

May 2006/15

**Special funding
Guidance**

Proposals can be made at any time

This guidance on our Strategic Development Fund (SDF) supersedes HEFCE 2003/28 and gives changes we have made to the application, approval and monitoring processes. A key aim of the fund remains to facilitate strategic developments that will benefit the sector as a whole. Proposals can be made at any time, and these will be reviewed by us at regular intervals throughout the year.

May 2006/15

Strategic Development Fund

Updated guidance

Alternative formats

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Strategic Development Fund

Updated guidance

To	Heads of HEFCE-funded higher education institutions
Of interest to those responsible for	Planning, Finance, Senior management
Reference	2006/15
Publication date	May 2006
Enquiries to	HEFCE regional consultant or higher education adviser

Executive summary

Purpose

1. This document provides details of our Strategic Development Fund (SDF) and the revised processes for submitting, assessing and monitoring proposals for funding.

Key points

2. We have revised guidance for the SDF now in order to align the fund with our new strategic plan ('HEFCE strategic plan 2006-11', HEFCE 2006/13).
3. The purpose of the SDF is to help us achieve our strategic aims and objectives, including the aim to sustain a high-quality higher education (HE) sector. Its overarching priority, reflected in the criteria for the fund, is to facilitate constructive development and change in the HE sector at a strategic level. Supporting institutions to focus on achieving excellence in what they do best, and to collaborate based on their strengths, are also important features of the fund. Its intention is to assist institutions in developing and implementing strategies that provide for their long-term sustainability. In addition, from time to time we will identify some specific priorities for the SDF, which will be linked to our strategic plan.
4. We will consider supporting projects of any scale, but we expect to provide the majority of the SDF to a small number of large scale projects. An important consideration in allocating SDF funding will be the extent to which institutions seeking SDF support are able to secure funds from other sources: we particularly welcome multi-funder proposals. We wish to see proposals that are based on full economic cost, are affordable and sustainable, and the mix of investment is appropriate given fit with the different investors' strategic priorities. For our part, we have moved towards a risk-sharing and investment-based approach in the SDF. In line with this approach, and given that

there is a limited budget available, we will normally provide our support through a mix of repayable grant and standard discretionary grant.

5. We have revised the methods of submitting, assessing and monitoring proposals to the SDF in order to address issues of risk and sustainability more effectively.

6. Up to date information about the fund is maintained under the SDF section on our web-site www.hefce.ac.uk under Finance & assurance/Finance & funding.

Action required

7. There is no deadline for submitting proposals to the SDF. We will consider proposals at any time, and fit them into our ongoing approval process throughout the year. Proposals should be discussed with the institution's HEFCE regional consultant or higher education adviser in the first instance. Proposals should then be submitted by e-mail to the HEFCE regional team (or to the relevant policy officer if the proposal is for a specific priority programme as advised on the web-site).

Background

8. We have a history of supporting large-scale structural change in the HE sector that higher education institutions (HEIs) could not achieve without additional HEFCE funding. Our previous Restructuring and Collaboration Fund (R&CF) facilitated constructive development, at a strategic level, in the structure and organisation of individual higher education institutions (HEIs) and in the sector as a whole. The R&CF supported over 170 projects across a diverse range of activities. In December 2002, our Board decided to close the R&CF (electronic publication 01/2003 on our web-site provides further information).

9. In January 2003, the Government's White Paper 'The future of higher education' announced the creation of a new Strategic Development Fund (SDF) (White Paper, paragraph 7.13), to support change and innovation in the sector. The SDF has played an important role in supporting the delivery of the priorities outlined in the White Paper and those in our own strategic plans. Since the creation of the SDF, it has funded over 90 projects.

10. Our new strategic plan ('HEFCE strategic plan 2006-11', HEFCE 2006/13) confirms that the SDF will continue to be a major mechanism to sustain a high quality HE sector, as well as, more generally, to achieve our aims and objectives.

11. We review the effectiveness of the management of the SDF from time to time, and make changes to processes accordingly. We conducted an internal review in 2005 which has informed the revised guidance in this document.

Criteria and priorities

12. The purpose of the SDF is to help us meet our aims and objectives as set out in our strategic plan, including the aim to sustain a high quality higher education (HE) sector. Within this main purpose, we have identified three broad priorities as the criteria for the SDF in the coming two to three years. These are:

- a. The development of substantial collaborative arrangements.
- b. Strategic change or development in institutions where they build on institutional strengths and/or provide benefits to the wider HE sector.

- c. Projects where the scale or degree of risk would be too great for a single institution to undertake, but where the outcomes would provide significant benefits to the sector and meet our strategic priorities.

13. We expect to fund a wide range of proposals that meet one or more of these broad priorities, and which fit with our strategic aims and objectives.

14. From time to time, we will identify specific priorities to advance our strategic aims and objectives through the SDF (such as employer engagement). Further information on such priorities, including criteria and guidance, will be given in the SDF section of our web-site (see paragraph 65) and through our regional teams.

Who can apply for funding?

15. All HEFCE-funded HEIs are eligible to seek SDF support. Proposals can involve further education colleges or other partners outside the HE sector, provided that in every case there is an identified lead HEI. The lead HEI will receive funding from us on behalf of the partnership and be responsible for distributing the funding among the partners, supplying monitoring information on the progress of the project, and securing Exchequer interest in capital projects. The lead HEI is also responsible for overall accountability for the funding. 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.

Funding

Amount of grant and repayable grant

16. We would normally expect to invest in proposals through a mix of grant and repayable grant. The mix will be determined by taking into consideration whether a proposal involves multiple funders; and/or whether it meets either our priorities or those of the sector as a whole – or largely those of one institution. This mix of support reflects the premise of the SDF as being to share risk between us, HEIs and other partners, as well as to share an investment/benefit. Where a proposal includes a revenue stream, we would expect repayment of grant to be a first call on this stream, so that we can then re-use grant to meet other priorities for the sector.

17. There is no set amount for our investment in each proposal: each allocation will depend on the context of the proposal and availability of funds for that year. Also, the balance of investor priorities and hence the investment mix (including our contribution) for different SDF proposals will quite properly differ.

18. No interest will be charged on repayable grants awarded.

19. For repayable grants, we will agree the payment and repayment periods with the lead institution during the development of the initial SDF proposal. These arrangements should then form the basis of the business plan submitted to us, and will be a prerequisite for any offer of a repayable grant to be made. We normally make repayable funding available over a maximum of three years. Repayment of this funding would begin after the institution received the final payment, with the repayment normally over a maximum of five years. Therefore the time from first payment from us to full repayment will be a maximum of eight years.

20. The SDF is intended to support risk sharing and enable HEIs to consider from time to time the types of high-risk project that could provide imaginative leaps forward for the sector. For this reason we will on occasion consider providing a full (non-repayable) grant when this is warranted by the potential wider benefits and the perceived risks of the proposal.

21. SDF proposals should be constructed on a full economic cost (fEC) basis using the Transparent Approach to Costing (TRAC) system. Guidance on TRAC and fEC is on our web-site under Finance & assurance/Costing and pricing. As part of developing proposals, and on a risk-based approach, we may wish to discuss further the basis for fEC calculations with HEIs that are not yet TRAC-compliant and/or in cases where the financial calculations are particularly complex (for example, partnership proposals involving further education colleges that do not have fEC systems in place).

22. Requests judged by the Council to be for significant amounts of funding (whether incorporating repayable grant or not) will be tested within HEFCE to confirm the project, and the

institution's own investment in it, is affordable. HEIs should indicate in their SDF proposal the extent to which the project is affordable with and without HEFCE support.

23. In devising SDF proposals, HEIs will need to consider the sustainability of what they propose, including ensuring that the proposal is fully deliverable from the contributions sought from us and from other sources.

24. As part of considering proposals, we will take into consideration the reasonableness of the fEC calculations for the project, as well as the reasonableness of the case for the mix of investment (related to priorities/benefits and risks). It is important to us that HEIs are costing proposals accurately and seeking the appropriate level of support from us, so that they are not over-committed, and hence are ensuring the long-term sustainability of their activities. However, we also need to ensure consistency of treatment, and that we are using our grant effectively, across all SDF proposals.

Student growth

25. In previous years, we have received applications for capital proposals to the SDF, and its predecessor (the Restructuring and Collaboration Fund), that have often been underpinned by a separate bid for additional student numbers (ASNs). This approach was burdensome on institutions and high risk: institutions had to make bids to two separate allocation procedures and face the possibility that one of the proposals may be unsuccessful. Therefore, to reduce the burden on institutions seeking growth in student numbers as part of their SDF proposal, we have pre-allocated approximately half of the total funding for student growth in 2006-07 and 2007-08 to support major strategic projects via the SDF. Bids for ASNs can now be incorporated within the SDF proposal. We intend to continue with this approach beyond 2007-08 provided that we are able to secure government funding to support further growth in student numbers.

26. Institutions seeking growth in student numbers within their SDF proposal should speak to their HEFCE regional consultant at an early stage, and follow the guidance in paragraph 4 of Annex A. Institutions should consider carefully when they

intend to start recruitment, as the latest we can announce numbers for the incoming September cohort is February of the same year. (We will need to be aware of HEI proposals which include ASNs well in advance so as to process these within our cycle of Board meetings.)

Other funding streams

27. We wish to use the SDF in as integrated a way as possible with other HEFCE funding. Therefore, proposals should identify any other significant HEFCE funding intended to be used for the project, for example the Science Research Investment Fund (SRIF), and comment on how the proposed SDF funding will complement the other funding. This will help to ensure that we understand the overall strategic and financial context within which the institution has made its SDF proposal.

How to apply

28. The SDF is not run on a fixed bidding timetable. We are happy to receive proposals at any time and we have an ongoing approval process.

29. The first step in putting together a proposal is for the lead HEI to discuss it with its HEFCE regional consultant or higher education adviser. The HEFCE regional team should be kept involved during all the key stages: first soundings about a possible project, consideration of draft proposals, and final submission of a full business plan.

Successful proposals usually emerge after some months of discussion with us, hence institutions should include enough time for that when drawing up their project schedule.

30. The format of all SDF proposals should follow the principles set out in HEFCE 2003/17 'Investment decision making: a guide to good practice', and, where applicable, those set out in HEFCE 2004/09 'Mergers in the higher education sector: A guide to good practice'. HEFCE 2004/09 gives detailed guidance on the nature of business cases and business plans which may have wider application than mergers, and hence may be of help to institutions in developing all SDF proposals.

31. The proposal should be presented in the form of:

a. A business plan (Annex A).

b. A summary (Annex B).

c. A key milestones plan (Annex C).

These should be sent as Word attachments by e-mail to the appropriate HEFCE regional consultant or higher education adviser.

32. The business plan (see Annex A) should:

- have a level of detail that is appropriate to the scale of the proposal
- demonstrate links to the institution's strategy, and/or the priorities of the collaborating partners, and to our strategic priorities
- clearly identify the outputs and outcomes of the proposal
- identify any ASNs required, and over what period
- address the affordability of the proposal (including that the case reflects full economic costs, that the investment mix is appropriate to the balance of the different parties' strategic priorities, and that the project is affordable)
- identify and show how key risks are to be managed
- demonstrate that the whole proposal, and specifically the procurement options, is designed to secure value for money.

33. The summary (see Annex B) must provide an overview of the proposal and:

- describe how the project fits with SDF priorities and HEFCE's strategic aims, the institution's strategy, and priorities of any collaborating partners
- identify the key outputs and outcomes
- include a proposed grant payment profile (and, where appropriate, a proposed repayment profile) showing a breakdown of what funding from HEFCE and other sources will be spent on at relevant intervals in the project.

34. The key milestones plan (see template at Annex C) should:

- identify the key milestones of the project
- identify the key risks associated with each milestone and how these will be managed.

35. We may impose additional requirements on SDF proposals and additional terms and conditions related to the specific priorities that we identify from time to time. Both additional proposal requirements and additional terms and conditions will be set out by regional teams and documented in the SDF section of the web-site. We may also occasionally seek additional information when assessing a proposal to reflect any special circumstances arising.

36. The information requested in proposals for SDF funding will enable us to agree an appropriate monitoring framework with the lead institution at the outset.

37. All proposals should be submitted by e-mail to the HEFCE regional team (or to the relevant policy officer if the proposal is for specific priority programme as advised on the web-site).

Considering proposals

38. To ensure transparency and consistency of approach, we will focus on the following areas when considering proposals:

- a. The extent to which there are other sources of funding.
- b. The scale of the impact, benefits, outputs/outcomes and sustainability of the proposal, for example:
 - fit with our SDF and strategic priorities
 - the number of students benefiting
 - if student numbers are required, the level, mode and price group
 - increase in building areas, such as m² as well as environmental sustainability of build
 - cost per student full-time equivalent and/or m²
 - changes to the institution's benchmarks (for example, in widening participation)
 - overall increase in sustainable research income
 - increasing links with business and level of knowledge exchange/transfer activity
 - links with other HEFCE initiatives
 - intensity of use of facilities or equipment.

- c. Whether the proposal is part of an institutional repositioning or recovery plan.
 - d. The impact on the institution's exposure to financial risk and/or other risks, including the degree of support expressed by other stakeholders, especially from the region, for example the Regional Development Agency.
 - e. The potential impact on other HEIs or further education colleges, particularly in regional or sub-regional contexts.
 - f. The capacity of the management team to implement the proposal successfully.
 - g. The affordability of the proposal, in terms of both capital costs and ongoing running costs; that it has been properly costed on a fEC basis; and that the investment mix is appropriate given balance of priorities, benefits and risks.
39. The level of detail in the proposal should be appropriate to the scale of the project, with more detail for larger proposals.

Assessment and approval process

40. We will assess proposals in relation to the criteria of the SDF and our strategic priorities.

41. With effect from 1 April 2006, our approval process will be based on an overall risk assessment of each proposal. This reflects a general trend in the Council to use more risk-based approaches in how we conduct our business.

42. In assessing risk, the relevant HEFCE regional team will work closely with the institution, taking into account factors relating to the institution and other partners involved, together with the following factors relating to the project itself:

- institution-related factors, including its overall financial position, the experience of managing projects similar in scope or complexity, and the extent to which the institution is involved in other major projects
- project-related factors, including scale and complexity, nature and range of funding involved, and how long-term sustainability for activity would be assured.

43. In addition, the regional team will pay close attention to the benefits to be delivered. Together these factors will provide an overall assessment of the proposal that balances risks and benefits. Institutions are strongly advised to work closely with their HEFCE regional team to ensure that benefits are clearly identified, particularly in relation to specifying not only the outputs but also the outcomes expected.

44. The SDF is intended to facilitate projects that are high risk but that have potential for high rewards. Hence, we will not necessarily reject proposals just because they carry risk: if they also hold out substantial promise we will seek to explore ways with the HEI to mitigate risk. For example:

- a. If an HEI is developing an innovative type of provision that it had not previously supported, we might recommend working with an experienced partner to lower the risk profile of the project.
- b. If the type of provision is innovative for the sector as a whole, we might make a higher investment and hence accept more of the risk in return for wide dissemination of practice from the project.

45. Annex D shows, for information only, the template that the HEFCE regional team will complete as part of its overall assessment of proposals.

46. Previously we approved proposals via an SDF management group, which held meetings specifically for this purpose. To enable SDF approvals to be processed more regularly, we are now handling SDF approvals within the weekly meetings of our directors and chief executive – our Chief Executive’s Group (CEG). Once the HEFCE regional team has concluded its analysis and assessment of an SDF proposal (including an overall risk assessment), it will be submitted for initial approval. This oversight by our CEG will ensure broad consistency in treatment across regions and proposals – agreeing the risk assessment of proposals, the reasonableness of financial and investment cases, identifying any areas for amendment or further work, and identifying the appropriate next stage in the approval process (taking into consideration the risk assessment and levels of funding sought).

47. Proposals that are low or medium risk and below £250,000 would be confirmed for funding by the chief executive following approval by the CEG. All other proposals, once initially approved by our CEG, would be presented at the next available SDF panel, which meets quarterly, as the next step in the approval process. The membership and terms of reference of the SDF panel are at Annex E. Proposals that are over £4 million, or judged to be high risk by the panel, will need to go to the Board for final approval. Figure 1 summarises this approval process.

Figure 1 **Summary of SDF approval process**

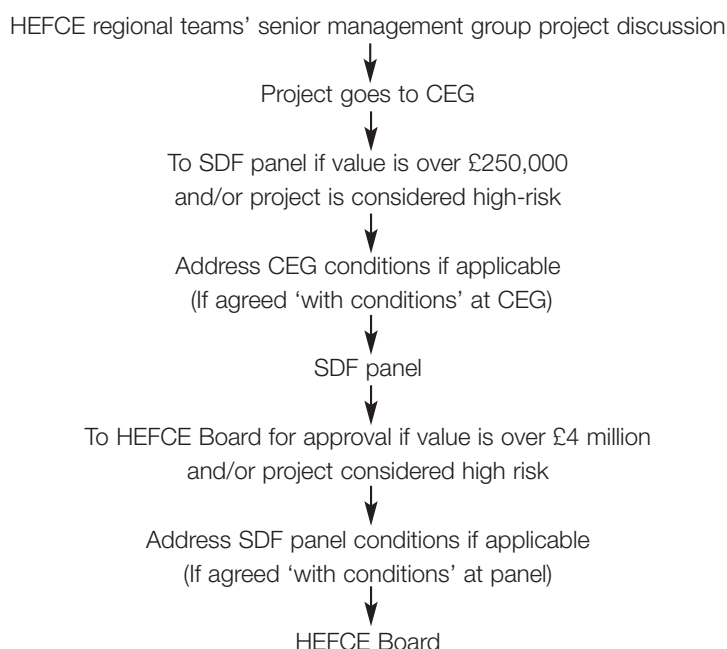


Figure 2 **Approval routes for SDF proposals from April 2006**

	Proposals for under £250,000 in HEFCE grant	Proposals for over £250,000 in grant	Proposals for over £4M in grant
High risk	SDF panel	SDF panel + HEFCE Board	SDF panel + HEFCE Board
Medium risk	Chief executive	SDF panel	SDF panel + HEFCE Board
Low risk	Chief executive	SDF panel	SDF panel + HEFCE Board

48. Under this new process, proposals assessed as high risk (irrespective of level of funds sought) will require approval from the SDF panel and, in some cases, our Board.

49. The approval routes for SDF proposals are outlined in Figure 2.

Terms and conditions

50. All approved SDF proposals will be subject to the standard HEFCE terms and conditions at Annex F. There may be additional terms and conditions related to specific priority programmes. Depending on the nature of the proposal, additional project-specific terms and conditions may be agreed at the time of approval.

51. Our experience to date suggests that there are sometimes perfectly understandable delays in starting projects which significantly affect the project funding profile. We need to keep close oversight of the profile of spend to ensure that we are using funds effectively. We therefore include the requirement in Annex F that HEIs provide us with a realistic funding profile at the outset. We also ask

that, where there are delays in starting the project, initiating the draw down of HEFCE funding, or the project is put on hold for any reason, that HEIs explicitly advise us of the project status at least annually. If the project does not ultimately proceed, changes significantly or is excessively delayed, we reserve the right to review and, by exception, withdraw our contribution.

Monitoring and reporting arrangements

52. Previously, we required monitoring reports for SDF projects every six months. However, as we move towards a more risk-based approach, we are tailoring our monitoring to the risk associated with each project. The relevant HEFCE regional team will work with the lead institution to agree a specific reporting process (frequency and style) appropriate to the level of risk, during the development of the proposal. A high risk project will normally require more frequent and in-depth monitoring than a low risk project (as an example, an e-mail to notify completion of a particular stage may be sufficient for a low risk project).

53. The regional team will recommend the level of monitoring and reporting requirements (including the final form of assurance) to CEG or the SDF panel (where applicable), who will make the final decision. We will then notify the lead institution of the requirements, so that these are clear from the outset. Our monitoring will extend to project completion, and hence may take place after we have provided the final payment.

54. We will monitor the recruitment of ASNs awarded through SDF via the annual Higher Education Students Early Statistics (HESES) process. In addition, progress against ASN targets will be monitored via the interim progress reports discussed below. The frequency of such reports will be agreed at the outset with the relevant HEFCE regional team.

55. We will seek to minimise burden in all cases. As an example, if an institution has indicated in its SDF proposal that it intends that the implementation of the project will result in an improvement in some of its performance indicators, we can monitor this via the Higher Education Statistics Agency's Performance Indicators exercise.

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

57. An institution should notify us at the earliest opportunity if a SDF project changes significantly, and not wait for the next formal report to do so.

Interim progress report

58. For some projects we will seek an interim progress report. This should report progress against the key milestones (as outlined in the key milestones plan, Annex C) and identify new and changing significant risks, and how these will be managed, where appropriate. The interim report should also provide information on programme slippage. We recognise that there may be good reasons why progress against key milestones is not achieved, at least on the time scale or in the manner originally envisaged. If slippage is significant, we may wish to agree a revised funding profile, and the progress report should include a revised key milestones plan

and expenditure profile. If new risks are identified, we may agree a revised reporting timetable.

59. We would expect project managers in the institution to work with the appropriate HEFCE regional consultant and regional team in preparing progress reports.

Final reporting

60. The final report on a project should detail what has been achieved with the funding we have provided and highlight any lessons or good practice that might benefit the sector. (If we are providing funding to support a feasibility study, options study and/or demand study, we will require a copy of the study and a brief report which should detail what the institution has done, or intends to do, with the report.)

61. As detailed in Annex F, we will agree at the outset of the project the form of assurance required at the end, which will depend on our risk assessment. This assurance will be a minimum of a letter from the designated officer stating the project has been completed and that the funding has been used for the purposes intended. We may also ask for a project completion statement, formal self-certification, or an independent grant audit conducted in accordance with Assurance Practice Note 1/04.

Review and evaluation of the SDF

62. We will conduct periodic evaluations of the SDF. We are conducting an initial evaluation this year, and then intend to evaluate in two to three year cycles. Evaluations will include case studies that demonstrate the contribution that the fund has made to achievement of our strategic aims and objectives. If evaluation results in significant changes to the operations of the fund, we will publish revised guidance.

Equality legislation

63. Institutions should bear in mind their legal duties under the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 2005 (from December 2006) and the Equality Act 2006 (from April 2007) to carry out impact assessments on all

new policies, proposals and initiatives where they might have any affect on race, disability or gender equality for both staff and students. If any adverse impact on equality and diversity is expected, we would expect an institution's proposals to refer to this, as well as an explanation of the measures they will put in place to mitigate this impact. Guidance on how to assess the impact of institutional policies is available in HEFCE 2004/37 'Conducting impact assessments for equal opportunities in higher education – a guide to good practice'.

Freedom of Information Act 2000

64. We are subject to the Freedom of Information Act 2000. This may result in proposals, communications between us and the institution, information arising from this work, or the outputs from the work undertaken being subject to disclosure if a relevant request is made to us. We will comply with such requests in accordance with the Act and our own policies.

SDF web-site

65. A section of the HEFCE web-site now provides information on the SDF. This lists all the projects funded through the SDF, as well as up to date information on current specific priorities, and guidance on these. It is updated on a regular basis and can be accessed at www.hefce.ac.uk under Finance & assurance/Finance & funding.

Annex A

Business plan

1. The lead institution must provide us with a business plan appropriate to the scale of the project. The business plan should address the criteria and priorities set out in this guidance (as well as any criteria or guidance relevant to projects that address specific priority programmes). It must also enable us to see how the collaborating partners or the institution has integrated the use of this funding with other sources of funding, both those of HEFCE and other agencies. The mix of investment should be appropriate given the balance of priorities/benefits of the various parties involved and the level of risk.
2. All proposals should be costed on a full economic cost (fEC) basis. The affordability and sustainability of proposals are important to us. Guidance on fEC can be found in paragraph 21 of the main text.
3. We would expect the business plan to follow the principles set out in ‘Investment decision making’ (HEFCE 2003/17) and, where appropriate, ‘Mergers in the higher education sector: A guide to good practice’ (HEFCE 2004/09). It should also include:
 - a. Project objectives (including academic objectives).
 - b. Description of how it links to the SDF criteria and our strategic priorities, and hence the rationale for our investment. SDF criteria are listed in paragraph 11 of the main text, and our strategic priorities are reflected in our strategic plan, ‘HEFCE strategic plan 2006-11’ (HEFCE 2006/13).
 - c. Options appraisal, including assessment of financial and non-financial costs and benefits.
 - d. Total project costs and funding sources, including
 - any other HEFCE funding contributing to the project
 - the amount of SDF funding needed to secure the necessary level of funding from other partners.
 - e. Proposed profiles for payment and, where applicable, repayment of the SDF grant.
 - f. Assessment of the affordability of both the capital costs and ongoing running costs.
 - g. Project management and monitoring arrangements, including the identification of a specific project manager.
 - h. Risk assessment and management of key risks.
 - i. Expected project outputs and outcomes, specifically mentioning any benefits to the HE sector.
 - j. Commentary on information provided in the key milestones plan.
 - k. For larger scale projects, confirmation that approval by the governing body/bodies has been obtained.
1. Summary of the monitoring process to be used by the institution, where applicable.
4. If the SDF proposal includes a request for additional student numbers (ASNs), the business plan should also answer the following questions:
 - a. How will the ASNs support the SDF project?
 - b. What evidence is there of demand for the ASNs?
 - c. What is the cost per FTE student of the proposal (total SDF plus other investment)?
 - d. What ASNs are required, by level, mode and price group over future years?
 - e. What would be the impact on the SDF project if the institution was awarded fewer ASNs than requested?
 - f. What would be the impact on the SDF project if the institution fails to recruit these ASNs?
 - g. What impact could there be on other HE providers from the SDF project or ASNs being awarded (for example, impact on their recruitment or progression)?
5. The completed proposal – to include the business plan, summary and key milestones plan – should be submitted as Word attachments by e-mail to the relevant HEFCE regional consultant or higher education adviser (or to the relevant policy officer if the proposal is for a specific priority programme as advised on the web-site). Contact details are available on the web at www.hefce.ac.uk under About us/Staff and structure/searchable staff list.

Annex B

Summary document

SDF proposals should include a summary using the template below. We do not expect the summary to be more than four sides of A4.

Institution leading the proposal:
Contact person for the proposal Title and full name: Post: Address for correspondence: Telephone: e-mail:
Other institutions involved:
Project title:
Project description, including overall aim: <i>Suggested length: Maximum of one side of A4</i>
How does the project proposal fit with the SDF priorities and HEFCE strategic priorities? <i>Suggested length: Maximum of half a side of A4</i>
Describe how this project fits with the institution's strategy or the collaborating partners' priorities, including contribution to strategic development of the sector as a whole: (Proposal should make clear links between the balance of strategic priorities of HEI(s), other funders, HEFCE and the investment mix (ie SDF, leverage and so on).) <i>Suggested length: Maximum of half a side of A4</i>
Additional student numbers required (where applicable): Level Mode Price group Numbers required per academic year

Total project costs and funding per year (on an fEC basis)				
Table 1: Recurrent funding	AY 200X-0X	AY 200X-0X	[add other years for full length of project]	Total £
HEI own funds				
HEFCE SDF grant (show repayments of repayable grant as negative figures)				
HEFCE other grant				
Other 1 (name source)				
Other 2 (name source) [add additional lines as necessary]				
Total				

Table 2: Capital funding	AY 200X-0X	AY 200X-0X	[add other years for full length of project]	Total £
HEI own funds				
HEFCE SDF grant (show repayments of repayable grant as negative figures)				
HEFCE other grant				
Other 1 (name source)				
Other 2 (name source) [add additional lines as necessary]				
Total				
Table 3: Total (Table 1 plus 2)	AY 200X-0X	AY 200X-0X	[add other years for full length of project]	Total £
All sources				

Leverage: (The amount of SDF funding needed to secure the necessary level of funding from other partners.)

Project risks: (Describe the significant risks to the project and how they will be managed.)

Value for money (for example, describe the approach to procurement): (The lead institution should describe the action taken or planned to secure value for money.)

Confirmation of approval by the head of the lead institution: (Enclose evidence from other partners or indicate when you expect this to become available.)

Annex C

Key milestones plan

A key milestones plan based on the template below should be completed and submitted by e-mail with the business plan and summary. It requires a summary of the activities involved in the project, the associated key risks and how these will be managed, as detailed in the business plan.

	Key milestone	Key risks	Actions to mitigate the key risks	Anticipated completion date	Anticipated outcomes
Target 1					
Target 2					
Target 3 and so on					

Annex D

SDF assessment template

This is the template that the HEFCE regional team will complete as part of its overall assessment of proposals. It is presented here for information only.

Memo for the assessment of SDF proposals

To Chief Executive's Group (CEG) /SDF panel
From **Regional consultant/regional team**
Date
Copy SDF team

The purpose of this template is to provide an overall assessment of a project proposal. It is recommended that teams consult their assurance consultant when completing this form.

This memo should only be attached to proposals ready for approval. It should be submitted in conjunction with the summary.

Strategic Development Fund project code:

Strategic Development Fund project title:

Overall funding:

Amount of SDF sought	Co-funders and amounts	Any other HEFCE funds eg, SRIF	ASNs requested	Total cost of project (and cost per FTE)

Background

1. Provide a brief description of the project and what the funding will be used for. *(This should be no longer than two paragraphs and include a balanced critique of the proposal.)*

Strategy

2. What is your assessment, with reasons, of the strategic importance of this project? *(Should refer to fit with the SDF criteria and our strategic priorities, including the regional scenario.)*

Impact

3. What is your assessment, with reasons, of the impact funding this project will make? *(May include number of students affected, increase in links with business, increases in level of knowledge transfer activity, outputs/outcomes.)*

Risk

4. What is your assessment, with reasons, of the level of risk associated with this project (to HEFCE and to the institution(s))? *(May include comment on total funding involved, number of other funders involved, experience of the lead institutions in delivering successful projects, institutional risk category and inherent risk of the project.)*

Financial viability, governance and management

5. Are you satisfied that this project is financially sound and sustainable (giving reasons)? Are you satisfied that governance and management arrangements are effective (giving reasons)? *(Consider whether the appropriate financial issues have been considered, such as fEC, affordability, and Net Present Value (NPV) analysis.)*

Track record

6. Have we funded similar projects in the region, or against the regional scenario? If so, what is your assessment of the impact of the project?

Additional information

7. Are there any specific conditions that you believe should be attached to the SDF funding? *(eg WP targets, sustainability, dissemination)*

8. In addition to the questions above is there any other significant information or issues that you think should be brought to the attention of CEG or the SDF panel?

Annex E

SDF panel membership

All are members of the HEFCE Board.

Steve Egan (Chair)	Acting Chief Executive, HEFCE (until 31 August 2006)
Professor David Eastwood (Chair)	Chief Executive, HEFCE (from 1 September 2006)
Richard Coldwell	Former chair of governors, University of North London
Peter Saraga	Formerly Managing Director, Philips Research Laboratories UK
Professor Nigel Savage	Chief Executive, The College of Law
Ed Smith	Global Assurance Chief Operating Officer and Strategy Leader for Assurance, PricewaterhouseCoopers

Terms of reference

1. The SDF panel will keep under review the overall development and effectiveness of the SDF. In particular it will:
 - a. Consider the priorities to be supported via the SDF each year.
 - b. Make decisions concerning the funding of: high risk SDF proposals under £250,000 in grant value; and all SDF proposals valued between £250,000 and £4 million.
 - c. Make decisions concerning the approval of repayable grants and their repayment period.
 - d. Ensure that the policies and procedures of the fund are being applied in a consistent manner across regions and types of proposal.
 - e. Receive an annual report on the SDF.

Annex F

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. All HEIs in the HEFCE-funded sector are eligible to bid for SDF support. Proposals can involve further education colleges or other partners outside the HE sector provided that in every case there is an identified lead HEI. The lead HEI will receive funding from us on behalf of the partnership and be responsible for distributing the funding among the partners, supplying monitoring information on the progress of the project and securing Exchequer interest in capital projects. The lead HEI is also responsible for overall accountability for the funding. All funding will be allocated in accordance with our statutory powers set out in Section 65 of the Further and Higher Education Act 1992.
- b. The lead institution must promptly inform us of any matter which makes a significant alteration to the project or a matter which is likely to significantly affect the original intended outcome of the project. We reserve the right to suspend, terminate or reclaim funding if, in our judgement, these matters 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 increases significantly during the project life, we should be advised at the earliest reasonable opportunity (that is, outside the agreed reporting system if appropriate).
- d. The lead HEI must inform us at the earliest opportunity of the actual spending profile for the project and of any significant changes to the profile over the course of the project.
- e. We will assess monitoring requirements at the outset of the project, and agree the style of reporting and the points in the project at which we will expect to receive progress reports (the key milestones plan will aid this risk-based

assessment). Progress reports should report against the key milestones plan and provide information on:

- progress in achieving outcomes
 - progress in achieving targets set
 - any new risks, or changes to risks already included
 - any programme slippage or underspend. Where there is slippage or underspend against profile, the progress report should include a revised programme timetable and expenditure profile.
- f. We reserve the right to suspend payments if progress reports are not forthcoming.
 - g. Additionally, monitoring arrangements agreed at the outset of the project are subject to adjustment upon receipt of progress reports or for any other reasonable consideration.
 - h. When we have approved a grant to the project we will normally pay in accordance with the proposed profile of expenditure.
 - i. Where our funds are not being substantially drawn down for any reason, HEIs must advise us of the project status at least annually, from the date of this letter. If the project does not ultimately proceed, changes significantly or is excessively delayed, we reserve the right to review and, by exception, withdraw our offer of grant.
 - j. Final monitoring and audit arrangements for repayable grants are the same as for outright grants.

Assurance requirements

2. We will also assess at the outset of a project the type of monitoring arrangements we will require, including the form that assurance will take to assess whether 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 specific form of assurance report will

depend on our assessment of the risks associated with the proposal, and are likely to take one or more of the following forms:

- a. Where the institution is requested to provide a **final audit report**, this audit should be sufficient to give us an assurance in accordance with our published independent assurance process and the normal requirements of our financial memorandum with institutions. 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. Please follow the guidance in Assurance Practice Note 1/04 (on our web-site www.hefce.ac.uk, under Finance & assurance/Assurance service/Internal & external audit/guidance). The cost of this audit is an allowable cost under the SDF programme.
- b. Where requested to provide a **project completion statement**, it must be signed by the institution's designated officer in accordance with our financial memorandum with institutions. An example of a project completion statement is on our web-site www.hefce.ac.uk (under Finance & assurance/Internal & external audit/Guidance and advice).
- c. Where requested to **self-certify a project**, the certificate must be signed by the institution's designated officer in accordance with our financial memorandum with institutions. Please follow the guidance in Annex 3 of Assurance Practice Note 1/04, which is on our web-site (see reference in sub-paragraph 2a above).

Final report

3. Depending on our assessment of what final reporting arrangements are required for a project, institutions may be asked to provide us with a final report as described below:


- a. The final report should set out how far the project has met its objectives, milestones, deadlines and spend, against the key milestones plan and original proposal 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. If the institution believes the report to be confidential and should not be published, it should state the reasons why in advance and we will consider them.

- b. We expect to receive the final report and final assurance report (see paragraph 2) within six months of the end of the project delivery period. If the institution fails to provide us with any final report and/or assurance report requested, we reserve the right to conduct an audit of the project directly and recover the cost of the audit if necessary. If we do not receive an adequate final report (for example, if 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 may seek to recover a proportion of grant. We also reserve the right to reclaim any funding which we do not believe has been used for the purposes intended, via the lead institution's recurrent grant.
4. If a repayable grant has been awarded, to ensure repayment is within the time allocated for repayment, it will also be subject to the following conditions:
 - a. The institution must propose a payment profile and repayment profile in its business plan. We will assess this for reasonableness and, if necessary, agree with the institution an alternative payment and/or repayment profile.
 - b. The agreed payment and repayment profile will be subject to a formal exchange of letters between the HEI and HEFCE.
 - c. Repayable grants will be paid out over a maximum of three years. We expect repayable grants to be paid back within five years of the final payment. The repayment period for each project should be agreed with the HEFCE regional team during formulation of the business plan.

List of abbreviations

ASNs	Additional student numbers
AY	Academic year
CEG	HEFCE's chief executive's group
FTE	Full-time equivalent
fEC	Full economic costing
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
SDF	Strategic Development Fund
SRIF	Science Research Investment Fund



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