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Collaboration between Higher Education Institutions

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Collaboration between Higher Education Institutions

I have prepared this report for presentation to the National Assembly under the Government of Wales Acts 1998 and 2006.

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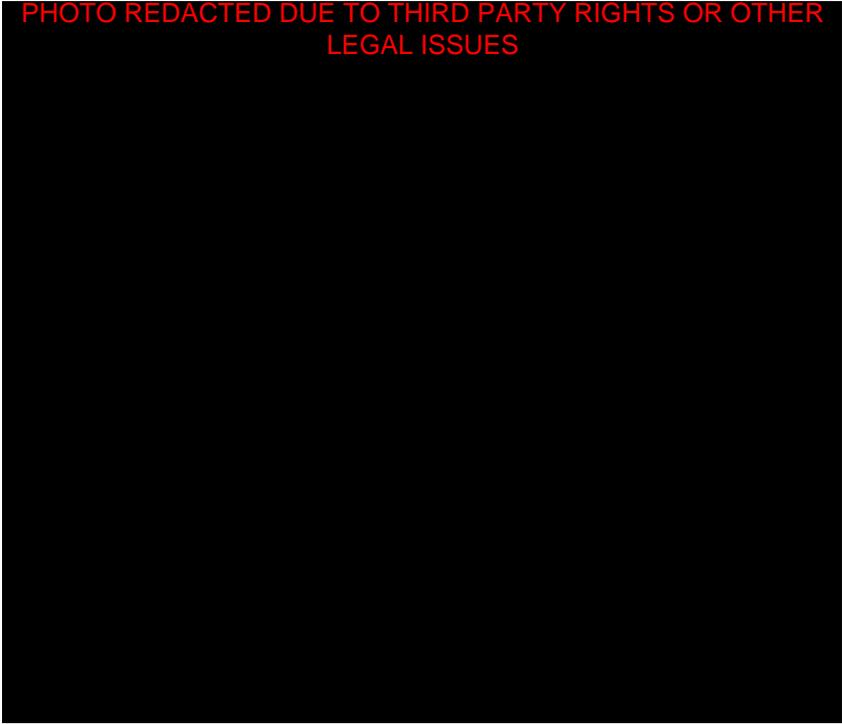
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**Report presented by the Auditor General to the National
Assembly on 14 January 2009**

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Summary	6
Recommendations	12

1	Some higher education institutions are engaging in successful collaboration projects, but overall there is room for improvement and in some areas there has been only limited progress	14
	Although it is too early to judge the success of many projects, three substantial mergers and a wide range of other collaboration projects appear to have made progress towards strengthening institutions, widening teaching provision and increasing research capacity	16
	<i>It is too early to judge whether many individual projects have delivered successful outcomes in support of the Assembly Government's policy objectives overall</i>	16
	<i>Three substantial mergers have strengthened institutions</i>	16
	<i>Other projects supported by the Reconfiguration and Collaboration Fund have widened teaching provision and improved research capacity</i>	18
	Some projects supported by the Reconfiguration and Collaboration Fund have led to benefits that had not been anticipated in the original project plan	20
	The full potential for administrative collaboration has not yet been achieved	21
	<i>The desire for reconfiguration and collaboration to apply to the administrative support of higher education institutions was an important part of the Assembly Government's policy from the outset</i>	21
	<i>There have been relatively few projects supported by the Reconfiguration and Collaboration Fund focused on administrative collaboration</i>	21
	<i>The Reconfiguration and Collaboration Fund has not been used to encourage higher education institutions to collaborate with other public sector bodies, although such collaboration has taken place</i>	22
	Collaboration has been lacking in some areas	23
	<i>The Assembly Government and the HEFCW remain concerned about the lack of any major collaboration between the post-92 higher education institutions in south-east Wales, and uncertainty about their futures is causing difficulties for the institutions involved</i>	23
	<i>Collaboration activity has not fully addressed concerns about the continuing small size of some institutions reducing their competitiveness</i>	24

2	Although the HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively, there are barriers to further collaboration within the sector	25
	The HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively	25
	<i>The HEFCW has devised and publicised broad criteria for projects seeking Reconfiguration and Collaboration Fund support</i>	25
	<i>The HEFCW provides informal pre-application advice which most institutions found helpful</i>	25
	<i>The HEFCW has publicised and operated transparent procedures for encouraging and assessing applications to the Reconfiguration and Collaboration Fund, although different criteria seem to apply to institutions located in south-east Wales</i>	26
	The development of viable proposals for collaboration has been limited by a lack of information about how the Reconfiguration and Collaboration Fund has operated in practice	27
	<i>Some higher education institutions are unclear about the characteristics of a successful application to the Reconfiguration and Collaboration Fund</i>	28
	<i>Some higher education institutions are uncertain about which projects have received resources from the Reconfiguration and Collaboration Fund</i>	28
	<i>Although many projects supported by the Reconfiguration and Collaboration Fund are in their implementation or operational phases, the HEFCW has disseminated little information about the lessons learnt from them</i>	29
	There are barriers constraining further collaboration within the sector, and the Assembly Government and the HEFCW are exploring other means to overcome them	29
	<i>There are barriers to further collaboration, stemming mainly from the autonomy of institutions</i>	29
	<i>The Assembly Government and the HEFCW are encouraging collaboration through means other than the Reconfiguration and Collaboration Fund</i>	31

Appendices

Appendix 1 - Higher education institutions in Wales	32
Appendix 2 - Projects supported by the Reconfiguration and Collaboration Fund	34
Appendix 3 - 'Heads of Information' Checklist	37
Appendix 4 - Method	40

Summary

- 1 The higher education (HE) sector plays a key role in delivering the Assembly Government's goals of providing opportunities for all through lifelong learning, extending social inclusion, raising GDP, lifting skill levels, nurturing self-confidence, tackling the needs of rural Wales and promoting enterprise, the knowledge economy, creativity and sustainable development¹. The sector in Wales faces a number of major challenges, including competition from other UK and foreign HE institutions, and the geographical freedom offered by distance learning.
- 2 The Assembly Government has only limited control over HE institutions, which are independent bodies part-funded from non-Assembly Government sources, such as tuition fees and the UK-based Research Councils. The individual Welsh HE institutions have no formal responsibility towards the sector as a whole, and their independence and identity are key factors in the way that they plan their activities and recruit students. The sector in Wales includes a number of relatively small institutions. And there are three institutions in south-east Wales, which were vested from local authority control and became incorporated in 1992 (known as post-92 HE institutions²), that have significant degrees of overlapping provision.
- 3 In the light of these challenges, and its desire for the sector to reduce costs and achieve critical mass in teaching and research capacity, the Assembly Government has sought to increase the competitiveness of the
- HE sector through a policy of supporting greater collaboration between institutions, up to and including merger. In 2002 it established a Reconfiguration and Collaboration Fund (the Fund), available for institutions to apply for in support of collaboration projects. The Fund stood at £14.9 million in 2007-08³ and £12.5 million in 2008-09, with an expected £12.4 million in 2009-10. The Higher Education Funding Council for Wales (the HEFCW) is the Assembly Government Sponsored Body responsible for the administration of funds made available by the Assembly Government in support of the provision of education and research in HE institutions. The HEFCW makes recommendations to the Assembly Government on the allocation of resources from the Fund.
- 4 Against this background, we considered whether good progress was being made towards achieving the Assembly Government's policy objectives for higher education through collaborative projects supported by the Fund. We concluded that there have been successful collaboration projects involving HE institutions and supported by the Fund, although the overall picture suggests there is room for improvement, and in some areas there has been only limited progress. In addition to three full mergers – one between an HE institution and a Further Education (FE) institution – projects involve HE institutions working in various degrees of collaboration. Although many of these projects are in their

¹ *Reaching Higher, A Strategy for the Higher Education Sector in Wales*, March 2002

² Section 77 of the 1992 Further and Higher Education Act gave the former polytechnics the right to apply to the Privy Council to use the term 'University'

³ All references are to financial years rather than academic years unless specifically stated

early stages, initial indications are that many are likely to be successful. However, we also found that important barriers to further progress remained. In particular, there are inevitable tensions that need to be eased between the Assembly Government's policy of supporting collaboration and the operation of market forces in an increasingly competitive international HE market.

Some higher education institutions are engaging in successful collaboration projects, but overall there is room for improvement and in some areas there has been only limited progress

Although it is too early to judge the success of many projects, three substantial mergers and a wide range of other collaboration projects appear to have made progress towards strengthening institutions, widening teaching provision and increasing research capacity

- 5 As at March 2008, the Fund had provided £38.5 million to support 25 projects – 12 involving mergers or alliances and 13 involving other collaborations. The scale of the projects to merge large organisations, such as HE institutions means that substantially more Fund resources have been used to support merger projects than to support other collaboration projects.
- 6 The three substantial mergers that have taken place are:
 - Cardiff University and the University of Wales College of Medicine in 2004;
 - the University of Glamorgan and Merthyr Tydfil College of Further Education in 2005; and

- the University of Glamorgan and the Royal Welsh College of Music and Drama in 2007.

The mergers are at different stages of consolidation but the evidence so far suggests that all three have begun to produce many of the gains set out in the original business plans. As a result, the institutions involved have become stronger in terms of the more integrated and complementary provision of teaching, increased research income and access to more funds.

- 7 As with mergers, it is too early to judge fully the success or otherwise of some of the other collaborative projects supported by the Fund. However, a number of examples illustrate the potential benefits that collaborative projects can bring, in terms of both widening provision – such as the Skillset Screen Academy Wales partnership in south Wales – and enhancing research capacity, such as the Welsh Institute of Cognitive Neuroscience.

Some projects supported by the Reconfiguration and Collaboration Fund have led to benefits not originally anticipated

- 8 Working together can produce spin-off benefits not originally envisaged. An example of this is the Research Partnership between Aberystwyth University and Bangor University, which covered four research areas. On the basis of the progress and goodwill established through the Partnership, the two universities have set up a strategy board to investigate the possibility of further collaboration projects, in the natural and physical sciences, in Welsh-medium education and in initial teacher training.
- 9 Swansea University, Swansea Metropolitan University and Trinity College, Carmarthen are the partners in the South West Wales Higher Education Partnership, designed to bring together 25 administrative functions

across the three partner institutions. As a result of the close relationships and trust which that project has engendered, these institutions are actively considering further collaborative projects, such as a possible Academy of Skills and Lifelong Learning to be run by Trinity College on behalf of the three institutions.

- 10 Furthermore, some proposals which failed to go ahead nevertheless provided valuable lessons for the institutions involved. For example, Cardiff University and the Royal Welsh College of Music and Drama received Fund support to investigate the possibility of a merger, but subsequently terminated merger discussions. However, the discussions led to a number of joint academic research projects, such as on the biological aspects of performance art. The Royal Welsh College of Music and Drama was also able to apply the lessons from this unsuccessful merger soon afterwards, in implementing a successful merger with the University of Glamorgan.
- 11 Similarly, the North East Wales Institute of Higher Education (now Glyndŵr University) and Bangor University received Fund resources to investigate the possibility of a merger to create a University of North Wales. Although they decided not to proceed with the merger, the partners have established joint arrangements for staff development and the two senior management teams remain in contact about further collaboration.

The full potential for administrative collaboration has not yet been achieved

- 12 One of the underlying aims of the Assembly Government's policy of supporting collaboration is for institutions to reduce their operating costs. However, the great majority of projects have been in the academic field and, with the exception of the South West Wales Higher Education Partnership project,

there are no other significant projects featuring administrative collaboration. A number of senior managers in HE institutions questioned whether there were significant savings to be made from sharing administrative functions. However, the South West Wales Higher Education Partnership business plan is based on the assumption that there are savings to be made, and there is a good case for more proactive investigation in these areas, particularly in south-east Wales where there are four institutions (Cardiff University, the University of Glamorgan, the University of Wales, Newport and the University of Wales Institute Cardiff) within twenty miles of each other.

- 13 Some HE institutions are working in collaboration with other public bodies. For example, the University of Wales, Newport has merged its libraries with those of the City of Newport; the University of Wales, Lampeter participates in the Ceredigion procurement partnership; and there is collaboration between various NHS bodies and Cardiff University's medical faculty. However, the criteria governing the types of project the Fund will support refer only to co-operation within the HE sector. With the exception of the merger between the University of Glamorgan and Merthyr Tydfil College of Further Education, largely funded by sources other than the Fund, collaborations with bodies outside the HE sector have not received Fund support.

Collaboration has been lacking in some areas

- 14 In some areas, the Assembly Government's policy and support for collaboration has had only a limited effect thus far. In particular, the Assembly Government and the HEFCW view significant collaboration between the three post-92 HE institutions in south-east Wales (the University of Glamorgan, the University of Wales Institute, Cardiff and the University

of Wales, Newport) as a key priority. Following a failed merger project between the University of Glamorgan and the University of Wales Institute, Cardiff in 2003, the HEFCW commissioned an independent review into the future of post-92 HE in south-east Wales. In spring 2005, the review report concluded that it was probable and highly desirable that a single, new institution would emerge within the subsequent five years. However, little meaningful progress has been made since 2005. The proposed reconfiguration clearly remains a priority for the Assembly Government and the HEFCW, but it has had a number of potentially adverse consequences:

- the uncertainty has affected strategic planning in that, for example, other institutions and potential partners, such as FE colleges, need to know the future strategic plans and aspirations of any HE institution with which they may be considering closer relationships;
- all three institutions have incurred costs working up collaboration proposals that fall short of full merger, which have foundered because of the HEFCW's refusal to support them on the grounds that they do not go far enough; and
- the aftermath of the failed 2003 merger project appears to have led to a significant loss of goodwill among all parties concerned.

However, the establishment by the Assembly Government of a Strategic Collaboration Board for south-east Wales in 2008 has led to the three institutions concerned considering a number of collaborative projects, such as shared administrative services.

- 15 In *Reaching Higher*, the Assembly Government strategy for HE, the Assembly Government stressed its concern at the disproportionately large number of small institutions in Wales, which it saw as vulnerable to competition. Since then, the University of Wales College of Medicine and the Royal Welsh College of Music and Drama have merged with Cardiff University and the University of Glamorgan respectively. However, Glyndŵr University, Trinity College, Carmarthen and the University of Wales, Lampeter remain small institutions. Trinity College, Carmarthen is involved in the South West Wales Higher Education Partnership which seems set to deliver administrative efficiencies and which may form the basis for further significant collaboration; and in December 2008, Trinity College, Carmarthen and the University of Wales, Lampeter agreed to work together to establish a new university. But there seem to be no easy collaboration opportunities for Glyndŵr University that have not already been explored.

Although the HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively, there are barriers to further collaboration within the sector

The HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively

- 16 The Assembly Government established the Fund in July 2002, to be managed by the HEFCW. The HEFCW's aim was to allow institutions to develop imaginative proposals and therefore it avoided any prescription about the sorts of projects it was seeking to support. However, the HEFCW made it clear that, in addition to applications for well-founded merger proposals, it sought bids to support collaboration projects which were 'substantial, sustainable, had a unified management structure and the capacity to deliver greater benefits than institutions acting alone'⁴.
- 17 Initially, take-up from the Fund was low. In response to the feedback it had received from institutions, the HEFCW amended the application process to create two stages (the first being an expression of interest stage) and relaunched the Fund in July 2004. Institutions were still able to liaise with officers before submitting an expression of interest. However, the new procedure was designed to ensure that submitted applications had received the benefit of formal advice and feedback from officers before full submission to the HEFCW's Reconfiguration and Collaboration Panel.

18 On the basis of our detailed examination of 14 applications to the Fund (Appendix 4) and follow-up visits to all institutions, we concluded that:

- the HEFCW had been helpful in providing informal advice – in the form of telephone calls and meetings, as well as in writing – to institutions before they submitted a formal application for funding;
- the HEFCW had consistently operated transparent criteria for assessing bids and deciding on which projects to support; but the HEFCW has not accepted applications for collaborations between the three post-92 institutions in south-east Wales that do not contribute to the Assembly Government policy of merger, or at least substantial integration, between the three.

The development of viable proposals for collaboration has been limited by a lack of information about how the Reconfiguration and Collaboration Fund has operated in practice

19 Despite the general transparency of the HEFCW's arrangements for handling applications, many institutions told us that they would welcome more information about the characteristics of successful applications, the outcome of all applications and the lessons learnt from successful projects. The risk for the HEFCW is that without a clear understanding of how the Fund operates, institutions may be deterred from pursuing collaborative ventures in the first place. In our view there is scope for the HEFCW to disseminate much more information than it currently does about all applications to, and projects supported by, the Fund. Such an approach would also have the benefit of reinforcing to institutions the importance that the HEFCW attaches to collaboration.

⁴ Circular W04/48HE Reconfiguration and Collaboration Fund: Phase 2, 22 July 2004

- 20** Because the HEFCW was not being prescriptive about the types of projects it would support, four institutions told us that they were uncertain about what sort of proposals would be considered acceptable and, therefore, likely to be funded. Most institutions that answered the relevant question commented that the quality of feedback they received about their own unsuccessful applications was poor or worse; while two institutions suggested that the HEFCW should publish information about all unsuccessful applications, although the HEFCW told us that it did not wish to cause any institution potential embarrassment. In our view that is not sufficient justification for not providing a comprehensive picture of applications received, reasons for acceptance or rejection and reports on successful projects' progress.
- 21** The HEFCW has not issued comprehensive information to the sector about successful applications. One institution considered that there might be benefits if the HEFCW publicised the details of a bid before recommending acceptance or rejection to the Assembly Government. This would allow other institutions that thought they may have something to offer to the proposed project to come forward. However, there is a risk that the publication of bids may discourage their development and submission in the first place.
- 22** Although only a few projects supported by the Fund have been completed, we found little evidence that the HEFCW has identified and shared the lessons it has learnt from projects. The HEFCW needs to develop a system to capture and disseminate lessons learnt from the implementation and operation of projects supported by the Fund.

There are barriers constraining further collaboration within the sector, and the Assembly Government and the HEFCW are exploring other means to overcome them

- 23** Since the Assembly Government is not able to exercise direct control over HE institutions, the successful delivery of its collaboration policy depends in a large part on institutions seeing for themselves the benefits of working in partnership with others. However, not all institutions share the Assembly Government's view that increased collaboration is necessary to ensure that each institution remains competitive in an increasingly global market. Some, such as Trinity College, Carmarthen and the University of Wales, Lampeter, argue that they occupy niche markets and lack any significant competition within Wales or the UK. On the other hand, Cardiff University is keen to strengthen links with other universities outside Wales. Others, such as the University of Wales Institute, Cardiff and the University of Wales, Newport, do not share the Assembly Government's view of which other institution it is best for them to consider collaborating with.
- 24** Higher education institutions operate within a market place, competing with other institutions in Wales, the UK and, increasingly, internationally to attract students and research funding. In such an environment, a degree of mistrust among competing institutions is inevitable. However, we found a greater level of mistrust by some institutions than we would have expected, with some institutions viewing others as predatory. The reasons for this are complex, but one significant factor seems to be related to the Assembly Government's collaboration agenda. Mistrust of this sort is not conducive to effective partnership working of the sort that the Assembly Government is seeking to promote.

- 25 There are other factors that might make some institutions reluctant to engage fully in collaboration. These include, to varying degrees, their own sense of their histories, the impact on local economies and the inevitable senior job losses that flow from mergers.
- 26 The HEFCW provides core funding to Welsh HE institutions, based on four main elements: teaching (based on student numbers), research activity, approved capital projects and a range of other specific activities. The Fund is a separate budget to which HE partners can submit bids. While projects supported by the Fund have had a number of benefits, collaboration has not yet been as ambitious or extensive as that sought by the Assembly Government. The Assembly Government has chosen not to use any funding levers, other than the Fund, to encourage greater collaboration. In August 2008, however, the Assembly Government announced the development of learning partnerships between all local providers of post-16 education that would be required to consider opportunities for cross-sector collaboration up to and including merger. The Assembly Government is working directly with the HE institutions and the HEFCW to ensure the engagement of the institutions in this initiative.

Recommendations

- 1 The great majority of collaboration projects supported by the Reconfiguration and Collaboration Fund have focused on teaching and research, and the full potential for administrative collaboration has not yet been achieved. Unlike collaboration on academic activity, there are substantial opportunities for administrative collaboration between HE institutions and other public sector bodies in Wales, in line with the Assembly Government's policy for delivering local services in Wales⁵. However, the Fund only supports collaboration within the HE sector. **We recommend that the HEFCW broaden the criteria governing the types of project the Fund can support to include collaboration ventures with organisations outside the HE sector, and issue guidance to the sector to this effect.**
- 2 The HEFCW does a good job in advising on and supporting the development and implementation of individual projects supported by the Fund. However, the development of viable proposals for collaboration has been limited by institutions' lack of information about how the Fund has operated in practice. Drawing on its experiences in assessing applications to, and evaluating projects supported by, the Fund, **we recommend that the HEFCW systematically disseminate to HE institutions information on:**
 - the characteristics of successful and unsuccessful project applications;
 - the outcome of all applications to the Fund, with reasons for acceptance or rejection; and

⁵ *Making the Connections – Delivering Beyond Boundaries: Transforming Public Services in Wales*, Assembly Government response to Sir Jeremy Beecham's review of local service delivery, November 2006

- **lessons learnt from projects supported by the Fund that are sufficiently complete to enable meaningful consideration of what worked and what worked less well.**

3 The Assembly Government has achieved only partial success in meeting its objectives for the HE sector through the Fund. In particular, several small institutions remain and there continues to be a lack of significant collaboration between the post-92 HE institutions in south-east Wales. The statutory framework for HE in Wales and the autonomy of individual HE institutions mean that the Assembly Government does not have the power to direct institutions, and can effectively influence institutions' behaviours only through fiscal means. In these circumstances, the HEFCW and the Assembly Government need to consider whether the Fund, on its own, is a sufficiently powerful instrument to achieve its objectives for the sector. **We therefore recommend that the HEFCW explore all reasonable means of helping institutions to overcome the barriers to increased collaboration, including:**

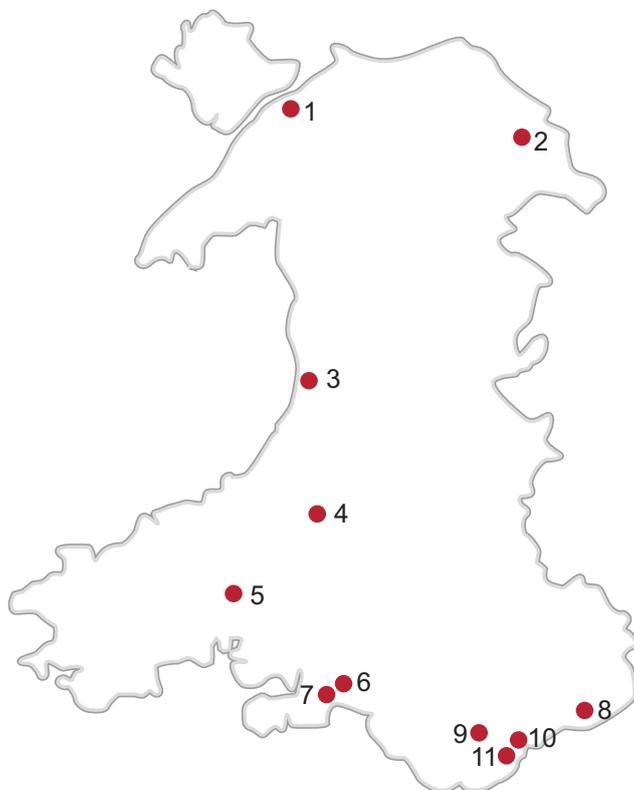
- **working with the governing bodies of institutions, as well as senior staff, to persuade them of the benefits of greater collaboration up to and including merger;**
- **adopting a flexible approach – such as temporary or shared posts, and early retirements – to the barriers relating to senior management; and**
- **in conjunction with the Assembly Government, being more prepared to use financial levers other than the Fund to stimulate collaboration activity.**

Part 1 - Some higher education institutions are engaging in successful collaboration projects, but overall there is room for improvement and in some areas there has been only limited progress

1.1 There are currently 11 HE institutions in Wales (Figure 1 and Appendix 1), with Cardiff University being by some distance the largest (Figure 2)⁶. The Assembly Government's strategy for HE in Wales, *Reaching Higher* (March 2002), refers to the considerable strength of the UK and international competition which Welsh HE institutions face. It noted the 'disproportionately large number of small institutions in Wales', and called for a

'radical drive towards collaboration and reshaping structures in the sector'. In the light of these challenges, and its desire for the sector to reduce costs and achieve critical mass in teaching and research capacity, the Assembly Government has sought to increase the competitiveness of the HE sector through a policy of supporting greater collaboration between institutions, up to and including merger.

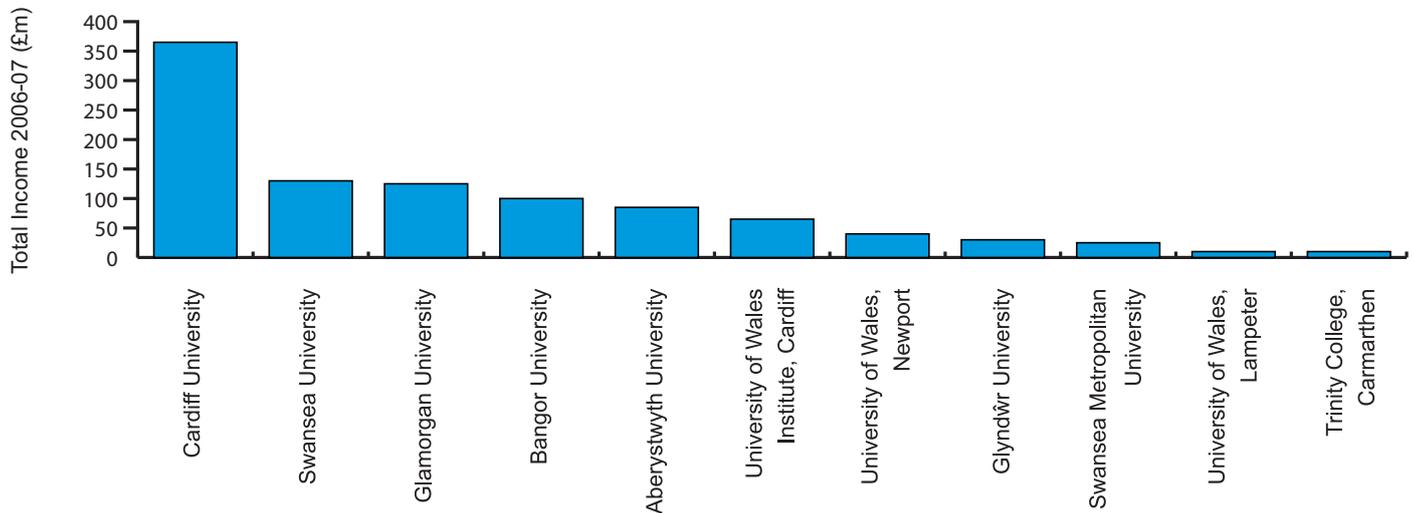
Figure 1 - Location of the 11 Welsh HE institutions



- 1 Bangor University
- 2 Glyndŵr University (the North East Wales Institute of Higher Education, until 2008)
- 3 Aberystwyth University
- 4 University of Wales, Lampeter
- 5 Trinity College Carmarthen
- 6 Swansea Metropolitan University (formerly Swansea Institute of Higher Education)
- 7 Swansea University
- 8 University of Wales, Newport
- 9 University of Glamorgan
- 10 Cardiff University
- 11 University of Wales Institute, Cardiff

⁶ In addition, since 2005 the HEFCW has provided some funding, mainly for teaching, to the Open University in Wales

Figure 2 - Institutions' income in 2006-07



Source: The HEFCW

1.2 In support of its policy, the Assembly Government decided to restrict future core funding increases for the sector to inflation (Figure 3)⁷. Any additional funding would be allocated to a separate Reconfiguration and Collaboration Fund (the Fund), available for institutions to apply for in support of collaboration projects. The Assembly Government's decisions on allocations from the Fund are based on the advice of the

HEFCW, which manages the Fund on the Assembly Government's behalf. Initially, in 2002-03, the Fund stood at £5 million a year, rising to £12.55 million a year in 2007-08. The importance which the Assembly Government continues to attach to its collaboration policy is reflected in the focus on reconfiguration and collaboration contained in its annual remit letter to the HEFCW.

Figure 3 - Core funding of HE institutions

Core funding for HE institutions in Wales has four components:

- 1) funding for teaching students, which is related to student numbers;
- 2) funding for research, which is determined by the number of active researchers and the quality of the research;
- 3) grant funding for specific policy priorities, such as widening access to HE, and 'Third Mission' activities, aimed at improving links with the local community and local businesses; and
- 4) capital funding linked to capital investment strategies.

The total funding which the Assembly Government provided to the twelve HE institutions through the HEFCW in 2006-07 under (1) to (3) above was £388 million, with an additional £11.2 million in capital funding. The Reconfiguration and Collaboration Fund, which is additional to this core funding, is less than three per cent of total funding.

⁷ *Reaching Higher*, paragraph 16

- 1.3** By the end of 2007-08, the Fund had provided £38.5 million to support 25 projects – 12 involving mergers or alliances and 13 involving other collaborations. The scale of the projects to merge large organisations such as HE institutions means that substantially more Fund resources have been used to support merger or alliance projects, than to support other collaboration projects.

Although it is too early to judge the success of many projects, three substantial mergers and a wide range of other collaboration projects appear to have made progress towards strengthening institutions, widening teaching provision and increasing research capacity

It is too early to judge whether many individual projects have delivered successful outcomes in support of the Assembly Government's policy objectives overall

- 1.4** The nature of the projects eligible for support from the Fund is such that the benefits expected to accrue from them can take a number of years to materialise. Many have planning and implementation timescales which extend over several years, and can involve major physical and/or organisational restructuring and the employment of relatively large numbers of new staff. And a number of projects are still at relatively early stages of implementation.
- 1.5** These factors make it difficult to draw firm conclusions at this stage about the extent to which all of the projects supported by the Fund are meeting their objectives. However,

we found evidence that collaboration activity within the Welsh HE sector has begun to demonstrate benefits, in terms of: strengthened post-merger institutions; improved service provision through widening the range of teaching available; and increased research capacity, through the creation of a number of new research institutes. Most of the 14 projects supported by the Fund that we examined in some depth appear to be on track to meet or exceed most of their initial objectives.

Three substantial mergers have strengthened institutions

- 1.6** Three mergers, including a merger between an HE institution and an FE college, have been supported by the Fund.

Cardiff University and the University of Wales College of Medicine

- 1.7** The University of Wales College of Medicine (UWCM) merged into Cardiff University in 2004. This was the conclusion of a process which the incoming Vice Chancellors of the two institutions had started – through discussing options for closer alliance – even before taking up their respective posts in 2001. The two institutions, located one mile apart in Cardiff, had a long history of collaborative working and had established a Partnership Board to promote better co-operation in 1995. Cardiff University had a good track record of attracting research funding from the UK Research Councils and the private sector, but its lack of a school of medicine limited its potential to attract medical research funding. The College of Medicine was a much smaller institution, one of only two in the UK that was not part of or in close partnership with a major HE institution. Cardiff University was in a strong financial position, whilst the College of Medicine was

not. From a number of perspectives, therefore, the strategic fit was very good. The agreement at senior management level from an early stage about the desirability of a merger helped facilitate the merger process. The merger was supported by £15 million from the Fund. The HEFCW, on behalf of the Assembly Government, also offered a further £8.2 million by way of a repayable grant, although the merged institution did not take up this offer.

1.8 The HEFCW commissioned an independent report on the merger, which was published in March 2007⁸. The report concluded that the merger 'has been highly successful, meeting and in places exceeding a substantial majority of the specific and strategic objectives set'. The merger had increased research capacity and had exceeded its targets for leveraging in additional research funding from the Research Councils, industry and charitable trusts. The report summarised the success of the project in terms of the way it was implemented, the strength of the new institution and the additional research funding it had attracted. The learning points which the report highlighted arose from some shortcomings in the implementation process, and included the need for:

- early dialogue between all parties on the process and the timetable;
- early agreement between the merging institutions on the one hand, and the HEFCW and the Assembly Government on the other, on the amount of public funding to be provided;
- close oversight of the work of external consultants and agents; and
- early identification of the amount of merger-specific public funding required.

The University of Glamorgan and the Royal Welsh College of Music and Drama

1.9 In 2007, the Royal Welsh College of Music and Drama (the College) entered into a 'strategic alliance' with the University of Glamorgan, which involved it relinquishing its independent status as an HE corporation in favour of becoming a company wholly owned by the University of Glamorgan. The main driving force behind the College's search for a larger HE partner was the need to increase its chances of raising the £22 million needed to upgrade its performing facilities. The College did not believe that it could secure these funds from the Assembly Government and other sources without reconfiguration. In addition, the College needed an academic partner that could speedily validate and accredit new programmes. The merger means that the College can benefit from the wider range of support services that the University can provide. Even so, it may be a number of years before it can raise the whole of the sum required from the private and charitable sectors for the upgrade of its facilities. The advantage of the merger for the University of Glamorgan was the strategic fit with its own plans to expand in the creative arts with its Cardiff School of Creative and Cultural Industries and the Skillset Screen Academy Wales Partnership. Although this was a much smaller project than that involving Cardiff University and the University of Wales College of Medicine, the support from the Fund, at £8.25 million in grants and £4.5 million in repayable grant, was significant, largely because of the capital nature of the required expenditure. This funding, supported by fund-raising activities, has enabled the development of plans for new facilities at the College, including a new concert hall, theatre, drama rehearsal spaces and exhibition gallery.

⁸ Review of the merger between Cardiff University and University of Wales College of Medicine, HW Corporate Finance, March 2007

The University of Glamorgan and Merthyr Tydfil College of Further Education

1.10 In 2005, Merthyr Tydfil College of Further Education became part of the University of Glamorgan. The main factors behind the merger were the FE college's need for capital investment and, by being able to provide franchised HE courses at the Merthyr campus, the opportunity for the University to increase the participation in HE of people of low educational attainment from low income areas, in line with the Assembly Government's policies of widening participation in HE and providing HE in Merthyr Tydfil. The strategic plan for the merger included a target of raising the proportion of students at the FE college who progress to higher education from the eight per cent achieved in the 2005/06 academic year to 22 per cent by 2008/09. The merger also addressed some of the objectives in the Wales Spatial Plan and *Heads - We Win*, the Assembly Government's strategy for the regeneration of the Heads of the Valleys area, both of which include commitments to greater collaboration between HE and FE to improve provision and contribute to the local economy. The total cost of the merger was set at £3.2 million over the period to 2009-10, of which £242,000 was allocated from the Fund, £2.6 million from FE funding sources (originally via ELWa until its absorption into the Assembly Government) and £422,000 from the merging institutions.

1.11 It is too soon to draw firm conclusions about the overall success of the merger. However, initial indications are that progress has been made towards some of the merger's objectives. For example, following the academic year 2006/07, 15 per cent of students from the former FE college had progressed to higher education. The merged organisation has also increased student numbers and student completions in line with

the college's targets. In addition, the college, using expertise from the University, has been successful in further capital bids to the Assembly Government. This has resulted in the refurbishment of facilities to create performance arts space and the redevelopment of the construction workshops.

Other projects supported by the Reconfiguration and Collaboration Fund have widened teaching provision and improved research capacity

1.12 One of the aims of the Fund is to support collaborative projects that result in widened teaching provision and improved research capacity. We found that a number of projects supported by the Fund had these as their primary aims.

Widening teaching provision

1.13 One example of widening teaching provision is the Skillset Screen Academy Wales partnership, which is supported by £620,000 from the Fund. This project has widened academic provision in south Wales in undergraduate and postgraduate film-making programmes spanning eight core areas of film production. It is a partnership led by the University of Wales, Newport and the University of Glamorgan, with Cardiff University, Swansea Metropolitan University (formerly Swansea Institute of Higher Education) and the Royal Welsh College of Music and Drama as associate partners.

1.14 Another example is the attempt to extend and improve the provision of higher education in Welsh, as part of the Assembly Government's drive to increase the provision of Welsh-medium education generally. The Fund has contributed to a number of collaborative projects to provide support for the sector and to enhance the Welsh Medium Teaching

Development Centre, based at Trinity College, Carmarthen. It has also supported the establishment of fellowship and scholarship schemes to promote Welsh-medium education in HE. These are academic awards and appointments, designed to provide HE tuition in Welsh and to prepare research students and academics to do so in the future.

Improved research capacity

1.15 An example of collaboration leading to increased research capacity is the Wales Institute of Cognitive Neuroscience⁹, a partnership between Bangor University, Cardiff University and Swansea University, with support from the Fund of £5.2 million between 2005-06 and 2009-10. As well as reconfiguring existing research groups, the partnership aims to establish a joint Graduate School and strengthen links with industry and the health sector. The Institute brings together three existing research centres of international standing and with complementary specialisms, to increase significantly their joint ability to lever in additional external research funding. The Institute officially opened in November 2007 and around 250 academics and researchers are now concentrated in one organisation.

1.16 Another example of a collaboration to improve research capacity is the Wales Institute for Mathematical and Computational Sciences, which brings together research across four subject areas – Mathematics, Physics, Computer Sciences and Civil Engineering – at Aberystwyth, Bangor, Cardiff and Swansea Universities. The aims of the project are to draw together existing research capacity to build a critical mass that will enable the Institute to attract increased research funding, to foster enhanced links with business and

industry, and to provide a forum for education and public awareness of the mathematical sciences. Working with schools will be a key part of the Institute's work. The Fund is providing £5.02 million in support for the project in the five years to 2010-11, almost all of which is being used to employ new academic staff. The intention is that after 2011 costs will be met from the additional research funding secured. This is another project still in the implementation phase, but initial indications suggest that the Institute is on course to achieve its objectives. For example, the schools outreach service has been extended to include science and engineering ambassadors and researchers in residence.

1.17 The research partnership between Aberystwyth University and Bangor University is another example of a significant collaboration that is enhancing research potential. The Assembly Government has committed a maximum of £10.95 million from the Fund to the project in the five years to 2010-11. The research partnership comprises four separate subject strands – Advanced Functional Materials and Devices; the Institute of Medieval and Early Modern Studies; the Centre for Catchment to Coast Research; and the Centre for Integrated Research in the Rural Environment – together with other central administrative and management strands for the support of research and enterprise. The partnership covers a number of different specialisms and university faculties, and its aims are generally to increase and improve the amount of research in the respective fields and to lever in money from other sources. Again, it is too early to draw definitive conclusions about the success of the project but one of the partner institutions told us that academics involved in the project were already identifying further, more ambitious opportunities for collaboration.

⁹ Cognitive neuroscience has become a very significant discipline in understanding normal and damaged brain function and thus in contributing to the treatment of brain impairments such as dementia, schizophrenia and those caused by head injuries.

Some projects supported by the Reconfiguration and Collaboration Fund have led to benefits that had not been anticipated in the original project plan

- 1.18** Working together collaboratively can produce spin-off benefits that were not envisaged in the original project plan. An example of this is the Research Partnership between Aberystwyth University and Bangor University, which covers four specialist areas of research. On the basis of the progress and goodwill already established through the Partnership, the two universities have set up a Strategy Board to oversee current collaboration between the two universities, including Welsh-medium education and initial teacher training, and to assess the possibilities of collaboration in other areas. The partner institutions plan to design these further projects with a view to leveraging in additional funds from other sources, in particular from the European Convergence Fund.
- 1.19** Swansea University, Swansea Metropolitan University and Trinity College, Carmarthen received a total of £70,000 from the Fund in 2005-06 and 2006-07 for initial work on the South West Wales Higher Education Partnership. The partners used the money to fund staff appointments to prepare detailed proposals for a partnership that would involve a number of shared administrative and support services. The Partnership that emerged from that initial phase encompasses 25 such functions, including estates management, procurement, student records, intranet provision, library facilities, recruitment and careers services. The Assembly Government has subsequently committed itself to contribute £7.49 million towards the project from the Fund in the period to 2010-11 which, once all elements of the project are operational, is expected to save between 10 and 15 per cent of the three HE institutions' administrative costs; in total these costs amount to some £25 million a year.
- 1.20** As a result of the closer relationships and trust which that project has engendered, the three institutions are actively considering further collaboration projects, such as a possible Academy of Skills and Lifelong Learning to be run by Trinity College, Carmarthen on behalf of all three institutions. From our interviews with senior representatives of the three institutions, we found a common enthusiasm for considering further areas for collaboration.
- 1.21** Some collaboration proposals that failed to go ahead have nevertheless provided valuable lessons for the institutions involved. For example, Cardiff University and the Royal Welsh College of Music and Drama received a commitment of £179,000 support from the Fund in 2005-06 to investigate the possibility of a merger or other form of alliance. The two institutions were unable to reach agreement on a formal alliance and, having drawn down £135,000 of the funds allocated, terminated discussions. However, their discussions led to a number of joint academic research projects, such as on the biological aspects of performance art, which are ongoing. In addition, the College of Music and Drama and the University of Glamorgan were able to apply the models and the lessons from the unsuccessful merger discussions between the College and Cardiff University in preparing for their merger in 2007, preparation that required only £40,000 in additional support from the Fund.

1.22 Similarly, in north Wales the North East Wales Institute of Higher Education (now Glyndŵr University) and Bangor University received £250,000 from the Fund between 2003-04 and 2005-06 to investigate the possibility of a merger. The partners eventually decided not to proceed with a merger, primarily because they considered their respective missions to be incompatible at that stage. Bangor University regards itself as a research-led organisation, whilst Glyndŵr University is small, with some niche specialisms, and is keen to attract non-traditional students as part of its widening access objectives. Although a merger did not proceed, the partners have established joint arrangements for staff development, and the two sets of senior management remain in contact with regard to further collaboration.

The full potential for administrative collaboration has not yet been achieved

The desire for reconfiguration and collaboration to apply to the administrative support of higher education institutions was an important part of the Assembly Government's policy from the outset

1.23 *Reaching Higher* specifically sets reduction of administrative costs within a framework of collaboration as a key challenge for the sector¹⁰, and states that 'we want to see administrative, functional and subject-based collaboration'¹¹. This focus on administrative functions was reflected in the relevant *Reaching Higher* targets, one of which was to reduce average administrative costs per full-time equivalent student in Wales from close to the UK average (excluding London and the south-east of England) in 2000-01 to the bottom quarter of the league table by 2010-11.

¹⁰ *Reaching Higher*, paragraph 8

¹¹ *Reaching Higher*, paragraph 20

There have been relatively few projects supported by the Reconfiguration and Collaboration Fund focused on administrative collaboration

1.24 The achievement of efficiency savings has been an important objective of two of the three mergers supported by the Fund. For example, the merged Cardiff University and University of Wales College of Medicine had a target to reduce administration costs from 7.7 per cent of total expenditure in 2002-03 to 6.4 per cent in 2009-10, and for expenditure on premises to fall from 6.5 per cent of total expenditure to 4.8 per cent over the same period. The review of the merger concluded that the merged institution was on track to deliver these savings.

1.25 Similarly, the merger between the University of Glamorgan and the Royal Welsh College of Music and Drama included a target to reduce the College's percentage of income spent on overheads from 40 per cent in 2005-06 to 31 per cent in 2015-16, which would amount to a cumulative saving over the period of £5.8 million. Although it is too soon to assess whether these administrative efficiencies will be achieved, the College has already entered into a service level agreement to procure human resources services from the University, and has used the University's procurement service to assist in the appointment of the design team and project managers for its estates developments. The College has also commissioned consultants to undertake a more detailed assessment of how the various support services could be streamlined across the merged institution and the efficiency savings to be gained from this.

- 1.26** The achievement of efficiency savings was not a key factor in the merger of the University of Glamorgan and Merthyr Tydfil College of Further Education, and it did not feature in the 18 strategic and management targets in the offer of money from the Fund. Nevertheless, there have been some savings, such as from the restructuring of senior management in the provision of further education, which total around £70,000 a year.
- 1.27** Apart from the mergers, collaborative work across Wales on pay modernisation and a small project involving Bangor University and Coleg Menai, the South West Wales Higher Education Partnership project is the only collaboration project supported by the Fund designed to deliver administrative efficiencies. We found no evidence of any discussions having taken place between any other institutions about the possibility of an application to the Fund for a project involving significant administrative collaboration.
- 1.28** The distance between HE institutions, particularly in north Wales, may limit the scope for administrative collaboration in some areas, although advances in technology should help overcome geographical barriers to administrative collaboration. However, geography is not a limiting factor for the four HE institutions that are located within twenty miles of each other in south-east Wales (Cardiff University, the University of Glamorgan, the University of Wales, Newport and the University of Wales Institute, Cardiff), where the potential for administrative collaboration was explored in the context of merger discussions, and is currently being pursued through a Strategic Collaboration Board.

The Reconfiguration and Collaboration Fund has not been used to encourage higher education institutions to collaborate with other public sector bodies, although such collaboration has taken place

- 1.29** *Making the Connections*¹², the Assembly Government's policy for transforming the way in which public services are delivered, and *Delivering Beyond Boundaries*¹³, the Assembly Government's response to Sir Jeremy Beecham's review of public services, both put increased collaboration between public sector organisations as one of the key elements in improving the efficiency and effectiveness of public services in Wales. However, the criteria governing the types of project supported by the Fund refer only to co-operation within the HE sector. Collaboration between HE institutions and public sector bodies outside the HE sector – such as local authorities and NHS bodies – is not eligible for funding. While the merger of the University of Glamorgan and Merthyr Tydfil College of Further Education is an exception to this, the bulk of the funding for the merger came from sources other than the Fund. Although the Fund was established before *Making the Connections*, there has been no move to change the criteria subsequently.
- 1.30** There are examples of HE institutions working effectively in collaboration with local authority or other public sector partners outside the framework provided by the Fund. These include the University of Wales, Newport's merger of its libraries with those of the City of Newport; participation by Aberystwyth University and the University of Wales, Lampeter in the Ceredigion procurement partnership¹⁴; and the collaboration between various NHS bodies

¹² *Making the Connections – Delivering Better Services for Wales*, Welsh Assembly Government, October 2004

¹³ *Making the Connections – Delivering Beyond Boundaries*, Welsh Assembly Government, November 2006

¹⁴ In addition to the two HE institutions, the partnership includes Ceredigion County Council, Ceredigion and Mid Wales NHS Trust (now Hywel Dda NHS Trust), Ceredigion LHB, Coleg Ceredigion, the National Library of Wales and Cymdeithas Tai Cantref

and Cardiff University's medical faculty. These examples demonstrate that there is significant scope for collaboration beyond the HE sector. Restricting access to the Fund to collaboration within the HE sector only is therefore likely to be a limiting factor in terms of achieving the Assembly Government's aim of improving the administrative efficiency and competitiveness of HE institutions in Wales.

Collaboration has been lacking in some areas

The Assembly Government and the HEFCW remain concerned about the lack of any major collaboration between the post-92 higher education institutions in south-east Wales, and uncertainty about their futures is causing difficulties for the institutions involved

1.31 The Assembly Government and the HEFCW consider that the potential for wasteful duplication and unhelpful competition caused by the configuration of the three post-92 institutions in south-east Wales (the University of Glamorgan, the University of Wales, Newport and the University of Wales Institute, Cardiff) needs to be addressed¹⁵. The Assembly Government supported discussions in 2002-03 between the University of Glamorgan and the University of Wales Institute, Cardiff about a possible merger, with an allocation from the Fund of £250,000 (of which £227,000 was used), and the personal intervention of the then Minister. However, merger discussions broke down in an atmosphere of some rancour between the institutions concerned. The HEFCW commissioned GAELWa, the ELWa Audit Service, to produce an independent report on the terminated merger discussions. The report found that 'at strategic level there was a mutual breakdown in trust and confidence between the two institutions'¹⁶.

1.32 Following termination of the merger discussions, the HEFCW also commissioned an independent report by the former vice chancellors of the Universities of Plymouth and York (Professors John Bull and Ron Cooke, respectively), into the future of the post-92 HE in south-east Wales. The report, published in the spring of 2005, concluded that 'it is both probable and highly desirable that a single, new institution would emerge within the next five years from these proposals and the consequential experience of staff working together'¹⁷.

1.33 All three of the post-92 HE institutions in south-east Wales told us that they had incurred costs (although these had not been quantified) and expended significant senior management time in working up proposals for collaboration, which the HEFCW had not supported on the grounds that they have been insufficiently ambitious. For example, in 2005 preliminary merger discussions between the University of Wales Institute, Cardiff and the University of Wales, Newport were abandoned after the HEFCW made support conditional on an explanation of the effects such a merger would have on joint working with the University of Glamorgan, in the light of the Assembly Government's vision of the three institutions moving forward together.

1.34 The institutions also told us that uncertainty about their futures had affected their ability to plan strategically. For example, the University of Wales Institute, Cardiff had plans to collaborate more closely with a number of FE colleges in south Wales. However, the University told us that the colleges had placed such plans on hold when the merger discussions with the University of Wales, Newport were terminated in 2005.

¹⁵ See, for example, *The Learning Country 2: Delivering the Promise* (April 2006)

¹⁶ *Review of the terminated merger discussions between the University of Wales Institute, Cardiff and the University of Glamorgan*, the HEFCW, September 2004

¹⁷ *Review of 'post 92' higher education in south-east Wales*, John Bull and Ron Cooke, the HEFCW, May 2005

1.35 In February 2008, the Minister for Children, Education, Lifelong Learning and Skills set up a Strategic Collaboration Board for south-east Wales, to consider the scope for joint planning by the three institutions in capital developments, learning provision and shared services. The Board, which has an independent academic chair, includes senior representatives of the Assembly Government and the three institutions concerned. As at November 2008, the institutions were considering a number of collaborative projects, such as shared administrative services.

Collaboration activity has not fully addressed concerns about the continuing small size of some institutions reducing their competitiveness

1.36 In *Reaching Higher*, the Assembly Government expressed its concern that the competition which the Welsh HE sector faces is made all the greater by the disproportionately large number of small institutions in Wales. The subsequent mergers of the University of Wales College of Medicine with Cardiff University, and the Royal Welsh College of Music and Drama with the University of Glamorgan, have reduced the number of small HE institutions. The competitive position of the three remaining small institutions is varied:

- The involvement of Trinity College, Carmarthen in the South West Wales Higher Education Partnership is likely to deliver significant savings in administration costs and may lead to further collaboration projects.
- Glyndŵr University and the University of Wales, Lampeter each have distinctive elements to their missions, which may limit the potential for significant collaboration in the fields of teaching and research. Both

institutions have also explored the scope for merger: Glyndŵr University with Bangor University; and the University of Wales, Lampeter with Trinity College, Carmarthen and, separately, with the University of Wales, Newport. In each case, the partners concluded that the proposed mergers were not viable at that point in time; reasons included incompatibility of mission, geographical distance, and insecurity about the future of the campus.

1.37 All three of the smaller HE institutions consider that they serve specific missions and occupy niche positions in the HE sector, which have the effect of limiting competition. Senior managers in all three institutions considered that their institutions would remain viable and had a valid, ongoing independent contribution to make to higher education in Wales.

1.38 In 2008, the HEFCW commissioned consultants to review the University of Wales, Lampeter's strategic direction and business model, and whether management had the viability and ability to deliver a sustainable institution. As a result, in December 2008 the University of Wales, Lampeter and Trinity College, Carmarthen agreed to work together to establish a new university.

Part 2 - Although the HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively, there are barriers to further collaboration within the sector

The HEFCW has generally managed the Reconfiguration and Collaboration Fund effectively

The HEFCW has devised and publicised broad criteria for projects seeking Fund support

2.1 From the perspectives of the Assembly Government and the HEFCW, the overall objective of the Fund is to support the reshaping of the sector in the interests of achieving major performance gains and enhanced competitiveness¹⁸. Communications with the sector made it clear that the criteria against which bids would be assessed had been set within the framework of this overall objective and that bids would be judged against their contribution to achieving it. In a circular to all institutions, the HEFCW published the criteria for applications on the Fund's launch in 2002. These criteria were that the proposal should:

- be consistent with the institutions' own collaboration plans; and
- impact on the agenda of major performance gains and enhanced competitiveness as demonstrated in one or more of three areas: learning and teaching (including widening access); research; and outreach to business and the community for economic and social benefit.

The HEFCW added that, in assessing proposals, it would also take into account the clarity of the implementation plans and deliverables, and the calibre of the plans for managing the proposals.

2.2 Following the experience gained from the first two years of the Fund's operation and informal feedback from institutions – in particular on the need for more advice and support from the HEFCW in early development of project proposals – the HEFCW relaunched the process in 2004, again through a circular to institutions, with essentially the same selection criteria but more guidance and amendments to the application process. The key criteria for funding were that merger proposals should be well founded, and other collaboration proposals should be 'substantial, sustainable, have unified management structures and have the capacity to deliver greater benefits than the institutions acting alone would be likely to deliver'. The broad wording of the criteria left scope for institutions to be imaginative in putting together proposals, and accommodated the different situations and missions of the HE institutions in Wales.

The HEFCW provides informal pre-application advice which most institutions found helpful

2.3 The new guidance reinforced the message that the HEFCW was eager to provide early advice and support to institutions. Institutions were generally satisfied with the pre-application advice they had received from the HEFCW. In the questionnaire and subsequent follow-up visits, eight of the 11 institutions rated the informal advice they had received before submitting an application to the Fund as 'good' or 'very good'. Several institutions commented that they had a very positive working relationship with the officer appointed by the HEFCW in 2004 to work on applications to the

¹⁸ The HEFCW Circular W04/48HE

Fund, who had been able to assist them with advice and with answers to their questions before they submitted a bid. This positive feedback extended to the implementation phase of projects, where ten institutions rated the advice and support provided by the HEFCW as ‘good’ or ‘very good’.

2.4 It was also clear from our interviews with institutions that the HEFCW’s senior managers, including the Chief Executive, were prepared to talk to institutions formally and informally about their proposals. Although the information and advice provided by the HEFCW may not always have been welcomed by the institutions, we found no evidence to suggest any lack of willingness by the HEFCW to provide such information and advice.

The HEFCW has publicised and operated transparent procedures for encouraging and assessing applications to the Reconfiguration and Collaboration Fund, although different criteria seem to apply to institutions located in south-east Wales

2.5 The HEFCW has set out very clearly a staged process for applying for support from the Fund (Figure 4). It issues relevant circulars directly to the institutions and publishes them on its website. The HEFCW’s staff told us that, in the course of their day-to-day business, they take every opportunity to publicise the Fund – at appropriate meetings, on visits to institutions and by telephone. Different levels of officers and managers in the HEFCW, as well as the Reconfiguration and Collaboration Panel, consider

Figure 4 - Applying to the Reconfiguration and Collaboration Fund

Stage	Process
1	Two-page form for institutions to submit a very brief summary of the proposed project as an initial expression of interest.
2	The HEFCW’s officers use the heads of information published by the HEFCW (Appendix 3) to decide the extent to which they judge the project to meet the criteria of the Fund. They consider what changes to the proposed project might be necessary to meet the criteria more fully, or otherwise to improve the contribution which the project might make to the overall policy objective. This may involve one or more rounds of discussion with the relevant institutions. The HEFCW also consults, as a matter of course, an independent academic in the particular subject area(s) on the viability and strategic fit of the proposal.
3	Institution submits full, formal application to the HEFCW.
4	If the Chief Executive of the HEFCW can support the proposal, he submits it to the Reconfiguration and Collaboration Panel of the HEFCW Council.
5	If the Reconfiguration and Collaboration Panel approves the proposal, it passes it to the full Council of the HEFCW.
6	If the HEFCW approves the proposal, it makes a formal recommendation to the Assembly Government for release of the funds subject to any conditions, including a monitoring framework, which might be imposed.

Source: The HEFCW Circular 04/48HE

applications before the HEFCW Council meets to decide on a formal recommendation to the Assembly Government, which has the final decision on whether or not to approve an application. To date, the Assembly Government has accepted all of the HEFCW's recommendations. There is also provision within the process for any problems to be referred back to the partner HE institutions rather than for the HEFCW to reject the bid. Reasons for referring back included a lack of clarity and uncertainty as to how the first version of an application met one or more of the Fund's criteria.

2.6 We examined the HEFCW's case files for 14 successful applications, from the initial contact with the HEFCW through to final approval and, in those projects that were sufficiently advanced, the subsequent monitoring of projects ([Appendix 4](#)). We found that in all cases the HEFCW had followed its stated procedures; and the assessment process had been applied comprehensively ([Appendix 3](#)). This analysis mirrored the views of institutions, including those that had applications to the Fund rejected. In our questionnaires and interviews with the institutions, we found no lack of understanding of the process, no criticism about robustness of assessments and only limited criticism of its transparency, which was mostly about a lack of feedback in respect of how the Fund has operated in practice. Similarly, with one exception we found no criticisms from the HE institutions about a lack of consistency in the criteria used by the HEFCW in assessing applications.

2.7 The only significant criticism of the assessment criteria came from the three post-92 institutions in south-east Wales – the University of Glamorgan, the University of Wales Institute, Cardiff and the University of Wales, Newport. Between them they have submitted a number of applications for support from the Fund, which the HEFCW

rejected. As well as a potential merger between the University of Wales Institute, Cardiff and the University of Wales, Newport, rejected applications included a joint bid by the University of Glamorgan and the University of Wales Institute, Cardiff for work on Social Learning Spaces, which students of both institutions could use to network, access information and socialise.

2.8 The institutions consider that the HEFCW is applying different criteria to their proposals from those applied to proposals from other institutions. As a result, the University of Glamorgan and the University of Wales Institute, Cardiff considered that the criteria governing Fund support could and should have been more specific. The HEFCW told us, however, that the collaboration proposals put forward by the three post-92 institutions in south-east Wales were insufficiently ambitious, in the light of the potential for significant collaboration identified by the report by Professors Cooke and Bull commissioned by the HEFCW following the unsuccessful merger discussions between the University of Glamorgan and the University of Wales Institute, Cardiff.

The development of viable proposals for collaboration has been limited by a lack of information about how the Reconfiguration and Collaboration Fund has operated in practice

2.9 Despite the general transparency of the HEFCW's arrangements for handling applications, from our survey of HE institutions and the follow-up interviews, a number of institutions expressed concern about a lack of information on aspects of the Fund's operation, in particular: what makes a

successful application; the outcomes of applications; and the lessons learned from successful projects. Without such information, there is a risk that institutions may be deterred from pursuing viable, collaborative ventures in the first place.

Some higher education institutions are unclear about the characteristics of a successful application to the Reconfiguration and Collaboration Fund

- 2.10** The guidelines provided by the HEFCW to institutions on applying to the Fund include broad criteria relating to the size of the proposal, sustainability, unified management structure and the capacity to deliver greater benefits than one institution acting alone. The HEFCW chose not to be more prescriptive than this because of the wide variety of the institutions and potential collaboration projects, and because it did not wish to limit the scope for imagination and creativity. Within the broad framework, therefore, each application is considered on its merits.
- 2.11** Four institutions told us that they were unclear exactly what constituted a bid which the HEFCW would recommend to the Assembly Government for acceptance. This was primarily the view of institutions that had had one or more applications rejected by the HEFCW: the University of Glamorgan; the University of Wales Institute, Cardiff; the University of Wales, Newport; and the University of Wales, Lampeter. Although institutions are unable to predict a project's chances of success on the basis of the HEFCW's guidelines, they may become more confident about the application of the criteria to specific proposals if the HEFCW made more information available about the characteristics of the projects that were associated with successful and unsuccessful applications.

- 2.12** Six of the nine institutions that answered the relevant question in our survey considered that the feedback they received about unsuccessful applications was either 'poor' or 'very poor'. Two institutions suggested that the HEFCW should publish information about unsuccessful applications. They argued that a fuller knowledge of applications that had been successful and of those that had been unsuccessful would help them to improve the quality of any applications which they subsequently made. The HEFCW told us that it was reluctant to make information on the details of unsuccessful applications widely available in order to spare any institution potential embarrassment.

Some higher education institutions are uncertain about which projects have received resources from the Reconfiguration and Collaboration Fund

- 2.13** The HEFCW has issued press releases about some of the individual projects to which the Assembly Government has awarded money from the Fund. But, other than this, it has not taken any steps to inform the HE institutions in Wales about successful bids. A number of institutions told us that they did not have a comprehensive picture of the projects receiving money from the Fund. In these circumstances, the HEFCW needs to consider whether there might be more effective ways of disseminating information about the projects supported by the Fund – on its website, for example.
- 2.14** One institution, Glyndŵr University, considered that there might be benefits if the HEFCW publicised the details of a bid before recommending acceptance or rejection to the Assembly Government. This would allow other institutions that thought they may have something to offer to the proposed project to come forward. However, there is a risk that the publication of bids may discourage their

development and submission in the first place, or contribute to delays for the original partners. And the HEFCW commented that it does encourage institutions to look to broaden collaborations during their early consideration of proposals.

Although many projects supported by the Reconfiguration and Collaboration Fund are in their implementation or operational phases, the HEFCW has disseminated little information about the lessons learnt from them

- 2.15** Many of the projects supported by the Fund, particularly merger projects, are ongoing in the sense that it may take several years to deliver in full the anticipated benefits. A small number of other projects are either complete or far advanced, such as the subject rationalisation between Swansea University and Swansea Metropolitan University, and collaboration projects to promote Welsh-medium education provision in HE.
- 2.16** However, seven out of 10 institutions that responded to the relevant question in our survey considered that the HEFCW was 'poor' or 'very poor' at sharing lessons from the applications and projects of other HE institutions. The HEFCW has no system for capturing and disseminating lessons learnt from the implementation or operation of projects supported by the Fund. Such a system might help all institutions to keep up to date with developments and the lessons learnt from the implementation of collaboration projects. The existence of such a system would also help to reinforce the priority the HEFCW and the Assembly Government attach to the collaboration agenda.

There are barriers constraining further collaboration within the sector, and the Assembly Government and the HEFCW are exploring other means to overcome them

There are barriers to further collaboration, stemming mainly from the autonomy of institutions

- 2.17** Although there has been some progress in increasing collaboration in the HE sector, there are also some significant barriers constraining further progress. These barriers stem largely from the status of HE institutions as independent, autonomous organisations.
- 2.18** As independent organisations, HE institutions are free to determine their own objectives and the vision or mission statements of some institutions were generally positive in terms of what they sought to achieve for their local communities and, in some cases, Wales (Box 1). However, HE institutions have their own traditions and histories and have strong links with their local communities. And all expressed a strong commitment to self-preservation as independent organisations.
- 2.19** This focus on preserving individual status and identities limits the potential for genuine collaboration to situations where it is clearly in the interests of both or all potential partner institutions. For example, there was little evidence that HE institutions would willingly give up their independence or relinquish their identity, even though there might be a strong business case for a merger. One vice chancellor told us that he believed that most HE institutions would only consider seriously a merger or takeover if they faced insolvency or other insurmountable financial problems.

Box 1 - Institution missions

Each Welsh HE institution has its own distinct vision or mission, which informs its corporate strategy. Examples are:

Glyndŵr University: 'to be a critical, significant, relevant and expert partner in regional and national economic and social development'.

Trinity College, Carmarthen: 'to advance Trinity College, a Church in Wales community university college, as a provider of quality bilingual higher education and training, that makes an effective contribution to the economic, social, spiritual and cultural prosperity of Wales'.

University of Wales, Newport: 'to inspire and enable individuals, organisations, and communities to succeed through innovation in high quality learning, research and enterprise'.

Cardiff University: 'to be a world-leading University'.

Swansea Metropolitan University: 'to provide a stimulating and progressive environment for learning through teaching, applied research and consultancy throughout the region'.

However, whilst only a full merger might result in the loss of identity, we also found that some institutions were wary about lower levels of collaboration as a result of their perceptions of their potential partner's ultimate intentions.

2.20 Another factor cited as militating against major collaborations up to merger is the relationship that institutions have with their local communities. Higher education institutions are major employers and supporters of their local economies. For example, the University of Wales, Lampeter, is the largest employer over a very wide area. Local economic and political considerations can therefore be as important as academic and administrative factors in considering the case for collaboration.

2.21 Individual interests can also have a significant influence in the consideration of major collaboration. It was one of the reasons for the termination of the merger discussions between the University of Wales Institute, Cardiff and the University of Glamorgan in

2003, when there was no agreement about which of the two institutions should provide the vice chancellor for the potential merged institution¹⁹. However, the HEFCW told us that it would be willing to consider a range of reasonable arrangements to smooth reconfiguration plans, such as support for temporary vice-chancellorships, shared posts, early retirements or any other such arrangements that might reduce or remove opposition to reconfiguration based solely or primarily on the personal position of existing senior managers.

2.22 Although the majority of their funding comes from public sector sources, HE institutions formally sit outside the public sector. To a degree, they compete with each other – and, increasingly, with HE institutions outside Wales – for students and research funding. We encountered competitive spirit and activity frequently during our study. In a number of instances this expressed itself as outright rivalry, together with a perceived threat from and mistrust of fellow institutions – not an atmosphere likely to foster collaborative working. In our follow-up meetings with institutions, we questioned them on whether there is a coherent Welsh HE sector – other than as an administrative concept arising from the fact that the institutions are dependent upon the Assembly Government for a large proportion of their income. Some institutions were unwilling to acknowledge the existence of a Welsh HE sector, and none was prepared to do so without substantial qualifications relating to their own independence and mission.

2.23 Institutions commented that the most effective examples of collaboration occurred through bottom-up working by the institutions involved, rather than as a result of central, top-down direction. Examples include the close working relationships between Cardiff University and

¹⁹ GAELWa audit report, as before

the University of Wales College of Medicine, which preceded and helped to facilitate the merger between the two organisations, and a number of proposals for low-level collaboration between the University of Glamorgan and the University of Wales Institute, Cardiff. There was some resentment on the part of institutions at the desire on the part of the Assembly Government for more mergers and collaborative ventures than have already occurred.

2.24 The impasse over the prospect of further institutional mergers in south-east Wales illustrates clearly the difficulties facing the parties concerned. While the Assembly Government is clearly committed to the vision of a single institution, the independent governance arrangements in place mean that it cannot dictate its wishes to the institutions concerned. For their part, the institutions do not share a common position on a joint future. Nor do they perceive any foreseeable financial crisis or overwhelming competitive pressures that would make a full merger the only way forward. However, the work being developed following the establishment of the Strategic Collaboration Board (paragraph 1.35) has the potential to increase collaboration and, in the view of the Assembly Government, to lay the foundations for increased integration in the future.

The Assembly Government and the HEFCW are encouraging collaboration through means other than the Reconfiguration and Collaboration Fund

2.25 While there has been some progress in increasing collaboration between HE institutions in Wales, it has been patchy and there remains a number of relatively small institutions. In addition to the Reconfiguration and Collaboration Fund, the Assembly

Government has introduced measures to further encourage some institutions to collaborate more, for example by establishing the Strategic Collaboration Board for south-east Wales.

2.26 The ministerial statement launching the second phase of the Fund in June 2004 re-affirmed the Assembly Government's commitment to the collaboration agenda, increasing the Fund budget from £8 million in 2004-05 to £12 million in 2005-06. The Minister also set out her expectation that the HEFCW should use core grant funding (Figure 3) and the new supplementary income in lieu of variable tuition fees²⁰, in addition to the Fund, as a means of increasing the incentives to institutions to bring forward more substantive collaboration proposals. However, although the HEFCW has not introduced changes of this sort, in 2005 it established a Strategic Development Fund, up to £6 million a year, which includes as an objective the encouragement of collaboration. For example, £3 million from the Strategic Development Fund has been allocated to encourage collaboration between the University of Glamorgan and the University of Wales, Newport in community-based provision in the Heads of the Valleys.

2.27 In August 2008 the Assembly Government announced its intention to more fully integrate the work of schools, FE institutions, HE institutions and other post-16 providers to transform the ways in which education and training provision is delivered. Under the Assembly Government's proposals, HE institutions are being required to engage in the development of local learning partnerships that will consider opportunities for cross-sector collaboration up to and including merger²¹.

²⁰ The Higher Education Act 2004 gives responsibility for tuition fees in Welsh HE institutions to the National Assembly. Higher Education institutions in Wales will charge up to £3,145 in tuition fees in the academic year 2008/09. However, the Assembly Government has undertaken to pay £1,890 of that total directly to the institution in the case of all students who normally live in Wales.

²¹ *Transforming training and education provision in Wales: Delivering skills that work for Wales*, Welsh Assembly Government, September 2008

Appendix 1 - Higher education institutions in Wales

Bangor University

Founded in 1884, Bangor was one of the three founding members of the University of Wales. Its income in 2006-07 was £99 million. It offers a wide range of courses in 23 schools with 600 teaching staff. It had 8,670 undergraduates and 2,170 postgraduates in 2007-08.

Glyndŵr University

Based in Wrexham and traces its origins back to 1887 and the founding of a School of Science and Art. In 1975, Denbighshire Technical College, Cartrefle Teacher Training College and Kelsterton College in Connah's Quay merged to form the North East Wales Institute of Higher Education, one of the largest colleges of its kind in Britain. It became a full member of the University of Wales in 2004, and changed its name in 2008 to Glyndŵr University. It has 6,000 students, more than two-thirds of whom come from within a 30-mile radius. There are 350 non-EU students. There are seven schools: Art & Design, Business, ICT, Education, Health & Social Care, Humanities and Science & Technology. The University's income in 2006-07 was £30 million.

Aberystwyth University

Founded in 1872, Aberystwyth was one of the three founding colleges of the University of Wales. It had 7,778 undergraduates and 1,511 postgraduates in 2007-08. There are 18 academic departments. The total University income in 2006-07 was £86 million.

University of Wales, Lampeter

Granted its charter in 1828 as a church-related college, Lampeter joined the University of Wales in 1971. It is the oldest of the 12 Welsh HE institutions and the smallest public HE institution in Europe. The institution's income in 2006-07 was £14 million. There are 1,400 undergraduates, of whom 170 are non-EU nationals, and 420 postgraduates, of whom 183 are non-EU nationals. There are 11 departments, most of which have a humanities focus.

Trinity College, Carmarthen

Trinity College traces its origins back to 1848. It has 2,000 undergraduates and 300 postgraduates. There are 140 non-EU students. The College's income in 2006-07 was £13 million. There are 10 Schools in two Faculties: Arts & Social Sciences and Education & Training. It is a Church in Wales community university college, the only such church college in the University of Wales.

Swansea Metropolitan University

The Swansea Institute of Higher Education was formed in 1992 from the merger of the former Colleges of Technology, Art and Teacher Training. In 2008 it changed its name to Swansea Metropolitan University. The University's income in 2006-07 was £28 million. There were 4,524 undergraduates and 1,180 postgraduates in the academic year 2007-08. There are three Faculties: Applied Design and Engineering, Art & Design and Humanities.

Swansea University

Founded in 1920, Swansea had more than 14,000 students in 2006-07 (12,390 undergraduates, 1,841 postgraduates) of whom 1,722 were from overseas. Its income in 2006-07 was £128 million. It offers a comprehensive range of courses.

University of Wales, Newport

The original institutions can be traced back to 1841. More recently, the Gwent College of HE joined the University of Wales in 1996 having itself been created from the merger of the Newport Colleges of Art and Technology and the Caerleon College of Education in 1975. The institution's income in 2006-07 was £39 million. In 2005/06, it had 8,700 students (7,500 undergraduates, 1,200 postgraduates) of which just over 200 are non-EU nationals.

University of Glamorgan

Founded in 1913 as the South Wales and Monmouthshire School of Mines, the institution became a Polytechnic in 1970 and a University in 1992. The University's total income in 2006-07 was £123 million. It has six faculties and over 21,000 students, including over 3,000 at postgraduate level. It also has over 3,000 international students. Around 18,000 students study on campus in Cardiff and Pontypridd, with 3,000 studying at its partner colleges across Wales and the UK. In addition, the Glamorgan Group includes the Royal Welsh College of Music and Drama and Merthyr Tydfil College. The University is a member of the 'University Alliance' which comprises a mixture of pre and post-92 universities.

Cardiff University

Founded in 1883 as the University College of South Wales and Monmouthshire, Cardiff was one of the three founding members of the University of Wales. It has 26,000 students (including 5,700 post-graduates), of whom 2,500 are from outside the EU, in 28 Schools. Cardiff has more than 1,000 research contracts and had a total income of £367 million in 2006-07. There are 5,700 staff of whom 2,800 are academic or research-based. It is the largest provider of adult education in Wales. It is the only Welsh member of the Russell Group of 20 UK research-intensive universities.

University of Wales Institute, Cardiff

The University can trace its origins to the founding of the School of Art in Cardiff in 1865. In 1976, it merged with the Cardiff Training College, Llandaff Technical College and the Cardiff College of Food Technology and Commerce to form the South Glamorgan Institute of Higher Education. It became the Cardiff Institute of Higher Education in 1990 and an incorporated and independent body in 1992 with degree-awarding powers from 1993. It assumed its current name in 1996 upon joining the University of Wales. It had a total income of £65 million in 2006-07. It has five Schools (Health Sciences, Art & Design, Management, Education and Sport). In 2007-08, there were 7,707 undergraduates, and 3,793 postgraduates. The Institute is a member of the University Alliance.

Appendix 2 - Projects supported by the Reconfiguration and Collaboration Fund

Partners		Partnership	Commitment	Expenditure/forecast expenditure (£000)					
				2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Mergers and alliances			up to £000	£000	£000	£000	£000	£000	£000
Cardiff University	University of Wales College of Medicine (UWCM)	Merger (including preliminary evaluation of merger)	15,000		6,738	6,000	2,262	19	
Glyndŵr	Bangor University	Appraisal of creation of a new university for North Wales	250		125	20	105		
Glamorgan	University of Wales Institute, Cardiff (UWIC)	Appraisal of merger and other options	250		227				
Swansea University	Swansea Metropolitan University	Planning work for rationalisation of provision in nursing, law and Initial Teacher Training (ITT); and assessment of scope for collaboration in Support Services	150		125	25			
Bangor University	Coleg Menai	Collaboration in administrative services	38		19				
Swansea University	Swansea Metropolitan University	Subject rationalisation	3,770				2,287	999	204
Cardiff University	Royal Welsh College of Music and Drama (RWCMD)	Options appraisal for strategic alliance	179				135		

Partners		Partnership	Commitment	Expenditure/forecast expenditure (£000)					
				2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Mergers and alliances			up to £000	£000	£000	£000	£000	£000	£000
Swansea University	Swansea Metropolitan University and Trinity College	South West Wales HE Partnership – First Phase	70				18	53	
Glamorgan	RWCMD	Initial planning work for alliance	39					40	
Glamorgan	Merthyr Tydfil College	Integration	242					130	87
Glamorgan	RWCMD	Integration of RWCMD and Glamorgan	12,750					1,660	467
Swansea University	Swansea Metropolitan University and Trinity College	South West Wales HE Partnership – implementation phase (functional administrative collaboration)	7,486						2,322
Research and teaching partnerships									
UWIC and University of Wales Newport		Feasibility study: collaboration in ITT	30		15	15			
Aberystwyth and Bangor		Strategic analysis: collaboration in research and teaching	100		50		50		
University of Wales Lampeter and Trinity College Carmarthen		Archaeology collaboration	90			30	26	15	13
Aberystwyth and Bangor Universities		Research and Enterprise Partnership	10,949					1,233	2,543
Bangor, Cardiff and Swansea Universities		Wales Institute of Cognitive Neuroscience	5,173				14	1,256	772
Glamorgan UW Newport, Cardiff, RWCMD and Swansea Metropolitan		Skillset Screen Academy	620					606	14

Partners	Partnership	Commitment	Expenditure/forecast expenditure (£000)					
			2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Research and teaching partnerships		up to £000	£000	£000	£000	£000	£000	£000
Cardiff and Swansea Universities	Rationalisation of Chemistry subject provision	1,205					159	325
Swansea, Aberystwyth, Cardiff and Bangor	Wales Institute for Mathematical and Computational Sciences	5,021					679	1,382
Cardiff, Bangor, Glamorgan and Swansea Universities	Low Carbon Research Institute (LCRI) – Funding starts 2008-09	5,189						
Pan-Wales Partnerships re General Issues								
University of Wales	Development of Welsh-medium provision – fellowship and scholarship schemes	2,933			16	252	423	598
Pan-Wales bid led by Aberystwyth	Pay modernisation	2,938				1,221	1,385	332
University of Wales	Enhancement of Welsh Medium Teaching Development Centre	1,000				253	315	323
Pan-Wales, co-ordinated by Higher Education Wales	Welsh-medium provision in HE – further developments	1,310						133
Total expenditure			0	7,299	6,106	6,622	8,971	9,515
Reconfiguration and Collaboration Fund budget			5,000	6,000	8,000	12,000	12,105	14,850

Appendix 3 - 'Heads of Information' Checklist

In its guidance to institutions on how to apply for support from the Fund, the HEFCW sets out the checklist against which it assesses applications, as below.

Purpose

1 The issue/s:

- Statement of the issue or opportunity being addressed.
- Summary of the proposal.
- Relationship to the institutions' missions, strategic plans and Reconfiguration and Collaboration plans.
- Relationship to the HEFCW's strategic aims and criteria for support from the Reconfiguration and Collaboration Fund.
- Summary of particular benefits, financial and non-financial, in terms of outputs, outcomes, benefits and impacts.

2 Options appraisal and risk assessment:

- At the outset of a development, an options appraisal will be needed in order to determine the best way forward. A statement of all of the (feasible) options available should be prepared. This should always include the status quo as the base case for evaluating the other feasible options.
- Where groundwork has already been completed through a full options appraisal and progress is being made to the next stage, the outcome of that appraisal should be presented in full. The outcome should include:
 - an assessment of the key risks associated with each option;
 - an identification of the factors that are relevant/critical to determining the preferred option;
 - an identification of the key assumptions associated with each option;
 - depending on the nature and scale of the activity, a sensitivity analysis.
- The case for the preferred option: the options appraisal should enable a clear statement of the argument for the preferred option to be presented.

3 Mission: In cases where a merger is proposed, a clear statement of the intended mission for the merged institution and how it addresses the key issue/s identified in **1**.

4 Impact: An assessment of the likely impact of the development, both regionally and nationally in Wales.

Business Plan

The Business Plan should describe how the preferred option would be put into effect and highlight the actions needed to manage the key risks. The Plan should include the following components. A statement of the process by which the reasonableness of assumptions and assertions have been tested should be included for each.

1 Costs and benefits: An assessment of costs and benefits. This should include an appraisal of the return on investment over a specified timescale (eg, increased research income/contracts; academic developments, etc).

2 Due diligence exercise

3 Finance: A statement of the sources of finance and any restrictive conditions attached: institutions' own contributions; funds borrowed; private investment; public investment (eg, government departments, the Science Research Investment Fund, Research Councils). The particular aspects of the proposal such contributions would cover should be identified.

4 The case for investment by the HEFCW, specifically.

5 Savings: The financial savings arising in the short, medium and long term and the proposed redeployment of savings, eg, to invest in facilities or to repay the HEFCW (or other sources) for cash flow assistance.

6 Implications: The implications for:

- estates and other physical infrastructure, including additional capital requirements; disposal of buildings, etc;
- staff numbers, by category; and
- student numbers, eg, in relation to uncertainty affecting recruitment.

7 Impact: An assessment of the impact:

- On the HEFCW's strategic aims: In particular, and as appropriate:
 - the excellence of the research base;
 - the quality and scope of learning and teaching;
 - ITT provision;
 - widening access and increasing participation; and
 - knowledge transfer activities.

- On stakeholders: In particular:
 - students;
 - staff; and
 - other stakeholders, eg, NHS, Research Councils, neighbouring institutions, the Welsh HE sector as a whole, local communities.

8 Governance and management structures: A description of the structures, including plans for any transitional phase.

9 Process: Details of the process for dissolution and merger.

In Appendix: In the case of a merger or a substantial strategic alliance, a five-year financial forecast, indicating key assumptions. (In cases where major commitment from the HEFCW is requested, broader financial projections associated with the proposed activities, including a sensitivity analysis, are also required).

Implementation Plan

The Implementation Plan should describe how the development will be managed as a project between two or more institutions eg, use of independent facilitators, external consultants, project management arrangements, and should include:

1 Timetable: An outline of how any action would be implemented, identifying key stages and providing dates.

2 Management Plan: A statement of the arrangements to be put in place to ensure effective management, including formal project management. This should include details of arrangements for ongoing consultation with stakeholders and details of any dedicated staff resource.

Deliverables

The deliverables should relate to the achievement of the purpose of the development.

They should comprise:

1 Interim strategic targets: To direct activities towards the achievement of the purpose. These targets should be verifiable.

2 Managerial targets: To direct the day-to-day management of activities. Again, these targets should be verifiable.

Appendix 4 - Method

Our fieldwork for this report comprised:

- A questionnaire to the Vice Chancellors or Principals of all twelve HE institutions.
- Follow-up visits, including interviews with senior staff, to all institutions with the exception of the University of Bangor where this was done electronically.
- Case file examination of 14 projects which had won Fund support. The sample included projects from both the first and second phase, and involved all the HE institutions. It included mergers and collaboration in research, teaching and administrative functions. The financial contributions from the Fund to the 14 sampled projects ranged from £90,000 to £15 million. The 14 projects were:
 - the full merger of Cardiff University and the University of Wales College of Medicine;
 - the appraisal of options for a merger between Cardiff University and the Royal Welsh College of Music and Drama;
 - the strategic alliance of the University of Glamorgan and the Royal Welsh College of Music and Drama;
 - collaboration in the provision of archaeology teaching between Trinity College Carmarthen and the University of Wales, Lampeter;
 - the Research Partnership between the Universities of Aberystwyth and Bangor;
 - the options appraisal for a Community University of North Wales between the University of Bangor and the North East Wales Institute;
 - the Skillset Screen Academy Wales between the Universities of Glamorgan and the University of Wales, Newport with Cardiff University, Swansea Metropolitan University and the Royal Welsh College of Music and Drama as associate partners;
 - the Wales Institute of Cognitive Neuroscience between the Universities of Cardiff, Swansea and Bangor;
 - the Wales Institute for Mathematical and Computational Sciences between the Universities of Cardiff, Swansea, Aberystwyth and Bangor;

- the South West Wales Higher Education Project between Swansea University, Swansea Metropolitan University and Trinity College Carmarthen;
- the rationalisation of subject provision between Swansea University and Swansea Metropolitan University;
- the rationalisation of subject provision between the Universities of Cardiff and Swansea;
- the merger of the University of Glamorgan and Merthyr Tydfil College of Further Education; and
- merger and options appraisal between the University of Glamorgan and the University of Wales Institute, Cardiff.