

January 2005/08

Core funding/operations

Invitation to apply for funds

Proposals should be submitted by

30 May 2005

This document sets out the arrangements for learning and teaching, research and infrastructure capital for higher education institutions for 2006 to 2008. It also invites HEIs to submit proposals for use of these capital grants. Capital grants available to HEIs from April 2006 must be spent by March 2008. Earlier funding will be considered for projects that start after 1 April 2005.

Capital funding for learning and teaching, research and infrastructure

2006-08

Capital for learning and teaching, research and infrastructure: 2006-08

To Heads of HEFCE-funded higher education institutions
Heads of HEFCE-funded further education colleges

Of interest to those responsible for Senior management, Finance, Estates, IT

Reference 2005/08

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Executive summary

Purpose

1. This document sets out the arrangements for learning and teaching, research and infrastructure capital for higher education institutions (HEIs) for 2006 to 2008. It also invites HEIs to submit proposals for use of these capital grants.

Key points

2. Capital grants available to HEIs from April 2006 must be spent by March 2008. Earlier funding will be considered for projects that start after 1 April 2005.
3. Funding is distributed by formula as a conditional allocation.
4. Using these formulae, we have allocated £550 million for learning and teaching capital and £903 million for research capital to English HEIs. These allocations can be used to invest in HEIs' supporting infrastructure. The conditional allocations are at Annex A.

5. Annex B includes details of the learning and teaching capital allocations to HEIs that relate to franchised student numbers. This includes further education colleges (FECs) that are members of HEFCE-recognised funding consortia, where these are led by an HEI. The amounts shown in Annex B are included in the allocations in Annex A.

6. We have scaled back the information that we require from HEIs at both the programme and project level. We will continue to review the programme-level information that is provided, but we will not review the project-level information provided in detail. Instead we will select a sample of project proposals for external audit. This process has developmental aspects in addition to providing assurance about the proper use of public funds.

Action required

7. HEIs should submit their proposals electronically by **30 May 2005**. Details of how to access the application system and helpdesk will be provided on the web by the end of February. They will be at www.hefce.ac.uk, with this document under Publications.

Background

8. We have provided capital funding through separate streams in previous years:
 - a. Project capital allocations have addressed learning and teaching and IT capital requirements since 2000.
 - b. The Science Research Investment Fund has addressed research capital requirements since 2002.
9. The learning and teaching strand of this capital programme is a HEFCE programme, but taking account of the capital requirements of initial teacher training. It aims to:
 - a. Contribute to the long-term financial sustainability of an HEI's learning and teaching and supporting physical infrastructure, and its activities.
 - b. Contribute to addressing past under-investment in an HEI's infrastructure for learning and teaching.
 - c. Promote collaborative partnerships between HEIs and industry.
 - d. Promote high quality learning and teaching capability in areas of national strategic priority.
10. The research strand of this capital programme is a joint programme with the Office of Science and Technology (OST). It aims to:
 - a. Contribute to the long-term financial sustainability of an HEI's research activities and the physical infrastructure that supports them.
 - b. Contribute to addressing past under-investment in an HEI's physical infrastructure for research.
 - c. Promote collaborative partnerships between HEIs, industry, charities, Government and NHS Trusts.
 - d. Promote high quality research capability in areas of national strategic priority, as set out in the Government's 10-year investment framework for science and innovation¹.
11. In developing their programmes, HEIs should ensure they address whole-life costs and environmental issues.

¹ 'Science and innovation investment framework 2004-2014', HM Treasury, DTI, DfES, July 2004.

Funding available

12. On 20 January 2005 the HEFCE Board decided that £550 million would be distributed as learning and teaching capital to HEIs. These conditional allocations are at Annex A.

13. These funds are available to support learning and teaching. No separate amounts for students with special needs have been identified within the total conditional allocations. The total of £550 million includes £60 million to address the backlog of under-investment in science and engineering teaching laboratories, although we have not shown these as separate allocations. We expect any investment for students with special needs, or in science and engineering teaching laboratories, to be made by HEIs from within their total allocations.

14. The July 2004 Spending Review announced that there would be a third round of the Science Research Investment Fund (SRIF 3) with funding of £500 million in each of 2006-07 and 2007-08. Within this total, £300 million is provided through the OST and is UK wide; and £200 million is provided through the Department for Education and Skills to HEFCE, and is for England only. The research allocations in this publication deliver that commitment for a third round of SRIF.

15. On 20 January 2005 the HEFCE Board, after consulting the OST, also decided that £903 million would be distributed as research capital to HEIs. These conditional allocations are at Annex A.

Conditional allocations

16. We have allocated funding to HEIs by formula, on the same bases as those used for the last rounds of funding for project capital and SRIF. These bases are:

- a. For learning and teaching capital – HEFCE 2004-05 standard teaching resource and widening participation allocations and Teacher Training Agency teacher training resource. For science and engineering teaching laboratories – HEFCE 2004-05 standard teaching resource for price group B only.
- b. For research capital – half the allocation is based on HEIs' 2004-05 quality related research income from HEFCE; the other half is based on a combination of total external research income received by the HEI in 2002-03, and 2004-05 quality related research income from HEFCE.

Invitation to apply for funds

17. We invite HEIs to submit proposals for how they intend to use their conditional allocations for learning and teaching and research, including the supporting infrastructure. Separate proposals should be submitted for learning and teaching and research. We expect each programme to include a relatively small number of significant and strategic proposals.

18. The priorities for the use of these capital funds are:

- a. To maintain the productive capacity of the existing infrastructure in a fit state. This includes addressing past under-investment in science and engineering teaching laboratories, with the aim that, by 2010, all science and engineering laboratories should be classed as at a good standard or better, as measured by HEFCE. We would not expect these capital grants to be used to increase space, except in new or emerging fields of research or learning.
 - b. To invest so that the existing capacity is used more productively or efficiently without increasing gross floor area or capacity.
 - c. To enable universities and colleges to develop proposals that enhance and maximise the public and private use of higher education's research expertise and facilities.
19. In developing their proposals, HEIs will be expected to describe how the proposals:
- a. Help deliver their strategic aims and objectives.
 - b. Fit within their learning and teaching and research strategies, as appropriate.
 - c. Fit with their infrastructure, financial and IT strategies and how these integrate with the academic strategies.
 - d. Address the requirements of the Government's 10-year investment framework for science and innovation in the case of research proposals; specifically to continue to enable HEIs to develop proposals that enhance and maximise the public and private use of HEI research expertise and equipment.
20. HEIs will also be expected to demonstrate:
- a. How they have followed the good practice guidance and other information listed in Annex C so that value for money will be secured.
 - b. That the proposals are affordable, both in terms of the initial capital costs but also in terms of annual operating and maintenance costs over the life of the asset or activity.
 - c. That issues of environmental sustainability have been addressed.

Eligibility and funding

21. All HEIs that receive core funding for learning and teaching and/or research are allocated conditional capital funding. Funds may be used on projects that contribute to the overall programme, and are for the following purposes (or combination of purposes):
- a. Refurbishment of premises for learning and teaching, research or supporting infrastructure.

- b. Replacement, renewal or upgrading of equipment, including improvements to internal IT networks to take advantage of the additional bandwidth to be provided by upgrading the SuperJANET backbone².
- c. Replacement of premises or infrastructure by new-build or acquisition, but only where this is a better value solution than refurbishment. This would need to be demonstrated by a business case, including option appraisal (see Annex C for details of good practice that HEIs are encouraged to follow).

22. Where new-build represents the best value solution, HEIs will be expected to demonstrate how they will fit out and equip such space, and how they will meet the operating and maintenance costs over the life of the asset or activity.

23. HEIs are required to contribute at least 10 per cent of the total costs of their learning and teaching and research programmes. This should be assessed when proposals are submitted, and be recalculated when all the projects within the programmes are completed. Consequently individual projects could be allocated funding that meets more than 90 per cent of costs, but this is offset by other projects where the allocation is less than 90 per cent, provided that the capital grant contribution to the total programme is not more than 90 per cent.

Collaborative projects

24. The requirement for an institutional contribution is waived in the case of collaborative projects. For collaborative projects between UK HEIs, the HEIs can use their allocation of capital funding to meet 100 per cent of the project costs. For this purpose, collaborative projects are defined as being where:

- a. The minority partners contribute at least 33 per cent of the total costs of the collaborative project.
- b. There is a formal agreement between the HEIs involved.
- c. The total costs for the project exceed £500,000.

Multi-use buildings, equipment or supporting infrastructure

25. Buildings or equipment that are used for both learning and teaching and research, or infrastructure that supports both learning and teaching and research, can be funded by using funding from both the learning and teaching and research allocations. The proportions used from each source should correspond with the balance of activities that are carried out or supported. For example, if a building is used 60 per cent for publicly supported learning and teaching and 40 per cent for publicly supported research, capital funding is limited to a maximum 54 per cent from

² Advice on SuperJANET and other sector-wide IT developments should be sought from the Joint Information Systems Committee, www.jisc.ac.uk

the learning and teaching capital allocation and a maximum 36 per cent from the research capital allocation³.

Information required

Programme summary

26. The programme summary should provide an overview of the HEI's proposals for using its allocations of learning and teaching and research capital. The summary should set out how the proposals will:

- a. Contribute to delivering the HEI's strategic aims and objectives.
- b. Fit within its learning and teaching and research strategies, as appropriate.
- c. Fit with its infrastructure, financial and IT strategies, and show how these integrate with the academic strategies.
- d. Address the requirements of the Government's science and innovation investment framework, in the case of research proposals; specifically to continue to enable HEIs to develop proposals that enhance and maximise the public and private use of HEI research expertise and equipment.

27. In addition, the programme summary should set out how the programme is to be funded, and confirm that the proposals are affordable, both in terms of the initial capital costs but also in terms of annual operating and maintenance costs over the life of the asset or activity.

28. The summary should indicate how the HEI has applied the good practice guidance and taken account of the other information listed in Annex C, to demonstrate that value for money and other benefits will be achieved.

29. Instructions for completing the programme summary will be available on the web by the end of February (at www.hefce.ac.uk with this document under Publications).

Project information

30. Instructions for completing the project-level information will be available on the web by the end of February (at www.hefce.ac.uk with this document under Publications).

Proposals approved by head of the institution

31. The template for proposals will include a statement from the head of the HEI to confirm that various actions and processes have been completed. Specifically that:

³ The remaining 10 per cent would be the institutional contribution, unless this was a collaborative project. Capital funding allocations should not be used to support activities that are expected to recover their full economic costs.

- a. The capital proposals align with the HEI's strategic aims and objectives and fit within its learning and teaching and research strategies, as appropriate; and fit with its infrastructure, financial and IT strategies, showing how these integrate with the academic strategies.
- b. The capital programmes address the requirements of the Government's 10-year science and innovation investment framework, in the case of research proposals.
- c. The HEI has followed the good practice guidance and other information listed in Annex C, demonstrating that it has sought value for money.
- d. The proposals are affordable, both in terms of the initial capital costs but also in terms of annual operating and maintenance costs over the life of the asset or activity.
- e. Issues of environmental sustainability have been addressed, and there is justification for any net increase in space.

Assessment processes

32. We intend that the assessment processes will be light touch, so that funding can be confirmed as early as possible. We will review the programme and project information in different ways.

Learning and teaching capital: programme-level information

33. There will be three elements to this review stage.
34. HEFCE regional consultants will consider the extent to which:
 - a. The programme fits with their understanding of the HEI's mission and strategic direction and its specific academic and resource strategies.
 - b. The programme supports the long-term sustainability of the HEI's activities.
 - c. The programme addresses requirements of the region.
 - d. Co-ordination or consolidation of programmes is desirable, possible and should be sought.
35. HEFCE financial advisers will consider:
 - a. The extent to which the programme is included within the latest set of financial forecasts.
 - b. Whether the programme is affordable as indicated in the programme summary.
36. HEFCE estates advisers will consider:
 - a. The extent to which value for money indicators that are outside the expected range are acceptable.

- b. The justification for any increase in net space.

Research capital: programme-level information

37. There will be four elements to this review stage.

38. The Research Councils will consider:

- a. The added value at regional or national levels; and whether the programmes, in aggregate, cause any over-capacity or under-capacity against national or regional priorities.

- b. The extent to which co-ordination or consolidation of programmes is desirable, possible and should be sought.

39. HEFCE regional consultants will:

- a. Consider the extent to which the programme fits with their understanding of the HEI's mission and strategic direction and its specific academic and resource strategies.

- b. Consider the extent to which the programme supports the long-term sustainability of the HEI's activities.

- c. Consider the extent to which the programme addresses requirements of the region, as well as of UK research.

- d. Consider the extent to which co-ordination or consolidation of programmes is desirable, possible and should be sought.

- e. Carry out a strategic research review for projects led by a department rated below 4 in the 2001 Research Assessment Exercise.

40. HEFCE financial advisers will consider:

- a. The extent to which the programme is included within the latest set of financial forecasts.

- b. Whether the programme is affordable as indicated in the programme summary.

41. HEFCE estates advisers will consider:

- a. The extent to which value for money indicators that are outside the expected range are acceptable.

- b. The justification for any increase in net space.

Project-level information for both learning and teaching and research capital

42. We do not plan to review each project in detail. Instead we will select a sample of project proposals, based on the degree of risk, and arrange for these to be reviewed by external auditors. The audits would cover:

- a. The processes that have supported the HEI's decision to define the objectives of the capital programme and to select the projects being proposed, and whether these conform to good practice.
- b. The methodology used to identify the net present value for projects, and the criteria used to select the preferred option.
- c. How the HEI has sought to secure value for money and the extent to which it has used the information listed in Annex C.
- d. The extent to which professional expertise in procurement and estates and facilities management has been fully utilised.

43. We see this as a process that provides assurance on the use of funds, while providing some lessons for both HEFCE and HEIs. The outcomes will also inform our assessment of institutional risk.

44. We still intend to carry out equipment procurement reviews to identify where further benefits can be obtained through co-ordinated procurement. These reviews have secured benefits to HEIs of over £10 million over the two rounds of funding in the last four years.

Co-ordination

45. The learning and teaching and research programmes will include projects that span a number of departments with many different project leaders. We have found that having a single co-ordinator for each programme is beneficial for the HEI as well as for HEFCE. We would ask all HEIs to nominate a co-ordinator for learning and teaching capital, and a co-ordinator for research capital. The primary HEFCE contact for each of these programmes is:

- learning and teaching capital: David Hill (e-mail d.hill@hefce.ac.uk, tel 0117 931 7482)
- research capital: Stuart Grantham (s.grantham@hefce.ac.uk, tel 0117 931 7037).

Payment of funds

46. We will pay 100 per cent of capital grants on a profile set against each HEI's profile of project expenditure. Funding is conditional on receiving a satisfactory project completion statement. Please see Assurance Practice Note 1/2004, which HEIs are required to follow (on the web at www.hefce.ac.uk under Finance & Assurance/Assurance service/Internal and external audit/Guidance). We will ask for a sample of the project completion statements to be audited.

47. Where HEIs are unable to provide satisfactory project completion statements, or do not do so by 30 September 2008, or the project completion statements do not provide the necessary assurance over the use of funds, we will seek to reclaim all of the funding provided for such projects.

Evaluation

48. We expect to evaluate the outcomes of these capital programmes, through identifying specific examples, or case studies, that show how the funds have improved the quality or quantity of learning and teaching and research that have been delivered.

Timetable

49. The timetable is as follows:

31 January 2005	Conditional allocations and proposal process published
30 May 2005	Deadline for programme and project proposals to be received by HEFCE
31 July 2005	Confirmation by HEFCE of acceptance of proposals
1 April 2005	First start date for agreed early start projects
1 April 2006 to 31 March 2008	Funding available
31 March 2008	Capital programmes end
30 September 2008	Deadline for receipt by HEFCE of project completion statements

Capital funding after 2008

50. The Government's 10-year science and innovation investment framework states (paragraph 3.61):

'The Government is keen to encourage more holistic capital investment and planningTo this end, HEFCE will be discussing with institutions the merits of rolling the present research, teaching and IT capital funding streams into one, and Government stands prepared to consider the possibility if it has the potential to improve investment decisions in universities [and colleges]. In return, institutions would be expected to produce comprehensive asset management strategies for the totality of capital funding they receive, and HEFCE would monitor actual capital expenditure against these asset management strategies to demonstrate that universities and colleges are acting to secure the long-term sustainability of their infrastructure.'

51. We have been taking this forward over recent months in discussion with Government, the Association of University Directors of Estates and the British Universities Finance Directors Group, with a view to developing a proposal encompassing:

- a single capital funding stream including teaching, IT and research infrastructure

- greater flexibility to carry forward capital allocations from one year to another
- development of infrastructure strategies and how these link with strategic/academic planning, other resource strategies and capital expenditure plans. These should also address issues around the quality and long-term sustainability of the infrastructure. We see these strategies as being an essential element for delivering this new approach
- how best to demonstrate that capital expenditure is delivering against the infrastructure strategy and towards sustainability.

52. We expect to have a proposal for discussion in the spring.

Annexes A and B (separate Excel files)

Annex C

Information on good practice

The following publications provide information on good practice. The list is not exhaustive: there are many sources of good practice, and in particular sustainable development advice is proliferating. It is expected that institutions will take a responsible approach to sustainable development.

Building Research Establishment Limited

BRE Environmental Assessment Method (BREEAM)

<http://products.bre.co.uk/breeam>

Chartered Institute of Building

'Code of practice for project management'

www.constructionbooksdirect.com

Construction Industry Research and Information Association

'Sustainable construction procurement: a guide to delivering environmentally responsible projects', 2001, Ref C571.

www.ciria.org under Bookshop

Department of Trade and Industry

'Sustainable construction brief'

'Building a better quality of life: a strategy for more sustainable construction'

www.dti.gov.uk/construction/sustain/

HEFCE

'Investment decision making – a guide to good practice', HEFCE April 2003/17

www.hefce.ac.uk under Publications

Office of Government Commerce

Achieving Excellence in Construction, guidance documents covering:

- improving standards of design in the procurement of public buildings
- sustainability in construction procurement.

Achieving Excellence Guides covering:

- design quality
- health and safety
- improving performance
- initiative into action
- procurement and contract strategies
- project organisation
- project procurement lifecycle
- risk and value management
- the integrated project team
- whole-life costing.

www.ogc.gov.uk/sdtoolkit/reference/achieving

Proc-HE

Guidance documents on procurement covering:

- benchmarking
- business case guidance notes
- competitive tenders
- electronic OJEC notices
- selecting best value
- whole-life costing.

www.proc-he.ac.uk under Guidance

Research Equipment Affinity Group

Guidance documents on research and other equipment.

www.proc-he.ac.uk under Groups/REAG/Model documentation toolkit

Universities UK

'Procurement guidelines for higher education: building and engineering projects'.

www.universitiesuk.ac.uk under Bookshop/Management guides & codes of practice

List of abbreviations

HEI	Higher education institution
FEC	Further education college
OST	Office of Science and Technology
SRIF	Science Research Investment Fund
QR	Quality-related research funding