



hefce Quarterly digest

Autumn 2013

Topical information for managers and others in audit, estates, finance and administration in higher education institutions.

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Future strategy and announcements

Update on the Regulatory Partnership Group

The emerging regulatory framework

1. The Operating Framework for Higher Education in England was published in July. It is the culmination of a year's work carried out by HEFCE on behalf of the Regulatory Partnership Group (RPG) to respond to the Government's request that its reforms to higher education in England should be introduced within the existing legislative framework. It outlines the current funding and regulatory arrangements, and will be updated on an annual basis. In line with feedback received at the RPG spring conference in May, a short guide to the operating framework has been produced as an introduction.

2. HEFCE is leading work on a number of strands in the emerging regulatory framework. These are:

- The development a register of higher education (HE) provision in England – the register of providers in England will be published on the HEFCE web-site in the first half of 2014.
- A consultation on proposed revisions to HEFCE's Financial Memorandum (see paragraphs 6-9).
- The operation of a new system of specific-course designation for alternative providers (see paragraph 10).
- The development of a process for designation of HEFCE-funded institutions for access to student finance and a consultation on associated terms and conditions.
- The implementation of further changes to student number controls, including their extension to alternative providers from 2014-15 (see paragraphs 11-14).

Higher Education Data and Information Improvement Programme

3. The RPG has also sponsored work on a review of the higher education data and information landscape, which was requested in the White Paper 'Students at the heart of the system'. The review reported in March 2013 and recommended a programme of work and a supporting delivery model, involving the establishment of the HE Data and Information Improvement Programme (HEDIIP).

4. In the immediate future HEDIIP will promote a common data language through a data lexicon and thesaurus to develop the Unique Learner Number and Joint Academic Coding System. It will also undertake further work on an inventory of data collections. In the longer term it will act as an authoritative voice in dialogue with the regulators about the data needs of the emerging regulatory system.

5. The HESA Board has agreed to host HEDIIP and funding has been agreed for the academic years 2013-14, 2014-15 and 2015-16, which is reported under delegated authority. A HEDIIP programme board has been established under the chairmanship of Sir Tim Wilson and HEDIIP will report to RPG on its work programme, identifying further projects where necessary.



To read the Operating Framework for Higher Education in England see www.hefce.ac.uk/about/intro/wip/rpg/of/

Accountability for providers

Revision to the Financial Memorandum with institutions

6. We are consulting on revisions to the financial memorandum to take effect from 1 August 2014. The degree to which change can be introduced is necessarily limited as we are operating within the existing legislative framework.

7. The most significant issue for consultation is what requirements are necessary to manage the risks around financial commitments taken on by higher education institutions (HEIs). The current borrowing consent approach, based upon annualised servicing costs, is no longer suitable because banks are now generally lending on shorter timescales with the expectation that lending will be renewed. We have not set out new arrangements but wish to have views from universities, colleges and lenders as to the best approach for the future.

8. Further changes proposed in the consultation include the following items:

- **Research integrity.** In line with the outcome of our consultation on the concordat on research integrity, we are reflecting the sector's agreement that this becomes a condition of research grant funding.
- **Registration as a HE provider.** The database will provide information for prospective and current students about providers of higher education, including their corporate form and arrangements for quality assurance and student complaints. Where there are concerns that we believe should be brought to the attention of prospective or current students, we intend to flag these in the register. We will work with sector bodies to set out the criteria for assessing when such concerns would lead to a flag in the register.
- **Subscription to Jisc.** Jisc is now a separate legal entity, in transition to a business model in which institutional subscription is a major, and grant funding a minor, income component. We are proposing to support this transition by requiring HEIs to subscribe to Jisc for the three years from August 2014 to July 2017.
- **Sustainability assessments.** The Financial Sustainability Strategy Group (FSSG) is overseeing the development of sustainability assessments. A pilot scheme has been operating and HEIs are making submissions voluntarily by December 2013. We welcome the Committee of University Chairs (CUC)'s willingness to consider including these sustainability assessments in its revised Code on governance.
- **Audit Code of Practice and annexes to the Financial Memorandum.** We are proposing to reduce significantly the length of the Audit Code of Practice (Annex A to the draft Financial Memorandum), and also the total number of annexes, as some are no longer necessary or can be covered through other routes.

9. Before the consultation closes on 6 December 2013, two consultation events will take place in Manchester on 1 November and in London on 18 November.

Specific course designation for alternative providers

10. HEFCE has been responsible for managing the specific course designation process for alternative providers since June 2013. Specific-course designation enables alternative providers of higher education courses in the UK to have courses 'designated' so that eligible

students can apply for loans and grants from the Student Loans Company. HEFCE is administering the new process, although all executive decisions remain with the Department for Business, Innovation and Skills (BIS).



To read the Operating Framework for Higher Education in England see www.hefce.ac.uk/pubs/year/2013/201321/

For more details on the consultation events and to register see www.hefce.ac.uk/news/events/2013/name,83205,en.html

Further information about HEFCE's role, the new designation criteria and the application process can be found at www.hefce.ac.uk/whatwedo/reg/desig/

Student number controls

For HEFCE-funded providers

11. HEFCE concluded its consultation on arrangement for student number controls (SNC) from 2014-15 onwards on 28 June 2013, and the outcomes were published on 6 September 2013. The key points relating to SNC flexibility are as follows:

- a. Subject to overall sector recruitment in 2013-14 and guidance from BIS, HEFCE will provide all institutions with flexibility to recruit above their SNC allocation in 2014-15. This includes an increase in student number control allocation in 2014-15 to institutions that recruit above their student number control allocation and within the flexibility range in 2013-14, and reducing student number control allocations in 2014-15 for institutions that significantly under-recruit against their student number control allocation in 2013-14. This can only be confirmed when the HEFCE grant letter is received from BIS.
- b. Subject to overall sector recruitment in 2013-14, and guidance from BIS, HEFCE will increase the minimum level of flexibility from three per cent or five places (whichever is the larger) to three per cent or 12 places (whichever is the larger). This is in response to a strong argument put forward by respondents that a minimum level of flexibility of five places for smaller institutions (including a large number of further education colleges) does not realistically allow for growth.
- c. HEFCE will continue to provide an additional SNC allocation to the most selective institutions to ensure that they are able to continue to offer fair access to students applying with qualifications and grades not exempted from control. This allocation will be renamed 'fair-access protection'. The use of these places will be closely monitored, with a view to discussing a reduction to allocations if numbers are consistently not utilised.
- d. HEFCE will provide institutions whose SNC allocation has been reduced with the potential of further flexibility for one year that provides an opportunity to recover closer to prior levels of recruitment. The level of recovery will be set in the context of overall recruitment in the sector.

12. HEFCE will undertake an application process during 2014 for publicly funded providers of higher education wishing to become HEFCE funded from 2015-16. If

successful, they will receive an SNC, and be allocated any associated HEFCE funding for which they may be eligible¹.

13. With regard to implementation of the high-grades policy, from 2014-15, HEFCE will exempt a limited number of combinations of qualifications from the SNC in line with the criteria proposed in the consultation. We have also made it clear in the outcomes that the institutional specialist opt-out from the high-grades policy will be in place until at least the end of the current spending review period (2015-16). We have issued the high-grades exemptions list for 2014-15, including an interactive version of the full list, enabling sorting by qualification summaries, as a spreadsheet for ease of reference.

For alternative providers of higher education

14. HEFCE is working closely with BIS to develop the approach to applying student number controls to alternative providers of higher education. BIS issued draft guidance in August 2013, inviting comments, and anticipates releasing final guidance in October 2013. The draft guidance is available from the BIS web-site².



To read the full outcomes of the consultation on student number controls see www.hefce.ac.uk/pubs/year/2013/201320/

For the high-grades exemptions list see www.hefce.ac.uk/data/year/2013/sncexempt1415/

Strategic funding for research

Open access consultation

15. With the other UK funding bodies, HEFCE is consulting on proposals that require research outputs submitted to a post-2014 REF to have open access. The consultation contains proposals for the criteria by which we should test whether an output is open-access, the definition of which outputs must meet these criteria, and how we should treat exceptions to the definition and criteria. We welcome views from all with an interest in these proposals. Responses should be made online by 30 October.

UK Research Partnership Investment Fund

16. In the 2013 Spending Round it was announced that funding would be made available to extend the UK Research Partnership Investment Fund (UKRPIF) for two further years into financial years 2015-16 and 2016-17, with at least £100 million being made available in each year. HEFCE is preparing to launch a competition for the 2015-16 round of UKRPIF before the end of the year.



To read more on the Open access consultation see www.hefce.ac.uk/whatwedo/rsrch/rinfrastruct/openaccess/

To read about previous rounds of the UK Research Partnership Investment Fund see <http://www.hefce.ac.uk/whatwedo/rsrch/howfundr/ukrpif201215/>

¹ Mainly Student Opportunity funding, Disabled Students Allowance or provision in high-cost subjects.

² <https://www.gov.uk/government/publications/alternative-higher-education-providers-student-number-controls>

Learning and teaching

Pharmacy

17. HEFCE and Health Education England have published a consultation regarding the supply of pharmacy graduates, to respond to Ministers' concerns that the number of graduates from MPharm degrees exceeds the demand for pharmacists and is placing unsustainable demand upon the NHS for pre-registration training placements. The consultation invites views on three main options:

- Allowing the market to determine outcomes.
- Introducing intake controls.
- Creating a 'break point' during study.

Responses should be sent to pharmacy@hefce.ac.uk by Friday 15 November. HEFCE and Health Education England will report to their Boards in early 2014 before a second-stage consultation is published with details of how to implement the agreed approach.



To read more on the Supplying pharmacy graduates consultation see www.hefce.ac.uk/news/newsarchive/2013/name.83024.en.html

Student opportunity

National strategy for access and student success

18. We are in the final stages of the joint work with the Office for Fair Access (OFFA) on the national strategy for access and student success, and will submit the strategy to Ministers at the end of September.

Integrating widening participation strategic statements with OFFA access agreements

19. In January 2014 HEFCE and OFFA will publish joint guidance requesting the submission of an integrated document which will bring together widening participation strategic statements and access agreements. Institutions will be required to respond to this request in April 2014.

20. The integrated document will initially cover OFFA requirements for 2015-16 and HEFCE requirements for 2014-19. Some elements will require updating annually for OFFA purposes; HEFCE and OFFA will request a full revision and resubmission of institutions' documents after three years. OFFA and HEFCE officers are currently drafting guidance and are working with a small group of institutional contacts to test and advise on the process.

Widening participation strategic assessment monitoring

21. In June 2013, HEFCE and OFFA jointly published a report on the access agreement, widening participation strategic assessment (WPSA) 2011-12 and National Scholarship Programme (NSP) 2012-13 in-year monitoring outcomes. The full report is available on the OFFA web-site.

22. In November HEFCE and OFFA will jointly publish guidance for producing access agreements and WPSA and NSP monitoring for 2012-13.

National Scholarship Programme

23. BIS sets the overall policy and funding level for the NSP, and in the June spending review statement the Government advised that it 'will refocus the NSP to support postgraduate students from disadvantaged backgrounds'. Consequently, in 2015-16 the NSP will cease as an undergraduate programme. Allocations of NSP funds will continue as planned in 2013-14 (£100 million) and 2014-15 (£150 million), ensuring that support continues to be available to undergraduate student entrants in those years. Work on the development of the postgraduate programme will be led by colleagues in that team, and build upon the other initiatives around postgraduate support currently in train.



To read more on the [Access agreement and widening participation strategic assessment 2011-12 and National Scholarship Programme 2012-13 \(in-year\) monitoring outcomes report](#) see www.offa.org.uk/publications/

Finance and Assurance

24. In late 2012, FSSG invited all HEIs to take part in a pilot year implementation of the process named 'ASSUR' which is to provide assurance to funders on their assessment of their sustainability. The ASSUR process and proposed reporting was developed and piloted by a group of 30 HEIs during 2012, and further information about the proposal was provided in FSSG newsletters published in April and July 2013.

25. Since the July 2013 newsletter, a new agreement has been made between FSSG, CUC and HEFCE (representing the interests of all funders and regulators). This has the effect of bringing the FSSG's intentions for sustainability assessment by institutions within the scope of the CUC Code of Governance, which is currently being reviewed. This will enable CUC to have a more appropriate role and influence the way in which the sustainability assessment is implemented and to provide the assurance which funders and regulators need while preserving self-regulation by the sector. It will enable FSSG to achieve the implementation of the sustainability assessments with which it was tasked by the Government. The assessment will also make possible some relaxation of funders' requirements for the annual reporting of institutional sustainability assessments (the ASSUR process). The process will still involve an annual declaration by the governing body, but will focus on a description of the processes and types of evidence used by HEIs in making their own assessments. It will not need to include the actual evidence (such as Key Performance Indicators).

26. HEFCE is inviting HEIs to submit their ASSUR reports alongside their Annual Accountability Returns. HEFCE does not intend to publish any individual HEI's sustainability assessments or the underlying information that it submits as evidence in support of its assessment.

27. FSSG will evaluate the pilot year exercise and the results will inform the ASSUR process as a whole. It will not assess or comment on the submissions of individual HEIs. The evaluation will also consider the suitability of the Margin for Sustainability and

Investment (MSI) proposed within the ASSUR process as a possible replacement for the current Return for Financing and Investment for use in determining the full economic cost of activities. FSSG intends to publish the evaluation of the pilot in 2014.

28. FSSG and the Leadership Foundation for Higher Education (LFHE) will hold a joint conference on 21 November. The conference will provide an opportunity for governors and others to hear the latest information about the implementation of sustainability assessment. The conference has been announced as part of the LFHE's Governor Development Programme, and LFHE will issue further details about the programme and speakers shortly.

Annual returns

29. The 2013 call for Annual Accountability Returns has been published.

30. Institutions are encouraged to submit value for money reports which remain voluntary. Institutions should note that submission of the annual sustainability assessment is also voluntary this year and is not part of the Annual Accountability Returns. However, we encourage HEIs to participate in the FSSG's pilot year implementation exercise for the assessment.

31. FSSG have also proposed a financial metric – the MSI – as a consistent indicator that could provide a replacement for the current proxy (the Return for Financing and Investment) used in determining an institution's full economic costs within the Transparent Approach to Costing (TRAC). Where institutions have calculated an MSI as defined in the implementation notes (developed with pilot HEIs and the British Universities Finance Directors Group (BUFDG)), this should also be reported in the separate section on the 2012-13 TRAC return. The FSSG will evaluate both the pilot year annual sustainability assessment and the suitability of the MSI.

32. HEIs should ensure that they have the financial flexibility to adapt to the change in funding payment profiles and other risks arising from the transition to the new funding arrangements. There are also uncertainties about the impact of higher tuition fees on demand. We expect HEIs to be modelling the potential impacts of these and other factors as part of their ongoing scenario planning.



To read the call for Annual Accountability returns see www.hefce.ac.uk/pubs/year/2013/201323/

To read the CUC Code of Governance see www.hefce.ac.uk/pubs/year/2009/200914/

Charity regulation

Charity Commission guidance on public benefit

33. The Charity Commission has published revised general guidance³ on public benefit, including separate guidance on the public benefit requirement, running a charity and reporting, the last of which is mandatory for those higher education institutions that

³ www.charitycommission.gov.uk/detailed-guidance/charitable-purposes-and-public-benefit. This web page also has an updated guide to the underpinning law, and a summary of responses to and changes made since the Commission's 2012 consultation on draft guidance.

are exempt charities under the terms of the Financial Memorandum between HEFCE and institutions.

34. All charity trustees must have regard to this new general public benefit guidance. Institutions will need to decide how members of governing bodies are briefed about it, and reflect it in strategic and operational plans and when describing their delivery of public benefit in their annual report.

Leadership, governance and management

Cost Sharing Guidance

35. After lobbying by the HE and charity sectors, an article of the European Union Value Added Tax (VAT) directive has been implemented enabling the establishment of cost sharing groups, which can supply VAT exempt services to their members. In consultation with sector bodies including BUFDG, HEFCE has developed guidance on how universities and colleges can set up and run cost sharing groups.

36. We plan to update the guidance regularly and to supplement it with case studies and good practice. A circular letter will be issued in October, outlining a bidding process for new funding of £250,000 which will be made available for pilot projects in this area, and providing advice to all HEFCE-funded institutions which intend to set up a group.



To read guidance on the Cost sharing exemption see www.hefce.ac.uk/pubs/rereports/year/2013/csgexemption

EU Procurement Statistics

37. In a Procurement Policy Note⁴ the Cabinet Office has requested annual statistical returns on procurement contracts awarded in the calendar year 2012. This note applies to central government departments, including non-departmental public bodies such as HEFCE, and to the wider public sector, including local authorities and NHS bodies. We will be submitting a return for HEFCE's own procurement activities, but universities and colleges are not part of the public sector and are not bound by Cabinet Office Procurement Policy Notes (although many HEIs are bound by the EU Procurement Directive). Historically, HEFCE has collected this information from them on behalf of BIS. BIS is looking at alternative ways to collect this information, and we have not yet received a request to carry out this work on its behalf. We will keep readers informed and issue guidance in due course.

Sustainable Development Framework

38. HEFCE's approach to promoting sustainability is described in a draft framework which will be published shortly. Consultation events are being arranged on 9 and 30 January 2014. The programme will include presentations by students and sector bodies. Further information and booking details will be varied available on the HEFCE web-site⁵.

⁴ PPN 07/13 (6 August): <https://www.gov.uk/government/publications/procurement-policy-note-0713-eu-statistics-on-public-procurement-annual-return-for-calendar-year-2012>

⁵ www.hefce.ac.uk/news/events/

Students' Green Fund

39. The Students' Green Fund was awarded £5 million from HEFCE's Catalyst Fund. It is open to all students, whether or not their representative institutions are affiliated to the National Union of Students, who run the scheme.

40. The Students' Green Fund is supporting 25 student-led projects which include sustainable transport for disabled students, creating growing spaces on campus, greening the curriculum and improving student housing. The initiative aims to turn student unions into hubs of sustainability and promote long-lasting behavioural change. 350,000 students are expected to be engaged and 50 full-time posts are being created. Projects have brought £1.4 million of matched and in-kind funding. Local MPs are being invited to launch events.



For more information on the Student Green Fund see www.studentsgreenfund.org.uk/

Revolving Green Fund

41. The third round of the Revolving Green Fund (RGF3) has awarded £20 million to support 10 large-scale projects and 36 energy-efficiency programmes. The large-scale projects include heat and power from biomass grown on campus (Cranfield University), the refurbishment of a 1960s building to Display Energy Certificate 'A' rating (University of Winchester) and a hydro-power scheme (University of Chester). The funding comes with a requirement to share the learning, and to help with this we have published a report which shows annual savings and payback periods. The small-scale projects have an average payback of 4.5 years. RGF3 projects will reduce CO₂ emissions by around 20,000 tonnes, which is 2.5 per cent of the sector's reduction target for 2020.



To read the report 'Revolving Green Fund 3: Application assessments and outcomes' see www.hefce.ac.uk/pubs/rereports/year/2013/rgf3/

Equality and Diversity

42. A new report, funded by the Leadership, Governance and Management Fund shortly before its closure, offers new insights on the career progression of women in higher education. Professor Peter Barrett and Lucinda Barrett of the University of Salford have used a combination of data derived from workload management systems and case study material from workshops and interviews to highlight the combinations of circumstances that can lead to slower progress for women.

43. Senior representatives of the HE sector's agencies responsible for leadership, governance and equality held a 'Diversity in HE leadership and governance summit' on 6 September. The purpose of the summit was to agree a shared approach to increasing the diversity of HE leadership and governance, to identify the key activities and outcomes required to embed equality and diversity firmly in the leadership and governance of HEIs, and to propose an action plan to address these. The next summit takes place on 16 January 2014.

⁶ <https://www.gov.uk/government/publications/the-independent-steering-groups-report-of-the-public-sector-equality-duty-psed-review-and-government-response>

44. The independent steering group reviewing the public sector equality duty of the Equality Act 2010 published its findings on 6 September and the Government published a ministerial statement in response⁶. The review, to which HEFCE contributed, stated that it was too early to make a final judgement about the impact of the public sector equality duty, and recommended that the Government should conduct a formal review in 2016 when the duty will have been in force for five years.

45. HEFCE has made a submission to the Commons Select Committee Science and Technology Committee inquiry into women in academic science, technology, engineering and mathematics careers, exploring why the numbers of women in these careers decline further up the career ladder. We have also responded to an Athena Forum Research Funders Survey about our current initiatives, activities, programmes and plans, to promote, encourage and support women in science.

46. HEFCE will also make a submission to an all-party Parliamentary Inquiry on Race and Higher Education by 31 October 2013. The inquiry, chaired by the Rt Hon David Lammy MP, seeks to gain a broader understanding of the issues faced by black and minority ethnic students and staff in HE.



To read the report on career progression of women see www.hefce.ac.uk/whatwedo/lgm/lgmprojects/equalityanddiversity/salfordgenderoutcomes/

Estates Management

47. The second Capital Investment Framework (CIF2) methodology was used in 2010 to assess HEIs' approach to infrastructure, and the outcomes informed the provision of HEFCE capital funding from 2011. As part of the assessment process a set of metrics was used, derived largely from the Estates Management Statistics data (now the Estates Management Record) provided to the Higher Education Statistics Agency by institutions.

48. A new set of metrics has now been prepared from the 2011-12 Estates Management Record return, to be sent out with covering letters to Institutions early in October 2013.

The statements will comprise:

- Five years of data (from 2007-08 to 2011-12) giving an indication of the progress of individual institutions.
- The 2011-12 TRAC group values for comparison purposes.
- The 2011-12 total sector values for comparison purposes.
- Highlighting of metrics above or below the relevant upper or lower quartile of the TRAC group.

49. The covering letter will be generic, explaining the metrics, but in some cases will point out areas of potential concern arising from the data.



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