE sector in Scotland as a whole and should continue to be emphasised (Self-Differentiating);

- A focus on outcomes rather than inputs (Covenant).

12.27 Crucial to the success of the 'New Horizons' strategy is that HEIs accept the challenge of the new arrangements and in particular the strengthened links between funding and overarching national goals and priorities. In doing so, the Government argues that the overall case for an increasing proportion of government funding to HEIs in Scotland will be stronger. This is 'the crux of the "something for something" deal'.[95]

12.28 Other facilitating measures include the need for:[96]

- Relaxation in the regulatory framework adopted by the Scottish Funding Council and a new 'lighter touch' approach adopted to managing the relationship with institutions;

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[93] Scottish Government (2008) *New Horizons: responding to the challenges of the 21st century: The Report of the Joint Future Thinking Taskforce on Universities, p* 24
[94] ibid*, p25
[95] ibid,p 27
[96] ibid

- Government-HEI consultation through a new Tripartite Advisory Group which will be the forum through which the sector offers its views on the new arrangements;

- The Scottish Funding Council to play a central role in implementing key strategic initiatives developed in partnership with universities;

- The Scottish Government's role in the future to 'change to be more focused on outcomes, aligned to Government policy priorities';

- The need for strong governance and leadership within HEIs – and particularly from governing bodies - to ensure universities play an active part in this new set of relationships;

- A new set of funding arrangements. In particular, public funding needed to be delineated into two new funds:[97]

   - the General Fund for Universities (GFU) – a pot with fewer restrictions and more flexibility with performance judged against Government's high level objectives, outcomes and indicators;

   - Horizon Fund for Universities (HFU) – a pot used to incentivise delivery that is aligned to key Government strategies and priorities. [98]

12.29 Changes under 'New Horizons' will also see a more 'moderation' role for the Scottish Funding Council (SFC) in ensuring continued coherence of provision, focusing some resources on 'spend-to-save' initiatives which have identifiable and realisable financial benefit, and supporting mergers where the relevant HEIs deem it appropriate.[99] In particular it is thought the SFC will focus on: [100]

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[97] SFC indicate that around 90% of funding will be for GFU, 10% for HFU (http://www.scotland.gov.uk/Resource/Doc/82254/0069175.pdf)

[98] Scottish Government (2008) *New Horizons: responding to the challenges of the 21st century: The Report of the Joint Future Thinking Taskforce on Universities*

[99] Universities Scotland (2010) *Towards a Scottish Solution: Universities Scotland's first contribution towards finding a Scottish solution for the sustainable funding of the university sector, October 2010*

[100] New Horizons: Joint future thinking taskforce on universities The Funding Council's response to the interim report (http://www.scotland.gov.uk/Resource/Doc/82254/0069175.pdf)

- Simplification in the funding system (e.g. a teaching funding formulae based on one single student number target rather than 25 categories) and monitoring oversight (e.g. work with partners - like Audit Scotland - to reduce requirements on HEIs for other information);

- Funding orientated more towards funding 'the right provision in the right institution' than previous;

- A lighter touch on issues of HEI governance, with HEIs running their own affairs with more emphasis on the role of the Governing body and less internal scrutiny from the SFC;

- Key strategic initiatives e.g. Horizon Fund;

- Taking advice from the Tripartite Advisory Group on suitable measures for outcomes targets;

- Identifying and supporting ambition and confidence and encouraging the higher education sector in Scotland to 'think big'.

12.30 Within the context of financial austerity the SFC may also be under pressure to reduce their costs to the proportionate benchmark set by HEFCE (SFC currently consumes in cost 0.5% of grants given to HEIs compared to 0.2% for HEFCE) with the savings passed on in additional resources to HEIs.[101]

Performance of the SFC

12.31 Since the publishing of 'New Horizons' the SFC - as part of its commitment to continuous improvement – has undertaken a review of stakeholder views as to determine overall levels of effectiveness.[102] The results point to positive perceptions about the role and effectiveness of the SFC from those with whom they have frequent dealings. Notable findings include:

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[101] Universities Scotland (2010) *Towards a Scottish Solution: Universities Scotland's first contribution towards finding a Scottish solution for the sustainable funding of the university sector, October 2010*

[102] EKOS (2009) Survey of Scottish Funding Council Communications and Relations with Stakeholders, Scottish Funding Council April 2010

- A majority of respondents from HEIs and partners feel that SFC's role has changed in the last two years, mainly citing the organisation's more strategic role and its closer alignment to Government priorities – particularly in relation to economic development;

- Around one third of HEI staff mentioned a role of the SFC's being the 'implementation of Government policy', but few saw the SFC as an intermediary in the passive sense;

- A small number – though not a majority - of HEIs expressed concern about changes to the SFC's role in implementing government policy. In particular that the SFC is becoming more prescriptive and more involved in operational planning at institutional level;

- HEI respondents would like more direct contact between the SFC and HEI staff (an issue particularly for the senior staff) including through conferences, seminars and events;

- Consultation with senior staff within HEIs needs to be more frequent and more meaningful. In particular HEIs raised concerns about the extent to which feedback is taken on board, engagement in the process not being early enough and a feeling that it is superficial – decisions having already been made prior to consultation;

- The SFC Corporate Plan clearly articulates Scottish Government priorities but not all agreed with this focus and there is also a suggestion that the Plan is too high level (i.e. not sufficiently operational).

12.32 Finally, it should be noted that despite all these proposed changes the Scottish Government acknowledges that the challenges remain significant. For a nation that credits itself with having invented free education, the implications of the Browne review and wider context of economic austerity in the UK have placed substantial pressures on the devolved Scottish administration.[103] Future austerity measures come on the back of recent efficiencies amounting to at least

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[103] Herman A, (2001) How the Scots invented the Modern World, Crown Publishers: New York

£60 million in the last three years and finding further efficiencies, without harming HE provision, will be particularly demanding.[104]

Tensions around the autonomy in higher education

12.33 More generally, a limited review of the UK literature points to a number of tensions between Government and HEI on the issue of autonomy. In particular, these arise from a multitude of factors providing the rationale for, and against, autonomy for HEIs.

12.34 The UK government has so far resisted formerly defining levels of autonomy in the UK. In their report Students and Universities (August 2009) the then Department for Innovation Universities and Skills Select Committee (now the Department for Business Innovation and Skills) recommended that the UK Government ask HEFCE and wider higher education network to 'draw up, and seek to agree, a concordat defining those areas over which universities have autonomy, including the definition of academic freedom and, on the other side those areas where the government, acting on behalf of the tax payer, can reasonably and legitimately lay down requirements or intervene.'[105] However, the Westminster Government rejected the recommendations, citing their satisfaction with roles and responsibilities in the existing arrangements.

12.35 Indeed it might be seen as convenient for Government to choose not to challenge HEI autonomy overtly. Rather through interpretation of when and how it is in the national interest the Government may exert control while avoiding open confrontation with the HE sector. That is not to say recent Government proposals have been restrained. For example, in 2009 the then Secretary of State for Innovation, Universities and Skills suggested that HEFCE consider

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[104] Scottish Government (2008) *New Horizons: responding to the challenges of the 21st century: The Report of the Joint Future Thinking Taskforce on Universities,* p4
[105] DIUS Select Committee, 2009, page 88.

whether 'a greater proportion of Higher Education funding might become contestable' as a way of further influencing HEIs.[106]

12.36 The Government has certainly been active in linking funding to HEI activity in certain policy priority areas.[107] Often linkages are expressed through subtle changes in language. Since the formation of the University Grants Committee in 1919 the role of the intermediary organisation has been that of 'buffer'.[108] It might reasonably be assumed that the intervention of the House of Lords in drawing up the 1992 Act was primarily aimed at continuance of that role. However, that HEFCE, for example, now includes in their remit the role as 'broker'[109] between State and HEIs offers a subtle change in language that may be at odds with the intention of the 1992 Act.[110]

12.37 This 'brokerage' role has been implemented with some success. Clark (2006), for example, notes the role HEFCE has played in encouraging HEIs to work at the regional level through inter-University partnerships, improved links with Regional Development Agencies and management of key stimulants such as the Higher Education Innovation Fund (HEIF).[111]

12.38 But tensions are also perceptible. The increased tempo of desired change and the impact this may have on the consultation process within higher education is one. A possible consequence is that the model of consensual and consultative policy development that characterises much of funding council work across the UK may be undermined. The risk is if a Funding Council is obliged to trade sector

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[106] Letter to Tim Melville-Ross CBE, Chair of Higher Education Funding Council for England from Rt Hon John Denham MP Secretary of State for Innovations, Universities and Skills, 6 May 2009
[107] For example, Widening Access funding has clearly links to achieving the goals of AimHigher.
[108] More specifically it was the 1918 Haldane Report that first introduced the notion of a 'buffer' between Researchers and State
[109] See for example HEFCE's response to Lord Browne's Independent Review of Higher Education Funding and Student Finance at http://www.hefce.ac.uk/news/hefce/2010/browne.htm
[110] Evans GR., (2010) University autonomy:two fault lines, Higher Education review, Vol 42, No. 3, ISSN 0018-1609.
[111] Clark T. (2006) *OECD Thematic Review of Tertiary Education Country Report: United Kingdom,* Department for Education and Skills, Research Report RR767, London: OECD

consultation in favour of swift response, then its core value proposition as a broker may be materially compromised.[112]

12.39 Notably, in this example, to ensure against such outcomes it has been recommended that HEFCE consider whether:

- There should be an agreed shared strategy defining the relationship management between the Council and HEIs;
- It could strengthen the means by which its relationship managers interact and exchange information concerning the oversight of related bodies;
- The Government should 'encourage nominations for HEFCE Board membership from heads of institutional governing bodies'.[113]

12.40 Further tensions can also be identified in relation to:

- Globalisation of the HE sector in particular how funding councils deal with online course provision. The internet operates at a level almost invisible to the state and this presents problems for overall strategic planning.[114] For example, how will developing online provision overseas challenge UK HEIs, what benefits are there in relation to the widening participation agenda, how will quality be maintained (in the context that UK students pursuing online courses 'overseas' may still ultimately live and work in the UK).
- The argument that increased competition will reduce the scope for collaboration because HEIs will more than ever want to offer what they perceive the market wants (within the constraints of their own strengths and capacity) and this may be different to the policy priorities set by government.[115] However, market goals are not always societal goals and may

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[112] Oakleigh Consulting (2010) *Independent Review Group of the Effectiveness and Efficiency of HEFCE* (Final Report), March

[113] Ibid, p15-16

[114] Fielden (2008) *Global Trends in University Governance*, Education Working Paper Series Number 9, Washington DC: The World Bank

[115] Clark T. (2006) *OECD Thematic Review of Tertiary Education Country Report: United Kingdom*, Department for Education and Skills, Research Report RR767, London: OECD, p69

lead to specialisation in what the Government defines as low priority subjects.[116]

- There should also be acceptance that institutions have particular subject strengths and that diversity should be welcomed and respected. Resource should be concentrated on encouraging HEIs to focus on their missions.[117]

- The adequacy of current funding levels. Relatively UK HEIs are underfunded compared to some other modern countries.[118] If the government wishes, for example, for increased inter-university collaboration then it must ensure sufficient funding is made available to support this.[119] Moreover, a step change in capability can be brought about once institutions have the framework and funding to plan long term.[120]

- An increasingly burdensome administrative landscape for HEIs in England. HEIs in the UK have had to bear the burden of quality inspections and accountability estimated at around £250million per annum in 2002.[121] While the UK funding councils have been a key contributor to the introduction and operation of a much more proportionate regulatory environment, it is only one of a number of funders of the higher education sector and this trend has not necessarily been mirrored by other funding bodies.[122]

- Policy priorities versus economic and social realities: the backdrop to the sector's finances including the context which sees a triangulation of wider access to higher education versus public sector austerity constraints versus demographic changes (less 18-19 year olds).[123]

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[116] Tapper T. & Salter B., *Understanding Governance and Policy Change in British Higher Education, p21*

[117] The Council for Industry and Higher Education (2002) *The Strategic Review of Higher Education...Influencing Policy,* London: CIHE, p4

[118] Hermann K, (2008) *The UK Education System: A Summary Input to the Canada:UK Colloquia*, p7

[119] The Council for Industry and Higher Education (2002) *The Strategic Review of Higher Education...Influencing Policy,* London: CIHE, p4

[120] ibid

[121] The Council for Industry and Higher Education (2002) *The Strategic Review of Higher Education...Influencing Policy,* London: CIHE, p2

[122] Oakleigh Consulting (2010) *Independent Review Group of the Effectiveness and Efficiency of HEFCE* (Final Report), March, p12

[123] E.g.

- Greater state control may constrain universities. The breadth of difference in institutional missions, purposes, ambition and character of UK HEIs underpins the sector's world-class performance;[124] the UK is second only to the USA on leading scientific indicators and crucially, during the current economic climate, ranks first on publication productivity and citations in relation to research and development public spend.[125] Moreover, some suggest that block funding is the natural partner of autonomous institutions because it allows HEIs the freedom to decide how they use these funds and it provides a degree of research stability and independence not provided by other funding sources.[126]

- The dichotomy here between a performance monitoring / audit culture and professional responsibility, in particular, the need for enhanced performance from HEIs whilst requiring them to reveal and justify their practices. In particular: 'Perhaps most threatening is the public nature of the process: the rush to publish league tables that place failing institutions (.....) in the spotlight.'[127]

- Whether there is equivalence between publically funded institutions. Though societal institutions do not carry equal political weight, to what extent are other funded sectors autonomous, in respect of requirements to modify activity to meet imposed targets?[128]

- Instability and, in particular, political cycles bring new policy goals. Political whim and fads come and go. HEIs may argue that transmitting and extending knowledge is in contrast somewhat eternal in comparison. [129]

- The notion that HEIs receive public funding and therefore should align their activity to support public policy objectives and priorities. In particular, moves towards a mass system of higher education in the UK with all the associated

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[124] Oakleigh Consulting (2010) *Independent Review Group of the Effectiveness and Efficiency of HEFCE* (Final Report), March
[125] International benchmarking study of UK research performance 2009', published by Evidence, commissioned by the Department for Business, Innovation and Skills (www.dius.gov.uk/science/science_funding/science_budget/uk_research_base).
[126] Universities UK (2010) *Securing World Class Research in UK Universities, Exploring the Impact of Block Grant Funding*, p3
[127] Tapper T. & Salter B., *Understanding Governance and Policy Change in British Higher Education*
[128] ibid
[129] Tapper and Salter talk of a situation where *'ideas rather than material conditions generate change.'* p15

issues of funding, access, and quality have all stimulated 'consumer', and henceforth, political interest. Additionally, Government may argue that it will still be held responsible for policy outcomes even if it should lessen its control of governance.[130]

- Higher education is a public as well as private good. Graduates are relatively wealthier, healthier, more knowledgeable, law abiding and tolerant that those who are not.[131] In this respect those espousing more rather than less autonomy may suggest that while Government does fund in part higher education in the UK, that higher education already provides very real benefits to UK society.[132]

- Finally, Evans (2010) questions whether it is even appropriate to describe HEIs as autonomous entities, in the sense that they are discreet institutions operating with a sense of unity. He points to a number of conspicuous failures within HEI internal system and identifies that indirectly government might view this as rationale for exerting further control.[133]

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[130] Ibid, p21
[131] The Council for Industry and Higher Education (2006) *An Input to the Review of Higher Education by The Education and Skills Select Committee*
[132] The Council for Industry and Higher Education (2002) *The Strategic Review of Higher Education...Influencing Policy,* London: CIHE, p19
[133] Evans G.R. (2010) *University autonomy: two fault lines*, Higher Education Review, Vol 42, No 3, 2010

13. Autonomy and accountability: Some International Findings

Overview

13.1 In this section we widen the review to include an international perspective on HEI autonomy and accountability. Of particular interest are the recent trends in governance systems in the more economically advanced countries, how these systems compare and what has been learnt in relation to good practices.

13.2 In approaching the international literature on autonomy three issues must be borne in mind. Firstly, the focus remains on the external linkages, i.e. governance of higher education systems rather than issues of HEI (internal) administration. Secondly, and inevitably, higher education outside of the United Kingdom is comprised of a far more diverse landscape of HE systems and structures. Inherently, much of what we see is based upon historical developments and rooted in the wider culture within those countries. Thirdly, in many countries (particularly non-English speaking countries) past systems relied heavily on direct state/government control and developments in the higher education sector have been towards more autonomy from HEIs.[134] From what we have already seen this differs markedly from the case in the UK (and other 'Anglo' countries like Australia) where historically HEIs have had relatively more autonomy in running their own affairs. Indeed changes in the 'Anglo' countries towards something akin to a '*quasi-market*'[135] within higher education have meant less autonomy for the sector's HEIs.

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[134] Fielden J (2010), *The Changing Roles of University Governing Boards and Councils*. In: Penelope Peterson, Eva Baker, Barry McGaw, (Editors)*, International Encyclopaedia of Education*. volume 4, pp. 273-278. Oxford:
Elsevier

[135] Chubb J.E. and Moe T.M. (1990) *Politics Markets and America's Schools* Washington DC: The Brookings Institution.

Growing Pressures

13.3 In previously centralised systems many governments are turning away from detailed control in favour of a more supervisory role that focuses on shaping strategy.[136] In countries like the UK with a history of more 'independent' higher education sectors governments are faced with the conflicting needs to exert control without damaging the autonomy of the higher education sector (and losing the benefits that come from that autonomy).

13.4 Some authors argue that these two processes actually represent a convergence to certain commonalities.[137] Moreover, they suggest that change can be linked to a number of pervasive and quite unremitting driving forces over the last half century including: globalisation (increasing competition and choice); the spread of neo-liberal idealism (individualization of society) and increasing public knowledge and awareness leading to closer scrutiny on issues of efficiency, effectiveness and economy.[138] [139]

13.4 What is clear is that by the 1980s, governments, concerned at the limitations to which HEIs could interpret (through their research and teaching activities) what was good for society, were actively seeking alternative arrangements for shaping higher education.[140] This came in the form of the New Public Management approach which espouses the use of private sector

[136] Neave, G. and Van Vught, F.A. (eds.) (1994) *Government and Higher education Relationships Across Three Continents. Winds of Change,* Oxford: Pergamon

[137] Hénard F. and Mitterle A. (2008) *Governance and quality guidelines in Higher Education A review on governance arrangements and quality assurance guidelines*, OECD

[138] Maroy C. (2009) *Convergences and hybridization of educational policies around 'post bureaucratic' models of regulation* British Association for International and Comparative Education Vol. 39, No.1 , January, 71-84

[139] Fielden (2008) *Global Trends in University Governance*, Education Working Paper Series Number 9, The World Bank, March 2008: Washington DC

[140] Kogan M. and Hanney S. (2000) *Reforming Higher Education*, London:Jessica Kingsley Publishers, p55

mechanisms of incentives and competition to enhance efficiency and effectiveness of public services.[141]

13.5 What resulted has been something of a transformation in the structural governance and autonomy of HEIs. HEIs moved towards positions of being neither state controlled nor purely autonomous entities. Instead a system of 'remote steering' by Government has emerged centred around demonstrating value for money.[142]

13.6 Implicit in this process is a rationale for some level of Government intervention based upon, for example:

- General concern around the extent to which teaching and research within HEIs is aligned with specific national economic and social objectives;[143]
- Frustrations around 'sluggish decision-making' within HEIs on issues of accountability;[144]
- A view that there is a lack of clarity regarding responsibilities at odds with an increasingly complex higher education landscape;
- The contention that Government can play a significant role in supporting HEIs in respect of: positive externalities (i.e. civic virtues and citizenship values), 'paternalism' (i.e. students may not be sufficiently informed to make rational choices) and equality of opportunity goals;[145]

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[141] Boer, H. de., Enders J. and Schimank U. (2007) *On the Way Towards New Public Management? The Governance of University Systems in England, the Netherlands, Austria, and Germany*, in Jansen D. (ed.) *New Forms of Governance in Research Organizations. Disciplinary Approaches, Interfaces and Integration*, Dordrecht: Springer, (http://www.fernuni-hagen.de/imperia/md/content/imperia/soziologieii/preprints/i_deboer_schimank_enders.pdf)

[142] Goedegebuure, L. and Hayden M. (2007) *Overview: Governance in higher education concepts and issues*, Higher Education Research and Development, Vol. 26, No. 1, March

[143] Chatterton P. & John Goddard J. (2000) *The Response of Higher Education Institutions to Regional Needs*, European Journal of Education, Vol. 35, No. 4, 2000, Oxford: Blackwell

[144] Clark B. R. (1998) *Creating Entrepreneurial Universities: Organisational Pathways of Transformation*, Issues in Higher Education Series: XVI, Oxford: Elsevier Science Ltd.

[145] Daniels R.J. and Trebilcock M.J. (2005*) Towards a New Compact in University Education in Ontario*

- A notion that placing higher education at the centre of Government economic and social policy actually empowers HEIs;[146]

- Irrespective of alignment and contribution to national goals, a view that autonomy is necessary but not sufficient at the institutional level: a review of high-ranking universities found three connected factors at the Institutional level: concentration of talent, abundant funding and appropriate governance;[147]

- The contention that HEIs are in practice loosely comprised bodies rather than unified entities, easily at risk of fragmentation, duplication or other negatively perceived outcomes.[148]

13.7 However, the literature also identifies a strong repost (mainly by HEIs) arguing for more autonomy, based upon:

- The notion that autonomy allows institutions to manage their affairs efficiently and responsively to changing patterns of demand.[149] The Council of the European Union (2007) for example, makes an explicit link between autonomy and their ability of HEIs to respond to society expectations[150];

- An argument that there is an inherent undervaluing by government of HEIs' contribution to societal goals. While much is known, for example, about the private benefit of secondary education, because of the complexity of HEIs often little is known about the full direct and indirect economic and social

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[146] A fundamental paradox of giving power on the one hand while removing it through increased accountability etc on the other

[147] Salmi J. (2009) *The Challenge of Establishing World Class Universities*, Washington DC: World Bank

[148] Krücken, G. and Meyer F. (2006) *Turning the University into an Organisational Actor*, in Drori G., Meyer J. and Hwang H. (eds.), *Globalisation and Organisation: World Society and Organisational Change*, Oxford: Oxford University Press

[149] Salmi, J. (2007) *Autonomy from the State vs Responsiveness to Markets*, *Higher Education Policy*, Vol. 20

[150] Commission of the European Communities, "The European Research Area: New Perspectives", COM (2007) 161 final, 4 April

benefits of HEIs. Without this data is it reasonable to require HEIs to do more, particularly in relation to what might be narrowly defined objectives?;[151]

- Government priorities may be at odds with subject demand. HEIs operate nationally and internationally, government priorities are often more localised to regional or even sub-regional levels. Moreover if priorities are too localised, then insisting on HEI alignment may expose subject courses to considerable fluctuations in demand due to changing contexts e.g. economic crises;[152]

- Issues of trust including HEI distrust of government labour market information, policy direction, or where the accountability and governance agenda is deemed too short-term and reactive and with (possibly opportunistic) partisan inclinations.[153]

Trends and Challenges

13.8 Wherever the balance of the argument lies, the inexorable move towards increased HEI accountability (without direct Government control) has undoubtedly created challenges. In the last section we identified a number of tensions described in the UK focused literature. With reference to a number of countries, the OECD has described how the way in which competing priorities of HEI self-determination and national priorities are reconciled will depend on a country's response to a number of identified challenges, including those presented in Figure 5.

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[151] Jones G.A. (2005) *On Complex Intersections: Ontario Universities and Governments*, University of Toronto

[152] Chatterton P. and Goddard J. (2000) *The Response of Higher Education Institutions to Regional Needs,* European Journal of Education, Vol. 35, No. 4, 2000, Oxford: Blackwell, p484

[153] Sossin L. (2005) Public Universities and the Public Interest: Toward a Vision of Governmental Oversight, University of Toronto

Figure 5: Main challenges in tertiary education

Function	Main challenges
Steering tertiary education	• Articulating clearly the nation's expectations of the tertiary education system. • Aligning priorities of individual institutions with the nation's economic and social goals. • Creating coherent systems of tertiary education. • Finding the proper balance between governmental steering and institutional autonomy. • Developing institutional governance arrangements to respond to external expectations.
Funding tertiary education	• Ensuring the long-term financial sustainability of tertiary education. • Devising a funding strategy consistent with the goals of the tertiary education system. • Using public funds efficiently.
Quality of tertiary education	• Developing quality assurance mechanisms for accountability and improvement. • Generating a culture of quality and transparency. • Adapting quality assurance to diversity of offerings.
Links with the labour market	• Including labour market perspectives and actors in tertiary education policy. • Ensuring the responsiveness of institutions to graduate labour market outcomes. • Providing study opportunities for flexible, work-oriented study.

Source: adapted from OECD (2008)[154]

13.9 These challenges are significant. The need to articulate expectations, or define priorities immediately, challenges policy makers to identify, collate and reconcile diverging interests across stakeholder groups. For example, there is a need to define what constitutes 'student needs' within a higher education landscape where concepts like lifelong learning, online learning and part-time study are ever more popular; Moreover, decision makers will wish determine where, how and on what frequency should labour market 'actors' be engaged?).

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[154] OECD (April 2008) *Tertiary Education for the Knowledge Society*, Thematic Review of Tertiary Education: Synthesis Report, Overview, p5

Levels of autonomy and lines of accountability

13.10 The research on governance models can be categorised as falling in to either theoretical or empirical (typologies) approaches.

13.11 Theoretical models tend to compare the influence of key variables – government influence, HEI autonomy (academic oligarchy, executive autonomy), other factors (e.g. intermediary bodies/agents, market forces) - to determinately analyse potential modes of co-operation. Clark (1983) postulated three distinct mechanisms for coordination or integration of university activity: the state, the market or an academic oligarchy. [155] Reducing Clark's three-dimensional space of governance to a two-dimensional one van Vught (1989) contrasts the *'State control'* model found mostly in continental Europe and the '*State supervisory*' model associated with higher education in the 'Anglo-Saxon' countries. [156] The former displays strong state regulation and an influential academic 'body'. The latter shows less state influence (limited to providing the broad framework), but also increased influence from intermediary bodies and actors.

13.12 Fielden (2008) provides an example of an empirical (typological) model based around the legal status given to HEIs. [157] Figure 6 models four potential typologies. [158]

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[155] E.g. Clark B. R. (1983) *The Higher Education System. Academic Organisation in Cross-National Perspective*, University of California Press, Berkeley.

[156] Vught F. A. van (1989) *Governmental Strategies and Innovation in Higher Education*, London: Jessica Kingsley Publishers

[157] Fielden (2008) *Global Trends in University Governance*, Education Working Paper Series Number 9, The World Bank, March 2008: Washington DC

[158] A major European research project led by the European University Association is currently reviewing the "Autonomy scorecard" project for a number of European countries. The project which is funded from the European Commission's Lifelong Learning programme began in October 2009 and will run for two years. Through such research additional examples may be draw in relation to typological models such as Fielden's.

Figure 6: Levels of Autonomy

Institutional Governance Model	Status of Public Universities	Examples
State control	Can be agency of the Ministry of Education or a state-owned corporation	Malaysia
Semi-autonomous	Can be agency of the Ministry of Education, a state-owned corporation or a statutory body	New Zealand, France
Semi independent	A statutory body, a charity or a non-profit corporation subject to Ministry of Education control	Singapore
Independent.	A statutory body, charity or non- profit corporation with no government participation and control linked to national strategies and related only to public funding	Australia, United Kingdom

Source: Fielden (2008) [159]

13.13 Braun and Merrien (1999) have described various typologies differentiated by the mix of their characteristics, including: 'utilitarian culture' (a culture where public institutions are expected to provide useful services); 'tight or loose substantial' (the right and authority to decide on goals and programmes / goal-setting capacity of government in matters of education and research – tight means government goal setting is prominent); 'tight or loose procedural' (level of administrative control of universities by policy-makers).[160]   The typologies were:

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[159] Fielden (2008) *Global Trends in University Governance*, Education Working Paper Series Number 9, The World Bank, March 2008: Washington DC, p9

[160] Braun D. (1999*) New Managerialism and the Governance of Universities in a Comparative Perspective*, in Braun D. and Merrien F.X. (eds.) *Towards a New Model of Governance for Universities? A Comparative View*, *Higher Education Policy Series*, London: Jessica Kingsley Publishers Ltd. p5-7

- Bureaucratic-Etatist: Non-utilitarian culture, tight substantial, tight procedural (e.g. Sweden);

- Market: Utilitarian culture, loose substantial, loose procedural (e.g. U.S.A);

- Corporatist-statist: Utilitarian culture, tight substantial, tight procedural (e.g. Russian Federation);

- Bureaucratic–oligarchic: Non-utilitarian culture, tight substantial, tight procedural (e.g. Germany, Italy, Switzerland);

- Collegium: Non-utilitarian culture, loose substantial, loose procedural (e.g. U.K.).

13.14 Marginson and Considine (2000) have argued that Australian higher education system can be modelled around 'enterprise universities' whereby historical autonomy has given way to an increasingly restricted choice of commercially focused options.[161] In this respect Rhoades and Slaughter (2004) talk of an 'academic capitalism' model in countries like the Australia, Canada, United Kingdom and United States.[162] They describe a higher education landscape whereby the boundaries between the for-profit and not-for-profit sectors have been blurred in part, by a fundamental change in the relationship between Government, HEIs and the private sector.

13.15 Both theoretical and empirical models capture the diversity of higher education systems in the more advanced countries. They help reveal that even if overall harmonisation trends (e.g. around accountability) are visible, very distinct individual structures remain.[163]

13.16 Nevertheless, the challenge of finding an appropriate balance between centralisation and decentralisation remains. For Governments trying to shape

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[161] Marginson S., Considine M. (2000) *The Enterprise University: Power, Governance and Reinvention in Australia*, Melbourne, Australia: Cambridge University Press
[162] Slaughter S and Rhoades G. (2004) *Academic Capitalism and the New Economy: Markets, State and Higher Education.* Baltimore, MD: The Johns Hopkins University Press
[163] Huisman J., Meek L. Wood F. (2007) *Institutional diversity in higher education: a cross-national and longitudinal analysis*, Higher Education Quarterly, 61 (4) p. 573

higher education, a plethora of mechanisms are available to this effect. These include, for example, imposing quality assurance frameworks, performance-related funding, market orientated mechanisms, transparent information flows, increased participation of external stakeholders in governing bodies, and more. Issues of which mechanisms and to what extent they should be used therefore become central.

Policy Options

13.17 The OECD[164] has produced findings that attempt to distil potentially useful ideas and lessons from the experiences of countries that have been searching for better ways to govern their higher education systems.[165] In particular countries may wish to:

- **Develop a coherent strategic vision for higher education:** ideally from a systematic national strategic review of higher education. Recent comprehensive examples include: the Review of Higher Education (2008) in Australia.[166]

- **Establish appropriate instruments for shaping higher education**: consider innovative methods such as performance contracts or performance-related funding and use of institutional competition and student choice to shape HEI behaviour (relying heavily on student mobility and clear information on HEI quality and performance). In Austria, public funding is based for 20% on a funding formula, while 80% is allocated on the basis of a 'contract agreement' between the university and the Ministry and includes coverage of social goals and inter-university co-operation. Overall, there has

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[164] OECD (2008) *Tertiary Education for the Knowledge Society: OECD Thematic Review of Tertiary Education: Synthesis Report*

[165] OECD basis the findings on the experiences reported in the Country Background Reports, the analyses of external review teams, and the wider research literature associated with 24 OECD countries. The list is not definitive or exhaustive. The OECD makes clear that Stakeholders will wish to draw upon ideas as appropriate to their country's unique social, economic and educational structures and traditions.

[166] Commonwealth of Australia (December 2008) *Review of Australian Higher Education*

been a strong trend towards block grant funding - usually accompanied by performance criteria and targets – in most European systems. Notably in Sweden and Slovenia the block grant is subject to broad categorisation which impedes universities from transferring large amounts from a major post. More rigid regimes such as line-item budgets – where HEIs receive their funding already pre-allocated to cost items and/or activities – are now much less common and generally confined to Eastern European Governments such as Bulgaria and Greece.[167]

- **Ensure coherence where there is extensive diversification**: diversification in higher education widens the reach of HEIs and in theory is better able to meet national needs (and take advantage of national opportunities) however without co-ordination (i.e. regular review of HEI missions) each sub-system may evolve independently leading to a fragmented sector with little coherence and increased risks in terms of efficiency, duplication and subject gaps. There is some evidence that encouraging specialisation can support diversification. For example, the Higher Education Quality Council of Ontario has recently told all higher education institutions in the province to identify which specialities they excel in and restrict their bids for government funding to those areas.[168]

- **Encourage HEIs to align with the national strategic priorities:** the use of strategic plans drawn up by the HEIs and linked to accountability and strategic funding awards. Government may also wish to review options to widen the scope of institutional autonomy so as to allow for greater responsiveness (to students, stakeholders, regions) and efficiency in operations.

- **Make HEI funding for teaching formula-driven, related to both input and output indicators and with components that are sensitive to (national) strategic targets:** in particular use of a transparent (but non-bureaucratic)

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[167] Estermann T. & Nokkala T. (2009) *University Autonomy in Europe I: Explorative Study*, Brussels: European University Association
[168] Times Higher Education (4 November 2010) *Ontario institutions told to find and stick to niches*

approach which shields allocation decisions from political pressures. A mix of 'core' funding - which should to some extent include output-oriented indicators to support excellence in teaching and learning – and performance related funding with internal indicators (completion rates) and external indicators (quality of graduates).

- **Ensure that 'quality assurance' exists within a framework aligned to the goals of higher education and with key stakeholder viewpoints**. Quality assurance should serve both improvement and accountability purposes with a rebalancing towards the former over time where HEIs demonstrate continuing good performance. HEIs should be encouraged to develop a 'quality culture'.

- **Improve knowledge diffusion rather than strengthening commercialisation:** innovation (taking a product to market) 'is a journey' that draws upon research 'to solve problems'. Awareness and understanding add efficiency and support the innovation process. Knowledge diffusion is therefore just as important as commercialisation.

- **Encourage inter-institutional collaboration** and support diffusion of research findings by supporting collaboration between HEIs and between HEIs and other private and public organisations.

- **Reconcile academic freedom with institutions' contributions to society:** Options include re-conceptualising what comprises academic work. This means academic freedom needs to be framed within institutions' obligation to society, e.g. with academics pursuing their objectives while accounting for institutional goals, being provided with support and conditions to meet these goals. While academics ought to have autonomy in the design of the courses they teach and the research they undertake, priorities may be influenced at the institution or system level.

- **Create conditions for the successful implementation of reforms:** In order to build consensus, it is important that **all** stakeholders – including those beyond the HE sector - see proposed tertiary education policies within the broader policy framework and strategy. One way of achieving this is delegate responsibility for forward strategy to those stakeholders. For example, in

Ontario, Canada, the Presidents of the Provinces' 24 Colleges recently combined to proposed 'A New Vision For Higher Education in Ontario.'[169] This report links the role of Colleges in the Province with regional and national policy objectives.

- **Ensure clarity of purpose:** Individuals and groups are more likely to accept changes that are not necessarily in their own best interests if they understand the reasons for these changes and can see the role they should play within the broad national strategy. Change is best facilitated by communicating a clear long term vision, supported with robust evidence of opportunities as well as the likely threats that come with inaction. There is also evidence that reforms which are sustained by external pressures (e.g. limitations of public funding) stand a better chance of successful implementation. Common external problems unite stakeholders in response. Similarly, the use of project pilots can create 'internal' pressures on HEIs based around competition.

13.18 However, not all authors agree that such an interventionist approach will bring success. Jones (2005) argues against the use of an intermediary (buffer) agency between Government and HEIs. Specifically it: '*may do more harm than good (.....). The intersections between government and university activities are simply too complex and multifaceted to be structurally routed through some form of buffer agency*.' As such an intermediary body is no longer a 'viable structural mechanism for coordination'.[170]

13.19 MacTaggert (2003)[171] drawing on a number of examples from the United States contends that more autonomy should be provided to HEIs. He suggests this might be achieved through:

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[169] *A New Vision For Higher Education in Ontario: Submitted by the presidents of Ontario's 24 public colleges*, Colleges Ontario, 2009

[170] Jones G.A.(2005) On Complex Intersections: Ontario Universities and Governments, University of Toronto, p15

[171] MacTaggart T. (2003) *A New State-University Relationship for a Stronger Economy* Forum: *Moving from Fiscal Constraint to New State-University Partnerships,* Wisconsin Center for the Advancement of Postsecondary Education, University of Wisconsin-Madison

- Putting the new policies in statute which will be necessary to secure permanent change;

- Making expectations few, clear and important: avoiding vague objectives like 'respond to local educational needs' or bolstering them with more specific and measurable objectives;

- Granting substantial independence in return for greater accountability. Reinventing government is often more difficult than anticipated.

- Combating entrenched state bureaucracies which will resist loss of control and predict dire consequences from devolving authority;

- Making and following through on commitments to the new relationship advocated by political and policy leaders;

- Implementing a system of independent review to ensure that greater autonomy in statute is in fact being exercised. A summative evaluation should be scheduled five years after the new relationship is initiated, with periodic interim reports before that time. The review should recommend changes if promised results are not achieved.

- Developing the new relationship through negotiated agreements among political and university leaders and including heads of state agencies in the discussions. The ultimate success of these efforts will depend on the practicality of the agreement and on the levels of trust among the key players.

13.20 However, Sossin (2005) argues that public interest would not be served either by direct government intervention in university affairs nor by completely devolved authority over university affairs to the universities themselves. Rather, she asserts that: 'a proper balance between autonomy and accountability must address the interests of both universities and governments but should not be unilaterally determined by either.' In this respect, she contends there is a compelling case for an intermediary (buffer) agency both to help find and implement the proper balance.[172] However, consideration should be given to:

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[172] Sossin L. (2005) Public Universities and the Public Interest: Toward a Vision of Governmental Oversight, University of Toronto

- The formal or informal means at the disposal of the intermediary body to resist government pressure;

- Avoiding establishing just a new, cumbersome and different level of bureaucracy to navigate;

- Setting up an intermediary body comprised of only appointees from the HEIs themselves (a so called stakeholder led buffer agency);[173]

- The role a statutory audit body may take in providing financial oversight.

Conclusion

13.21 Despite the complexities higher education remains central to the economic and societal goals of advanced nations. OECD (2008) recommends that governments find the proper balance between governmental steering and institutional autonomy.[174]

13.22 What seems to be emerging is a notion of workable balance between independence and accountability. This will depend on a number of factors including the needs of key stakeholder organisations (primarily HEIs and government), prior fundamentals such as culture and historical development of HEI as well pragmatic factors of cost and complexity.

13.23 However, while this review – and other researchers[175] - have distinguished governance from the procedural aspects of management (i.e. HEI leadership and administration), this is likely to be an inappropriate distinction since the internal management processes of HEIs are likely to have significant influence on the

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[173] See Council of Ontario Universities (http://www.cou.on.ca/_bin/home/aboutCouncil.cfm)
[174] OECD (2008) *Tertiary Education for the Knowledge Society: OECD Thematic Review of Tertiary Education: Synthesis Report,* April 2008
[175] E.g. Middlehurst R. (1999) *New Realities for Leadership and Governance in Higher Education?* in *Tertiary education and management*, Vol. 5, p311-312

effectiveness of their contribution to wider societal goals.[176] Indeed, as one author states:

'national systems are blunt instruments for reform. The state or other main sponsors cannot do the job of reform for the universities. Only universities themselves can take the essential actions.'[177]

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[176] Reed M. I., Meek L. and Jones, G.A (2002) in Amaral A., Jones G.A. and Karseth B., (eds.) *Governing Higher Education: National Perspectives on Institutional Governance,* London: Kluwer Academic Publishers, pXXVII)

[177] Clark B. (2001) *The Entrepreneurial University: New Foundations for Collegiality, Autonomy, and Achievement* in Education and Skills (2008) Journal of the Programme on Institutional Management in Higher Education, OECD, p11

14. Case Studies

14.1 This section presents three international case studies. The purpose is firstly to indicate the many different approaches economically developed countries have taken in approaching issues of autonomy and accountability. Secondly, in understanding the experiences of other countries some useful learning points - applicable to Wales - might be drawn.

Case Study 1: Provinces of the Atlantic Canada Region

14.2 While the legislative authority in Canada is shared by the federal government, ten provincial governments and three territorial governments, under the 1867 Constitution Act there is no federal ministry of education; provincial Governments have responsibility for all levels of education. Federal support to higher education comes only in the form of fiscal transfer, research funding and student support and, since the 1996 Employment Insurance Act, Labour Market Development Agreements with the Provinces in respect to development of active employment benefits programmes.

14.3 In terms of higher education context the 'Atlantic Canada' region shares many similarities to Wales. Comprised of four provinces (Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland and Labrador) and with a population of around 2.4million, it:

- Has a history of low economic performance (and net inward government transfers) compared to some other parts of Canada;
- Has many small HEIs with different historical foundations that have a large impact on their local economies. Scale is a problem, not just within higher education but also the wider economy where, for instance, the region does

not have critical mass in many of its research and innovation systems (i.e. infrastructure and industrial capacity are also limited) ;[178]

- Is bilingual (with pockets of English and French speaking communities);

- Suffers from severe outward migration of graduates;

- Faces significant competition from larger, established HEIs in metropolitan areas of Canada.[179]

14.4 The region comprises 16 universities and three community colleges. The Universities are considered minor players in the Canadian higher education landscape.[180] There is significant diversity though: ranging from 'full-service' universities with sizeable graduate numbers (e.g. Memorial University of Newfoundland) to smaller liberal arts institutions (e.g. Mount Allison University). Noticeably there are few so-called 'dual' universities – universities offering both further and higher education – despite the concept being popular in other part of Canada such as British Columbia.[181]

Autonomy

14.5 As with other Provinces across Canada, higher education in the Atlantic region derives about three-quarters of its funding from the provincial and federal

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[178] Cornford A., (GPT Management Ltd.), Marin Consultants, Inc. and Gardner Pinfold Consultants Ltd (2002) *Innovation and Commercialization in Atlantic Canada*, Atlantic Canada Opportunities Agency

[179] Garlick S., Davies G., Polèse M. and Kitagawa F. (2006) Supporting the Contribution of Higher Education Institutions to Regional Development: Peer Review Report: Atlantic Canada, OECD Directorate for Education, Education Management and Infrastructure Division, Programme on Institutional Management in Higher Education (IMHE)

[180] Garlick S., Davies G., Polèse M. and Kitagawa F. (2006) Supporting the Contribution of Higher Education Institutions to Regional Development: Peer Review Report: Atlantic Canada, OECD Directorate for Education, Education Management and Infrastructure Division, Programme on Institutional Management in Higher Education (IMHE)

[181] 'Duals' are thought to offer a plausible option for regions searching for better learning pathways.   Nova Scotia has chosen to create through legislation two autonomous, four-year degree-granting. Other Provinces within the Atlantic region have however shown no interest. See Sparks J., Scherf K., Thompson Rivers University, Kamloops, British Columbia, Canada *Continental 'Drift': Autonomy, Government, and Governance in Canadian Duals, Coast to Coast to Coast Society for research into Higher Education, Annual Conference December 2010*

governments (the largest share provided by the former). Government support varies widely by institution and by level (college or university).

14.6 Though heavily dependent on government funding, universities in the Atlantic Canada region have considerable autonomy with respect to academic policy and organization. There is no pan-Canadian accrediting body to evaluate the quality of degree programs. Programmes are subject to internal quality assurance processes and a university's membership of the Association of Universities and Colleges of Canada (AUCC) is generally accepted as evidence that appropriate standards have been met.

14.7 Government intervention is generally limited to finances, fee structures, and the introduction of new programmes. The main federal influence (other than fiscal transfer) comes through the work of the Atlantic Canada Opportunities Agency (ACOA). The ACOA is in effect a separate ministry with its own responsible minister, elected from the region. A key strength of the ACOA has been its longevity. Founded in 1987 it has built a formidable understanding of the region which has helped build and maintain credibility with key partners including within higher education.[182]

14.8 However, there are several co-ordinating bodies and lobbies that have come into being; most notably the Council of Atlantic Premiers[183] and the Atlantic

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[182] Garlick S., Davies G., Polèse M. and Kitagawa F. (2006) Supporting the Contribution of Higher Education Institutions to Regional Development: Peer Review Report: Atlantic Canada, OECD Directorate for Education, Education Management and Infrastructure Division, Programme on Institutional Management in Higher Education (IMHE)

[183] Council of Atlantic Premiers (CAP) represents a Memorandum of Understanding in which all four (Provincial) Premiers expressed their common desire to cooperate for the benefit of the residents of the Atlantic Canada region. In particular to: strengthen the economic competitiveness of the region; improve the quality of public services to Atlantic Canadians and improve the cost-effectiveness of delivering public services to Atlantic Canadians. (Council of Atlantic Premiers (2001) *Working Together for Atlantic Canada: an action plan for regional co-operation, 2001-2003* Halifax, N.S: CAP and Council of Atlantic Premiers (2005) *Building on Progress: Atlantic action plan, 2005-08,* Halifax, N.S: CAP

Provinces Economic Council.[184] Moreover, the region's universities have come together to form the Association of Atlantic Universities and more recently, the Council of Atlantic Premiers has sponsored the creation of the Atlantic Provinces Community College Consortium, which co-ordinates initiatives such as block transfer agreements between provinces.

14.9 In terms of intermediary bodies the Maritime Provinces Higher Education Commission (MPHEC) was established in 1974 for the provinces of New Brunswick, Nova Scotia, and Prince Edward Island. The MPHEC is an agency of the Council of Atlantic Premiers and plays an advisory role, with the specific aims of:[185]

- Providing assurances that programmes developed by institutions meet agreed-upon quality criteria;
- Confirming that institutions have appropriate policies and practices to ensure the ongoing quality of their programmes;
- Facilitating and promoting cost-effectiveness of, and accessibility to, the broadest range possible of programmes;
- Collecting, storing and maintaining quality, comprehensive and relevant information across all mandated functions;
- Devising data and information products providing stakeholders with value, across all mandated functions, especially related to key post-secondary education issues;
- Increasing awareness of, and dialogue on, Maritime Post-Secondary Education (PSE) issues and opportunities, both in the Maritimes and nationally;
- Promoting and facilitating cooperation within the Maritimes and with other provinces and external partners to, among other things, facilitate, among

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[184] Founded in 1954 Atlantic Provinces Economic Council (APEC) is an independent think-tank dedicated to economic progress in Atlantic Canada (http://www.apec-econ.ca/Mandate.asp)
[185] The Maritime Provinces Higher Education Commission Mandate http://www.mphec.ca/about/mandateandact.aspx

institutions and among governments for example, the development of cost-effective and collaborative approaches to administration, programmes and policies;

- Providing advice and services to the provinces, as requested;
- Ensure the effective and efficient management of Commission resources (corporate objective).[186]

14.10 The Newfoundland and Labrador Council for Higher Education (CHE) provides a similar role, promoting collaboration by providing recommendations to Memorial University of Newfoundland, the College of the North Atlantic (CNA) and the Minister of Education. The CHE was recognized in legislation through the Council on Higher Education Act in 2006.[187] Notably this legislation also requires HEIs to demonstrate greater connectedness with each other and strong accountability to the public.

Issues within higher education

14.11 Core issues for higher education in the Atlantic Canada region centre on its contribution to the wider economy, in particular:
- Retaining graduates and up-skilling the working population;
- Improving the competitiveness of regional researchers in national research funding opportunities;
- Increasing the comparatively low level of matched funding provided for innovation in the region by local business (which tends to be SME dominated in profile).

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[186] ibid
187 Council on Higher Education Act, S.N.L. 2006, c. C-37.001

Response

14.12 The recent OECD Peer Review of higher education in Atlantic Canada found a number of good practices. Each of the provinces was found to have a Vision for higher education. New Brunswick has, for example, instigated a 'Quality Learning Agenda' representing a ten year vision based around a full continuum of learning from early childhood through to adult learning.[188]

14.13 There was thought to be a growing culture of co-operation across the four provinces based around region-wide initiatives, including:

- **Block transfer credit arrangements** which strengthen education pathways across community colleges and universities;
- **An Atlantic Innovation Fund**, which has been an important catalyst in boosting the research and innovation partnerships between HEIs and businesses;
- **Springboard,** which promotes the sharing of resources and expertise among universities to support technology transfer;
- Joint (cross Provincial) applied research e.g. Genome Atlantic project.

14.14 The review also found evidence of a number of successful provincial initiatives, such as the *debt forgiveness programmes* aimed at arresting the brain drain of graduate students (e.g. New Brunswick Student Loan Assistance Programme).[189]

14.15 There have also been a number of initiatives at the HEI level aimed, broadly, at enhancing contribution to the wider community, including:

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[188] Government of New Brunswick (2003) *Quality Learning Agenda: Ten-year vision to strengthen N.B.'s education system*
[189]http://www.unbf.ca/financialaid/documents/GovernmentStudentLoanDebtReductionProgramsAcrossCanada.pdf

- **Brokerage bodies** between higher education research and community needs (e.g. the Leslie Harris Centre of Regional Policy and Development at Memorial University);

- **Specialist research and consultancy** (e.g. Harris Centre and the Mount Allison University Rural and Small Town Programme);

- **Innovation and technology transfer** between universities and business enterprises (e.g. Genesis Centre at Memorial University);

- **Lifelong learning initiatives** (e.g. Mount SaintVincent University).

14.16 Finally the Review[190] proposed a number of suggestions for improvement, including that:

- HEIs consider increasing specialisation as well as increasing efforts in developing smooth pathways for students who wish to move from one institution to another;

- HEIs increase their efforts in student recruiting and marketing: going out into the schools, workplaces, social service settings, and inviting potential students to take advantage of opportunities they may neither know about nor trust.

14.17 Moreover, the Review team suggested more could be done to build capacity within the region and in this respect they proposed:

- Improving the 'reaching in' capacity of HEIs. 'Reaching in' relates to how internal processes and activities can be improved for better engagement and impact beyond the Institution. Suggestions for improvements included:

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[190] Garlick S., Davies G., Polèse M. and Kitagawa F. (2006) *Supporting the Contribution of Higher Education Institutions to Regional Development*: Peer Review Report: Atlantic Canada, OECD Directorate for Education, Education Management and Infrastructure Division, Programme on Institutional Management in Higher Education (IMHE),

- o Each institution undertaking an audit of how it is currently contributing to the region's development and identify how its contribution on this might be enhanced;
- o Each HEI appointing a key executive person with the responsibility for ensuring that their scholarship connections with the regional community are developed in a comprehensive way;
- o Mission and value statements of each institution should convey commitment to the future development of the regional community;
- o HEIs partnering with regional resources to realise savings and achieve more comprehensive outcomes, (e.g. using community facilities or allowing greater public access to their own facilities);

- Improving the 'reaching out' capacity of HEIs.   This relates to the wider perception of HEIs. Suggestions for improvement in this respect included:
  - o HEIs need to reflect a welcoming persona and reach-out into the community. A clear point of contact was important. Moreover it was thought important that HEI leaders publicly commit their institution to the community's development through the media, public events, through memoranda of understanding, and key alliances;
  - o Development of clear and communicated unambiguous learning pathways based around lifelong learning;
  - o Research and innovation agenda based around consultation with local community stakeholders to identify specific needs.

- Government level response, in particular in relation to:
  - o A new region-specific competitive grant with the objectives of enhancing structural reform and efficiency (e.g. resource sharing, improving education pathways, avoiding duplication and overlap in programme offerings);

- o A revised funding allocation to take account of issues of spatial equity by recognising the higher costs and lower opportunity of locating a campus in a non-metropolitan area;
- o The setting up of an Atlantic Research Grants Council modelled on that of the old Quebec FCAR whereby new researchers are encouraged to focus on Atlantic-specific issues.

Case Study 2: Australia

14.18 Australia was one of the first countries to restructure to enable wider participation in higher education.[191] The results of those changes made it a leader internationally in the movement from elite to mass systems. This process was broadly perceived to have been successful; Australia has for some time enjoyed one of the highest graduation rates in the OECD countries and higher education has become a significant contributor to the export economy.[192]

14.19 Despite these successes the Australian higher education landscape has been characterised by turbulence over the last 30 years. Over this period there has been much focus on the specific roles of key stakeholder bodies.

14.20 Decision-making, regulation and governance for higher education are shared among the Australian government (Commonwealth), the state and territory governments and the institutions themselves. Universities are self-accrediting.[193] Most are established through state and territory legislation, though some (for historical reasons) are established under Commonwealth legislation. HEIs are subject to a wide range of state and territory legislation in

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[191] OECD (2007) Thematic Review of Tertiary Education - Country Background Report: Australia, Canberra: Department of Education, Science and Training
[192] OECD, 2006, *Education at a Glance 2006*
http://www.oecd.org/document/52/0,2340,en_2649_201185_37328564_1_1_1_1,00.html
[193] The Australian (federal) government is known as the Commonwealth. Australia is comprised of _ States and Two Territories.

addition to their enabling legislation, including financial administration and audit Acts, commercial activities, borrowing and investment powers.

14.21 There are 37 public universities, two private universities and around 150 other providers of higher education in Australia.[194] [195] Each public university has its own enabling legislation however, which defines its goals and mission. Each receives the vast majority of their public funding from the Commonwealth in line with the Higher Education Support Act 2003.[196]

Autonomy

14.22 Australian HEIs have a high level of autonomy. They independently set institutional direction and priorities including curriculum, course profile, staffing, internal allocation of resources and capital programmes. The Australian higher education sector is viewed as highly responsive to the changing labour market opportunities for graduates. The clearest evidence is seen in the proliferation of purpose-built vocationally-oriented degrees directed at specific labour markets in the professions.[197]

Issues within higher education

14.23 However, these successes belie an undercurrent of difficulties Australian higher education has had in defining the specific role and responsibilities of the main higher education stakeholders. For more than two decades there has been

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[194] These include: 'Other self-accrediting higher education providers' i.e. those providers listed in the Australian Qualifications Framework Register as empowered their own awards and 'Non self-accrediting higher education providers' i.e. providers recognised under state legislation and offer at least one course of study that is accredited as a higher education award
[195] OECD (2007) Thematic Review of Tertiary Education - Country Background Report: Australia, Canberra: Department of Education, Science and Training
[196] ibid
[197] OECD (2007) *Thematic Review of Tertiary Education - Country Background Report: Australia*, Canberra Department of Education, Science and Training

a level of debate about rationalising or re-distributing responsibilities within higher education.[198]

14.24 The role of the Commonwealth[199] is central to this issue. Under the current system the Commonwealth retains a strong influence over higher education as the largest single source of funding and through its policy and accountability framework.[200] [201]

14.25 However, Commonwealth approaches to the management of higher education in Australia have changed markedly over the past two decades. Intervention in the period from the mid-1980s was characterised by the new public management ideals of accountability and minimising bureaucracy. The election of the Labour government in 1983 and subsequent re-election in 1987 marked a period of intense reform through legislation enacted to increase ministerial control of the public service.

14.26 What this meant in practice was a diminution in the number of statutory public sector intermediary organisations with their roles given instead to departmental heads, reporting directly to Ministers. The rationale was based on both cost efficiencies and rejection of what was seen as ambiguous lines of responsibility.[202]

14.27 By the mid 1990's, the Commonwealth's approach had shifted towards market mechanisms rooted in neo-liberal ideology.[203] [204] HEIs were encouraged

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[198] Ibid, p69

[199] And in particular the led by the Department EST (though other Commonwealth Government departments also have influence)

[200] Notably, the States ceded responsibility to the Commonwealth for funding universities in 1974.

[201] OECD (2007) *Thematic Review of Tertiary Education - Country Background Report: Australia*, Canberra Department of Education, Science and Training

[202] Meek V.L and Hayden M. (2005) *The Governance of Public Universities in Australia: Trends and Contemporary Issues*

[203] Meek V.L. and Wood F.Q. (1997) The *market as a new steering strategy for Australian higher education, Higher Education Policy* 10(3/4),

to diversify income streams; becoming in effect 'enterprise universities'.[205] One marked effect in this respect has been the growth in attracting (fee paying) overseas students – by 2008 Australia's third-largest export industry.

14.28 But such changes were not routinely successful. By 2001, student to staff ratios had increased dramatically, academics reported less time and opportunity for research, and there had been a decline in traditional subjects like 'classics'.[206]

14.29 The Nelson Report (2003) [207] to the Commonwealth government considered that central to the problem was a dichotomy between entrepreneurial organisational behaviour and the traditional core principles of universities. The challenge would be to reconcile the traditions of academic integrity and freedom with the more profit driven demands of the commercial world.[208]

14.30 The balance of responsibilities between Commonwealth and States/Territories has also been something of a thorny issue. Though providing relatively little overall funding, states/territories do have legislative powers over higher education and a recurrent theme has been the extent to which a). state/territory priorities are compared to national priorities under a system of (national) Commonwealth funding and b). to what extent having State/Territory and Commonwealth priorities leads to an overly complex and burdensome reporting system for HEIs.

14.31 It is noticeable that in 1991 State and Commonwealth Ministers of Education considered but rejected the option of allocating full responsibility for

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[204] Coaldrake P. (2000) *I'm dreaming of a White Paper*, *Journal of Higher Education Policy and Management* 22(1)
[205] Marginson S., Considine M. (2000*) The Enterprise University: Power, Governance and Reinvention in Australia*, Melbourne, Australia: Cambridge University Press, p. 4
[206] Breen J. (2002) Higher Education in Australia: Structure, Policy & Debate, Monash University
[207] Australia Commonwealth Department of Education Science and Training (2002) Higher *Education at the Crossroad: An Overview Paper*, Canberra
[208] Peter Karmel, *Higher Education at the Crossroads: Response to Ministerial Discussion Paper* http://www.backingaustraliasfuture.gov.au/submissions/crossroads/crossroads1.htm

higher education to the Commonwealth. The reasoning was that the links between HEIs and states/territories were crucial in defining and addressing more localised needs and moreover, were important in ensuring appropriate linkages between HEIs and the state/territory controlled schooling and tertiary level sectors.[209]

14.32 However, the issue re-surfaced ten years later in the *Crossroads Review.*[210] It was subsequently found that there could be benefits in the Commonwealth taking a greater role in some regulatory areas: (e.g. governance and management within public universities). Recent calls for full legislative authority to be handed from state/territory to the Commonwealth have generally been met with much criticism however.[211]

14.33 In terms of reporting systems, the neo-liberal approach of the 1990's also brought with it greater levels of accountability and an emphasis on the provision of funds by the Commonwealth being tied to specific Commonwealth priorities.[212] The post Crossroads Commonwealth paper Our Universities: Backing Australia's Future indicated that the Commonwealth is determined to ensure that institutions are required to provide the minimum of reporting whilst maintaining the highest levels of accountability.[213]

14.34 However, the then Australian Vice-Chancellors' Committee (AVCC) claimed that the reforms associated with Our Universities: Backing Australia's Future had increased the reporting burden on universities.

[209] Working Party on Higher Education, *Report to the Australian Education Council* (Canberra: Australian Government Publishing Service, 1991), 5.
[210] Australia Commonwealth Department of Education Science and Training (2002) Higher *Education at the Crossroad: An Overview Paper*, Canberra
[211] Most recently, a debate has been triggered by a suggestion from the Deputy-Premier of New South Wales that full responsibility for all 11 of that State's universities should be handed over to the Commonwealth. While other States and the Australian Vice-Chancellors' Committee promptly opposed the proposal, the Commonwealth Minister has expressed an interest in the idea.
[212] Meek V.L and Hayden M. (2005) *The Governance of Public Universities in Australia: Trends and Contemporary Issues*
[213] Nelson B (2003) *Our Universities: Backing Australia's Future*, Canberra: Australian Ministry for Education, Science and Training

Response

14.35 The current situation is one where the universities are accountable to the state/territory in which they have been established for their financial administration and audit. They are also accountable to the Commonwealth in the form of 'educational profiles'. These are produced annually and provide a basis for future funding decisions. They include: a strategic plan; a 'Research and Research Training Management Report'; data on the allocation of funded student load to places in courses; capital asset management plan; equity plan; indigenous education strategy, and a quality assurance and improvement plan.

14.36 There have been a number of intermediary type organisations. Informally, the HEIs have representation through Universities Australia (previously the AVCC). Amongst many roles Universities Australia strives 'to develop policy positions on higher education matters through discussing higher education issues, including teaching, research and research training'.[214]

14.37 Similarly, the 'Group of 8' has been operating as an informal network of vice-chancellors drawn from Australia's oldest and most research-intensive universities. Incorporated in 1999 – though active since 1994 – the Group's role includes influencing national policies for higher education and university research.[215]

14.38 In terms of formal bodies, the Australian Universities Quality Agency (AUQA) is the principal national quality assurance agency in higher education.[216] Established by the Ministerial Council on Education, Training and Youth Affairs in

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[214] http://www.universitiesaustralia.edu.au/page/about-us/
[215] http://www.go8.edu.au/government-a-business
[216] http://www.auqa.edu.au/

2000, it operates as a not-for-profit national agency independent of state/territory and Commonwealth governments.[217]

14.39 The Australian Research Council is a statutory authority within the Australian Government's Innovation, Industry, Science and Research portfolio. Set up through the *Australian Research Council Act 2001* Council advises the Government on research matters, manages the National Competitive Grants Program. In effect the Council undertakes a 'buffer role' between the Commonwealth and the universities in relation to research and research training.[218]

14.40 This makes it more puzzling why there is currently no wider intermediary (buffer) organisation like those found in the UK and many other 'Anglo' countries.[219] A glance at Australia's past systems reveals that such bodies have existed in the fairly recent past. The Commonwealth Tertiary Education Commission was the last of these. From 1974 to 1987 it fostered 'a stable and predictable policy environment' and was 'internally flexible', and because for many years the Commission had 'a monopoly of funding, expertise and authority.'

14.41 However, like many other public bodies the Commission was scrapped in 1987; a move that strengthened government control over HEIs [220] but also pointed to a fundamental weaknesses in the buffer approach as applied to the Australian context.[221] In particular, to be successful an intermediary (buffer) must

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[217] Notably, on issues of research, the Research Quality Framework' modelled on the UK's Research Assessment Exercise was scrapped in 2007 over fears about the high operational costs of the approach.
[218] http://www.arc.gov.au/about_arc/default.htm
[219] Nelson B (2002), *Higher education at the crossroads: An overview paper* (Canberra: Commonwealth Department of Education, Science and Training, 2002), 5
[220] Duckett S.J. (2004) Turning right at the crossroads: The Nelson Report's proposals to transform Australia's universities, *Higher Education* 47: 211–240, Netherlands: *Kluwer Academic Publishers*
[221] Marshall M. (1990) *End of an Era: the Collapse of the 'buffer' Approach to the Governance of Australian Tertiary Education*, Higher Education 19: 150.

able to deal with, and balance, the needs of the government (at all levels). The Commonwealth Tertiary Education Commission did this through a complex system of 'consultative arrangements' that allowed it to respond to both levels of government.

14.42 At the same time an increasing number of agencies and government departments identified the importance of higher education to meeting their own aims. The magnitude and diversity of their needs and viewpoints created new pressures and demands on the Commonwealth government. As a result the 'guidelines' issued by the Commonwealth to the Commission became substantially more detailed and, framed within policy objectives, increasingly contradictory (e.g. budgetary austerity while pursuing a widening participation agenda). Against a backdrop of impatient desire for reform - driven by the Commonwealth's belief that higher education could contribute more effectively and directly to national goals - the Commission's lengthy consultation process was perceived as unsuccessful.

14.43 However, some commentators have called for the re-establishment of the statutory intermediary like the commission.[222] They point to the Tertiary Education Commission in New Zealand as an example of the benefits such a body may bring not only in the practical issues such as the allocation of funding and specialist advice to government, but also (within limits) in the collating and presenting to HEIs the numerous and sometimes disparate priorities of government.

Case Study 3: Austria

14.44 Higher education in Austria is provided by universities, universities of applied sciences / Vocational Universities (*Fachhochschulen)* and Academies (e.g. Teacher Training Colleges). There are 22 public universities, 18

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[222] Nelson B (2002) *Higher education at the crossroads: An overview paper,* Canberra: Commonwealth Department of Education, Science and Training

Fachhochschulen and ten private universities. The Federal Government, specifically the Federal Ministry of Education, Science and Culture *(Bundesministerium für Bildung, Wissenschaft und Kultur)* retains accountability primarily through funding arrangements.

Autonomy

14.45 Traditionally, universities in Austria were financed fully by the federal government[223] through a direct negotiating process with each university. Though Austrian universities were firmly self-administered in academic issues, all academic staff and administrators were paid public servants of the Government.

14.46 However, like most European countries, Austria was affected by the financial crisis of the late 1980's. Disputes over funding – fuelled primarily by financial cutbacks in the university sector[224] – strained the previously consensus-oriented relationship between government and the HE sector. Central to the issue was inertia inherent; Pellert (1999) identifies slow decision making as a characteristic of the centuries old institutions dominated by an academic oligarchy.[225]

14.47 Since 1990 the Austrian higher education system has undergone substantial reforms. These have not only modified internal governance mechanisms of HEIs but restructured the entire higher education system. The process has not been without controversy, however.

14.48 The University Organisation Amendment Act (1993)[226] was designed to bring new and more efficient internal structures: universities were encouraged to

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[223] Usually the Federal Ministry for Education, Science and Culture or its forerunners
[224] Though a European wide movement towards mass education within the context of an already famously open higher education system in Austria, must have added considerable pressures.
[225] Pellert A. (2003) *Politik als Reformhindernis* in Luthje J. and Nickel S. (eds): Universitatsentwicklung. Strategien, Erfahrungen, Reflexionen. Frankfurt am Main, S. 19-25.
[226] Universitatsorganisationsgesetz (1993)

be more entrepreneurial and competitive through a more market orientated approach. Again not all universities were quick to respond, and there were varying levels of resistance.[227] Moreover changes within university management were not supported in a cultural sense, with parallel changes at the Government level.[228] Against a backdrop of reductions in Government funding, inevitable tensions grew and the Act was deemed unsuccessful.

14.49 In March 1999 the Ministry of Education sought consultation on the issue of legally autonomous universities (*vollrechtsfähige Universitäten*). This led to amended legislation that enabled universities for the first time to charge tuition fees and themselves employ academic and administrative staff.

14.50 This process culminated in the 2002 University Reform which redefined the relationship between the universities and the state. Since then the Ministry has assumed a supervisory function only in legal affairs but continues to be responsible for strategic planning and research. The universities remain primarily state funded though they are fully autonomous in their internal affairs and formulate their own statutes. The law requires the establishment of a university board (*Universitätsrat*) at each institution which comprises leading figures from public life and the private sector.

14.51 Two key reforms stand out: firstly, the development of the *Fachhochschulen* sector as a market based model of higher education focusing on vocationally orientated provision; secondly, the introduction of performance related funding measures as a means of ensuring accountability.

14.52 Decentralisation is a core characteristic of the *Fachhochschulen* sector. These institutions operate as private entities (equivalent to limited liability

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[227] Nickel, S., Witte J. and Ziegele F. (2006) *Universitatszugang und –finanzierung. Analyse der osterreichischen Hochschulsteuerung und Perspektiven.*
[228] Zechlin, L. (2002) *Die osterreichische Politik verabschiedet sich von der strategischen Steuerung ihrer Universitaten in zeitschrift fur hochschulrecht, hochschulmanagement und hochschulpolitik* (zfhr), Heft 4/2002

companies) and are run on market based principles.[229] The main function of the Austrian *Fachhochschulen* is the provision of higher education to the regional economy. This means that *Fachhochschulen* vary in coverage across Austria according to specific needs – particularly of private businesses - of the region in which they are found.[230]

14.53 The 2002 reforms also introduced revised funding and accountability procedures within the higher education system. In particular, use is made of allocated budget based around a fixed formula:

- 80% of the total budget is allocated on the basis of negotiated performance contracts;

- 20% of the total amount for all universities is allocated on the basis of performance indicators and indicators of social objectives. [231]

14.54 The first performance contracts were introduced through public law in 2007 for a period of three years. The process involves direct negotiation between the government and individual universities to determine funding levels based upon requirement, demand and various social objectives (e.g. increased internationalisation and mobility). Universities present specific plans to meet the agreed objectives and targets.[232]

14.55 The strength of this approach is firstly, it allows the state to agree specific priorities and targets with each university. Secondly, the approach allows universities complete latitude in determining how they achieve an agreed defined

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[229] Leitner E. (2006) *Austria´s Fachhochschulen and the Market-Based-Model.* In: International Higher Education Nr. 42/Winter.
(http://www.bc.edu/bc_org/avp/soe/cihe/newsletter/Number42/p8_Leitner.htm)
[230] Lassnigg L., Unger M., Pechar H., Pellert A., Schmutzer-Hollensteiner E, and Westerheijden D. (2003*) Review des Auf- und Ausbaus des Fachhochschulsektors. Studie im Auftrag des Bundesministeriums fur Bildung, Wissenschaft und Kultur* (*bm:bwk).*
[231] Österreichische Austauschdienst (OeAD) (2010) *The Austrian Higher Education System* Vienna: OeAD
[232] Rhoades G. and Barbara S. (2002) *Quality assurance in Europe and the U.S.: Professional and political economic framing of higher education policy,* Higher Education 43: 355–390, Netherlands: Kluwer Academic

priority target. In other words universities retain their operational independence. That the process is underpinned by agreement might also be considered a strength point, though some may suggest that limited transparency within the process is an important weakness.[233]

14.56 Twenty per cent of the university budget is awarded according to performance indicators in relation to: teaching, research and development and social goals. The budget is derived via a complex formula.

14.57 In reporting progress against targets each University completes an intellectual capital report (*Wissensbilanz*). This provides an overall assessment of the University's activities and of and performance. This instrument is considered unique in European higher education and in that it provides the Ministry with comprehensive information on:

- each university's activities, social goals and self-imposed objectives and strategies;
- each university's intellectual capital, broken down into human, structural and relationship capital;
- the processes set out in the performance agreement, including their outputs and impacts.[234]

14.58 The Austrian system offers an example of direct governmental control within a higher education system that has undergone significant liberalization. The 2002 reforms brought a new impetus to the higher education sector in Austria. Primarily they illustrate innovative ways of overcoming institutional inertia (that is within the traditional universities) and generating market orientated

[233] Centre for Higher Education Policy Studies (2006) *The extent and impact of higher education governance reform across Europe,* Final report to the Directorate-General for Education and Culture of the European Commission
[234] Centre for Higher Education Policy Studies (2006) *The extent and impact of higher education governance reform across Europe,* Final report to the Directorate-General for Education and Culture of the European Commission

exemplars (i.e. *Fachhochschulen* sector) that can be used as a benchmark by all higher education institutions. Moreover, they testify to the importance of a comprehensive response (i.e. the failure of the 1993 (part) reforms) and offer an insight into the sorts of direct accountability mechanisms available to government within a wider context espousing increased HEI autonomy.

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