

## Section 4: Projects already completed

1. The following projects were completed before January 1999. They were reported on in our first R&CF progress report – HEFCE 99/34 – and therefore are not included in this report:

- Coventry University: reprofiling of provision in science courses, moving from physics and materials sciences into sports science
- Merger of Loughborough University with Loughborough College of Art and Design
- Merger of University of Southampton with La Sainte Union College
- Study of demand for higher education in Cornwall
- Study of demand for higher education in Thanet
- Thames Valley University: Learning Resource Centre.

2. The following projects were completed by the time of publication of our second R&CF progress report – HEFCE 00/30. They were reported on in that report, and therefore are not included in this report:

- University of Bath and University of East Anglia: transfer of physics
- Cumbria: regional study of demand for higher education
- University of East London: creation of multimedia production centre
- Leeds Metropolitan University: merger with Harrogate College and individualised programmes of study scheme.
- University of Manchester: restructuring of medical school
- University for Industry and HE: De Montfort University.

## **Section 5: Criteria, approval procedures, terms and conditions, and monitoring**

### **Objectives and criteria**

1. The overarching purpose of the fund is to facilitate constructive development, at a strategic level, in relation to the structure and organisation of HEIs and the sector. The fund cannot, of course, support all change in HE. It remains primarily for HEIs to identify where development is needed, and to pursue change from their own resources. Both institutions and the sector must remain dynamic, constantly searching for ways of developing and improving for the benefit of students, research activity, and the wider community interest.
2. However, there are circumstances where strategic development would be beneficial but where the institutions concerned do not have the resources to undertake it alone without damage to their other priorities. That is where the fund can help. It is not designed to support marginal adjustments and routine development which institutions should pay for by themselves. Rather, its focus is on strategic and innovative change at the organisational and structural level.
3. The five specific criteria which underpin the Restructuring and Collaboration Fund are:
  - a. Major changes to the academic portfolio.
  - b. Major constitutional change, particularly merger.
  - c. Institutional restructuring with sufficiently innovative aspects to be of general benefit to the sector.
  - d. Structural realignments within institutions.
  - e. Collaborative arrangements between higher education institutions.
4. Institution-led projects under the collaboration criterion have to involve at least one HEI, and normally the collaboration is between two or more HEIs, although partners outside the HE sector can also be involved. We allocate R&CF funding only to universities and colleges within the higher education sector, or to associated bodies which serve the HE 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 serve to meet the objectives of the scheme.
5. Since the purpose is to facilitate change, funding is only for a limited period, normally a maximum of three years for any given project.

### **Application and approval process**

6. So far, we have not invited competitive bids for the fund. We have deliberately not formalised the procedures into an annual bidding round, so that we can respond quickly to proposals and opportunities as they arise. A proposal can be submitted, and approved, at any time during the year. This means that money may not be available if the funds for the year have already been allocated.
7. As familiarity with the fund grows, it is becoming increasingly competitive. As noted in Section 2 of this report, allocations have accelerated rapidly. We do not have the resources to maintain that rate of expansion. We have now reached the point where a more explicit element of competition needs to apply to ensure value for money in judging between bids.

8. If an institution wishes to submit a bid for funds, it should contact its HEFCE Higher Education Adviser or Regional Consultant, who will provide further details on the fund if necessary and advise on how to proceed. Each institution's HEFCE contacts can be found on our web-site at [www.hefce.ac.uk](http://www.hefce.ac.uk) under 'About us'.

9. We are happy to have iterative discussions with institutions about their proposals, working from first soundings about a possible project, through consideration of draft proposals, to final submission of a business case.

10. During 2000, we amended the consideration and approval process that we apply, so that it has the following steps:

- a. The process starts with discussion between the HEI and Regional Consultant/Higher Education Adviser, with as many iterations as are needed.
- b. Once a quarter, all proposals which are under active consideration are reviewed by an internal HEFCE group comprising the Chief Executive, the Director for Institutions and the Regional Consultants.
- c. Once the Regional Consultant is satisfied that the proposal meets the criteria, and has been developed to the point where it can be recommended for approval, they put it forward to the Chief Executive and Director for Institutions for consideration.
- d. Projects of a total value less than £100,000 can be approved by the Chief Executive under delegated authority from the HEFCE Board.
- e. Projects of a total value between £100,000 and £4 million must be approved by the Chief Executive in the light of advice from an advisory panel. In order to avoid possible conflicts of interest, that panel comprises HEFCE Board members not drawn from HEIs located in England. The current members are Lord Sutherland, Dr David Potter and Caroline Neville. Projects of a value between £2 million and £4 million also require the approval of the Chairman of the HEFCE Board.
- f. Projects of a total value of £4 million or more must be put to a meeting of the full HEFCE Board for approval. Final decisions on such projects therefore need to be synchronised with the annual cycle of Board meetings.

### **Contents of a project proposal**

11. We expect all project proposals to include a business plan. We would normally expect this to contain:

- a. Objectives of the project.
- b. How it fits with, and helps to deliver, the institution's wider mission and corporate plan.
- c. Rationale for project: for example, Why is this a good thing to be doing? What external or internal developments have triggered it? Why now? Why in this institution? Why is the institution unable to pay for the project from standard resources?
- d. The expected benefits, not just for the institution but in terms of wider gains or lessons for the sector.
- e. A description of how the project will be undertaken. What actions will be taken? By whom? To achieve what outcomes?

- f. Timescale, milestones during the project, and deadlines for completion.
- g. How the institution will assess whether the objectives have been achieved – in specific, measurable, achievable, relevant, and time-specified (SMART) terms. There should be quantified performance indicators wherever possible, and in terms of ultimate objectives (for example, improvement of the student learning experience) not just interim processes (for example, setting up a unit or producing a report).
- h. Budget details, which distinguish between staff and non-staff costs, and between revenue and capital costs, and which identify other sources of income that will contribute to the overall cost.
- i. A cost-benefit analysis to show that the expenditure will secure value.
- j. Requested grant allocation profile by month and year.
- k. Identified member(s) of staff responsible for undertaking the project.
- l. Authorisation from the head of the institution for submitting the project.

12. Item i. reflects the presumption that projects to be funded from the R&CF should deliver subsequent benefits, in the form of savings or value improvements, which should be identifiable, quantifiable and greater than the cost of the project.

13. We recognise that for many projects it is difficult to quantify, or assign a monetary value to, the benefits. We will also apply a test of proportionality – the scale of analysis appropriate for a small project will be rather limited. Nonetheless, we consider that it can be a helpful discipline in considering larger projects to undertake a net present value (NPV) benefit assessment, demonstrating value for money through an analysis of the costs and benefits of the proposed project. This should identify, quantify and if possible value all the costs, benefits, risks and uncertainties associated with the project and discount them to derive the present value. The standard rate of discount currently specified by Government for appraisals involving HEFCE funds is 6 per cent. The Treasury Guidance, The Green Book, 'Appraisal and Evaluation in Central Government', HMSO 1997 and the HEFCE guide, 'Appraising investment decisions', March 1999 (HEFCE 99/21), provide further details of this process.

### **Standard terms and conditions of funding**

14. Approval for each project is subject to the following standard terms and conditions. When an institution is notified that a project has been approved, it will receive a letter which sets out these terms and conditions for the grant:

- a. The institution should provide an expenditure profile by month for each of the financial years of expenditure.
- b. We will pay in accordance with the profile of expenditure up to a total of 90 per cent of the grant which has been approved. The remaining 10 per cent of the grant will be released on receipt of a satisfactory final project report.
- c. Before beginning to make payments, we will need evidence that work has begun (such as a copy of a contract or other documentation).
- d. The institution should provide a progress report every six months, with the first such report to be submitted six months after the start of the work. These reports should reflect the work completed with the support of the previous six months' payments, and should also identify any programme slippage. Where there is slippage, the progress report should show a recovery

plan and revisions to the monthly expenditure profile. We reserve the right to suspend payments should progress reports not be forthcoming.

e. The institution should 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 now unlikely to achieve the intended outcomes.

f. The institution should provide a final report, setting out how far the project has met its objectives, milestones and deadlines. This is particularly important for any projects which are intended to be innovative, and to have wider application to other institutions. In such cases, the final report will need to set out in detail what lessons have been learnt. This report should also show the total cost of the programme and include assurances on the use of the grant. We will specify the deadline for receipt of the final report.

g. We reserve the right to make available to others the final report (and any other associated products from the project), as part of disseminating the project findings for the benefit of the rest of the sector. We may do so either free of charge, or with a charge to cover the cost of the publication.

h. In all cases, we will need an assurance that the grant has been used for the purposes intended, and in accordance with the normal requirements of our financial memorandum with HEIs. The form of that assurance will depend on the scale of the project, as follows:

i. Where the total grant is £100,000 or more, we need evidence that the institution's internal or external auditors (or a separate firm of auditors if preferred) have tracked the grant for the individual project sufficient to give us an assurance in accordance with the normal requirements of our financial memorandum with institutions. The cost of this audit is an allowable cost under the programme. The institution may ask internal or external auditors to include that task within any wider routine audit work they are doing (subject to meeting the deadline for the audit report). But it is not sufficient for us to have a generalised assurance that overall the institution's financial arrangements are satisfactory. We need the assurance to be tied to the grant for the specific project.

ii. For any grant totalling less than £100,000, an institution could ask its internal or external auditors to undertake the same exercise as for larger grants. However, it will be sufficient for the institution to give a statement (which must be signed by both the head of institution and the director of finance), certifying that the grant has been used for the purposes intended and in accordance with the normal requirements of the financial memorandum.

i. We reserve the right to reclaim any over-payment from the institution's recurrent grant, if an audit statement shows that expenditure has not been incurred in line with the grant allocated.

## Key to abbreviations

ESF	European Social Fund
FE	further education
FTE	full-time equivalent
HE	higher education
HEI	higher education institution
HEROBC	Higher Education Reach-out to Business and the Community (a HEFCE special initiative)
ICT	Information and communication technologies
R&CF	Restructuring and Collaboration Fund
RDA	Regional Development Agency