

# Cylchlythyr | Circular

## Higher Education Investment and Recovery Fund

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**To:** Heads of higher education institutions in Wales  
**Response by:** 30 September 2020  
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This circular provides details of 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 outlines the 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.

If you require this document in an alternative accessible format, please email [info@hefcw.ac.uk](mailto:info@hefcw.ac.uk).



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## Introduction

1. This circular provides details of 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.
2. This circular outlines the 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.
3. This circular has been published following consultation on proposals for the allocation of the Higher Education Investment and Recovery Fund.<sup>1</sup>

## The Higher Education Investment and Recovery Fund

4. On 22 July 2020, the Minister for Education announced additional funding of more than £50 million for universities and colleges<sup>2</sup>. 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.
5. 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.
6. The subsequent HEFCW remit letter received 10 August 2020<sup>3</sup> 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.

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<sup>1</sup>[www.hefcw.ac.uk/documents/publications/circulars/circulars\\_2020/W20%2022HE%20Consultation%20on%20Higher%20Education%20Investment%20and%20Recovery%20Fund.pdf](http://www.hefcw.ac.uk/documents/publications/circulars/circulars_2020/W20%2022HE%20Consultation%20on%20Higher%20Education%20Investment%20and%20Recovery%20Fund.pdf)

<sup>2</sup> <https://gov.wales/over-50-million-support-welsh-universities-colleges-and-students>

<sup>3</sup>[www.hefcw.ac.uk/documents/about\\_he\\_in\\_wales/WG\\_priorities\\_and\\_policies/HEFCW%20Remit%20letter%202020-21%20English%20\(August2020\).pdf](http://www.hefcw.ac.uk/documents/about_he_in_wales/WG_priorities_and_policies/HEFCW%20Remit%20letter%202020-21%20English%20(August2020).pdf)

7. As announced by the Minister, the Higher Education Investment and Recovery 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.”*
8. We have been remitted to provide this support to universities 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 universities are 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.
9. 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.
10. The primary purpose of the fund is 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, the ‘new normal’. 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 normal, 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, even after possible adjustment between plan spending priorities, to meet the level of student needs. The remit letter set out the Welsh Government priorities that the funding must address, these are set out in paragraph 26 below.
11. Allocations from the fund will be made following the application process set out in this circular, managed by HEFCW. While applications must be led by a Welsh university, they may involve other HE sector bodies (e.g. Jisc, Coleg Cymraeg Cenedlaethol) or further education providers, where appropriate. The application process and criteria for assessment of submissions are provided below.

12. We consulted on arrangements for allocating the higher education investment fund on 11 August 2020. We received 12 responses to this consultation. A summary of these responses and the names of the organisations that responded to this consultation can be found at Annex A. Our proposals for the allocation of funding have been informed by these responses.

### **Applications to the fund**

13. We will accept applications to the fund from individual universities and by groups of universities working in partnership through collaborative submissions. Each university may submit one individual bid to the fund, but may also be part of several collaborative bids. Other educational and non-educational organisations may benefit from either the individual and collaborative bids but they will not be part of the application process nor be a lead provider.
14. Within each individual application, each university will be able to propose multiple projects that will deliver against the Welsh Government priorities. Collaborative bids may include a number of different projects/plans from the same group of universities.
15. Given the limited amount of funding available to meet the requirements of all Wales' universities, we do not expect any individual university's allocation 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.
16. 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.
17. In order to provide maximum impact and recognising the positive value of collaboration, we will be splitting the funding into separate streams: an amount for individual university applications and an amount for collaborative applications. The amount for university applications will be set initially at £12m and the amount for collaborative applications will be set at £15m. We will retain the option of adjusting this balance in the light of proposals received.
18. We will operate a two stage application process, i.e. submission of a brief initial bid followed by a more developed second proposal. We expect to discuss potential applications with institutions prior to the submission of the initial bid. Where the initial bid is considered appropriate in terms of fit with the criteria, 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.

19. At both the initial 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.
20. Where we consider it appropriate, we will engage with institutions to provide feedback on areas of the initial bids which may be helpful in constructing their final bid.

### **Initial application**

21. Attached to this circular, at **Annex B**, are two templates for collaborative and individual applications respectively. Each of these sets out the requirements needed in order to inform whether the application can move on to the next stage of the application process. Details submitted in the initial stage will have to be expanded on at the next application stage.
22. The template for individual applications is split into three sections, a summary of financial need, a higher education investment and recovery strategy summary, and how proposed activity will deliver against Welsh Government priorities. Collaborative bids do not need to include a demonstration of financial need: we will assess the financial need of institutions involved in collaborative bids as part of individual submissions. Should an institution not submit an individual bid but wish to be involved in a collaborative bid, we will invite that institution to submit its case for financial need to us separately.

### Financial need

23. In view of the limited funds available, it will be critical for us to ensure that funding is allocated where there is demonstrable financial need. All individual university 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 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](#). This must also include how alternative sources of university funding have been utilised to meet Welsh Government priorities, such as fee and access plan investment, the Research Wales Innovation Fund, and alumni donations.
- **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.

24. In our assessment of the financial position of the institutions we will taking into account a range of financial metrics, including in relation to cash and investments. Further information on this will be provided in due course.

#### Summary of strategy

25. This section of the application form must provide a brief strategic overview of the project(s) or activity that will be delivered with the investment being sought.

#### Meeting Welsh Government priorities

26. Each submission must set out how the funding being applied for will meet the Welsh Government priorities set out in the bullets below. Submissions may include single or multiple projects or activity areas that will address some or all of the priorities set out below:

- 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. I would like HEFCW to 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.

27. When making the case for investment, institutions will also need to demonstrate how they are contributing to their civic mission, working in partnership with students unions, working in collaboration with other non-university partners and will secure the sustainability of the projects being invested in.

28. Proposals should also set out how known challenges to Welsh Medium education and to different groups of students will be addressed.

### **Consideration of applications**

29. 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.
30. As the fund has limited resources it is likely that there will be insufficient funding to support all the proposals that meet the criteria. The Investment and Recovery Fund Group will therefore need to prioritise applications based on the information submitted in the application form detailing:
- a) The urgency of institutional financial need and the extent of loss of critical capacity that will be avoided.
  - b) How the investment will deliver on Welsh Government priorities (as set out in paragraph 26 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 and working with Students Unions, how the project secures sustainability beyond 2020/21 and the impact of collaboration, where relevant.
  - d) The extent to which known challenges to Welsh Medium education and different groups of students are being delivered.
31. The Investment and Recovery Fund Group will assess whether applications have appropriately demonstrated that they meet core criteria (i.e. have a financial need, have explored other areas of funding etc). They must also contain projects/plans that would address Welsh Government priorities (para 26 above). On the basis of the Investment and Recovery Fund Group's consideration of initial applications, we will provide feedback with the following options:
- proceed to the formal submission,
  - make revisions to the application, or
  - reconsider the submission entirely, including the withdrawal of the submission.
32. A template for the formal submission will be provided once the Investment and Recovery Fund Group has signalled that the application is ready to move to that next stage. Applications that do not qualify for a full submission will be permitted to resubmit an initial proposal within a week of receiving the feedback.



33. Final formal submissions will be scored based on the extent to which the case made by each institution/group of institutions delivers against the criteria set out in paragraph 30 above. We will score each submission using weightings that we will share with each submitting university ahead of the initial submissions. Given the basis on which this funding was provided to HEFCW, the weighting attached to financial need will necessarily be higher than for the other criteria. The extent to which universities receive the full funding available to them could be significantly reduced should the quality of bids not demonstrate how the investment will meet both Government priorities and Looking Forward Group commitments.
34. 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.

### **Authorisation and submission**

35. **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.
36. 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. Initial bids need to be submitted to HEFCW by 30 September 2020 with a view to inviting full applications by the end of October.

### **Payments, monitoring and reporting**

37. We intend to make all funding allocations as soon as possible. This will be no later than March 2021, but we anticipate this to be earlier in the financial

year. 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.

### **Timetable**

38. Initial applications must be submitted to HEFCW by 30 September 2020. Following HEFCW analysis and provision of feedback to applicants, we anticipate the deadline for final bids will be by 31 October 2020. Changes to this schedule will be communicated with universities immediately.

### **Further information / responses to**

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

### **Assessing the impact of our policies**

40. We have carried out an impact assessment screening, informed by consultation, to help safeguard against discrimination and promote equality. We also considered the impact of 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](mailto:equality@hefcw.ac.uk) for more information about impact assessments.
41. We expect all universities submitting bids to this fund to have conducted their own impact assessments and we will reserve the right to call these assessments in as part of our analysis.

## **Annex A – Summary of Consultation Responses**

Responses were received from 8 Welsh Higher Education Institutions, the Open University in Wales, 2 Welsh Further Education Institutions and one sector body (Coleg Cymraeg Cenedlaethol).

Overall, responses welcomed the additional funding being made available and were broadly supportive of the proposed delivery approach.

More detail on the individual question responses are set out below.

### **Q1. Is the proposed application process for the fund appropriate? Please explain.**

Respondents were broadly supportive of the proposed application process. Whilst one institution commented that a shorter simplified process would be preferred, the others acknowledged that a two stage process would allow for feedback and efficient use of resources when developing their final bids. Several institutions would welcome additional clarity on collaborative bids, this along with further details on the criteria for funding will be provided in the final circular. The timeframes for release of funding were also flagged as an area of concern. However, our intention is that funds will be released as soon as is practicable, with March being the latest possible anticipated date. Some respondents felt that the funding should be made available to predominantly further education based providers. Whilst we recognise the challenges faced by further education institutions, we have been remitted to make this funding available to universities. This is not to say that further education institutions should not benefit from this funding and we have sought to enable other providers to contribute to bids and thus benefit from the fund.

### **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.**

Respondents largely supported the proposed approach and reiterated points made under question one. One respondent advised it would welcome feedback to inform stage 2 and it was recognised that the timing was tight.

### **Q3. Would an application template be helpful? Please explain.**

Respondents were overwhelmingly supportive of application templates being produced. It was acknowledged that this would provide consistency. Whilst one respondent felt that a template should only be required for the final bid, it is our intention to make the summary bid less onerous and restrictive than the second, whilst still enabling a degree of consistency for HEFCW analysis.

### **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.**

Whilst some respondents felt that the criteria set out are appropriate, some felt that they are too restrictive and suggested alternative criteria. We have set out the criteria to meet the Welsh Government remit and that follows from the case made by the Looking Forward Group. On that basis we do not intend to deviate from

those priorities but will meet with institutions to understand the challenges they and their students face and how we can work in partnership to respond to those challenges. The majority agree that financial need should be a predominant factor when allocating funds and also acknowledged the importance of collaborative bids. Although it was noted by some that financial prudence should not disadvantage access to funding. This is recognised with ensuring that whilst financial need is the primary criteria for allocating funding there will be factors built into the weighting model to ensure that good quality bids are rewarded. Further clarity around the above was requested and this has been provided in the circular. The issue of exhausting alternative funding sources was also highlighted as an issue, and it is our full intention to give institutions the flexibility to justify why other sources are not appropriate to circumvent this issue.

It is our intention to operate a robust model that will prioritise funding to those in the most financial need, whilst also recognising that all institutions will have been detrimentally impacted by Covid-19. As such, whilst the distribution of funding may be skewed more towards those in need, some funds will be available to all institutions who can provide appropriate plans in the priority areas. We recognise collaborative bids will need to be considered differently given that they do not have a financial need element, so we intend to have a distinct pot of funding within the overall fund to award to suitable collaborative bids.

**Q5. Are the proposed arrangements for monitoring the progress of successful bids appropriate? Please explain.**

Whilst all respondents acknowledged the need for suitable monitoring, a monthly arrangement was felt by some to be too frequent. We will seek to agree the nature of reporting requirements with institutions during the application process, ensuring government requirements are met without placing excessive burden on institutions.

**Q6. Are there any unintended consequences regarding the proposals for the fund in this consultation? Please explain.**

Most respondents did not identify any consequences beyond those expressed in the previous questions. One institution identified that 'new activities' included in bids should not be considered as any more important as 'maintaining' activities threatened by the reduction in income to maintain the student experience.

**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?**

Respondents acknowledged the importance of the Welsh language and in maintaining current capacity in the area. Institutions will undertake impact assessments as part of the proposal process to ensure there is no disadvantage.

**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?**

No changes suggested.

**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?**

As for Welsh language, respondents acknowledged the importance of these areas and confirmed they will be taken account of during their impact assessments. It was noted by one respondent that the final guidance for submissions should be more explicit about taking into account Welsh medium education.