

Consultation: A Framework for Regional Investment in Wales

HEFCW Response – 8 June 2020



Noddir gan
Lywodraeth Cymru
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A Framework for Regional Investment in Wales

HEFCW welcomes this consultation from the Welsh Government on the future of regional investment following the UK's departure from the European Union. We appreciate the opportunity to respond and have valued the partnership working which has led to the development of the framework, including HEFCW's inclusion on the steering group.

We acknowledge that the consultation outlines a high-level framework and covers a breadth of proposals. Our answers to the questions are subject to future detail, which we hope will inform and clarify the processes and mechanisms to be put in place to support the funding. Our answers are from the perspective of HEFCW, as a funder and regulator of Higher Education (HE) in Wales. HEFCW is responsible for supporting HE provision and research activities, but also supports the wider contribution that providers of HE make to communities, local and national economy, and international relationships which are central to delivering this framework's ambitions.

We have responded to the consultation questions as appropriate to HEFCW's role and experience. Our key conclusions are as follows:

- We support the idea of strategic co-ordination at a national level, and would recommend that there should be further clarity on the management and delivery process at regional level.
- We encourage further recognition of the valuable contribution HE providers in Wales will make to community based activities through their strong focus on place, and their civic mission ambitions.
- We welcome the focus on investment in skills development, to build a more high-tech and high value modern economy which is diverse and inclusive.
- Social and economic prosperity is central to HEFCW's Vision for Research and Innovation. It is also central to the partnerships and collaborations developed by our HE providers, whether within Wales, the UK or internationally. With a strong focus on the recommendations of the Reid Review HEFCW will continue to support universities to increase their external income capture, e.g. through UKRI. Post-EU funding has potential to make a major impact by building capacity to underpin excellence in Wales, leading to economic growth and improved well-being.
- A strong research and innovation base should underpin each of the four key priority areas set out in the consultation, instead of being limited to a reference within the section on zero-carbon economy. We would suggest that R&I should either be included across all priority areas, or the opportunity is taken to move away from priority areas, to for example, challenge based funds. This would enable funding in Wales to be more flexible and agile, responding to challenges such as Covid-19.
- The transition period must ensure that research and innovation capacity, including expert staff resource are not lost to Wales.
- We welcome the suggestion of a simplified and transparent system and reflect that this should enable more flexibility.

- We would encourage Welsh Government to impact assess the aims of its new funding schemes, and for all funding proposals to demonstrate clear alignment to Welsh language standards and the Well-being of Future Generations Act.

Q1: What are your views on a model where:

- **Strategic, pan-Wales initiatives are co-ordinated at national level; and**
- **Designated regional bodies design and deliver their own programmes of investment aligned with national-level policy?**

HEFCW is supportive of the proposal to co-ordinate strategic pan-Wales initiatives at national level, and believe this will be well complemented by delivery through designated regional bodies. We consider this approach will fully embed within local communities the strong impact this funding has on place-based activities and agendas. Investments in research, innovation and engagement, and skills development will be central to economic and social prosperity across Wales, and as such, be part of a national vision, but there must also be clear focus and support at regional and local levels. HEFCW's [Vision for Research and Innovation](#) centres on four pillars, including 'place'. Strong place-based support for research and innovation capacity in Wales will promote success internally, and also enable Wales to attract more external funding from organisations outside Wales such as [UKRI](#). In turn this will secure both the contribution that our universities make to the economic and social prosperity of Wales and the UK, and their reputation internationally. Whether national or regional, programmes of investment must recognise and promote collaboration and partnerships, across UK and internationally, as well as pan-Wales. This is covered in more detail in Q7.

Universities in Wales are national assets, with the impact of their research and innovation activities recognised internationally. They are also key players in their regions and locality, through the development of high value skills that support employability and meets the needs of the economy. We would therefore welcome further clarity on how the national co-ordination process will develop an overview which recognises the cross-over between national, regional, and local activity; and how processes will be developed to pull all strands together. It is our view that any national body should ensure that initiatives are delivered at the most appropriate level, and help share learning and good practice across Wales. It is important that existing structures and expertise are maintained and contribute to and inform the new national body. We would propose a mapping exercise is undertaken to capture this and avoid duplication. Any model should be flexible and accommodate co-creation at a national, regional and local level where priorities and objectives transcend boundaries.

We assume that the proposed Corporate Joint Committees (CJC) will work in collaboration with already established groups such as e.g. regional skills partnerships and Public Services Boards. We would welcome clarity on how these partnerships will operate in terms of planning economic priorities at national, regional, and local levels.

Q2: do you support our proposals for some investments to be led by the community in which the activity takes place

HE Providers in Wales are committed to supporting local communities through their civic mission ambitions. This has been powerfully demonstrated recently through their engagement and support in the fight against Covid-19. As described in our response to Q1, 'place' is a key pillar within HEFCW's Vision for Research and Innovation. HEFCW has recently announced £15m in support of innovation and engagement activity within universities. This activity will be underpinned by Research Wales Innovation Fund strategies that will specify key strategic areas of investment that universities plan to undertake, including in partnership with local communities. Through this additional funding, institutions will look to work with city and regional growth deals, but also with regional groups, and Public Services Boards.

HE providers in Wales also use Fee and Access Plan¹ income to work within their communities to improve equality of opportunity, and the student experience. We would recommend that future community led projects funded via Welsh Government investment should work collaboratively in equal partnership with HE providers who can offer guidance and innovation, and add value to new and existing projects.

Additionally involvement at a local level is a central component of the Well-being of Future Generations Act. We would strongly encourage any future community involvement and co-production to consider equal representation from groups with protected characteristics. Impact assessments should be completed to support the process.

Community based projects work best when there is a clear focus on place-based needs. These can vary across regions, but we can cite examples of good practice, e.g. HEFCW-funded HE-FE collaborative projects support skills needs. Mapping activities and provision will ensure good practice projects can be operated across Wales, where they meet place needs. Strategic national co-ordination will enable these exemplars of activity to be highlighted across Wales and will ensure that any duplication of activity is intentional, based on good practice and evaluative outcomes.

Q3: Do you agree that we should continue to increase our use of repayable finance where this is viable and, where it is not, that models of combined support maximise the repayable element should be developed?

We have no comment on this issue.

¹ The Higher Education Wales Act 2015 identified [Fee and Access Plans](#) as the mechanism to enable an institution to access the regulated sector. Through F&A Plans institutions commit to use student fee income in support of i) equality of opportunity and, ii) promotion of HE.

Q4: What are your views on our plans for the transition period?

Wales has been a key deliverer of EU funded research and innovation projects. For example, Wales has been able to utilise €388m in ERDF support, representing 26% of the UK share, far above the nominal 5% based on population. It is essential therefore, that this capacity and expertise continues to be supported and maintained within Wales. Loss of this capacity and expertise would undermine the value of funding previously invested from the EU. The full impact of EU funding on research and innovation is highlighted in this publication by The Learned Society: [The European Structural and Investment Funds - Contribution to UK Research and Innovation](#)

It should be noted that previous EU funded programmes led by HE providers in Wales will, as part of their business plan, have an exit strategy and plans for the legacy of the programme. This new approach to funding presents an opportunity to build on that capacity and ensure that partnerships and collaborative work is maintained and can develop further. The timing of this is crucial. We know that teams of experts built up over several years on various Structural Funds programmes have, in the past, dispersed and moved elsewhere due to continuation funding not being available in time to renew contracts. Certainty around the availability of follow on funding and where it's likely to be targeted is key for the success of priority projects. Mapping of capacity and expertise should take place as soon as possible.

HEFCW would therefore welcome clarity on continuation funding to secure expertise and capacity, and how the strategic oversight will be provided. In the current context, we also note that it would be timely if the transition period could give precedence to emerging priorities resulting from the Covid-19 pandemic.

Q5: how best can we integrate the horizontal themes of equality, sustainable development, gender mainstreaming, and Welsh language, into investments developed at national, regional, and local levels?

We note that these “cross cutting” themes were included as specific targets in all EU funded initiatives in Wales. We would propose that a less costly, and more efficient use of resources, could be employed at national or regional level to create a structure which would cover all programmes that are funded through the new regional investment fund. This process could highlight and publicise for example, the financial benefits in implementing an environmental management system or an equality and diversity plan within a company.

Good practice suggests that public bodies should publish equality impact assessments. Although this consultation has published an EIA using historic trends, it would be useful if Welsh Government could support its new approach to funding through the publication of projected trends which align with the Well-being of Future Generations Act's long-term way of working. This could be in relation to areas of economic, environmental, cultural and social well-being highlighted in the sustainable development principle. Ideally we would advocate a whole system approach, noting where positive impacts in one area have negative impacts on

another, e.g. growth in tourism could have a positive economic benefit for an area, but could also have negative social and environmental consequences. We would recommend that alignment to the WFG Act is part of the scoring criteria / assessment process for funding applications.

Q6: how best can we increase the use of the Welsh language through our proposals for regional investment, and ensure it is treated no less favourably than the English language?

HEFCW undertakes an impact assessment for all funding. We also require any plans or strategies submitted by HE providers in receipt of funding to note the impact on the Welsh language of their proposed activities. We would encourage this approach to be included as part of standard submissions to any new funding model. Additionally all HE providers and the Coleg Cymraeg Cenedlaethol have a key role in helping the Welsh Government deliver its ambitions for the Welsh language. All HE providers are covered by the requirements of the Welsh Language Standards and will therefore have a bilingual focus. This will by its nature be stronger in providers with a higher percentage of Welsh speaking staff or provision. Given the role of 'place' and community within the framework the key role of HE providers in strengthening the Welsh language skills base should be acknowledged. This could be enhanced through further HE-FE collaboration in meetings the skills pipeline L2L7.

This new funding approach also provides an opportunity to undertake mapping exercises to identify skills gaps in new technologies and build them around Welsh language requirements. All funding proposals should at a minimum, demonstrate an awareness of being appropriate for a bilingual nation.

Q7: what are your views on the proposed delivery model for the strengthening of partnerships, co-operation and trade across borders, within the UK and with international partners?

It is important that the new funding encourages and promotes collaboration and partnerships, both inside Wales, but also across the UK and beyond. The research and innovation developments undertaken at Welsh universities are part of a world renowned system. In the last Research Excellence Framework 2014 Wales performed strongly with 30% of research world-leading, and a further 47% internationally excellent. In terms of impact Wales exceeded the UK average (44%) with 49% world-leading.

Within the UK the formation of UKRI, and its strong focus on place based interventions offers a huge opportunity to add value to regional investment in Wales. Through EU funding Welsh institutions are currently strongly placed to compete with other institutions in the UK for funding from UKRI. The [Reid Review of government funded research and innovation in Wales](#) stated:

BrExit will bring a major shift away from EU WEFO funding towards the competitive awarded funding from UKRI, research charities and industry. The research and innovation community in Wales will need to work together to become stronger and more influential in pursuing this competitive funding. The Welsh Government has a central role in driving through this change by setting pivotal incentive and reward structures for the whole research and innovation ecosystem. The Welsh Government should introduce a powerful, performance related, incentive and reward system, based on winning competitively awarded research and innovation funding from outside Wales. If Wales does not win this money in competitions, it will go elsewhere in the UK. – Professor Graeme Reid

Recognising the substantial funding loss to universities from the EU, all new HEFCW research and innovation funding is also designed to incentivise and reward external income capture. However, for the most part recent new HEFCW support has been small non-recurrent R&I project funding. The Reid Review recognised that Wales has benefitted from substantially more R&I funding through EU Structural Funds:

*The First Minister has stated clearly his intention to replace EU structural funds with funding provided directly from HM Treasury. Meanwhile the UK Government is developing a Shared Prosperity Fund to replace EU structural funds. I recommend that the research and innovation component 7 of that funding – which should amount to some £65m yearly if EU structural funds for innovation are replaced fully – should be managed under the St David’s Investment Fund². It may be several years before the EU funding comes to an end and is replaced by HM Treasury. That will provide time to evaluate smaller, early investments before any larger sums of EU-replacement funding are available for investment. –
Professor Graeme Reid*

We recognise additional income capture has the potential to have an enormous impact on the central focus of our Vision for Research and Innovation: ‘social and economic prosperity’. In order to be successful we have encouraged institutions to focus on four pillars: Excellence, Place, Innovation, and Collaboration. HE providers, as part of their civic ambitions, will continue to work locally within their communities. However, to achieve excellence they must be able to work on a worldwide scale, engaging in collaborations with industry, charities, other HE providers locally, and across all borders. For some UKRI funds it is possible that institutions will define ‘place’ across the Wales-England border to near neighbours

² The St David’s Investment Fund was recommended in the Reid Review recommendation 3: “I recommend that the Welsh Government increases the visibility, coherence and impact of research and innovation in Wales by creating a single overarching brand for its innovation activities: the St David’s Investment Fund. This should be worth some £35m yearly in the first instance but with the potential to grow to £100m yearly or more, post-BrExit.” This is in addition to “Sir Ian Diamond recommended that HEFCW’s funding for innovation and engagement activity should be re-instated, with funding of £25m yearly. I fully support that recommendation.”

(the [GW4 Alliance](#) between the Universities in Bristol, Bath, Cardiff and Exeter is a good example of this); such partnerships should be facilitated as they ultimately benefit Wales through skills and commercial opportunities.

As noted it is evident that a successful Wales must be able to support R&I excellence through collaborations across UK, EU and beyond, and should not be limited to a narrow set of research specialisms. Funding opportunities should be based on building capacity in areas of research excellence within Wales as well as our ability to meet industry skills needs which can bring further prosperity to Wales, and show added value to this new funding. It should be noted that there is potential for universities to capitalise on UKRI funding through their new Place Based Strategy. However, UKRI funding will not be distributed based on need but on excellence, with an expectation that capacity building in the devolved administrations is funded from other sources. WG must ensure that its new funding approach can complement HE provider partnerships with industry both inside and outside of Wales. Clarity is needed to ensure that any new funding will be available to support areas of R&I excellence across all areas and sectors which benefit Wales' economy, society and environment, and not just limit references to one area e.g. zero-carbon.

The Covid-19 pandemic has highlighted that many HE institutions in the UK, including those in Wales are key recruiters of international students. HEFCW, alongside British Council Wales, Universities Wales, and WG is a partner and supporter of Global Wales. The Global Wales partnership promotes Wales' world class higher education (HE) sector internationally, using market research, arranging visits to Wales from potential partners, taking the message about Welsh HE abroad and promoting Welsh HE through the Study in Wales brand.

HEFCW has provided funding support, and had strong engagement with [Welsh Higher Education Brussels \(WHEB\)](#), who sit as observers to HEFCW's Research Wales Committee. WHEB is funded by Welsh HEIs, and HEFCW, and works closely with Universities Wales, to represent Welsh universities in Brussels. HEFCW's Vision for Research and Innovation recognises the continuing role WHEB will need to play in European engagement in research and innovation following Brexit.

Q8: What do you think of the proposed strategic objectives across the four investment priority areas? Are there other objectives that should be considered?

HEFCW is supportive of the objectives and would highlight that HE providers will be central to the delivery of all four priority areas, and this should be clearer and not open to interpretation. The work to increase innovative commercialised outputs, and to support businesses through start-ups and or Knowledge Transfer Partnerships will be central components of Welsh HEI's strategies for Research Wales Innovation Funding [to be submitted 28 June 2020]. HEFCW's recent support for HE-FE collaborative innovation and engagement projects has led to clarity through provision mapping and industry collaboration on the skills pipeline L2-7 for local regional industries, which should be further built upon. Ensuring local populations

are appropriately skilled, and local industries are anchored by having these skills within their community, is essential to future social and economic prosperity.

Whilst the transition to zero-carbon economy has a strong R&I focus within Welsh HE providers, it is important that social and economically linked research excellence is also tied to the sectors and areas of focus already identified in the local city and regional deals / plans, and other Wales and UK strategies which offer opportunities. For example, the UK Industrial strategy also aims to create and grow productive and competitive businesses through the commitment to 2.4% target³. There are clear opportunities here that replacement structural funds could underpin activity in Wales and support economic growth and wellbeing.

HEFCW also notes that categorising into priority areas appears to replicate structural funding processes. The new funding approach provides an opportunity to move to a more flexible and agile system, which is able to respond to challenges and opportunities as they arise, such as new technologies, or partnerships. A challenge-led approach to funding could provide the flexibility required as situations change locally, across Wales, and in the UK, and remove the risk of siloed investments. This is particularly important as we move to the post-Covid 19 Wales, where current priority areas may not meet needs.

It is also essential that any future funding does not merely prioritise research translation, but provides funding for essential research capacity-building. For example, [The Case for Growing STEMM Research Capacity in Wales](#) analysis makes the case for expanding the capacity of the Welsh research base by addressing Wales' lack of researcher numbers in order to increase Wales' ability to compete for more research funding. Welsh Government's Sêr Cymru programme is designed to do this and by providing funding has successfully recruited research talent from all over the world to increase researcher numbers in Wales. Sêr Cymru has been supported by HEFCW, Welsh Government and also funded by structural funds via WEFO. However, as the consultation is currently written, research capacity is not included, which would preclude flagship programmes such as Sêr Cymru from accessing future funding.

Finally it would be helpful to have clarity on the broader definitions of each strategic priority to inform how specific programmes such as Degree Apprenticeships and GO Wales: Achieve through Work Experience contribute to these. The GO Wales: Achieve through Work Experience, which currently receives ESF funding is managed by HEFCW and delivered by the universities in Wales (including the Open University in Wales). The programme supports disadvantaged and vulnerable HE students into work experience, with the aim of increasing their employability skills and helping them to find routes into a job role where they can apply their higher skills, promoting social mobility and reducing inequality.

Q9: What indicators do you think should be used to measure progress towards achieving the proposed strategic objectives?

³ Raise total [UK] R&D investment to 2.4% of GDP by 2027

We would recommend that all indicators should be defined at national, as well as regional level, so that data is comparable, i.e. outcomes at both national and regional level are measurable. All indicators should be reasonable, robust and appropriate to measure the desired outcomes. We recognise that Welsh Government is likely to consider if there are any existing national indicators that could be used or adapted. We would advocate future funding draws on the ResultsBased Accountability model as this will ensure projects are more focused on outcomes than outputs, which will improve the effectiveness of initiatives.

Additionally it is important to consider how positive actions / soft outcomes could be captured, particularly in terms of indirect impact on communities, regions and more broadly Wales. For example, this could relate to indicators which measure levelling the playing field, providing access to those who need the help most vulnerable and under-represented groups.

In terms of activities which can be measured using SMART techniques, existing EU style targets such as e.g. number of jobs created / safeguarded; new products, processes or services launched into market; patents registered could be considered. We would recommend where targets relate to increased skills provision proposals are encouraged to include mapping of the skills pipeline in the region. This will enable better HE-FE collaboration, and avoid duplication of provision which can result in nugatory competition.

The social and economic impacts of Degree Apprenticeships cut across the strategic priorities. Return on investment can be measured in terms of differences to employment, earnings, productivity, products and services. Indicators could include for example, data relating to apprentice recruitment and achievement, characteristics, employment by sector and demand for further training as skill silos decrease. Indicators could also include differences to GDP, Net Exports and inward investment.

Any SMART or impact based targets should also correspond, where appropriate, to existing targets such as those for city and regional growth deals; regional frameworks; existing UK / international schemes; and continuing or new European led schemes. Duplication of targeting or lack of complementarity will mean Wales is not making the best of use of funding streams.

Q10: What are your views on the approach described above [transparent and consistent rules]?

HEFCW welcomes the opportunity to simplify rules and processes. A transparent system which offers value for money would be welcomed by the HE sector. Research and innovation excellence is anchored within our HE providers, and a simplified system would enable improved submissions. The move from forced geographical areas also opens up the opportunity for R&I collaborations from institutions in different parts of Wales, who have aligned specialisms. This may enable opportunities for smaller institutions with pockets of excellence to collaborate with larger Welsh research intensives outside of their area. This could in turn lead to

economic growth and improved well-being. Further clarity would be useful on how the new strategic body will monitor value for money across all initiatives.

Funding processes should be sufficiently flexible to enable initiatives to respond to changing circumstances and to prioritise funding based on economic and social need. This simplification and flexibility would in itself deliver greater value for money than the current arrangements. The administrative burden for HE providers in managing and running EU projects should be lifted as far as possible in order that efforts and resource, both financial and human, can focus on outcomes. Flexibility around funding rules may help to complement other funded activities.

Q11: Should the capacity to deliver the monitoring and evaluation proposals above be prioritised?

We agree that the capacity to monitor and evaluate investment is important to financial accountability and assurance. The governance structure for the new funding will therefore be key to success. This should be established as a priority, before finalising monitoring and evaluation structures. The systems should be developed around what the investment is aiming to achieve.

Q12: Do you agree with the proposal outlined for development of monitoring and evaluation at the regional and local level?

There needs to be a balance between maintaining high standards and being proportionate. Clarity on who will monitor at local, regional, and all Wales levels is required. We agree that there is a need for national level indicators and monitoring and evaluation at national level. This could include collation of local / regional data and pulling together / sharing evaluation. This should ensure good practice is shared and lessons learned at all levels.

Another option could include an element of externally commissioned contracted action research with the aim of providing information on projects and delivery via an ongoing basis, rather than traditional evaluation methods conducted at set intervals. This could be triangulated between commissioners, contracted providers / staff and clients which would support and strengthen the involvement way of working which forms part of the Well-being of Future Generations Act.