

SCIENCE RESEARCH INVESTMENT FUND (SRIF):

Second Round - Invitation To Submit Proposals

To: Heads of higher education institutions in Wales

Summary: This Circular sets out the arrangements for the second round of the Science Research Investment Fund (SRIF), announces allocations, and invites eligible institutions to submit proposals for programmes of expenditure.

Reference: W03/07HE

Publication date: 14 February 2003

Response by: 30 May 2003

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■ INTRODUCTION

- 1 This Circular sets out the arrangements for the second round of the Science Research Investment Fund (SRIF), announces allocations, and invites eligible institutions to submit proposals for programmes of expenditure. It also makes brief reference to the Strategic Research Rationalisation Fund, details of which will follow in due course.

■ BACKGROUND

- 2 Advance notice of plans for a second round of SRIF was provided in Circular W02/82HE, published in December 2002. This second round will run in 2004-05 and 2005-06, drawing on funding for research infrastructure made available to the Office of Science and Technology (OST) on a UK-wide basis in the 2002 Comprehensive Spending Review. The provision of this funding reflected the findings of a cross-cutting review of science and research, commissioned by the Government, which identified a significant backlog in capital investment that had not been addressed by earlier initiatives.
- 3 As in the first round of SRIF, HEFCW has agreed to join its capital funding for research infrastructure for 2004-05 and 2005-06 to Wales' territorial share of the OST funding.

■ OVERVIEW OF THE FUND

- 4 The funding is being made available to improve the quality of physical research infrastructure. It is intended to help address the backlog in capital investment and to promote the long term sustainability of institutions' research infrastructure and activities.
- 5 The funding will be pre-allocated by formula, and eligible institutions will be asked to submit proposals for programmes of expenditure against their allocations. Prior to the release of allocations, the proposals will be subject

to review and endorsement by the Council, which will consult the Research Councils and other research funders as appropriate. The review process is designed not to be intrusive, and the presumption is that each institution will receive its full allocation.

- 6 Institutions will be required to contribute 10% of the cost of their programme from their own funds or external sources. As in the previous round, however, the requirement for an institutional contribution will be waived in the case of projects involving significant collaboration with one or more other HEIs.
- 7 The deadline for the submission of proposals for the use of allocations is 30 May 2003. Following completion of the assessment process, it is envisaged that, in most cases, funding will be confirmed in mid July 2003. The payment of allocations will commence from April 2004.

■ STRATEGIC RESEARCH RATIONALISATION FUND

- 8 The OST has reserved £30 million for a Strategic Research Rationalisation Fund. This fund is intended to contribute to the costs of co-operation between UK HEIs, including merger, where this strengthens the international excellence of the UK's science research base. Criteria for the assessment of proposals for support from this fund are still under consideration, but are likely to be aligned with those used by the funding councils in considering merger proposals. Further information will be issued shortly.

■ FUNDING AVAILABLE FOR SECOND ROUND OF SRIF

- 9 Wales' territorial share of the £570 million to be made available by the OST for SRIF in 2004-05 and 2005-06 amounts to approximately £25.2 million.

10 As indicated in para 3, the Council has agreed to join its capital funding for research infrastructure for 2004-05 and 2005-06 to Wales' share of the OST funding. The Council's capital funding amounts to approximately £21.5 million in total over the two years. Joining the two funding streams in this way will result in a single consolidated fund for the Welsh higher education sector amounting to approximately £46.7 million in total over the two years 2004-05 and 2005-06.

■ ALLOCATION FORMULA AND ALLOCATIONS

11 The funding will be allocated to institutions by formula. Half of the allocation is based on institutions' 2002/03 QR funding, and the other half on the combined total of institutions' external research income for 2000/01 and their QR funding for 2002/03. Allocations take into account research income in scientific areas (defined by reference to the funding remits of the six UK grant-giving Research Councils) and additionally, for that element of SRIF funded by HEFCW, research income in the humanities, language based disciplines and design and creative arts. The allocations are shown at **Annex A**.

■ POSITION OF ARTS AND HUMANITIES

12 The primary aim of the second round of SRIF is to fund infrastructure for science, engineering and technology research, reflecting the remits of the UK Research Councils. However, in view of the forthcoming establishment of an Arts and Humanities Research Council and the scope for complementary interaction between arts and humanities and science research, there is some flexibility in this round of SRIF for institutions to use a proportion of their allocations to support research infrastructure for humanities, language-based disciplines and design and creative arts.

13 Since institutions need to identify their own priorities, limits have not been specified for how much of their allocations may be used in support of the arts and humanities. However, across the sector as a whole, the Council would expect not more than 5.5% of the total SRIF funding for Welsh HEIs to be used for these subjects. This is the overall proportion of SRIF funding for Wales which is attributable to the arts and humanities.

14 The Council will monitor the position at sector level through examination of expenditure plans. If, at the level of the sector as a whole, proposed expenditure on the arts and humanities exceeds 5.5% of the total SRIF funding for Welsh HEIs, the Council may need to pursue aspects of the proposals further with individual institutions.

■ FUND DETAILS

AIMS OF THE FUND

15 The aims of the second round of SRIF are:

- to contribute to the long-term financial sustainability of institutions' physical research infrastructure and research activities
- to help address some of the past under-investment in research infrastructure
- to promote collaborative partnerships between higher education institutions, industry, charitable bodies, Government and NHS Trusts
- to promote high quality research capability in areas of national strategic priority, as identified by the Research Councils and other major research funders.

16 In the second round of SRIF, the emphasis is on using the funding to contribute to the long-term financial sustainability of the institution's

research infrastructure and research activities. The priority should be to address past under-investment, rather than to increase capacity, except where this is justifiable – for example, for new and emerging fields of research.

- 17 Para 15 above draws attention to the importance of taking account of the Research Councils' national priorities when preparing proposals. Specific information on fit with Research Councils' priorities is requested as part of the programme summary document. However, institutions may also consider the priorities of other major funders of research, such as charities, the NHS and government departments where this is relevant to their overall research strategy. The Council will monitor proposals at the level of the sector as a whole in order to ensure that, in aggregate, they are broadly consistent with these national priorities.

ELIGIBLE USES OF FUNDING

- 18 The funding may be used for the following purposes:

- Refurbishment of premises for research
- Research equipment
- Replacement or, subject to adequate justification, establishment of research premises by new build or acquisition

- 19 Option and investment appraisals should be carried out and, where new build is planned, institutions should demonstrate that this solution represents the best value for money.

- 20 In the case of research equipment, funding may be used to replace or upgrade existing equipment. It may also be used to purchase equipment for new and emerging areas.

- 21 It is expected that overall space should not increase, except where this is justifiable – for example, for new and

emerging areas of research. Where new build/building acquisition is proposed in order to replace existing premises, it is expected that there should be offsetting reductions in space, for example through disposals. Any increase in space will require justification.

- 22 Where it is proposed to undertake new build which will increase total space, institutions should give particular consideration to how they will provide any equipment necessary to utilise this additional research capacity, and how they plan to fund the associated research activity in the longer term.

- 23 Expenditure programmes may include buildings which will be used jointly for teaching and research purposes. However, only the research element will be eligible for support from SRIF. For example, in the case of a building refurbishment costing £5 million where £1 million of the cost relates to space used for teaching and £4 million to space used for research, the £1 million teaching element may not be funded from SRIF or counted towards the institution's 10% own/third party contribution to the SRIF funded programme. The exact mix of SRIF and own/third party funding to make up the £4 million will depend on whether or not the project is collaborative, and on the profile of own/third party funding across the rest of the institution's SRIF programme.

- 24 Since the funding has been made available in support of physical research infrastructure, it may not be used to fund staff posts.

HEIs' CONTRIBUTION

- 25 As indicated in para 6, HEIs are required to contribute 10% of the total cost of their programme from their own resources, or from third party, non-SRIF funds. The requirement for a 10% institutional contribution will, however, be waived in relation to the cost of shared facilities in proposals

- to demonstrate that the project is consistent with the institution's estates strategy
- to provide justification for any new build.

35 **Section Four** requests information on collaborative projects.

36 **Section Five** asks institutions to summarise the total cost of each project, indicating whether VAT and/or fees are incurred. In the case of equipment, institutions are encouraged, where appropriate, to include equipment maintenance contracts for up to five years within the project costs. This section should also indicate the source of the 10% of the institutional third party contribution.

37 Institutions are also asked to provide a provisional quarterly expenditure profile. In preparing this profile, institutions should bear in mind that allocations for 2004-05 will be available from April 2004 and must be spent in full by 1 February 2005; and that allocations for 2005-06 will be available from April 2005 and must be spent in full by March 2006.

38 Institutions should also state how they intend to meet the recurrent, ongoing costs of the facilities provided with the funding, such as staffing, operating costs and maintenance to ensure that the facilities remain fit for purpose. This is a key part of the long-term sustainability of the institution's infrastructure and assurance will therefore be required that resources will be provided in future years, as demonstrated within the NPV calculation required as part of the investment appraisal (see para 43).

39 **Section Six** asks for confirmation of good practice in equipment procurement and estates planning: a summary of guidance on good practice is provided at **Annex B**. This section also requests confirmation that the institution's heads of Finance, Estates and Procurement have seen and are content with the SRIF submission. It

should be signed by the Vice-Chancellor/Principal.

PROJECT DATA SHEET

40 A Project Data Sheet should be completed for each component project (but see para 47 below for special arrangements for collaborative projects). The Project Data Sheet is intended to provide a more detailed information on costings.

41 **Section One** seeks general information, including the 2001 RAE rating of the UoA leading the project and the name of the project leader.

42 **Section Two** asks institutions to list the equipment which it is proposed to purchase, and to indicate prices. In the case of items to which European tendering regulations apply – currently items of equipment valued at greater than £150k – institutions are also asked to include specifications and, where already known, indicate possible manufacturers.

43 **Section Three** asks institutions to confirm that an investment appraisal has been undertaken. (Any projects costing less than £100k are exempt from this requirement.)

44 **Section Four** is required for projects which include an estates element (refurbishment, new build or building purchase). Institutions are asked, inter alia:

- to cost out the various parts of any building project by element
- in the case of new build, to indicate the space which is being vacated, and how this will be disposed of.

RESEARCH CASE SUMMARY

45 A Research Case Summary is required only in the case of projects led by a UoA which was rated below 4 in the

2001 Research Assessment Exercise (RAE).

- 46 The Research Case Summary, where required, should be completed by the project leader and consist of no more than two sides of A4 in a minimum font size of 10 point. It should describe the project as well as the equipment or proposed works and give a detailed account of how the project fits with the institution's research strategy.

SUBMISSION ARRANGEMENTS FOR COLLABORATIVE PROPOSALS

- 47 In the case of collaborative proposals between HEIs, the templates should be completed as follows:

- **Programme Summary Sheet** – the collaborative project should be included in the Programme Summary Sheet of each of the institutions involved. The financial information provided in Section Five of this template should relate only to the cost of the project to the individual institution. Information about the total cost of collaborative projects, including the contributions of the other institution, should be provided in Section Four.
- There should be a single Project Data Sheet and, if required, a single Research Case Summary for each collaborative project. These should be completed by the lead institution on behalf of all the institutions involved. It would, however, be helpful if each participating institutions could return a copy of these documents as part of their overall SRIF submission.

CO-ORDINATION OF SUBMISSIONS

- 48 As some institutions will have a number of projects from different departments within their SRIF programmes, each institution should, for administrative

convenience, designate a SRIF Co-ordinator to act as the primary contact point between the institution and the Council. The Co-ordinator should be named at the top of the Programme Summary template.

- 49 This arrangement is suggested for administrative purposes only. It is not a substitute for strategic co-ordination of the SRIF Programme as a whole at the highest institutional level.

■ REVIEW PROCEDURES

- 50 The review of programmes is designed not to be intrusive, and the presumption will be that each institution will receive its full SRIF allocation. The review procedure will have four elements, although it is envisaged that only a minority of proposals will be subject to all four. The four elements are:

- Strategic review by HEFCW
(This will apply to all projects and to the programme as a whole)
- Estates/building review by HEFCW Estates section
(For projects with a substantial estates component – see para 53)
- Equipment procurement review by HEFCE internal Audit Service
(If applicable – see para 54)
- Strategic Research Review by HEFCW
(For projects which are not led by UoAs rated 4, 5 or 5)*

STRATEGIC REVIEW OF PROGRAMMES

- 51 The strategic review will be undertaken by HEFCW and will apply to all projects and to the programme as a whole. It will pay particular attention to the following areas:

- a) the extent to which the programme will help promote long term sustainability of the institution's

- research infrastructure and help address past under-investment
- b) consistency with the institution's research strategy and, where applicable, its wider plans for reconfiguration and collaboration
 - c) the added value of the programme to the institution
 - d) the added value of the programme at sector level, and whether there is significant overlap between different institutions' programmes, or with existing infrastructure, either within Wales or at UK level
 - e) the extent to which the co-ordination or consolidation of programmes between institutions is desirable or possible.

52 The Council will consult the Research Councils to seek their guidance on points (d) and (e) above, by sharing with them information on proposals from all institutions. It may also consult other funders of research, such as research charities. The Council will be guided by the views of the Research Councils and other funders on the issues of added value, alignment with their respective stated research priorities and strategies, and potential overlap at UK level. Where the Council considers, in the light of these consultations and its own assessment, that projects do not adequately meet the criteria in para 51 above, it may ask institutions to reconsider them.

ESTATES/BUILDING REVIEW BY HEFCW ESTATES SECTION

53 The HEFCW Estates section will review each project that has a significant estates element. Tests for value for money will be carried out and the review will also have regard to consistency with the institution's estates strategy. Institutions will be asked to demonstrate good practice in undertaking the project, taking account of the guidance provided at Annex B.

EQUIPMENT PROCUREMENT REVIEW

54 Equipment procurement review will apply in the case of projects which involve major items of equipment. It will be undertaken by HEFCE, acting on behalf of all the funding councils. This review will consider the procurement arrangements, value for money, and the possibility of co-ordinated procurement where a number of institutions are proposing to purchase similar equipment. Any savings identified will be made available to the institution concerned for use elsewhere in its SRIF programme.

STRATEGIC RESEARCH REVIEW

55 The strategic research review will apply only to those projects which are led by UoAs which were rated below 4 in the 2001 RAE. It will be undertaken by HEFCW, consulting the Research Councils as required. This review will include consideration of:

- the extent to which the project fits with the institution's research strategy
- the availability of recurrent funding or income to cover the revenue costs to support and exploit the investment both in the short and longer term. This should include the provision of equipment where the project relates to a building.

■ TIMETABLE

56 Institutions are asked to submit their programmes to the Council by **30 May 2003**. However, if there are delays in confirming details for individual projects, submission of the individual project data sheets may be deferred up to 16 June 2003. Delay in submitting an individual project data sheet will not hold up the review of other projects in the programme. The outcomes of the review process will be announced from mid July 2003 onwards.

57 As indicated in para 7, allocations for 2004-05 will be released from April 2004. They will be paid on a quarterly profile to be agreed with the institution,

and must be spent in full by 1 February 2005.

58 Allocations for 2005-06 will be released from April 2005 and will also be paid on an agreed quarterly profile. In the case of new build or refurbishment projects, up to 10% of the 2005-06 allocation may be retained by HEFCW until either an Audit Certificate or a Project Completion Statement is produced. Funding released in 2005-06 must be spent in full by March 2006.

59 The timetable for the second round of SRIF is summarised at **Annex C**.

■ MONITORING AND EVALUATION

60 Institutions will be asked to provide the Council with confirmation of expenditure for the 2004-05 allocations by 1 February 2005, and to provide confirmation of expenditure for 2005-06 by March 2006.

61 Upon completion of projects, institutions will be required to submit an Audit Certificate in cases where SRIF funding equals or exceeds £1 million, and a Project Completion Certificate in cases where SRIF funding is below £1 million.

62 It is anticipated that the effectiveness of the SRIF scheme will be evaluated through detailed reviews of a small number of completed projects and an analysis of expenditure over the sector. The results will be published.

■ SUBMISSION OF PROPOSALS

63 The Council will require the following number of copies of the completed documentation:

- Programme Summary – 3 copies
- Project Data Sheets – 3 copies for each project
- Research Case Summary – 3 copies for each project, where applicable

- Statement of Institutional Research Strategy – 1 copy

64 In addition to the above hard copies, a copy of the entire submission should also be provided on disk in Word 97 or Word 2000.

65 The above material should be submitted to the Council by **Friday, 30 May 2003**, addressed to Linda Tiller.

■ FURTHER INFORMATION

66 Any queries arising from this Circular should be addressed to Linda Tiller, Senior Strategic Projects Manager, Higher Education Funding Council for Wales, Linden Court, The Orchards, Ty Glas Avenue, Llanishen, Cardiff CF14 5DZ (telephone 029 2068 2228; email TillerL@elwa.ac.uk).

ANNEX A

SECOND ROUND OF SCIENCE RESEARCH INVESTMENT FUND

ALLOCATIONS FOR WELSH HEIs 2004-05 AND 2005-06

INSTITUTION	SRIF ALLOCATION 2004-05 £	SRIF ALLOCATION 2005-06 £	TOTAL £
University of Glamorgan	761,780	761,780	1,523,560
University of Wales, Aberystwyth	2,277,903	2,277,904	4,555,807
University of Wales, Bangor	2,910,986	2,910,986	5,821,972
Cardiff University	10,437,336	10,437,336	20,874,672
University of Wales, Lampeter	207,189	207,190	414,379
University of Wales Swansea	3,278,517	3,278,517	6,557,034
University of Wales College of Medicine	2,945,100	2,945,100	5,890,200
University of Wales Institute, Cardiff	287,834	287,834	575,668
University of Wales College, Newport	97,725	97,725	195,450
North East Wales Institute	115,755	115,755	231,510
Swansea Institute of Higher Education	12,533	12,532	25,065
Trinity College Carmarthen	5,542	5,541	11,083
Centre for Advanced Welsh & Celtic Studies	39,034	39,034	78,068
TOTAL	23,377,234	23,377,234	46,754,468

PRINCIPLES OF GOOD PRACTICE

The institution has considered the good practice guidance set out in the following publications:

- a) HEFCW Estates Management Manual (May 2001)
- b) Estates Strategies 2000 (HEFCW Circular W99/43/HE, April 1999)
- c) Procurement Guidelines for Higher Education: Building and Engineering Projects (JUK publication, January 1997)
- d) Whole Life Costing (JPPSG publication, December 1998)
- e) Transparent approach to costing (TRAC): Manual of Guidance and Implementation, Vol I and II (JCPSG publication, July 2000)
- f) Value Engineering (HM Treasury, Central Unit on Procurement, Guidance Note No 54 on Value Management, January 1996)
- g) HM Treasury Technical Guidance ("The Green Book"), 2003 edition

INVESTMENT APPRAISAL

The institution confirms that an investment appraisal has been carried out in accordance with HEFCW Circular W99/43/HE and in particular that it conforms to the following specification (for new-build or refurbishment projects):

- a. A realistic range of options has been considered, against a 'do nothing' option
- b. The discounted cash flow calculations:
 - contain a residual value and time period
 - use the appropriate discount rate
 - include the relevant capital costs and savings
 - reflect the opportunity costs
 - handle inflation consistently.
- c. The appraisal includes all relevant recurrent costs and savings.
- d. Intangible costs and benefits are identified.
- e. A range of sensitivities has been tested.
- f. All important risks and uncertainties have been identified.
- g. The appraisal has considered the impact of financing costs and VAT.

PROCUREMENT STATEMENT

The institution confirms that good procurement practice as set out in the JPPSG procurement guides has been carried out. In particular, there is:

- a. A formal procurement strategy
- b. A designated project manager
- c. A process to identify user needs and establish the project brief.
- d. A project team with relevant skills and qualifications.
- e. An agreed procedure for selecting potential contractors, including
 - preparation and receipt of tender documents
 - opening and registration of tenders
 - acceptance of tenders.
- f. An adequate time-scale between appraisal and approval.
- g. Appropriate declarations of interest by the institution's officer.
- h. An appropriate level of involvement and approval by committee/governing body.
- i. Observance of EC Procurement Regulations.
- j. A process for reviewing whole life cycle costs and undertaking value engineering.
- k. A process for undertaking a post occupancy evaluation.

- I. Consideration of the environmental impact of the project and how this can be reduced. Areas for attention will depend on the nature of the project, but may include energy consumption, transport and waste management.

SECOND ROUND OF THE SCIENCE RESEARCH INVESTMENT FUND**TIMETABLE**

February 2003	Guidance issued and templates published on HEFCW web-site
30 May 2003	Deadline for submission of proposals to HEFCW
Mid July 2003	Review process completed and funding confirmed
August – December 2003	Confirmed payment profiles agreed with HEFCW
April 2004	SRIF funds begin to flow on projects.
March 2006	Projects complete and SRIF funds spent.