

## FUTURE ARRANGEMENTS FOR CAPITAL FUNDING: CONFIRMATION OF IMPLEMENTATION

Disclosable

Meeting	Agenda Item	Reference No
19/09/07	16	HEFCW/07/74

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### 1 Issue

- 1.1 This paper invites the Council to confirm the introduction of new arrangements for capital funding with effect from 2008-09.

### 2 Corporate Planning Implications / Rationale for paper

- 2.1 The need to review the Council's approach to its arrangements for capital funding arose from:
- the findings of a study on *Future Requirements for Capital Funding in Higher Education*, commissioned from JM Consulting by the four UK higher education funding bodies in 2006, which advocated a more strategic, long-term approach.
  - parallel developments which are underway in England.

### 3 Recommendation

- 3.1 The Council is invited to confirm that, in view of the successful resolution of outstanding issues, the new arrangements for capital funding discussed at its meetings in December 2006 and June 2007 should be implemented with effect from 2008-09.

### 4 Timing for decisions

- 4.1 A decision on this matter is required now in order to allow for publication of a Circular confirming the new arrangements. This will give institutions timely notification of the format of the information which they will be required to provide in Spring 2008.

### 5 Council members' interests

- 5.1 No conflicts of interests have been declared in advance of the meeting.

### 6 Further information

Contact Linda Tiller (Tel 029 2068 2228 ; E-mail: linda.tiller@hefcw.ac.uk)

## 7 Background

- 7.1 In December 2006, the Council agreed to consult the sector on proposals for a revised approach to arrangements for capital funding, to be implemented from 2008-09 onwards. The main elements of the proposals were:
- that, in order to encourage a more strategic approach to capital investment, institutions should develop long term capital investment strategies
  - that, for institutions which are managing their capital investment sustainably, as evidenced by their investment strategies and selected metrics based indicators, capital funding should be released with minimal further information requirements.
- 7.2 The outcomes of the consultation were reported to the Council in June 2007. Most respondents accepted the benefits of a more strategic approach to capital investment. However, reservations were expressed about the need for separate, stand-alone capital investment strategies, which some respondents considered would be unduly burdensome to produce. Some concerns were also expressed about whether the metrics-based indicators would be consistent across the sector.
- 7.3 In the light of the concerns expressed, the Council agreed in June 2007 to establish a small working group to develop a framework for the information required under the new approach, and to select a viable range of metrics-based indicators. The membership of this group, as previously approved by the Council, is set out at **Annex A**.

## 8 Outcome of Discussion with Working Group

- 8.1 The Working Group met on one occasion in June 2007. At that meeting, members discussed a proposed template for the capital investment strategies, developed by HEFCW officers, and agreed that this would provide a viable and acceptable way forward.
- 8.2 The group also considered and broadly endorsed the proposed range of metrics indicators, as listed at **Annex B**. These indicators, which are all based on existing data, will be used by HEFCW for monitoring purposes, and as the basis for discussion with individual institutions, where required. The outcomes for individual institutions will not be published.
- 8.3 The concerns initially raised in the consultation responses have thus now been satisfactorily resolved through discussion with the working group. It is therefore proposed to proceed with implementation of the new arrangements in 2008-09. These arrangements will apply to all institutions which have a successful track record of managing their previous capital allocations efficiently and effectively, as evidenced primarily by their annual expenditure reports.

***The Council is invited to confirm that the new arrangements for capital funding, as approved at its meetings in December 2006 and June 2007, should be implemented from 2008-09.***

## 9 Timetable for Implementation

- 9.1 The intended schedule for implementation of the new arrangements is set out below, although the timing of the later phases will be dependent on the date of the announcement of the outcomes of the Comprehensive Spending Review.

Publication of Circular confirming the introduction of the new arrangements from 2008-09 and providing the template for the capital investment strategy.	October 2007
Approval by the Council of capital allocations for 2008-09 and provisional allocations for 2009-10.	January 2008(subject to timing of outcomes of CSR)
Capital allocations published. Institutions requested to submit capital investment strategies by end of March 2008.	January 2008
Review of capital investment strategies by Council officers	April 2008
First instalment of 2008-09 allocations released.	May 2008

## 10 Financial implications

- 10.1 There are no financial implications arising directly from this paper. However, the new arrangements will affect the basis on which the Council provides capital funding from 2008-09.

## 11 Communications implications

- 11.1 A Circular confirming the introduction of the new arrangements will be published in October 2007. There are no other communications implications.

## 12 Diversity and Equal Opportunities implications

- 12.1 The purposes for which capital funding for learning and teaching may be used include expenditure to improve the access to higher education for students with disabilities.

## 13 Risk Assessment

RISK	ACTION TO ADDRESS RISK
There is a risk that institutions which were not represented on the working group may have difficulty understanding the new information requirements.	HEFCW officers will hold individual meetings with appropriate representatives of all institutions in this category to talk through the new information requirements prior to submission of the capital investment strategies.