

Cylchlythyr | Circular

Consultation on Higher Education Investment and Recovery Fund

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To: Heads of higher education institutions in Wales
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This circular is a consultation on the new Higher Education Investment and Recovery Fund, which will be established in 2020/21 in order to support universities to maintain vital capacity and aid economic recovery in the context of the impact of the Covid-19 pandemic.

This circular is seeking views on the proposed arrangements for the operation of the Higher Education Investment and Recovery Fund, including the processes for making and considering applications and for the monitoring of delivery of successful bids.

We will take on board consultation feedback and issue a final circular in respect of the Higher Education Investment and Recovery Fund by early September.

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The Higher Education Investment and Recovery Fund

1. On 22 July 2020, the Minister for Education announced additional funding of more than £50 million for universities and colleges¹. The support was part of the Welsh Government's actions to support students and Wales' major education institutions and provide the skills and learning in response to the economic impact of the coronavirus. As part of this additional funding, £27 million will be provided to universities through a Higher Education Investment and Recovery Fund for Wales, to maintain teaching and research in the 2020/21 academic year.
2. This announcement followed the submission of a statement of intent to the Minister by the Looking Forward Group, established to bring together NUS Wales, the Wales TUC further and higher education representative, Universities Wales, chairs of universities in Wales and HEFCW. This statement of intent set out the case for investment arising from the short-term, medium-term and longer-term challenges for Wales and for universities as providers of higher education and research, as well as the benefits that would be secured by further investment. It also provided a series of commitments on the part of universities.
3. The subsequent HEFCW remit letter received 10 August 2020 followed up on the Minister's announcement by stating that an initial allocation of £27 million was being made to HEFCW to establish the Higher Education Investment and Recovery Fund '*to support the HE sector in mitigating the effects of the pandemic and support the wider economic recovery*'. The letter remitted HEFCW to use the funding to address a range of identified priorities over the remainder of this term of government, with regular reports on progress to be provided to the Welsh Government.
4. As announced by the Minister, the Higher Education Investment and Recovery Fund (referred to in this circular as 'the fund') "*will be established to support universities to maintain jobs in teaching, research and student services, invest in projects to support the wider economic recovery, and support students suffering from financial hardship*". We note that this support is provided in the context of significant reductions in university income in 2019/20, resulting from the rapid change in circumstances caused by Covid-19 and the move to online teaching. All institutions are also forecasting a significant loss of income in the 2020/21 academic year as a result of potential home student deferrals, a major reduction in international students, a loss of associated income from student accommodation and reduced research investment from private and charity sources.
5. Universities may also experience an increase in costs in order to adapt to the challenges posed by safe operation in a Covid-19 environment, not least a move to a blended approach to teaching provision. In addition to operational costs, this may include increased demand from students for support from hardship funds.

¹ <https://gov.wales/over-50-million-support-welsh-universities-colleges-and-students>

6. The primary purpose of the fund will be to reduce the effects of cost reductions and consequent loss of critical HE teaching and research capacity that would otherwise be required in the short-term to maintain the financial stability of Welsh universities. The fund will also help universities to prepare to operate, and to support the economy and employment in Wales, in the changed environment resulting from the Covid-19 pandemic. It should be noted that this funding will be unlikely to eliminate the need for some cost reductions and loss of capacity in Welsh universities. It will, however, provide further time for the universities in Wales to plan their transition to the new context, while mitigating major risks to the overarching offer and sustainability of higher education in Wales. It will also help to limit the reduction in universities' capacity to contribute to economic recovery post-Covid-19. In addition to reducing the need for cost reductions and loss of capacity, the fund may be used to support, in part, those specific additional costs incurred by universities as a consequence of Covid-19. This includes student hardship fund support where use of fee and access plan resources allocated from full time undergraduate fees is insufficient to meet the level of student needs. For further information on the types of activity that may be supported from the fund, please refer to the Welsh Government priorities as set out in the remit letter to HEFCW of 10 August 2020 and as outlined in paragraph 11 below.
7. Allocations from the fund will be made following an application process, managed by HEFCW. Individual Welsh universities and groups of Welsh universities are eligible to submit an application. While applications must be led by a Welsh university, they may involve other HE sector bodies (e.g. Jisc, Coleg Cymraeg Cenedlaethol), where appropriate, as part of any group. An overview of the application process and criteria for assessment of submissions is provided below.

Applications to the fund

8. Applications to the fund may be made by single universities or by groups of universities working in partnership. Each university may submit one individual bid to the fund, but may also be part of several collaborative bids. Given the limited amount of funding available to meet the requirements of all Wales' universities, we do not expect any individual university's bid to exceed £5 million in value. Clearly, funding of up to £5 million for each university would not be affordable within the available funding, particularly as we also anticipate that all universities would be part of at least one collaborative bid. This funding is not available to the Open University in Wales (OU) as an individual institution, although we would expect to see the OU involved in collaborative bids where appropriate.
9. We are proposing to operate a two stage application process, i.e. submission of a brief (two-page) summary bid followed by a more developed proposal. Applicants will be strongly advised to discuss potential applications with HEFCW prior to submission of the brief summary bid. Where we consider a summary bid is appropriate in terms of fit with the criteria below, we will invite

the submission of the more developed proposal. Where we consider that there is a particular need, we reserve the right to invite a university or groups of universities to make an application to the fund.

10. At both summary and full proposal stages, applications will need to set out the purpose for which the funding is sought and make a case for how this meets the criteria for support, as set out below. Where we invite full proposals, these will need to be provided on an application template, which will be issued separately with the call for proposals circular.

Criteria

11. We will allocate funding to universities provided proposals meet one or both of the criteria below:
 - a) **Financial need:** In view of the limited funds available, it will be critical that we ensure that funding is allocated where there is demonstrable financial need. All applications to the fund must therefore clearly demonstrate that they meet this criterion.

In practice, this means that proposals will need to demonstrate:

- **Where an application relates to avoiding cuts to critical capacity, that the absence of additional funding would result in cuts.** The financial impact of the position in autumn 2020 is such that the cost saving measures available and planned in the university's contingency plans, to achieve cost savings relatively quickly (e.g. non-pay cost savings and voluntary severance schemes), will be insufficient to address the financial gap, and that cuts to critical teaching and/or research capacity will be required in order for the university (or universities) to remain sustainable. The proposal will need to provide financial information to evidence the impact of Covid-19 on forecast cash flow and institutional sustainability and provide details of the cuts to critical capacity that will be required in the absence of the requested funding. This must include narrative to explain the nature of the capacity and the impact of its loss. The financial impact analysis must be linked to the format of the financial forecasts submitted to HEFCW on 31 July 2020.
- **For all applications, that the university (or universities) have fully explored alternative sources of funding or financing.** As the fund is limited, universities should explore all reasonable alternative funding and finance options prior to making an application to the fund. This must include consideration of the UK Government's support schemes, as appropriate. These schemes include the Coronavirus Business Interruption Loan Scheme ([CBILS](#)), the Coronavirus Large Business Interruption Loan Scheme ([CLBILS](#)), the Covid-19 Corporate Finance Facility ([CCFF](#))

and the UK Department for Business, Energy and Industrial Strategy's (BEIS) University [Research Support Package](#).

- **For all applications, where other funding or finance has been granted or is expected to be granted, that this has not fully mitigated the situation or is not available in the timescale needed.** Where the university (or universities) has received, or expects to receive, funding or finance from other sources, the application must evidence that this is insufficient to address the current financial need. This will be because it has not fully mitigated the requirement to cut critical teaching/and or research capacity in order to maintain sustainability; it has not enabled additional costs to be borne without still needing to cut critical capacity to maintain sustainability; and/or there is still a need for short term cash support prior to entering into one of these agreements later in 2020/21.
 - **That the requested support will not be for mitigating action supported by other sources of funding or finance including other HEFCW funding streams.** The application will need to evidence that the requested funding will not double fund any mitigating actions supported by funding or finance provided from other commercial or government sources (e.g. BEIS funding for research stabilisation), although short-term funding may be required in advance of these facilities being put in place, in order to manage cash flow pressures.
 - **Where an application relates to support for costs resulting from Covid-19, that these would be unaffordable in the absence of additional funding.** The financial impact of the position in autumn 2020 means that essential costs (e.g. student hardship funds) cannot be met without needing to resort to cuts to critical teaching and/or research capacity. The proposal will need to provide financial information to evidence the impact of Covid-19 on cash flow and institutional sustainability and that, if the essential costs are to be borne, cuts to critical capacity will be needed in the absence of the requested funding. This must include narrative to explain the nature of the capacity and the impact of its loss. The financial impact analysis must be linked to the format of the financial forecasts submitted to HEFCW on 31 July 2020.
- b) **Welsh Government priorities:** HEFCW will use the fund to support the retention of critical capacity, or to support essential additional costs resulting from Covid-19, where this is consistent with one or more of the following Welsh Government priorities:
- Maintaining capacity across the HE system in Wales in priority areas of teaching and research which need to be maintained through the 2020/21 academic year where HEFCW has identified such provision is under threat due to shortfalls in domestic and international student recruitment. HEFCW will ensure it has assessed how such provision can continue to be sustainable in the long-term.

- Priority recovery and investment projects in teaching and research, particularly tied to the Welsh Government's priorities for economic recovery, stabilisation and reconstruction, including artificial intelligence research, development of digital technologies, and green technologies.
- Investment in learning technologies and blended learning facilities (including expansion of online provision and parallel developments in digital inclusion and reach) to ensure maintenance of the quality of student experience in Welsh universities, with the goal of maintaining Welsh universities' traditionally strong performance in student experience surveys.
- Support the extension of at-risk skills and research contracts which universities hold with businesses to support jobs and knowledge exchange.
- Student hardship funds to be allocated by HEFCW to institutions, and by institutions to students, on the basis of urgent financial need.
- Facilitating institutions to review their portfolio offer and to advise their governors on its future development.

Authorisation and submission

12. **The submission will need to evidence that, at the full proposal stage, an appropriate impact assessment has been undertaken.** At the summary bid stage, we would expect to see evidence that the bid has been shaped with the intent of minimising any negative impact and/or maximising positive impact in respect of protected characteristics, the Welsh language and the Wellbeing of Future Generations Act's seven wellbeing goals, sustainable development principle and five ways of working.
13. Once formally submitted, each summary bid should be signed by the heads of all the universities party to the application as evidence of their commitment to engage with the process. Please note that all bids must be submitted electronically. We anticipate that summary bids would need to have been received by HEFCW by 30 September 2020 with a view to inviting full applications by the end of October.

Consideration of applications

14. HEFCW Council has established an Investment and Recovery Fund Group to consider bids to the fund. The group comprises the chairs of all HEFCW Council advisory committees, the Council Chair and HEFCW Chief Executive. All bids will be put to this group for consideration together with a recommendation from HEFCW's executive. The group will consider applications based on the criteria of financial need and the contribution to Welsh Government priorities.

15. As the fund has limited resources there may be insufficient funding to support all the proposals that meet the criteria. The group will therefore need to prioritise applications based on:
 - a) The urgency of institutional financial need and the extent of loss of critical capacity that will be avoided.
 - b) The expected impact of the proposed action on Welsh Government priorities (as set out in paragraph 11b) above).
 - c) Linkage to, and delivery of, the commitments set out in the statement of intent established by the Looking Forward Group, including growing and enhancing civic mission.
 - d) The extent to which the project secures sustainability beyond 2020/21.
 - e) The impact of collaboration, where relevant.
16. We will develop a scoring mechanism to support the prioritisation of bids, based on the above, which will be published in the final call for proposals.
17. We will adhere to the following standards when handling applications:
 - We will acknowledge receipt of applications. This acknowledgement will indicate the timescale for a formal response.
 - We will inform proposers if the timescale for consideration subsequently alters.
 - The Recovery and Investment Fund Group will consider all suitable applications objectively against the prioritisation criteria above when making recommendations to the Council to provide funding support.
 - We will inform proposers of the Council's decision on providing funding support and also when an application has not been fully supported, in due course following the relevant Council meeting.
 - Where an application has not been supported, or only partially supported, proposers will be provided with feedback on the reasons for this decision.

Payments, monitoring and reporting

18. We intend to make all funding allocations by March 2021. We will issue a funding letter for each successful application setting out the allocated funding and the conditions attached to this. Payments will be made as set out in the funding letter, with any changes to the profile of payments subject to agreement by HEFCW. Monthly progress reports to HEFCW will be required for all funded applications in order to enable us to monitor expenditure and the delivery of the agreed actions, and to inform our reporting to the Welsh Government. This monthly reporting will be a condition of funding.
19. We will publish the outcomes of allocations from the fund in a HEFCW circular.

Consultation questions

20. We welcome views on our proposed arrangements for the fund as outlined above, including the application and assessment process and the arrangements for monitoring the delivery of successful bids.

- Q1. Is the proposed application process for the fund appropriate? Please explain.**
- Q2. Would a two stage application process, as set out above, be preferable to a single stage application process with a shorter timescale? Please explain.**
- Q3. Would an application template be helpful? Please explain.**
- Q4. Are the approach and the criteria we propose to use to prioritise applications to the fund appropriate? Do you have views on the degree of priority we should attach to the criteria? Please explain.**
- Q5. Are the proposed arrangements for monitoring the progress of successful bids appropriate? Please explain.**
- Q6. Are there any unintended consequences regarding the proposals for the fund in this consultation? Please explain.**
- Q7. What positive or adverse effects might the proposals for the fund have on:
 - a. opportunities for persons to use the Welsh language; and
 - b. treating the Welsh language no less favourably than the English language?**
- Q8. Could the proposals for the fund be changed to increase positive effects, or decrease adverse effects on:
 - a. opportunities for persons to use the Welsh language; and
 - b. treating the Welsh language no less favourably than the English language?**
- Q9. Do the proposals for the fund have any positive or negative impacts or unintended consequences in terms of equality and diversity and the Well-being of Future Generations (Wales) Act's seven wellbeing goals, Sustainable Development Principle and five ways of working?**

Timetable

21. Please provide responses to this consultation by 1 September 2020. Following our consideration of those responses, we intend to publish a final

circular setting out the arrangements for the fund with a view to receiving bids by 30 September 2020.

Further information / responses to

22. For further information, contact Ewen Brierley (029 2085 9713; ewen.brierley@hefcw.ac.uk) or Alyson Thomas (029 2085 9711; alyson.thomas@hefcw.ac.uk). Responses should be submitted by email to the above addresses.

Assessing the impact of our policies

23. This consultation forms part of our process for assessing impact to help safeguard against discrimination and promote equality. We also consider the impact of our policies on the Welsh language, and Welsh language provision within the HE sector in Wales and potential impacts towards the goals set out in the Well-Being of Future Generations (Wales) Act 2015 including our Well-Being Objectives. Contact equality@hefcw.ac.uk for more information about impact assessments.