

## **A response to the Welsh Government's consultation on the proposals of the Higher Education Funding Council for Wales for reconfiguration of the Higher Education sector (*The Future of Higher Education in Wales*) by Higher Education Wales**

### **1. About Higher Education Wales**

Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales. HEW provides an expert resource on the Welsh Higher Education sector.

### **2. Background to the consultation**

In March 2011 the Welsh Government commissioned the Higher Education Funding Council for Wales (HEFCW) to advise on the future structure of Higher Education (HE) in Wales. This was published on 13 June 2011 and the Welsh Government currently seeks comments on HEFCW's report *The Future of Higher Education in Wales* by 5 October 2011 before reaching a view on their preferred options for the reconfiguration of the HE sector in Wales.

The Welsh Government's reconfiguration and collaboration agenda has been a key component of its policy for higher education over the past ten years as articulated in *Reaching Higher* (2003)<sup>1</sup>, *Learning Country 2* (2006)<sup>2</sup>, and its most recent higher education strategy *For Our Future* (2009)<sup>3</sup>. The Wales Labour Party's Assembly Election 2011<sup>4</sup> manifesto contains explicit commitments to 'continue to drive the transformation and rationalisation process that is beginning to take shape in Wales creating a smaller number of stronger universities.'

In 2009, the *Jones Review* of Higher Education in Wales<sup>5</sup> stated that there "was a compelling case for creating and consolidating critical mass, particularly in research and in wider reconfiguration, including merger, where clear outcomes can be identified and achieved". The recent review on governance led by John McCormick<sup>6</sup> and on education funding by PricewaterhouseCoopers<sup>7</sup> also variously pointed to the potential benefits of further reconfiguration.

Since 2003 there have been four mergers, reducing the number of Higher Education Institutions in Wales from 13 to 10. This has included the merger of Cardiff University and the University of Wales College of Medicine in 2004, the University of Glamorgan and

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<sup>1</sup> Welsh Assembly Government, *Reaching Higher: a Strategy for the higher education sector in Wales*, (March 2003).

<sup>2</sup> Welsh Assembly Government, *The Learning Country 2: Delivering on the Promise*, (April 2006)

<sup>3</sup> Welsh Assembly Government, *For Our Future: The 21<sup>st</sup> Century Higher Education Strategy and Plan for Wales*, (Nov 2009).

<sup>4</sup> Welsh Labour Manifesto 2011, *Standing up for Wales*, p.34ff.

<sup>5</sup> Prof R Merfyn Jones, *Review of Higher Education in Wales Phase 2: Report from the Chair of the Task and Finish Group*, (April 2009)

<sup>6</sup> J McCormick, *Achievement and accountability: Report of the independent review of higher education governance in Wales*, (March 2011)

<sup>7</sup> PricewaterhouseCoopers, *Education Funding Review Phase 1*, (May 2010), p.57

Merthyr Tydfil College in 2005 (an HE-FE merger), the University of Glamorgan and the Royal Welsh College of Music and Drama in 2007, and most recently the merger of Trinity University College, Carmarthen and the University of Wales, Lampeter. Most recently, in February 2011, Swansea Metropolitan University and the University of Wales, Trinity St David announced merger proposals to form a single institution with the University of Wales.<sup>8</sup>

The sector has also developed approaches to collaboration in areas that do not involve merger. This has previously included reconfiguration of subject provision (e.g. as part of the regional plans, rationalisation of chemistry provision in South Wales), sharing of services, establishment of partnerships and consortia (e.g. High Performance Computing Wales, Climate Change Consortium for Wales), and the formation of major collaborative institutes (e.g. Research Institute of Visual Computing, Wales Institute of Social and Economic Research, Data and Methods, Low Carbon Research Institute). Reconfiguration in particular has been given a regional focus through the HEFCW regional plans. This also includes major transformational initiatives such as the Universities Heads of the Valleys Institute which formed a key component of the Government's strategy, *For Our Future*. At the same time HEW recognises that there is further room for progress.<sup>9</sup>

### 3. About this response

The key context of HEW's response is provided by its statement published on 2 July 2011:

"The positive impact of universities in Wales – contributing £2.2bn a year to the Welsh economy - is strong and growing, but the challenges facing higher education are of an unprecedented nature. We have to move fast in order to meet these challenges and deliver transformational change for Wales. Universities across the UK will inevitably be impacted deeply by the Westminster Government's higher education White Paper, which sets out radical plans for the future development of HE. The ambitious Welsh Government agenda set out in *For our Future* guides our task in leading change - but it does so in an environment that is increasingly competitive at both a UK and international level.

In this context a strategic approach from the higher education sector in Wales is essential. HEW itself will play a vital role in facilitating change in an environment that is moving at an ever increasing rate. This work will address key national priorities for Wales in relation to economic renewal and social justice. As a start to this new approach we will be leading important new strands of work in relation to European research funding, joint institutional planning and in maximising the advantage of EU structural funds for Wales.

Though universities are legally autonomous and mergers are a matter for university governing bodies to decide, in this changed environment we are working with the approach of the Higher Education Funding Council for Wales and the Welsh Government on the size and shape of the university sector. We are clear that this new strategic approach will require further reconfiguration of the university sector and will be of all round benefit. The gains for Wales of fewer but stronger and more successful universities working collaboratively with the Welsh Government will be substantial. Higher Education

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<sup>8</sup> See e.g. University of Wales, Trinity St David, Press Statement, 13 July 2011.

<sup>9</sup> See for instance the analysis up to 2009 of the Wales Audit Office, *Collaboration between Higher Education Institutions*, (Jan 2009).

Wales will therefore be working to fulfil the goals, including on reconfiguration, outlined in the Funding Council's *Corporate Strategy for 2010-11–2012-13*. In this process we are pleased to have the support of colleagues in Universities UK, the wider representative body for Britain's universities."

The consultation poses three broad questions which form the basis of this response.

#### **4. Question 1: What are your views on the Higher Education Funding Council for Wales' (HEFCW's) report, Future Structure of Universities in Wales?**

The view of Higher Education Wales is that the Funding Council's report and the Minister's accompanying statement<sup>10</sup> together provide a compelling context for change. The pivotal role of higher education in supporting and transforming the economy and promoting social justice make it a priority that the longer-term competitiveness of the sector should be addressed. HEW supports the overall argument for change and is confident that further reconfiguration will be of all round benefit to the sector.

The essence of the report's analysis of the performance of HE in Wales is one that the sector will readily share. Much has been achieved and the sector has strengths, but there remain areas of comparative underperformance and significant change will be required to maintain and build on our successes in the longer term. The sector continues to offer students a high quality experience as measured by the National Student Survey. The results of the Research Assessment Exercise (RAE) in 2008 show that 14% of research submitted in Wales was world class (4\*) and a further 35% was identified as internationally excellent (3\*). In 2009/10 Wales attracted just over £48 million income from business and community interactions representing 5% of the UK income which is broadly in keeping with its share of the UK students population (5%, HESA 2009/10). Wales received a greater proportion of its income than the UK average for collaborative research involving public funding, and also for courses for business and the community and from regeneration programmes (HEBCIS 2009/10).

At the same time its performance in the RAE is behind other countries in the UK: in England 18% and 37% of research was rated 4\* and 3\* respectively. Wales' share of the Research Council grants in the 'hard' sciences continues to be lower than could be expected for the sector's size. As identified by the *Science for Wales* strategic agenda as well as the Funding Council's report there are a number of factors appearing to contribute to this which include for instance issues of the volume and concentration of science and research, organisation, and skills.

The Funding Council's report highlights key areas where it would hope to see substantial benefits arising from further reconfiguration in the sector. These include, in particular, building the critical mass necessary to attract a larger share of Research Council grants, and increased potential to attract investment capital. However, it should be noted that, even if the sector is reconfigured along the lines proposed, there will remain pockets of world class and internationally excellent research and expertise distributed among institutions in

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<sup>10</sup> Written Statement by the Welsh Government, *The Future Shape of Higher Education in Wales*, 13 July 2011.

Wales. As recommended by the Chief Scientific Advisor for Wales in his recent report,<sup>11</sup> other forms of collaboration must still be relied upon for pooling talent and resources effectively across the sector. As outlined in a series of studies and reports from the *Leitch Report to Skills that Work for Wales*, HEW believes that it is also vital that the sector reorganises itself effectively to interact with business and the community more effectively.

Given the evidence available, HEFCW's report is perhaps right to be cautious not to over-emphasise the potential gains of merger or increased scale to deliver significant reductions in administrative costs or increased financial sustainability. Funding issues such as funding for high-cost subjects or a gap in funding between the Welsh higher education sector and other sectors under the new fee-based regime must also be primarily addressed by other means. HEW agrees that the key arguments for change arise from more qualitative, strategic and longer-term considerations (para.4.1).

HEW and the sector will look forward to working with the Funding Council and Welsh Government to pursuing the objectives of this Report as part of the wider reconfiguration agenda for the ultimate benefit of students and the wider economy and society.

#### **5. Question 2: Do you have any comments on the report's proposals relating to specific higher education institutions?**

Universities are legally autonomous and mergers are a matter for university governing bodies to decide. It is recognised that the report sets out a range of different options which need to be considered in detail and on their individual merits by the institutions concerned. In this context, Higher Education Wales does not propose to comment on the proposals for specific institutions here but will continue to support them in considering the proposals and finding a solution that is right for the institutions and for Wales.

A number of helpful principles can be extracted from the Funding Council's paper and other sources that should help to guide their evaluation however:

- The ultimate size of the merged institution should ensure that there is no further need for restructuring. As a matter of practicality HEW would not wish to rule out a staged approach to a merger process if this enables a more risk free approach to the ultimate configuration model. On this issue HEW is also mindful of the proposals in England to encourage the entry of new smaller institutions to the sector through changes in degree awarding powers and university title requirements: a fundamental change in England of this nature will need to be closely monitored to ensure that this does not unduly affect the reconfiguration strategy in Wales.
- Merger should create an institution with a clear and distinct mission – it must not simply produce a continuation of the status quo. This is essentially McCormick's advice on the criteria to be applied when contemplating merger (para 91, p.30).
- The proposals should focus on and clearly identify the key expected benefits to arise from the merger, particular in terms of research capacity building, subject base, and

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<sup>11</sup> Professor John Harries, *Science for Wales: A Strategic Agenda for Science in Wales*, (5 July 2011)

the need to interface with business and industry more effectively – i.e. the specific aspects of the *For Our Future* strategy which the merger will address.

- Reconfiguration within the sector should not be used as a means of reducing the overall places available to students or the front-line resources which support them.
- The proposals should be consistent with the regional dimension of HE in Wales. HEW also welcomes the Funding Council's open approach to consideration of cross-border developments.
- In particular, adequate consideration will need to be given as to how to protect provision and services in different areas and close community ties under mergers involving geographically separated parties.
- It is vital that all institutions undertake a due diligence study when contemplating merger to ensure there are no major legal, financial or practical obstacles to merger (highlighted as instrumental in previously successful mergers by Brian Ramsden<sup>12</sup> for instance).

Above all, there is vital need from both a Wales and broader UK perspective that the sector removes uncertainty as soon as possible about future arrangements and their implications for our many stakeholders in Wales and the international community - particularly staff and students. The future arrangements of individual institutions need to be settled as soon as possible and stakeholder communications managed effectively across the sector. HEW members are also expected to be mindful of the comments made by the *Jones Review* that there is a greater chance of successful merger where the participants are willing.

**6. Question 3: We have asked two specific questions. If you have any related issues which we have not specifically addressed, please use the space below to report these.**

Higher Education Wales looks forward to the next stage of discussions which should now focus on how the plans for change in the sector can be implemented. We have a unique opportunity to embrace transformation within the higher education system in Wales, building on a strong tradition of collaboration and our previous experience of reconfiguration within the sector. In managing this transformation there are a number of issues that need to be considered in supporting further reconfiguration within the sector. These are issues that could be left to the institutions concerned, but given the scale of change envisaged across the sector and public funding constraints, HEW believes there could be significant gains from exploring the possibilities for collective action or sector level support:

**Legal advice** - For all institutions concerned there will be a range of common legal issues to address – and consideration should be given as to how we could reduce the cost of this through the pooling of resources.

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<sup>12</sup> Universities UK, *Patterns of Higher Education Institutions in the UK: A report by Professor Brian Ramsden to the Longer Term Strategy Group of Universities UK*, (October 2001)

**Project support and risk management** - The majority of successful mergers in the UK that have taken place previously involve institutions of dissimilar size and subject specialisation. This points to a greater difficulty in managing mergers between similar organisations and allowance may need to be made for this, including in setting the timetable for reconfiguration. Could the cost and effectiveness of the reconfiguration process be improved through shared resources for project and risk management? It would also be helpful to explore how administrative and regulatory requirements for institutions could be minimised for institutions undergoing active preparation for merger.

**Communications** - It will be essential that Wales communicates effectively to its stakeholders throughout the consultation and implementation stages of reconfiguration. The drivers for change are strategic and we must continue to ensure that it is understood that the sector is reorganising from a position of strength. Current and future students will be anxious to comprehend what the implications are for them and reassurance on some of the fundamental issues will be required at the earliest stage possible. Potential staff or partners could be deterred by continuing uncertainty in the sector. In a rapidly evolving UK scene with major changes in fees and student support regimes, it will be important not to compound risks by failing to address this adequately. HEW would wish to help in setting up mechanisms to coordinate promotional and communications strategies for the sector in addressing these issues.

**Financial support and risk management** - HEW agrees that, in drawing up a preferred model for future higher education, considerations should be strategic and not focussed on short-term financial sustainability (para 4.1). It is vital in managing the transition, however, that the new institutions in Wales are given sufficient support to ensure that the significant investment required in the short term does not jeopardise the envisaged longer-term benefits and comparative financial competitiveness of new institutions.

## 7. Conclusion

Higher Education Wales agrees with the view of the *Jones Review* that reconfiguration should not be seen as an end in itself but a means to stronger, more vibrant and competitive sector. HEW believes that this motivation is shared by the Welsh Government, the Funding Council and the sector. We must start preparations forthwith to ensure that the final shape of the future higher education sector embraces the different missions and strengths of each institution and delivers the transformational change we all wish to see on a pan-Wales basis.

HEW will look forward to working on the next stage of this agenda in partnership with the Welsh Government, the Funding Council and the sector as a whole.