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## **Reconfiguration and Collaboration Fund: Phase 2**

**22 July 2004**

**Ref: W04/48HE**

To: Heads of higher education institutions in Wales;  
Principals of directly funded further education colleges

Summary: This circular describes the basis on the Reconfiguration and Collaboration fund will operate in its second phase, 2004/05 until further notice.

Response by: No response required.

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## RECONFIGURATION AND COLLABORATION FUND: PHASE 2

### INTRODUCTION

- 1 This circular describes the basis on which the Reconfiguration and Collaboration fund will operate in its second phase, 2004/05 until further notice.

### BACKGROUND

- 2 The Reconfiguration and Collaboration fund was launched in July 2002 as part of the Council's response to *Reaching Higher*, the Assembly Government's ten year strategy for Higher Education published earlier that year. Circular W02/48HE, (20 July 2002), specified the objective of the fund as *to support the reshaping of the sector in the interests of achieving major performance gains and enhanced competitiveness*. Circular W03/65HE, (11 November 2003), detailed the outcome of the first set of proposals submitted for consideration, the process by which they were assessed and the arrangements for making applications to the fund in future.
- 3 The Council's 2004-05 remit letter invited an appraisal of sectoral performance at reconfiguration to date, together with an assessment of how activities might be advanced further. The Council made its report towards the end of April and this report served to inform the Ministerial statement to the Welsh Assembly Government on 9 June announcing the next phase of *Reaching Higher*.

### THE MINISTERIAL STATEMENT

- 4 The Minister sent her statement, together with a covering letter, to all heads of higher education institutions in Wales on 9 June 2004. The statement represents the clearest possible declaration of the Assembly Government's continuing commitment to pursuing reconfiguration and collaboration as the means of securing the robust, dynamic and competitive higher education sector that is essential to the prosperity of Wales now and into the future.
- 5 Evidence of that commitment is arguably nowhere more clear than in the expectation that the Council will also deploy other funding streams, specifically the core grant and supplementary income in lieu of variable tuition fees, to incentivise action within the principles of *Reaching Higher*.
- 6 Key messages on the nature of the action that is sought on reconfiguration and collaboration are:
  - Funding will continue to be available for well found merger proposals.
  - Funding will also be forthcoming for supporting clusters and networks of excellence, whether in teaching, research or third mission activities, where these are:
    - substantial
    - sustainable
    - have unified management structures and
    - the capacity to deliver greater benefits than institutions acting alone.
- 7 The Council views the message of the statement overall as entirely in keeping with continued moves to rationalise provision between institutions where this can be shown to be of significant benefit to students, to the maintenance or enhancement of the research base in Wales, or to the Welsh economy or society. Accordingly, funding will continue to be available for these purposes too.

## IMPLICATIONS FOR THE RECONFIGURATION AND COLLABORATION FUND

- 8 The objective of the Reconfiguration and Collaboration fund is couched in broad terms so that, in the Council's view, it accommodates the specific emphases of the Minister's statement. The objective will continue to be *to support the reshaping of the sector in the interests of achieving major performance gains and enhanced competitiveness.*
- 9 On the basis of experience in operating the fund to date, however, and of the clear parameters laid down in relation to collaboration in clusters and networks, the Council sees merit in refining the process by which applications are made.

## APPLICATION PROCESS

- 10 For Phase 2 of the Reconfiguration and Collaboration Fund, the Council will operate a two stage application process: an initial expression of interest to inform discussions with officers from the Council's Executive, and then, if appropriate, a fully developed proposal for formal consideration by the Reconfiguration and Collaboration panel and the Council.
- 11 Expressions of interest should be made using the proforma at Annex A. *Electronic copies are available with this circular under the Circulars section on the Council's website, [www.hefcw.ac.uk](http://www.hefcw.ac.uk)* They should not exceed the two pages of the proforma and should be accompanied by a covering letter signed by the heads of all the institutions party to the proposed collaboration as evidence of their commitment to engage with the process.
- 12 Discussions between Council officers and senior officers of the institutions concerned will identify and seek to resolve any issues raised by the initial proposal, and then, if appropriate, specify precisely the further information required to take it forward. The further information can be expected to be selected from the checklist developed during Phase 1 of the fund. The heads of information from that checklist are reproduced at Annex B for ease of reference.
- 13 Only when documentation is complete and robust will it be referred to the Council's Reconfiguration and Collaboration panel for consideration. The Council will not set closing dates for receipt of applications during the year so that the pace at which proposals proceed will be determined very substantially by the time taken to produce fully developed documentation.

## ASSESSMENT PROCESS

- 14 The process by which applications are assessed will remain as now. Applications will be considered by the Council's Reconfiguration and Collaboration panel, which will make recommendations to the full Council.
- 15 The panel's constitution, membership and terms of reference are at Annex C.

## FUNDING

- 16 The Council will need to apply to the Welsh Assembly Government for the release of funding for any proposal that it supports. In this context, the Council must be in a position to demonstrate a case that is sound in relation to the objectives of the action proposed and to specify measurable targets and outcomes linked to those objectives, together with details of arrangements for monitoring and evaluating the work, both on an ongoing basis and on completion. While the Council will work with institutions to ensure it is in such a position, much of the onus in this respect will inevitably and properly lie with the institutions.

- 17 The declared level of funding for Reconfiguration and Collaboration in 2004-05 (April – March) is £8 million. The indicative level for the corresponding period in 2005-06 is £13 million. Similar sums are likely to be available in the following two years. The Minister's statement is clear that *in a sector with a large number of small institutions, funding will continue to be made available for mergers*. Funding for proposals for merger will be considered on a case by case basis.

#### NEXT STEPS

- 18 The Council intends to press ahead vigorously with Phase 2 of the Reconfiguration and Collaboration Fund. To this end, Council officers will be embarking on a programme of discussions with Vice-Chancellors and Principals and their senior staff to explore specific proposals consistent with establishing the well-found, powerful collaborations envisaged in the Minister's statement.

#### QUERIES AND ADVICE

- 19 Any queries about the contents of this circular should be directed to Ann Hughes, Head of Funding and Research, e-mail: [ann.hughes@hefcw.ac.uk](mailto:ann.hughes@hefcw.ac.uk); tel: 029 2068 2221.

RECONFIGURATION AND COLLABORATION FUND: PHASE 2

EXPRESSION OF INTEREST

Lead Institution

Partner Institution/s

Administrative Contact:           Name  
  Tel No  
  E-mail

**Title of proposal**

**Indicative level of funding and period of funding** (eg £0.5 million for each of three years)

**Objective of the proposal** (what it is intended to achieve)

**Rationale for the proposal** (why it is being suggested)

**Brief description of the activity proposed** (how it is proposed to achieve the objective and how it will be sustained beyond the funding period)

**Funding** (a short narrative breakdown of indicative funding by element over the period of funding. Separately, the amount of institutional contribution proposed)

**Management Arrangements** (a brief description of the arrangements for managing the proposal while it is in progress)

Completed forms should be returned to: Ann Hughes, Head of Funding and Research,  
Higher Education Funding Council for Wales, Linden Court, Ilex Close, Llanishen, Cardiff,  
CF14 5DZ.

## HEADS OF INFORMATION FROM CHECKLIST FOR PROPOSALS FOR MERGER AND COLLABORATION

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### 1. Purpose

- i) *The issue/s*
- Statement of the issue or opportunity being addressed.
  - Summary of the proposal.
  - Relationship to the institutions' missions, strategic plans and Reconfiguration and Collaboration plans.
  - Relationship to the Council's strategic aims and criteria for support from the Reconfiguration and Collaboration Fund.
  - Summary of particular benefits, financial and non-financial, in terms of outputs, outcomes, benefits and impacts.
- ii) *Options appraisal and risk assessment:*
- At the outset of a development, an options appraisal will be needed in order to determine the best way forward. A statement of all of the (feasible) options available should be prepared. This should always include the status quo as the base case for evaluating the other feasible options.
  - Where groundwork has already been completed through a full options appraisal and progress is being made to the next stage, the outcome of that appraisal should be presented in full. The outcome should include:
    - an assessment of the key risks associated with each option;
    - an identification of the factors that are relevant/critical to determining the preferred option;
    - an identification of the key assumptions associated with each option;
    - depending on the nature and scale of the activity, a sensitivity analysis.
  - The case for the preferred option: the options appraisal should enable a clear statement of the argument for the preferred option to be presented.
- iii) *Mission:* In cases where merger is proposed, a clear statement of the intended mission for the merged institution and how it addresses the key issue/s identified in (i).
- iv) *Impact:* An assessment of the likely impact of the development, both regionally and nationally in Wales.

### 2. Business Plan

The Business Plan should describe how the preferred option would be put into effect and highlight the actions needed to manage the key risks. The Plan should include the following components. A statement of the process by which the reasonableness of assumptions and assertions has been tested should be included for each.

- i) *Costs and benefits:* An assessment of costs and benefits. This should include an appraisal of the return on investment over a specified timescale (e.g. increased research income/contracts; academic developments, etc).
- ii) *Due diligence exercise*

- iii) *Finance*: A statement of the sources of finance and any restrictive conditions attached: institutions' own contributions; funds borrowed; private investment; public investment (e.g. government departments, SRIF, Research Councils). The particular aspects of the proposal such contributions would cover should be identified.
- iv) *The case for investment by HEFCW, specifically*
- v) *Savings*: The financial savings arising in the short, medium and long term and the proposed re-deployment of savings, e.g. to invest in facilities or to repay HEFCW (or other sources) for cash-flow assistance.
- vi) *Implications*: The implications for:
  - estates and other physical infrastructure, including additional capital requirements; disposal of buildings, etc
  - staff numbers, by category
  - student numbers, e.g. in relation to uncertainty affecting recruitment.
- vii) *Impact*: An assessment of the impact
  - *on the Council's strategic aims*: In particular, and as appropriate,
    - the excellence of the research base
    - the quality and scope of learning and teaching
    - ITT provision
    - widening access and increasing participation
    - knowledge transfer activities
  - *on stakeholders*: In particular,
    - students
    - staff
    - other stakeholders, e.g. NHS, Research Councils, neighbouring institutions, the Welsh HE sector as a whole, local communities
- viii) *Governance and management structures*: A description of the structures, including plans for any transitional phase.
- ix) *Process*: Details of the process for dissolution and merger.

*In Appendix*: In the case of merger or a substantial strategic alliance, a five-year financial forecast, indicating key assumptions. (In cases where major commitment from HEFCW is requested, broader financial projections associated with the proposed activities, including a sensitivity analysis, are also required).

### **3. Implementation Plan**

The Implementation Plan should describe how the development will be managed as a project between two or more institutions, e.g. use of independent facilitators, external consultants; project management arrangements, and should include:

- i) *Timetable*: An outline of how any action would be implemented, identifying key stages and providing dates.
- ii) *Management plan*: A statement of the arrangements to be put in place to ensure effective management, including formal project management. This should include details of arrangements for ongoing consultation with stakeholders and details of any dedicated staff resource.

#### **4. Deliverables**

The Deliverables should relate to the achievement of the purpose of the development. They should comprise:

- i) *Interim strategic targets*: To direct activities towards the achievement of the purpose. These targets should be verifiable.
- ii) *Managerial targets*: To direct the day-to-day management of activities. Again, these targets should be verifiable.

## RECONFIGURATION AND COLLABORATION PANEL

### *Constitution*

Two to three Council members, one to serve as Chair  
One to two independent members

### *Membership*

*Council:* Dr Geoffrey Thomas (Chairman)  
Mr Tim Rees  
Professor Garel Rhys

*Independent:* Professor John Sizer CBE, DLitt, FCMA, former Chief Executive of the Scottish Funding Councils for Further and Higher Education, and previously Professor of Financial Management at the University of Loughborough

The quorum for meetings shall be the Chairman and two members, one to be an independent member.

### *Terms of Reference*

- 1 To advise the Council on guidance for higher education institutions wishing to pursue, or pursuing, substantial reconfiguration, including merger, and collaboration, whether within the HE or FE sector
- 2 To keep the agreed advice under review and to advise the Council on its development as appropriate
- 3 To consider institutions' proposals for reconfiguration and collaboration and to advise the Council accordingly
- 4 To assess applications for funding to support reconfiguration and collaboration and to make recommendations to the Council, having regard, where appropriate, to advice from the Council's Audit and Risk Committee
- 5 To act on such other matters as the Council may refer to it from time to time