

Annex A

Guidance to institutions on content of SDF business case

1. In all cases, regardless of the size of the bid, the lead institution must provide us with a business case (appropriate to the scale of the project). This should seek to demonstrate value for money and address the priorities set out in paragraph 9 of the main document. It will also enable us to see how the collaborating partners or the institution have integrated the use of this funding with other HEFCE funding streams.

2. We would expect the business case to follow the principles set out in 'Investment decision making' (HEFCE 2003/17) and to include:
 - a. Project objectives (including academic objectives).

 - b. Link to the priorities set out in paragraph 9 and the rationale for public investment.

 - c. Option appraisal, including assessment of financial and non-financial costs and benefits.

 - d. Total project costs and funding sources.

 - e. Profiles for payment and, where necessary, repayment of the SDF grant.

 - f. Assessment of affordability.

 - g. Project management and monitoring arrangements (please identify a specific project manager).

 - h. Risk assessment and risk management.

 - i. Expected project outputs and outcomes.

 - j. Targets, milestones and timescales. Targets should be SMART – specific, measurable, achievable, realistic and time-related.

 - k. For larger scale projects, confirmation that approval by the governing body/bodies has been obtained.

 - l. Details of the audit process.

3. The completed plan should be submitted electronically to the relevant HEFCE regional consultant or higher education adviser. Contact details are available on the web at www.hefce.ac.uk under About us/People/Staff.

Annex C

Standard terms and conditions

1. When the lead institution is notified that a project has been approved, it will receive a grant letter which sets out the following standard terms and conditions of grant:
 - a. We will allocate SDF funding only to universities and colleges within the higher education sector; but so long as there is a lead HEI in every institution-led project, a project can involve FE colleges or institutions outside the HE and FE sectors if that will meet the objectives of the fund. All funding will be allocated in accordance with our statutory powers as set out in Section 65 of the Further and Higher Education Act 1992.
 - b. The lead institution must inform us of any significant alteration to the project. We reserve the right to terminate funding if, in our judgement, these alterations mean that the project is unlikely to achieve the intended outcomes.
 - c. The lead institution must inform us of any significant risks to the project and how they will be managed. Where the level of risk adversely changes to a significant extent during the project life, we should be advised at the earliest reasonable opportunity, that is, outside the six-monthly reporting system if appropriate.
 - d. Institutions must include, as part of their business case, detailed spending profiles and proposals for reporting on progress of their project. We expect to receive progress reports every six months, and the business case should detail at what stages in the project these will be submitted. Reports should provide information on progress in undertaking activities and achieving the related targets that the institution identified in its original business case and business case summary, and should also identify any programme slippage or underspend. Where there is slippage, the report should include a revised programme timetable and expenditure profile. We reserve the right to suspend payments if progress reports are not forthcoming.
 - e. Where we have approved a grant we will pay in accordance with the profile of expenditure up to a total of 90 per cent of the grant that has been approved. This will be done by reducing each payment by 10 per cent. We will release the final 10 per cent of grant up to the value of the grant, or the level of expenditure incurred where appropriate (or claw any back if there has been an underspend) on receipt of a satisfactory final project report, and an audit or internal assurance report.
 - f. Where we have approved a repayable grant we will not withhold 10 per cent of the funding. However we will require a satisfactory final report and an audit or internal assurance report. If the institution fails to provide us with these documents we will consider our response.

Audit requirements

2. In all cases we will need an assurance that the grant has been used in accordance with any specific terms and conditions, for the purposes intended, and in accordance with the normal requirements of our financial memorandum with HEIs. The form of assurance, an audit report or project completion statement, will depend on the scale of the project:

a. Where the total grant is over £250,000 we need evidence that the lead institution's internal or external auditors (or a separate firm of auditors if preferred) reviewed the grant for the individual project. This audit should be sufficient to give us an assurance in accordance with our grant certification process and the normal requirements of our financial memorandum with institutions. The cost of this audit is an allowable cost under the programme. Please follow the guidance in the latest version of the 'Audit Practice Note 1/99', on our web-site, www.hefce.ac.uk under Good practice/Audit.

b. Where the total grant is up to and including £250,000, an institution may ask its internal or external auditors to undertake the same exercise as for larger awards. However, it will be sufficient for the institution to submit a project completion statement, which must be signed by the institution's designated officer in accordance with our financial memorandum with institutions. Please follow the guidance on our web-site, www.hefce.ac.uk under Good Practice/Audit.

Final report

3. For all projects, of all values, institutions should provide us with a final report on the project as described below:

a. The final report should set out how far the project has met its objectives, milestones and deadlines, against the original bid summary. We reserve the right to make available to others the final report (and any other outputs from the project), as part of disseminating the project findings for the benefit of the sector.

b. We would expect to receive the final report and audit report within six months of paying 90 per cent of the award. Where the institution fails to provide us with the final report and audit report we reserve the right to conduct an audit of the project directly and deduct the cost of the audit from the outstanding 10 per cent. Where we do not receive an adequate final report – where the auditors are not satisfied that the grant has been used in accordance with any specific terms and conditions, for the purposes intended, and in accordance with the normal requirements of our financial memorandum with HEIs – we reserve the right to withhold the remaining 10 per cent of the grant. We also reserve the right to reclaim any funding which the auditors do not believe has been used for the purposes intended, via the lead institution's recurrent grant.

- c. Where the auditors are satisfied that the grant has been used in accordance with any specific terms and conditions, for the purpose intended, and in accordance with the normal requirements of our financial memorandum with HEIs, we will pay any outstanding balance up to the value of the grant or the level of expenditure incurred where appropriate (or claw any back if there has been an underspend).

- 4. Where a repayable grant has been awarded, to ensure repayment is within a reasonable time after the end of the project, it will also be subject to the following conditions:
 - a. Where a repayable grant is awarded, the institution must propose a payment profile and repayment profile with the business case. We will assess this for reasonableness and, if necessary, agree with the institution an alternative payment and/or repayment profile.

 - b. We would normally expect repayable grants to be paid back within three years (with a maximum payback period of ten years) of the end of the payment period.

Annex D

Strategic Development Fund Panel membership

Sir Howard Newby (Chair)	HEFCE
Richard Coldwell	Formerly chair of governors, University of North London
Ann Lloyd	Chief Executive, NHS Wales
Peter Saraga	Formerly Managing Director, Philips Research Laboratories UK
Professor Nigel Savage	Chief Executive, The College of Law

Annex E

Strategic Development Fund Management Group

Sir Howard Newby (Chair)	Chief Executive, HEFCE
Liz Beaty	Director (Learning and Teaching)
Steve Egan	Director (Finance and Corporate Resources)
Tansi Harper	Regional consultant, East Midlands
Derek Hicks	Regional consultant, North-East and East
Robin Jackson	Regional consultant, London
David James	Finance consultant
Roger Lewis	Regional consultant, Yorkshire and the Humber
Kate Murray	Regional consultant, North-West
David Noyce	Regional consultant, South-West and South-East
John Rushforth	Director (Widening Participation)
John Selby	Regional consultant, West Midlands
Andrew Smith	Head of Estates
Rama Thirunamachandran	Director (Research and Knowledge Transfer)

Terms of reference

1. The SDF Management Group will set the broad priorities for the fund each year, drawing on advice from the SDF Panel, feedback from the sector, and HEFCE research activities.
2. The group will oversee the general operation of the fund. In particular it will:
 - a. Review and update the fund's criteria on a regular basis.
 - b. Manage the SDF budget.
 - c. Monitor the progress of approved SDF proposals and identify action to be taken where progress has not been made.
3. The group will consider all SDF proposals where a business case has been submitted.
 - a. For bids up to £250,000, the group will be able to make funding decisions under the Chief Executive's delegated authority.
 - b. For bids over £250,000 and up to £4 million, the group will provide advice to the SDF Panel who will make final decisions.
 - c. For bids over £4 million, the group will normally be asked to comment on a draft proposal.

4. In considering proposals, the group will pay particular attention to ensuring consistency of approach in the application of the fund, the fit with the criteria, and the fit with HEFCE strategic priorities.
5. The group will consider potential SDF bids and provide advice as to which bids should be developed further.