

# Evaluation of the Strategic Alliance between the University of Glamorgan and the Royal Welsh College of Music and Drama

hefcw

Cyngor Cyllido Addysg  
Uwch Cymru  
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**ROYAL WELSH COLLEGE  
OF MUSIC & DRAMA  
COLEG BRENHINOL  
GERDD A DRAMA CYMRU**



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## EXECUTIVE SUMMARY

The strategic alliance between the University of Glamorgan (UoG) and the Royal Welsh College of Music and Drama (RWCMD) was initiated in January 2007. This review was conducted in the period October-December 2011 for the Higher Education Funding Council for Wales (HEFCW) in order to:

- Assess whether the planned key strategic outcomes of the alliance have been achieved.
- Assess the extent to which, post-alliance, the harmonised policies, procedures, and systems, have been implemented and are working successfully.
- Identify any general lessons and good practice for institutions in the development and delivery of reconfiguration and collaboration partnerships.

Our detailed findings are set out in sections 2 – 6. In section 7 we discuss the lessons to be learned which may be of wider value to HEFCW and the sector at large.

It is notable that the model adopted for the alliance was that of establishing the RWCMD as a subsidiary company wholly owned by the University. The choice of this model was particularly informed by the desire to protect the Royal status and the separate brand for the College so that it could operate effectively as a specialist institution.

**The key finding of this review is that the major strategic outcomes for the alliance have been mostly achieved.**

Specifically the alliance has:

- Protected and enhanced specialist provision enabling the RWCMD to become a world-class niche institution with facilities commensurate with such a status.
- Resulted in one financially sustainable institution with the removal of a financially weak institution.
- Created an academically harmonised institution in terms of quality and academic agreements.
- Through targeted investment enabled increasing reputational excellence for the RWCMD in terms of academic standing, estates and facilities.
- Provided a valuable conduit for increased widening participation activities.
- Through the provision of high quality facilities provided an enhanced environment for increased commercial activities.

These achievements have been secured through a governance and management structure that has, for the most part, enabled the RWCMD to maintain its own sense of identity, ethos and culture.

Such issues that have arisen relate primarily to two areas (i) the efficacy of the day to day operation of the governance structure and (ii) whether all of the purported operational efficiencies claimed for the alliance have in fact proven realisable. Specifically:

- Differing perspectives have gradually emerged since the formation of the alliance as to the fundamental nature of the new business model resulting in the need for more attention to be given to the day to day operation of the governance structures than had initially been employed. Technically the process has been one of merger (the University is the parent company of the College). However the governance structures coupled with the separate operational management arrangements and emphasis upon the language of 'alliance' characterises the relationship with the College as being much more of an arms length subsidiary – and indeed maintaining and investing in the College's distinct identity has been key to its continued success. This issue should not be unduly problematic – it is in our view an inevitable 'creative tension' will be found in this type of arrangement, so long as there remains an effective discourse between all the key parties as to how the businesses should operate together day to day and there is complete clarity about where ultimate responsibility and authority lies.

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- It was anticipated that a range of benefits would be achieved through integration of the College's and University's systems and processes. However in many instances these have proven elusive (and in some instances are most likely unrealisable) due to both the small size of the College (so the potential savings may be very limited) and the different business processes (for example relating to student administration) currently being operated by the College and the University. Benefits can be secured in the future but are dependent upon the normal cycle of system replacement and enhancement which has yet to occur. There was an expectation that there may be a range of opportunities for joint projects and academic collaboration. Whilst there are some examples of such initiatives these have proven more limited than initially anticipated. Although a distinct mission and academic offerings may limit collaborative opportunities to a certain extent we would expect that there are further opportunities for integration and collaboration, for example in joint working at the ATRium campus in Cardiff and by the integration of admission systems.

The review has also identified a range of lessons which are discussed in Section 7. Some are generic and others particular to this type of arrangement. The key points are:

- Strong leadership, vision and trust are essential for successful arrangements of this type.
- The parent-subsidiary company model is complex and requires a lot of attention by senior managers and the governing authorities for it to work effectively. However it may very well represent the only solution when it is deemed necessary to protect multiple brands and achieve a degree of operational and management delineation between institutions whilst still securing the more generic benefits of merger such as greater resilience and sustainability.
- Ongoing monitoring of achievements against targets is essential.
- Strategic fit and integration should be a major consideration before embarking on partnership arrangements. However they are not super-ordinate issues and the Education Case (in this instance securing a vehicle to protect, enhance and invest in specialist provision) must always have clear primacy.
- Communication at all levels is essential. In fact over-communication should be the order of practice.
- Caution should be observed with regard to expectations of cost savings when arrangements involve two fundamentally different institutions where there may be limited scope for the integration of business processes. Even when processes and systems are similar achieving material benefits may often only occur during the natural cycle of system replacement and upgrade and will take time to secure.

We recommend HEFCW draw on our full commentary in enhancing and promoting debate and reflection across the sector on the many issues raised by HEI alliances and mergers.

## 1 INTRODUCTION: CONTEXT AND TERMS OF REFERENCE

### 1.1 The context

The Higher Education Funding Council for Wales (HEFCW) circular W99/101 HE (1999) provided advice to the Welsh Assembly Government (WAG) that there were too many HE institutions in Wales which were too small. *Reaching Higher*, the WAG strategy for higher education published in March 2002 identified reconfiguration and collaboration as key to ensuring a successful and internationally competitive sector for the future, advocating a structure based on 'networks of excellence'.<sup>1</sup> In 2002 the HEFCW Reconfiguration and Collaboration Fund was launched to support the reshaping of the HE sector in the interests of achieving major performance gains and enhanced competitiveness.

In *'For Our Future: the 21<sup>st</sup> Century Higher Education Strategy and Plan for Wales'* (2009), the Welsh Assembly Government set out its vision of higher education which transforms lives and livelihoods across Wales. To deliver the twin priorities for higher education in Wales, that of enhancing social justice and supporting a buoyant economy, higher education in Wales should be re-modelled and an infrastructure developed which would demonstrate coherence and better responsiveness overall. It was recognised that too many Welsh higher education institutions are too small to operate effectively or yield sufficient economic benefit to Wales. HEFCW has been tasked to bring about the necessary changes and established the *'For Our future Action Plan'*, in its Corporate Strategy for 2010-11 – 2012-13<sup>2</sup>.

### 1.2 The strategic alliance

Since the implementation of HEFCW's Reconfiguration and Collaboration Fund in 2002 the Fund has supported several mergers and alliances including the strategic alliance between the Royal Welsh College of Music and Drama (RWCMD), which is the national Conservatoire for Wales, and the University of Glamorgan. The fund provided £12.75 million support towards the cost of implementing the strategic alliance, which resulted in the RWCMD becoming a wholly owned subsidiary of the University of Glamorgan in January 2007; the fund included a contribution to the cost of associated capital developments at the RWCMD of £10 million and at the University of £2 million towards its new Cardiff campus, the ATRiuM, intended for the provision of shared spaces and £750K integration/reconfiguration costs.

The main driver for the formation of the alliance was financial sustainability as the RWCMD had become financially weak. RWCMD also required a significant contribution from the public purse to part-finance its capital development plans. The College was informed by both the Welsh Assembly Government and HEFCW that such funds were only accessible through the Reconfiguration and Collaboration Fund. Another reason for the RWCMD seeking an alliance with a strong quality institution was its need for a partner with degree awarding powers that could support its upcoming QAA assessment.

For the University of Glamorgan an alliance with the RWCMD provided an opportunity to continue its long tradition of working with others and collaboration, and would fit well with the Glamorgan vision of a South East Wales Conurbation University. This particular alliance would be of reputational benefit and help to strengthen its position in Cardiff where it had just opened the ATRiuM which houses the Cardiff School of Creative and Cultural Industries.

Once the strategic alliance was established, the process of integration of the administration of RWCMD into the University continued beyond 2007, with systems being integrated as appropriate, whilst also maintaining a distinct identity for the Conservatoire.

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<sup>1</sup> Higher Education Funding Council for Wales

<sup>2</sup> HEFCW, Corporate Strategy 2010-11 – 2012-13.

In parallel, significant capital works were undertaken, with the development of £22.5 million rehearsal and performance spaces at the RWCMD, and the completion of the creative industries facilities at the University's ATRiuM Campus. One of the main strategic aims of the RWCMD's capital developments was to help deliver the world class facilities that are essential for a successful national Conservatoire in Wales.

### 1.3 Terms of reference

As part of the conditions for financial support to the partners in the strategic alliance, a summative evaluation of the implementation and impact of the strategic alliance was required (this review).

The terms of reference were to assess the achievement of the planned strategic outcomes of the strategic alliance in terms of the following four aims:

- Aim 1: To establish a world class institution that is
  - financially strong and
  - academically harmonised
- Aim 2: To establish a world class institution that addresses:
  - widening access and
  - excellence
- Aim 3: To deliver world class facilities essential for a successful national Conservatoire in Wales. The facilities should
  - present significant income generation
  - attract use by the local arts community and
  - provide access for under-represented groups in the arts
- Aim 4: To add value through procurement and overhead savings achieved through the establishment of the alliance.

This report:

- Considers the performance of the College against the above indicators over time, establishing a trajectory for the progressive achievements of the strategic alliance over the intervening period.
- Explores and assesses the extent to which since the formation of the RWCMD as a subsidiary company of the University the harmonised processes, procedures and planning have worked successfully
- Identifies general lessons and good practice for institutions in the development and delivery of hard partnership arrangements, i.e. those underpinned by legal agreements and including merger.

To meet these requirements we carried out a detailed desk review of the monitoring reports and data sets provided by HEFCW, the management accounts provided by the University and the RWCMD, and this was followed up by semi-structured interviews with a small number of key stakeholders. We have also considered our research into the experiences and lessons learned from mergers involving other HEIs and have offered HEFCW to provide a structured workshop on the lessons learned from this review in the light of this and previous research.

The balance of the report is structured as follows:

- Section 2 considers progress made towards Aim 1: The establishment of a world class institution that is financially strong and academically harmonised.
- Section 3 considers progress made towards Aim 2: The establishment of a world class institution that fully addresses widening access and excellence.
- Section 4 considers progress made towards Aim 3: The establishment of a world class institution (the Conservatoire) with world class performance spaces.
- Section 5 considers progress made towards Aim 4: The achievement of value added through procurement and overhead savings.

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- In Section 6 we provide a summary overview of our analysis of the extent to which the harmonised processes, procedures and planning have worked successfully.
- In Section 7 we identify general lessons and good practice in the development and delivery of partnerships relating to merger of HEIs.



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**2 AIM 1: A FINANCIALLY STRONG AND ACADEMICALLY HARMONISED INSTITUTION****2.1 Introduction**

The Business Plan for the strategic alliance which was approved by the respective Boards of the College and the University in October 2006 set out in detail the proposals, the benefits and the purpose of the alliance. The Business Plan noted that the issue of the development of world class facilities would be critical for the Royal Welsh College of Music and Drama<sup>3</sup>.

In this section we consider the progress made towards Aim 1: the establishment of a world class institution that is financially strong and academically harmonised. We evaluate the extent to which this has been achieved in the terms set out in HEFCW's submission for funding request to the Welsh Assembly Government in October 2006. The outcomes of the alliance should be:

- i. The formation of new structure, with the University of Glamorgan as HEI and the RWCMD a wholly owned subsidiary of the UoG group
- ii. The establishment of one financially sustainable institution with the removal of a financially weak institution<sup>4</sup>
- iii. The adoption by RWCMD of the University of Glamorgan's framework for academic standards and quality and thereby:
  - o Removing the need for the RWCMD to seek taught degree awarding powers in its own right with the attendant risks and costs and
  - o Removing the need for the QAA to undertake an institutional review of the RWCMD as an autonomous HEI with its attendant costs and risks.

**2.2 The implementation of the new structure**

The strategic alliance between the University and the College was successfully implemented in January 2007. All legal, financial, academic and other requirements needed for the alliance were put in place, although some revisions to target dates for certain outcomes were made<sup>5</sup>. The College was dissolved and a new subsidiary company was formed, the Royal Welsh College of Music and Drama Ltd, into which was transferred all staff, assets and liabilities. This company is wholly owned by the University of Glamorgan and the College has become part of the University of Glamorgan Group.

The intent of this structure of parent-subsidary relationship, with the University assuming the role of the parent company and the RWCMD the subsidiary company was to enable each institution to retain its own branding whilst benefiting from close collaboration in areas of overlap. At the time it was noted that it would not be legally possible for an HEC to be a wholly-owned subsidiary of some other body, nor would it be possible for an HEC to continue in existence while at the same time delegating to some other body the operational responsibility for the institution that the HEC conducts. It was therefore necessary for the RWCMD to cease to exist as an HEC (and as a separate fundable body) and for the conduct of the RWCMD to be transferred in its entirety to another legal body.

**2.2.1 Governance:**

The Business Plan for the Strategic Alliance, approved by the University and RWCMD Boards on 16<sup>th</sup> October 2006, set out the Governance arrangements for the Strategic Alliance as follows:

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<sup>3</sup> The University of Glamorgan and The Royal Welsh College of Music and Drama, Strategic Alliance Business Plan, 2006, p.17.

<sup>4</sup> HEFCW no longer uses the financial categorisation system A, B, C and D, which was used in the original documentation. Rather, an overall risk rating for sustainability is used which includes financial and other factors.

<sup>5</sup> Monitoring and Evaluation report, January 2007.

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- A new Board of Directors would be appointed for the RWCMD
- The University of Glamorgan would be the sole member of the new company (RWCMD Ltd) and the composition of the Board members was jointly agreed. The membership of the Board would provide for continuity with the existing RWCMD Governors.
- The Chair of the new Board of Directors of the RWCMD would be a Governor of the University of Glamorgan.
- The existing RWCMD, as an HEI, would only be dissolved and its business passed to the new company when the new company's membership and directors were appointed to the mutual agreement of the existing College and University Boards.
- The Board of the new company had responsibility for managing the business of the new company as set out in the Memorandum and Articles of the Company and as supplemented by the financial, academic and operating agreements.
- The Vice-Chancellor of the University of Glamorgan would be the Accounting Officer for the use of public (HEFCW) funds.

During the first year of the alliance key headline achievements in terms of formation of a new structure were noted in the Monitoring report of January 2008 to be<sup>6</sup>:

- The new Board of Directors for the subsidiary company had bi-monthly meetings.
- The Board appointed a new Principal for the RWCMD, Hilary Boulding, per November 2007.
- Appointments had been made of a design team and project managers for the new buildings plan.
- A Capital Campaign Director had been appointed to implement a fundraising strategy by May 2008.
- The HR departments of both institutions were working towards adopting a single pay and grading structure and harmonised terms and conditions for implementation of the framework agreement from 1 August 2007.
- New arrangements were put in place for the creation of a consolidated branch with recognised trade unions.

Initial progress towards integration and the formation of the new structure in terms of parent and subsidiary company took place as planned and essential processes were put in place in order to take forward the strategic alliance between the two institutions. Therefore the achievements were wholly in line with the terms and conditions of the funding and were deemed to be very effective and successful.

The agreement stated that the member of the Company (the University of Glamorgan) would elect the Directors of the Company; it was agreed that in the first instance the Board would consist of 13 members and the membership would be based on the concept of equal representation: 6 members from the University of Glamorgan (including the Vice-Chancellor, Pro Vice-Chancellor and the Deputy Chair of the Corporation) and 6 members from the RWCMD (including the Principal, Students' Union President and elected staff member plus three previous Board members) plus the Chair of the RWCMD at the time the HEC was dissolved.

Subsequently and over time membership of the Board changed at the suggestion of the RWCMD. This was to allow for more arts employers to be on the Board. However, this led to a reduction in the number of University representatives on the Board - though we note that steps are currently being taken to restore the balance of Board membership such that University representation is aligned with the original intention.

It is significant that all the original documentation refers to a 'strategic alliance' rather than merger. The Business Plan for the new Company noted that the preferred option was that of a strategic alliance and the merger option was rejected because:

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<sup>6</sup> Monitoring and Evaluation Report, January 2008

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*'...the College would be unable to deliver its mission and vision as a merger is expected to result in the loss of the College's Royal status. As a consequence, its brand, important to both institutions, would be seriously impaired and there would be a negative impact on recruitment and income. In discounting this option both institutions recognised that there is a realistic and attractive alternative available which offers significant opportunities and enables the institutions to deliver many of the benefits of full merger<sup>7</sup>.'*

The University has informed us that initially line management of the Principal position was undertaken by the Vice Chancellor, however, given the subsidiary company status there was an acceptance by the Vice Chancellor (at that time) that it would be 'usual' for the line management to be by the Chairman of the Board. The College interpretation reflected to us was that this arrangement for line management represented a practical application of the RWCMD's semi autonomous character and 'in principle' ability to take its own decisions relating for example to staff matters and conditions. However we would note that this arrangement does not necessarily sit comfortably with the formal role of the Vice Chancellor of the University as the institution's Accounting Officer for the use of public funds because it results in the latter having 'accountability but no authority' for the College in this regard. This would appear incongruous and needs further consideration.

Consultees agree that implementation of the alliance has been mostly successful and has worked extremely well. However, some consultees were of the opinion the alliance was taken through at a rapid pace which had only been possible because of the leadership in place supported by what was in their opinion 'an excellent' project management group. Specific questions and differences in interpretation with respect to the difference between an alliance and a merger appear to have arisen over the course of time, after people in key positions changed and once the fundamental aims had been achieved: the creation of the Conservatoire with world class facilities.

As one consultee put it: *'People change and now there are few people left with a good memory of what happened.'*

Key to this is the interpretation of what the difference was and is between the strategic alliance model adopted and a merger and the implications of having opted for one, rather than the other. We consider this further in Sections 6 and 7.

### 2.2.2 Integration of systems

As part of the funding requirement and the implementation of the alliance, the two institutions should achieve certain amount of integration of systems. Below we consider the extent to which this has been achieved.

#### 2.2.2.1 HR

The January 2009 monitoring report noted that significant progress had been made by the University and the RWCMD in aligning systems procedures and in ensuring that the strategic alliance was maximised in terms of effectiveness. There had been positive integration in terms of the HR function and the RWCMD was benefiting from being part of the larger group. At this stage in 2009, however, it would take another year before the full benefit of the rationalisation of support services would be completed and work remained outstanding in areas such as Finance and IT<sup>8</sup>.

HR integration has been relatively successful due in part to the introduction of the National Framework Agreement in terms of harmonised terms and conditions. Policies have been integrated and there has been no need for the RWCMD to have separate ones, although some have been amended to suit the RWCMD and hence be fit-for-purpose. An SLA is now in place and one of the advantages of the arrangement is that the RWCMD may seek specialist advice when needed.

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<sup>7</sup> The University of Glamorgan and the Royal Welsh College of Music and Drama – Strategic Alliance Draft Business Plan'.

<sup>8</sup> Monitoring and Evaluation Report, January 2009

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#### 2.2.2.2 Library and ICT

An internal feasibility review of library and ICT services was concluded in July 2009<sup>9</sup>. Currently there is no Group IT strategy although the RWCMD and the University now have a common platform, which the RWCMD has invested in over the past two years. This could allow further integration of systems; however the RWCMD requires fundamentally different systems for example Box Office and Event Management Systems. We have been informed that further integration will be looked at when there is a need to upgrade in order to bring the two systems further in line. We agree that it would not be advantageous or cost effective to push through further integration at this stage.

#### 2.2.2.3 Student Services and Student Records

An external review was undertaken in 2008 which concluded that since the RWCMD had a separate Students' Union, and students were attracted to the institutions in quite different ways, the structure of the RWCMD's Student Services department should remain unchanged. Nevertheless, there is now a close working relationship between the RWCMD's Head of Student Services and his counterpart at the University and there are ongoing discussions surrounding harmonising student support services, including disability, welfare and financial services.

Although integration of student records has been looked at, there are barriers to any significant integration. The RWCMD's 'SITS' is hosted in Cardiff University (using a fibre optic link) which has a bespoke admissions function, whereas the University uses 'Quercus Plus'. We understand (and accept) that full integration might create some difficulty and (currently) unnecessary expense, because of the differences in the way the two institutions attract their students such as the use of audition procedures by the RWCMD and productions put on by the RWCMD.

#### 2.2.2.4 Estates integration

The RWCMD has restructured its estates department<sup>10</sup> and the RWCMD has benefited from space utilisation surveys that were undertaken across the University Group. The University team provide occasional advice without charge e.g. in terms of the space management approach. There are further opportunities for a multi campus responsibility in Cardiff for both the ATRIUM (where estates are currently outsourced) and the new RWCMD facilities, which are technically demanding, and consultees to this review have suggested that these opportunities could be taken forward now that the RWCMD facilities have been completed. This would, however, need to be first subject to a cost benefit analysis. The College now houses a specialist, highly technical estate which demands specialist skills to operate and maintain.

#### 2.2.2.5 Finance and Payroll

The finance and payroll systems of the College and University are still different. The University considers that integration would be expensive because of the subsidiary model and the RWCMD being relatively small. The subsidiary company model requires the RWCMD Board to receive separate balance sheets (and other financial reports) and if the payroll and contracts functions were to be transferred under an SLA the balance of the RWCMD would have to be retained in order to undertake the duties required to service the College as a subsidiary company (it is not a department within the University). If the RWCMD were regarded as a division of University of Glamorgan then integration could be done relatively easily, however to recreate the specific RWCMD requirements as a subsidiary company is likely to be expensive for the University.

An analysis of the options for financial management in terms of savings and modernising the system was carried out in 2010 when four different scenarios were considered<sup>11</sup>:

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<sup>9</sup> idem

<sup>10</sup> idem

<sup>11</sup> Paper shared by the Pro Vice Chancellor Resources, University of Glamorgan on 'Analysis of options for financial management', 21.4.1010.

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1. Base Case: keeping the current financial management processes, but reviewing the cost base that is required to administer the current financial systems.
2. Set up RWCMD as a separate company in UoG accounting system, with partial transfer of finance functions.
3. Set up RWCMD as a separate company in UoG accounting system with substantial transfer of finance functions.
4. Set up RWCMD as a division of UoG in the UoG accounting system, with substantial transfer of finance functions.

The full risk benefit analysis concluded that Option 1 would achieve a similar level of savings as Option 2 and 3 but without the substantial amount of work (both set up and ongoing) involved in Options 2 and 3. Option 4 would produce the highest level of savings and the highest level of integration but would fundamentally change the nature of RWCMD Ltd. The analysis concluded that to retain Option 1 would be the most appropriate and valid option.

Finance integration has therefore not been achieved and this was because:

- a) Integration would be costly and would not necessarily achieve optimum savings, and
- b) The view was that integration might fundamentally change the model of the alliance and undermine the required 'separateness', branding, and independence of the RWCMD.

The College nonetheless believes that efficiency savings may be achieved through the close aligning of Payroll and contracts administration. One consultee suggested that these opportunities be explored in the near future.

#### 2.2.2.6 Conclusion

The main aim of the strategic alliance was to bring together the two institutions in an alliance that was acceptable to both parties, so that a world class institution would be formed with world class facilities. This has been fully achieved through the model of the subsidiary company. At the same time there were expectations that cost savings would be made also through integration of systems. In practice however, it has become clear that processes and procedures could not be integrated to the extent originally envisaged (and those that could be might take longer to do than first thought). There are also well founded concerns regarding the high costs involved for the University against a potentially small benefit. We accept that for the University, it would be unrealistic (and disproportionate) to change or integrate for example the student record system for the sake of the RWCMD when only 600 students are involved.

It appears that one of the learning points is that niche, specialist provision must be managed locally and cannot become easily integrated into the greater whole, as if a department or faculty. Again, the difference between the choice of a strategic alliance rather than a merger would underline and affirm this: full integration can only be achieved through full merger and is only cost effective when services of the merged organisations can be integrated without affecting a delicate balance between separateness and efficiency. Nevertheless, we would agree that legally (rather than operationally) the greater whole can provide a better resource base, infrastructure and skill resilience (indeed, in the case of the alliance this has been shown to be the case). The importance of brand and separateness lies in the student experience which in the case of niche provision must be protected through a local interface.

### 2.3 A financially strong world class institution

The formation of the subsidiary company within the Glamorgan Group took place at the end of 2006. Since then much has happened in the education sector that was not envisaged at the time, and therefore to measure financial performance now against financial performance nearly five years ago cannot be used as a realistic measure of the impact of this alliance. There are too many variables, not least of which have been:

- Changes in funding and fee structures, putting downwards pressure on financial performance.
- Major capital investment which, whilst improving facilities and quality, has a financing cost.

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- Cost reduction initiatives in response to the funding arrangements which may or may not be as a result of merger.

Therefore we have sought to address the following three questions:

1. The extent to which the alliance has or has not secured the financial future of RWCMD.
2. The extent to which the alliance has strengthened or weakened the financial position of the University of Glamorgan, both on its own and when combined with RWCMD.
3. The extent to which the combined organisation could be said to be financially strong.

In commenting below on numbers, it should be noted that for the purpose of clarity we have ignored endowment assets and reserves on the basis that the entries on both sides of the balance sheet are identical and any charges or credits to income and expenditure account are very immaterial.

### 2.3.1 Background

As the numbers below will show, RWCMD was facing future financial sustainability issues pre-merger. It had recorded modest, but planned, operating deficits of £66k in 2003/04, £20k in 2004/05 and £164k in 2005/06. The College had invested a significant sum, in excess of £1 million, between 2001 and 2005 in developing a capital development buildings plan, which was aborted due to lack of funds. Whilst we cannot say what might have happened, its financial outlook under its previous funding regime was causing problems and it had little capacity to invest in facilities.

Whilst the University of Glamorgan reported in its 2005/06 accounts *“the increasingly difficult environment in which the University operates”*, it was in a much stronger position and was reporting (modest) surpluses of £950k in 2004/05 and £667k in 2005/06. Importantly, however, the University had general reserves of £55 million and net current assets of £31 million at the end of 2006.

From a financial perspective the University of Glamorgan had the capacity to support RWCMD and also the critical mass to raise finance for capital investment.

### 2.3.2 Securing the future of RWCMD

The following points are relevant:

- Up to the financial year 2005/06 when the RWCMD was incorporated as a limited company, wholly owned by Glamorgan University, losses were sustained on an annual basis with the consequence that reserves were depleting year on year.
- Between 2005/06 and 2008/09, the RWCMD continued to record losses (although these were planned and the balance sheet was restructured following incorporation as a company) but moved into surplus for 2009/10 and 2010/11, the most significant contributing factor being the reduction in staff costs by approximately 4% in relation to turnover.
- The surpluses in 2009/10 and 2010/11 have effectively wiped out the annual deficits for the preceding 6 years.
- The major capital investment programme has taken place taking the value of the fixed assets up to £27 million at July 2011 (against which there are borrowings of £10.75 million).

(Reference should be made to the summary of the financial results for RWCMD for the years 2003/04 to 2010/11, attached at Appendix 3).

It should however be noted that a large part of the interest costs on the borrowing have been capitalised as part of the buildings cost. Once complete, the borrowing costs will become a cost to the income and expenditure account and will impact future results accordingly. We note that these costs are included in future years' budgets.

In conclusion therefore, whilst it would be a matter for speculation as to what financial actions the RWCMD may or may not have taken had it remained fully independent, the analysis confirms a much more secure position under the University's ownership. Importantly, having a "parent" allows that parent to underpin its finances as and if required. (Since January 2007 the University has provided £2.5m of revenue funds and without the University guarantee, the RWCMD would not have been able

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to access the Barclays loan it required.) Moreover, the RWCMD now has the new building as an asset.

### 2.3.3 The financial position of the University of Glamorgan

Question 2 above is about the extent to which the alliance has strengthened or weakened the financial position of the University of Glamorgan, both on its own and when combined with RWCMD.

The answer to this question follows on from the analysis above.

The best measure of whether the University is stronger or weaker as a result of the alliance is the amount which RWCMD has contributed to the University's reserves over the period of ownership.

In the first 3 years of ownership there was a net drain on reserves of £271k (including the first year as a full year – the period of ownership was actually less). However, in the last 2 years of ownership there has been a net addition to the University's reserves of £629k.

In terms of the University's balance sheet, whilst the RWCMD had a relatively weak balance sheet particularly in terms of cash and net current assets on acquisition, this must be seen in the context of relative sizes. Taking total net assets as the indicator of net worth, at July 2010 RWCMD was worth £10.6 million as compared with the University's net worth of £67.8 million.

In conclusion therefore the answer is that the alliance has been largely cost neutral to the University of Glamorgan.

Looking at the financial performance of RWCMD since the alliance, there are two significant and visible changes, as follows:

- Staff costs, as a percentage of income (a key measure of performance) have fallen from between 63% and 64% pre-merger to just over 60% in 2009/10 and 2010/11 – this represents an annual saving in order of £300k;
- Other operating costs have also fallen from between 29% and 30% of income pre-merger to 27%/28% in 2009/10 and 2010/11 – this represents an annual saving of approximately £200k.

In the case of the University as a whole, taking into account all of its subsidiaries, whilst staff costs have remained in the range of 59% to 61% of income other costs have fallen from 33.6% of income in 2006/07 to 30.9% in 2009/10, a reduction of £3.9 million per annum. However, it would be reasonable to conclude that the majority of this improvement was due to initiatives other than the alliance with RWCMD, although it is also reasonable to assume that the initiatives would not have had any impact without the alliance. For example severance based staff cost savings in the RWCMD could not have happened as some of the severances were paid for out of the £0.75m grant for reconfiguration and some of the other severances were paid out of additional grant monies of £100k provided by the University. In section 5.2 we provide further elaboration when considering value added of the alliance.

### 2.3.4 The strength of the combined organisation

As we stated at the outset of this commentary, it is difficult to say whether the University would have been stronger or weaker with or without RWCMD, as there have been many financial events other than the alliance which have forged the University's present financial position. The analysis above concludes that the impact has certainly not been wholly negative and is in reality quite small.

The University noted in its 2010 Annual Report *"the Group continues to operate in an increasingly difficult financial environment"*. This reflects the modest surpluses of £1,050k and £538k for the years 2008/09 and 2009/10 at the operating level, and deficits of £1,425k and £2194k at the net retained earnings level (after exceptional items and losses on asset disposal).

The following points are relevant to a consideration of overall strength:

- Whilst the above numbers for surpluses and deficits represent the consolidated results of the University and its subsidiaries, the deficits (at retained earnings level) for the University itself, were £1,395k and £2,545k in 2008/09 and 2009/10 respectively.

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- At 31 July 2010 the University's consolidated general reserves (i.e. those that are distributable or available for use) amounted to £66.9 million, but were considerably less (£22.7 million) if the pension reserve of £44.2 million is deducted.
- In relation to the above point, the University benefited from a very substantial actuarial gain in 2009/10 and the pension deficit reduced by £16.3 million in the year – this shows the volatility of the level of reserves to changes in assumptions regarding pension assets and liabilities.
- Had it not been for the actuarial gain highlighted above, the net reserves would have been down to £6.4 million, and the University's ability to absorb future deficits would have been materially reduced.
- At July 2010 the University had net current assets of £13.9 million, including £5.6 million in cash and £25.8 million in investments, suggesting that short term liquidity should not be an issue.

(The consolidated results of the University (that is including RWCMD and other subsidiaries) are summarised in Appendix 4).

The financial environment in which the University operates is a challenging one but to quote from the 2009/10 Annual Report "*the Board recognises that the vision is a challenging one but remains confident of its ability to deliver it*".

Importantly, and for the purposes of this report, the numbers show that the challenging financial situation in which the University currently operates has not arisen because of the alliance with RWCMD. The financial impact of the alliance has been relatively cost neutral in financial terms, except in terms of the new build assets (and related borrowing) of RWCMD, now appearing on the consolidated balance sheet.

## 2.4 An academically harmonised institution

The HEFCW grant letter stated that RWCMD should adopt the University of Glamorgan's framework for academic standards and quality and thereby:

- Remove the need for the RWCMD to seek taught degree awarding powers in its own right with the attendant risks and costs and
- Remove the need for the QAA to undertake an institutional review of the RWCMD as an autonomous HEI with its attendance costs and risks.

In 2.4.1 below we show that these two aims were fully achieved.

### 2.4.1 QAA assessment and harmonisation of Academic Agreements

By January 2008 all of the RWCMD's undergraduate and postgraduate courses had been successfully validated by the University of Glamorgan, and were being offered to students who joined the RWCMD from 2007. The RWCMD and University had agreed a representation and reporting structure for its respective academic committees and it was expected that this would assist in the QAA exercise and ensure adequate cross-fertilisation by staff across different academic disciplines.

The QAA Institutional Review of the University of Glamorgan was carried out in November 2008 and published in May 2009<sup>12</sup>. The comments on academic quality were favourable and indicated that the RWCMD had successfully harmonised its academic framework with that of the University:

*'Confidence can be placed in the soundness of the institution's current and likely future management of the quality of its academic programmes and the academic standards of its awards.'*

The report recommended as a feature of good practice the mechanisms in place to maintain the academic standards of awards across partnership institutions.

<sup>12</sup> QAA Review, 8 May 2009, University of Glamorgan, UKPRN: 10013288



#### 2.4.2 Joint academic projects and collaboration

With respect to joint academic projects and collaboration the outcomes have been more limited. Initially the monitoring reports were very positive and noted that common frameworks for academic standards and quality had been implemented with a number of early initial achievements which were identified in the January 2007 and July 2008 monitoring reports<sup>13</sup>, e.g.:

- There was academic collaboration at undergraduate and post graduate level.
- There was enhanced collaboration with colleges of FE.
- There were extended opportunities for staff development.
- Explorations on the RWCMD's contribution to the University RAE submission were taking place.
- Prior to the merger, the College franchised the BA Hons Popular Music Course to Neath Port Talbot College. During the first year of the alliance, the RWCMD transferred this franchise to the University through the CCI Faculty.
- CCI provided structural framework support to RWCMD on research degree programmes.
- RWCMD contributed to research degree programmes.
- There was development of a joint research project with Cardiff University.
- The U Can Drama Project provided workshops for schools and community groups with a high proportion of young people from ethnic groups which were underrepresented in higher education.
- Musicians in Focus were providing musical courses for talented young musicians who were visually impaired.

At the completion of the funding period in January 2009, the final monitoring report was received and we have therefore been unable to assess further progress during the period 2009/2011. However, views expressed by consultees were somewhat mixed on whether or not enough has been achieved in respect of joint academic projects. Some viewed that more could have been done, however, the focus had of necessity been on the RWCMD and its new estate and they felt that 'now would be the time to start thinking in a visionary way about enhancing opportunities'.

Others judged that this delay on further academic cooperation was due to more fundamental reasons not least the differences between the two institutions and their target student markets, which of necessity would limit opportunities for joint academic projects and collaboration.

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<sup>13</sup> See all monitoring reports Jan 2007 – Jan 2009

### 3 AIM 2: EXCELLENCE AND WIDENING ACCESS

The core purpose of HEIs is to provide teaching, research and knowledge exchange. This would imply that any new partnership arrangement between institutions should focus on students, the academic community and the wider society. In other words, a successful new arrangement should be characterised by strong academic purpose, not only in terms of economic advantage, but also in terms of widening participation and access. One of the principal aims therefore of the strategic alliance was to ensure that the Conservatoire should be a vehicle for widening access and excellence.

This section considers the extent to which the alliance model has been able to help establish and protect a world class institution (the RWCMD) that has its own distinct branding and identity and that fully addresses widening access and excellence.

#### 3.1 A distinct identity (branding) and excellence

Maintaining brand identity as part of the RWCMD's institutional identity and differentiation as a Conservatoire was an important prerequisite for going forward and the extent to which this has been achieved can be gauged in different ways. The website for the RWCMD is distinct and separate from that for the University and except for a link under the corporate section of the RWCMD website to the Glamorgan Group, there is no obvious and public link between the two institutions. The University Guide 2012 (The Guardian) refers to the University of Glamorgan without any reference to the RWCMD and notes that the University boasts 'three modern campuses, two in Treforest near the town of Pontypridd and a brand new, state of the art facility in the heart of Cardiff city centre.' There is no mention of RWCMD.

The website for *Conservatoires UK*<sup>14</sup> (the umbrella organisation for music education and training) identifies the contemporary conservatoire as 'an international centre of excellence in the Higher Education of Dance, Drama and Music which has a leadership role in national and regional professional arts practice'. Beyond these key values of excellence and leadership, however, there are other characteristics that will to some extent be present in the modern conservatoire, e.g. by offering a growing range of specialist genres, such as popular music, jazz and others and offering education in technical production and arts.

Conservatoires UK has eight members<sup>15</sup>, and the site provides some further characteristics of a conservatoire that are a result of its specialist nature, leading to excellence, and relating to:

- Staff:
  - Staff will be drawn from many different countries, reflecting the universality of the art forms and distinctive national schools of teaching and/or performing.
  - Staff will be inspirational, and will be mostly drawn from current practitioners, many of whom will be at the top of their profession.
- Students:
  - Students will be drawn from many different countries, reflecting the internationally regarded high standing of UK higher education in the performing arts.
  - International recruitment of students is undertaken to achieve the correct 'critical mass' of disciplines within a cohort as well as for cross-cultural and financial reasons, although many talented students from overseas require substantial funding direct from institutions and other benefactors.
- Teaching and Learning:
  - Students will experience a wide variety of teaching and learning contexts, including one-to-one, small group and large ensemble settings, as appropriate to a particular discipline.

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<sup>14</sup> <http://www.conservatoiresuk.ac.uk/>

<sup>15</sup> Birmingham Conservatoire, Guildhall School of Music and Drama, Leeds College of Music, RCM London, Royal Northern College of Music, Royal Conservatoire of Scotland, Trinity Laban Conservatoire of Music and Dance, and the RWCMD.

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- o Regular engagement with world-class practitioners results in substantial 'informal' learning.

With respect to facilities and estates, the requirement for excellence in a conservatoire is that:

- o Institutions will have appropriate production facilities and public venues, essential to enable students to learn through performance and the production of performance.
- o Many conservatoires will have an ongoing, integrated public performance programme as part of its lifelong learning remit, as a service to its community and to benefit its students.
- o A conservatoire's estate and other facilities may also serve the local community.
- o Facilities within the conservatoire will be sufficient to meet the educational and professional training needs of its students, including specialist equipment, as appropriate: e.g. certain types of instruments, studio recording facilities with related technical support, comprehensive technology to replicate the real-world professional environment beyond the training institution, and ready access to occupational medical support and advice for guidance and treatment as appropriate.

The monitoring report January 2009 noted that '*all signs indicate that the model of the wholly-owned subsidiary company has worked as a mechanism for protecting the identity of the College while allowing both institutions to benefit fully from the strategic alliance.*'

Below we consider in further detail the extent to which the aims of excellence and widening access have been achieved.

### 3.2 Excellence

In 3.1 above we have set out the notion of excellence in terms of a conservatoire. The grant application documents and business plans contained various references to 'excellence' and the requirement that the strategic alliance should achieve excellence for the RWCMD. Excellence would be achieved, amongst others, 'through an institution that delivers widening participation, that is able to continue to compete with other UK and European conservatoires and with at the heart the objective to protect and enhance the reputations and missions of the two institutions', that of the University of Glamorgan as well as the RWCMD. The HEFCW grant submission to WAG (October 2006) noted that

*The University is proud of its history of helping students from many and varied backgrounds achieve success. The College is committed to providing a learning environment of excellence which offers students every opportunity to develop their artistic potential regardless of cultural, social and economic background. It is the University's expectation that its students, in the new Cardiff School, will be inspired by the ideas and aspirations of the College's particular student base. The College expects that both students and staff will benefit greatly from the breadth and depth of experience represented by a larger institution offering cognate, complementary, academic subjects.*

From this it follows that one way of measuring excellence (and reputation) is by considering the view of students and staff. Another is by measuring achievement in terms of attracting overseas students, which, as noted above, is a key characteristic of a conservatoire. First of all however, we consider the notion of excellence as interpreted by key stakeholders and how the RWCMD approached its mission to achieve the standards for a conservatoire set out in 3.1.

From the documentation and the subsequent interviews it has become clear that the notion of excellence and what is understood by this may have become part of the discourse on the interpretation of intent and the reasons for having opted for a strategic alliance and the subsidiary company model rather than for a straightforward merger. However, the subsidiary company model was chosen largely as a mechanism by which distinct branding for the RWCMD could be maintained.

One consultee noted that in order to enable the RWCMD to operate successfully and effectively and to achieve excellence in terms of attracting high calibre staff, a renowned Chair of the Board of Directors, increased numbers of high achieving students, all this could only work if the partnership followed the spirit and the letter of agreement that underpinned the strategic alliance, which was the separateness of the two institutions involved. The view was that a number of potential issues would need to be resolved which might otherwise provide barriers to the achievement of excellence. This view was that

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the RWCMD should be allowed the autonomy and not be required to engage with many of the more bureaucratic requirements of the University, which it perceived would prevent it from focusing on its own business. Furthermore, the degree of separateness envisaged in the original alliance agreement was fundamental to the success and excellence of the Conservatoire.

However, another view was that excellence manifested itself in terms of the support provided by the University which has enabled the RWCMD to move from being a financially weak institution to being part of a financially strong university. The RWCMD, because of its size, would also not be able to go forward without the support of a larger institution both in terms of financial and academic support. There was a joint responsibility for making this work and there should be an understanding that achievements and excellence in one partner should reflect on the other and vice versa, 'the 'mutual glow' effect.

The discourse and lessons learned in this respect are further considered in sections 6 and 7.

We have assessed the aims in terms of excellence as set out in the funding agreement by HEFCW and as they were evaluated in the monitoring reports; in these documents and agreements excellence was set out as being about student satisfaction and attracting international students, as well as having world class facilities. Below we consider what has been achieved in terms of student satisfaction and attracting international students.

### 3.2.1 Student satisfaction

To find out whether students are satisfied overall and by implication perceive their provision to be of a high standard or quality, we considered the National Student Survey. There are, however, no disaggregated figures for the University and RWCMD students available between 2007 and 2009. From 2010/11 onwards results are again reported separately for the RWCMD and the University in response to a request from the University and in view of the fact that student profile is quite different in the two institutions.

Nevertheless, it is not possible to extract information on perceived improvement from these surveys as the new RWCMD building was not completed until 2011. There are some mixed messages with respect to RWCMD student perceptions until 2011, in particular with respect to the 'excellence' of facilities provided. However, any judgment with respect to improvement can only be based on the outcomes of the survey commencing in January 2012 although this cohort of students will have had only one term's use of the new facilities.

The University has provided an overview of the NSS results for 2009, 2010 and 2011 for Music and Drama which clearly can only provide a comparative assessment of student satisfaction in the University and in the RWCMD, but this does not provide an assessment of the impact of the alliance. We have reproduced this overview in Appendix 6. It shows that in general, RWCMD's students are more satisfied with their experiences than Glamorgan's, although not exclusively so as Music responses at Glamorgan are better than those at RWCMD on a number of themes and years.

It is only after 2013 as the first whole academic year in which students have had access to the new RWCMD facilities that an assessment can be made with respect to student perception on the quality of their experience. Such an analysis should use the overview provided in Appendix 6 as a baseline, and could include a comparative assessment between the RWCMD and other Conservatoires across the UK.

### 3.2.2 Recruitment of Overseas Students

Another way of measuring achievement of excellence and international reputation is through the success in recruitment of overseas students. One of the characteristics of an excellent conservatoire is its ability to recruit overseas students (see 3.1 above) and as part of the strategic alliance an increase in the number of overseas students recruited would be facilitated by the University's International Student Office.

Supported by the College Board, in particular by the then VC of the University of Glamorgan, the RWCMD has achieved an increase in the number of overseas students. Due to the nature of RWCMD recruitment and selection process it was necessary however to adopt a distinct and different approach to that adopted by the University's International Recruitment team.

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The increase in the number of overseas students was specified in the Funding Letters but initial targets appeared to be highly optimistic and in 2006/07 the RWCMD enrolled a total of 15fte as against its target of 24. Targets were reduced in a revised business plan and although subsequent targets were not fully achieved either, with the move into the new facilities the RWCMD has now attracted some 47 students – this year's number has not noticeably been affected by the economic downturn. The target for next year is set for 59 and would be achieved. Therefore, attracting increased numbers of overseas students has (overall) been a success.

### 3.2.3 League tables

Another way of measuring excellence is in terms of league tables such as the RAE and University League Tables provided by national newspapers. However, although there are entries for the University of Glamorgan neither the RAE nor any of the other league tables have separate entries for RWCMD because it is not a research institution. League tables therefore only provided a snapshot for the University, prior to 2007 without the RWCMD and post 2007 inclusive of the RWCMD. This, therefore, has only been able to tell us something about the potential impact of the strategic alliance on the University of Glamorgan as a whole.

The Research Assessment Exercise (2008)<sup>16</sup> was conducted jointly by the Higher Education Funding Council for England (HEFCE), the Scottish Funding Council (SFC), the Higher Education Funding Council for Wales (HEFCW) and the Department for Employment and Learning, Northern Ireland (DEL). The 2008 RAE showed that the University of Glamorgan, Drama Dance and Performing Arts scored an average ranking of 2.1 and had good scores in terms of internationally recognised performance in research, but generally scored below other universities benchmarked against a random selection of universities in England and Scotland.

The University League Table<sup>17</sup> for 2012 gives an overall ranking for the University of Glamorgan as 83, up from 86 in 2011 and 94 in 2010. This performance was broadly maintaining the University's relative position against the rest of the UK HE sector.

For Drama, Dance & Cinematics, the University ranked 45, up from 51 in 2011. Specific scores were: 3.9 for student satisfaction (max 5.00), 300 for Entry Standards, 2.10 for Research Assessment (max score 4.00) and 53 for Graduate Prospects (max 100). The university scored 87.6 out of an overall score of 100.

For music the University scored 80.5 and ranked just below Cardiff University and Bangor University, with an overall score of 88.3 but above the University of Wales, Newport, with an overall score of 76.7.

Across the UK and out of a total rating of 85 HEIs the University of Glamorgan, Study of Artistic Performance (including drama, dance, cinematics and photography) ranked 22 in the Guardian University Guide for 2012.<sup>18</sup>

In terms of League tables therefore it appears that there are no dramatic changes and the minimum conclusion that can be drawn is that the strategic alliance has not had a perceptible impact on the University with respect to ranking in league tables.

However, during interviews we were informed that there was perceptible difference between achievement in the University and the RWCMD in that the latter consistently scored very near the top end of achievement compared with lower rates in the University. For this reason, the Conservatoire felt hampered by not being separately represented in achievement and success rates, and this prevented it from being 'visible' within its peer group so that it could not compete on equal terms.

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<sup>16</sup> <http://rae.ac.uk/>

<sup>17</sup> The Complete University Guide – <http://www.thecompleteuniversityguide.co.uk/league-tables/rankings>

<sup>18</sup> <http://www.guardian.co.uk/education/table/2011/may/17/university-guide-drama-dance/print>

### 3.3 Widening access

Widening access targets for the strategic alliance and in particular for the RWCMD were set in terms of

- Integration and consolidation of policies by July 2007 and
- Promotion of use of new facilities by underrepresented groups. This should begin in earnest during the 2007/08 session prior to the completion of phase 1 of the RWCMD's building plans.

The University stated that widening participation was close to the heart of the RWCMD and University and that the University had a long standing history of supporting widening participation and removing barriers. Post-alliance the RWCMD had extended its widening participation agenda with the young actors' studio, replicating what was already happening with respect to offering music through its junior music school. The RWCMD now provided music classes for children aged 4-18 on Saturdays and drama to 12-19 year olds on Sundays. Junior schools could access this plan. In addition, the RWCMD offered bursaries for financially disadvantaged children.

As well as these targeted activities, the RWCMD still draws 25% of its students from Wales and has been able to work on a range of activities such as work carried out with Coleg Morgannwg students and inspiring these students; through the alliance the University and the RWCMD have also been able to work together on for example raising awareness of Alzheimer's through the Health Faculty of the University and an opera hosted by the RWCMD. Without the alliance, this would not have happened.

The RWCMD prospectus contains information about local events, fund raising activities etc and in this respect the University is learning from the RWCMD in a behavioural way, e.g. through the RWCMD's marketing approach and its approach to fund raisers as well as to different ways in which widening access activities can be effective.

RWCMD consultees noted however that it would be difficult for the Conservatoire to approach 'widening participation' (in terms of specifically supporting disadvantaged students and providing a 'second chance') in the same way as the University might do this: a conservatoire of necessity must try and attract high calibre students and does this through auditioning across the world. The Conservatoire competes with the Royal College of Music and RADA for example and excellence is about being recognised as world class. As such, there is much less flexibility about how you attract students. Nevertheless, some areas of the RWCMD offer, such as drama, are ultimately suitable for widening participation activities and there is much scope to further joint approaches in this respect.

## **4 AIM 3: WORLD CLASS PERFORMANCE SPACES**

### **4.1 Introduction**

World Class Performance spaces are a key characteristic of a conservatoire and of excellence (see also 3.1 above).

One of the main strategic aims of the strategic alliance between the two institutions was the creation of a conservatoire with world class performance spaces through which other aims would be achieved: widening participation, excellence, and value added through income generation, etc. These new and world-class facilities would complement the new University of Glamorgan campus in Cardiff: the ATRium.

This section considers progress made against the following strategic outcome:

- the establishment of a world class institution with a suite of facilities that
  - ensure that the RWCMD's facilities match those of other conservatoires and
  - achieve value added through fundraising activities and grants received.

### **4.2 RWCMD: Facilities with world class performance spaces**

Specific targets were listed with respect to the new facilities and what they should include<sup>19</sup>:

- A new 350 seat concert hall
- Four new drama rehearsal spaces
- Two new studio theatres to replace the existing facilities, which are no longer fit for purpose
- A suite of refurbished Theatre Design studios to upgrade the existing inadequate facilities
- Additional teaching spaces, provided by way of a new 'wall' frontage on North Road

The RWCMD website <http://www.rwcmd.ac.uk/> allows the viewer a 360° tour of the new facilities which incorporate:

- The Dora Stutzker Hall, which is the concert hall
- The Richard Burton theatre
- Four state of the art full-sized, double height rehearsal studios
- The Linbury Gallery
- Cafe bar and terrace overlooking the Grade I listed Bute Park

These new buildings complement and enhance the RWCMD's existing facilities which include the Anthony Hopkins Centre, a restoration of the former castle mews building and opened in 1999 (prior to the merger). This Centre houses:

- Two small recital spaces: the Weston Gallery and the Corus Recital room
- S4C Studio Theatre
- Professional recording studio
- Music teaching rooms

Furthermore, the Raymond Edwards Building houses:

- The Bute Theatre(capacity 150-200)
- The Caird Studio Theatre (flexible seating capacity)
- Sir Geraint Evans Recital Room
- Practice rooms
- Classrooms

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<sup>19</sup> HEFCW submission to WAG, October 2006, p.4

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- Design studios
- Theatre design workshops
- Library
- IT Suite

The new and refurbished buildings are advertised on the website as conference facilities, indicating that these are intended to be income generating and to provide widening access opportunities:

- A concert hall seating up to 394 delegates
- A theatre seating up to 182 delegates
- 10 state of the art potential break out rooms as part of conference facilities on offer
- An exhibition gallery

These commercially advertised additional facilities available in the RWCMD include a formal boardroom in the Anthony Hopkins Centre.

#### 4.2.1 Facilities that present significant income generation

It is early days to determine whether the objective of significant income generation has been achieved. However, in order to see the level of activity within both RWCMD and the University of Glamorgan as a whole we have looked at the historical trend of 'non core' income generation, as reported in the annual accounts.

##### 4.2.1.1 Historical trend of income generation

The annual accounts from which we have drawn the data do not go into much detail. However, the numbers below show the annual trends.

For RWCMD the accounts show the following:

**Figure 2: RWCMD Income Generation**

	Catering £'000	Other income £'000	Total £'000	Year on year change in total
2005/06	281	341	622	
2006/07	287	437	724	16.4%
2007/08	296	449	745	2.9%
2008/09	386	663	1,049	58.2%
2009/10	320	513	833	-20.6%
2010/11	350	447	797	-4.3%

For the University of Glamorgan as a whole (including its subsidiaries), the accounts show the following:

**Figure 3: University of Glamorgan Income Generation**



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	<b>Residences, catering &amp; conferencing £'000</b>	<b>Consulting, training &amp; commercial £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>	<b>Year on year change in total</b>
2005/06	5,451	2,998	4,780	13,229	
2006/07	5,458	3,021	5,495	13,974	5.6%
2007/08	5,405	3,191	5,141	13,737	-1.7%
2008/09	5,781	3,223	4,219	13,223	-3.7%
2009/10	5,424	3,536	4,959	13,919	5.3%

In conclusion, the numbers do not show any significant increase in income generation. However, as noted above, it is too early to measure this aspect as the venue was not completed until July 2011 when the RWCMD took occupancy. The RWCMD's own current estimate is that so far £15K per annum has been achieved; however, it is confident that with the completion of the new facilities the full target of £280K per annum will be achieved. We were informed that a number of weddings have taken place and that a major conference is planned for April 2012. Moreover, there are now regular performances and opportunities will be maximised. Two senior posts have been appointed, one covering programming and the other a venues manager who brings in conference lettings.

With respect to the targets set for significant income generation through the new facilities, one of the views expressed was that achievements were being hampered because being a member of the Group and subject to its regulations the RWCMD was unable to diverge from the HEI pay structure. This applied for example to technicians who as a result of the unified NFA were being paid in excess of local market rates and were employed on contracts that were unable to accommodate the requirements of a theatre or concert hall in terms of evening and all-year-round performances. We would note however that RWCMD as an HEC would be subject to HEI pay structures as all HEIs are on a pan UK pay spine. As the majority of income is through public funding it should be subject to HEI agreements, whether as part of an alliance or as an independent institution.

#### 4.2.2 University of Glamorgan: ATRiuM Facilities

As part of the of the proposal for the Strategic Alliance between the University of Glamorgan and the RWCMD the two institutions agreed to work together on the introduction of the University of Glamorgan Cardiff School of Creative and Cultural Industries. The School is located at ATRiuM, a multi-million pound facility in the centre of the City. It was opened in September 2007 and provides a platform for an eclectic mix of teaching and research in the theory and practice of media, design and the arts. The alliance project capital funding allocated to the Strategic Alliance included £2m towards the development of this campus for shared facilities. This capital allocation allowed for a cost-effective expansion of radio and TV studios, rehearsal spaces and common workshops. The £2m funding from the Reconfiguration and Collaboration Fund was in addition to the University's investment of £33m.

We have been informed that, except for an initial attempt at joint working reported in section 2.4.2 above there is no direct support for provision delivered by RWCMD to the Cardiff Campus.

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### 4.3 Grant income and fundraising activity

#### 4.3.1 Grant income<sup>20</sup>

The RWCMD has received conservatoire level funding for an additional 30 students from the inception of the alliance. On a full-year basis, this equates to approximately £330K. For the first three years, the University contributed 2/3<sup>rd</sup> of this sum and HEFCW 1/3<sup>rd</sup>. This percentage split has meanwhile been reversed. In addition, and under the alliance agreement the University granted the RWCMD an additional 4,400 credits (at non-conservatoire level) from 2008/09 equating to £143K.

Finally, the University has agreed to grant the RWCMD an additional £300K funded credits to offset the significant budgeted reduction in core grant in 2010/11. The University has signalled its intention to withdraw this funding, plus the credits, over the next three years in line with the withdrawal of the HEFCW teaching grant.

#### 4.3.2 Targets/measures in respect of fundraising activity:

A number of targets were set with respect to fundraising activities and roles and responsibilities were established early on, prior to the implementation of the strategic alliance. Targets were quite ambitious and with the economic recession setting in almost immediately upon the implementation of the alliance, would be hard to achieve. Nevertheless, this has proved to be a success story in that the accounts provide an overview of the achievements to date (see appendix 5). In summary:

- Strategies were put in place in 2007/08 and a Capital Campaign Director was appointed in May 2008.
- Following a capital fundraising event in November 2008 under the patronage of Bryn Terfel almost £1 million had been received or pledged during the year towards the £3.5 million target set
- In 2009/10 accounts stated that capital fundraising had delivered £2.4 million towards a campaign target of £4 million<sup>21</sup>, notwithstanding the challenging economic environment.

We have been informed that subsequently and despite the challenging environment the RWCMD had achieved nearly the entire target set, with an additional £1/4 million in the pipeline. RWCMD had recruited a fund raiser for the capital project who, we have been informed, had the full support of the Board of Directors and the Principal in achieving the targets.

It should also be noted that during the period 2008/9 to 2010/11 the University of Glamorgan supported RWCMD's fundraising activity through putting its own fundraising activity into abeyance for the period of HEFCW's Matched Funding Scheme for Voluntary Giving. This has enabled RWCMD to take advantage of the University's allowance for matched funding £2.265 million under the Scheme, with eligible donations matched at a ratio of £1 for every £2 raised.

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<sup>20</sup> This is based on a draft paper 'Review of the financial benefits of the strategic alliance between the University of Glamorgan and the Royal Welsh College of Music and Drama, provided by the RWCMD – we would like to thank the College for sharing this with us.

<sup>21</sup> The target was amended to include staff and other costs from £3.5 million to £4 million

**5 AIM 4: VALUE ADDED**

**5.1 Introduction**

The fourth aim of the alliance was to achieve value added through procurement and overhead savings. This would be achieved through effective cooperation and coordination between the two institutions, improved procurement and admin arrangements so that the RWCMD's overheads as a percentage of its income would fall from 40% in 2006/07 to 31% in 2014/15, a reduction of 22.5%. Moreover, there would be a reduction of RWCMDs management and support departments' costs. These cumulative savings through rationalisation of processes would amount to some £5.8m by 2015/16.

In section 2.3.2 we have shown that there are two visible and significant changes in the financial performance of RWCMD, viz. in the reduction in staff costs and in operating costs. As noted previously, RWCMD prior to the alliance had no history of making severance based staff cost savings and some of the severances were paid for out of the £0.75m grant for reconfiguration and integration; additionally some of the other severances were paid out of additional grant monies of £100K provided by the UG. Below we provide a further analysis which is based on a paper provided to us by the RWCMD and which confirms the earlier observations.

**5.2 The financial benefits of the strategic alliance<sup>22</sup>**

**5.2.1 RWCMD savings**

It appeared that the amount of costs savings that have been made to date are far less than had been envisaged. This was mainly due to the few opportunities of synergy between the two institutions and with the College being distinct from the University this limited opportunity for rationalisation of staff or space.

Prior to the formation of the alliance the University and the College prepared a joint business plan and financial forecasts for HEFCW, which identified the prospective savings to be made. The College made the following (recurrent) savings, but considers that the majority were not as a direct result of the alliance:

Registry internal re-organisation (2008)	£ 35K
Estates internal re-organisation (2008)	£ 15K
Drama teaching (2008)	£100K
Music teaching (2009)	£130K
Drama teaching (2010)	£ 80K
Executive (2010/11)	£227K
Pre-College (2010)	£ 18K
<b>Total</b>	<b>£605K</b>

**5.2.2 Savings due to the strategic alliance**

Only the above savings delivered from Estates re-organisation of £15K was due to the alliance and the University now undertakes certain strategic functions, resulting in modest cost savings to the College. Other administrative collaborations have not occurred. The College procures from the University its services in the areas of HR, Health & Safety and Occupational Health disciplines. Rather than delivering savings, this has realised a richer return for the same resource as the College invested prior to the alliance, and thus there no actual savings to report.

<sup>22</sup> This section is based mainly on a draft paper provided by the RWCMD which sets out the financial benefits of the strategic alliance between the University of Glamorgan and the Royal Welsh College of Music and Drama – we would like to thank the College for sharing this paper with us.

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In addition, opportunity cost savings of £85k were included in the business plan, arising from the College not having to seek its own degree awarding powers, but rather to adopt the University's academic framework. Similarly, on-going opportunity cost savings of £10K per annum were included to reflect the savings relating to expenditure the College would have needed to make had it pursued separate academic framework arrangements. Anticipated savings of £17K per annum have been realised over successive years by being part of the University's academic framework and thereby avoiding the previous per capita charges levied by the University of Wales.

### 5.2.2.1 Procurement

Savings of £19K in the first full year of the alliance were anticipated, increasing to £30K per annum by 2010/11. The RWCMD paper notes that it is difficult to measure the actual savings derived by the College through being part of the University Group. This is largely because the College is a member of the Cardiff County Council purchasing consortium, from which it procures utilities, stationery, IT consumables, etc.

However, the University's Procurement Team has provided professional advice and expertise in the various tendering exercises that the College has undertaken since the alliance was formed, including the appointment of project managers and design team for the new capital build in 2007. Although there are no tangible savings from this support, it is nonetheless a good example of a benefit obtained by the College by being part of a larger organisation.

### 5.2.2.2 Insurances

Anticipated annual savings of £15K were included in the business plan to reflect the economies of scale by being part of a larger group. When the alliance was formed in 2007, the College and University were with different insurance providers and no savings were made in this year. During the second year, the University tendered the service and subsequently appointed UMAL (the College's insurer). In 2008/09 the College derived savings of £20K in its annual premium, with a further £16K in 2009/10. The target savings have therefore been achieved.

### 5.2.2.3 Audit Fees

Savings of £10K were anticipated from internal and external audit. In reality, there has been a £1K annual saving from external audit. This is because the College still requires a statutory audit since it is a limited company, and the external auditors must provide an independent opinion to the Board of Directors on the annual accounts. There has been an approximate £2K annual saving on internal audit fees.

It is anticipated that a further £8K savings from internal and external audit fees could be made if the College's finances were incorporated within the University's ledger.

### 5.2.2.4 Governors' expenses / UCEA and other subscriptions

Anticipated savings of £19K were assumed arising from the College ceasing to be an HEC and thereby avoiding subscriptions and other compulsory charges. Also, the College's new Board of Directors has 13 members which compares to the 19 former Governors of the College. These savings have been realised in full.

## 5.3 Conclusion

Although we have not set out all individual targets and achievements in this section, as some have been subsumed under other strategic aims, the College has informed us that by 2009/10 £928K of savings had been achieved, of which some £552K was directly attributable to the strategic alliance between the College and the University. This means a net shortfall of £134K compared to the target set in the business plan, but a £510K shortfall when considering the direct implications of the alliance. The primary reasons for the difference are firstly the majority of the staff savings have resulted from College re-structuring exercises in academic and support departments that were not driven, or influenced, by the alliance. Nevertheless, as noted some of the severance payments were paid out of the £0.75 million grant for integration costs and others were paid out of additional grant monies of £100k provided by the University, and therefore could be attributed to the alliance. Secondly, additional fee income from the development of joint courses has not been realised.

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In addition, other factors have added a further £415K of unbudgeted costs / loss of income which the College has needed to accommodate from within its future financial forecasts in order to produce an acceptable level of annual surplus.

## 6 CONCLUSION -

### 6.1 Introduction

Below we provide a summary overview and explore in some further detail the extent to which since incorporation of the RWCMD into the University the planned strategic outcomes of the merger have been achieved.

Following this in Section 7 we consider the extent to which post merger, the harmonised processes, procedures and planning have worked successfully as part of a consideration of the general lessons learned from this experience and good practice for institutions in the development and delivery of reconfiguration and collaboration partnerships.

### 6.2 Summary: Achievement of strategic outcomes

The report shows that the implementation and achievements of the strategic alliance have been fully successful in respect of most of its aims. The formation of the new structure provided the RWCMD with much needed reconfiguration and collaboration funding as well as capacity to raise the necessary loans that were needed. The particular parent-subsidary company model allowed the financial rescue of the small niche HE College without detracting from its fundamental mission and helped to retain its Royal status as a separate organisation.

Following the alliance in 2007, there have been a number of additional achievements as well as some less successful outcomes in terms of objectives that were set for the receipt of grant funding.

- The implementation of the new structure whereby the RWCMD is a wholly owned subsidiary of the University of Glamorgan Group has been fully successful with governance and management arrangements put in place to take this forward.
- Integration of some, but not all of the systems originally envisaged has been achieved with HR integration being a success story.
- The transition has been made of a small financially weak institution into a financially sound Group structure.
- The formation of an academically harmonised institution in terms of quality and harmonisation of academic agreements has been achieved. The RWCMD has adopted the University of Glamorgan's framework for academic standards and quality and therefore removed the need for the College to seek degree awarding powers in its own right and for the QAA to undertake an institutional review of the RWCMD as an autonomous and separate HEI.
- A distinct identity and brand have been established for the RWCMD.
- The completion of new build facilities that are of world standard and in accordance with the aims set has been achieved to time and budget.
- Increasing reputational excellence for the RWCMD has been achieved, in terms of estates and facilities and academic excellence. The RWCMD has been able to attract increasing numbers of overseas students and has been successful in its fund raising activities to the extent that the target of just under £4M was reached and no additional overdraft facilities were required. Through its world class facilities and its ability to attract overseas students and world class performers it has achieved status amongst its peer group of conservatoires.
- The RWCMD has engaged in widening access activities through junior schools activities, support to the University in raising awareness of Alzheimer, and support to Coleg Morgannwg students. Regular performances for the local community are now provided in the new facilities.
- Facilities are being advertised for commercial purposes and it is foreseen that they will become income generating from now on.

Where the alliance has not fully met the targets set this has been in terms of:

- Achievement of value added: although the RWCMD has made extensive savings in terms of staffing and operating costs, this has not been wholly due to the alliance, but a combination of the alliance (e.g. severance payments) together with progressive internal initiatives. It could

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well be that more will be achieved in the longer term with additional focus on sharing of practice and academic synergy now that the facilities are completed.

- Integration of systems and processes: this has not been achieved to the extent identified in the original funding agreements. The University Student Recruitment Office does not support the RWCMD with attracting overseas students, rather this is done directly by the RWCMD and it has appointed a recruitment officer to this effect. Again, in the longer term more integration may be achieved when systems are due for renewal.
- Joint academic projects and collaboration: although an initial start was made, this was not taken forward further. Also, the RWCMD is not supporting provision in the ATRiuM Campus of the University of Glamorgan, one of the expectations of the original agreement. With renewed focus, more may be achieved in these areas in future.

In conclusion, it is evident that the overall aim, the creation of a financially healthy institution with world class facilities and a distinct brand; one that delivers excellence in the opportunities it provides to its students and staff and to the wider community; and an institution that supports widening participation and opportunity in the Wales context has been mostly realised. What has not been achieved to the extent it was envisaged is the integration of the two institutions through systems integration and sharing of practice. Because of this, some of the anticipated added value has not been realised – though we would argue that much of this was unrealisable within the timeframe. Some of the added value may well be realised given more time and added value through integration of systems could be achieved when introduced at appropriate points in the future.

We should emphasise however that from 2007 until 2011 the focus of the alliance was necessarily on the achievement of the estate and the building of the excellent facilities in the centre of Cardiff. In the report we have outlined reasons as to why some of the aims and objectives were not achieved within the first three years of the alliance.

Finally, although the initial implementation of the alliance and the new structure were fully successful, subsequently and over time questions have been raised around interpretation and around how to take this model forward in a way that satisfies both the original intent and the continued success of the alliance.

In the following section we consider the discourse and also the potential reasons for the partial achievement of integration and academic collaboration when we identify the lessons learned from this particular alliance. Where appropriate we will compare these with previous lessons learned from other alliances and mergers in Appendix 8.

## 7 LESSONS LEARNED

### 7.1 Introduction

The report provides an account of the successful implementation of partnership arrangements that resulted in the creation of a world class institution with world class facilities from a financially weak institution. It was surmised by some consultees that the success of the alliance was due to the vision and leadership of the people at the heart of the arrangements in the two institutions and in HEFCW. They drew up the plans and took them forward, supported by HEFCW funding and the financial strength of the University of Glamorgan.

In this final section we consider the extent to which post merger, the harmonised processes, procedures and planning have worked successfully. We do this by identifying the general lessons learned and good practice for institutions in the development and delivery of reconfiguration and collaboration partnerships. Almost inevitably this section will focus on some of the more negative aspects in terms of 'lessons learned', which will help an understanding of such issues in the future. We would like to emphasise however that this section should not be read as detracting from the general message in this report, viz. that the alliance has been very successful in the achievement of most of its aims.

In Appendix 8 we provide a comparative overview of lessons learned in this case with some of the lessons learned across the sector in collaborative activities, including mergers.

### 7.2 General lessons learned

The final monitoring report of January 2009 made the following general observations:

- All the signs indicate that the model of the wholly-owned subsidiary company had worked as a mechanism for protecting the identity of the College while allowing both institutions to benefit fully from the strategic alliance.
- It is possible to align an academic framework fairly swiftly. The realignment of support services is a more time-consuming business.
- Where there is a considerable disparity in size between two partner institutions, it is often difficult for the larger institution to effect procedural changes as rapidly as the smaller institution needs in order to achieve cost savings.
- It is important to bear in mind that the strategic alliance affects the College as a whole, whereas it represents only a small proportion of the University's operations.

As noted previously the formation of the new structure in which the RWCMD is a wholly owned subsidiary of the University of Glamorgan Group was considered by all to have been a very successful process. Nevertheless with the completion of the new facilities and the focus shifting towards integration and continued excellence and what that means for each of the two institutions questions have been raised about original initial intent and practical implementation.

Following on from our desk research we asked consultees for their views and these are set out below in sections 7.2.1 – 7.2.7.

#### 7.2.1 Strong leadership, vision and trust are essential for successful arrangements of this type

At the heart of good collaboration was leadership and clarity of shared common purpose. At the time of the alliance strong leadership in both institutions effected a united front which was well managed and there was a shared vision. The people at the heart of the alliance trusted each other.

Consultees agreed that because of this leadership and vision the alliance had been a great success.

It was noted however that whereas there had been this trust and shared understanding at the start of the alliance, once people in core positions changed there was a loss of organisational memory because people changed and interpreted intent differently. It was also suggested that there should perhaps have been a more consistent and continued approach to the monitoring of implementation



and achievements in order to avoid 'surprises' in particular with respect to the governance arrangements.

#### 7.2.2 The parent-subsidary company model is complex and should not be emulated for the sake of it.

Discourse around the particular partnership model adopted focused on the alliance model. The parent-subsidary company model was the right solution in this instance because of the protection it afforded to a small niche institution with a separate brand, its Royal status and a different student market. Such an institution could not easily be integrated, in terms of management, into a very large organisation without the danger of it losing its distinct brand, culture, ethos and mission.

Subsequently and over time, different perspectives have (perhaps inevitably) emerged regarding the detailed operation of the alliance model. These generally revolve around resolving the tensions inherent in having a conservatoire being part of a larger group. The former necessarily wishes to operate as independently as possible. However it would not exist were it not for the strategic alliance and must respect the obligations (and governance systems) established to safeguard its provision. In turn the University as the parent of the group must ensure it is proportionate in its engagement on issues of management and governance whilst retaining an adequate level of engagement through its participation in the conservatoire's governance structure.

A more consistent approach by all parties in respect of applying the governance processes is already being pursued and should be maintained.

We also note that there was an acceptance by the Vice Chancellor (at the time of the alliance) that given the subsidiary company status it would be 'usual' for the line management to be by the Chairman of the Board. The College view was that this reflected the intention that this arrangement would represent a practical application of the RWCMD's semi autonomous character and 'in principle' ability to take its own decisions relating for example to staff matters and conditions. However, this arrangement does not necessarily sit comfortably with the formal role of the Vice Chancellor of the University as the institution's Accounting Officer because it results in the latter having 'accountability but no authority' for the College in this regard. This would appear incongruous and needs further consideration.

The lesson to be learned here is that the subsidiary company arrangement adopted may be deemed relatively complicated. Also that the independent company model may not be appropriate for general HE institutions where one is looking for significant synergy and integration. Moreover, accounting arrangements should be clear and transparent.

#### 7.2.3 Multiple brands and delineation between two institutions can be protected by the subsidiary company arrangement

The subsidiary company arrangement helped to safeguard multiple brands and has worked well in delineating clearly between the two institutions. This was achieved through the mechanism of a subsidiary company with a separate Board of Directors.

#### 7.2.4 Ongoing monitoring of achievements against targets is essential

We have already commented on this in section 7.2.2 above, to the effect that when people changed different interpretations and expectations were allowed to emerge. Consultees had different views on the governance arrangements. For example, under the original agreements there was to be equal representation from College and the University on the Board of Directors of the College and the Chair of the Board of Directors should attend the University Corporation Board meetings. However, the structure of these and other governance arrangements have now become subject to debate. Changes in representation had been allowed for good reasons which we understand are now being re-addressed. In addition, the College's view was that in order to attract a world class Chair of its Board of Directors the duty to attend also University Board meetings were too onerous and created a barrier to achieving the best possible appointment.

These and other commentary suggested to us that delineation between two institutions within an alliance arrangement not involving complete integration should be firmly constituted and subsequently strictly monitored so that parties continued to be clear about their mutual agreements and obligations.

### 7.2.5 Strategic fit and integration should be a major consideration

Although it had been anticipated that there would be certain synergy between the University of Glamorgan ATRiuM campus in Cardiff and the RWCMD, in reality there has been little evidence of this. This, it was suggested, was due to the differences in operational arrangements, course provision and markets. Some consultees said that because of the lack of synergy between the two institutions in mission, recruitment market and academic delivery the alliance with the University could inhibit the College from operating competitively within its peer group of conservatoires, and could ultimately impair its ability to thrive.

Another view was that the full aims and objectives of the alliance could only be achieved through full integration, however, that this would run counter to the principle of the separate niche institution that required its own brand and had its own mission. If synergy were imposed, this would create barriers and mistrust. The view was that integration of two fundamentally different institutions that had little in common was difficult, if not impossible, to achieve.

Finally it was suggested that the rationale for a substantial alliance between the two institutions might be questionable without achieving cost savings as a direct result of the alliance (see 7.2.6) and without academic synergy. However, this should also be assessed against the reality that a small institution such as the RWCMD was unlikely to survive without the overall protection of the parent company in terms of the initial financial support (funding grants and loans could be withdrawn if no longer part of the Group) and ongoing security and success in terms of academic quality and funding guarantees.

In the final instance however, we would note that strategic fit and integration are not super-ordinate issues and the Education Case (in this instance securing a vehicle to protect, enhance and invest in specialist provision) must always have clear primacy.

### 7.2.6 Communication at all levels is essential

The view was that communication pre- and post-alliance was essential, in particular for staff in the smaller institution, however, that this had been less relevant to staff within the University.

We would note that well into the alliance and three years later, such communication would still appear to be of paramount importance, in particular at strategic level, because of the complex structure of the arrangement. To elucidate this further, the final monitoring report was received in January 2009 as the focus on delivery of new build and fundraising increased. Continued monitoring of aims and objectives and how these would be achieved within the agreed governance arrangements might have helped to identify potential differences in interpretation sooner rather than later.

### 7.2.7 Optimism about cost-savings is unrealistic in the case of fundamentally different institutions coming together

The RWCMD has made savings but these were not wholly as a direct result of the alliance. Moreover, the University noted that potential savings would carry an initial cost that would not warrant the savings. In other words the cost savings as a direct result of the alliance have not been significant, nor have all the targets in this respect been met. Costs savings would be very difficult to achieve when institutions have such very different needs and there is in fact very little overlap and synergy where savings could be made through shared service arrangements.

### 7.2.8 The arrangement is a tripartite one, not just between two institutions

Finally, one consultee noted that there should be continued and clear understanding that this had been a tripartite arrangement between the Government (HEFCW), the RWCMD and the University. The arrangement had been put in place in order to let the College thrive and could not have been completed without the imaginative and supportive response from HEFCW in terms of partnership funding and facilitation.

Appendix 7 provides a comparison of merger lessons across the HE sector.

APPENDIX 1 – CONSULTEES

Julie Lydon, Vice-Chancellor, The University of Glamorgan

Huw Williams, Pro-Vice Chancellor, The University of Glamorgan

Professor John Andrews, Chair of Corporation, The University of Glamorgan

Hilary Boulding, Principal, The Royal Welsh College of Music and Drama

Peter Curran, Vice-Principal (Resources), The Royal Welsh College of Music and Drama

Vince McNabb, Chair of Corporation, the Royal Welsh College of Music and Drama

Celia Hunt, Head of Strategy, Learning and Funding, HEFCW

Dr Ewen Brierley, Senior Strategic Development Manager, HEFCW

## APPENDIX 2 - KEY STRATEGIC AIMS

Aim 1: To establish a world class institution that is

- financially strong and
- academically harmonised

Aim 2: To establish a world class institution that addresses:

- widening access and
- excellence

Aim 3: To deliver world class facilities essential for a successful national conservatoire in Wales. The facilities should

- present significant income generation
- attract use by the local arts community and
- provide access for under-represented groups in the arts

Aim 4: To add value through procurement and overhead savings achieved through the establishment of the Alliance.



**APPENDIX 3 – RWCMD: HISTORICAL FINANCIAL ANALYSIS**

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income &amp; Expenditure Account</b>								
<b>Income</b>	<b>7,038</b>	<b>7,666</b>	<b>7,994</b>	<b>9,026</b>	<b>9,484</b>	<b>10,319</b>	<b>10,165</b>	<b>10,500</b>
<b>Expenditure</b>								
Staff costs	4,486	4,807	5,151	5,734	6,217	6,609	6,151	6,368
Other costs	2,063	2,299	2,318	2,696	2,628	2,689	2,808	3,013
Depreciation	555	580	639	651	644	640	654	638
Interest	0	0	50	50	40	502	284	120
	<b>7,104</b>	<b>7,686</b>	<b>8,158</b>	<b>9,131</b>	<b>9,529</b>	<b>10,440</b>	<b>9,897</b>	<b>10,139</b>
<b>Net surplus/(deficit)</b>	<b>-66</b>	<b>-20</b>	<b>-164</b>	<b>-105</b>	<b>-45</b>	<b>-121</b>	<b>268</b>	<b>361</b>
<b>Ratios</b>								
Year on year income growth		8.9%	4.3%	12.9%	5.1%	8.8%	-1.5%	3.3%
Staff costs: income	63.7%	62.7%	64.4%	63.5%	65.6%	64.0%	60.5%	60.6%
Other costs: income	29.3%	30.0%	29.0%	29.9%	27.7%	26.1%	27.6%	28.7%

**Balance sheets**

Tangible assets	10,127	10,231	9,192	6,086	6,762	8,687	17,276	27,455
Net current assets	620	422	535	549	694	8,389	7,353	29
Provisions and creditors>1 year	-174	-146	-175	-184	-184	-7184	-10,931	-10,946
Pensions liability	0	-2,030	-2,120	-1,730	-2,510	-4,480	-3,090	-2,040
<b>Total assets</b>	<b>10,573</b>	<b>8,477</b>	<b>7,432</b>	<b>4,721</b>	<b>4,762</b>	<b>5,412</b>	<b>10,608</b>	<b>14,498</b>
Share capital	0		0	1	1	1	1	1
Deferred capital grants	3,510	3,424	3,005	2,697	3,403	6,014	9,574	11,938
General reserves	1,297	1,188	911	3,753	3,868	3,877	4,123	4,599
Pensions reserve	0	-2,030	-2,120	-1,730	-2,510	-4,480	-3,090	-2,040
Revaluation reserve	5,766	5,895	5,636	0	0	0	0	0
<b>Total liabilities</b>	<b>10,573</b>	<b>8,477</b>	<b>7,432</b>	<b>4,721</b>	<b>4,762</b>	<b>5,412</b>	<b>10,608</b>	<b>14,498</b>

**Notes:**

1. Source of the above: audited financial statements.
2. The merger took place in 2006/07. The pre and post merger figures for that year have therefore been amalgamated.

3. Endowment assets and liabilities have been ignored for the purposes of clarity (the numbers are the same on both sides of the balance sheet. Similarly, related movements in the income and expenditure accounts have been ignored as they are immaterial.





**APPENDIX 4 – UNIVERSITY OF GLAMORGAN: HISTORICAL FINANCIAL ANALYSIS**

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income &amp; Expenditure Account</b>						
<b>Income</b>	<b>95,503</b>	<b>102,492</b>	<b>122,922</b>	<b>131,301</b>	<b>139,055</b>	<b>143,723</b>
<b>Expenditure</b>						
Staff costs	57,735	60,733	74,055	79,734	85,527	87,383
Other costs	32,433	36,862	41,360	42,450	42,487	44,353
Depreciation	3,123	3,235	4,282	5,207	6,244	6,726
interest	1,262	995	1,049	1,795	3,747	4,723
	<b>94,553</b>	<b>101,825</b>	<b>120,746</b>	<b>129,186</b>	<b>138,005</b>	<b>143,185</b>
<b>Net surplus/(deficit)</b>	<b>950</b>	<b>667</b>	<b>2,176</b>	<b>2,115</b>	<b>1,050</b>	<b>538</b>
Profits/(losses) on asset disposals	1,005	1,975	0	0	-598	-2,002
Exceptional items	0	0	0	0	-1,877	-730
<b>Retained surplus/(deficit)</b>	<b>1,955</b>	<b>2,642</b>	<b>2,176</b>	<b>2,115</b>	<b>-1,425</b>	<b>-2,194</b>

<b>Ratios</b>						
Year on year income growth		7.3%	19.9%	6.8%	5.9%	3.4%
Staff costs: income	60.5%	59.3%	60.2%	60.7%	61.5%	60.8%
Other costs: income	34.0%	36.0%	33.6%	32.3%	30.6%	30.9%
<b>Balance sheets</b>						
Tangible assets	60,691	75,796	100,574	112,045	123,295	142,137
Net current assets	31,312	31,256	16,239	23,991	22,461	13,867
Provisions and creditors>1 year	-6,977	-16,897	-16,514	-31,145	-38,285	-44,008
Pensions liability	-29,350	-31,210	-27,690	-35,420	-60,490	-44,210
<b>Total assets</b>	<b>55,676</b>	<b>58,945</b>	<b>72,609</b>	<b>69,471</b>	<b>46,981</b>	<b>67,786</b>
Deferred capital grants	10,127	11,694	15,024	16,612	19,248	23,429
General reserves	51,118	55,581	60,563	64,578	65,534	66,889
Pensions reserve	-29,350	-31,210	-27,690	-35,420	-60,490	-44,210
Revaluation reserve	3,263	3,074	5,618	5,319	5,019	4,720
Capital reserves	20,518	19,806	19,094	18,382	17,670	16,958
<b>Total liabilities</b>	<b>55,676</b>	<b>58,945</b>	<b>72,609</b>	<b>69,471</b>	<b>46,981</b>	<b>67,786</b>

**Notes:**

4. Source of the above: audited financial statements.
5. The merger with RWCMD took place in 2006/07. In accordance with merger accounting rules, the results for 2005/06 have been restated as if the organisations had been merged then. Figures for 2004/05 are, however, pre merger.
6. Endowment assets and liabilities have been ignored for the purposes of clarity (the numbers are the same on both sides of the balance sheet. Similarly, related movements in the income and expenditure accounts have been ignored as they are immaterial.



**APPENDIX 5 - FUNDRAISING**

## Notes taken from the Accounts

## 2006/07 Accounts

Fundraising for the RWCMD's new buildings development will be an important element of the financing of the buildings plan. The RWCMD is in the process of recruiting a Capital Campaign Director to lead the funding campaign. It is envisaged that by early 2008 a comprehensive fundraising strategy will have been produced, which will detail the manner in which the fundraising appeal will be undertaken. The RWCMD has already formed good working relationships with major trusts in England who have a history of donating large sums of capital monies to performing arts projects, and as soon as the designs of the new buildings are sufficiently developed, the RWCMD will approach trusts, foundations and individuals in the most appropriate manner.

## 2007/08 Accounts

Fundraising for the RWCMD's new development plan - A target of approximately £3.5M has been set for fundraising to part-finance the buildings plan. The College now has in place an approved fundraising strategy together with a Capital Campaign Director who started with the College in March 2008. Since his arrival, the Development Team has been strengthened with the appointment of two new members of staff. The gaining of planning permission in September 2008 will serve as a significant milestone in fundraising activity, and the College will submit applications to trusts and foundations during the 2008/09 year.

## 2008/09 Accounts

Nevertheless, in November 2008, the RWCMD launched its capital fundraising campaign under the patronage of Bryn Terfel and held a successful event in Cardiff Castle. It is pleasing to note that almost £1M has been received or pledged during the year towards the £3.5M target. This is an excellent result bearing in mind the current economic climate.

## 2009/10 Accounts

Substantial progress was achieved in the construction of extensive new facilities, scheduled for completion by April 2011. The original College buildings are now almost completely obscured by the emerging concert hall, theatre and rehearsal spaces. Capital fundraising has to-date delivered £2.4M towards our campaign target of £4M, notwithstanding the challenging economic environment. A significant highlight of the year was a gala dinner at Buckingham Palace, hosted by our Patron, at which students from across all College disciplines performed magnificently and memorably to a distinguished audience.

## 2010/11 Accounts

At the same time, notwithstanding this challenging backdrop, an extraordinary, distinctive and beautiful building was – literally - taking shape around us, as the College's extensive and ambitious new facilities entered their second year of construction. That juxtaposition of financial stringency with growth and renewal has been a constant theme throughout the year, and reached a climax during a joyous period in early summer when the College finally took possession of its long-awaited new home and world class training and performance facilities.

**APPENDIX 6 – STUDENT SATISFACTION SUMMARY OVERVIEW<sup>23</sup>**

**NSS Results: Music & Drama, 2009,2010 and 2011**

<b>2009</b>	UoG overall	RWCMD Drama	UoG Drama	Sector for subject
The teaching on my course	79%	84%	83%	84%
Assessment & feedback	66%	56%	51%	61%
Academic Support	75%	74%	66%	74%
Organisation and Management	68%	56%	58%	63%
Learning Resources	76%	86%	59%	74%
Personal Development	77%	87%	81%	81%
Overall Satisfaction	79%	85%	73%	77%

	UoG overall	RWCMD music	UoG music*	Sector for subject
The teaching on my course	79%	89%	n/a	83%
Assessment & feedback	66%	51%	n/a	61%
Academic Support	75%	82%	n/a	75%
Organisation and Management	68%	64%	n/a	65%
Learning Resources	76%	84%	n/a	78%
Personal Development	77%	82%	n/a	73%
Overall Satisfaction	79%	83%	n/a	75%

<b>2010</b>	UoG overall	RWCMD Drama	UoG Drama	Sector average for subject
The teaching on my course	81%	98%	82%	85%
Assessment & feedback	67%	70%	68%	63%
Academic Support	75%	93%	73%	76%
Organisation and Management	69%	91%	54%	63%

<sup>23</sup> Provided by the University of Glamorgan, aggregates of scored under NSS sub-headings

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Learning Resources	75%	<b>78%</b>	<b>40%</b>	72%
Personal Development	78%	<b>97%</b>	<b>75%</b>	81%
Overall Satisfaction	78%	<b>100%</b>	<b>69%</b>	77%

	UoG overall	RWCMD Music	UoG Music	Sector for subject
The teaching on my course	81%	<b>76%</b>	<b>71%</b>	84%
Assessment & feedback	67%	<b>48%</b>	<b>58%</b>	63%
Academic Support	75%	<b>71%</b>	<b>69%</b>	76%
Organisation and Management	69%	<b>48%</b>	<b>69%</b>	66%
Learning Resources	75%	<b>82%</b>	<b>67%</b>	77%
Personal Development	78%	<b>80%</b>	<b>75%</b>	74%
Overall Satisfaction	78%	<b>68%</b>	<b>83%</b>	76%

**2011**

	UoG overall	RWCMD Drama	UoG Drama	Sector for subject
The teaching on my course	81%	<b>96%</b>	<b>70%</b>	86%
Assessment & feedback	68%	<b>75%</b>	<b>60%</b>	66%
Academic Support	77%	<b>92%</b>	<b>66%</b>	78%
Organisation and Management	72%	<b>82%</b>	<b>54%</b>	66%
Learning Resources	77%	<b>75%</b>	<b>43%</b>	72%
Personal Development	80%	<b>97%</b>	<b>70%</b>	82%
Overall Satisfaction	81%	<b>94%</b>	<b>67%</b>	79%

	UoG Overall	RWCMD Music	UoG Music	Sector for subject
The teaching on my course	81%	<b>72%</b>	<b>80%</b>	84%
Assessment & feedback	68%	<b>52%</b>	<b>60%</b>	66%
Academic Support	77%	<b>76%</b>	<b>66%</b>	79%
Organisation and Management	72%	<b>41%</b>	<b>68%</b>	69%



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Learning Resources	77%	<b>77%</b>	<b>55%</b>	79%
Personal Development	80%	<b>77%</b>	<b>69%</b>	75%
Overall Satisfaction	81%	<b>69%</b>	<b>64%</b>	77%

\* insufficient responses to report results

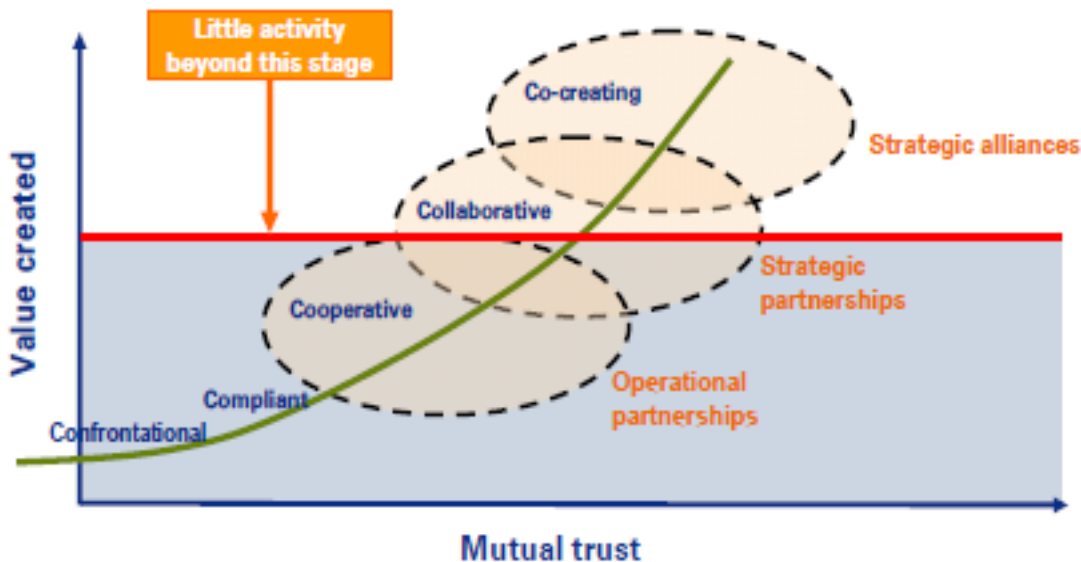
**APPENDIX 7 - COMPARISON OF MERGER LESSONS ACROSS THE SECTOR**

This appendix provides a high-level comparative analysis of the experience of the strategic alliance evaluated in this report with a limited number of other UK higher education alliances and mergers. To this end, we contrast the 'Lessons Learned' presented in Section 7 with those identified through a limited document review of reports produced by our consultants and of those available in the public domain.

**Strong leadership, shared vision and trust are critical when taking forward new partnership arrangements and mergers**

At the heart of good collaboration is leadership and clarity of shared common purpose. At the time of the formation of the alliance strong leadership in both institutions effected a united front which was well managed and there was a shared vision. The people at the heart of the alliance trusted each other.

A number of different models are available to explain the nature of partnerships which are usually based on the degree of trust involved in the relationship. In the case of the strategic alliance a high level of trust was essential for it to work. This trust is aligned to understanding each other's intent and this will be understood by those who are closely involved in the creation of the alliance.



Source: Based on work by Tony Lendrum, *The Strategic Partnering Handbook*, 3rd ed., Sydney: McGraw-Hill, 2000

A previous merger in Cardiff between Cardiff University and the University of Wales College of Medicine was also significantly driven through the initial agreement of the two respective Vice Chancellors. We understand that previous discussions for an alliance between the RWCMD and Cardiff University did not proceed and that this was partly due to a misalignment in vision and agreed understanding of the route to be taken.

**The parent-subsidary company is complex and requires a lot of attention by senior managers and governing authorities**

The parent-subsidary company model is not a panacea for potential mergers across the HEI sector, even if it was the right solution in this case because of the protection it afforded to a small niche institution with a separate brand and different student market. Small niche institutions are not easily integrated into a very large organisation without the danger of its losing its distinct brand and mission.

A common and shared understanding of the rationale for opting for one model rather than another and the implications of that choice is an essential ingredient which in the case of the alliance was present

when it was formed, however, became less so when people changed and different interpretations of intent and reality surfaced.

This consideration leads directly to good practice advice, viz.

**Continuous and careful monitoring of planned and achieved outcomes should be undertaken post alliance in particular where the relationship is complex**

Where there are potential risks in relationship management within a complex arrangement then this should be carefully monitored so that risks can be managed in a timely manner and assessments made of appropriate actions to be taken to reduce the risks.

Whereas planning was extensive and implementation of the strategic alliance was very successful and achieved the key strategic aims of the strategic alliance, once these were achieved the monitoring of other strategic aims and objectives received less attention leading to the danger of 'mission creep', i.e. of allowing different interpretations of original intent. Within this there is also a message about addressing cultural issues.

In particular in the case of two very different institutions, one very large and financially successful HEI and the other a much smaller but niche organisation, and with quite distinct missions and student target groups, cultural differences will become more prominent if not carefully guided and monitored.

The HEFCE Report *Collaborations, alliances and mergers*<sup>24</sup> notes that 'staff issues, student issues and cultural issues must be addressed – including consultation and open communication'. Furthermore 'a strong educational basis and shared vision is required.... in addition to a clear strategic fit between institutions.....'

The drivers for the alliance were mainly financial and less so educational in terms of strategic fit. It is therefore essential that cultural issues are carefully monitored and that there is a great degree of understanding each other's (different) needs.

**Strategic fit and integration should be a major consideration**

Through the subsidiary company arrangements maintaining multiple brand arrangements has worked very well and has helped to maintain the delineation between the two institutions. This has been achieved through the mechanism of a separate Board of Directors for the RWCMD.

However, this model should not be seen as the panacea for mergers as it may provide barriers to full integration when this is required.

The University of Glamorgan Group also includes Merthyr Tydfil College which is a College of Further Education and which requires separate processes and procedures. The model parent-subsidary company has been successfully introduced for this relationship.

When systems need to be integrated, e.g. IT, Payroll, Finance, then the model is less successful because of the requirement of often costly separate arrangements to serve the different purposes.

In the case of the merger between the University of Edinburgh and Edinburgh College of Art (January 2011) governance arrangements facilitate academic and operational integration, even though separate branding will be maintained<sup>25</sup>. The Principal of the new ECA has the responsibility for the success of the new ECA and the delivery of its academic vision, with support and oversight from the College of Humanities and Social Science. A Post-Merger Working Group is to monitor the progress of academic and operation integration, whereas pre-merger a Merger Implementation Strategy Group oversaw the development of appropriate academic governance and management structures, and academic regulatory arrangements, for the merger. An Operations Working Group oversaw the integration of Edinburgh College of Art into the University's systems and support arrangements,

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<sup>24</sup> HECFE 2010, Literature review for the higher education collaborations, alliances and mergers project'

<sup>25</sup> For governance arrangements, see <http://www.ed.ac.uk/schools-departments/edinburgh-college-art/about/eca-merger/governance-timescales>

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**Expectations of cost-savings may be unrealistic in the case of fundamentally different institutions where there is no overlap or education synergy**

In the case of the strategic alliance the cost savings that were made post alliance were mainly due to internal actions undertaken by the College, these were achieved however due to the availability of reconfiguration funding and University grant monies. Few systems and processes have been fully integrated and where such integration has been considered savings would have been minor in comparison to the input costs required for alignment. Due to the minimum synergy between the two institutions there were no opportunities for staff savings or sharing facilities or equipment. Therefore these savings have been negligible and will not materialise in the future either.

Even in the case of full merger the report on the Cardiff / Medical School merger notes that benefits of merger require active management.

**Alliance and merger arrangements in the HEI sector usually involve a tripartite arrangement that includes the Government (the funder) and the partnership organisations.**

The strategic alliance arrangement was put in place in order to be able to draw down government funding which would not have been available to the RWCMD if it remained a financially weak institution. This implies a longer term agreement to the conditions under which the funding was awarded. Such awareness and obligation underlies most HE mergers where institutions require capital funding for new build facilities.

Similar arrangements are found elsewhere, with governments through their funding councils taking on a major role in putting forward proposals to collaborate and / or merge. For example, in January 2011 the Cabinet Secretary for Education and Lifelong Learning Michael Russell approved the merger between the University of Edinburgh (UoE) and Edinburgh College of Art (ECA), upon the advice from the Scottish Funding Council. In his letter to the VC of the UoE and the Principal of ECA the Secretary for Education noted his regrets that the weak financial position of ECA played a major role in the circumstances leading to the decision between the two institutions to merge and that it would have been far better to have arrived at this decision in a different way.<sup>26</sup> Nevertheless there was also a compelling academic case for merger which would lead to enhanced provision. In this case, similar to the alliance under consideration in this report, the Minister has made it clear that the financial support that must be provided in the light of the difficulties experienced by ECA would not deliver a long-term sustainable funding situation for EAC as an independent institution.

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<sup>26</sup> Extracts of the letter: <http://www.guardian.co.uk/edinburgh/2011/jan/24/edinburgh-eca-merger-university-scottish-funding-council-finances>