

Cylchlythyr | Circular

Supporting Strategic Change Fund

Date: 15 December 2016
Reference: W16/47HE
To: Heads of higher education institutions in Wales
Principals of further education institutions in Wales with directly funded HE
Response by: 23 February 2017
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This circular sets out the arrangements for the distribution of £20m to support strategic change in institutions in Wales, which was announced in HEFCW's revised financial year (FY) 2016-17 remit letter, dated 17 October 2016 alongside a reduction in the recurrent grant of £21.1m.

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Introduction

1. On 17 October 2016, HEFCW received a revised remit letter relating to the financial year (FY) 2016-17. Alongside a reduction of £21.1m to the recurrent grant as a result of higher than anticipated tuition fee grant costs, the revised remit letter announced that the Welsh Government (WG) is providing an allocation of £20m to support strategic change in institutions in Wales.
2. The remit letter states that this fund has been provided to address a number of issues:
 - Support for a review of estates rationalisation;
 - The development of investment in higher level apprenticeships;
 - Business incubator and accelerator facilities to improve the links between universities and industry; and,
 - A strategic development fund to promote sector capacity and ability to meet strategic challenges and change.
3. HEFCW intends to allocate the £20m funding against plans which directly address these four areas. In determining the allocation of this funding we will take account of the diversity of the strategic missions of HE providers in Wales and their capacity to deliver in the four areas above. Our intention is to arrive at final allocations for the four areas that also align with the strategic missions of HE providers as far as possible. The balance of funds allocated between the four areas will vary. There will also be a variation in the funding provided to individual providers similar to the variation in our recurrent funding allocations.

Supporting strategic change allocations

4. Detail of our expectations and requirements against each of the four areas in the remit letter is provided below.

Support for a review of estates rationalisation

5. In considering this aspect we will expect institutions to consider and share with us details of their current and planned performance, together with an evaluation of the quality of the data supporting those performance assessments, against the eight metrics shown below developed by the Association of Universities Directors of Estates (AUDE) in response to the Ian Diamond Phase 2 Efficiency and Effectiveness Review¹. Where performance in these areas is currently, or is likely to become, inferior to their UK peers then we would expect institutions to consider utilising these funds firstly to improve the quality of the data that supports the calculation

¹ www.encyclopedia.ac.uk/wp-content/uploads/delivering-value-from-the-he-estate-aude-report-20151.pdf

of these metrics and consequently to seek professional advice and expert support in developing new plans for the rationalisation of estate in order to improve performance in these areas. In considering the current performance of the estate institutions should refer to the published statistics provided in the latest AUDE Estates Management Report². The areas and associated metrics are as follows:

Efficiency

- Area per student and staff FTE (GIA m²)
- Total property cost per m² (GIA)

Quality

- Percentage of GIA in condition grades A and B
- Percentage of GIA in functional suitability grades 1 and 2

Value

- Income per m² (GIA)
- Insurance replacement value as a proportion of total income

Sustainability

- Maintenance and capital expenditure as percentage of insurance replacement value (rolling average of three years)
- Carbon emissions scope 1 and 2, tonnes by m²

6. In addition to the estates performance information, institutions should provide us with their latest analysis and schedules setting out the capital investment projects that have been identified for potential future investment as part of the Estates strategy, together with details of the associated funding sources for each project. The analysis should provide a brief narrative to describe each capital project and how it will impact on the Institution's strategic aims and should highlight those projects which will deliver a significant contribution to the improvement of the eight performance metrics above. The narrative should, where possible, quantify the expected benefit and impact on the metrics and the intended timescale.

The development of investment in higher level apprenticeships

7. Taking Wales Forward, the Welsh Government's Programme for Government 2016-2021, signals an intention to create a minimum of 100,000 high-quality, all age apprenticeships. In addition, increasing the number of higher apprenticeships and piloting degree apprenticeships particularly in science, technology, engineering and professional routes, to better meet the needs of the economy, has been identified by Welsh Government as a priority.
8. In line with these policy priorities HEFCW is inviting plans from institutions to develop degree level qualifications which could form part of an apprenticeship. We are specifically interested in qualifications in the areas of engineering, advanced manufacturing and IT/ computing. In undertaking this development work, institutions will be expected to work in collaboration

² www.aude.ac.uk/about-us/ems-report/

with the relevant sector skills councils, employers and regional skills partnerships.

9. It is anticipated that this development work could ultimately lead to the availability of degree level apprenticeships in areas of skills shortage and skills gaps with the potential to add value to the economy.

Business incubator and accelerator facilities

10. The Welsh Government's Programme of Government prioritises support for enhanced links between education and industry, enabling innovation and entrepreneurship across our public and private sectors in collaboration with our universities and colleges. In this context, the Programme also confirms the Welsh Government's commitment to the establishment of technology hubs, especially in towns and cities where there are colleges and universities.
11. As part of the Regional Entrepreneurship Accelerator Programme (REAP), Welsh Government is working with key stakeholders, including business and academia, to put innovation-driven entrepreneurship at the heart of the drive to create jobs and boost the economy. Using MIT frameworks, an analysis of Wales' entrepreneurial ecosystem has identified challenges associated with funding for the commercialisation of research and the development of an entrepreneurial culture.
12. We therefore invite plans for the establishment or enhancement of business incubator and accelerator facilities. The aim should be to support early-stage entrepreneurs to develop their business ideas, thus creating jobs and improving links between universities and industry.
13. We are not starting from a zero base. Most HEIs in Wales already offer business incubator and/or accelerator facilities using a range of different models of provision, both formal and informal, including:
 - professional desk/office space for students or graduates to scope their ideas;
 - informal co-working space; shared work environment
 - 6-12 month incubation space for new business starts, entrepreneurs and graduates;
 - access to structured workshops, mentoring or consultancy support;
 - signposting to specialist support under [Business Wales](#);
 - access to specialised facilities;
 - test trading space.
14. These different models might be found in purpose-built innovation or enterprise facilities on or off campus, or within specialist academic schools, ranging from art and design through to life sciences, computer science and business and management. Some offer laboratory space at special rates.

A number of these facilities are operated and supported in partnership with local authorities and/or private sector partners.

15. Funding can be used to establish new incubator/accelerator space, or to enhance the facilities or services offered by existing space, for example, by improving support programmes and/or by working with partners to deliver a service.

Strategic development to promote sector capacity and ability to meet strategic challenges and change (the Supporting Strategic Challenges and Change fund)

a) Research

16. HEFCW's Corporate Strategy states that we aim to secure research of internationally excellent quality in Wales to deliver a buoyant economy and support social justice. This requires a research base that is dynamic and innovative, capable of responding flexibly to new and emerging challenges and opportunities, and financially sustainable in the longer term.
17. Consistent with the above objectives, the Supporting Strategic Challenges and Change Fund (SCF) can be used for strategic investment which enables institutions to respond to new opportunities and challenges in research, and ensures that their research base remains financially sustainable.
18. Where institutions wish to use funding for the strategic development of research in this way, it is essential that the investment makes a real difference and has a tangible outcome.
19. Whilst not intended as an exhaustive list, examples of potential areas of strategic investment for research could include:
 - Strategic research investments which would otherwise have been curtailed because of the reduction to the 2016/17 recurrent grant
 - Investing in the research staff base to promote STEMM research and reduce the identified deficit in the number of STEMM researchers in Wales, including through participation in the Welsh Government's Sêr Cymru 2 programme
 - Promoting research impact to maximise the benefit of research for the wider economy and society
 - Positioning the institution for successful applications to the Global Challenges Research Fund, a major new UK-wide scheme operated primarily through the Research Councils
 - Capital investment in equipment and facilities required for high-quality research
 - Preparing for the next Research Excellence Framework (REF).

b) *Teaching*

20. The SCF can also be used for strategic investment that will be required to enable institutions to sustain part-time undergraduate provision, expensive subject provision (being those that cost more than the current fee of £9,000 to provide) and postgraduate provision. This investment should be used to enable institutions to maintain provision in the short term in strategically important areas prior to the implementation of the recommendations of Professor Sir Ian Diamond's Review of Higher Education Funding and Student Finance Arrangements in Wales³. Strategic investment proposals for teaching provision should identify their impact on HEFCW's Corporate Strategy priorities of further development of inclusive learning, retention and progression opportunities. We would particularly welcome proposals for sustaining and developing more flexible modes of provision that enable students to 'learn while they earn'.

Next Steps

21. As noted in paragraph 3 above, HEFCW wants to ensure that the funding is allocated in line with providers' missions, recognising strength and real potential for sustainable development.
22. Therefore, due to the different missions, scale and capacity of HE providers, we anticipate that the plans that we receive will be wide reaching and diverse. We wish to be able to allocate this funding as efficiently as we can and without the need for extensive iterations which can arise in bidding processes. However, this funding will need to be allocated strategically so as to maximise the impact on the four areas. We therefore intend to meet with each Welsh HE provider, currently in receipt of HEFCW recurrent funding, early in the new year to discuss our expectations in terms of the plans that they will submit. We would therefore ask that you identify the key individuals in your institution whose attendance at these meetings will be essential so that we can then proceed to arrange suitable meeting dates. Also please let us know the name and contact details of the person within your institution with whom we should liaise to finalise the meeting arrangements. Please provide these contact details to Leanne Holborn (hestats@hefcw.ac.uk – 029 2085 9723) by **20 December 2016**.
23. Although these meetings will be designed to streamline the process and reduce iterations of submitted plans, they are still expected to be just the starting point in the development of proposals for spend with the final submission date being 23 February.
24. Annex A provides a basic template which sets out the four expected areas of spend, and provides a framework upon which to structure the plans to

³ <http://gov.wales/topics/educationandskills/highereducation/review-of-he-funding-and-student-finance-arrangements/?lang=en>

be submitted. This template can be altered and adapted to fit your institution's individual requirements.

Timetable

16 December 2016	Publication of Circular
3 January – 9 February 2017	Meetings with Institutions
23 February 2017	Submission of Plans
23 February – 9 March 2017	Analysis of Plans
23 March 2017	Council Meeting
Early April 2017	Publication of Outcomes Circular and release of funds

Further information / responses to

25. For further information, contact Leanne Holborn (029 2085 9723; leanne.holborn@hefcw.ac.uk).

Assessing the impact of our policies

26. We will be carrying out an impact assessment to help safeguard against discrimination and promote equality, and consider the implications in relation to the Future Generations Act. We will also consider the impact of plans on the Welsh language, and Welsh language provision within the HE sector in Wales. Contact equality@hefcw.ac.uk for more information about Impact Assessments.
27. A similar responsibility rests on higher education institution partners to assess the impact of your proposals to help safeguard against discrimination and promote equality.

**Higher Education Funding Council for Wales
Plans for the allocation of £20m strategic funding 2016/17**

This pro forma can be adapted to suit the individual plans submitted by each institution.

Institution:

Please describe your institution's plans for the use of a potential allocation from the additional £20m HEFCW strategic funding in 2016/17, by completing this pro-forma in respect of one or more of the following areas.

Support for a review of estates rationalisation

Description of proposed use of funds	Indicative breakdown of expenditure
Total	

Development of investment in higher level apprenticeships

Description of proposed use of funds	Indicative breakdown of expenditure
Total	

Business incubator and accelerator facilities to improve the links between universities and industry

Description of proposed use of funds	Indicative breakdown of expenditure
Total	

A strategic development fund to promote sector capacity and ability to meet strategic challenges and change

Description of proposed use of funds	Indicative breakdown of expenditure
Total	