

COMMERCIAL IN CONFIDENCE

**HIGHER EDUCATION FUNDING COUNCIL
FOR WALES
REVIEW OF UNIVERSITY OF WALES,
LAMPETER
FINAL 5 AUGUST 2008**

HW CORPORATE FINANCE

TABLE OF CONTENTS

| Section | Page |
|---|-------------|
| 1. Executive Summary | 3 |
| 2. Terms of Reference and Methodology | 8 |
| 3. Sustainability of Strategic Direction | 11 |
| 4. Business Model..... | 17 |
| 5. Operational Imperatives..... | 29 |
| 6. Adequacy & Capability of Management Resource | 35 |
| 7. Contribution of UWL, Locally and Nationally | 43 |
| 8. Discussion..... | 46 |
| 9. Options and Recommendations | 50 |
| 10. Appendix 1: List of Interviewees..... | 58 |
| 11. Appendix 2 : General Agenda for Meetings | 60 |
| 12. Appendix 3: Documents Received and Reviewed | 62 |

ABBREVIATIONS USED IN THIS REPORT

| Abbreviation | Meaning |
|------------------------|---|
| £k | Thousands of pounds |
| £m | Millions of pounds |
| Council | The Council of UWL |
| e-learning | Education and training delivered primarily over the internet |
| EU | European Union |
| HEFCW | Higher Education Funding Council for Wales |
| HEI | Higher Education Institution |
| HERA | Higher Education Role Analysis |
| HESES | Higher Education Students Early Statistics Survey |
| HR | Human Resources |
| IT | Information Technology |
| Leitch | "Prosperity and Performance" review by Lord Leitch |
| Lisbon | The Lisbon agenda - EU policy on skill based economies |
| MENTER LLAMBED | Undertaking dedicated to the development of Lampeter |
| MIT | Management and IT Department of UWL |
| Multi-modal (delivery) | The principle of delivering academic content via face to face, partnership and e-learning |
| NPF | National Pay Framework |
| P/G | Post-graduate |
| QA | Quality Assurance |
| QAA | The Quality Assurance Agency for Higher Education |
| RAE | Research Assessment Exercise (and, by implication, the Research Excellence Framework (REF) which replaces it) |
| S&P (committee) | Strategy and Performance committee of Council |
| SMART | Specific, Measurable, Achievable, Relevant and Time based |
| SME | Small or Medium sized Enterprise |
| SMT | Senior Management Team of UWL |
| Third Mission | Requirement, and funding opportunity, for Universities to directly support businesses and communities |
| TRS | Theology and Religious Studies Department of UWL |
| U/G | Undergraduate |
| UCAS | Universities and Colleges Admissions Service. |
| UCU | University and College Union |
| UWL, the University | University of Wales, Lampeter |
| VC | Vice Chancellor |
| VSS | Voluntary Services Sector Department of UWL |
| WAG | Welsh Assembly Government |

1. EXECUTIVE SUMMARY

1. We were asked by HEFCW to undertake a review of UWL, covering the following areas:
 - The University's strategic direction and business model, its viability and ability to deliver a sustainable institution;
 - Its managerial capability;
 - the options for the future development of the University;
 - taking account of the economic and social significance of the University to the town and the region.
2. We undertook our work between May and July 2008. We have held interviews with a wide range of parties within and outside the University and have reviewed a considerable volume of documentation.
3. Our observations and conclusions following these investigations were discussed with the University's senior management and representatives of Council. Their counter observations were noted and investigated. While this report cannot be said to be fully agreed by the University management team their views upon it have been sought, considered and reflected where appropriate.
4. This executive summary is a brief synopsis of our findings and recommendations. To meaningfully lead to a summary of our conclusions we have had to concentrate on the problems and issues in the University. This has, to a degree, upset the balance of the full report which also points out the positive features of the University. We have decided, in the interest of brevity, to simply recognise and draw attention to this fact.

Background

5. UWL is a small university in the heart of rural West Wales. It has a long standing reputation as a theological college but has expanded its provision in recent years. It has added new subject areas such as Film & Media, Voluntary Sector Studies and Management & IT, while still majoring on Theology, Archaeology, English and Classics. It has developed significant distance learning provision, either direct or through collaborative arrangements with other organisations.
6. The University is an integral and critical part of the community of Lampeter. It has gained a reputation for being a quiet, "serious", academic community, somewhat idiosyncratic and of very real appeal to a section of the community who value these characteristics.
7. Recently, HEFCW have become concerned about the viability and sustainability of UWL, heightened by a "limited confidence" judgement by the QAA in 2007 and questions about the University's strategic plan presented in summer 2007.
8. We set out in the following paragraphs a summary of our findings, our assessment of solutions and our recommendations.

Findings

9. There is no clear vision of what UWL should work to become which is shared by SMT, Council and academics. There is a stated ambition to become "recognised internationally as the foremost liberal arts university in the UK" but almost no understanding of what this might entail or realistic plans to achieve this objective.
10. There is similarly, virtually no collated and analysed market information from which to derive any strategy or vision for the institution.
11. To some extent, the failure to develop a rational vision has been caused by a dysfunctional strategy development process.
12. The current "vision", whatever the interpretation, is exceedingly ambitious for a university with the resource constraints of UWL.

13. Such strategic intent as there is (primarily multi-modal delivery of largely existing provision) is an inadequate response to current market imperatives.
14. There is lack of alignment between the institutional “strategy”, departmental plans and the practical actions of individuals.
15. The financial position of UWL is weakening sharply as a result of falling full time student numbers and increasing costs. We consider that the plans which have been set out in the operational plan for 2008 may not be actionable for lack of resource. These concerns are heightened by the fact that some £500-700k of income may be at risk if HEFCW do not accept that certain partnership activity is properly fundable.
16. The marketing and recruitment processes which underpin and drive the business model are weak, evidenced by one of the worst performances in recruitment in the UK in 2008.
17. We are concerned that the processes for monitoring and responding to risks to the institution are weak and tend to give comfort rather than draw attention to issues which need to be addressed.
18. UWL’s response to operational imperatives is weak. There has been a repeated failure to implement key imperatives and stated objectives. In some cases it is not possible to be certain of the final outcomes, but in a number there are grounds for concern.
19. The management capacity of the institution is generally weak. There has been a failure of leadership to bridge and correct disconnections between the SMT and both academic staff and the lay members of Council.
20. Much of the weakness comes from incapacity, some of this arising from a failure to reverse inappropriate reductions in support operations in an attempt to cut costs.
21. While there are undoubtedly individual strengths in the management there are also a number of notable weakness. Some, but not all, due to inexperience and lack of appropriate training.
22. The Vice Chancellor appointed CHEMS to undertake a parallel, specialist review of this area, which has been conducted on a wider data sample. They reached very similar conclusions, suggesting that our impressions are well founded.
23. We have been unable to resolve the matter completely, but believe that the dissemination of fundamental information required to enable managers to manage is weak. This is certainly the opinion of a number of the managers we have talked to.
24. The Council appears to have been exerting efforts to understand and correct the issues we have identified, but been hampered by lack of resources.
25. In some cases committees have been formed to respond to particular circumstances which, unusually in our experience, bridge between governance and operational management, with the intention of making the specific expertise in the Council available to the management team.
26. While we do not question in any way the expertise so provided, we believe the process has weakened the Council’s ability to act in a role of decisive oversight.
27. University staff are often difficult to lead and manage, but even in this context UWL is particularly challenging. We detect a culture of independence of spirit which manifests itself in an unwillingness to follow process, amongst other issues.
28. The disconnect between SMT, Council and a significant number of academic staff will make development of a rational, widely shared, vision for the future of the university very difficult.

29. Development of such a vision is an urgent necessity. Because of their association with the status quo we strongly doubt the ability of the current management team to bridge the schisms which exist and provide the leadership required to progress.
30. Although UWL is essential to the local economy we believe that it is not engaging as effectively with it as it could (to its benefit), nor the Welsh agenda generally.
31. Much of the foregoing is caused or exacerbated by the small size of the University, combined with the strategy it is pursuing; causing resource constraints and process deficiencies.

Underlying Issues and Generic Solutions

32. The fundamental issue facing UWL is that it is a small, remote, university offering a range of relatively specialist subject areas which appeal to a relatively small population of students. This limits income, which reduces the capacity of the University to expand into, more mainstream, popular areas and creates a self sustaining cycle which has existed for many years.
33. The result has been the development of a somewhat idiosyncratic academic community, locked into sustaining the cycle. This in turn has fostered a local community, attuned to the needs of the University, and substantially dependant upon it.
34. This position is now in jeopardy because of external developments – market pressures, political imperatives, and legislative changes.
35. The culture change required to transform the organisation has not taken place and instead the worst features of a small, resource limited organisation have come to the fore with a failure to maintain the essential processes and comply with imperative requirements.
36. The fundamental issues are therefore twofold: The need to devise a strategic solution to allow the institution to thrive in some form and the incapacity of the current management to develop and deliver this strategy. The former clearly cannot be solved before the latter

Options & Recommendations

37. From the foregoing there is an immediate issue of management and a medium term issue of strategic direction to resolve.
38. In the case of the immediate need there are four options:
 - Address deficiencies in strategy, operations and management through the existing senior management team and under the leadership of the current vice-chancellor, strengthening or partly replacing where appropriate;
 - Wholly or substantially replacing the existing senior management team, including the current Vice Chancellor, with new senior management to address the deficiencies noted;
 - Engaging another university or an interim management team to take on the running and management of UWL as the first stage of a merger process;
 - Engaging an interim management team to plan for closure.
39. In the case of the medium term there are also three options:
 - Developing a sustainable model for UWL to continue as a stand alone organisation;
 - Merging UWL with another institution in an alliance to make the most of the inherent strengths in the partnership;
 - Closure of UWL and relocation of its activities to a number of other institutions elsewhere in Wales.

40. We have concluded that the best solution for the immediate issues is the appointment of a new interim management team tasked with resolving the operational issues and then laying the foundation for a medium term strategy.

41. We do not believe that the existing senior management team are able to achieve the magnitude of change required to fully address the needs of UWL and to reposition it on a long term viable and sustainable footing. Our principal reasons for believing this are:
- Inability to achieve the same to date, despite direction by Council;
 - Lack of support and following from staff within the institution;
 - Failure to recognise the need for change.
42. We believe that some of the existing management team retain the confidence of UWL staff and Council and could migrate into a new team, under new leadership.
43. We have considered the medium term options. On balance, in our opinion, merger represents a potentially lower risk option for HEFCW and is more likely to produce a sustainable future for some provision in Lampeter than continuation as an independent institution.
44. It would be inappropriate, however, to constrain an interim management team recruited to find the best solution for the University so that it may only consider merger, but we recommend that examination of the merger option be given highest priority and that the alternative of continuing as an independent institution be only explored if a strong case for viability and sustainability appears likely to be available.
45. We have established that there are a number of potential merger partners with credible ideas of how they might approach the issue of preserving and enhancing the educational value of UWL, and thus the viability of our preferred direction of travel.
46. It would be very difficult to justify closure of UWL on the basis of this report. There is no question that the institution is delivering valuable academic outputs, despite the recent QAA limited confidence review and it is currently financially viable, albeit it may not be so in the long term without a significant change in strategy. The economic and social impacts on Lampeter town of closure would be great and would require a strong case to support. At present, in our opinion a compelling case for closure does not exist.

2. TERMS OF REFERENCE AND METHODOLOGY

Background

1. This section is deliberately brief and unburdened with extensive data on background, student numbers, academic offerings and similar detail, all of which is readily available in other publications.
2. UWL is a small university in the heart of rural west Wales. It is hard to reach by public transport and remote by other means. It has a long distinguished history, including such milestones as being the first university in Wales to be granted degree awarding powers. It has a long standing reputation as a theological college in the Anglican tradition and is viewed by many as an icon of Welsh culture.
3. As the market for higher education has expanded and become crowded with many, relatively new entrants, UWL's on-campus provision has remained largely unchanged. It has introduced new subject areas in the fields of arts, humanities and social sciences, including in recent years the addition of Film & Media and Management & IT, but still majoring on Theology, Archaeology, English and Classics. It has also significantly expanded its distance learning and partnership provision to widen its reach to those not prepared to travel to Lampeter.
4. It is an integral and critical part of the community of Lampeter.
5. It has gained a reputation for being a quiet, "serious", academic community, somewhat idiosyncratic and of very real appeal to a section of the community who value these characteristics.
6. Over the last decade or so there has been an increasing emphasis from government on cost effective higher education, widening access, "third mission" activity in support of the community at large and increasing competitive advantage through larger, commercially aligned, institutions.
7. UWL has a history of merger discussions with a number of potential partners to try and respond to these conditions, including Trinity College, Aberystwyth and Newport, but all have foundered – often for what have been described as "cultural" issues, which we understand to be a dilution or loss of UWL's distinctive and differentiating characteristics.
8. Recently, HEFCW have become concerned about the viability and sustainability of UWL, heightened by a "limited confidence" judgement by the QAA in 2007 and questions about the University's strategic plan presented in summer 2007. These concerns were discussed with UWL in October 2007¹ and subsequently. Consequently it was agreed that an external review of the institution should take place
9. We have been commissioned to undertake this review and offer opinions on the issues which UWL faces and the options to take it forward in a way which best preserves its undoubted value and desirable features.

Terms of reference

10. The terms of reference for our consultancy are to:
 - Review Lampeter's strategic direction and business model, and assess their viability and ability to deliver a sustainable institution;
 - Review Lampeter's managerial capability; and
 - Advise HEFCW on the options for the future development of the University.

¹ Notes of meeting 4 October 2007 (HEFCW/UWL).

11. In carrying out the study we are to take into account the economic and social significance of the University to the town and the region.
12. The product of the study is this report to HEFCW which assesses the medium to long term sustainability of Lampeter based on the soundness of its strategic plan and business model, and its managerial capability to deliver sustainable outcomes. The report identifies areas of particular concern and makes recommendations for how these might be dealt with, by the institution, HEFCW or both.

Methodology

13. Following discussions with HEFCW to understand the concerns underlying the terms of reference noted above, we reviewed key documents provided by them and then met with the Vice Chancellor, key members of the SMT and the President and Vice President of Council to ascertain their views on the matters subject to our terms of reference and the key issues underlying these. We then met with a wide variety of personnel both within and outside the University to seek their views and input. A list of all personnel interviewed is included as Appendix 1 of this report; the general agenda for our initial meetings is included as Appendix 2.
14. Further documentation was requested from UWL and reviewed following these initial meetings. A list of all documents received and reviewed during the whole of our review is included as Appendix 3.
15. On the basis of the initial meetings and documents reviewed we produced a number of observations, which represented our understanding of the consensus of opinion in the senior management team and Council. These were explored and reviewed through interviews with other members of staff, external stakeholders, discussions with HEFCW officers, and review of further documentation.
16. Our observations and conclusions following these investigations were discussed with the Vice Chancellor and the SMT and counter observations noted and investigated. While this report cannot be said to be fully agreed by the University management team their views upon it have been sought, considered and reflected where appropriate.
17. The format of the rest of this report discusses our findings and conclusions in the broad areas of our remit, followed by a section analysing these as a whole and a review of options and our recommendations to address the issues we have noted.

Confidential evidence

18. On a significant number of occasions we were asked to treat information provided by the interviewee in confidence. We have honoured this confidence, not naming the individuals involved and taking their confidential disclosures at face value, to be verified or denied by subsequent investigation.
19. It is not uncommon, in our experience, for disaffected individuals to wish their evidence to be un-attributed. In this investigation the proportion of interviewees asking for this discretion was unusually high and we taken this into account in our comments in Section 6, Adequacy and Capability of Management Resource.

Reports by others

20. Before we commenced this review the Vice Chancellor, with the approval of Council, commissioned three external reviews of UWL's own, which overlap to a large degree with our remit:
 - From CHEMS, a review of management capacity;
 - From Nigel Brown Associates, a review of available market research and a test of UWL's business model;
 - From DTZ, a review the impact of UWL on the economy of the region.

21. We have seen an outline of the remits for the first two of these¹. We received a copy of the CHEMS report at the beginning of July, after our investigations were largely complete. The Nigel Brown Associates work is unfortunately delayed due to illness of their lead consultant and we believe that the DTZ report is expected imminently.
22. We have commented on the intent and/or findings of these reviews, insofar as we understand them, at relevant points in our report.

¹ Remit for CHEMS management review; Remit for Nigel Brown Associates review.

3. SUSTAINABILITY OF STRATEGIC DIRECTION

Management's view

1. In preparation for initial interviews with the SMT we studied the most recent published strategic plan for UWL¹. In our interviews we sought to understand the intent and implications of the stated vision for UWL to be "recognised internationally as the foremost liberal arts university in the UK".
2. We were advised by the Vice Chancellor that this was more of a "wrapper" than a specific objective and that although the University aspired to the general direction which the vision statement implied it was recognised that this was an area where more work was required to set realistic and achievable goals.
3. We were advised by the Vice Chancellor that the current UWL strategy was to extend and develop its existing offering by developing new inter-disciplinary programmes and to deliver these via all the teaching modes available to the University, ie full time and part time residential teaching, distance learning and e-learning. We have referred to this ambition as the "multi-modal" strategy hereafter.
4. All our subsequent investigations have been to test and evaluate these statements of intent.

Multi modal strategy imperatives

5. On the basis of our previous experience, we developed a checklist of the essential components for which we would expect to find plans in order to deliver the multi-modal strategy as outlined. The key requirements of such a strategy, in our view, are:
 - Targeted implementation plans based upon reliable market data;
 - Buy-in and commitment of staff and institution;
 - A truly modular course structure;
 - A fair and equitable budget system that is owned by all;
 - Centralised timetabling;
 - An E-Learning development strategy in terms of hardware, software, content development, staff development and implementation;
 - A QA system developed to reflect the type of courses to be delivered.
6. We reviewed a number of University wide plans, departmental plans and research institute plans seeking Specific, Measurable, Achievable, Relevant and Time based (SMART) plans to realise these components. Our findings were as follows.
7. We were told that the E-learning strategy, which we would anticipate to be at the centre of these plans, is still in development and has not reached a sufficient level of completion for us to see it even to gain an overview.
8. The Learning and Teaching² and Information Technology³ strategies both included plans to develop some of the practical elements we were seeking, many of which could be argued to be "SMART". However, in our view, these, underestimated the levels of resources (both time and money) required to deliver them.
9. As we have debated with the SMT the levels of resource being committed to the multi-modal strategy, it has become increasingly clear that the intent of this is evolutionary rather than revolutionary with an implementation period of some 5 years. Furthermore

¹ Strategic Plan 2007 – approved by Council 19 July, 2007; Operational Plan 06-07

² Teaching and Learning Strategy 2007-2012

³ Information Strategy 2007-8 DRAFT 4

that this is an operational plan rather than a fundamental strategy. Hence there are no decisive or “paradigm changing” imperatives. We still believe that the proposed levels of resource are optimistic but are prepared to concede that if such a slow introduction is planned that it could be argued that the proposed commitment of resource is adequate in the earlier years and could be adjusted as the plan evolves.

10. The departmental and research institution plans we saw (not all were available) varied, in that some clearly did include plans to support the multi-modal strategy and others did not.
11. A key point for us was a lack of alignment and support for the institutional strategy in a number of areas, particularly individual department plans, suggesting either inadequate communication of the strategy or lack of “buy-in” from certain departments.
12. Of more concern, it was freely admitted that there was essentially no market research or intelligence to back up either the institutional plan, or to direct action to maximise returns.
13. Furthermore there is no evidence of a comprehensive strategic development process that has involved, for example, analysis of strategic position and alternative strategies to address opportunities and weaknesses.
14. Finally, in our interviews with Heads of Departments and other senior academics and support officers we detected a very wide divergence of views on the strategy.
 - Some could describe what we had been advised by the SMT and considered it appropriate;
 - Some appeared not to know what the strategy was and when we described how it had been presented to us some considered it appropriate, some did not;
 - Some were openly disparaging and dismissive of the “foremost liberal arts...” objective and had varying views on the multi-modal model from ‘adequate as far as it goes’ to inappropriate.
15. It would appear that while there may be some commitment and buy-in from academic staff, this is far from universal. At the very least this suggests poor communication, at worst it suggests a strategy which is being imposed from the top with little input from or connection with academic departments.
16. The SMT have responded to us that what we are seeing is the first stage of a planned cycle of 5 year strategic plans and that we are being unduly harsh in our criticism of what is essentially a “work in progress”.
17. We would counter that there has been little evidence of change between 2004 and the most recent published strategy (2007). The only change of significance we understand to have occurred is between the 2007 strategy and the present, when the “vision” of being recognised as the foremost liberal arts university in the UK has been dropped (although it was implied to be the central stay of the previous strategies) and not replaced.

Development of overall strategic direction

18. Late in our investigations we interviewed lay members of the Strategy and Performance (S&P) Committee of Council, who had been unavailable previously on holiday. They expressed the view that there was essentially no coherent, shared, overall vision for the ultimate strategic goal for UWL and that the “multi-modal” strategy was a useful idea which was being pursued until such a vision emerged.
19. We had previously reviewed the minutes of S&P Committee meetings and noted that exchanges were recorded between committee members and the Vice Chancellor which had been forthright and robust. The lay members of the committee expressed frustration to us about a lack of market and internal institutional data to guide strategic development coupled with inadequate processes to gather insights from the academic staff to inform “bottom up” direction. They opined that in their involvement with the process they had reached the conclusion that there was a great deal of untapped strategic sense in the academic departments.

20. We discovered similar frustration in the SMT in that they believed that their rational strategic ambitions (based on the “foremost liberal Arts university” principle) had been thwarted by the S&P lay members. We were directed to a strategy produced in 2004¹ which was thought by SMT to have developed these ideas reasonably fully.
21. We have reviewed the 2004 strategy and, while it contains some sensible general ambitions (many of which remain unachieved), it does not appear to us to be a clear achievable blueprint for the direction UWL needs to take to arrive at a sustainable position in the marketplace, suffering from most of the deficiencies which we have noted elsewhere in this section.
22. We have reviewed the apparent breakdown in this process in Section 6.
23. In summary, we are concerned that there is no coherent, well expressed, widely accepted strategy either agreed or being pursued within the institution.
24. The ideas which are currently being planned for implementation do not constitute a step change of the magnitude we believe is necessary to address the issues faced by the institution and we have seen no evidence of analysis comparing options and seeking to address weaknesses as well as capitalise on perceived strengths.
25. Such strategic planning as there is does not appear to have engaged well with the academics to create “bottom up” insight and commitment.
26. Finally, we would observe that the current down-turn in applications and thus the financial prospects for the University suggest that the current direction is not creating the hoped for success and, indeed, that the current direction may be at odds with market trends and opportunities.
27. It is recognised that, UCAS changes apart, Welsh HE as a whole has suffered a downturn in applications in the current year, arising from such factors as the different fees regimes in England and Wales and the increasing reluctance of students to travel. However, importantly UWL has suffered a downturn which puts it into the group of most affected universities in Wales and the rest of the UK.
28. In the next sub section we have presented our appreciation of the marketplace in which UWL operates and the strategic imperatives it implies.

Market requirements

29. Higher Education in the UK, and particularly in Wales, currently faces considerable challenges. The introduction of student paid tuition fees is creating an increasing emphasis on meeting the demands of the “market” and tailoring provision to attract students, especially students from overseas, paying full recovery fees. For institutions in Wales the impact of the Welsh Assembly Government’s decision to subsidise fees and the upcoming review of student fees in England makes the situation more complicated (for example by amplifying the need to be attractive to Welsh resident students) as does the introduction of the Welsh Bursary Scheme and individual institution scholarships.
30. At the same time students are becoming more demanding of the quality of their learning experience, leading to most HEIs across the UK investing heavily in their estates to respond to student expectations. This places significant new demands on the management of institutions to rise to the challenge of raising investment from outside their funding councils (including direct applications to Europe, alumni and charitable donations and commercial debt funding) and managing large and complex projects professionally. The need for a focused, comprehensive, estates strategy has never been more important.
31. UK demographics are also a key factor with expected declining 18 year olds within a few years.

¹ Strategic plan for 2004

32. The global market for overseas students is ever more competitive, with well funded new entrants (both other international organisations and domestic institutions in the students' home countries) regularly joining the pool of providers. The need to differentiate to compete effectively is essential to capitalise on this, often essential, revenue stream.
33. It is widely expected that in future, research funding for universities will be more concentrated towards centres of excellence with the resources to achieve the very best outputs. This is expected to shift funding away from institutions who have undertaken research activities in the past, but who have not delivered at the highest level.
34. The market situation described above is coupled with a drive by the UK and the Welsh Assembly governments for institutions to embrace "Third mission" activities which directly benefit business and the community (and thus society), including an emphasis on selling services directly to businesses and the concentration of research funding towards areas of immediate commercial relevance.
35. Added to these challenges on the nature and style of the outputs required from HEIs is a drive from all sides for improved cost effectiveness and efficiency, with a particular emphasis on economies of scale through collaboration, reconfiguration and merger. This is coupled with demands that HEIs should be more inclusive, widen access to learning and (in Wales) support the use of the Welsh language.
36. These many, sometimes conflicting, demands make the world of higher education highly competitive and difficult to navigate. Critical to success is the ability to recruit the best staff, which is generating upward pressure on a large component of every University's cost base, ie staff salaries. The best staff are, in turn, seeking the best institutions to advance their careers. It is widely accepted that Welsh institutions receive less core funding than equivalent institutions in England, adding to the competitive pressures.
37. In this complex and demanding marketplace it is essential for HEIs to formulate a clear vision of how they will compete and survive. Increasingly it is impossible to remain a generalist institution, adding to curriculum and facilities to pick up short term trends in the marketplace.

UWL – a unique institution

38. As has been stated in the preamble to this report, UWL is at least very unusual and probably unique as an HEI. It has very real attributes which are highly valued by at least some students in its market.
39. Unlike almost all its contemporaries it has not expanded significantly on campus beyond its original profile and remains something of an anachronism. The reasons for its failure to expand are doubtless many and complex, but must be at least influenced by its small size and remoteness. These parameters remain unchanged and expansionist ambitions such as the intent to become "recognised as the foremost liberal arts university in the UK", unless they include very credible plans to overcome these fundamental constraints, are all but meaningless.
40. An analogy of UWL is that of a specialist SME competing in a market of multinationals. It is well known that such specialists can survive and prosper, but invariably they do so by being excellent in a niche which their large, well resourced, competitors either cannot or do not want to reach.
41. It is arguable that UWL is worth preserving for its unique academic characteristics, but this argument is greatly enhanced by the fact that it is certainly the case that without UWL or an organisation with a similar level of activity, the economy of Lampeter and its surrounding region would suffer greatly. This subject is explored more fully in Section 7.
42. Unless the institution is to be maintained simply as a prop to the local economy, which we would regard as most inappropriate, it is essential that a rational, achievable, vision for the university as a distinctive and unique academic institution is developed. In our view, this has not been done.

Welsh and Ceredigion agendas

43. A number of members of the academic staff and Council are of the opinion that UWL does not make the most of its “Welshness” and its relationship with Ceredigion.
44. We have been advised by the Vice Chancellor that, in recent times, the relationship with Ceredigion County Council has improved markedly with the appointment of the new chief executive and that joint activity is planned and in hand. As is noted in Section 7 this is a view broadly shared by officers of Ceredigion County Council, although we believe that there are opportunities to make more of this relationship.
45. We observe that the 2004 and 2007 strategies, and the University’s formal response to the One Wales agenda seek to link activities which are planned for other reasons to elements of the WAG agenda. In our opinion the UWL position and plans in these regards are much less proactive than those of other Welsh HEIs, Our appreciation of UWL’s current position has been neatly summarised by the Vice Chancellor as being perceived to be “In Wales, but not of Wales”, (a perception he would wish to change).
46. This is a somewhat subjective judgement, but one we have found we share with important external stakeholders with whom we have spoken. We are not suggesting that the University devotes all its energies to the “Welsh Agenda” but that it could pay more heed to it.

Summary and conclusions

47. We believe that there is no clear vision of what UWL should work to become which is shared by SMT, Council and academics. There is a stated ambition to become “recognised internationally as the foremost liberal arts university in the UK” but almost no understanding of what this might entail or realistic plans to achieve this objective.
48. There is similarly, virtually no collated and analysed market information from which to derive any strategy or vision for the institution, let alone justify the “foremost liberal arts university” ambition.
49. We believe that, to some extent, the failure to develop a rational vision has been caused by a dysfunctional development process. This point is developed further in Section 6.
50. We are further of the opinion that the current “vision”, whatever the interpretation, is exceedingly ambitious for a university with the resource constraints of UWL. In the event that the University began to approach its ambition, competitor reaction from far stronger organisations would be very hard to resist.
51. There is a defined operational objective to deliver the great majority of the academic output through full time tuition and various distance learning routes (multi-modal delivery) implemented over an approximately five year time frame.
52. This objective enjoys more consensus as a way forward and there are some underlying sub-objectives which have been planned and costed. Some of the departmental plans are well aligned with this objective. However others are not and are quite divergent.
53. We are of the opinion that the resources allocated to this strategic objective are underestimated, which is a point of disagreement with the SMT. We are certain that the objective of simply widening the delivery mode of, essentially, the whole existing range of provision is a totally inadequate response to the market and operational position UWL finds itself in, as has been evidence by the deteriorating fortunes of the institution summarised in Section 4 in particular.
54. Without a clear, widely accepted vision of the goal for the organisation it is impossible to develop coordinated and effective plans for rational development. The current HE market is so competitive that drifting in the stream more or less guarantees failure.

55. Deciding the best vision for UWL is not any part of our remit in this investigation, and we do not have sufficient information to offer more than the broadest of generalisations. These generalisations are:

- UWL is distinctive and perhaps a unique HEI in the UK. Any vision should develop ways to use this uniqueness to create overwhelming competitive advantage in well researched niche areas of the market. This vision needs to be developed through deep engagement with Staff and Council.
- As part of the development process, different options should be weighed and compared in the light of strategic and business model analysis to ensure that the optimal solution is selected.
- The vision should not be overly ambitious and be capable of being realistically achieved within the resources of the organisation. It should be clear, unambiguous and meaningful to both internal and external audiences. It should also be translated into action plans which are measurable and monitored.
- The benefits of emphasising the “Welshness” of UWL should be fully investigated and similarly specific objectives to add value to the economy of Lampeter and its region.

56. We recognise that these statements are almost trite in their simplicity. However, we are of the opinion that these principles are not being followed in UWL at the moment.

4. BUSINESS MODEL

Introduction

1. The University's current business model is based on a mixture of on campus teaching and distance learning provision. The distance learning provision is both direct (in the case of Welsh and Voluntary Sector Studies) and through partner institutions (in the case of Theology and Religious Studies and Management & IT). An analysis of student numbers for last year and currently (taken from UWL's HESES returns¹) is as follows:

| UWL Student Numbers 2006/07 & 2007/08 | 06/07 Fte | 07/08 Fte |
|---|----------------------|----------------------|
| <u>UK and EU Students</u> | | |
| Full time U/G | 753 | 704 |
| Part time U/G | 37 | 36 |
| Franchise U/G | 68 | 52 |
| Distance Learning U/G | 445 | 466 |
| Sub total | <u>1,303</u> | <u>1,258</u> |
| Post graduate taught (all) | 309 | 271 |
| Post graduate research (all) | 68 | 70 |
| Sub total | <u>377</u> | <u>341</u> |
| <u>Overseas</u> | | |
| Full time U/G | 105 | 85 |
| Part time U/G | 1 | 1 |
| Distance Learning U/G | 128 | 178 |
| Sub total | <u>234</u> | <u>264</u> |
| Post graduate taught (all) | 294 | 273 |
| Post graduate research (all) | 82 | 74 |
| Sub total | <u>376</u> | <u>347</u> |
| Total | <u>2,290</u> | <u>2,210</u> |
| <i>Note: 07/08 figures are up to 1 June 2008 with additional recruitment expected during June and July 2008</i> | | |

¹ Student statistics (HESES return data) 2006/07 & 2007/08 to 1 June 2008

2. For 2006/07 the distribution of students by subject area¹ was as follows:

| UWL Student Numbers - Subjects 2006/07 | FT U/G Fte | Other U/G Fte | PGT Fte | PGR Fte |
|---|-----------------------------|--|--------------------------|--------------------------|
| TRS | 268 | 245 | 316 | 104 |
| Archaeology/anthropology | 131 | 19 | 30 | 10 |
| Classics | 104 | 5 | 16 | 2 |
| Film & media | 76 | 2 | 16 | 7 |
| English | 73 | 23 | 11 | 12 |
| History | 66 | 26 | 12 | 1 |
| Management & IT | 52 | 135 | 156 | 3 |
| Voluntary Sector Studies | | 113 | 1 | |
| Welsh | 15 | 101 | 2 | 1 |
| Other | 73 | 10 | 43 | 10 |
| Total | 858 | 679 | 603 | 150 |

Note: Other U/G comprises part time, franchise & distance learning

3. On campus student numbers at Lampeter are c1,150 (undergraduate and post graduate).
4. TRS has some on campus students but also a significant number of distance learning students, being taught through arrangements with partner institutions throughout the EU (see below).
5. Management & IT has a relatively small number of students being taught on campus. Most provision is to non EU students through partner institutions in London.
6. A large element of Voluntary Sector Studies provision is through direct distance learning arrangements (not e-learning) with students mainly based in the EU.
7. Nearly all Welsh provision is through direct distance learning (e-learning) with students mainly based in the EU.
8. Other subject areas are mainly taught on campus, with some provision through franchise arrangements.
9. TRS and MIT have seen continued growth over a number of years. Other subject areas started to experience declines in 2007/08 and in some cases from 2006/07. This has been particularly noticeable in Archaeology and Anthropology.

¹ Student statistics (HESES return data) 2006/07

Viability and sustainability of business model

10. The recent financial performance of UWL is summarised below ¹.

| UWL Summary of recent financial performance | Act 05/06 £'000 | Act 06/07 £'000 | Est 07/08 £'000 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Income & Expenditure | | | |
| HEFCW grants | 6,560 | 7,418 | 7,390 |
| Student fees | 2,585 | 2,910 | 4,138 |
| Other income | 3,715 | 3,551 | 3,727 |
| Total income | 12,860 | 13,879 | 15,254 |
| Staff costs | 7,573 | 8,275 | 9,850 |
| Other costs | 4,276 | 4,650 | 4,629 |
| Total costs | 11,849 | 12,925 | 14,479 |
| Net surplus | 1,011 | 954 | 776 |
| Cashflow | | | |
| Cashflow from operations | 1,362 | 2,806 | 585 |
| Capital grants received | 128 | 764 | 489 |
| Capital expenditure | -370 | -868 | -833 |
| Loan repayments | -190 | -184 | -155 |
| Pension scheme AVCs | | -526 | -252 |
| Net cashflow | 930 | 1,992 | -166 |
| Balance sheet | | | |
| Bank & cash balances | 3,413 | 5,405 | 5,239 |
| Endowments | 6,581 | 7,253 | 7,253 |
| Other net assets | 2,552 | 3,189 | 4,452 |
| Total net assets | 12,546 | 15,847 | 16,944 |

11. The figures for 07/08 are the estimated out-turn for the current year (as at May 2008)².

12. During the last 3 years the University has enjoyed reasonably strong financial performance which has been significantly better than preceding years. This has arisen from tighter control of expenditure and rises in student fees (EU and overseas).

13. However, this strong financial performance masks some underlying issues which are likely to impact on performance next year and thereafter. These are:

- The additional staff costs of implementing the National Pay Framework which will be borne in 2008/09. These are expected to increase annualised staff costs by c £600k (6%) before any amelioration.
- Little growth in HEFCW funding in the last year.
- Considerable increases in staff costs in the last year.
- Insufficient administration and support service resources within the institution (eg personnel, quality assurance, registry), described in Section 5, which now must be remedied.

¹ Sources- Lampeter Financial statement 2007, Management accounts - latest year to date

² Management accounts - latest year to date

- Poor performance in a number of academic departments (particularly VSS, Archaeology & Anthropology and Welsh) which show a deficit after apportionment of central costs.
 - The need to continue to make additional voluntary contributions to the University pension scheme to make good the current deficit.
 - The need to reconfigure and upgrade UWL's estate.
14. These issues have been added to in the last 6 months with a significant fall off in applications for 2008/09, particularly in EU full time undergraduate students. Currently the University expects a shortfall of 80 FTEs in the 2008/09 enrolment ¹with a consequent loss in fees of c £200,000. This represents a 30% shortfall on normal enrolments (making UWL one of the worst affected Universities in the UK²). This will also impact on income from halls of residences which is expected to be reduced by a further £250,000.
15. In addition, the University's recurrent grant from HEFCW for 2008/09 has been increased by little more than 1% in the recent award, the lowest of any Welsh University and well below the level of inflation. This reflects, in part, reductions in widening access and welsh medium premiums because the University is not achieving WAG imperatives in these areas.
16. As a result of the above factors, UWL is expecting a considerable down-turn in its financial performance in 2008/09 and for the next few years. The University's initial budget for 2008/09, presented to Council on 10 June 2008³, showed a budget net surplus of only £33,000 and a net cash reduction of c £500,000.
17. This is summarised below:

| UWL Summary of 2008/09 1st draft budget | Est 07/08 £'000 | Budget 08/09 £'000 | Change % |
|--|--------------------------------|-----------------------------------|---------------------|
| Income & Expenditure | | | |
| HEFCW grants | 7,390 | 7,588 | 2.7% |
| Student fees | 4,138 | 4,665 | 12.7% |
| Other income | 3,727 | 3,111 | -16.5% |
| Total income | 15,254 | 15,364 | 0.7% |
| Staff costs | 9,850 | 10,354 | -5.1% |
| Other costs | 4,629 | 4,977 | -7.5% |
| Total costs | 14,479 | 15,331 | -5.9% |
| Net surplus | 776 | 33 | |
| Cash flow | | | |
| Cash flow from operations | 441 | 546 | |
| Capital grants received | 489 | 919 | |
| Capital expenditure | -833 | -1,547 | |
| Loan repayments | -155 | -162 | |
| Pension scheme AVCs | | -252 | |
| Net cash flow | -58 | -496 | |

¹ Funded student numbers and projections 2007/08

² UCAS Application Digest 24-03-08

³ Report to Council on draft budget for 2008/09 (27 May 2008)

18. The budget contribution from individual academic departments (after allocation of central costs) is as follows:

| UWL Departmental contribution 2008/09 1st draft budget | Budget Income £'000 | Budget Contribution £'000 |
|---|------------------------------------|--|
| Archaeology & anthropology | 1,052 | -138 |
| Management & IT | 1,282 | 114 |
| Film & media | 378 | -71 |
| English | 671 | -102 |
| Classics | 808 | 152 |
| History | 529 | 32 |
| Philosophy | 329 | -60 |
| Theology and Religious Studies | 3,391 | 146 |
| Voluntary Sector Studies | 403 | -180 |
| Welsh | 522 | -122 |
| Foundation Studies | 292 | 97 |
| Total | 9,657 | -132 |
| Other | 5,707 | 165 |
| Total | 15,364 | 33 |

Note: budget contribution is after allocation of central costs

19. The following significant factors are noted:

- The above figures include a maximum estimate of the cost of implementing the national pay framework, with scope for some reduction (see below);
- The budget staff costs also include a number of vacant posts and there is scope for restructuring (see below);
- The budget excludes the costs of implementing a number of strategic imperatives which would need to be funded from cost savings elsewhere (see below);
- The budget assumes that HEFCW funded numbers for 2008/09 will be attained – this will require additional recruitment of part-time students or additional EU postgraduates;
- 6 of the 11 academic departments are generating deficits – in the case of Voluntary Sector Studies, Archaeology/Anthropology, Welsh and English these are significant and are unlikely to be fully reversed even if undergraduate enrolments were recovered;

20. Since this 1st draft budget was presented, the management team have sought to achieve cost savings for 2008/09. The actual costs of implementing the national pay framework have been reduced; a voluntary severance programme has been agreed with Unions and a process of redeployment and restructuring within academic departments is in hand. Together, these are expected to achieve annualised cost savings of £500,000 or more. Some of these savings will be used to fund the additional costs of implementing key strategic imperatives, such as HR administration improvements, implementation of virtual learning platforms etc. The net effect is expected to be an improvement on the initial budget surplus/cash flow of c£200-300,000 (to a surplus of say £200-300,000), subject to one-off restructuring costs of not less than £350,000.

21. Neither the revised budget for 2008/09 nor the forecasts for 2009/10 and beyond were available at the time of preparing this report. However UWL's cash flow position is expected to remain negative for 2008/09 (after additional pension scheme contributions) and will remain challenging (negative or just neutral) in the following years. The following factors may well impact in 2009/10 and beyond:

- A possible reduction in HEFCW research grant funding following the 2008 RAE;
- Continuing below inflation increases in HEFCW recurrent grant;
- Lower full time EU undergraduate numbers as this year's recruitment shortfall works through, possibly exacerbated if applications and enrolments continue to be low next year;
- Limited opportunities to increase income from other sources (given recent significant growth in overseas student income which may be reaching its peak in competitive markets);
- Possible difficulty of sustaining overseas student markets and sources in longer term in the face of increased competition from international and overseas domestic institutions;
- The requirements for capital investment in the estate (£12m programme within the Estates Strategy 2007 1) and year on year reduction in pension scheme deficit through additional contributions (see below);
- The possibility of loss of HEFCW income in relation to distance learning activity if the current TRS partnership arrangements are challenged by HEFCW (see following section on Partnership Agreements).

22. By way of illustration, we offer the following scenario for 2009/10, which is one of a number of possible outcomes:

| UWL Illustrative cash flow scenario 2008/09 and 2009/10 | Projected 2008/09 £'000 | Projected 2009/10 £'000 |
|--|--|--|
| Base net surplus | 250 | 250 |
| Increase in HEFCW grant (2% ex research) | | 100 |
| Reduction in research contribution | | -100 |
| Increases in other income (2.5-5%) | | 150 |
| Increases in staff costs (3%) | | -300 |
| Increases in other costs | | -100 |
| Projected net surplus for year | 250 | 0 |
| <i>Add back non cash items:</i> | | |
| depreciation less capital grant released | 390 | 390 |
| FRS adjustment | 120 | 120 |
| Other working capital movements | 0 | 0 |
| Capital grants received | 500 | 500 |
| Capital expenditure | -1,100 | -800 |
| Loan repayments | -160 | -160 |
| Pension scheme AVC | -250 | -250 |
| Projected net cash flow | -250 | -200 |

23. Therefore, having enjoyed a period of several years of strong financial performance, the next few years are likely to be considerably more challenging for UWL and further action is likely to be required just to maintain modest surpluses and cash flow neutrality.

¹ Estates Strategy 2007

24. On the information presently available to us (in particular without fully costed strategic and operational plans, good marketing data and longer term financial forecasts) it is not possible to form a definitive view on the financial sustainability of the University's current business model. However, we do have significant doubts about it. In the University's current position and looking at the immediate prospects we question whether it will have the financial resources available to implement its current "strategic" plans or whether these will need to be reshaped onto a narrower but more sustainable base. For example, it may be necessary to:
- Curtail activities which are currently producing deficits;
 - Reduce distance learning activity (where there is a deficit in contribution to central costs or the income source is not sustainable);
 - Increase on campus activity or cut back the estate accordingly;
 - Develop other income sources.
25. These could involve significant changes in strategy and resulting business model. What is required is a fundamental reconsideration of the strategy options available to UWL and the financial consequences of these to identify those options which are likely to have long term sustainability. This needs to be based on good market analysis, a holistic view of the whole institution, proper consideration of a variety of alternatives and a realistic assessment of capability.
26. It does not appear that such a fundamental and detailed appraisal has been undertaken in the past or is planned. The University have commissioned a review of the business model by Nigel Brown Associates¹ which is due to be completed by September. We have only seen the terms of reference for this review. While it is encouraging to see that these include some market analysis and assessment, the scope of the review appears to be limited to the current business model without evaluation of alternatives.

Partnership agreements

27. UWL operates a number of collaborative arrangements with institutions outside Wales, whereby programmes and courses developed and validated by UWL are delivered by partner institutions. These arrangements are particularly prevalent in MIT and TRS. The MIT arrangements involve mainly or entirely non EU students. The TRS arrangements include many EU students (inter alia in the UK, Eire, Belgium, Italy and France) and UWL claims HEFCW funding for these students.
28. There is an issue as to whether these TRS arrangements are own provision or "franchised" provision, as defined by HEFCW. Franchised provision to institutions outside Wales is not eligible for HEFCW funding without the agreement of the Council (HEFCW). The relevant HEFCW guidance (Paragraph 8, Annex A to HESES 2007/08 W0743HE) states:

"The term 'franchise', also referred to as 'outreach', in HE in Wales, refers to an HE course taught at an institution (the franchisee) which is not directly in receipt of funding from HEFCW for that course, and for which quality assurance is provided by another Welsh institution (the franchisor). Students taught at institutions in Wales may be registered at the franchisee or franchisor institution. However, students registered at institutions outside Wales, with a Welsh institution providing quality assurance, are not included within the definition of franchised students and should not be included in the return. Institutions may only count students and associated credit values franchised to institutions outside Wales if the Council has been notified of these courses and has agreed to their inclusion."

¹ Remit for Nigel Brown Associates review

29. An analysis of TRS teaching numbers and HEFCW funding for 2007/08 (taken from UWLs HESES data ¹) is given below:

| UWL Theology & Religious Studies | | | Est. Value |
|---|--------------|----------------|-------------------|
| 2007/08 Teaching numbers | FTE's | Credits | £'000 |
| Full time undergraduate (EU) | 105 | 12,610 | 317 |
| Part time undergraduate (EU) | 190 | 22,765 | 573 |
| Full time post graduate (EU) | 16 | 1,880 | 33 |
| Part time post graduate (EU) | 62 | 7,490 | 131 |
| Total | 373 | 44,745 | 1,053 |

30. These figures are for EU funded students only. We understand that the part time students (both undergraduate and post graduate) are a mixture of those being taught through collaborative programmes with other institutions and as direct students of UWL, including part time residential students. Total HEFCW funding for these students is c£700,000 per annum. We believe that of the full time students approximately 70% are taught at Lampeter, with the remainder on collaborative arrangements.

31. Some of the partner organisations are educational institutions, others are not specifically educational institutions but are church related organisations, such as diocese, individual churches and even informal groupings of interested students.

32. We understand from the above and other enquiries at UWL that the HEFCW funding relating to the TRS arrangements with institutions outside Wales is between £0.5m and £0.7m. Therefore, it is a significant element of total HEFCW funding to UWL (c7%). If this provision were not eligible for HEFCW funding it is unlikely that replacement fees could be generated from other sources and loss of funding would have a significant impact on UWL's overall income and financial position.

33. UWL staff believe that these TRS arrangements are fundable by HEFCW because, in their view, the provision is the University's own and is not "franchised". As evidence of this UWL cite the following:

- Students are enrolled with UWL, through the partner institution;
- The programmes of study are designed, approved and validated by UWL;
- Examination boards are organised by and chaired by University staff;
- UWL is entirely responsible for quality assurance;
- Teaching staff are approved by UWL (although they are not employees of UWL);

34. UWL has not sought written confirmation from HEFCW that these arrangements are fundable as suggested by the guidance referred to above. Instead it has relied on undocumented discussions in 1998 between a former senior member of UWL staff [REDACTED] [SEE INDEX 1] and the former Chief Executive of HEFCW (Professor Andrews) when, we are told, the funding arrangements for the current TRS partnership arrangements were discussed and reportedly agreed. This was in response to questions about funding eligibility for previous partnership arrangements. We are told that a key

¹ Student statistics (HESES return data) 2007/08 to 1 June 2008

issue from these discussions was that UWL would effectively “appoint” the teaching staff delivering the programmes.

35. In September 2004 questions were raised about the partnership arrangements and their eligibility for funding by WAG and HEFCW following an anonymous complaint made to WAG¹. In response to these questions, [REDACTED] [SEE INDEX 2] wrote to HEFCW on 24 September 2004² setting out UWL’s views on the eligibility for funding of these arrangements. Among other points made, the letter stated that:

“The members of staff who teach on these courses are approved as part-time teachers of UWL. The members of staff at the partner institutions are remunerated for their work”.

36. The first of these sentences appears to be incorrect in that the teaching staff were not “part-time teachers of UWL” but were employees of the partner institution. The precise meaning of the second sentence is unclear. Taken together, these statements could have led HEFCW to believe that the teaching staff were part-time employees of UWL. We note that [REDACTED] [SEE INDEX 3] does not agree with us that this wording could have been misleading.
37. This is critical because (as we understand from HEFCW) a key issue in the determination of whether an arrangement is a “franchise” is the employment of the teaching staff. Employment of teaching staff by the partner institution (whether vetted or approved by the awarding institution) would be regarded as evidence of a “franchise” arrangement.
38. In any event, the letter to HEFCW from UWL (which was seen by both the Audit Committee and Council) did not request confirmation that HEFCW accepted UWL’s contentions that these arrangements were eligible for funding. UWL point out that no questions were raised by HEFCW in response to this letter and therefore they believed that the arrangements were acceptable to HEFCW.
39. We have also identified that in some instances UWL has agreed with partner institutions to give them a share of the HEFCW funding per student received by UWL. Such arrangements are similar to those operated by Welsh HEIs franchising provision to other educational institutions in Wales and could be viewed as further evidence that the TRS collaborative arrangements are franchises. [REDACTED] [SEE INDEX 4] has commented that these arrangements were entered into without approval of the University SMT (there was no requirement for such approval to be sought at the time the arrangements were made) and that subsequently UWL has sought to discontinue such payments. There are now only nine such arrangements subsisting involving relatively small payments and these will be discontinued in 2008/09. The SMT have commented that these payments are more than offset by incoming fees from other partnership arrangements and that therefore the net position is not one of HEFCW funding being transferred to other organisations.
40. Subsequently HEFCW have questioned internally the eligibility of these partnership arrangements for funding. In addition, there may be concerns about the use of HEFCW funding for provision outside Wales at a time when Welsh HEI’s perceive a funding shortfall compared with English HEIs. We have been advised by the SMT that they were not aware of these concerns.
41. The Higher Education Statistics reporting function of UWL was subject to internal audit review in April 2008³ but the auditors did not identify any issues in relation to compliance with HEFCW guidelines.

¹ Anonymous letter regarding distance learning to D Davies AM Sept 2004

[REDACTED] [SEE INDEX 5]

³ Internal Audit Report - Higher Education Data Systems and Processes April 2008

42. We are not in a position to express an opinion on whether the TRS collaborative arrangements are eligible for HEFCW funding within the regulations. However, it is clear that these arrangements have been formally subject to question on two separate occasions and there is a significant risk that HEFCW could decide that such arrangements do not qualify for funding. This would have a material impact on the financial position of UWL. In our opinion UWL has not recognised or mitigated this risk as well as it should have done. Within UWL we found little recognition of this as a risk and there is a reliance on undocumented discussions and a single written response to questions as verification of the University's view in an uncertain area. The risk is not recognised in UWL's risk register. The requirements to approve or "appoint" staff are not referred to in the UWL Quality Manual for Collaborative Arrangements, although we are advised that they are contained in the TRS partnership handbook.
43. In the alternative, UWL could have actively sought to recognise and mitigate the risk by, for example, providing full disclosure to HEFCW and seeking agreement that the arrangements qualified for funding (per HEFCW guidance) and engaging teaching staff itself on short term contracts.

Liability management, pensions & other

Pension Schemes

44. The University operates two pension schemes, the Universities Superannuation Scheme (USS) for academic staff and a University of Wales, Lampeter Pension & Assurance Scheme (UWLPAS) for administration staff. The USS scheme is a pooled scheme and it is not possible to identify the deficit attributable to individual institutions. The UWLPAS scheme is specific to UWL and is in deficit. At 31 July 2007 the estimated scheme deficit was c£2m¹. UWL has agreed to make additional annual pension scheme contributions of £252,000 to reduce the deficit. This commitment is for the next 19 years (subject to review in 2008/09).

Bank Loans

45. UWL has outstanding bank loans of £699,000 at 31 July 2007² relating to prior capital expenditure funding. These are repayable at £155,000 pa over the next 4.5 years.

Estate capital expenditure

46. UWL plans to spend c £12m on its estate over the next 3-4 years to reconfigure and upgrade facilities. Part of the funding for this is expected to be obtained from sale of surplus land and part from capital grant funding. It is likely there will be a residual funding requirement to be met from the University's own cash resources and from borrowing. The borrowing requirement could amount to £2-3m with an annual debt repayment cost of perhaps £200,000.

Conclusion

47. The above commitments will require a reasonable level of cash generation over the next few years to service them. The minimum annual operating cash flow requirement to meet these commitments will be c £400,000. With some contingency, the University should be aiming to generate operating cash flows of at least £500,000 pa. This appears to be a challenging objective given the changes in financial performance in the current year.

Marketing activity

48. UWL has very recently established a Marketing Strategy committee of the Council whose remit is to oversee and guide the marketing activities of the institution. As is discussed in

¹ Lampeter Financial statement 2007

² Lampeter Financial statement 2007

the sub-section on Governance in Section 6 of this report, it is, in our experience, unusual to have Council committees with such operational remits.

49. We noted that the level of qualified experience in a number of support functions appeared lower than we are used to in other HEIs. For example there is no one with professional marketing qualifications in the External Affairs department and the current priority of that department was the rebranding of UWL and clarification of the ambition to be recognised as the foremost liberal arts university in the UK. We gained the impression that the need to address a shortfall of some 30% in applications was considered to be of lower importance, awaiting resolution of the branding issue, and perhaps to be helped by this.
50. As noted in Section 3, we understand that the direction and strategic planning of UWL has been undertaken without any significant market research. It is interesting to note that the remit for Nigel Brown Associates¹ includes the specific requirement to undertake “*An analysis of relevant trends in England, Wales, within the EU and in overseas markets*”. This might suggest that the SMT recognise this market analysis deficiency, somewhat belatedly.
51. We have seen no evidence of serious market analysis in any area of UWL’s activity. While we would accept that in some areas market assessment has been undertaken (in Management & IT overseas markets for example) the lack of any formal or systemic record or market research or analysis across the University and the lack of any well informed central resource in this area is very significant.
52. All together we can only conclude that the marketing and recruitment direction in the institution is weak, particularly when compared to our experience of highly professional operations in other HEIs.
53. We are concerned that the response to this situation has been to create another Council committee which blurs operational and Governance responsibilities. This issue is explored further in Section 6.

Risk management

54. We have reviewed the current version of the institution’s overall Risk Management register and the extracted prioritisation lists². While we can conclude that there is clearly a risk assessment and management process in place there are fundamental features of it which we do not consider to be best practice. These have been brought to the attention of the SMT who have accepted our comments and indicated that they are inclined to act upon them. The main points are set out below.
55. Two of the five “highest risk” items in the risk register are essentially statements of government policy, which do not suit UWL particularly, and which have been deemed to have high impact and high probability of occurrence. We regard these as “features” to design a strategy around, rather than “risks” to a chosen strategy which need to be monitored, unless there is a clear and plausible plan of action to change the policies.
56. We were surprised to see that elements over which UWL have more or less complete, autonomous control (such as the response to the QAA limited confidence judgement) were deemed to have a high likelihood of failure, promoting them into the highest risk category. It was explained to us that risks are recorded on the basis of their significance if no management action was taken to address them. We consider that best practice is to prioritise risks again *after* mitigating actions have been taken into account.
57. The key issue is the overall management of risk to UWL’s strategy. By including items over which they have no control as high risk, and items over which they are notionally in full control likewise, the “high risk” area of the register, where management and

¹ Remit for Nigel Brown Associates review

² Overall Risk register for UWL

governance should focus, becomes crowded with items over which they can either say "there is nothing we can do about that" or "that is all under control". This effectively demotes things the management should be focussing upon out of the area of maximum attention.

Summary and conclusions

58. We are concerned that the financial position of UWL is weakening sharply as a result of falling full time student numbers and increasing costs. We consider that the plans which have been set out in the operational plan for 2008 may not be actionable for lack of resource. These concerns are heightened by the fact that some £5-700k of income may be at risk if HEFCW do not accept that the activity is properly fundable.
59. We consider the marketing and recruitment processes which underpin and drive the business model to be weak, evidenced by one of the worst performances in recruitment in the UK. It has been noted in Section 3 that we are concerned that the strategy for the institution is not well founded, further exacerbating this concern.
60. We are concerned that the processes for monitoring and responding to risks to the institution are weak and tend to give comfort rather than draw attention to issues which need to be addressed. To some degree this observation is borne out by the failure of the institution to notice and respond to the risk of potentially disallowable funding indicated above.

5. OPERATIONAL IMPERATIVES

1. This section focuses on the responses of the University to external imperatives, rather than self selected strategic objectives.
2. In our initial review of these areas with the SMT there was a broad response to the effect that there were issues which needed resolving but that, in the main, all was under control.
3. We have reviewed this contention with reference to some example areas where we believe that there are shortfalls. Inevitably there are other areas where operational plans to respond to external requirements are perfectly adequate, but in these matters, the requirement is to meet all imperatives, all of the time.

HR management and development

4. This is an area requiring formal compliance combined with requirements for best practice management. The two areas strongly overlap and we have not differentiated particularly between the compliance and best practice elements
5. We have been informed that there is a general lack of HR support and process to the dissatisfaction of many of the staff to whom we have spoken.
6. For example, since 2004 there has been a stated objective of introducing formal appraisal processes for academic staff. This is still outstanding today, despite the fact that it is an essential element of the HERA process. Many senior staff have expressed strong dissatisfaction with this and told us that it makes their management role difficult to fulfil properly.
7. These issues were recognised by SMT in 2007 and a set of HR policies and plans produced¹. These set a series of ambitious targets many of which have, in practice, been missed.
8. Perhaps the most telling statistic regarding HR in UWL has been provided by the UCU². We have been advised by the union that the rate at which disputes with staff have occurred over the last 12 months is some 1 dispute per 10 staff per annum. Comparable data from other HEIs indicates that a more normal rate is 1 dispute per 200 staff per annum.
9. The union officials interviewed (both UWL staff members and full time officials) described the source of these disputes as a combination of a lack of HR processes and an unwillingness to follow accurately the agreed processes in place.
10. The Vice Chancellor and SMT have commented that this may be a function of personal agendas inside or outside the University and have investigated this data further. We understand that they believe that the statistic of 1 dispute per 10 members of staff per annum includes an incident where a large proportion of the staff in a single department complained of bullying which would have inflated the figures. It remains the case that the rate is an order of magnitude higher than the norm and even with this single incident of multiple complaints (which, in any case, could be taken as part of the pattern) this clearly indicates a level of disquiet and disaffection in UWL which is unusual.
11. We understand that the previous Vice Chancellor removed large areas of administrative support functions in a (probably unwise) effort to save costs. In their review CHEMS have commented on this and the resulting weaknesses in essential processes.

¹ Full HR policy documents Jan 2008

² Letter from UCU describing numbers of disputes

12. We would have hoped that the development of the most critical resource in the institution (its staff) would have been given higher priority, particularly as the Vice Chancellor himself has retained control of the function.
13. However, we have also established that there is no formal appraisal process of the Vice Chancellor by the Council, beyond a review which takes place as part of the remuneration committee's process to decide whether he has performed to a standard which would trigger a bonus payment.
14. From the foregoing, we are of the opinion that HR processes and imperatives have not received appropriate attention. Even priorities identified in 2004 remain uncompleted and the negative impact on the organisation and its processes appears unarguable.

Reporting compliance

15. While the poor performance of UWL in the QAA review was one trigger for our review, it is apparent from our conversations with HEFCW officers and documents included in meeting notes (eg S&P minutes 12 December 08¹) that there has been a long standing concern from the funding council at the timeliness of responses from UWL.
16. When we discussed this with the relevant officers within UWL it was not seen as a major issue, we gained the impression that the institution did not realise the concern they were causing, which is surprising given the forthright expression in some of the communications we have seen.
17. This attitude is exemplified by the decision not to produce a strategic plan for 2008, partly awaiting the completion of our review and partly because HEFCW have not formally commented in writing on the 2007 strategic plan. We note that HEFCW have pointed out that they have provided much more feedback to UWL through various discussions than would normally be the case through a standard written review.
18. There is also a view expressed to us by some staff within the University, and which we believe there is some evidence to support, that the Vice Chancellor and SMT are viewing this review as a "problem to be weathered" rather than reflecting fundamental issues requiring serious attention.
19. We note that the Vice Chancellor does not accept this interpretation, citing the commissioning of reports by CHEMS and others as examples of the seriousness with which he is responding.

Registry

20. It was been noted by many we interviewed that the registry function in UWL operates poorly and needs urgent attention.
21. We have had some difficulty obtaining consistent and verifiable student numbers data and understand that departments often have the same difficulties.
22. We note below in the section on Legislative Compliance that obtaining coherent documentation proved less than straight forward, and we can only conclude that the registry function is under resourced and in difficulties.
23. CHEMS, in their report, singled out Registry as an area requiring particular attention.

Quality, QAA review

24. In May 2007 UWL received a review from QAA expressing limited confidence in its ability to control the quality of its operations. In many respects this result precipitated the close examination of the institution, culminating in this review.

¹ S&P minutes 6-12-2007

25. It is worth noting that the objective of achieving a good outcome from the QAA review was a top priority in the University's strategic plans for 2007¹. We understand from interviews with the President and Vice President that confidence of a good outcome was being expressed by SMT to Council before the inspection, however this proved unfounded.
26. More interestingly the majority of the more disaffected senior academics have expressed the view that the QAA outcome was inevitable in their opinion (perhaps with the wisdom of hindsight). We understand from the Vice chancellor that these views were not communicated to the SMT at the time.
27. Our exchange of correspondence with SMT over our findings as they emerged² included the comment from the University: "*The review has provided a catalyst for implementing changes which had already been identified as necessary*" - which rather suggests that the SMT were also aware of the risk.
28. This begs the question, given the imperative of getting a good QAA review (and particularly in the light of the experiences of the University of Wales and other Welsh HEIs) why these long standing issues did not receive earlier attention?
29. Our own further investigation of this suggests that the University did not prepare for the QAA review with the rigour we would expect from our experience with other HEIs. Furthermore it took some decisions which we find surprising, for example not appointing a dedicated QA manager until after the review, and disbanding an important academic quality committee in the run up to the review, following restructuring of the SMT. A weakness subsequently noted by QAA.
30. The Institution's response and action plan to resolve the problems identified by QAA³ (and accepted by them as a template for action⁴) has focussed on creating stronger oversight and management processes in the centre, including creating two new committees.
31. We have not investigated in detail the progress of these plans, but have no reason to believe from the information we have received that they are not proceeding satisfactorily. It must be noted that while QAA have accepted the plans, they have not guaranteed *per se* that they will ensure a successful re-assessment.
32. We are slightly concerned that the institutional analysis of the review findings is that there is a lack of central oversight of quality systems. Many of those we interviewed believe that there is an endemic culture in UWL of disinclination to follow systems and procedures, and that this could have been the root cause of the poor QAA review. It is certainly possible to read this interpretation into the review document.
33. To some extent QAA have accepted the institutional analysis in approving the plans and it is to be hoped that the re-assessment in April 2009 is positive; however we recommend that the alternative analysis of the failure be considered in the next review of quality issues.

RAE

34. In some respects the response to the RAE could be considered to be a strategic matter. Most HEIs design their research strategy to advance their institutional strategy, and their performance in the RAE is an integral part of the realisation of their plans.

¹ 2007 Operational plan

² HWCF presentation of initial concerns to SMT 11-6-08; Comments on presentation from SMT to HWCF 22-6-08; HWCF response to SMT comments 26-6-08

³ Action plan and timetable for UWL to respond to QAA

⁴ QAA response to action plan February 2008

35. On the basis of the fact that achieving a good outcome to the RAE was a top operational imperative for UWL in their 2007/8 plans we have included its consideration in this section.
36. Planning for the 2008 RAE appears to have started relatively late, compared to our experience with other HEIs. A central tenet of these plans has been to establish research institutions by which weaker departments are pooled with stronger ones. The intent is to ensure all staff have the means to strengthen their individual research activity, which is clearly laudable.
37. Our concern, which is shared by some of the academics we have spoken to, is that this strategy will tend to broaden, rather than deepen, the research profile of the University as a whole.
38. In the 2001 review, UWL received two 5 and two 4 gradings. There is a wide consensus (including in the SMT) that while TRS should retain the equivalent of a grade 5 in the 2008 RAE the remainder of the University's research activities will be downgraded from the 2001 levels.
39. The SMT have pointed out that the levels achieved in 2001 were unexpectedly high and that a drop from this level was almost inevitable. However in interviews with lay Council members, particularly the President, news of this expectation of reversal was received with surprise and disappointment. We understand that Council had been led to expect a better outcome.
40. As with the QAA, the outcome of the RAE remains to be seen. If, as anticipated, the outcome is one high grading and a few lower ones then it is to be expected that this will have a negative impact on the University's fortunes, both in terms of lower research revenue and weakening of reputation, potentially impacting retention of staff and recruitment of students.

Degree awarding powers

41. Although the strategic plans for 2007¹ made much of the potential for UWL to resurrect its own degree awarding capacity we have detected no significant ambition to progress this in our review.
42. We would emphasise that we do not consider this to be a vital, or even necessarily desirable, ambition. We simply note that its pursuit appears to have been important two years ago and is apparently not now.

Legislative compliance

43. In 2006, the Gus John Partnership reviewed UWL's compliance with equality legislation² and found them wanting. We believe, from our investigations, that these particular shortcomings have been addressed but have been unable to satisfy ourselves that the institution is fully compliant with all the procedural requirements placed upon it by current and forthcoming legislation.
44. We note that CHEMS in their report were similarly unable to ascertain whether or not UWL has a full set of properly compliant procedures.
45. In the light of the Gus John report we considered that it was important to establish that there was a full set of properly maintained and implemented policies and procedures in the University and requested on a number of occasions sight of a compliance "manual" or similar checklist – anticipating that in common with most other public sector organisations that the documentation would be compiled and controlled by a central function.

¹ 2007 Strategic Plan for UWL 20 July 2007

² Evaluation And Review Of Institutional Race Equality Policies 2006 Gus John Partnership

46. Over the period of our investigation we have received a number of policy and procedures documents in hard copy and electronic form and from time to time, all of which are listed in the relevant section of Appendix 3.
47. A typical example is the Health and Safety policy, which we were particularly interested in, given changes in management responsible for the function and a copy email we were given from the consultant appointed to assist UWL with Health and Safety matters, which expressed the view that they didn't think that there were any critical Health and Safety issues, but would confirm this once they had conducted a full audit. This appears to us rather late action on a key operational area.
48. Despite repeated requests to help us to understand the current status of the consultant's work we were unable to establish whether the hoped for clean bill of health had been provided. We were provided with hard copies of a Health and Safety manual almost at the end of our enquiries which appeared to have been signed off by the Health and Safety committee in May 2008. It is possible that everything was perfectly ordered, but it was hard not to get a sense of lack of control.
49. We do not pretend to be sufficiently expert in the areas these procedures cover to be able to state with certainty whether or not they are fully compliant. Our reviews have rather been general, seeking to establish that the procedures seem workmanlike and rationally cast. In the main we would conclude that they are, although those generated internally are fairly minimalist.
50. Several of the procedures have been written for the institution by outside professionals, which are thorough and extensive. We note that many of these include fairly onerous maintenance and audit requirements and wonder whether UWL has the resources to sustain them.
51. Taken all together we must conclude, as CHEMS did in their report, that while it is possible that UWL are compliant with all the legislative requirements they need to be, we cannot be sure that this is so and there is no apparent internal mechanism to confirm this.
52. Given the fact of depleted support operations, and our experiences in getting access to what we would regard as standard documentation, we would recommend that a full audit of this area be conducted to ensure there are no areas of oversight or inadequate compliance. We understand that CHEMS have provided the University with a helpful checklist.

Financial stability

53. We should record that had this review taken place four or five years ago the overwhelming operational imperative would be the correction of very poor financial performance and lack of central financial control. We have noted previously that while the financial position may be weakening again, in the face of falling recruitment, it is generally reasonably robust.
54. We have been repeatedly reminded in our investigations that this turn-around required a massive injection of effort and while this does not excuse the issues we have highlighted above it does, to a degree, explain them.

Summary and conclusions

55. In the foregoing subsections we have concluded that UWL's response to the institutional imperatives discussed has been weak. In some cases it is not possible to be certain of the final outcomes, but in all there are good grounds for concern.
56. One aspect of this investigation which concerns us is that it appears that Council did not always receive realistic assessments of the likely outcomes of these operational imperatives. There is a common theme of surprise and disappointment in minutes and in our interviews with Council lay members. While we are not suggesting there has been any policy to deceive, we wonder whether unwarranted optimism was allowed to flourish.

We believe that it is essential that Council have a realistic appreciation of the problems facing the organisation if they are to undertake their duties properly.

6. ADEQUACY & CAPABILITY OF MANAGEMENT RESOURCE

1. Both SMT and Council admitted, when we first met, them that there were issues with the management of the University but that they believed they understood these and were in the process of dealing with them.
2. Our review of management processes was done in parallel with our reviews of strategic direction, business model and achievement of operational imperatives. Much of the evidence we collected was from senior members of staff, selected (or self selected) for their understanding of these other issues, and potentially non-representative of wider opinion, a point which has been made to us by the SMT.
3. As we finished our investigations we were provided with the report which CHEMS had prepared specifically on management capacity.
4. We were glad to see that the conclusions of their report mirror our conclusions closely, but had been developed from discussions with a wider, presumably less skewed, sample of the staff.

Overall Process

5. At a high level the processes of management of an organisation such as UWL are generic and straight forward, namely:
 - Determine and maintain a clear understanding of the capability of the organisation;
 - Determine and maintain a clear understanding of the demand for this capability;
 - Develop, evolve and promote a shared vision for how the organisation will satisfy this demand in a way that yields it competitive advantage;
 - Plan the actions required to realise this vision;
 - Assign responsibilities for delivering this plan;
 - Establish measures and review processes, to monitor progress;
 - Lead and motivate those in the organisation to succeed.
6. It is difficult to identify any one of these processes in UWL which are working well. We have discussed in Section 3 how the vision for the institution is, at best, weak and not universally accepted. We have found no interlocking set of plans which translate transforming objectives into specific, measureable and properly resourced plans at departmental levels.
7. In the absence of these plans it is difficult or impossible to monitor progress and from our interview experience and the evidence we have presented elsewhere we would say that there are many in the organisation who feel neither led nor motivated.
8. For balance it must be stated that there is not universal disapproval of the management team or processes. Several of the people we interviewed were generally happy with their relationship with the SMT and management direction and processes. However approximately half those interviewed asked for their comments to be taken in confidence and were highly critical. More relevant is the fact that those expressing disquiet, in the main, came from the larger departments and areas of academic activity most central to any likely future for UWL.
9. We believe that given the evidence of weakening performance and disconnection by a significant number of the academic staff, together with the other issues highlighted in this report, that notwithstanding these approving voices there are very real problems of leadership and management in the University which must be resolved.
10. We can record that a significant number of staff interviewed considered this review overdue and hoped that it would precipitate much needed change.

11. As is noted in the penultimate subsection of this part of the report we have learned that Council have similarly been concerned about management process generally and actively engaged in trying to correct it.
12. Specific issues which we feel are particularly significant are explored below. Others were described in the section under HR management in Section 5 and marketing and sales activities in Section 4.

Communication and Management information

13. Throughout our investigations we have been requesting sight of examples of the standard set of management information which heads of department and senior managers receive on a regular basis to enable them to judge their progress against their goals and objectives.
14. We would anticipate information on financial and operational performance, external factors and the usual flow of data upon which managers can act, which is, in our experience, the norm in virtually every public and private sector organisation of whatever size. SMT believe that information is disseminated regularly and/or available over the University intranet, but we have been unable to review specific examples.
15. We have been told by some we have interviewed that information is distributed in an informal way and by others that virtually no information is available at all. On the basis of our experience we can only conclude that there may be some dissemination of management information but it would appear to be, at best, irregular.

Organisation structure

16. We understand that there has been a certain amount of flux in the organisation structure in recent times with the University experimenting with the number of schools. The current Head of School is very newly appointed from one of the smaller departments, replacing the previous Head of School who was from TRS and has been moved back to academic duties. There have also been a number of changes in Heads of Departments and other senior posts in recent years.
17. We would observe that the result of this flux and change is that some of the management team are relatively newly in post and some relatively new to the senior positions they now hold. We are not questioning the intellect and enthusiasm in the senior team but suspect, on the basis of what we have noted, that they may have limited experience.
18. This situation is compounded by a large pool of academics, many of whom have careers in UWL spanning decades and are steeped in the culture and potentially challenging to lead.
19. The current structure is somewhat unusual, in the fact, for example, that the Vice Chancellor has direct line responsibility for HR and marketing – specialist functions we would have expected to be managed professionally through more indirect pathways.
20. This could simply be a reflection of the fact that the previous administration reduced the support function staffing to the point where it was essentially unsustainable and the new team picked up tasks as they could, whilst setting about repopulating the structure.
21. It is relevant that the two areas under the Vice Chancellor's direct control are ones in which we detect particular weaknesses and wonder if it was wise to try and share attention between the more than full time job of leading the institution as a whole, and the practical, day to day, issues of these departments.
22. Another feature of the management structure which is unusual is the fact that the Pro Vice Chancellor title is confined to one member of the SMT (we understand this is a feature of the University's statutes) and this person is not the line manager of the Academic Heads, as we would have expected.

23. In fact the key tasks of: line management of academic staff; oversight of learning & teaching; Student experience; academic administration; and support functions are distributed amongst the Pro Vice Chancellor, Head of School and Secretary & Registrar in ways we found unusual and apparently in flux. We believe that this would have been likely to have caused confusion in overlap of roles and responsibilities in areas we have reasons to have concerns over, for example:
- the responsibility for the QAA Review;
 - the production of the Learning and Teaching Strategy, including E-Learning;
 - the monitoring of external Partnerships;
 - the production of the RAE submission;
 - the credibility and leadership of the academic community beneath the VC.
24. Outside the senior management structure it is obvious that the sizes of the academic departments vary very widely, with TRS being almost as big as the rest put together and some departments consisting of only a handful of academics.
25. It is always a challenge to manage a collection of widely differing sized units and achieve a balance between overwhelming the small with too much information and responsibility and under-informing and under-empowering the large.
26. We understand that it is intended to restructure the academic departments later in the year to try to rationalise the smaller units. We would consider it more appropriate to firstly decide what the organisation needs to do in order to realise a coherent vision and then establish the structure to suit.

Cultural issues

27. It is easy to take all the elements of defective management and lay blame for them on the current management team. As the CHEMS report concludes this is simplistic and not entirely fair.
28. We have been asked directly (by members of Council) whether we consider that UWL is “unmanageable”? We do not think it is unmanageable, but it is certainly a challenge to manage. We have detected a culture of strongly independent spirits, often following their own agendas (even more than is usual in an HEI) coupled with a propensity to disregard due process and procedure.
29. In our observation this culture permeates both the academic departments and the management team itself and, as is usually the case, is self sustaining as people recruit others like themselves.
30. We have noted a significant disconnection or fracture between the SMT and the Council and a significant proportion (but not all) of the academic staff elsewhere in this report. Interestingly there is more common ground between the Council and the disaffected staff than between either of them and the SMT.
31. In order to repair these disconnections and set the institution into a condition to develop a rational (possibly radical) vision of how it is to survive and prosper in the market, it will be necessary to introduce strong leadership to connect the various factions and interests and align them behind a common purpose.
32. Unfortunately we do not believe that the current management team can lead such a change, being too associated with the status quo and apparently weak in their implementation skills.
33. We would record that the SMT have consistently adopted an attitude of “collective responsibility” for any deficiencies in the organisation. but note that most of the many criticisms of the SMT from academic staff and Council have not been blanket disapproval but rather selective, pointing out the effectiveness of the new financial control regime, for example.

SMT proposed response to CHEMS report

34. In discussion with us the Vice Chancellor has acknowledged weaknesses in the current management structure at UWL and proposed a restructuring which he wishes to implement. The principal elements of his proposed restructuring are:
- A new 4 post senior management team with redefined roles, responsibilities and post holders with appropriate skills;
 - Reorganisation of academic departments to reduce the number of separate departments/heads and to consolidate provision around major programme areas;
 - Strengthened academic leadership;
 - Strengthening of registry function, possibly through outsourcing or service procurement from another HEI;
 - Strengthened administration and support functions in a number of key areas; eg marketing.
35. These proposals are similar to the recommendations contained in the CHEMS report.
36. We question both the willingness/ability of the existing UWL executive to implement such restructuring and the potential effectiveness of such change on its own.
37. We wonder why such changes have not already been implemented given acknowledged weaknesses and deficiencies in the existing management which would have been apparent for some time.
38. Finally, we doubt that such changes would be effective in achieving a marked improvement under the current executive leadership (given the considerable disconnects and lack of trust within UWL) and without significant culture change within the organisation at all levels. We believe that such culture change could only be achieved with new leadership of the institution.

Governance

39. We have been asked to consider Council's role in the issues we have described in our report. We would firstly say that in our interviews and reading of Council papers there has been a consistent tone of concern, surprise and exasperation at each negative revelation.
40. In the Council's self assessment of effectiveness of 2004¹ there are numerous references to discontent and disquiet, amongst references indicating areas where the council thought it was working effectively, relevant quotes follow:
- "Is Council business structured in such a way as to enable the Council to operate strategically?" *Significant numbers of respondents asked that minor routine matters be left to committees, enabling Council to concentrate on strategic issues.*
 - "Does sufficient communication take place between the University's various stakeholders?" *It was generally felt that there was a need for significant improvement in the University's communication with outside bodies.*
 - *It was generally felt that the university is not sufficiently good at defining and implementing its strategy, and that the Council thus finds it difficult to fulfil its proper strategic role.*
 - "Does the Council receive good quality information from the Senior Management Team?" *A significant number of external members sought improvement of information from the SMT.*

¹ Council effectiveness review 2004

41. Similarly at the Council meeting on 13 March 2008¹ discussion of the negative indications arising primarily from falling recruitment the minute records included the note: *“Concern raised by some of the lay members of the seriousness of this financial news which was a surprise and a shock”*.
42. We have seen a document prepared by the Vice-President to inform a meeting between herself, the President and the Vice Chancellor at a meeting in November 2007². We understand that it was subsequently circulated to some Lay members of Council.

[SEE INDEX 6]



¹ Minutes and documents associated with Council meeting 13-3-08

² Action plan 7 Nov 2007 (notes from Tricia Carter to Council)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

46. Overall we have gained the appreciation from all the foregoing of a Council concerned by the situation they believed the University faced and suspecting (with some justification) that they were not fully informed, while being repeatedly assured that the situation will improve.
47. On the other hand there is no record of any self assessment of effectiveness by the Council after 2004, although we believe that best practice is to undertake this exercise annually, and no evidence of any closely monitored action plan to correct the misgivings recorded in the 2004 review.
48. The Council's committee structure is unusual, with some 15 Council and joint Council/Senate committees – some of which have responsibilities which are never taken by Councils in other institutions we are aware of.
49. Most of these unusual committees have remits which, in our experience, stray into the territory of responsibilities of the SMT, for example Strategy and Performance, Marketing Strategy, Information Strategy.
50. We understand that much of this committee structure is long standing but that Council have in recent times been trying to use and expand it to correct areas of perceived weakness by getting actively involved in the day to day processes of the University. An example is the newly formed Marketing Strategy committee, which we understand was formed specifically to allow professional marketing expertise on Council to be made available to the Universities operational processes.
51. While we have no concerns at the quality of the expertise which was brought to bear from the lay members in the areas in which they chose to get involved it is, in our opinion, a

dangerous strategy, implicating members of Council in “operational” decisions and reducing their ability to act, as they should, in a role of oversight. We understand that this was a concern shared by at least some Lay members of the Council, but faced with their concerns the Council felt it was better to do something, rather than act as passive commentators.

52. The minutes of meetings of these committees which overlap the normal boundaries between SMT and Council sometimes indicate tensions and disagreement between the lay Council members and SMT representatives. We have seen a number of meeting minutes of the S&P committee leading up to the publication of the 2007 strategic plan which could be characterised as “robust” and “forthright” challenges of the SMT. It is clear from our discussions with all parties that the SMT felt frustrated by the “interference” of the committee and the lay members felt frustrated by the perceived obduracy of the SMT, as has been reported in Section 3.
53. On the more usual committees, such as Audit, we are surprised to see how limited in experience some of the lay members are. We are used to Council committees with responsibilities such as Audit and Finance populated by lay members with strong external experience in these fields, overseeing from a position of experience the decisions and opinions of the management team.
54. It may be that UWL does not have the appeal or location to attract highly experienced audit or finance professionals onto its Council. While we would not wish to criticise the enthusiasm or commitment of the Council members, who are clearly putting a great deal of personal effort into trying to make UWL successful, we noted a number of issues passing through the audit committee in particular, which we would not have expected to escape closer attention.
55. Specific examples are the failure to implement staff performance reviews in 2004, picked up by the HEFCW audit team in 2008¹ but off the agenda of the audit committee in the interim. Similarly, the risk that funding for TRS distance learning activity was potentially disallowable came to the audit committee on 7 October 2004, but the topic disappeared from further scrutiny and does not even appear on the risk register.
56. It has been pointed out to us again that Council were very actively involved with the financial turn-around of UWL and may have been distracted from these items which now appear important but then were of lesser significance compared with the imperative of financial recovery.
57. It may be that Council could have done more to rectify the issues identified but it appears they are, like other elements of the institution, constrained by limited resources, reflecting the small size and remoteness of the University.

Summary and conclusions

58. We believe that the management capacity of the institution is generally weak. There has been a failure of leadership to bridge and correct disconnections between the SMT and both academic staff and the lay members of Council.
59. Much of the weakness comes from incapacity, some of this arising from a failure to reverse inappropriate reductions in support operations in an attempt to cut costs, undertaken by the previous management team.
60. While there are undoubtedly individual strengths in the management there are also a number of notable weaknesses. Some, but not all, due to inexperience and lack of appropriate training.

¹ HEFCW assurance review report 5th round May 2008

61. The Vice Chancellor appointed CHEMS to undertake a parallel, specialist review of this area, which has been conducted on a wider data sample. They reached very similar conclusions, suggesting that our impressions are well founded.
62. We have been unable to resolve the matter completely, but believe that the dissemination of fundamental information required to enable managers to manage is weak. This is certainly the opinion of a number of the managers we have talked to.
63. The management structure is unusual with significant operational responsibilities resting with members of the senior team, particularly the Vice Chancellor. We suspect that this was a reaction to taking over a support structure which had been excessively reduced, but are concerned that the departments so led appear to be particularly weak and suspect that it may be due to overextension of the focus of those responsible.
64. The Council appears to have been exerting efforts to understand and correct the issues we have identified, but been hampered by lack of resources.
65. In some cases committees have been formed to respond to particular circumstances which, unusually in our experience, bridge between Governance and Operational Management, with the intention of making the specific expertise in the Council available to the management team.
66. While we do not question in any way the expertise so provided, we believe the process weakened the Council's ability to act in a role of decisive oversight.
67. University staff are often difficult to lead and manage, but even in this context UWL is particularly challenging. We detect a culture of independence of spirit which manifests itself in an unwillingness to follow process, amongst other issues, examples of which have been given throughout this report.
68. There is a disconnect between SMT and Council and SMT and a significant number of academic staff which, in our opinion, will make development of a rational, widely shared, vision for the future of the university very difficult.
69. Development of such a vision is an urgent necessity. Because of their association with the status quo we strongly doubt the ability of the current management team to bridge the schisms which exist and provide the leadership required to progress. In this conclusion we differ from CHEMS.

7. CONTRIBUTION OF UWL, LOCALLY AND NATIONALLY

1. It is widely recognised that UWL plays a very important part in its local community. In this section we have reviewed the outputs from the university both educationally and in terms of economic and cultural impact.
2. In the case of the impact on the local community we have considered what it is that UWL provides and what would be required to replace it.
3. The Vice Chancellor has commissioned a review by DTZ to cover these issues. We have not seen the DTZ brief in detail but understand that their report is due imminently. We would obviously be interested to see their findings but doubt they will come to significantly different conclusions to ourselves.

Educational contribution, nationally and locally

4. UWL's academic output is firmly founded in the area of arts, humanities and social sciences. In early discussions with the SMT we characterised it as "Not Lisbon, not Leitch, not Skills for Wales".
5. They have pointed out that this is unduly harsh. Firstly there are aspects of the academic output which are aligned with these agendas, for example the output from VSS, MIT and, to a degree, Film & Media fit in the skills and knowledge based economy mould. Even the more esoteric subject areas develop their students for employment opportunities in relevant sectors.
6. It is, however, fair to say that the output from UWL is not obviously aligned with the economic development aspirations of the Central and Welsh Assembly Governments and, as such, this creates an obstacle when seeking funding and support which others with more obviously aligned outputs do not have.
7. In the local context there are a number of aspects of UWL's output which align with local educational and economic needs. Archaeology and Anthropology have direct relevance to the local environment, which is rich in pre-historic deposits, both in conservation and tourism terms. MIT has obvious connections with local businesses and the Welsh department (potentially in combination with Film and Media) have much to contribute to an area with a high proportion of Welsh speakers and something of a local cultural industry with an emphasis on Welsh language output.
8. While we cannot say that UWL is ignoring this opportunity to support the educational needs locally we must report that we get an impression of half heartedness. Everyone inside UWL is happy to quote examples of activities intended to address local educational agendas but, as explored later in this section, we believe there are opportunities to act more strategically for the mutual benefit of the University and the community.
9. The Vice Chancellor has advised that this attitude reflects an historic situation in which the University was rebuffed in its repeated attempts to engage with the local community. Changes of personnel in the Council have, apparently, reversed this situation and the relationship is now blossoming and will bear fruit in due course. We have no reason to doubt this interpretation and would comment that there appear to be revenue generating opportunities for the University which should be considered as part of an overall vision for the institution.

Economic contribution, locally

10. In various documents¹, by way of background information, it is emphasised that UWL is critical to the local economy. It is estimated that the impact of the University in terms of spend in the economy is some £18m p/a – being the £10m of total University expenditure,

¹ 2007 Strategic Plan for UWL 20 July 2007, for example

multiplied by a widely used factor of 1.8 to account for cascaded spending, including the direct spending of the student population .

11. We do not believe it is helpful to forensically examine this claim. We would point out that the £10m of spend is not all channelled into the local economy and that a significant proportion of the students of the university are not resident in Lampeter. The factor of 1.8 is, in our experience, widely quoted as the factor by which a University's spend can be multiplied to assess total local impact and also widely regarded as something of an exaggeration. It is possible that DTZ will quantify the effective spend more precisely.
12. What is not in question is that the direct economic impact on the local economy of UWL is very great indeed. The Economic Development officers of Ceredigion County Council summed it up succinctly by observing that in every economy there are successful, adequate and marginal businesses. If UWL was to leave Lampeter then in the local economy the successful would become, at best, adequate and the adequate and marginal unsustainable. There would, in short, be a severe economic impact on Lampeter and the surrounding area if the University were to close.
13. We have explored with the local politicians and stakeholders what it would take to replace UWL in this regard. Interestingly a consistent view has been taken that there is no possibility of attracting a commercial enterprise with a similar spend profile, the obstacles to trade through logistics are too great and even the most obvious local resources of tourism and leisure opportunities are too weak around Lampeter to create a sustainable, large business.
14. The professional view of the Council's economic development officers was that closure or reduction in size of UWL would be a fatal blow to the local economy and viability of the local community. There is no information available on any private sector interests of an equivalent value to the area and therefore the only future use which could retain the viability of the local economy and community would be a public body with a greater local spending profile to achieve an equivalent input.
15. Bringing a public sector operation to Lampeter could, of course, bring difficulties of its own in the form of potential economic inefficiency and nugatory spend of relocating to such a remote area.
16. Ceredigion is, itself, remote and suffers from deprivation issues which the County Council are actively seeking to change¹. UWL is recognized as an active partner in delivery of this community strategy for the County, for example in supporting the 'summer university' initiative and delivery of diploma/higher degree courses in community regeneration.
17. It was further recognised that UWL had provided useful support to the County through training, their role in MENTER LLAMBED, a community regeneration company and even providing a venue for the Council's annual dinner.
18. We would note that we gained the view from interviews with those inside the University that these support activities were selected more to advance various agenda of the University and less to try affect the fundamental issues facing the County. Our experience of other HEI's work with their local communities is of a more strategic, albeit naturally self interested, dynamic. It must be said that most of the universities we have in mind have the benefit of some economic foundations in the local community beyond the existence of a university, and expertise of relevance to these foundations.
19. Nevertheless our view of the opportunity to do more is reinforced by the report prepared by Hyder consulting² which indicates a number of practical things the University could do to enhance the local economy and includes the quote: *"During consultations, the*

¹ Ceredigion CC Community Strategy to 2020

² Lampeter Economic Development and Regeneration Strategy, Hyder Consulting, Nov 2007

comment was often heard that the University does not work closely enough or successfully enough with the town institutions, for the good of both."

20. This is not to say that UWL should be maintained solely for the economic benefit it has to a remote rural community but that, if at all possible, a viable and sustainable basis for continuation of higher education activities in Lampeter should be found to avoid the economic impact of closure, coupled with mutually beneficial (ie revenue generating) activities to help to establish a viable economic basis for the town beyond the existence of the University.

Social/cultural contribution, locally and nationally

21. On the matter of the impact of the University on the cultural life of the locality there is unanimous agreement that it is absolutely central and irreplaceable. To the extent that Lampeter is a tourism destination, the University is a significant draw.
22. There was less concern expressed that the University could do more in this respect. There was some repetition of a desire that the campus be more open to the town, which we understand has been a bone of contention to a greater or lesser extent for a number of years, fraught with practical and logistical difficulties. It was also suggested that the University could make its historic library more available to the public, which we would anticipate would create many problems and potentially downgrade the academic experience.
23. On a national basis we have noted in the preamble to this report that Lampeter is seen as something of a Welsh icon and any plans to alter it could be expected to precipitate a populist response, informed to a greater or lesser extent by rationality. As we have noted previously the University is arguably unique as an academic institution and has an offering in the market which is valued and potentially valuable.

8. DISCUSSION

Overview

1. Throughout the previous sections of this report we have drawn conclusions on the broad areas of our investigations.
2. In this section we have drawn all these conclusions together into a list of “major concerns” and then offered our opinion on the underlying issues and our recommendations on how these should be addressed.
3. We have not re-focused on the detail issues which underpin our major concerns because we believe they are best treated as examples and it would be misleading to regard them as a definitive and comprehensive list of everything which needs attention in the University.
4. Our recommendations envisage radical change, part of which will be a thorough audit to understand all the things which the institution needs to address to ensure a secure future.

Major concerns

5. In the following paragraphs and bullet points we have summarised our main concerns, referencing the reasons for them to previous sections.
6. We believe that there is no clear “vision” for UWL and that it is following a “strategy” which is driven by SMT, with little underpin of market information, “buy in” from Council or bottom up commitment from a significant and important proportion of academics. We have reached this conclusion because:
 - The plan is not backed with any significant market data (Section 3);
 - The “Multi modal” strategy has only emerged relatively recently as a core objective for the University. Previously, the strategic ambition had been characterised as being “recognised as the leading liberal arts university in UK”. This has now been largely abandoned (Section 3). In any case, this was, in our opinion and that of many of the academics in the University, an unrealistically ambitious objective for such a small institution (Section 3);
 - There is no evidence of any process of comparison of the current strategy with any possible alternatives (Section 3);
 - The strategy development process itself is dysfunctional (Section 3);
 - There is no evidence that strategy has been crafted to fit the “Welsh HE agenda” (Section 3);
 - There is no evidence of attention to other potential revenue generating activities (Section 3).
7. We believe that such strategic intent as there is (ie primarily multi-modal delivery of largely existing provision) is an inadequate response to market imperatives, because:
 - It is planned over such a long timeframe as to fall short of transformational and does not compare well, in our view, with the strategic plans of competitor universities (Section 3);
 - It does not address key factors which are affecting the higher education marketplace (Section 3);
 - We doubt that sufficient resources are being allocated to it or that sufficient resources will be available to it (Sections 3 & 4);
 - The declining fortunes of the University in the current year suggest that the “strategy” is not working in any case (Section 4).
8. We believe that UWL is significantly and disproportionately at risk from a number of external factors, such as: potential loss of revenue and possible claw back from distance learning arrangements in England; competition for overseas students; changes in

educational and political imperatives; impact of increasing costs; impact of increasing legislative compliance requirements. We draw this conclusion because:

- Such items do not appear in the Risk register or are assigned inappropriate weighting there (Section 4);
 - The current evidence of the impact of the national pay framework agreement on UWL's cost base and projected financial performance (Section 4);
 - There is heavy reliance on the growth of overseas students, when the market is crowded with strong competitors (Section 4);
 - We have been unable to verify that UWL is fully complying with current legislation and have a number reasons to suspect that it is not (Section 5).
9. We believe that UWL is weakly, and, to a degree, complacently led, while the institution requires strong leadership to change existing cultural issues. This is based on the facts that:
- We received much evidence of this from senior staff and Council (Section 6) and that an unusually high proportion of interviewees requested that their negative comments be given in confidence (Section 2);
 - There is a significant disconnection between the senior management, staff and Council;
 - There is a high rate of disputes with staff in UWL compared with other Welsh universities (Section 6);
 - There is lack of alignment between the institutional "strategy", departmental plans and the practical actions of individuals. Similarly most staff were unable to articulate the "vision" for the institution (beyond repeating the phrase "leading liberal arts.." by rote and not being able to describe what this might mean) (Sections 3 & 6);
 - There was a failure to address issues, apparently previously understood, which caused the QAA limited confidence review (as widely forecast by staff) (Section 5);
 - There has been a failure to address weaknesses in administrative and support functions in a timely way (Section 5);
 - There has been a failure to introduce basic management procedures such as staff appraisals for over 4 years (Section 5);
 - Many of the staff consider this review is "overdue" and hope it will cause change (Section 6);
 - There has been a repeated failure to respond to HEFCW reporting timetables and these were not recognised as an issue (Section 5);
 - CHEMS reached similar conclusions to ourselves in their review of this area (Section 6).
10. There is weak planning and monitoring of progress of plans and outcomes because:
- There is no evidence of a comprehensive set of plans, with SMART objectives, to drive strategic objectives to completion; many objectives have no underpinning plan at all (Sections 3 & 6);
 - There is no evidence of consistent and relevant communication of performance data to Heads of Departments on a regular basis (Section 6);
 - There has been a repeated failure to implement key imperatives and stated objectives (eg staff appraisals) (Section 5);
 - We have seen documents prepared by Council and their committees which highlight their concerns and disapproval in this area (Section 6);
 - Preparation for the 2008 RAE started late and there is wide anticipation of a deterioration over the 2001 outcome, despite its critical impact on the institution, particularly after QAA. (Section 5);

11. The University is showing signs of significant financial downturn after a short period of good surpluses, because:
- The 2008 downturn in undergraduate applications has required emergency cuts of £300k to balance the University's budget for 2008/09 (Section 4);
 - £0.5-0.7m of revenue from distance learning is at risk of being lost and has been since 2004 - no action has been taken to remove risk by resolving the issue;
 - UWL's 5 year forecasts predict maintained revenue from research – despite the fact that most staff anticipate a downturn (Section 4);
 - The latest HEFCW settlement for UWL is the worst in the sector in Wales, principally as a result of failure to maintain funding for WAG priority areas (Section 4);
 - Many departments show a deficit after central costs (Section 4).
12. UWL's current good reputation with students and staff is likely to deteriorate because:
- Of the poor QAA review and expected deterioration of RAE scores (Sections 3 & 5);
 - The strategy being pursued is to widen its research base (to embrace new areas of aspiration) rather than to concentrate resources on "winners". In our view this will mitigate against research recognition and funding (Section 5);
 - Of the current falling rankings in "league tables" (Section 3);
 - The University has suffered amongst the greatest drop in applicants in 2008 of Universities in the UK (Section 4);
 - There is evidence of loss of research "stars" from the University and the possibility/probability that the foregoing will precipitate more (Section 5).
13. Although UWL is essential to the local economy we believe that it is not engaging as effectively as it could with it nor the Welsh agenda generally, because:
- UWL's activities and approach are less strategic and, in our view, somewhat less effective than that we see in other Welsh HEIs (Section 7);
 - There is evidence that a number of staff are frustrated with the slow/weak response from UWL to local opportunities and needs (Section 6);
 - UWL has suffered a reduction in HEFCW funding associated with specific policy initiatives which it appears to have failed to fully address (Section 4).
14. Council have not been properly informed of issues the University faces to enable them to exercise control effectively.
- There are numerous examples in Section 6 on Governance.
15. Council have not responded effectively to the concerns they did have, evidenced by:
- Creation of committees which spanned governance and operational boundaries (Section 6);
 - The Audit committee lost awareness of failure to complete HR related actions still outstanding and that a significant proportion of income was "at risk" (Section 6);
 - The last known self assessment of effectiveness by Council was in 2004 and no corrective action was taken or planned despite serious concerns expressed (Section 6).
16. Much of the foregoing is caused or exacerbated by the small size of the University, combined with the strategy it is pursuing; causing resource constraints and process deficiencies. Evidence includes:
- Highly stretched administration processes including heavy involvement of SMT members (Section 5);
 - Use of under qualified staff in key roles (Section 5);

- Difficulty appointing Governors with experience to undertake key roles (Section 6);
- Little resilience to weather financial difficulties (Section 4);
- Many small departments struggling to achieve critical mass (Section 6).

Underlying issues and generic solutions

17. There are, in our opinion, two key underlying issues which are apparent from the major concerns we have described.
18. Firstly UWL is a small, remote, university offering a range of relatively specialist subject areas which appeal to a relatively small population of students. This limits income, which reduces the capacity of the University to expand into more mainstream, popular areas and creates a self sustaining cycle which has existed for many years. This in turn has fostered a local community, attuned to the needs of the University, and substantially dependant upon it.
19. Secondly the current management team has not been able to develop a coherent strategy to guide UWL from its current situation into certain viability and sustainability in its own right. Currently there is a breakdown in the processes by which such a coherent strategy could be developed and we regret that we doubt that the current management team could lead the institution into developing one. Meanwhile there are a number of operational issues which are unsatisfactory and require attention, possibly urgently.
20. Self evidently, the first problem cannot be resolved until the second has been.
21. It is conceivable that a sustainable, stand alone, institution could be formed from the many good and, to some extent, unique attributes that Lampeter has. In doing so it would be necessary to overcome the inherent disadvantages of remote location, small size and non-mainstream curriculum, in a marketplace in which centrality, large size and mainstream provision all impart significant competitive advantage.
22. The alternative is to merge with a suitable, larger, partner which enables both parties to prosper.
23. The University is in far from a desperate situation. Even with the recent downturn in fortunes there are sufficient reserves and cash to provide a window of several years to turn it around. The precise available time is hard to estimate, depending upon the actual out turn for recruitment after clearance and whether or not the funding for distance learning is disallowed.
24. There is, however, an urgent need to stabilise the organisation and provide leadership to repair the disconnection between Council, management and academic staff and address the operational issues highlighted in this report.
25. In the next section we have considered the options for the University going forward in the light of these conclusions.

9. OPTIONS AND RECOMMENDATIONS

1. As noted in the previous section there is an immediate need to address management issues and a medium term need to develop a sustainable direction for UWL going forward. These are connected, but not overlapping.
2. In the case of the immediate need there are four options:
 - Address deficiencies in strategy, operations and management through the existing senior management team and under the leadership of the current Vice-Chancellor, strengthening or partly replacing where appropriate;
 - Wholly or substantially replacing the existing senior management team, including the current Vice Chancellor, with new senior management to address the deficiencies noted;
 - Engaging another university or an interim management team to take on the running and management of UWL as the first stage of a merger process;
 - Engage an interim management team to prepare for closure.
3. In the case of the medium term there are three options:
 - Developing a sustainable model for UWL to continue as a stand alone organisation.
 - Merging UWL with another institution in an alliance to make the most of the inherent strengths in the partnership.
 - Closure of UWL and relocation of its activities to a number of other institutions elsewhere in Wales.
4. We have commented on each of the options below.

Solution of the immediate management issues

Redirection of existing management team

5. By this we are referring to the option to revitalise and re-engage the current management team (or some evolution from it) to lead the institution into solving the medium term issues.
6. We do not believe that the existing senior management team are able to achieve the magnitude of change required to fully address the needs of UWL and to reposition it on a long term viable and sustainable footing. Our principal reasons for believing this are:
 - Inability to achieve the same to date, despite direction by Council;
 - Lack of support and following from staff within the institution;
 - Failure to recognise the need for change.
7. We believe that some of the existing management team retain the confidence of UWL staff and Council and could migrate into a new team.

Introduction of a new management team

8. This option is essentially the replacement of the current senior management to, provide new leadership and new direction for UWL. Although the University would still face the same problems and challenges as present, a new, strong, well organised and disciplined management team could achieve a successful transformation of the University, into a more sustainable entity.
9. This is not to imply that the new management team would simply repair the problems identified and attempt to sustain the institution as a marginally viable entity. The requirement is to develop a strategic direction and the implementation plans for it to make UWL thrive. In effect a full “turnaround”. This will require robust analysis of all the options for the medium term we have identified and a rational decision of what is best for the institution and education in Ceredigion and Wales.

10. The outcome could be either maintenance as an independent but viable and sustainable institution or merger with another institution on appropriate terms.
11. This option relies on being able to recruit to Lampeter the right individuals with the necessary skills to achieve such a change. Our concern would be that UWL may fail to attract individuals of sufficient calibre to achieve the turnaround and that without this the current problems and challenges would merely perpetuate.
12. There is also a risk that, once in post, the new team may start to be influenced by the impact of their decisions on their own positions. We would therefore strongly recommend that if this option were to be followed that it be in the form of short term or interim management contracts, perhaps incentivised by a success bonus on completion.
13. It should be noted that transition management arrangements are very likely to be required to sustain the institution while an appropriate turnaround management team is appointed as this process could easily take a number of months.

Management support as a precursor to merger

14. This option would be based on a conclusion that the only viable future for UWL is (or is in all probability) through merger with another institution. It then conflates the process of addressing the immediate management issues with selection of the most appropriate merger partner.
15. This would be achieved either through the appointment of an interim management team (as in the previous option) but with a specific brief to explore and implement the best merger option, within say a 12-18 month time frame, or to engage the prospective merger partner to provide an interim management service pending merger.
16. The advantages of this option are clarity of direction and ultimate objective. The disadvantages are the absolute commitment to merger without further exploration of the possibility of maintaining an independent institution and the potential weakness of position from which to identify the best merger partner and to agree merger arrangements.
17. It may be difficult (but not impossible) to recruit an interim management team who are willing to commit only to merger as their objective. It may also be difficult to maintain staff morale and student interest under interim management if the sole objective being pursued is merger. This could create a period of uncertainty which could impact significantly. However, such appointment may be preferable to the engagement of another institution under a management contract as that effectively eliminates choice of other merger partners and may limit the exploration of the best merger option to preserve and maximise the distinctive features of UWL.

Closure

18. For the reasons noted below we do not believe that a compelling case for closure exists at this time.

Recommendation

19. For the reasons noted above, we believe that the only appropriate solution to the immediate management issues is the appointment of a new interim management team tasked with resolving the operational issues and then laying the foundation for a medium term strategy.
20. The brief for that team will depend on views on the medium term options. This could be to explore all the options for the medium term and to come forward with proposals as to the best way forward for UWL. The alternative would be to limit the brief to pursuit of the merger option through dialogue with prospective merger partners and identification of the best merger solution for UWL.

21. Alternatively, the management team brief might presume that merger was the best medium term solution but would leave open the option of continuing as an independent institution if a strong case for viability and sustainability could be built.
22. Our recommendation would be the last of these, striking in our view the right balance between the most likely medium term solution (see below) and the need to retain the option of continuing as a stand alone institution, at least for the time being.

Medium term options - ultimate direction

Continue as a stand alone Institution

23. As we noted in the preamble to this report UWL has changed relatively little in terms of ambiance, scale and curriculum since its founding in 1822, especially when compared with other universities founded at a similar time and even much later.
24. We believe that to a good degree this is a product of fundamental characteristics of the University such as its location. As discussed elsewhere in this report it is very difficult to maintain and support an institution of this scale without being able to capitalise on some distinctive feature to create significant competitive advantage in the marketplace.
25. We note that successive management teams have laboured to discover and capitalise on such a niche and failed to create sustained competitive advantage.
26. We conclude that while, in principle, a stand alone option might be available for the University it should be examined and challenged closely before being embarked upon. We believe there is a likelihood that any future analysis will conclude that it will be difficult or not possible to find a sustainable position for UWL as an independent institution and that merger with another institution would be a better option.
27. In this context, we have compared below the apparent advantages and disadvantages of independence compared with merger.
28. This option also has risks for HEFCW and Council. There is a risk that UWL would again fail to attract a management team of sufficient calibre to overcome its difficulties and to change the existing culture, as an independent organisation.

Merger

29. Merger of UWL into a larger University gives almost immediate access to scale of operation, the lack of which is at the root of most if not all of the operational problems facing UWL. In this respect it is a low risk option for HEFCW.
30. Merger could also open up additional opportunities which the other party may be able to provide and enable culture change through assimilation.
31. The disadvantage of merger for UWL is that in its current condition it will have a weak negotiating position and could easily find its distinctive and valuable features diluted or lost and its mission subsumed in the mission of a larger, stronger partner.
32. There is also a risk of dilution or loss of the attractive features of UWL's distinct culture and the possible transfer of provision away from Lampeter.
33. Unlike the stand alone solution where there is a real risk that there is no niche in the market into which Lampeter can migrate and thrive it is virtually inconceivable that merged into a larger, more successful, university the combined entity would fail for lack of demand

Closure

34. It would be very difficult to justify closure of UWL on the basis of this report. There is no question that the institution is delivering valuable academic outputs, despite the recent QAA limited confidence review and it is currently financially viable, albeit it may not be so in the long term without a significant change in strategy. We have acknowledged that the

economic and social impacts on Lampeter town of closure would be great and would require a strong case to support. At present, in our opinion a compelling case for closure does not exist.

35. We have therefore discounted this as an option at this stage and in the following table compare the stand alone and merger options.

| Stand alone | | Merger | |
|---|---|--|---|
| Advantages | Disadvantages | Advantages | Disadvantages |
| Retention of unique, distinctive institution | May not be possible to identify a viable niche | More likely (almost certainty) of developing a sustainable business model on some basis | Dilution or loss of UWL distinctive characteristics |
| Single minded focus on the issues to resolve | Resource limitations | Broader resource base from which to develop solutions | Time and costs associated with merger process itself |
| Retains flexibility for future developments | May not be possible to recruit suitable candidates to create transformation into niche provider | Efficiencies of scale gives enhanced use of public money to realise HEFCW & WAG objectives | Potential transfer of activity away from Lampeter and gradual decline |
| Culture change through local leadership, attuned to local needs | | New opportunities through partner institution | |
| Ensures continued support of local economy and culture | | Culture change through assimilation | |

Recommendation

36. On the basis of this analysis it is possible to see that the stand alone option could ensure that the unique characteristics of the University are retained at the risk of preserving a weak or marginal organisation. Merger essentially eliminates this risk, replacing it with the risk that the features which make Lampeter distinctive will be diluted or lost.
37. On balance, in our opinion, merger represents a potentially lower risk option for HEFCW and is more likely to produce a sustainable future for some provision in Lampeter than continuation as an independent institution.
38. It would be inappropriate to entirely constrain an interim management team recruited to find the best solution for the University so that it may only consider merger, but we recommend that examination of the merger option be given highest priority and that the alternative of continuing as an independent institution be only explored if a strong case for viability and sustainability appears likely to be available.

Potential merger partners

39. The recommendation to give preference to a merger solution for the University needs to be justified on the basis that there are potential, viable, merger partners available.
40. We have discussed the options for collaboration or merger with other institutions, with UWL management and Council to understand what the current attitudes might be.

41. We have also held informal and strictly confidential telephone discussions with a number of external institutions (primarily with their Vice Chancellors) to assess their interest in a possible merger and the potential benefits and risks of the same.

[SEE INDEX 7]



| [SEE INDEX 8] [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|--------------------------|------------|------------|------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

| [SEE INDEX 8] [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|--------------------------|------------|------------|------------|
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

49. We believe it is beyond the remit of this report to recommend a merger partner. However it is clear that there are viable options open to a turn around management team, justifying our preference for a merged solution as the lowest risk option.

10. APPENDIX 1: LIST OF INTERVIEWEES

| Name | Organisation | Position |
|------------------------------|----------------------------|--|
| Mrs Louise Casella | Cardiff University | Director of Strategic Development |
| Mr Hag Harris | Ceredigion County Council | Lampeter Councillor |
| Mr Alan Lewis | Ceredigion County Council | Head of Economic Development Department |
| Ms Bronwen Morgan | Ceredigion County Council | Chief Executive |
| Mr Mike Shaw | Ceredigion County Council | Economic Development Department |
| Dr David Blaney | HEFCW | Director of Strategic Development |
| Prof Phil Gummett | HEFCW | Chief Executive |
| Mr Richard Hirst | HEFCW | Director of Finance and Corporate Services |
| Ms Bethan Owen | HEFCW | Head of Governance, Leadership and Information |
| Prof Michael Scott | Glyndwr University | Vice Chancellor |
| Dr Medwin Hughes | Trinity College Carmarthen | Principal |
| Prof Noel Lloyd | Aberystwyth University | Vice Chancellor |
| Prof Richard Davies | Swansea University | Vice Chancellor |
| Dr Sarah Boss | UWL | TRS & UCU |
| Prof Barry Burnham | UWL | Pro vice chancellor |
| Mrs Tricia Carter | UWL | Vice-President |
| Prof Dan Cohn-Sherbok | UWL | TRS & UCU |
| Prof DP Davies | UWL | TRS |
| Mr Gary Davies | UWL | Chair Audit Committee |
| Mr John Freer | UWL | Council Member |
| Mr Steve Gibbs | UWL | Head of Computing Services |
| Mr Laugharne Griffith-Jones | UWL | Chair of S&P committee |
| Mr Simon Horrocks | UWL | Dean of the School |
| Dr Brinley Jones | UWL | President |
| Dr Frances Knight | UWL | Former Head TRS |
| Dr Conny Matera-Rogers | UWL | Head of MIT |
| Dr Neil Messer | UWL | Chair elect of Research Committee (July 2008) |
| Dr Jane Norris-Hill | UWL | External Affairs |
| Prof Tom O'Loughlin | UWL | TRS |
| Prof Robert Pearce | UWL | Vice Chancellor |
| Dr Mirjam Plantinga | UWL | Head of Classics |
| Mr Cenydd Powell | UWL | Estates Manager |
| Dr Andrew Prescott | UWL | Head of Library Services |
| Dr Paul Rainbird | UWL | Head of Archaeology and Anthropology |
| Dr Thomas Roderick | UWL | Registrar and Secretary |
| Prof Ian Roffe | UWL | Head of CEES |
| Dr Robert Shail | UWL | Head of Film & Media |
| Mrs Stephanie Talliss-Foster | UWL | Quality Assurance and Enhancement Manager |
| Mr Gwyndaf Tobias | UWL | Finance Director |
| Dr Helen Vela-Bonavita | UWL | Head English |

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| | | |
|---------------------|-----|----------------------------|
| Dr Rob Warner | UWL | Head elect TRS (July 2008) |
| Mr Paul Willkin | UWL | Unison |
| Dr Jonathan Wooding | UWL | Acting Head Philosophy |
| Dr Nigel Yates | UWL | Chair of Research |

11. APPENDIX 2 : GENERAL AGENDA FOR MEETINGS

Introductions

1. Scope of consultancy, methodology and timing (see attached)
2. Suggested interviewees and personnel for meetings
3. Documentation
4. Initial discussion areas (see attached)

1. Strategic direction – sustainability?

- Overall vision & mission
- Teaching, research, partnerships (distance delivery), other activity
- WAG/HEFCW imperatives
- Staff resources, acquisition, retention
- Estate
- Risks

2. Business model – viability and sustainability?

- Market data and trends in all areas
- Marketing activity
- Partnership agreements
- Other income generating activity
- Investment requirements and capital bids
- Staff costs, estate costs, other costs
- Efficiency & economy, measurement & opportunities
- Risk management
- Liability management, pensions & other

3. Operational imperatives – properly addressed?

- HR management and development
- Quality, QAA review
- RAE
- Degree awarding powers
- Legislative compliance
- Reporting compliance
- Health & safety
- Recruitment & retention
- Student experience

4. Management – adequacy of resource, capability?

- **Organisation structure**
- **Process**
- **Communication structures**
- **Management information systems**
- **Performance measurement**
- **Qualification and training**
- **Cultural issues**
- **Governance**

5. Contribution – of UWL locally and nationally?

- **Educational contribution, nationally and locally**
- **Economic contribution, locally**
- **Social/cultural contribution, locally and nationally**

6. Options – for future development of UWL?

- **Stand alone development options**
- **Reconfiguration and collaboration proposals**
- **Collaboration options**
- **Integration options**
- **Relocation options**

Indicative Timing

Weeks 1-2 (to 2 May) - Initial research

Weeks 3-8 (to 13 June) – Interviews, research, fieldwork

Weeks 8-10 (to 20 June) – Report drafting

Weeks 12-13 (to 4 July) – Report discussion and finalisation

12. APPENDIX 3: DOCUMENTS RECEIVED AND REVIEWED

Institute wide strategies and operational plans

2007 Operational plan
2007 Strategic Plan for UWL 20 July 2007
2008 Operational plan draft 12-6-2008
Analysis of UWL strategy in the light of One Wales
Draft University research strategy 2008-13
E Learning benchmark report to HEA 2007
Estates Strategy 2007
Feasibility study of merger UWL & Trinity 1998 by KPMG
Feedback on strategic plans for 2005 & 6
HEFCW circular W07/37HE Widening Access HE Feedback
Information Strategy 2007-8 Appendix - costs
Information Strategy 2007-8 DRAFT 4
Key performance indicators assessment Feb 2008 - high level
Overall Risk register for UWL
Plans to monitor strategic and operational plans presented to SPC June 2008
Reconfiguration applications for Welsh History, Archaeology & Theology
HEFCW responses to reconfiguration applications 05 & 06
Reports on merger discussions with Newport and Trinity
Strategic plan for 2004
Teaching and Learning Strategy 2007-2012
Terms of Reference for work to be conducted by Nigel Brown Associates,
Third Mission strategy Aug 2007
Top level organisation structure for UWL
UWL evidence to Enterprise and Learning Committee Mar 2008
UWL marketing strategy Updated May 2008 including SWOT
UWL Marketing strategy, 2006
UWL Marketing strategy, 2008 draft
UWL Response to HEFCW feedback 7 Feb 2007
UWL third mission strategy - prospectus for prosperity.
Widening Access strategy Nov 2006 +

Council and Council committee notes

Action plan 7 Nov 2007 (notes from Tricia Carter to Council)
Charter, revised July 2007
Committee structure for Council and Senate
Council effectiveness review 2004
Council effectiveness review 2004 questions and answers from Thomas Roderick
HEFCW assurance review report 5th round May 2008
Minutes and documents associated with Council meeting 13-3-08
Minutes and documents associated with Council meeting 15-05-08
Minutes and documents associated with special council meeting 19-6-08
Minutes of Council Away day 28-1-08
S&P minutes 12-6-2008
S&P minutes 2-2-2007
S&P minutes 23-10-2006
S&P minutes 25-6-2008
S&P minutes 27-4-2008
S&P minutes 6-12-2007
Statutes revised July 2007
TOR and membership Audit Committee

TOR and membership Audit Committee
TOR and membership Enterprise Committee
TOR and membership Estates Committee
TOR and membership Finance Committee
TOR and membership Information Services Committees
TOR and membership Learning Teaching and Assessment Committee
TOR and membership Marketing Strategy Committee
TOR and membership Quality Assurance and Enhancement committee
TOR and membership Quality Assurance and Enhancement Committee
TOR and membership Strategy and Performance Committee

SMT and HoD meeting notes

Notes and actions HOD recruitment away day 2-6-08
SMTminutes 31-1-08
SMTminutes 4-12-07
SMTminutes 4-3-08
SMTminutes 5-5-08

Student numbers, finances & distance learning

Analysis of staff costs for 06/07
Forecast estate expenditure for 2008/09 and beyond
Internal audit reports and schedule of future work
Analysis of TRS distance learning income by partners
Anonymous distance learning letter to D Davies AM Sept 2004
Comparative departmental income/expenditure figures for 2007/08
Departmental budgets for 2008/09 – summary
distance learning quality manuals
Explanation of difference between actual 2006/07 outturn and forecast
HESA Student enrolment data 2003-2008
Information on “private pension scheme” currently in shortfall.
Lampeter Financial review 2007
Lampeter Financial statement 2007
Lampeter forecasts 2006-11
Lampeter forecasts 2006-11 HEFCW commentary
Letter to D Davies from VC Sept 2004 re distance learning
Letter to HEFCW from VC Sept 2004 re distance learning
list of partnership and franchising arrangements
Management accounts - latest year to date
PWC analysis and commentary on historic accounts
Re Forecast research income – details of HEFCW indicators on which forecast based
Teaching hours commitment of staff - HEFCW report
TRAC data/analysis for 06/07
UCAS data for UWL for last 4 years
UCAS Application Digest 24-03-08
UWL Collaboration manual and procedures pts1,2,3 & 5

Departmental and research Institute plans

2008 5 yr plan for department of archaeology and anthropology
2008 5 yr plan for department of Classics
2008 5 yr plan for department of English
2008 5 yr plan for department of Film and Media
2008 5 yr plan for department of Management and information technology
2008 5 yr plan for department of TRS
2008 5 yr plan for department of VSS
2008 5 yr plan for department of Welsh

Plans for the Research institute of Archaeology, History and Anthropology
Plans for the Research institute of TRS

Documents associated with QAA

Action plan and timetable for UWL to respond to QAA
QAA response to action plan Feb 2008
QAA Review May 2007
UWL Action plan to QAA Jan 2008

Documents associated with HWCF review

CHEMS report 3 July 2008
Remit for CHEMS management review
Remit for Nigel Brown Associates review
HWCF presentation of initial concerns to SMT 11-6-08
Comments on presentation from SMT to HWCF 22-6-08
HWCF response to SMT comments 26-6-08

Policies and procedures

Acceptable Use policy 2008-9 draft 1.2
Draft HR Strategy Oct 2007.
Email filtering policy 2008-9 DRAFT
Evaluation And Review Of Institutional Race Equality Policies 2006 Gus
John

Full HR policy documents Jan 2008
Information security policy 2008/9 Draft 1
ITC procurement and disposal policy 2008-9 Draft 1
List of policies recently approved by council 11 June 2008
staff handbook Intranet sections
Staff handbook; hard copy of residual elements
University Computing Service level agreements

Documents from external stakeholders

Ceredigion CC review of options for Lampeter
Ceredigion CC Community Strategy to 2020
Ceredigion common procurement initiative
Lampeter Economic Development and Regeneration Strategy, Hyder
Consulting, Nov 2007
Letter from UCU describing numbers of disputes

Miscellaneous

[SEE INDEX 9]

Reaching Higher targets performance by institution 2006-7

CVs

CV of Barry Burnham
CV Gwyndaf Tobias
CV Ian Roffe
CV Prof David Austin
CV Robert Pearce
CV Simon Horrocks
CV Thomas O'Loughlin

INDEX

**HIGHER EDUCATION FUNDING COUNCIL FOR WALES FREEDOM OF INFORMATION
ACT 2000 EXEMPTIONS AS APPLIED TO REDACTED TEXT**

| | |
|----------------|---|
| INDEX 1 | S40 PERSONAL INFORMATION |
| INDEX 2 | S40 PERSONAL INFORMATION |
| INDEX 3 | S40 PERSONAL INFORMATION |
| INDEX 4 | S40 PERSONAL INFORMATION |
| INDEX 5 | S40 PERSONAL INFORMATION |
| INDEX 6 | S41 INFORMATION PROVIDED IN CONFIDENCE |
| INDEX 7 | S41 INFORMATION PROVIDED IN CONFIDENCE |
| INDEX 8 | S41 INFORMATION PROVIDED IN CONFIDENCE |
| INDEX 9 | S40 PERSONAL INFORMATION |