

Achievement and accountability

**Report of the independent
review of higher education
governance in Wales**

March 2011

Achievement and accountability: Report of the independent review of higher education governance in Wales

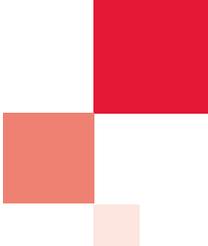
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Further information

Enquiries about this document should be directed to:
Peter McAllister or Julie Wyn Jones
Department for Children, Education, Lifelong Learning and Skills
Welsh Assembly Government
Wing A, Floor 3, Front
Sarn Mynach
Llandudno Junction
LL31 9RZ
Tel: 0300 062 5576
e-mail: HEGovernanceReview@wales.gsi.gov.uk

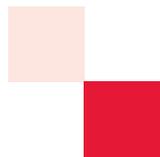
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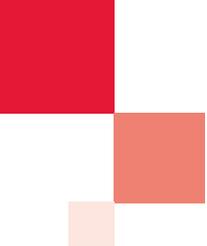
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Foreword

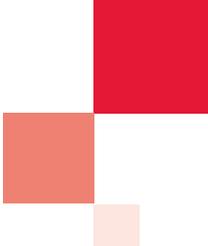
Excellence in governance is an essential prerequisite to the provision of public service excellence. It is essential to ensuring transparency, public accountability, civic responsibility and probity. The provision of higher education can be no exception. Tax payers have a right to expect assurance that the use of public money is maximised to full effect; service users have a right to expect that the quality of provision is guaranteed; and the Government and people of Wales have a right to expect that all aspects of the country's higher education system fulfils the aspirations and needs of the country. The system must ensure alignment between national needs and institutional direction while at the same time creating the conditions that promote and sustain institutional dynamism – high ambition, critical mass, autonomy and academic freedom.

Consequently, in accepting the commission for the review from the Minister for Children, Education and Lifelong Learning, my colleagues and I on the Review Panel were aware that our primary task would be to ensure that Wales' systems of national and institutional governance in higher education met both the current and future needs, expectations and requirements facing the sector. As we detail in the report, the changing financial, economic and market pressures facing Welsh higher education are considerable. Our work has convinced us that if the sector is to thrive in the face of these pressures then its governance systems have to change.

The role and function of the University of Wales is a critical factor in ensuring that the future shape and structure of the sector is appropriate to meet the challenges of the future. We conclude that the University of Wales must change radically if it is to play any part in Wales' future and we offer a range of options for reform.

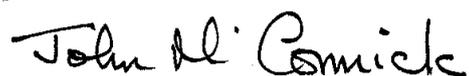
In carrying out our work and reaching our conclusions we were informed by evidence-based research. This included independent desk research and detailed analysis of comparative international systems, commissioned interviews with chairs of governors, institutional leaders and clerks/registrars, and two consultation exercises across Wales.

The Review Panel met regularly between August 2010 and January 2011. I would like to express our thanks to all those interviewed as part of our commissioned research, the organisations and individuals who submitted evidence in response to our consultations, and the witnesses and representatives of stakeholder organisations who gave of their time to address us in our meetings.



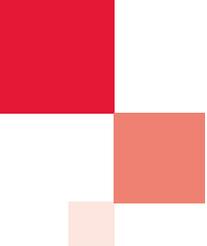
In submitting our findings and recommendation to the Minister, we would like to thank him for supporting and encouraging us to pursue an independent and wide-ranging enquiry. We also extend thanks to the two members of the Panel Secretariat who provided logistical support, research and briefing papers and expert advice throughout, and the official representative from the Department for Children, Education, Lifelong Learning and Skills who provided us with wise counsel as we tested options and ideas.

Finally I wish to express thanks to my colleagues on the Review Panel for their enthusiasm, commitment and support. On behalf of the Review Panel, I am pleased to present this report to the Minister for Children, Education and Lifelong Learning.



John McCormick

March 2011



Introduction

The challenges

1. The success of Welsh higher education (HE) is an essential pre-condition of the educational, social and economic renewal of Wales. Without sustained success in an increasingly competitive educational market, Wales will lack the necessary base of skills and knowledge to energise Welsh society and talent, to drive both social and business innovation and to face global competition with confidence.

2. Successive studies of higher education in Wales conclude that, in the face of global competition and increasing marketisation, the sector will need to address its inherent weaknesses of fragmentation and lack of scale, tackle issues surrounding new forms of delivery, and markedly improve its research performance and financial resilience.

3. The Jones Review (2009) focused on the scale of the challenge and the capacity of the sector to address it:

“ . . . we recognised a number of more immediate issues which we need to address in Wales. There are many examples of international excellence in Wales but, overall, our HE sector casts an insufficient shadow on the world scene – Wales, for example, has just one institution in the Times Higher Top 200 League Table of [Higher Education Institutions] HEIs compared with 4 in Scotland and 24 in England.”¹

4. The situation has worsened since Jones reported. In the current Times Higher League Table, Wales no longer has any institutions in the top 200 while Scotland has increased its total.² While use of league tables as a yardstick for performance has its weaknesses, the comparison with Jones’ benchmark is nevertheless insightful.

5. Equally pertinent is the debate over institutional capacity. As Appendix 1 shows the comparative size of institutions in the sector in terms of student volume and income in Wales has significant weaknesses when compared with England.

6. It is clear therefore that the higher education sector in Wales faces considerable challenges:

- the need to maximise income and financial effectiveness in the face of increasing budgetary pressures

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¹ M Jones (2009) *Report of The Independent Review of Higher Education In Wales Part 2*, Welsh Assembly Government, p9

² The World University Rankings 2010–2011, Times Higher Education Supplement www.timeshighereducation.co.uk/world-university-rankings/ Accessed January 2011

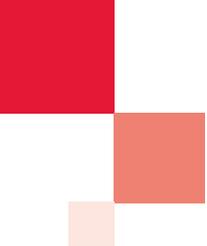
- the need to maintain academic and research excellence in an environment of changing demographic, student demand and rising expectations
- the need to address issues of institutional size and capacity, particularly in the face of increasing global and UK competitiveness
- the need to invest in, and continuously improve upon, the student experience and opportunities for learner employability
- the need to build a culture of innovation, dynamism and continuous improvement if the sector is to maximise its potential contribution to economic growth and social improvement.

7. While there have been some bold initiatives that have established new and more effective models of delivery and governance, such as in South West Wales and the Heads of the Valleys, it is our view that overall the sector still has a hill to climb if it is to create a shape and structure relevant for the future. Governance is not separate and distinct from this issue and it is essential that national and institutional governance models and practice are reformed and revised to enable the sector to meet the challenges ahead.

A new model of national and institutional governance

8. For Our Future (The 21st Century Higher Education Strategy and Plan for Wales) addressed these issues of shape and structure and with the Higher Education Funding Council for Wales' (HEFCW) Corporate Plan set a template for change. The message was clear and unambiguous: Wales' higher education must change if it is to rise successfully to the challenges of the twenty-first century. An appropriate model of national and institutional governance is a central component in driving forward the changes proposed by For Our Future, unlocking the sector's potential and providing the foundation for a new higher education landscape in Wales.

9. At national level, implementation of For Our Future has forged a closer and more direct relationship between government and HEFCW. The success of this new relationship has in itself highlighted limitations and opened up possibilities for further developments and redefinition in both the functions of government, the nature of the arm's length body and the relationship between them. Recently HEFCW has set forth a practical agenda for reconfiguration. In engaging with this it is imperative that the sector reflects the national need for change rather than institutional self-interest.



10. Along with this sense of national collective responsibility and accountability, it is important that the sector's voice, expertise and perspective are formally incorporated into the national governance system. Partly to support this and primarily to create a future-facing system, we propose a new national arm's length body that formally incorporates the sector, links it directly into the delivery of national strategies and introduces a system that not only promises change but assures it.

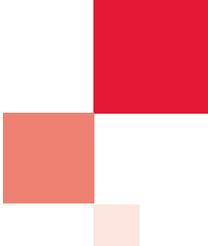
11. This changing policy and operational environment and the increased competitive pressures also require change to Wales' approach to institutional governance. Successful governance is an integral component of institutional success. Governors are a significant asset to the institution. There is a need to ensure that the commitment, strengths and capabilities of Wales' higher education governors and governing bodies are fully developed and supported to allow them to play a relevant and practical part in setting the strategic direction of their institutions, including their contribution to national goals, evaluating performance and assuring institutional probity:

“At the heart of the provision of modern public services is the devolution of authority and accountability as near the front line as possible. Strengthening governance is, therefore, very important to the future of public services. For this reason, we want to see stronger, more strategic and more accountable governing bodies.”³

University of Wales

12. The continued and future role of the University of Wales (UoW) also has to be evaluated against the challenges and changes facing the sector. While it has made a significant contribution to the development of Welsh higher education and culture, its current role is ambiguous, poses reputational risk and has to reform radically if it is to add any value or contribution to Wales, its higher education provision, its learners or its culture.

³ National Union of Students (NUS) Wales (November 2010), Response to the 'Call for evidence' issued by the Review of Higher Education Governance in Wales, NUS Wales, p6



National governance

The objective: creating a framework for delivering and sustaining change

13. In the context of national governance, our remit was clear. The ‘Terms of reference’ tasked the Review with identifying the ‘. . . changes required to ensure that the systems of national governance match the needs, expectations and future requirements of higher education in Wales’. Of importance was the need to define a model that aligned itself with, and assisted in delivering, the strategic imperatives of For Our Future and its call for ‘. . . a transformation in the relationship between government and the higher education sector . . . a step change defined by the creation of a national higher education system for Wales . . .’.⁴

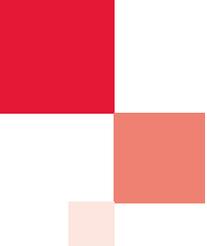
14. Critical to delivering long term success for this ‘step change’ is the need to ensure that Wales’ system of national governance reflects both the changing face of higher education (fewer and larger providers) and creates a sustainable model for successfully addressing the challenges of the future. While For Our Future helped forge a new more vigorous relationship between government and the Funding Council, there are nevertheless still flaws in the model that impede progress and limit capacity to respond to these challenges.

15. We have concluded therefore that a new form of arm’s length body is needed which has increased powers, incorporates sector representation and sets a new relationship with government and service users. This can be done while still respecting the autonomy of the individual HEIs for action and delivery.

The need for change: evaluation of the current system

16. In the face of institutional reconfiguration in Wales with a move towards fewer universities, several respondents questioned the value of maintaining a central arm’s length funding and regulatory body such as HEFCW.

⁴ Welsh Assembly Government (November 2009) *For Our Future: The 21st Century Higher Education Strategy and Plan for Wales*, as summarised in Old Bell 3 Ltd (November 2010) *An investigative study to support the Higher Education Governance Review, Literature Review section*, Old Bell 3 Ltd, p1



17. One viewpoint presented to the Review Panel argued that there were too many layers of control in a country the size of Wales and therefore the 'middle layer' between government and the sector should be abolished. A similar view presented in consultation responses put forward the case for direct government funding:

“In an environment of ever decreasing providers, a need for efficiency savings and increased public accountability, it may be easier for WAG [Welsh Assembly Government] to provide funding through a series of government-set funding streams, tariffs and projects that can be easily understood by decision makers and universities.”⁵

18. The recent PWC report on the costs of education in Wales also raised issues surrounding the efficiency of current arrangements. It proposed simplification of the governance structure, funding, and performance management. It also proposed a single back office function for all 'non-departmental public bodies'.⁶

19. However, the majority of witnesses and sector interviewees argued for maintaining the arm's length principle and put the view that '*. . . it was desirable to have an arm's length body to take decisions over resource allocation that impacted differentially on different parts of the country . . .*'.⁷

20. In terms of HEFCW, while some interviewees claimed that HEFCW was not fulfilling its potential and was failing to provide strategic leadership to the sector⁸, the majority of interviewees were highly supportive and saw its strengths particularly in terms of '*. . . the specialist knowledge and expertise of the Council ('a pool of expertise that is useful')*'.⁹

21. The model of a separate arm's length funding and regulatory body has advantages. It delineates and defines the respective responsibilities of government (strategic direction) and the funding body (policy implementation).¹⁰ To a certain extent this model is now working in Wales. For Our Future has set government strategy

⁵ NUS Wales, op cit, p3

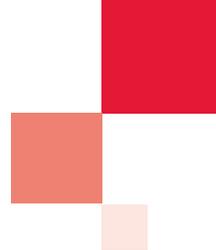
⁶ PWC (April 2010) *Review of the cost of administering the education system in Wales – Phase 1*, PWC, pp5–6

⁷ Old Bell 3 Ltd (November 2010) *An investigative study to support the Higher Education Governance Review, Fieldwork section*, Old Bell 3 Ltd, pp28–29

⁸ Ibid

⁹ Old Bell 3 Ltd, op cit, p28

¹⁰ T Tapper (2007) *The Governance of British Higher Education*, Springer, pp10–11



and HEFCW implements it through such methods as its 2010–2011 Corporate Plan, its proposals on regional planning and its paper *The Future Shape of the HE Sector in Wales*. Nevertheless, there still remain limitations in Wales' national governance model that indicate the need for a more radical solution.

22. One serious flaw surrounds the higher education sector's collective lack of commitment to addressing Welsh strategic priorities. Successive and consistent evidence¹¹ points to the sector's unwillingness to embrace real change and real systemic reconfiguration. Overall, while there were initiatives, we saw limited evidence that the sector as a whole had changed substantially and limited evidence that it now shared HEFCW's or the Welsh Assembly Government's sense of urgency.

23. Instead of creating a self-generating dynamism for change, the current governance model is dependent upon change driven from above for ensuring delivery of policy, a characteristic partly acknowledged by HEFCW in its submission:

“For effective delivery, HEFCW's most important need from the Welsh Assembly Government is a clear and consistent public expression of the government's expectations. Without it, any attempt to drive change by vigorous application of legislative powers (even if enhanced) would always face the risk of political challenge, and could founder.”¹²

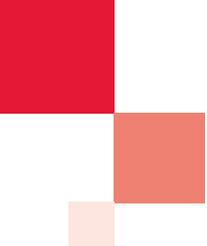
24. The PWC Report recognised this potential difficulty. It pointed out that provider failure to embrace change created lack of trust centrally and led to increasing use of direct intervention through 'funding levers and regulation to force a solution'.¹³ The PWC Report argued for the need to develop an approach which promoted the 'ability to deliver through others . . . [by replacing] enforcement and control mechanisms with dialogue, transparency and an acceptance of a mutual responsibility to deliver'.¹⁴

¹¹ M Jones (2009) *Report of The Independent Review of Higher Education In Wales Part 2*, Welsh Assembly Government; Wales Audit Office (2009) *Collaboration Between Higher Education Institutions*, report presented by the Auditor General to the National Assembly on 14 January 2009, Cardiff: WAO; The Audit Committee of The National Assembly For Wales, Audit Committee Report (3) 05–09, *Collaboration Between Higher Education Institutions – Response To The Report Of The Audit Committee*

¹² Higher Education Funding Council for Wales (HEFCW) (November 2010) Response to the 'Call for evidence' issued by the Review of Higher Education Governance in Wales, HEFCW, p1

¹³ PWC, op cit, p8

¹⁴ Ibid



25. There is a need to tackle this issue. If higher education in Wales is to succeed in the demanding and competitive environment of the future, then a reliance on change driven from above alone will not work. A new paradigm for national governance is needed that incorporates and ties the sector into *'a mutual responsibility to deliver'*.

The need for change: a model for Wales

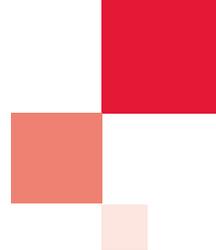
26. The Browne Review's¹⁵ recommendations for a new regulatory and funding body for England (the HE Council) flow from an awareness that systems of national governance have to change to reflect a changing operational environment. The current Northern Irish and Scottish consultations introduce similar considerations. The report of Ireland's HE Strategy Group includes proposals to reform the relationship between the government and the sector and redefine the role of the country's funding and regulatory body. In England, Browne's proposals are designed to work within the concept of a market-driven model. In Wales, the emphasis on collaboration and the strategic focus on both social justice and economic improvement offer a different policy context requiring its own distinctive approach to national governance. While there needs to be continued engagement with England and its national bodies, it is important to build a model that defines and prioritises Welsh needs.

27. If higher education in Wales is to rise to the challenges of the future and fully capitalise on its potential to drive economic improvement, contribute to social justice, offer new services to learners and compete on a global level, a new model of national governance is required. It needs to be characterised by:

- a new 'arm's length' regulatory and funding body with new powers – 'Universities Wales'
- a redefined relationship with the Welsh Assembly Government based on a co-ordinated, cross-government approach to higher education strategy and delivery
- a defined place and role for the higher education sector incorporated within the make up of the new national body
- a new high level strategic advisory group that develops a futures thinking capacity for the Welsh Assembly Government, Universities Wales and the institutions.

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¹⁵ J Browne, M Barber, D Coyle, D Eastwood, J King, R Naik, P Sands (2010) *Securing a Sustainable Future for Higher Education – An Independent Review of Higher Education Funding and Student Finance*, UK Government

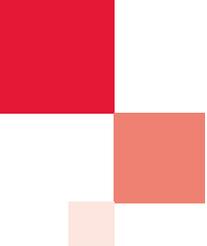


Universities Wales: powers and responsibilities

28. The powers of this new body should give it the relevant authority to fulfil its primary responsibility of ensuring delivery of Wales' national objectives and strategic priorities for higher education. To implement and sustain the changes required, these responsibilities and powers will need to be somewhat different to those of the existing body and should consist of:

- responsibility for managing and delivering recurrent, strategic and student fee funding for all elements of the Welsh higher education sector
- authority and powers to ensure that, where relevant, all its funding streams can be applied to meet national strategic objectives, such as reconfiguration, social justice and economic improvement, and foster cultural engagement
- responsibility for providing assurance to the Welsh Assembly Government on the state of governance, leadership and quality in all institutions and organisations delivering higher education in Wales or operating from Wales
- responsibility and powers for commissioning independent inspection and evaluation of governance, leadership and quality of all institutions or organisations delivering higher education in Wales or operating from Wales
- regulatory powers that allow it to intervene directly in the event of failure in governance, leadership or performance in any institutions or organisations delivering higher education in Wales or operating from Wales
- a requirement to report regularly and publicly, using key performance indicators (KPIs) agreed with the Minister for Children, Education and Lifelong Learning (CELL) on the overall performance of the higher education sector in Wales, over and above the performance of individual institutions, and on any issues that impact on that sectoral performance
- responsibility for being the Principal Regulator for charitable purposes of the HEIs in Wales.

29. In the case of governance and leadership this body will regulate, evaluate and commission independent inspection of the institutional effectiveness system and provide data and findings for Universities Wales' annual report to the Minister as part of the Governance Assurance System.



30. We do not accept the need or logic behind Browne's proposal for the assimilation of the responsibilities of the Office of the Independent Adjudicator (OIA) or the Quality Assurance Agency for Higher Education (QAA) into the Higher Education Council in England. As is the case now, overall regulatory responsibility should lie with the arm's length body. Quality inspection and the evaluation of student complaints should remain independent.

Universities Wales: form, structure and compliance

31. While the details of the form and structure of the new body will be a matter for the Welsh Assembly Government to decide upon and legislate for, the following provisions should act as the template.

- The board of the new body should eventually be made up of 12 members: six independent members, including members external to Wales (including overseas) and six members from HEIs in Wales. The sector members should be currently active in strategy, leadership or governance at senior level in HEIs in Wales. There may be need for a transitional board where the number of independents is initially larger.
- The board should ensure that the higher education activities of further education (FE) colleges are represented in its work and deliberations to ensure engagement, development and support for this important area of Welsh higher education.
- The board should be led by a strong, high profile independent chair with long-standing experience at senior executive level in national or international organisations, in the public or private sector.
- Appointments to the Council should be made by the Minister following a similar process to the current HEFCW appointment process, ensuring the application of Nolan Principles. The chair should be competitively paid, with a nominal fee payment to members and/or reimbursement to their organisation for time spent and travelling costs.
- The Management Statement Financial Memorandum (MSFM) agreed between the Welsh Assembly Government and signed up to by the board should reference the board's responsibility for delivering national policy and strategy.
- The premium placed by the new body on accountability in respect of national goals, system leadership and assessment of performance would suggest the need for a board where there is stronger infusion of specialist skills in those areas.

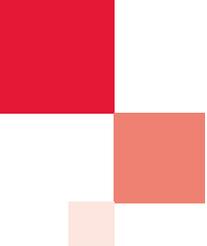
- There should be a regular stakeholder forum that allows service users to question and probe activities of the board.

32. As the new body will have different responsibilities than HEFCW and will be promoting a culture of change and innovation in the system, the skillset required by the board's staff should be re-evaluated through an independent study. There may also be value in considering the transfer of staff between the Welsh Assembly Government and the new board or instituting a system of secondment to help build the respective skillsets required in each body.

33. Through its membership of the board, the sector's involvement in Universities Wales will ensure its engagement in the development and implementation of policy and in the response to national obligations and challenges.

Recommendations: Universities Wales, a new funding and regulatory body

- R 1** The Welsh Assembly Government should create a new funding and regulatory body – Universities Wales. This body should be equipped with all the relevant powers, funding and commissioning authority to deliver strategic change and take direct responsibility for maintaining the excellence of the learning, research, governance and leadership across all of Wales' higher education provision and providers.
- R 2** The board of the new body, Universities Wales, should consist of 12 members comprising six independent members and six members from HEIs in Wales. Mechanisms should also be put in place which ensure the opportunity for the involvement of other sectors delivering higher education in Wales – particularly the further education sector.
- R 3** The new body should have the regulatory powers to allow it to intervene in the event of any failure in governance, leadership or performance in any institutions or organisations delivering or validating higher education provision in Wales or operating from Wales.
- R 4** The new body should be held accountable to the Welsh Assembly Government for the overall performance of the sector. This accountability should be defined in the Management Statement Financial Memorandum.



Role of Government

34. The Welsh Assembly Government is committed to securing a 'Team Wales' approach to delivery of public policy. To a certain extent this is the case in higher education where For Our Future – itself an holistic strategy cross-cutting all higher education issues – has been adopted by the Cabinet. This approach should be continued and strengthened by, for example, the creation of a Cabinet sub-committee for higher education, as has recently been proposed for the Irish Government by the Report of its Strategy Group for Higher Education.¹⁶

35. We consider that there is need for a central coordinating board of senior officials across departments that takes responsibility for overseeing the delivery of the overarching strategy and coordinating requirements different government departments may have of the higher education sector. This should report to the Permanent Secretary and the Minister for Children, Education and Lifelong Learning (CELL). The new system would reinforce the strategic function of the Welsh Assembly Government. In terms of ensuring line of sight between strategy and delivery there would be value for the Chief Executive of Universities Wales to sit as an *ex officio* member of that board.

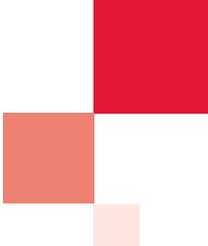
High level strategy advisory body

36. For Our Future represented a significant step forward, but further futures thinking is required if higher education in Wales is to develop a capacity for flexibility, responsiveness and innovation and ensure sustained competitiveness at a global level. Currently there is no such independent group offering this service to the respective elements of higher education in Wales – government, regulatory body or sector.

37. There would be value, therefore, in establishing a body that would have a responsibility for predicting future trends, identifying challenges and suggesting responses. Its function would be to identify current and long-term strategic and policy issues facing higher education and impacting on its future in Wales, to provide an independent evaluation of the issues and alert, assist and advise senior decision makers at ministerial, government, national and institutional level across Wales. Through seminars, online discussion

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¹⁶ C Hunt et al (2011) *National Strategy for Higher Education to 2030 – Report of the Strategy Group*, Department of Education and Skills, Government of Ireland, p89



and published reports, it would promote and disseminate new ideas and encourage inclusive debate, dialogue and discussion amongst institutional practitioners, those who influence policy and the wider Welsh public.

38. Though its role would be similar to the Foresight Board established by the Department of Business Innovation and Skills (BIS)¹⁷, it might be more appropriate to have it as an independent charity funded by subscription from institutions, individual members, government and national bodies.

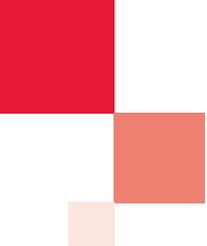
Recommendations: Role of Government and high level strategy advisory body

- R 5** The Welsh Assembly Government should build on the For Our Future Project Board and establish a central coordinating board overseeing the delivery of the overarching strategy for higher education. The board should consist of senior officials across all departments and report to the Permanent Secretary and CELL Minister.
- R 6** The Welsh Assembly Government should initiate and assist in the establishment of an independent high level ‘think tank’ for higher education in Wales.

¹⁷ Foresight reports directly to the Government Chief Scientific Adviser and the Cabinet Office. It is a part of the Government Office for Science within the Department for Business, Innovation and Skills. www.bis.gov.uk/foresight Accessed January 2011

‘The aim of Foresight is help government think systematically about the future. The Foresight Programme helps to improve how we use science and technology within government and society. Our work achieves this by drawing on well-tested scientifically-valid techniques to inform those responsible for developing policy and strategy in government. Foresight does not set out to predict the future. But on the basis of a thorough understanding and analysis of the subject in its broadest perspective – and an awareness of different ways in which the future may develop – we can identify a range of possible outcomes. The purpose of our futures work is to assist decision makers now to understand how the decisions they make today might affect the future. In this way, Foresight can help policy makers to reach more stable decisions that are more likely to survive the uncertainties of the future.’

www.bis.gov.uk/foresight/about-us Accessed January 2011



Institutional governance

39. Based on the evidence of our commissioned research and submissions to the Review Panel, governing bodies in Wales are well-managed overall with appropriate processes and systems. Equally, the sector itself takes seriously the need for continuous review and improvement.¹⁸ It is important to build on these strengths and this commitment.

40. While self-evaluation and ongoing incremental improvement of existing systems and processes are essential and contribute to governor effectiveness, there is also a need for a more fundamental re-evaluation of the role, purpose and functions of institutional governance to ensure its effectiveness in the light of the challenges and policy imperatives facing higher education in Wales. In this way a shape and structure relevant for the future can be determined.

41. Governing bodies will need the capacity to oversee new organisational structures, new management responsibilities and new forms of delivery. They will have to help guide the institutions as they balance market, regional and international pressures. They will have to help the executive foster innovation, encourage flexibility and more meaningful student, client and stakeholder responsiveness.

Role, purpose and functions

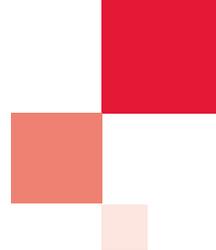
42. A number of models were submitted, investigated and evaluated that informed our thinking. Possibly the most practical definition of the purpose of the governing body, however, remains that set by the Committee of University Chairs (CUC) Code which states that a governing body ' . . . is unambiguously and collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment in which the institutional mission is achieved and the potential of all learners is maximised'.¹⁹

43. Underpinning this purpose, we believe there are three guiding principles of governance that have to be balanced in the operations of governing bodies:

- governance for accountability and compliance

¹⁸ As evidenced by their commissioning of the Newcomb Report: E Newcomb (July 2010) *Ensuring Excellence: Higher Education Governance in Wales – an independent review of university governance in Wales*, Chairs of Higher Education Wales (CHEW) and Higher Education Wales (HEW)

¹⁹ Committee of University Chairs (March 2009) *Guide for Members of Higher Education Governing Bodies in the UK – incorporates the Governance Code of Practice and General Principles*, HEFCE, p13



- governance for maximising institutional performance and success
- governance for representation and democracy (see Appendix 2).²⁰

“A Code of Governance should be developed for the sector that has at its heart this tripartite model and allows Governing Bodies to assess themselves in each of the three areas. The idea that any university should feel its Governance is successful without each of these areas being focused on should terrify any policy maker or funder.”²¹

44. Importantly, in carrying out this purpose and implementing these guiding principles for their institutions, governors need to be mindful of national needs as well as government policy and priorities. This does not conflict with their responsibility to the institution but rather enables them to question more thoroughly institutional strategy, performance and direction. Such an approach promotes robust governance which in turn contributes to robust and successful institutional autonomy.

45. Delivering all of the above requires governor involvement in certain key functions and areas, in particular:

- strategic planning and evaluation of institutional strategic direction against national imperatives
- rigorous scrutiny of probity and institutional performance against sectoral and peer group benchmarks.

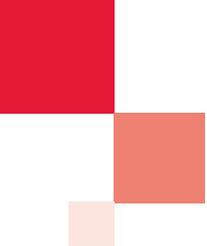
46. To achieve these two primary functions the following will be essential:

- formal, regular and systematised engagement with internal and external stakeholders
- a thorough understanding of the ‘academic business’ of the institution – teaching, research, professional training and knowledge transfer
- a rigorous, nationally consistent and regular self-evaluation programme as part of the responsibility for evaluating their own performance.

These last three points will be addressed in the ‘Shape, structures and effectiveness’ section.

²⁰ Several respondents and witnesses presented this tripartite concept. It originated in the typology developed by A Schofield (ed), J Matthews and S Shaw (2009) *A Review of Governance and Strategic Leadership in English Further Education*, Learning and Skills Improvement Service (LSIS) and Association of Colleges (AOC) (Appendix 2 refers).

²¹ NUS, op cit, p6



47. Our research and evidence highlights a need for improvement in several key functions surrounding engagement in strategic planning, scrutiny and responsiveness to national policy objectives.

- Governing body engagement with strategic planning is very limited in some institutions. It is often only reactive and one interviewee went so far as to refer to the governing body involvement in strategic planning as limited to *'improving the punctuation'*.
- Use of effective KPIs for institutional scrutiny is variable and limited use is made of sectoral and peer group data for benchmarking institutional performance against national, UK and international standards.
- While all chairs are alert to the importance of engagement with the 'student voice' and the majority of boards have student representation, further improvement is still needed. Concerns have also been raised by the Office of the Independent Adjudicator (OIA) surrounding the lack of board oversight of the student complaints process.

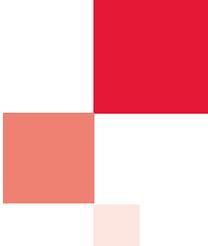
48. Given the importance of 'future proofing' the sector by modernising its size, shape and structure, there is also need to ensure governors are proactively engaged in change and development. Most chairs expressed sympathy for the principle of greater partnership with other institutions, supported having fewer larger universities in Wales and professed a willingness to consider structural change.²² However, in our view, there has been limited evidence of this in institutional strategies. It is important to ensure appropriate board involvement with this process. An informed and engaged governing body is essential to the success of any partnership initiative.

"If you were to ask why there has been more change in this part of Wales . . . then I think this is down to the dynamics of a governing body which is alert to the changing policy requirements and can respond to it, but has also an appropriate relationship with officers from within the institution to make change happen."²³

49. A commitment to, and engagement with, the national policy of collaboration and merger does not conflict with institutional priorities or future institutional need. Neither the obligations of trusteeship within institutions nor institutional priorities should be a bar to a commitment to wider national needs and priorities. It is entirely

²² Old Bell 3 Ltd, op cit, pp22–23

²³ Old Bell 3 Ltd, op cit, p22

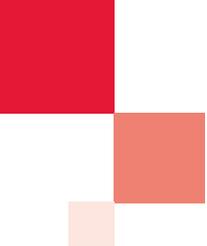


proper that institutional governors should take account of the needs of the future student body, the longer-term interests of research and the interests of the wider society in which they operate. It is therefore important that in their role of scrutinising and helping to shape strategy, governors should be appraised of, and able to comment on at a formative stage, all the options facing an institution's proposals for partnership, collaboration or merger. In doing this they will need a broad range of inputs and comparators beyond an institution's own data sets.

50. There is also a case for increasing the opportunities for governors to participate more fully in the national debate. Governors provide a repository of considerable expertise, knowledge and experience that offers a resource not just for the institution but for the sector and country as a whole. One witness referred to the value of re-establishing the regular meetings between chairs and HEFCW that had been discontinued several years ago. Trilateral meetings do take place with Higher Education Wales (HEW), Chairs of Higher Education Wales (CHEW) and HEFCW but there is some question as to the level of engagement and impact chairs have on the discussion and outcomes. The opportunity for chairs and governing bodies to work collectively in the national interest is currently being missed.

Recommendations: Role, purpose and functions

- R 7** As part of its annual evaluation and assurance of institutional governance, the national funding and regulatory agency, Universities Wales, should evaluate the engagement of governing bodies in the strategic planning process and the rigour of governor scrutiny of institutional performance.
- R 8** In addition to the specific institutional KPIs, a common set of KPIs reflecting sectoral performance at national, UK and international level should be applied in the evaluation of institutional performance by all governing bodies.
- R 9** An annual report on the student complaints process, on criteria defined by the OIA, should become a formal requirement of all governing bodies and used to inform the proposed institutional effectiveness review.



Shape, structures and effectiveness

51. Governing bodies should be of a size, shape and structure that maximises their contribution to debate and decision making. The Lambert Report concluded that smaller governing bodies were more suitable for meeting the current demands and complexity of university business.

“Effectiveness requires high levels of engagement and individual responsibility and accountability, which is difficult to achieve with too many individuals in one room.”²⁴

52. Dearing recommended governing bodies should have a maximum of 25 members.²⁵ The size of the governing bodies varies across HEIs in Wales. The smallest two have 19 members, several have 25 and one has 35 (although this institution is considering reducing numbers). The legislation²⁶ which sets the size for the Higher Education Corporations (post-1992 institutions) states that the governing bodies (‘the corporation’) should consist of ‘not less than twelve and not more than twenty-four members’ plus the ‘principal’ of the institution.

53. Our research suggests that reduction in board size by many of the pre-1992 institutions in Wales during the last decade has had a positive effect on business processes and outcomes.²⁷ The business of universities is complex, has grown in complexity and will increase in complexity; large boards are not best equipped to deal with this. A small board of between 12 and 18 members, inclusive of staff and student representation, with well-organised and supported sub-committees should be the norm across both pre- and post-1992 institutions. Wider stakeholder representation should be addressed through means other than board membership.

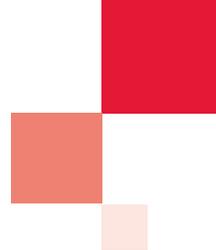
54. The importance of maintaining an awareness of the academic work and direction of the institution is a central tenet underpinning

²⁴ R Lambert (2000) *Lambert Review of Business – University Collaboration*, Her Majesty’s Stationery Office, p96

²⁵ R Dearing et al (1997) *Higher Education in the Learning Society – The Report of the National Committee of Inquiry into Higher Education*, DfEE, para.5.49

²⁶ Schedule 7a of the Education Reform Act 1988 as amended by the Further and Higher Education Act 1992

²⁷ Old Bell 3 Ltd, op cit, p5



governor effectiveness. Newcomb referred to this and the difficulties in achieving it:

“The evidence is that many lay governors, and not just those in Wales, feel that their knowledge is patchy . . . and this can be a significant challenge . . . taking some beyond the ‘comfort zones’ of areas like finance and estates.”²⁸

55. One of the key factors in developing an appropriate institutional strategy is the board’s relationship with the academic board/senate:

“A strong academic board working jointly with the Governing Authority in areas such as strategy and resource allocation brings together the vital constituents of good governance in a university context.”²⁹

56. There was evidence in our research that relations between the board and the academic board/senate, despite the presence of governors on the latter body, were in some instances marked more by poor communication and a lack of understanding than effectiveness. One Vice-Chancellor noted that ‘. . . while board members had a standing invitation to attend the senate and one or more usually did so, they usually seemed to find the discourse ‘opaque’.³⁰

57. In some boards efforts have been made to address this through invitations to attend the senate or through joint away days, but in at least one, the board itself had decided it was not appropriate for its members to become involved in the workings of the senate. Distancing the work of the academic board/senate from the governing body had, according to one witness interviewed, created a ‘balkanization’ of governance leading to a lack of oversight by governors of several important issues. Executive management therefore needs to foster a proactive relationship between governing bodies and academic boards/senate. The Newcomb Report proposed joint committees, a potentially valuable move particularly if convened as Task and Finish Groups.

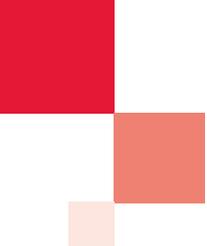
58. Lack of current practitioners of higher education as lay members was also identified as a problem.³¹ While it is vital that the governing body continues to include staff and student members it is also critical to ensure some external members have had recent and relevant experience of higher education at a senior level with another institution – possibly outside Wales.

²⁸ E Newcombe, op cit, p21

²⁹ M Shattock (2006) *Managing Good Governance in Higher Education*, OUP as quoted in C Hunt et al, op cit, p92

³⁰ Old Bell 3 Ltd, op cit, p8

³¹ Old Bell 3 Ltd, op cit, p7



Effectiveness

59. The Committee of University Chairs (CUC) Code refers to the need for regular self-effectiveness reviews taking place 'not less than every five years' – a recommendation that reiterates Dearing.³² Newcomb points out that '*Universities in Wales have to a degree complied with this advice, some in a detailed way that is to be highly commended . . . It should, however, be noted that other institutions have been less comprehensive in approach*'.³³

60. An effective and rigorous system of board review is critical to ensuring continued high performance. The most successful reviews are those that employ external expertise to provide a degree of objectivity and thoroughness and incorporate assessment of the relationship between the governing body and academic board/senate. We believe that current practice should dictate a review every two years; the outcomes of which should be both referenced in the institution's annual report and shared with the national body responsible for the funding and regulatory regime.

Stakeholders

61. Given our recommendation for smaller boards, there is a need to ensure other means of securing regular governor engagement with principal external stakeholders – the success of which should be measured by the effectiveness survey. In addition to the Annual General Meeting (AGM) of the board that should be open and advertised to the public, such activity must involve the establishment of a regular stakeholder forum, meeting at least twice a year. Stakeholder groups represented and invited to the forum should include business, community groups, local authorities, schools and colleges, staff and students.

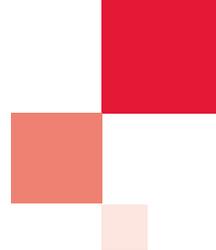
62. The Stakeholder Forum should be a constitutional element of institutional governance, convened and presided over by the chair of governors and providing formal minutes and report back to the governing body. Its purpose should be to provide opportunity for dialogue between key stakeholders and the board, offer stakeholders an opportunity to challenge issues, particularly strategy, and offer governors a conduit for understanding the views of stakeholders. Although we considered a number of models, it would be more appropriate for the sector to agree how the criteria are set for their operation within the broad principles outlined above.

Achievement and
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review of higher education
governance in Wales

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³² Committee of University Chairs, op cit, p15 and R Dearing, op cit

³³ E Newcomb, op cit, p24



Board membership and appointments

63. Balancing the need for highly capable, knowledgeable and committed appointees against the need to reflect the diversity of the communities, clients and stakeholders that institutions serve is not a mutually exclusive activity. Much good work is being carried out. Respondents provided evidence of good practice such as specific targeting of community, public sector and business groups in recruitment campaigns for members of the governing body and sub-committees. The sector is making progress. It is disappointing to note, however, that women make up only one third of overall membership.

64. These points highlight the importance of the recruitment process and the methods used for ensuring the right skills, competencies and commitment of recruits. Most institutions use a nominations committee for search/recruitment activities but not all appear to use a skills matrix for identifying vacancies. While all institutions advertised vacancies there was lack of widespread use of other methods such as use of the public appointments website or head hunters.

65. The process of appointing chairs is even more crucial. The importance of the chair to the success of the institution cannot be overestimated and the institution must ensure it makes every effort to recruit persons of the highest calibre, abilities and experience. One Vice-Chancellor noted that *'The appointment process for the chair of the governing body should be as thorough and rigorous as that for the Vice-Chancellor!'*³⁴

66. The chair's role demands the ability to act as critical friend and advisor to the Vice-Chancellor, provide objective stewardship for the strategic direction of the university and lead, manage and take accountability for the governors' decisions.

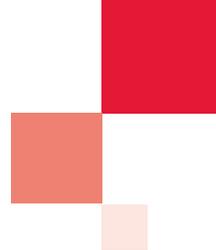
67. While it is acceptable that a range of informal and formal methods is used for recruiting the chair we believe that the process should be based on principles of openness, transparency and equitability. Effort should be made to ensure that opportunities and vacancies are widely publicised through a range of media and websites. As with staff appointments, Nolan Principles should underpin recruitment and appointment.

³⁴ Professor Noel Lloyd, Vice-Chancellor of Aberystwyth University

68. The Review considered at great length the idea of payment for the chair and members of the board. There was little support from within the sector for the idea of introducing fees for members of governing bodies. It was recognised, however, that board membership was a significant commitment and we believe that the voluntary nature of the role should not be an inhibiting factor preventing any individual being considered for board membership. Institutions should have the discretion to make payments as required, for example to meet caring commitments, compensate for loss of income or compensate employers for releasing staff.

Recommendations: Shape, structures and effectiveness

- R 10** Governing bodies should consist of between 12 and 18 members as the norm, inclusive of staff and student members.
- R 11** The majority of the board members should be external to the higher education sector.
- R 12** Each board should include members of the staff and student community as full members of the board not just to fulfil a representative role, but to provide essential input to strategy.
- R 13** Institutions should review their appointments processes and ensure that they recognise the importance of balanced selection panels to achieve balanced boards.
- R 14** Each governing body should have a formal effectiveness review once every two years, the outcomes of which should be published under a common sector process agreed with and regularly scrutinised by the national funding and regulatory agency Universities Wales.
- R 15** In addition to the board's public AGM, a formal stakeholder forum should be introduced, the conduct of which should be reported to the governing body and summarised in the annual report.
- R 16** Institutions should have the discretion to introduce a system of payment for attendance at meetings.
- R 17** A set of guidelines for procedures to be followed when recruiting a chair of governors should be agreed by the sector with the national funding and regulatory authority Universities Wales.



Legal and constitutional framework

69. Though not specifically remitted to review the legal and constitutional framework of university governance, this did inevitably form part of our considerations and evidence. The proposal in the previous section to create a new national regulatory and funding body for Wales with increased powers would require changes to regulations and legislation and clarification of government roles and powers.

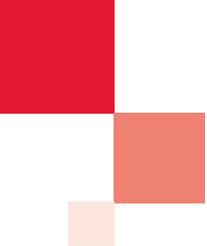
70. Within this context, it is clear that the divide between the pre- and post-1992 institutions is an arbitrary result of history and is archaic. Student choice is based on factors such as quality and relevance of provision and research capacity and reputation. It is rarely, if ever, made on the basis of whether a university has a Royal Charter or not.

71. The Westminster Government's support for increasing the role of private provision in the sector and the extension of opportunities for the private sector to apply for and exploit Degree Awarding Powers (DAPs) and university title could add another layer of administrative complexity to the system.

72. The Welsh Assembly Government should therefore seek to standardise, codify and modernise, the legal framework and powers surrounding higher education, possibly using primary legislation through the proposed parliamentary legislation for higher education in spring 2012 or in Welsh Assembly Government legislation if powers are awarded.

Recommendation: Legal and constitutional framework

R 18 The Welsh Assembly Government should standardise, codify and modernise the legal framework and its powers surrounding higher education including the awarding and control of Degree Awarding Powers (DAPs), university title and corporate status.



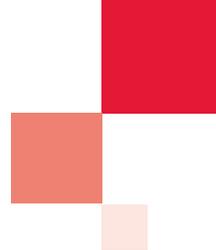
University of Wales

73. Established in 1893 and due to its long history, its past symbolic significance as a national institution and because so many people who studied at Welsh colleges are alumni, Wales has an attachment to what was once its only university. That history and past significance is undeniable; the issue today is whether it has a continuing role in a sector in which Wales' individual institutions must become self-reliant, self-resilient and stronger.

74. For at least five decades the University of Wales (UoW) has existed in some tension with the individual HEIs in Wales, sometimes a tension with its own constituent institutions, but increasingly in recent years with those that exist outside its membership. There have been at least six reports on its role and function in the last half-century, four of them in the 12 years between 1993 and 2005. The content and increasing frequency of these reports, and the subsequent structural changes the UoW has brought about, point to an unresolved struggle to find a satisfactory equilibrium between, on the one hand, a desire to preserve an all-Wales umbrella and identity for all higher education in the country and, on the other hand, the aspirations of individual institutions to grow, become successful and establish their own autonomy, degrees and identities.

75. The UoW represents a division in Welsh higher education rather than its unity. The current situation is that four out of five of Wales' chartered universities seceded from full membership of the UoW, and now mainly award their own degrees (with the exception of medicine and dentistry). The University of Glamorgan has never been a member of the UoW. The current members of the UoW are: Glyndŵr University; University of Wales Trinity Saint David; Swansea Metropolitan University; University of Wales Institute, Cardiff (UWIC); and University of Wales, Newport, who, with the UoW, have now formed the UoW Alliance.

76. Following the latest review of its function in 2005, a new post of Vice-Chancellor of the UoW was created in 2007, and since then it has developed a strategy primarily focusing on a twin role as a degree-awarding authority at home and overseas, and as a leading body in the protection and promotion of the language and culture of Wales. In the latter role it is responsible for the Centre for Advanced Celtic Studies, the University of Wales Press, and the Gregynog residential conference centre. Outside the UK it is now one of the UK's largest validators of degrees. There are 15,000 students taking UoW degrees in 25 disciplines in 30 countries.



77. The UoW's income stream lacks diversity and the dependency on the income stream provided by its validation work subsequently presents a high risk, particularly given the weighting towards overseas validation and the greater logistical and resource pressures required to manage the quality of such activities. There is a high premium on the need to manage the quality of the provision overseas, and breakdowns in this process can cause serious damage to reputation not only of the UoW but also the competitiveness of Wales' higher education provision overseas.

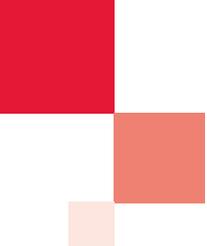
78. The UoW has never succeeded in being truly federal in operation and more recently, following the 'secession' of the older universities on which the UoW's reputation was largely built, it has effectively sought to become an institution with its own institutional objectives.

79. In 2008–09 it had a total income of £11.9 million of which less than five per cent was from Funding Council grants. It had reserves and endowments of £27.9 million, including £14.1 million of permanent endowments (a legacy of its history) and £13.2 million of other reserves. The Funding Council grants amounted to £581,773, just less than half of which was attributed to the Welsh Dictionary Unit and support of the University of Wales Press. Its research income amounted to £356,737, of which £246,911 came from the research councils. Since it receives very little public funding it is the nearest thing Wales has to a private institution in higher education. However, it is an institution that is deploying a national asset – the all-Wales brand – and yet has no national accountability.³⁵

Brand value

80. The strengths of the UoW brand, which include a relatively long history of academic activity and a prestige bestowed by the Chancellor and the Visitor's royal status, are important business assets. Its value may decrease, however, now that it is no longer intimately connected with the older research-based institutions that helped build the brand and no longer represents the whole of Welsh higher education. In this situation brand competition and confusion between UoW and individual HEIs, only some of whom are members of UoW, will surely increase. A national brand such as UoW should reflect the sector as a whole not a part of it.

³⁵ Information taken from University of Wales Financial Statement for the year to 31/07/09.



International representation of Welsh higher education

81. In common with universities everywhere, Welsh higher education has been very active overseas in recent years. This has happened at three levels:

- initiatives by individual institutions
- increased volume of degree validation and associated marketing by the UoW
- the successful wider marketing of Welsh HE on behalf of all institutions by the Wales International Consortium, formed in 2003.³⁶

82. There is a need, however, for greater clarity about the objectives of Welsh higher education in the international field. Internationalisation of Welsh higher education needs, among other things, to be focused on developing quality academic partnerships, and not just on the attraction of fee income from students or validation of degrees delivered overseas.

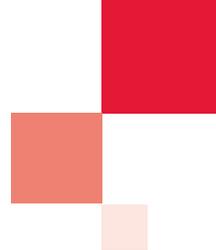
83. We believe that the division of international effort between individual HEIs, the UoW and the Wales International Consortium is not the optimal way of securing the best outcome for Wales and will be even more difficult to justify if the number of HEIs in Wales is reduced.

UoW and research

84. The UoW contributes to the research effort in Wales by supporting the Centre for Advanced Celtic Studies, the Welsh Dictionary Unit, and the University of Wales Press. It has also launched what it describes as a Global Academy Initiative, involving a hundred Prince of Wales Innovation Scholarships (POWIS) and a scheme of Visiting Innovators to bring research talent to Wales. Through the UoW Alliance it is also endeavouring to create a framework of collaboration between its member institutions.

85. The scholarships and fellowships financed by UoW certainly have purpose, and perhaps demonstrate the value of national initiatives that embrace all HEIs. The UoW sees this as a contribution to Third Mission activity through building business/industry-related support. While this may be a welcome addition to the funding of those HEIs that benefit, arguably it is the commitment and strategies of the HEIs themselves that will determine the overall impact of the investment.

³⁶ The Wales International Consortium seeks to complement and facilitate the work of the individual institutions.



86. The Centre for Advanced Celtic Studies performed very well in the last Research Assessment Exercise. It could, however, be argued that it might have been better for the sector as a whole had this result contributed to the overall research performance and the research income of an HEI rather than be isolated within the UoW where a research rating is less important.

University of Wales Press

87. The grant received from the Funding Council for the support of the University of Wales Press (UWP) was recently withdrawn to be re-distributed to individual HEIs. This provoked considerable controversy. Given the difficult economics of publishing, it is difficult to see that Wales would be better served by dividing responsibility for publishing among its many HEIs. A unified UWP, ably managed, and in which all HEIs had a stake, would continue to be an asset and its integrity should be preserved.

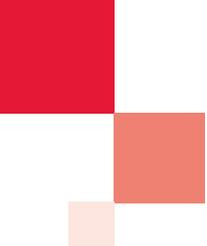
Gregynog Conference Centre

88. The Gregynog Conference Centre in mid Wales is a trading operation, and its value to the HEIs is, therefore, easily measurable by its use. It is surely significant that most HEIs have developed conference facilities of their own to serve their own needs and to generate income.

UoW and reconfiguration

89. For its first 100 years the UoW represented a symbol of nationhood for many. Since the creation of the National Assembly for Wales, the UoW and other institutions that fulfilled this symbolic role have had to rest their case more squarely on a functional justification. Given that half of Welsh HEIs now lie outside the UoW and half within, it has been difficult to define and articulate the UoW's role within Welsh higher education as a whole, rather than as a manifestation of the Alliance members.

90. With the withdrawal of the four older universities, the UoW has concentrated on building an Alliance of its remaining five members, all of whom are pledged to continue awarding UoW degrees. The Alliance's intent was to seek to share frameworks for learning and teaching, academic quality, research and support services. More



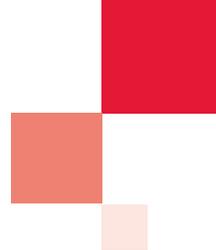
recently an announcement that two universities in the south west – Swansea Metropolitan University and University of Wales Trinity Saint David – were planning to merge with Cardiff-based UWIC into one organisation under the UoW has created considerable interest as a way forward for the UoW. Indications have also been given that the other members of the Alliance, University of Wales, Newport in the south and Glyndŵr University in the north east, would consider joining this structure. Full details of the proposed governance, financial and structural frameworks of the new proposal were not available at time of publication. The test for this proposal will be whether it contributes to a more effectively configured sector at both regional and national level.

91. Partnership, collaboration, alliance and merger all demand different approaches. It is important that they produce real change and not simply produce a continuation of the status quo in a new form. Merger must create a fully-integrated single institution with a single distinct mission. We believe that any merger of HEIs should meet the following criteria:

- a single, overarching governing body responsible and accountable for overseeing and assuring the strategic direction, probity, leadership and academic outcomes of the institution
- a single management structure that creates one institution
- a unifying mission and purpose that enhances the student experience and strengthens academic activity
- a common strategy clearly defining the institution's international and overseas activities
- a logic that underpins HEFCW's regional strategy.

92. There is currently no prospect that all Welsh HEIs will coalesce again under the UoW umbrella, as a single university embracing the whole of Welsh higher education. In any case this would be managerially unwieldy and would probably not allow future opportunities to be maximised. Against this background, it is legitimate to pose the question as to whether a merger involving the UoW can sustain that title if it does not include all HEIs in Wales, including the research intensive institutions.

93. We appreciate that decisions on the future of the UoW are a matter for its Council. However, there are issues of a public interest nature that go beyond the organisation itself and must be addressed.



Options for change

94. We can see four options for its future:

1. the status quo
2. the absorption of the UoW into one or more of the HEIs to create a single unified institution
3. the transformation of the UoW into a service organisation for the whole of the sector in Wales – involving the absorption of HEW and CHEW and the Wales International Consortium
4. the winding down and eventual closure of the organisation.

Option evaluation

95. We believe that the status quo is unsustainable. As it stands, there is the possible continuation of reputational risk and diversion from more radical change.

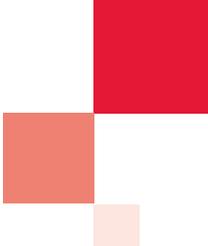
96. The second option would mean that the UoW was fully integrated into an existing institution or group of institutions. We believe that this option is only sustainable if it results in one single university with one governing body and one Vice-Chancellor and does not conflict with the regional strategy outlined in *For Our Future*. Careful consideration would have to be given to the name of this institution to avoid any confusion, which might inhibit the development of other autonomous HEIs.

97. The third option defines a more limited purpose for UoW, operating on behalf of the entire sector in Wales, avoiding unnecessary brand competition and confusion. By absorbing the roles of HEW and CHEW as well as the Wales International Consortium the UoW would provide the sector with a more efficient, effective and unified administrative and operational focus. It would support all HEIs in their wider cultural and academic initiatives and offer overarching assistance and a common resource, acting as an advocate within Wales and promoting Wales' HEIs internationally. It would also provide continued support and management of UWP for all HEIs in Wales

98. The fourth option would mean closure of UoW and the dispersal of its remaining activities such as the Centre for Advanced Celtic Studies and the Welsh Dictionary.

Recommendations: University of Wales

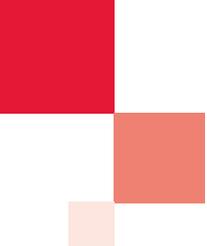
- R 19 The possibility of a merger of UoW with existing HEIs should be scrutinised as a matter of urgency to establish whether the creation of a new university, incorporating the UoW, is a realistic and viable option.
- R 20 If merger into a single institution proves to be unsustainable then:
- consideration should be given to the creation of a slimmed down UoW structure coming together with HEW, CHEW and the Wales International Consortium, and their staff, to provide a service for the totality of the higher education sector in Wales. The UWP should be retained as part of this structure and provide a central publishing house for promoting the publication of research into the Welsh language, culture and economy.
- R 21 If this option fails then:
- the UoW should undertake an orderly winding down of its validation activities and cease to recruit new students on any of its validated programmes from September 2012
 - on the same timescale each HEI currently offering UoW degrees should move to awarding its own teaching degrees and either seek authority to award its own research degrees or arrange validation via another university. HEIs offering UoW degrees should similarly arrange validation via another university
 - negotiations should begin to transfer the work of the Centre for Advanced Celtic Studies and the Dictionary Unit to an appropriate HEI with the proviso that these strands of work should continue to receive earmarked financial support from Universities Wales.



Summary of recommendations

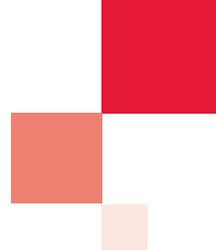
National governance

- R 1 The Welsh Assembly Government should create a new funding and regulatory body – Universities Wales. This body should be equipped with all the relevant powers, funding and commissioning authority to deliver strategic change and take direct responsibility for maintaining the excellence of the learning, research, governance and leadership across all of Wales’ higher education provision and providers.
- R 2 The board of the new body, Universities Wales, should consist of 12 members comprising six independent members and six members from HEIs in Wales. Mechanisms should also be put in place that ensure the opportunity for the involvement of other sectors delivering higher education in Wales – particularly the further education sector.
- R 3 The new body should have the regulatory powers to allow it to intervene in the event of any failure in governance, leadership or performance in any institutions or organisations delivering or validating higher education in Wales or operating from Wales.
- R 4 The new body should be held accountable to the Welsh Assembly Government for the overall performance of the sector. This accountability should be defined in the Management Statement Financial Memorandum.
- R 5 The Welsh Assembly Government should build on the For Our Future Project Board and establish a central coordinating board overseeing the delivery of the overarching strategy for higher education. The board should consist of senior officials across all departments and report to the Permanent Secretary and CELL Minister.
- R 6 The Welsh Assembly Government should initiate and assist in the establishment of an independent high level ‘think tank’ for higher education in Wales.



Institutional governance

- R 7 As part of its annual evaluation and assurance of institutional governance, the national funding and regulatory agency, Universities Wales, should evaluate the engagement of governing bodies in the strategic planning process and the rigour of governor scrutiny of institutional performance.
- R 8 In addition to the specific institutional KPIs, a common set of KPIs reflecting sectoral performance at national, UK and international level should be applied in the evaluation of institutional performance by all governing bodies.
- R 9 An annual report on the student complaints process, on criteria defined by the OIA, should become a formal requirement of all governing bodies and used to inform the proposed institutional effectiveness review.
- R 10 Governing bodies should consist of between 12 and 18 members as the norm, inclusive of staff and student members.
- R 11 The majority of the board members should be external to the higher education sector.
- R 12 Each board should include members of the staff and student community as full members of the board not just to fulfil a representative role, but to provide essential input to strategy.
- R 13 Institutions should review their appointments processes and ensure that they recognise the importance of balanced selection panels to achieve balanced boards.
- R 14 Each governing body should have a formal effectiveness review once every two years, the outcomes of which should be published under a common sector process agreed with and regularly scrutinised by the national funding and regulatory agency Universities Wales.
- R 15 In addition to the board's public AGM, a formal stakeholder forum should be introduced, the conduct of which should be reported to the governing body and summarised in the annual report.



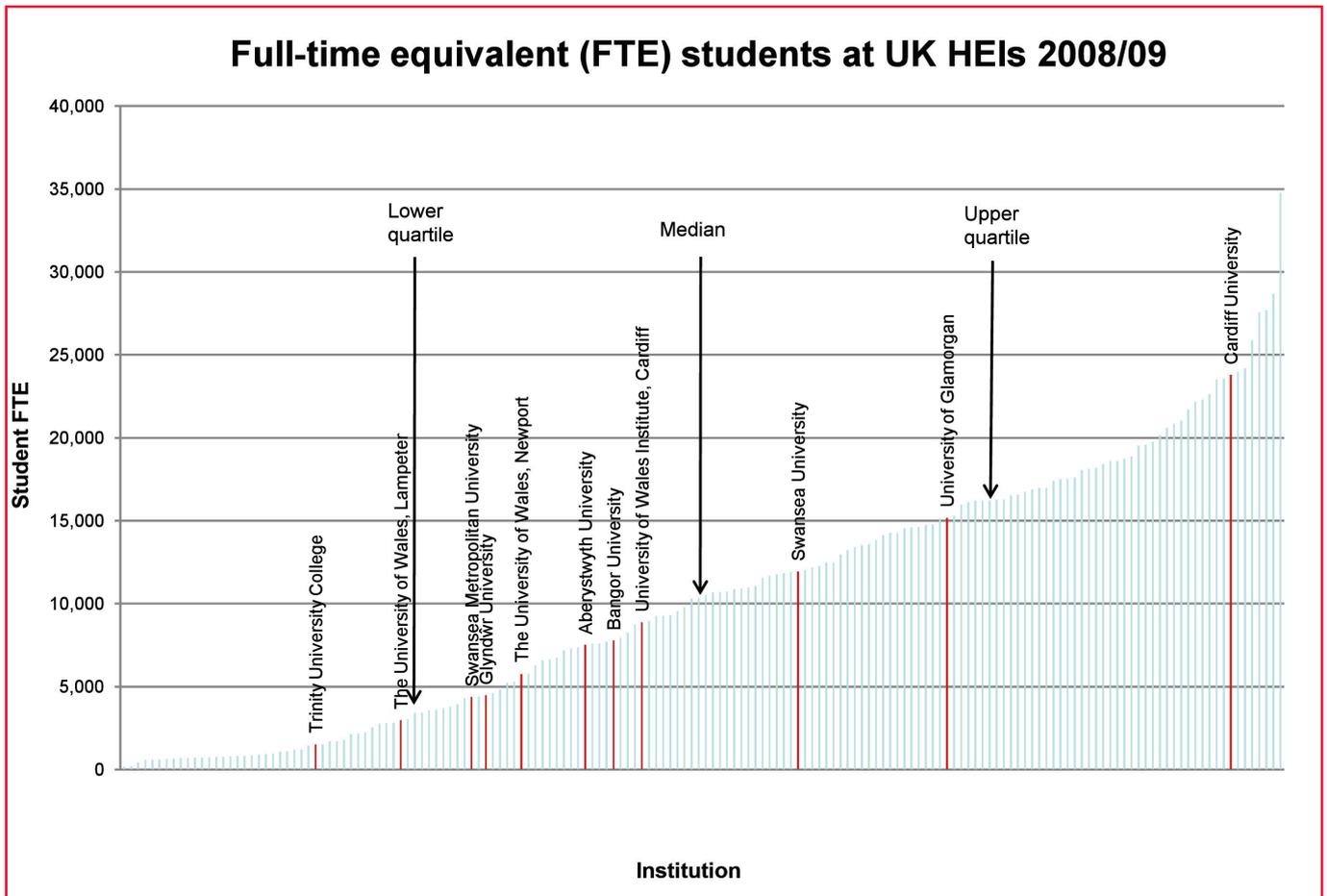
- R 16 Institutions should have the discretion to introduce a system of payment for attendance at meetings.
- R 17 A set of guidelines for procedures to be followed when recruiting a chair of governors should be agreed by the sector with the national funding and regulatory authority Universities Wales.
- R 18 The Welsh Assembly Government should standardise, codify and modernise the legal framework and its powers surrounding higher education including the awarding and control of Degree Awarding Powers (DAPs), university title and corporate status.

University of Wales (UoW)

- R 19 The possibility of a merger of UoW with existing HEIs should be scrutinised as a matter of urgency to establish whether the creation of a new university, incorporating the UoW, is a realistic and viable option.
- R 20 If merger into a single institution proves to be unsustainable then:
- consideration should be given to the creation of a slimmed down UoW structure coming together with HEW, CHEW and the Wales International Consortium, and their staff, to provide a service for the totality of the higher education sector in Wales. The UWP should be retained as part of this structure and provide a central publishing house for promoting the publication of research into the Welsh language, culture and economy.
- R 21 If this option fails then:
- the UoW should undertake an orderly winding down of its validation activities and cease to recruit new students on any of its validated programmes from September 2012
 - on the same timescale each HEI currently offering UoW degrees should move to awarding its own teaching degrees and either seek authority to award its own research degrees or arrange validation via another university. FEIs offering UoW degrees should similarly arrange validation via another university
 - negotiations should begin to transfer the work of the Centre for Advanced Celtic Studies and the Dictionary Unit to an appropriate HEI with the proviso that these strands of work should continue to receive earmarked financial support from Universities Wales.

Appendix 1: Size of the Welsh higher education sector

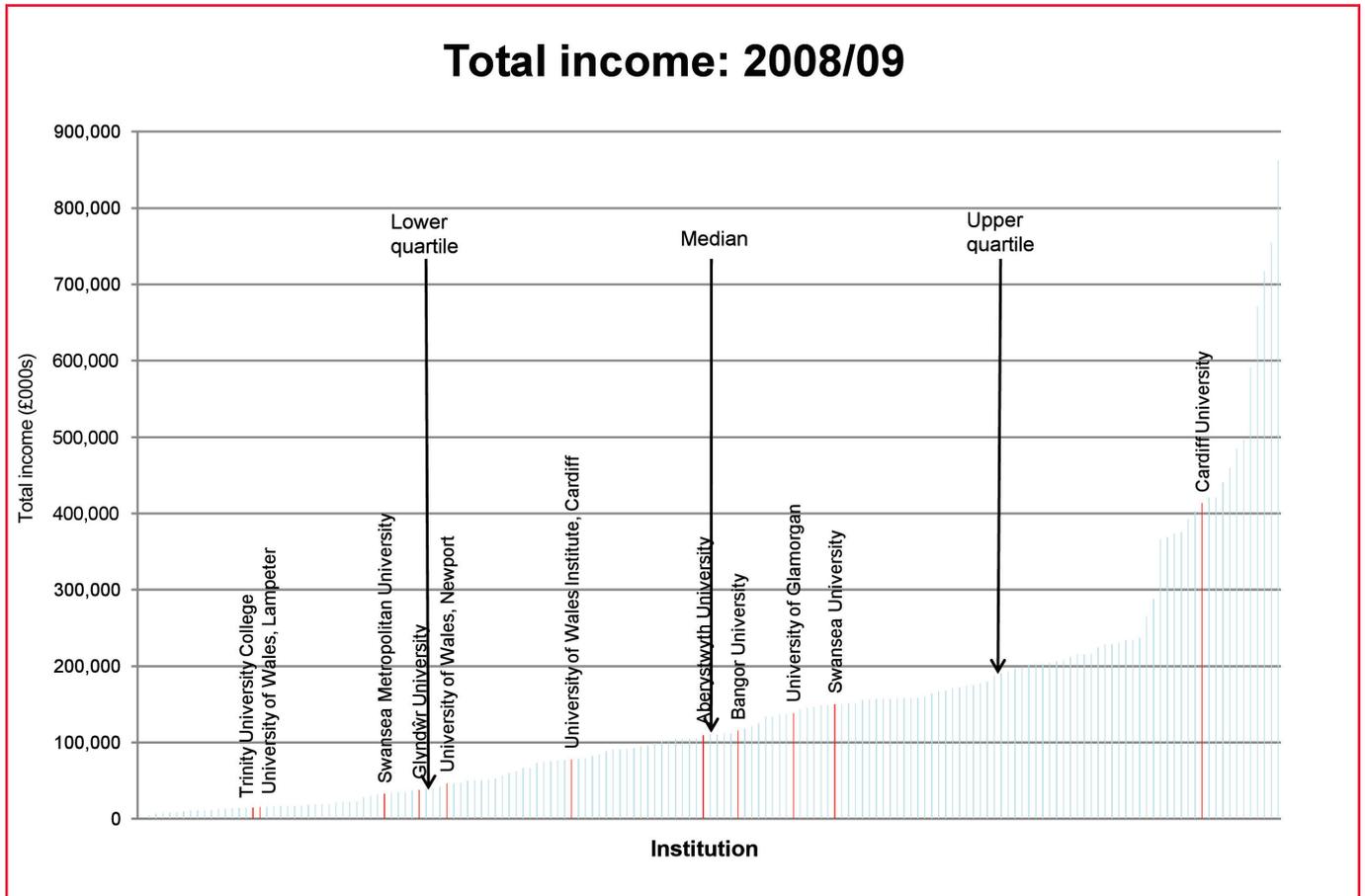
Figure 1



Source: Higher Education Funding Council for Wales (HEFCW)

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Figure 2



Source: Higher Education Funding Council for Wales (HEFCW)

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 accountability:
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Appendix 2: Different primary purposes of governance

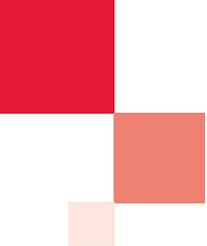


Governance for maximising institutional performance and success – this is the dominant (although not sole) purpose of governance in the private sector. Much of the rhetoric about board effectiveness is based on this purpose, and board performance is judged by the extent to which it adds value and maximises institutional performance and success . . .

Governance for accountability and compliance – this has been the dominant (although not sole) purpose of governance in much of the public sector. Here the focus is on providers implementing agreed policy (which may not be their own), meeting defined performance parameters (often expressed through targets), avoiding perceived risk, and assuring compliance with legal and regulatory requirements . . .

Governance for representation and democracy – here the focus is on engagement, participation and democracy (hence the associated concerns about the democratic deficit in the other two approaches). Staff and student participation in governance may work best within this approach . . .

Source: Information summarised from A Schofield (ed), J Matthews and S Shaw (2009) *A Review of Governance and Strategic Leadership in English Further Education*, Learning and Skills Improvement Service (LSIS) and Association of Colleges (AOC).



Appendix 3: Terms of reference

Context and rationale

A Task and Finish Group will be established to conduct a review of higher education (HE) governance in Wales.

For Our Future, the new strategy for Welsh higher education, sets a clear direction of travel for higher education in Wales that demands significant changes to the nature of delivery, engagement with regional and local communities, and relationships with other providers. It sets a framework for ensuring excellence, competitiveness and responsiveness that will enable higher education in Wales to meet the needs of a modern knowledge-based, globally competitive economy and inclusive society.

It is critical that Wales' higher education system of national and institutional governance provides an appropriate model and structure to support these aspirations.

For Our Future called for a review of higher education governance that built on existing strengths, evaluated current shortcomings and considered future need.

Such a review also aligns with the intentions of One Wales, the Welsh Assembly Government's agenda for the government of Wales, to implement continued improvement of services and review public service bodies.

Remit

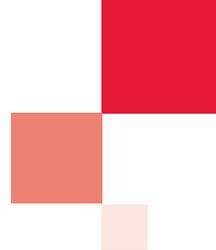
The Review will consider the key issue of whether existing forms of national and institutional governance match the needs, expectations and future requirements of higher education in Wales and identify any changes required.

The Review will consider:

- the role that higher education governance should have in meeting the challenges and delivering the actions required to ensure Wales' higher education system is fully responsive to learner need, nationally robust and internationally competitive
- the effectiveness of current accountability mechanisms between government and the universities in terms of the delivery of national strategies
- any changes to national and institutional governance required to meet these responsibilities.

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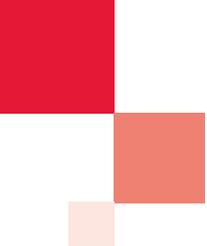
This will require a thorough, rigorous and analytical consideration of the:

- purpose
- underpinning principles
- operational framework of the current systems of governance in higher education.

The following issues and questions will be investigated.

- The opportunities for improving the relationship between national and institutional governance and an assessment of alternative systems.
- The lines of accountability to government and citizens to ensure that higher education provision meets national imperatives and responds to public need.
- The contribution that higher education governance, nationally and institutionally, can make to delivering a world-class sector with world-class subject departments, research grant achievement and Research Assessment Exercise (RAE) performance.
- The governors' role in overseeing, and supporting institutional commitment to collaboration and regional planning and delivery.
- The current arrangements that exist for governance of collaboration, partnership and regional planning, and the changes that need to be made to ensure institutional governors have a part to play.
- The current systems of governor scrutiny activities and any changes needed to ensure higher education governors are fully empowered to support, guide and oversee institutional leadership in strategic direction, evaluating quality and auditing processes.
- The current framework of governor recruitment in terms of the involvement of relevant stakeholders and the engagement of staff and students.

The Review will also consider the national role and function of the University of Wales, and its current and future contribution to the implementation of For Our Future.



Equality

The Task and Finish Group will be mindful of the key principles of equality of opportunity, and the Welsh Assembly Government's policies on race equality, disability and promoting bilingualism, sustainable development, and social justice.

Evidence, reporting and support

The Task and Finish Group will seek input from external stakeholders and experts and will particularly source evidence, views and opinions from officers and members of the Higher Education Funding Council for Wales (HEFCW), Higher Education Wales (HEW), The Chairs of Higher Education Wales (CHEW), The National Union of Students (NUS), The Leadership Foundation, ColegauCymru/CollegesWales and the relevant trades unions.

The business of the Task and Finish Group will be set up where possible to work around members' other commitments.

The chair is asked to produce a report by the end of January 2011. The Report will be presented to the Minister for Children, Education and Lifelong Learning.

The Group will be assisted by a team of Welsh Assembly Government officials. The facility is available to commission independent research should that be required.

Appendix 4: Members of the Task and Finish Group

Member	Present position
John McCormick (Chair)	Electoral Commissioner for Scotland, formerly Chairman of the Scottish Qualifications Authority (SQA), Secretary of the BBC and Controller of BBC Scotland
Ed Smith	Deputy Chair of the Higher Education Funding Council for England (HEFCE) and Chair of the Student Loans Company (SLC)
John Fielden	Management consultant in higher education policy and management
Dame Janet Trotter	Chair of the Gloucestershire Hospitals NUS Trust and former Vice-Chancellor of the University of Gloucestershire
Professor Mari Lloyd-Williams	Professor/Honorary Consultant in Palliative Medicine at University of Liverpool and member of Higher Education Funding Council for Wales (HEFCW)
Geraint Talfan Davies	Chair of the Institute of Welsh Affairs, Chair of Welsh National Opera and former Controller of BBC Wales
Matthew Taylor	Chief Executive of The Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA)

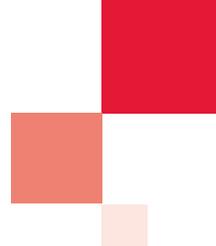
Professor Colin Riordan, Vice-Chancellor of the University of Essex, was unable to be a full member of the Group, but acted as a 'sounding board' giving valuable, external advice at different stages.

Appendix 5: Oral evidence

The following gave oral evidence to the Review at Task and Finish Group meetings.

Name	Organisation	Date
Minister for Children, Education and Lifelong Learning	Welsh Assembly Government (WAG)	16/08/10
Allan Schofield	In a personal capacity	16/08/10
Ewart Woolridge, Heather Graham	The Leadership Foundation	13/09/10
Lord Davies of Abersoch	In a personal capacity	13/09/10
Michael Clarke	McKinsey & Company	13/09/10
Anthony McClaren, Julian Ellis	The Quality Assurance Agency (QAA) for Higher Education	11/10/10
Professor Roger Brown	In a personal capacity	11/10/10
Professor Medwin Hughes	University of Wales Trinity Saint David	11/10/10
Robin Beckman	WAG	11/10/10
Roger Thomas, Phil Gummett	Higher Education Funding Council for Wales (HEFCW)	15/11/10
Andrew Wilkinson, John Andrews, Elizabeth Clark	Chairs of Higher Education Wales (CHEW)	18/11/10
Margaret Phelan, David Hagendyk	University and College Union (UCU) Cymru	18/11/10
Professor Marc Clement, D Hugh Thomas, Alun Thomas, Kate Sullivan, Margaret Evans, Alwena Morgan	University of Wales (UoW)	07/12/10
Professor Noel Lloyd, Amanda Wilkinson	Higher Education Wales (HEW)	07/12/10
Dr John Graystone, Bryn Davies	ColegauCymru/CollegesWales	13/12/10

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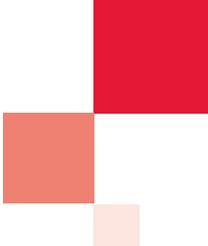


The following had one-to-one meetings.

Name	Organisation	Date
Minister for Children, Education and Lifelong Learning	WAG	19/07/10
Dr Peter Noyes, Vice-Chancellor	University of Wales, Newport	20/07/10
Professor Noel Lloyd, Chair	HEW	20/07/10
Andrew Wilkinson, Chair	CHEW	20/07/10
Rob Humphreys, Chair	An independent review of the governance arrangements of further education institutions in Wales	20/07/10
Roger Thomas, Chair Phil Gummatt, Chief Executive	HEFCW	16/08/10
Antony McClaren, Chief Executive	QAA	31/08/10
Allan Schofield	In a personal capacity	31/08/10
Lord Davies of Abersoch	In a personal capacity	07/09/10
Dr David Roberts, Secretary and Registrar	Bangor University	14/10/10
Professor Marc Clements, Vice-Chancellor Alwena Morgan, Corporate Services Director and Secretary to the Council	UoW	21/10/10
Andrew Wilkinson, Chair	CHEW	21/10/10
Minister for Children, Education and Lifelong Learning	WAG	21/10/10
Owen Evans, Director of Skills, Higher Education and Lifelong Learning Group	WAG	21/10/10

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Name	Organisation	Date
Minister for Children, Education and Lifelong Learning	WAG	22/11/10
Merfyn Jones, Specialist Advisor on higher education	WAG	22/11/10
CHEW (annual dinner)	CHEW	22/11/10
Robert Behrens, The Independent Adjudicator and Chief Executive	Office of the Independent Adjudicator	11/01/11
Katie Dalton, President Adam Rees, Policy and Public Affairs Manager	National Union of Students (NUS) Wales	03/02/11
Simon Dunn, Head of Higher Education Keith Bolton, Chair of UNISON Cymru Wales Higher Education Service Group	UNISON Cymru Wales	03/02/11
Roger Thomas, Chair Phil Gummett, Chief Executive	HEFCW	03/02/11



Appendix 6: Research

Commissioned research

The research of the Task and Finish Group was supported by commissioned research from Old Bell 3 Ltd who produced two reports.

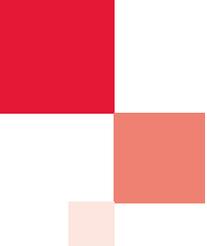
1. A Literature Review that provided a comparative analysis of other systems of higher education governance including the other home nations paying particular attention to the relationship between governments and institutions.
2. Qualitative interviews with Vice-Chancellors, chairs of the board of governors/council and registrars/secretaries to the board of governors/council in Welsh HEIs. These interviews were to help deepen the understanding of the current governance arrangements within Welsh higher education.

The Group is very grateful to all the HEIs and individuals who took part in this research.

Evidence gathering

The Group also issued two pieces of evidence gathering material.

1. A 'Call for evidence' that sought views from stakeholders (including HEIs) on the issues related to higher education governance in Wales so that, if improvements are needed, it can better meet the future learning needs of individuals, society and the economy.
2. An Institutional Governance Questionnaire (used by Old Bell 3 Ltd to support their interview work). This questionnaire was set to enable the Group to obtain a deeper understanding of the practical operational issues related to institutional governance in Wales. It was issued to all Vice-Chancellors, chairs of the board of governors/council and registrars/secretaries to the board of governors/council in Welsh HEIs.



The Group is very grateful to the following organisations and individuals who responded to the evidence-gathering exercise.

- Aberystwyth University
- Bangor University
- Cardiff University
- Chairs of Higher Education Wales (CHEW)
- Coleg Llandrillo
- Coleg Sir Gâr
- ColegauCymru/CollegesWales
- Committee of University Chairs (CUC)
- Glyndŵr University
- Higher Education Funding Council for Wales (HEFCW)
- Higher Education Wales (HEW)
- Mr Trevor Mayes
- National Union of Students (NUS) Wales
- Open University
- Quality Assurance Agency for Higher Education (QAA)
- Royal Welsh College of Music and Drama
- Swansea Metropolitan University
- Swansea University
- University and College Union (UCU) Cymru
- UNISON Wales
- University of Glamorgan
- University of Wales Institute, Cardiff
- University of Wales, Newport
- University of Wales Trinity Saint David