

June 2003/28

Special initiative

Invitation to submit proposals

Proposals can be made at any time

This document provides details of HEFCE's new Strategic Development Fund, and the process for submitting proposals. A key aim of the fund is to support a wide range of collaborative arrangements for facilitating strategic change and development that will benefit the sector as a whole. Proposals can be made at any time, and will be reviewed at regular intervals throughout the year.

Strategic Development Fund

Strategic Development Fund

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Planning, Finance
Reference	2003/28
Publication date	June 2003
Enquiries to	HEFCE regional consultant or higher education adviser

Executive summary

Purpose

1. This document provides details of our new Strategic Development Fund (SDF) and the process for submitting a proposal for funding.

Key points

2. The overarching purpose of the SDF is to facilitate constructive development and change, at a strategic level, in relation to our priorities as set out in our strategic plan. These are fully consistent with the Government's White Paper 'The future of higher education'.

3. The development of a wide range of collaborative arrangements between higher education institutions (HEIs), and between HEIs and colleges from the further education sector, is likely to be an important feature in the coming years. Supporting such arrangements will be a key priority for the SDF. In this context, we are interested in exploring the potential for multi-partner collaborations, piloting new arrangements, and providing incentives for institutions to develop innovative and flexible programmes of study, particularly in regional and sub-regional contexts.

4. We will consider supporting projects of any scale, but we expect to provide a significant proportion of funds to a relatively small number of large scale projects.

5. We will move further towards a risk-sharing and investment-based approach with the SDF. We will provide a significant proportion of funds in the form of a repayable grant rather than a standard discretionary grant.

Action required

6. There is no specific timetable for proposals to the SDF. The process is open to proposals at any time, and they will be considered on a regular basis throughout the year. Proposals should be discussed with the institution's HEFCE regional consultant or higher education adviser in the first instance. For contact details see our web-site www.hefce.ac.uk, under About us.

Background

7. We have a history of supporting structural change in the sector that could not be achieved without additional HEFCE funding. The previous Restructuring and Collaboration Fund (R&CF) facilitated constructive development, at a strategic level, in the structure and organisation of higher education institutions (HEIs) and the sector. The fund supported over 170 projects across a diverse range of activities. At its December meeting, the HEFCE Board decided to close the R&CF. The electronic publication EP 01/2003 provides further information.

8. In January 2003 the Government's White Paper 'The future of higher education' announced the creation of a new Strategic Development Fund (SDF) (paragraph 7.13), to support change and innovation in the sector. We believe that the fund will have an important role to play in supporting the delivery of the priorities outlined in the White Paper and those in our own strategic plan (HEFCE 2003/12). The SDF will therefore be driven by our strategic priorities, with projects assessed against how well they address these.

General criteria

9. We expect to review the aims of the SDF regularly, but for the initial 12-month period we have identified the following three priorities, which are reflected in our own strategic plan:

- a. To support a wide range of collaborative arrangements including institutional mergers, consortia, strategic alliances, HE-FE collaborations, and other forms of partnership.
- b. To support a small number (perhaps two or three) multi-partner, large scale collaborations as pilot projects.
- c. To support institutions in undertaking strategic change or development, particularly where they build on institutional strengths and/or provide benefits to the wider sector.

Proposals will need to demonstrate how they support one or more of these priorities.

10. Funding could be used to support structural change including strategic alliances, merger and collaboration between HEIs, and between HEIs and further education colleges (FECs); and to provide incentives to develop innovative and flexible programmes of study. This could include piloting 'compressed' honours degrees lasting two years instead of three; or collaborative programmes developed between institutions, for example where a student starts a programme in one institution and then has the opportunity to move to another to complete.

11. Some proposals may be multi-region or sector-wide in character. Multi-region proposals might include a study of the distribution of subjects in a region or across the sector. Sector-wide proposals might include developments of new and innovative programmes of study or the development of credit-based systems, as set out in the grant

letter from the Secretary of State to HEFCE. (The letter, dated 22 January 2003, is available on the web-site, www.hefce.ac.uk, under News and events.)

12. An important strand within our strategic plan is the encouragement of institutions to focus on areas where they have real strength and demonstrable excellence. We will expect institutions seeking SDF funds to demonstrate how their proposals support the institution's strategic development or the priorities of the collaborating partners, and in particular how their proposal helps them build on specific areas of institutional strength.

13. SDF proposals that involve staffing issues should take on board appropriate equal opportunities practice.

Funding

14. In considering proposals for SDF support our decisions will be based on an investment and risk-sharing approach. Therefore we expect to distribute a significant amount of funding as repayable grant. For example where an HEI will generate savings or additional income then the repayable grant could be used. This will be at zero per cent interest and therefore represents our risk-sharing approach.

15. We wish to use the fund as far as possible in an integrated way with other HEFCE funding streams. Proposals will need to identify any other significant HEFCE funding streams being provided or planned, and to comment on how the proposed SDF funding will complement other HEFCE funding. This is to help ensure that we understand the overall strategic and financial context within which institutions make SDF proposals.

16. For example, in considering SDF proposals we will take account of funds made available through the Science Research Investment Fund, project capital, the proposed Centres for Teaching Excellence, the second stage of the Higher Education Innovation Fund, and funding for additional student numbers (ASNs). This is not to suggest that the approval processes are tied together for these various funding streams, but rather that we need to have a holistic approach to our assessment of funding requirements and requests.

17. Where a significant strategic development is proposed that also requires additional student numbers, we will integrate the two funding streams. This will ensure that we reduce the level of uncertainty faced by the institution when bidding for funding. In such cases the SDF proposal should incorporate plans for growth in student places. We do not anticipate funds for additional places in the short term, but will adopt this process if we secure funding for additional places in the future.

18. Where a proposal involves multiple partners, and/or where there are clear wider benefits to the sector, we will consider providing SDF support through a variable mix of grant and repayable grant. Examples of this situation include:

- a. An institution is considering merger or a collaborative arrangement where costs are high in the short term but economies will be made in the long term.

b. Funding is part of a package to secure change that is in the interests of the sector; but for which there is no institutional financial return in the short to medium term.

c. Sharing the risk of a new venture such as development of a new campus to extend provision.

Who can bid?

19. We will allocate SDF funding only through higher education institutions within the higher education sector. However, providing that there is a lead HEI in every case, a project can involve FECs or institutions outside the HE and FE sectors if that will meet the objectives of the scheme. The lead HEI will receive funding from us on behalf of the partnership. It will be responsible for distributing the funding among the partners in accordance with the proposal, and supplying monitoring information on the progress of the project. All funding will be allocated in accordance with our statutory powers set out in Section 65 of the Further and Higher Education Act 1992.

How to apply

20. The SDF will not be run on a fixed bidding timetable. We are happy to receive proposals at any time and to fit them into the approval process as appropriate. We will establish an SDF Panel (see Annex D for membership) which will normally meet three to four times a year. The role of the panel will be to:

- approve SDF proposals of over £250,000 and up to £4 million. Proposals over £4 million will require full HEFCE Board approval
- provide a strategic steer on the priorities to be supported each year
- maintain an overview of the fund.

21. We have also established an SDF Management Group (for membership and terms of reference see Annex E). This group will normally meet four times a year. Its role will be to:

- ensure consistency of approach across regions and between the HEFCE directorates
- provide advice to the SDF Panel
- refine the priorities reflected in our strategic plan, to be addressed through the fund
- receive progress reports on SDF projects
- allow discussion of proposals in development.

22. All proposals should start with a discussion between the HEI and its HEFCE regional consultant or higher education adviser. The HEFCE regional team should be kept closely involved during all the key stages: first soundings about a possible project, consideration of draft proposals, and final submission of a business case. All documentation should be submitted electronically to the relevant higher education adviser. If the proposal is for a repayable grant, rather than a grant, the HEI should consider when the repayments will begin. We will require a repayment profile as part of the full business case.

23. We will assess proposals in relation to the priorities in our strategic plan and against the quality of the business case.

24. We will consider proposals at the first available SDF Management Group meeting. This allows the business case to be developed and discussed without the pressure of having to meet a fixed deadline, and generally promotes an approach based on direct discussions between institutions and the HEFCE regional consultant.

Approval process

25. We have established a three-tier approval process:

- a. Proposals up to £250,000.
- b. Proposals over £250,000 and up to £4 million.
- c. Proposals over £4 million.

Proposals up to £250,000

26. For proposals of up to £250,000 there will be a light-touch approval process:

- they will not require the formal approval of the SDF Panel, but will be considered by the SDF Management Group
- formal approval is required from the Chief Executive under delegated authority from the HEFCE Board. Approved projects will be reported to the SDF Panel for information.

Proposals over £250,000 and up to £4 million

27. For proposals over £250,000 and up to £4 million the approval process is as follows:

- proposals will be considered by the SDF Management Group and recommendations made to the SDF Panel
- the SDF Panel will then consider proposals and make final decisions
- we encourage institutions seeking significant levels of SDF support (typically more than £2 million) to make a formal presentation to the SDF Panel regarding their project.

Proposals over £4 million

28. For proposals in excess of £4 million the approval process is as follows:

- proposals will be considered by the SDF Management Group and recommendations made to the HEFCE Board
- the HEFCE Board will make final decisions
- for some proposals we may expect a presentation to have been made to the SDF Panel.

29. All proposals will be reported to the SDF Panel – either for information in the case of smaller proposals, or as part of the approval process for larger proposals. All decisions taken

by the Chief Executive and the SDF Panel will be reported to the HEFCE Board as actions taken under delegated authority.

Format of proposals

30. The format of all SDF proposals should follow the principles set out in HEFCE 2003/17 'Investment decision making'. Annex A provides further guidance. The proposal should have a clear and detailed business case that is appropriate to the scale of the proposal, and links both to the institution's strategy or the priorities of the collaborating partners and to our own strategic priorities.

31. In addition to the full business case, institutions will need to prepare a summary as outlined in Annex B. The summary should include clear targets and milestones that are specific, measurable as far as possible, achievable, and realistically challenging, and relate to a timetable for completion whose achievements can be objectively demonstrated.

32. The full business case will also need to address the affordability of the proposal, show how key risks are to be managed, and demonstrate that procurement options will secure value for money.

33. All approved SDF proposals will be subject to the standard terms and conditions outlined in Annex C.

Monitoring arrangements

34. Normally we expect to receive progress reports on funded projects every six months, but we will agree a specific reporting timetable for each approved proposal. The business case should detail at what stages we can expect to receive progress reports. These reports should provide information on progress in undertaking activities and achieving the related targets that were identified in the original business case and summary.

35. Progress reports should also identify any programme slippage. We recognise that some activities are more challenging than others, and there may be good reasons why particular activities or targets are not achieved, at least on the time scale or in the manner originally envisaged. Where there is slippage, the report should include a revised programme timetable and expenditure profile. This is outlined in Annex C. We would expect project managers in the institution to work with the appropriate HEFCE regional consultant and regional team in preparing progress reports.

36. For institutions involved in collaborative arrangements we expect to receive progress reports from the lead institution on behalf of the collaborating partners.

37. For all projects we will require a final report (and an audit certificate or project completion statement) giving an assessment of how well the project has met its original objectives, and highlighting any lessons or good practice that might benefit the sector.

Review and evaluation of the SDF

38. We plan to publish an annual review and evaluation of the fund. This will include case studies demonstrating links to our overall strategic objectives, and advice to the sector about the priority areas that we will be looking to support in the coming year.

39. Where the evaluation results in significant changes to the criteria and objectives we will publish a revised document.