United Kingdom – Higher education mergers in Wales

One of twelve case studies produced as part of the project on Structural Reform in Higher Education (EAC-2014-0474)

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Introduction

This case study is part of the “Structural Higher Education Reform – Design and Evaluation” project, commissioned by the European Commission (EAC/31/2014). The main objective of this project – carried out by the Center for Higher Education Policy Studies (CHEPS), University of Twente, the Netherlands, and the Centre for Higher Education Governance Ghent (CHEGG), Ghent University, Belgium – is to investigate policy processes related to the design, implementation, and evaluation of structural reforms of higher education systems. The focus is on government-initiated reform processes that were intended to change the higher education landscape, with the following questions foremost: What kind of goals were envisaged with the structural reform? How was the structural reform planned and implemented? What have been the achievements of the structural reforms? How can these achievements be explained in terms of policy process factors?

Three types of reform were distinguished: reforms designed to increase horizontal differentiation (developing or strengthening new types of higher education institutions such as the creation of a professional higher education sector), reforms designed to increase vertical differentiation (bringing about quality or prestige differences between higher education institutions, e.g. by creating centres of excellence) and reforms designed to increase interrelationships between institutions (supporting cooperation and coordination among institutions, forming alliances or mergers). In total, structural reforms in twelve different countries (eleven in Europe, one in Canada) were investigated: Austria, Belgium (Flanders), Canada (Alberta), Croatia, Denmark, Finland, France, the Netherlands, Norway, Poland, Spain, United Kingdom (Wales). The twelve case studies – for ease of reference published as separate documents - all follow the same logic and are presented in a similar format, with sections relating to the reform and its context, policy goals, policy design, policy instruments, policy implementation, policy evaluation and goal achievement.
Introduction to the structural reform and its main goals

The structural reform discussed in this case study has been a merger process, which has primarily involved encouraging the merger of smaller higher education institutions in Wales to increase the average institutional size (in terms of benchmarks of student numbers, income, international profile) towards the UK median level. The structural reform’s strategic goals were first set out by the Welsh Office in 1999 (on the eve of devolution) to reshape the sector as a whole to improve competitiveness and give major performance gains to allow the nascent Welsh sector to match performance elsewhere in the UK whilst retaining a suitable regional spread to ensure access to higher education across Wales.

This problematisation was then adopted post-devolution by the Welsh Government (WAG, or Welsh Assembly Government until 2011, then WG, Welsh Government) and National Assembly (NAW). In 2000 the Education and Life Long Learning Committee published a report in which the Higher Education Funding Council for Wales (HEFCW) expressed a view that a structure of 5-6 universities was optimal for Wales. A key Welsh government interest has been in allowing universities to retain their autonomy and propose their own mergers. Individual universities have not always believed that increasing institutional size is necessarily the best approach and indeed Cardiff Metropolitan University refused to merge, despite considerable pressure.

Wales is a relatively small element of the UK university system and with funding following performance, a weak Welsh university sector risked seeing disinvestment in its constituents. That raised the longer term threat of undermining higher education’s wider social contribution in Wales delivered through boosting competitiveness and increasing higher education access amongst deprived Welsh communities. Increasing marketisation of the UK system increased the vulnerability of the small institutions in Wales and hence the risk to the sector as a whole.

To reduce risk and strengthen the system, WAG-WG & HEFCW have since 2002 encouraged its 13 higher education institutions to work in strategic partnerships with other universities, hospitals, local authorities and colleges to manage this risk, build profile and ensure their long-term sustainability. The main tool for stimulating mergers was the Reconfiguration and Collaboration Fund (2002-09) This provided c.£50m to universities to explore options for merger and then to merge. From 2010, more active steering was given to try to reduce the total number of institutions to around six, and the existing Strategic Development Fund became the merger instrument.

A ‘merger’ as discussed in this case study involves two or more higher education institutions pro-actively coming to HEFCW with a clear business plan for merging, with HEFCW then approving a one-off grant (c.£10m) to cover one-off costs. It is possible to divide this reform into three phases (ex post), which Gummett (2015) characterised as ‘Funding Council as Facilitator’ (2002-06), ‘A More Interventionist Phase’ (2006-09) and ‘Towards a Blueprint’ (2010-13). Having reached a stable

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1 This summary, based on a (longer) case study report, was drafted by Paul Benneworth, with support from Harry de Boer, both from the Center for Higher Education Policy Studies, University of Twente, the Netherlands.
total of eight HEIs and with merger no longer an urgent Welsh Government priority, the merger process is for the time being complete.

The merger process’s operational goals evolved over time, stated in various ways by the WAG-WG, the NAW Education Committee, and HEFCW, although they have always involved reducing the overall number of higher education institutions in Wales. There was from 1999 an explicit desire to reduce the Welsh sector’s vulnerability to competitive challenges from other parts of the UK system, increase its resilience to external shocks (institutional crises) such as fluctuating student numbers, and to ensure performance and quality within the UK system (in terms of teaching and research quality assessments). An explicit target for reducing the number of institutions was only set once, in 2010, when it was set at six, although the process has been placed into abeyance with that target unmet. This was what could be called an ‘elephant’ target – a merger target was never formally defined but everyone knew more or less how the final system should appear (fewer institutions, geographically balanced, mix of teaching and research universities).

Context and background to the reform

The Welsh Higher Education system came into being in 1994 under the terms of the 1989 Act creating the HEFCW, separated out from the longstanding UK-wide University Grants Committee (UGC) and the short-lived Higher Education Funding Council. Universities in Wales have a long pedigree with the “University of Wales” emerging as an umbrella organisation for a large number of ‘colleges’. These Colleges of the University of Wales were in reality (often rather small) universities but offered degrees centrally accredited by the ‘University of Wales’ (hereafter UWCs: University of Wales Colleges). There were also polytechnics, colleges of advanced technology and teacher training colleges, often spread out reflecting Wales's geography with three population centres and a number of remote, outlying towns. There are also accreditation deals by which higher education is offered in further education colleges – this is not further discussed in this case study.

Institutional mergers had already taken place in Wales: the University of Wales Institute of Science and Technology (UWIST) merging with University of Wales Cardiff (UWIC) in 1988 because of urgent financial pressures and institutional crises. At the time the UK's funding council (UGC) had considered allowing UWIC to go bankrupt, but electoral considerations meant in the end a deal was brokered by which UWIST, a former college of advanced technology, took over UWIC. In the mid-1990s two more remote teaching colleges merged with neighbouring colleges of the University of Wales in Aberystwyth and Bangor respectively.

At the start of the merger process, there were a total of 13 institutions, plus the University of Wales (UW; like the University of London, a relatively small body without teaching staff which simply accredited degrees awarded both by its constituent colleges and external institutions). Both Cardiff and Glamorgan had around 20,000 students. Aberystwyth, Bangor, UW Institute Cardiff and UW Newport all had around 9,000. In terms of full-time undergraduates, only Cardiff had over 10,000 (12,000) whilst Trinity, Lampeter, the College of Medicine and the Royal College of Music and Drama had fewer than 2,000 full-time undergraduates. The largest HEFCW grant went to Cardiff University (£73m) followed by Glamorgan (£40m) and UW Swansea (£33m); only these three universities were above England’s median income size, ranking 16th, 44th and 60th of the 131 universities (Bangor ranked 66th, i.e. on median). In 1999, Wales received devolution, with the creation of an elected NAW and WAG with responsibility for HEFCW.
Design process for the reform

The principal in the design of the structural reform process has been WAG and the primary agent responsible for design was HEFCW. In 2002, WAG published their strategy, *Reaching Higher*, which was supported by the Assembly, which identified reconfiguration and collaboration as vital to Welsh universities’ future success and sustainability.

The principal (WAG-WG) has been held accountable through this period by two committees in the National Assembly of Wales, viz. the Education Committee (primarily concerned with the health of the Welsh higher education sector) and the Audit Committee (concerned with effective expenditure towards goals). From 2002, NAW and WAG-WG were responsible for approving and budgeting the additional hypothecated funding for the Restructuring and Collaboration Fund (RCF) and Strategic Development Fund (SDF) (£3m in 2002-03 of a total £5m budget). The agent (HEFCW) is responsible for allocating funding to eligible institutions according to a formula that is principally based on teaching and research outputs. Public bodies (WAG-WG/HEFCW) can only intervene in the sector if they have material concerns that public funding is at risk.

The other stakeholders in the policy design process are:

- Universities; senior managers have been involved in the design, implementation and execution of individual mergers, as negotiated and funded by HEFCW.
- Individual constituency-based Assembly Members; important because mergers and potential campus closures have become political/electoral issues, although they have been passively taken into account in the design process rather than deliberately consulted.
- Higher education unions; keen on mergers because of the opportunity they offer to unionise the workforce around transfers of undertakings and protection of employment cases.

In 2002-10, HEFCW operated at arms’ length, and in 2009 came under criticism from the NAW Audit Committee for its slow progress in driving through mergers. In 2010-13, the Minister engaged more proactively in the process, in the first instance requiring HEFCW to propose a preferred set of options for merger and threatening to dissolve HEFCW if it failed to deliver the WAG-WG agenda: the Minister is on record as stating a preference for fewer universities in Wales as a primary desire. Following the consultation on this preferred option, the Minister then adopted a modified version of the blueprint reflecting his ministerial discretion, although this blueprint was for reasons of university autonomy never fully implemented and subsequently has been abandoned.

Policy-making for mergers within the overall ambition to reduce institutional numbers has been opportunistic and largely driven by the universities themselves. Mergers have been approached as *sui generis* problems following their own targets not linked to an overall system-wide strategic framework or targets. HEFCW chose this opportunistic approach to accommodate institutional autonomy, except in 2011 when WG compelled HEFCW to produce a sectoral blueprint. Outside this period, there were ongoing discussions around potential mergers as part of regular (quarterly) contacts between senior university and HEFCW managers, and particular opportunities were made concrete when two or more institutions approached HEFCW for RCF funding.
There was a clear correlation between the degree of choice exercised by the individual institutions choosing for merger and the legitimacy of the process, with the more voluntary (or at least necessary) mergers proceeding more smoothly than the one mandated merger, between Glamorgan and UW Newport. HEFCW analyses were based on UK-wide data from the Higher Education Statistical Agency (HESA) allowing Welsh universities to be benchmarked against other-UK comparators, as well as allowing modelling of merged institutions’ performance, although this data did not provide a full qualitative due diligence process of whether there was a good ‘fit’ between institutions.

The approach led to at least six mergers in the period, and an overall reduction of institutions from thirteen to eight, with the two most contested mergers not proceeding according to either the 2011 blueprint or Ministerial decision. The target of six HEIs with no more than two below UK median size dated back to the Welsh Office-era HEFCW note that had been carried forward into public discourse.

The structural reform can be best described as quasi-rational, with both elements of rationalism and incrementalism (the process was clearly not chaotic, ambiguous or lacking in ambition), shown in the following:

- There were clear goals formulated by the principal (Welsh Office/WG), both strategic (improving the functioning of the Welsh HE system) and operational (reducing the number of HEIs from 13 to 6) (Rational).
- There were periodic *ex ante* reviews of what further changes needed to be made, based on real evidence provided through HESA and real benchmarks (UK median performance); the 2011 blueprint drew on all the available data (Rational).
- The decision was taken to choose for a strategic collaboration of Aberystwyth and Bangor rather than merger because there were strong counter-arguments (new VCs, distance, no economies of scale) (Rational).
- There was a listing of costs and benefits, although there was a limited attempt to explore the negative costs of merger, and also to translate institutional outputs (e.g. improved student satisfaction scores) into long-term system outcomes (e.g. widening participation) (Quasi-Rational).
- There was limited steering by the principal towards the ‘best alternative’ and there was a high degree of opportunism in using institutional crises to motivate and rationalise change (Incremental).
- Reform was stepwise, and particular early opportunistic mergers precluded what would have been sensible later mergers, one merger had to proceed immediately with two rather than three universities because of the very weak finances of one partner (Incremental).

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2 The specific benchmark used in 2011 was Other England median, i.e. England but without the Big 6 institutions included (Oxford, Cambridge, UCL, KCL, Imperial and Manchester).

3 1. Cardiff University with UW College of Medicine; 2. Trinity Carmarthen College with (a) Lampeter, (b) University of Wales and (c) Swansea Metropolitan; 3. Glamorgan University with the Royal Welsh College of Music and Drama; 4. UWI Newport with Glamorgan University.

4 “On a pro-rata basis this would suggest a case for some 5 or 6 institutions in Wales” (HEFCW, 1999).
Policy instruments used

The policy instrument used was one-off discretionary additional funding made available by HEFCW to the merging institutions, provided in two stages. In the first stage, seed-corn funding was available for institutions to synoptically explore options. This methodology involved establishing a working group between participating governing bodies. These working groups in turn developed a number of scenarios; these scenarios were then modelled into the future to create an impression of the relative performance of the institutions under these different scenarios (e.g. no change, full merger, closer co-operation, federal integration). The Working Group then presented a full report and preferred option back to participating Governing Bodies (GBs) and to HEFCW. If all GBs agreed on a single course of action (whether or not the Working Group preferred option), and that preferred course was a merger, then it was possible to proceed to the second stage.

In this second funding stage, preparations were made to develop a business plan for the preferred merger option, with the full support of the participating GBs. This was then presented to HEFCW, and subject to HEFCW approval resulted in a grant being made to the institutions. Although this was part of the block grant, from a HEFCW perspective it was allocated through a specific budget head. The allocation was made to make the one-off structural changes necessary for envisaged efficiency, rationalisation and growth gains.

This approach was chosen for two reasons: (a) WAG-WG made funding available in the Education budget for mergers and rationalisation, and (b) WAG-WG and HEFCW realised that the universities as autonomous institutions needed to have a positive reason to choose for a merger which brought a series of associated one-off costs.

A number of features were built into the instrument which guaranteed its flexibility and context specificity, with the aim of ensuring that there would be ongoing dialogue between HEFCW, the institutions and the WAG-WG as the merger played out. In this instrument design, the grant was made subject to a detailed series of ex ante targets\(^5\) and a failure to have met those targets would have allowed HEFCW to claw back the grant. The particular targets were left to the individual agreement between the institution and HEFCW, following the general guidelines.

Although there was no detailed playbook for mergers in Wales, HEFCW were able to point to formal resources for merger developed by HEFCE as providing information for institutions on how to plan a merger. HEFCW through its regular meetings with university senior management and governing bodies were also able to provide informal advice and soundings in developing a business plan; during implementation the merged institutions sent regular mandated updates to HEFCW who could then formally hold the Governing Body to account for their progress.

Implementation of the reform

The implementation of the Merger Funding instrument (RCF/SDF – see below) was undertaken by HEFCW who established a formal internal committee to oversee the process. This Committee took the formal decisions regarding the expenditures which were then periodically reported back to the WAG-WG and NAW to provide direct accountability. The Committee exercised powers delegated by the Chair of

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\(^5\) Examples suggested in the RCF business plan guidance included: completion of research staff recruitment, appointments of Professors, appointments of Research Fellows, integration of library systems, and initiation of laboratory space refurbishment.
HEFCW’s council. NAW held periodic hearings cross-examining Ministers, officials and publically-funded employees (e.g. 2006, 2011) to monitor progress of reconfiguration activities and hold HEFCW accountable for the funds being disbursed by HEFCW to public universities in return for the mergers and other strategic development activities. Policies were in turn implemented when groups of universities came together. The participating universities were able to exercise complete autonomy in proposing mergers, the business plans then being agreed with HEFCW.

Much of the period was characterised by a strong (if extremely general) consensus amongst all actors (NAW, WAG-WG, HEFCW and universities) that the Welsh sector was too fragmented and therefore merger was important to improve overall performance of the sector. While there was a broad consensus that something needed to be done, there was not always enthusiasm amongst universities to merge their institutions. Some institutions were enthusiastic while some GBs did not believe the case for merger was plausible (e.g. Cardiff Metropolitan), and therefore once the first merger was complete (2003; UCC-UWCM), the next wave of mergers proceeded much less certainly and involved one university having a strong resource requirement to be met by merger funds.

There were a number of universities who became very enthusiastic for merger as a means of dealing with temporary financial problems, and were willing to accept merger as an alternative to closure. Given that the policy was a grant to pay the costs of merger, and the available sanction was withholding the grant, the funders had very few levers to compel mergers once the grant was allocated. Therefore, informal channels and discussions between these levels were critical for ensuring that progress moved forward. Where there were differences between WAG-WG, HEFCW and the universities around the preferable scope of action, then progress was very difficult to achieve; compelling action from an institution requires the WAG-WG to prove that the universities are not using public money effectively, a difficult requirement.

HEFCW’s implementation plan was the implementation of the two funds which promoted mergers, from 2002-11 the RCF, and then from 2011, the SDF (from 2011). This plan was made explicit in a number of HEFCW circulars, which clearly set out the strategic imperative and the strategic goals for the policy (increasing the Welsh HE sector’s competitiveness), as well as the operational goals (reducing the number of universities). The circulars made clear how the policy would operate, setting out the policy instrument (RCF), the total resource envelope, and the likely size of individual bids.

The first circular (W0247HE) set a deadline of 31.10.2002 for plans to be submitted. After the Cardiff University merger, the Fund was an enduring landscape element, with no specific timescales set for institutions to submit business plans. The RCF initially included both hypothecated WAG-WG funding (i.e. funding provided within the block grant but with the requirement that it is spent exclusively on the purposes for which it has been provided) alongside core HEFCW funding, and was designed to be entirely complementary to existing funding, covering one-off reorganizational costs. Although the mergers were very complex and multi-dimensional, the existence of a single overarching goal allowed each merger to be treated as sui generis and therefore the other goals became subordinate to creating a single, functional institution.

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In implementation, each institution had to deliver the immediate strategic and management targets set out in the final agreement with HEFCW. The better the institutions fitted together then the easier the merger. The first dimension was in terms of institutional policies and routines – when institutions were able to agree either common ways of working or effective exceptions for working, then it was possible to create a common institutional infrastructure quickly. A second dimension of good fit was complementarity with institutions having different departments – when the merger involved forcing similar elements together without and history of pre-knowledge then effective integration was hindered. A third dimension of good fit was managers and leaders who had a mandate for merger, and therefore mergers operated successfully with new Vice Chancellors appointed by GBs who sought a solution to problems, and who could quickly agree a new single governance structure.

Overall implementation of the funding instrument was overseen by HEFCW who constituted a committee in 2008 of three Council members and two co-opted members to monitor progress. Communications during the implementation from HEFCW to WG upwards were part of routine communications, excepting during the period of the attempts to implement the blueprint when there were intense, regular contacts between Government and HEFCW, as well as between government and institutions, including via the media. WAG-WG and HEFCW were because of the universities’ independent status almost entirely dependent on universities to design and implement individual mergers.

Implementation was dependent on the universities, who had complete autonomy although the higher their urgent resource dependence, the more dependent they became on HEFCW and the WAG-WG. Mergers were therefore adapted locally, there was no one-size-fits-all approach and the attempts to impose a central blueprint (2010-12) were much less successful. The existence of a fund to explore options prior to merger meant that proposed mergers were between enthusiasts and there were minimal delays; on the occasion when resistance was evident in option exploration proposals then mergers were not pursued.

Reporting on the progress of the mergers followed the arm’s length approach to university management; nevertheless, given the large sums involved in the context of a relatively small education system, the progress of mergers featured as a regular discussion item between HEFCW, WAG-WG and the universities. Formal monitoring and reporting came through the RCF monitoring, which evaluated the merging universities against the milestones and targets set out in the business plan against which RCF/SDF was granted. Each merger followed targets set out in the business plan individually negotiated with the universities, with strategic outcomes being set by and monitored against strategic and managerial targets. The HEFCW Committee tracked implementation against these targets, and following completion of the merger there was a post hoc review of the institution against ex ante targets and objectives by independent consultants.

**Monitoring, evaluation and feedback**

The nature of monitoring reflects the fundamental nature of this merger process, that there was no overall detailed merger plan to reduce from 13 to 6 institutions, but rather a direction of travel within which institutions chose to merge. With each merger established as a unique project that received funding from HEFCW to deal with the one-off costs incurred through that merger, each merger was also evaluated as a distinct activity.
Each of the projects was delivered against a business plan that set out both the overall objective and aims of the merger, but set out a timetable, milestones and stipulated project outputs. Each project (merging institution) reported regularly to HEFCW against the progress towards those goals and milestones. After the conclusion of a merger, expert consultants were contracted to undertake independent evaluations of these projects against the business plans, and to draw out lessons and recommendations for future mergers, as well as identify steps necessary to optimise the overall project outcomes. These evaluations were placed by HEFCW in the public domain and therefore were made available as a learning resource for those involved in later mergers.

There has to date been no single evaluation of the merger programme because HEFCW adjudged that it would have limited added value beyond the existing evaluations. Learning outcomes from early mergers were fed into later merger processes via HEFCW in negotiating and approving business plans with university governing bodies. These learning experiences tended to be at the level of the practices in merger processes and not in terms of the overall strategic goals. For example, the UCC-UWCM merger highlighted the need for each merging university to have a leader at the start of the process with a mandate from the governing body for merger; this was later seen as an important requirement for ‘successful mergers’ (and a reason the later putative Aberystwyth-Bangor merger was abandoned after 2011).

An important agent in the evaluation of the policy approach as a whole has been the National Assembly of Wales (the legislature that holds the Welsh Government to account). The committee responsible for education (in various incarnations reflecting the machinery of government at that time) has undertaken a number of inquiries into and held debates upon reconfiguration and collaboration. The Audit Committee has also been active in this regard, receiving a report from the Wales Audit Office in 2009 which undertook what was effectively a meta-evaluation of the mergers to date, and set out that there were still some problems with the sector, notably in south-east Wales.

The Audit was undertaken in order to assess whether there was value for money being achieved in the delivery of the merger proposals to that date. This in turn was to provide the impetus for the additional emphasis on institutional mergers under Minister Andrews, which led to two additional mergers, namely the creation of the University of South Wales and Trinity St Davids. This audit report, therefore led to an increased urgency and pressure in the system, which led to additional mergers being driven forward with additional political pressure for change.

**Important changes in context for the reform**

The main external impact in the period that has affected the merger process has been the global financial crash and the resultant fiscal austerity, which has had particular consequences for Wales because of the nature of the devolution settlement. Wales receives its funding for devolved elements on a historical lump sum basis, adjusted annually by a share of the overall UK change in public expenditure, relative to Wales’ share of UK population. The cuts imposed by the coalition government after 2010 have resulted in a total real terms reduction in Wales’ total grant of 9%, intended to expand to 12% by 2016. With the Welsh government committed to protecting a number of core services from those cuts this has seen other expenditure areas subject to a drastic reduction in the overall budget; the new Minister is primarily concerned with improving compulsory rather
than post-compulsory education. Although higher education budgets have held up well, there is strong budgetary pressure and the amount of resources available for strategic interventions has been pared back, removing HEFCW’s capacity to fund any further serious merger, and this has had a wider effect of shifting the opinion to a belief that further mergers are no longer practicable.

The major policy change for higher education in this period has been the introduction of the post-Browne fees (capped at £9,000); the Welsh Government has committed to covering the gap between the standard fee (£3,650) and the university fee charged for all Welsh students, and fees now follow the student rather than being based around allocated student numbers to Welsh Universities. In theory, this should reinforce the merger programme because it increases the market pressures that universities feel, and increases the institutional critical mass premium. However, HEFCW’s budget is therefore much more directly dependent on the number of students going to university in any year. The tuition fee also counts as annually managed expenditure and therefore must be allocated to the universities for teaching (unlike WAG-WG grants), thereby reducing the overall discretionary budget that is available to HEFCW and its ability to moderate income fluctuations in Welsh institutions. This means that HEFCW has a much lower strategic development headroom, and together with a common feeling that the institutional merger process appears to have reached a natural pause or end, there is no material prospect of future mergers.

Achievements and effects

The operational goals of the structural reform were to reduce the overall number of universities in Welsh higher education, to increase their overall size and improve their relative position within the UK higher education system.

- In output terms, the goals have been almost completely realised as a result of the structural reform: the number of HEIs has reduced from 13 to 8 with no university closures, the merged institutions all function effectively and one unmerged institution appears to be improving its governance prior to merger.

- In outcome terms, the goals have been mostly achieved as a result of the reform in terms of financial sustainability, improved leadership and governance, critical mass of shared services and other strategic collaborations

- In impact terms, the goals have been partially achieved as a result of the reform in terms of improving the performance of Welsh universities against other-UK comparators. Wales remains a net importer of students from England, although the gap is narrowing. Using Research and Excellence Framework (REF) and Guardian league tables as proxies for research and teaching performance, the merged institutions perform better comparably to before the merger (although it is difficult to judge counterfactuals here).

The successes of the programme were largely due to the tailored nature of the individual mergers, driven by institutional autonomy encouraged by substantial one-off funding. The main reason for differential delivery of outcomes and impacts was that a number of mergers had to focus on short-term existential questions (financial viability, quality of leadership, student recruitment) with the longer-term impacts being subordinated to dealing with the immediate problems.

The higher education landscape has fundamentally changed as a result of the operational goals of the reform being achieved. The Welsh higher education
landscape is concentrated into three regions, with a limited number of larger, more visible institutions that function as a system much more efficiently to deliver desirable outcomes for Wales in return for public funding (with less duplication of specialist and leadership functions). There has been a grouping of activities into institutions which are either teaching- or research-intensive. Only one institution, Glyndŵr, does not fully fit with this model and is currently subject to a review. This success has been a result of a continued decade of effort to achieve a common goal, continuing in the devolution period an analysis of the problems of the Welsh higher education system that dated back to the 1980s.

One of the side effects of the creation of the merger fund was that the SDF became a tool allowing HEFCW to handle other kinds of issues at the whole-system level. One example is that £3m was provided to Aberystwyth University to deal with ‘pay modernisation’, when a whole range of staff were brought together onto a single pay scale (replacing a diverse set of scales covering different occupations as well as traditional and more applied universities), something with huge potential for legal uncertainties, challenges and tensions. The SDF – which was never intended to create such a system-wide collective action tool – was used to deliver this, and has also been used in other areas unrelated to merger.

The main criterion for the choice of a merger was to co-ordinate improvements at the level of the system, because of the risk that individuals pursuing strategies that are individually optimal would produce something sub-optimal at the level of the system (efficiency). The decision to have six universities, with two in each region, with some focus on teaching quality, was a recognition of the need to ensure equity of access to HE in Wales, particularly for non-traditional students (equity). Political legitimacy was important in driving the mergers through when there were particular organisational crises, and also influenced the decisions not to force two universities into mergers that were not locally popular (legitimacy). The majority of the mergers were highly responsive to stakeholders’ interests because of the bottom-up way they were constructed and led by autonomous institutions.

**Summary**

This case study described and analysed the reduction of the overall number of universities in Wales from 13 to 8 in the period 2002-14, as part of efforts to increase their overall competitiveness in the wider United Kingdom higher education system. In general terms, the overarching goal of this structural reform has been to increase the attractiveness of Welsh institutions to students and research funders from the UK and elsewhere in Europe, by increasing institutional size, allowing support service professionalization and facilitating large scale capital investments. Since HEFCW launched the merger policy in 2002 with direct financial support of the Welsh Government, a fund was established to meet the one-off costs which institutions would incur in merging, bringing the support systems together and rationalising the real estate; each merger functioned as a unique project driven by the universities and supported by HEFCW. This complemented other funding seeking to create synergies between institutions in teaching and research activities. This fund made a series of large multi-million euro investments in a number of mergers which reduced the total number of institutions from 13 to 8. The reform

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7 This process has been guided by the repeated articulation of a general wish to see a system with 6 institutions, two in each region, and provision of teaching- and research-intensive activities in each region, although this has never been an explicit policy goal.
was successful in that no Welsh universities failed or required bailout during the period, although evidence on whether the overall competitiveness and attractiveness of Welsh higher education in the context of the wider UK system has been improved is more equivocal.
Interviewees
David Allen, Chair of the Higher Education Funding Council for Wales
Ewen Brierley, head of Sustainability and Assurance, Higher Education Funding Council for Wales
Phil Gummett, Ex Chief Executive, Higher Education Funding Council for Wales
Rob Huggins, Director Centre for Economic Geography, Cardiff University
Sue Hybart, Director Strategic Development Planning Division, Cardiff University
Brian Morgan, Director Creative Leadership and Enterprise Centre, Cardiff Metropolitan University
Huw Morris, Director of Skills, Higher Education and Lifelong Learning for the Welsh Government
Lyndon Murphy, Senior Lecturer in Strategic Management, Cardiff Metropolitan University
Lisa Newberry, Assistant Director at Universities Wales
Richard Watermeyer, Senior Lecturer in Education, University of Bath

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