RECONFIGURATION AND COLLABORATION FUND

To:	Heads of higher education institutions in Wales
Summary:	This Circular provides details of the outcome of proposals submitted to the Reconfiguration and Collaboration Fund 2002/03; documents the process used for assessing proposals; and outlines the arrangements for making applications to the Fund in future.
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- **INTRODUCTION**

1   This Circular provides details of the outcome of proposals submitted to the Reconfiguration and Collaboration Fund 2002/03; documents the process used for assessing proposals; and outlines the arrangements for making applications to the Fund in future.

- **BACKGROUND**

2   The Council established the Reconfiguration and Collaboration Fund in August 2002 in response to *Reaching Higher*, the Welsh Assembly Government's strategy for higher education. The Council appreciated that reconfiguration was central to that strategy; moreover, it was aware that the Assembly Government had undertaken to make substantial funds available for reconfiguration and collaboration.

3   The Council sees the Fund as the principal vehicle for reshaping the sector in the medium term. In March 2003, the Assembly Government announced £6 million for the Fund for 2003-04 with indicative sums of £8 million and £28 million for 2004-05 and 2005-06 respectively.

- **STRUCTURE AND CONTENT**

4   This Circular is in three parts: Part 1 deals with the Fund in 2002/03; Part 2 details the process used for assessing proposals; and Part 3 outlines the arrangements for making applications to the Fund in future. Annexes A and B cover, respectively, the outcomes of proposals to the Fund in 2002/03 and the assessment process.

- **PART 1 : THE FUND IN 2002/03**

5   The Fund was established to support *the reshaping of the sector in the interests of achieving major performance gains and enhanced competitiveness.* The amount of funding available in 2002/03 was £5.3 million, £2.3 million from the Council's baseline grant and £3 million additional, above-baseline grant from the Assembly expressly for reconfiguration and collaboration.

6   Details of the arrangements for the Fund, including how proposals should be submitted and how they would be assessed, were published in Circular W02/48HE on 26 July 2002. Headline details of the proposals supported were released in a press statement issued on 17 December 2002.

7   Altogether 20 proposals were submitted for consideration. Their total cost was £13.6 million. 10 were supported; three deferred; two referred for consideration through other channels; and five rejected.

8   The proposals deferred were those involving collaborative activities of a substantial and far-reaching nature with further education colleges. Of these, one needed integrated decision-making with the National Council-ELWa; and the others were in an area – HE in FE – where the Council intended to review and develop its policy position. Proposals that were referred or rejected did not meet the published criteria for support.

9   The proposals are set out by category of decision at Annex A. The amount of funding allocated is shown for those supported.

10 The proposals supported were each subject to varying degrees of development and refinement to reach the stage where agreement on funding could be concluded. Central to this process was the specification of targets against which progress and outcomes could be monitored and evaluated, and a profile of funding established.

- **PART 2 : ASSESSMENT PROCESS**

11 Circular W02/48HE indicated in broad terms how proposals would be assessed. Substantially, this was by a small panel with Council and independent membership making recommendations to the Council. The detail of the process that was followed, and that will

continue into the future, is set out in Annex B.

12 Annex B also includes the constitution, membership, and terms of reference of the panel, the Reconfiguration and Collaboration Panel, which has now been established as a quasi-standing advisory body to the Council on reconfiguration issues.

13 A checklist for higher education institutions considering merger and collaboration forms part of the Annex. This checklist was developed in the course of operating the Fund in 2002/03 with a view to assisting institutions in developing and, where appropriate, re-presenting their proposals, and the Council in assessing them.

14 The preamble to the checklist indicates that institutions need to identify the factors on the list which are appropriate to the particular issue they are addressing. However, in all cases, the Council requires an implementation plan and a statement of deliverables. The latter is used to monitor and evaluate progress and outcomes, and to guide the establishment of a funding profile should the proposal be supported.

▪ **PART 3 : FUTURE APPLICATIONS TO THE FUND**

15 The Council expects, in a number of cases, to receive proposals to build on work supported to date. However, it is also open to receive fresh proposals. The Council will receive and consider proposals as they arise: there will be no set dates in the year for submission.

16 The Council has sought to encourage collaborative activity in provision through the medium of Welsh and is already supporting some work of this nature through its Structural Change Fund. It would welcome further proposals which would expand Welsh-medium provision, provided they were of a substantial nature.

17 Institutions considering applying for support from the Fund should refer first to the checklist for guidance in preparing

their documentation; they should also make early contact with the Council's Executive to discuss their proposals. Every effort will be made to process applications swiftly and progress will be greatly assisted by robust documentation. Proposals will not be put before the Reconfiguration and Collaboration Panel until this is provided. Attention to the checklist and contact with the Council's Executive will help in this respect.

18 The Reconfiguration and Collaboration Panel will meet as required to assess proposals and prepare its advice to the Council. Council meeting dates to the end of this year and for 2004 are as follows:

2003:	5 December
2004:	30 January
	19 March
	7 May
	2 July
	6 & 24 September
	21 October
	10 December

▪ **FURTHER INFORMATION**

19 Further information is available from:

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RECONFIGURATION AND COLLABORATION FUND 2002/03: OUTCOMES   **ANNEX A**

Partners	Proposal	Allocation (up to £k)
SUPPORTED Cardiff University University of Wales College of Medicine	Development of "Alliance Project", leading to merger in August 2004	3,000
University of Wales, Bangor North East Wales Institute of Higher Education	Futures option appraisal, including creating a new University for North Wales	250
University of Glamorgan University of Wales Institute, Cardiff	Futures option appraisal, including merger	250
University of Glamorgan University of Wales College, Newport	Appraisal of options for strategic collaboration	100
University of Wales Swansea Swansea Institute of Higher Education	Options analysis: rationalisation of provision in law, nursing and initial teacher training; Collaboration in support services (careers services; estate management; procurement; library services; equal opportunities)	150
University of Wales Institute, Cardiff University of Wales College, Newport	Feasibility study: closer collaboration in Initial Teacher Education and Training	30
University of Wales, Aberystwyth University of Wales, Bangor	Strategic analysis: collaboration in research and teaching	100
University of Wales, Aberystwyth University of Wales, Lampeter Trinity College Carmarthen	Curriculum development in Archaeology (TCC, UWL); Initial Teacher Education and Training provision (TCC, UWA); Central service provision: finance; personnel; careers; procurement (TCC, UWL, UWA)	250
University of Wales, Bangor Coleg Menai	Feasibility study: collaboration in administrative services	38
University of Wales College, Newport Coleg Gwent	Analysis of models for HE/FE collaboration and integration	123

RECONFIGURATION AND COLLABORATION FUND 2002/03: OUTCOMES   **ANNEX A**

Partners	Proposal
DEFERRED University of Glamorgan Merthyr Tydfil College	Integration of College within the University (*subsequently progressed and awaiting consideration by the Reconfiguration and Collaboration Panel*)
University of Glamorgan Pembrokeshire College; Coleg Sir Gar; Coleg Llandrillo; Pontypridd College	Strategic Alliance
University of Wales Institute, Cardiff University of Wales Swansea; Swansea Institute of Higher Education; University of Wales College, Newport; University of Wales, Lampeter; Trinity College Carmarthen; and Glan Hafren, Ystrad Mynach, Bridgend, Gorseinon, Neath Port Talbot, Swansea, and Barry Colleges	The formation of a South Wales federation of HEIs, FEIs and schools
REFERRED FOR CONSIDERATION THROUGH OTHER CHANNELS University of Wales, Aberystwyth; University of Wales Institute, Cardiff; University of Wales College, Newport; North East Wales Institute of Higher Education	Senior Management Institute for Wales
University of Glamorgan; University of Wales, Aberystwyth; University of Wales, Bangor; University of Wales, Lampeter; University of Wales Swansea; University of Wales Institute, Cardiff; University of Wales College, Newport; North East Wales Institute of Higher Education; Swansea Institute of Higher Education; Trinity College Carmarthen	Integrated Careers Management Skills Model

Partners	Proposal
REJECTED University of Wales, Aberystwyth University of Wales, Bangor; University of Wales, Swansea; University of Wales, Lampeter; Trinity College Carmarthen	Geographical and functional links with partner HEIs
University of Wales, Swansea University of Wales, Aberystwyth	Centre for Legal Welsh
University of Wales Institute, Cardiff University of Wales, Aberystwyth; University of Wales College, Newport; Cardiff and Vale Health Trust	Scoping study: Welsh Research Institute for Sports Science and Exercise Medicine
University of Wales Institute, Cardiff North East Wales Institute of Higher Education	Feasibility study: Functional research alliance with other HEIs in Wales
Royal Welsh College of Music and Drama Cardiff University; University of Wales, Bangor	Widening Access in Music HE

RECONFIGURATION AND COLLABORATION FUND: ASSESSMENT PROCESS

1   **Background**

1.1   Funding allocations for reconfiguration are made from the Council's Reconfiguration and Collaboration Fund.   Allocation procedures and processes derive from those applied to other large-scale initiatives operated by the Council over a number of years.   They are presented in diagram form at the end of this description.

1.2   Terms used in the description are defined as follows:

minor proposals: feasibility studies, options appraisals etc, usually, but not exclusively, preparatory work for action of a substantial nature such as merger.

major proposals: mergers, substantial structural change falling short of merger, subject rationalisation etc.

delegated authorities: in the context of the Council, further specified action and/or approvals, including financial approvals within the agreed limits for the Chief Executive (£250k) and the Chairman (£500k).

2   **Process**

2.1   For the first allocations in 2002/03, a call for proposals based on Ministerial guidance and including criteria for assessment of proposals and details of arrangements for assessment (Circular W02/48HE) was published on 26 July 2002.

2.2   Assessment by an advisory panel (the Reconfiguration and Collaboration Panel) with constitution, membership and terms of reference agreed by the Council.

2.3   Council consideration of the panel's recommendations, leading to decisions - support; support subject to conditions; defer; refer; reject - and delegated authorities as appropriate to the proposals concerned.

2.4   Formal notification of outcomes to institutions, and, in due course, general publication.

2.5   Discussion and negotiation between the Executive and institutions to refine proposals as necessary to meet conditions for funding stipulated by the Council. Discussions based on a checklist designed to assist institutions in refining/formulating their proposals and the Council in assessing them.

For minor project proposals:

2.6   Officer scrutiny of documentation and progression through delegated authorities (see 2.3 above)

For major proposals:

2.7   Scrutiny of documentation by an Executive group comprising the Director of Higher Education; Director of Finance; Head of Risk Assurance; Head of Estates; Head of Funding and Research; and Senior Strategic Projects/Development Manager.

Scrutiny by the group takes the form of selective testing of institutions' own processes for arriving at conclusions, including financial estimates. Costs are benchmarked against those of comparable undertakings elsewhere in the UK where these are known.

2.8   The group's analysis, with accompanying documentation, referred to the Chief Executive and then to the Reconfiguration and Collaboration Panel for consideration.

2.9   Panel conclusions referred to Council for final decision on funding support.

For all proposals

2.10   For purposes of subsequent monitoring and evaluation and managing risk, the Executive agrees targets and deliverables for each stage of the project with institutions, and also agrees a payment profile. The profile has regard to the schedule of agreed deliverables. The Executive will specify an approach to evaluation having regard to the nature of each project. This will always include a review of an evaluation prepared by the institution/s at each monitoring point. For major proposals, it will always include supplementary evaluation, for example post-merger evaluation, on a timescale appropriate to the case in point. This evaluation will be undertaken by the Council Executive or by agents commissioned by the Executive.
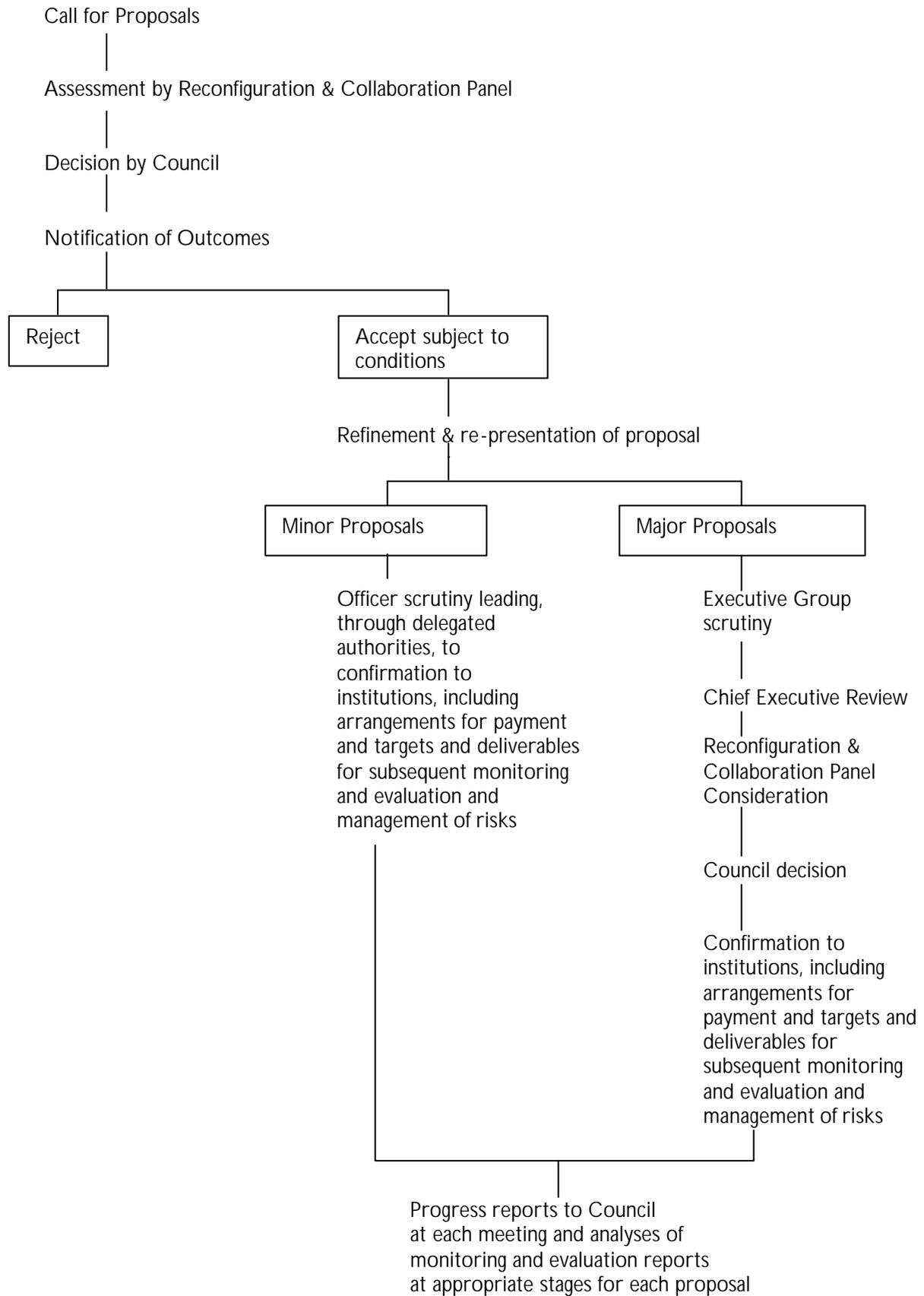
2.11   All details – total funding allocation; targets and deliverables; arrangements for monitoring and evaluation; and profile of payments – confirmed to institutions in writing.

2.12   Progress reports to the Council at each meeting. These reports will include an analysis of monitoring and evaluation reports at the appropriate stages for each project.

3.   **Evaluation at programme level**

3.1   In due course, there will be an overarching evaluation by the Executive, or agents commissioned by the Executive, of the reconfiguration programme as a whole. This will be reported to the Council.

DIAGRAM OF ASSESSMENT PROCESS

Call for Proposals

Assessment by Reconfiguration & Collaboration Panel

Decision by Council

Notification of Outcomes

| Reject |

| Accept subject to conditions |

Refinement & re-presentation of proposal

| Minor Proposals | | Major Proposals |

Officer scrutiny leading, through delegated authorities, to confirmation to institutions, including arrangements for payment and targets and deliverables for subsequent monitoring and evaluation and management of risks

Executive Group scrutiny

Chief Executive Review

Reconfiguration & Collaboration Panel Consideration

Council decision

Confirmation to institutions, including arrangements for payment and targets and deliverables for subsequent monitoring and evaluation and management of risks

Progress reports to Council at each meeting and analyses of monitoring and evaluation reports at appropriate stages for each proposal

RECONFIGURATION AND COLLABORATION PANEL

Constitution

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

Where Council members have declared an interest in a proposal, arrangements for substitution will be made. This could be from the Council and/or from outside.

A member of the Council's Executive will act as Secretary to the panel.

Membership

Council: Dr Geoffrey Thomas (Chairman)
                  Mr Tim Rees

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

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

October 2003

CHECKLIST FOR HIGHER EDUCATION INSTITUTIONS CONSIDERING MERGER AND COLLABORATION

Set out below are the key factors which higher education institutions will need to address when considering mergers and/or collaborations. They are presented as a checklist that can be used for a range of activities – merger, strategic alliance, rationalisation, and other forms of collaboration.

The factors are presented under four headings – *Purpose, Business Plan, Implementation Plan* and *Deliverables*. Institutions will need to identify which factors are appropriate to the particular issue/s they are addressing. The nature of the activity in prospect will dictate the factors to be considered; not all of the factors will be appropriate in every case. For example, in the context of *Purpose* (section 1), a new statement of mission might be appropriate only in the case of merger. Similarly, in the context of *Business Plan* (section 2), a process of dissolution and merger would not be called for in cases of subject rationalisation or strategic alliance.

The checklist is intended to help higher education institutions develop their thinking but, when used in drawing up a proposal for funding support from the Council, it will also provide the information that will help the Council to assess that proposal.

The Council's staff would be pleased to deal with any queries and to discuss institutions' thinking with them at any time. Please contact Vanessa Cuthill (tel. 029 2068 2291; email: vanessa.cuthill@hefcw.ac.uk), or Alyson Thomas (tel. 029 2068 2203; email: alyson.thomas@hefcw.ac.uk) in the first instance.

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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:

    o an assessment of the key risks associated with each option;
    o an identification of the factors that are relevant/critical to determining the preferred option;
    o an identification of the key assumptions associated with each option;
    o 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,
  o   the excellence of the research base
  o   the quality and scope of learning and teaching
  o   ITT provision
  o   widening access and increasing participation
  o   knowledge transfer activities

- *on stakeholders:* In particular,
  o   students
  o   staff
  o   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 verifyable.