

September 2009/35

**Core funding/operations**

**Request for information**

Returns should be made in  
December 2009

This document asks higher education  
institutions to send us their annual  
accountability returns for 2008-09.

# Annual accountability returns 2009

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# Annual accountability returns 2009

To	Heads of HEFCE-funded higher education institutions Heads of universities in Northern Ireland
Of interest to those responsible for	Audit, Estates, Finance, Governance, Management, Planning, Student data, Research data
Reference	2009/35
Publication date	September 2009
Enquiries to	HEFCE higher education policy advisers (on annual monitoring and corporate planning statements and data returns) HEFCE assurance consultants or assurance advisers (for financial and audit accountability returns) Contact details for HEFCE staff are listed at <a href="http://www.hefce.ac.uk">www.hefce.ac.uk</a> under About us/Contact us.

## Executive summary

### Purpose

1. This document asks higher education institutions (HEIs) to send us their annual accountability returns for 2009 to inform the annual process previously known as the 'single conversation'. The accountability returns form a significant way in which HEIs can demonstrate accountability for the public funds distributed to them.

### Key points

2. The accountability returns enable HEFCE to reassess HEIs' overall risk assessments and to ensure that HEIs are meeting their accountability responsibilities.

3. The various returns cover corporate strategy, financial performance, financial sustainability, risk management, control and governance, value for money (VFM), and the management and quality assurance of data. In addition to the documentation requested in the annual process itself (as detailed below), consideration will be given to other sources of assurance such as:

- HEFCE assurance reviews
- HEFCE data audits and reconciliation of data from Higher Education Students Early Statistics (HESES) returns and the Higher Education Statistics Agency (HESA)
- reviews by the Quality Assurance Agency for Higher Education and Office for Standards in Education
- the Capital Investment Framework (CIF) and Estate Management Statistics.

4. Following the review of the returns we will notify each HEI of our risk assessment through a letter to the chair of the governing body and head of HEI. This is an annual

process, but we may revisit an HEI's overall risk assessment at any time if there is a significant change in circumstances. We also remind all HEIs of their obligation, under the Financial Memorandum with HEFCE, that they should inform us of any material adverse change in circumstances.

5. The documents to be sent to us, and their submission dates, are as follows:

Annual assurance return Annual monitoring statement (AMS) Corporate planning statement (CPS) Audited financial statements Financial results and forecast tables Financial commentary on past performance and future prospects Audit committee annual report External audit management letter and management responses Internal audit annual report	1 December 2009
HESES return	10 December 2009
Research Activity Survey (RAS)	14 December 2009
Transparent Approach to Costing (TRAC) return	29 January 2010

6. This publication gives guidance on the returns that are to be submitted to us by 1 December 2009. Detailed guidance on the requirements of the HESES, RAS and TRAC returns are provided separately.

7. We will primarily use the information collected to:

- a. Monitor the use of our funds for the purposes intended.
- b. Assess compliance with the Financial Memorandum.
- c. Form a basis for discussion with HEIs about their progress in key areas, their priorities for strategic development and their current and future performance.
- d. Largely determine our risk assessments of each HEI.
- e. Identify trends across the sector and advise the Secretary of State for Business, Innovation and Skills on the needs and development of the higher education sector.

### **Action required**

8. The returns should be submitted as follows:

- one paper copy of the completed annual assurance return (Annex E) signed by the head of the HEI should be sent to: Annual accountability returns, HEFCE, Northavon House, Coldharbour Lane, Bristol BS16 1QD
- electronic copies of the following should be sent via the HEFCE extranet:
  - completed AMS template
  - CPS

- signed audited financial statements
- completed financial results and forecast tables
- financial commentary on past performance and future prospects
- audit committee annual report
- external audit management letter and management responses
- internal audit annual report.

Templates for the AMS and financial tables will be available by the end of September 2009. We will write to heads of finance and our AMS contact in each HEI at the end of September with details on how to access the templates and how to return information to us.

## Introduction

9. Higher education institutions (HEIs) are required to send us their annual accountability returns to inform the process previously known as the 'single conversation'. These returns form a significant part of the way in which HEIs can demonstrate accountability for the public funds distributed to them. This document requests the returns for 2009.

10. The accountability returns enable us to refresh our overall risk assessments of HEIs and to ensure that HEIs are meeting their accountability requirements.

11. The various returns cover corporate strategy, financial performance, financial sustainability, risk management, control and governance, value for money (VFM), and the management and quality assurance of data. In addition to the documentation requested in the annual process itself (as detailed below), consideration will be given to other sources of assurance such as:

- HEFCE assurance reviews
- HEFCE data audits and reconciliation of data from Higher Education Students Early Statistics (HESES) returns and the Higher Education Statistics Agency (HESA)
- reviews by the Quality Assurance Agency for Higher Education and Office for Standards in Education
- the Capital Investment Framework (CIF) and Estate Management Statistics.

12. Following the review of the returns we will notify each HEI of our risk assessment through a letter to the chair of the governing body and head of HEI. This is an annual process, but we may revisit an HEI's overall risk assessment at any time if there is a significant change in circumstances. We also remind all HEIs of their obligation, under the Financial Memorandum with HEFCE, that they should inform us of any material adverse change in circumstances.

13. We will primarily use the information collected to:

- a. Monitor the use of our funds for the purposes intended
- b. Assess compliance with the Financial Memorandum.
- c. Form a basis for discussion with HEIs about their progress in key areas, their priorities for strategic development and their current and future performance.
- d. Largely determine our risk assessments of each HEI.
- e. Identify trends across the sector and advise the Secretary of State for Business, Innovation and Skills on the needs and development of the higher education sector.

14. The documents to be sent to us, and their submission dates, are as follows:

Annual assurance return Annual monitoring statement (AMS) Corporate planning statement (CPS) Audited financial statements Financial results and forecast tables Financial commentary on past performance and future prospects Audit committee annual report External audit management letter and management responses Internal audit annual report	1 December 2009
HESES return	10 December 2009
Research Activity Survey (RAS)	14 December 2009
Transparent Approach to Costing (TRAC) return	29 January 2010

15. This publication gives guidance on the returns that are to be submitted to us by 1 December 2009. Detailed guidance on the requirements of the HESES, RAS and TRAC returns will be provided separately.

16. By the end of 2009, HEFCE expects to be appointed as the principal regulator of those HEIs in England that are exempt charities. This is a new legal obligation which will require regular monitoring of HEIs as Charities. We intend to incorporate any new information-gathering into our existing annual accountability process; we do not expect the new regulatory regime to be onerous for HEIs. For further information on HEFCE's responsibilities as higher education charities regulator, please see <http://www.hefce.ac.uk/finance/charities>.

## **Guidance**

### **Annual assurance return**

17. The purpose of this return is to confirm that the HEI's designated officer has met his or her obligations to HEFCE under the Financial Memorandum (HEFCE 2008/19). This return should cover the period to the financial year-end (31 July 2009) but should also report on any issues that have occurred since then. It should be signed by the head of the HEI as the designated officer. No other signatory is acceptable since the designated officer responsibility cannot be delegated.

18. From 1 August 2008 it became a condition of funding that HEIs have effective arrangements for the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies (please note that this refers to all data submitted including franchised arrangements). The annual assurance return includes an explicit question about this and HEIs compliance with the funding rules as set out in the circular for the relevant returns.

19. In signing this return the head of the HEI is confirming that the HEI has returned all the relevant accountability returns and that these are accurate, adhere to the published requirements and have been through the appropriate approval process. The return to be completed is at Annex E, which may be downloaded from [www.hefce.ac.uk](http://www.hefce.ac.uk) alongside this document under Publications.

### **Annual monitoring statement**

20. The AMS monitors the use of special initiative funding outside of the main teaching and research funding allocation. As part of our commitment to reduce the burden on HEIs, we generally only ask for reporting on areas where HEIs have not met their planned targets. We also use this process to track HEIs' work to promote equality and diversity.

21. Each HEI should provide assurance on the use of special initiative funding for 2008-09 and report any underspend. Those HEIs that met the criteria for funding under the new CIF for 2008-2011 are required to provide information within the AMS return. We also request information on equality and diversity to fulfil our statutory duty under the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 2005 and the Equality Act 2006.

22. We are requesting information on activities running from 1 August 2008 to 31 July 2009. While the questions will be asking HEIs to report against the position at 31 July 2009, we would expect HEIs to provide details on any significant changes since then, which should be described in the appropriate 'further details' text box. This is to make sure that we are working with the most up-to-date information when reviewing the returns.

23. Although this is an annual process, the general condition of HEFCE funding still applies: we do not fund ahead of need. If expenditure on any project has slipped substantially, please contact us immediately to discuss whether it is appropriate to suspend payments temporarily.

24. One new area in this year's AMS return is in relation to Higher education in further education colleges following consultation in 2006 and 2007 (HEFCE 2006/48). The consultation proposed that indirect funding agreements should provide security of funding



and student numbers over an agreed period. This received extremely strong support, both from further education colleges and HEIs. The duration of collaborative arrangements will depend upon particular circumstances, but we expect them to be long term associations between member institutions. Unless there are exceptional circumstances, that period should be at least three years. The information requested in the AMS asks whether security of funding and student numbers is provided for the minimum three year period adopted in response to HEFCE 2006/48, and if not requests further details.

25. Annex A includes further guidance on completing the AMS template including background on the initiatives covered and our approach to underspending.

### **Corporate planning statement**

26. One purpose of the annual accountability process is to review an HEI's performance and risk position as a whole. The CPS is the opportunity for HEIs to provide us with a strategic update that provides the context in which to understand the other returns more fully and to help understand the progress towards delivery of the strategic plan and aims for the year ahead.

27. In this statement we request an update on the HEI's activities across the full range of its strategic priorities as identified in its corporate plan, including progress against key performance targets. Information need not be limited to activities funded by HEFCE, but may include any area of strategic importance to the HEI. Areas that HEIs may wish to cover in the CPS include:

- governance and management
- new academic developments
- research
- estates and sustainable development
- regional activities.

28. There is no prescribed format for the CPS, although we would expect most returns to be an 'executive summary'-style review of the year. Indeed, it may be a document already produced for the HEI's own planning purposes and may be relatively brief.

29. We would encourage HEIs to think about key opportunities and barriers to success in the year ahead. In doing so we would expect HEFCE Strategic Development Fund proposals to be flagged, as well as large-scale capital projects.

30. In addition to the annual CPS returns we are aware that institutions regularly update their strategic plans. It is helpful for HEIs to send HEFCE strategic plans when they are revised, even when this is outside of the annual accountability process.

### **Audited financial statements**

31. HEIs are required to follow the latest version of the 'Statement of Recommended Practice: Accounting for Further and Higher Education'<sup>1</sup> in preparing their financial

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<sup>1</sup> The latest version (2007) is available from [www.universitiesuk.ac.uk](http://www.universitiesuk.ac.uk) under Publications.

statements. HEIs should also comply with our annual accounts direction (HEFCE Circular letter 16/2008).

32. Last year some HEIs submitted their statements in multiple documents, but we ask HEIs to send us **one** scanned version of their complete financial statements this year. Also for this year we want the scanned version to be a copy of the financial statements **signed** by the all the relevant parties.

### **Financial results and forecast tables**

33. The financial tables should include the actual figures from the two most recent sets of audited financial statements, together with forecasts for the following four years. These should represent the HEI's strategic plan in financial terms. The forecasts should be based on realistic assumptions and be consistent with the accounting treatment in the financial statements. Annex C includes further guidance on completing the tables.

### **Financial commentary on past performance and future prospects**

34. The financial commentary is an integral part of the overall financial return, explaining forecast financial performance in the context of recent financial results. In addition to aiding our understanding of each HEI's specific circumstances, the commentaries (taken together) will aid our understanding of the sector as a whole and facilitate our positioning of the sector for the next round of the spending review. Although there is no template to complete, it is expected that HEIs address the questions in paragraph 35. The commentary may be a document already produced by an HEI for its own planning purposes. The governing body should discuss and approve the financial tables and commentary before they are submitted to us.

35. In the commentary we ask HEIs to answer the following questions:

<b>Financial sustainability: Taking into account the financial returns, student number data and the HEI's current TRAC data:</b>	
1	How is the HEI ensuring long-term financial sustainability?
2	How has the HEI decided appropriate levels for annual surpluses, liquidity, borrowings and reserves? Do the forecasts indicate that these levels will be achieved? If not, what are the consequences?
3	How has the HEI decided on the level of investment required to maintain the HEI's physical infrastructure in a fit state for the long term? How will it ensure this can be financed and is affordable?
4	What VFM initiatives has the HEI implemented in the past 12 months? What has been achieved? If the HEI produces a report that contains this information, this may be submitted in response to this question.
5	What scenario planning has been undertaken in relation to the financial position over the forecast period? What contingencies have been modelled? What actions has the HEI taken/does it plan to take to address the impacts of any reductions in income streams?

<b><u>Changing economic conditions:</u></b>	
Examples of changing economic conditions are: changes in the availability and cost of loan finance; falling asset values; uncertainty about the timing or possibility of asset sales; reduced land prices; increased partnership and collaboration.	
6	It would be helpful to confirm whether the HEI has had: <ul style="list-style-type: none"> <li>• difficulties obtaining capital financing</li> <li>• difficulties with sales of assets</li> <li>• losses on endowment funds or other investments</li> <li>• substantial reduction in any income stream.</li> </ul>
7	To what extent have changing economic conditions affected the HEI's financial strategy? How is the HEI responding to the opportunities and threats arising from the recession, including any new actions to secure its financial position?
8	Bearing in mind the above, what are the key risks to the HEI's financial health and sustainability over the forecast period? How have these changed since last year? How does it keep this under review? Has there been a change in risk appetite for the HEI since last year?
<b><u>Financial tables: Within the commentary we also ask HEIs to provide the following additional information in relation to the financial tables submitted:</u></b>	
9	Explain the assumptions made in developing the financial forecasts and the basis of the forecasts (for example, realistic forecast performance, worst-case scenario).
10	Explain significant movements ( $\pm 10$ per cent in any one year) on the income and expenditure account and material changes on the balance sheet. The commentary should also provide detail on any material exceptional items.  Explain significant movements in the forecast of student numbers.

36. We expect the HEI's financial commentary to include discussion of the questions highlighted in paragraph 35. Where this has not been provided to a satisfactory level of detail in the financial commentary, we will follow up with the relevant contacts at the HEI in order to obtain the required information.

### **Audit committee annual report**

37. As stated in the Accountability and Audit Code of Practice (Annex B to HEFCE 2008/19) the audit committee must produce an annual report for the governing body and the designated officer. The audit committee annual report should cover the financial year 2008-09 and include any significant issues up to the date of preparation of the report. The audit committee annual report should normally be submitted to the governing body before the annual financial statements are signed.

38. The audit committee annual report must include the committee's opinion on the adequacy and effectiveness of the HEI's arrangements for the following:

- risk management, control and governance
- economy, efficiency and effectiveness (VFM)
- management and quality assurance of data submitted to HESA and to HEFCE and other funding bodies (please note that this refers to all data submitted including franchised arrangements).

We require the three opinions to be included in the report; omission of an opinion or failure to support the opinion with reference to evidence is likely to be followed up in the risk letter or through other HEFCE contact.

These opinions should be based on the information presented to the committee. The report should also record the work of the committee and consider the following:

- the external auditors' management letter
- the internal auditors' annual report
- any VFM work
- any HEFCE assurance service or other relevant evaluation.

39. The report might also identify any key issues for the HEI arising out of its activity over the year.

### **External audit management letter**

40. External audit should report to each HEI by way of a management letter (or audit issues memorandum) that highlights any significant accounting and control issues arising from their audit. Where issues are communicated through more than one report (for example, a separate report covering governance issues or a separate report detailing management's responses), the additional reports should also be submitted. Further, the HEI's management should provide written responses to any recommendations made or issues raised and these must be submitted to HEFCE.

### **Internal audit annual report**

41. The internal audit annual report should relate to the financial year 2008-09 and include any significant issues up to the date of preparing the report that affect the opinion. This should be addressed to the governing body and the designated officer, and should be considered by the audit committee.

42. The internal audit annual report should include the internal auditor's opinion on the adequacy and effectiveness of the HEI's arrangements for:

- risk management, control and governance
- economy, efficiency and effectiveness.

We require both opinions to be included in the report; omission of an opinion or failure to support an opinion with evidence is likely to be followed up in the risk letter or through other HEFCE contact.

43. These opinions should be placed into their proper contexts: that is, the work undertaken has been based on the agreed audit strategy and on the areas reviewed in the year, as well as incorporating knowledge of areas audited in previous years (including from

a previous auditor). Internal audit performance measures should be provided, including coverage achieved against the original audit plan. The annual report should also draw attention to any significant audit recommendations which the internal audit service considers have not received adequate management attention.

### **Higher Education Students Early Statistics**

44. All HEIs must complete the annual survey of students on recognised higher education courses. Detailed guidance on this return is available as a separate publication on the HEFCE web-site, [www.hefce.ac.uk](http://www.hefce.ac.uk), under Publications ('HESES09: Higher Education Students Early Statistics Survey 2009-10', HEFCE 2009/36).

45. The HESES return should be uploaded to the HEFCE extranet by noon on Thursday 10 December 2009. Workbooks will be available for HEIs in November.

### **Research Activity Survey**

46. This return asks HEIs to update information on their research activity. Detailed guidance on this return is available as a separate publication on the HEFCE web-site, [www.hefce.ac.uk](http://www.hefce.ac.uk), under Publications ('Research Activity Survey 2009', HEFCE 2009/33).

47. The RAS return should be uploaded to the HEFCE extranet by noon on Monday 14 December 2009. Workbooks will be available for HEIs in November.

### **Transparent Approach to Costing return**

48. HEIs are asked to submit an annual TRAC return by Friday 29 January 2010. Although the deadline for submission is 29 January, earlier returns would be appreciated. Further guidance on this year's return will be made available in November.

### **Returns**

49. The returns should be submitted as follows.

#### **Hard copy**

One paper copy of the completed annual assurance return (Annex E) signed by the head of the HEI (no other signatory is acceptable). This return should be posted to: Annual accountability returns, HEFCE, Northavon House, Coldharbour Lane, BRISTOL BS16 1QD, to arrive by **Tuesday 1 December 2009**.

#### **Electronic copies**

Electronic copies of the following should be submitted via the HEFCE extranet by **Tuesday 1 December 2009**:

- completed AMS template
- CPS
- signed audited financial statements
- completed financial results and forecast tables
- financial commentary on past performance and future prospects
- audit committee annual report

- external audit management letter
- internal audit annual report.

Further information on this process will be sent to heads of finance and AMS contacts in September 2009.

50. The specific reporting requirements for the HESES, RAS and TRAC returns will be published separately.

### **Feedback**

51. The main purpose of the annual submission of accountability returns is to simplify the accountability process. For HEIs about which we have no major concerns or queries – the great majority – the main outcome will be a letter updating our risk assessment of the HEI and data that benchmark financial performance against the whole sector. The risk letter may contain comment on instances of non-compliance with the Financial Memorandum, Audit Code of Practice and the Committee of University's Chairmen's Governance Code of Practice (CUC Code). We may also use the risk letter to draw attention to areas of financial performance or other matters over which we have concern. These are intended to be helpful in highlighting issues and risks to the HEI.

52. In addition to the risk letter, we will publish an outcomes document reporting on our review of the 2009 returns. This will include our assessment of the financial health of the sector. The publication for the 2008 returns is available as a separate publication on the HEFCE web-site, [www.hefce.ac.uk](http://www.hefce.ac.uk), under Publications (HEFCE 2009/26).

### **Freedom of information**

53. Information submitted to HEFCE may be disclosed on request, under the terms of the Freedom of Information Act 2000. The Act gives a public right of access to any information held by a public authority, in this case HEFCE. We have a responsibility to decide whether any responses should be made public or treated as confidential. We may refuse to disclose information in exceptional circumstances, for example where disclosure of information would prejudice commercial interests such as future financial projections. For further information about the Act, including the particular circumstances when information may be withheld, see [www.ico.gov.uk](http://www.ico.gov.uk) under Freedom of Information Act.

### **Queries**

54. HEIs should address questions about completing the AMS, CPS, HESES and RAS returns to their HEFCE higher education policy adviser. Questions about the other accountability returns should be addressed to their HEFCE assurance consultant or adviser. HEFCE contacts for each HEI are at [www.hefce.ac.uk](http://www.hefce.ac.uk) under About us/Contact us.

## **Annex A Guidance on completing the annual monitoring statement return**

1. We request information on activities from August 2008 to July 2009 in the annual monitoring statement (AMS). The questions ask higher education institutions (HEIs) to report against the position at 31 July 2009, but we expect HEIs to provide details of any significant changes since then, which should be described in the appropriate 'further details' text box. This is to make sure that we are working with the most up-to-date information when reviewing the returns.

2. The following areas of activity will require report if the HEI has received funding under any of these initiatives, or has other requirements to fulfil in relation to the initiatives:

### **Learning and teaching**

- Centres for Excellence in Teaching and Learning (CETLs)
- Teaching Quality Enhancement Fund (TQEF)
- Higher education in further education colleges

### **Research**

- Overseas Research Students Awards Scheme (ORSAS)

### **Economy and society**

- Higher Education Innovation Fund round four (HEIF 4)

### **Capital**

- Capital Funding

### **Other areas**

- Equality and diversity monitoring
- Revolving Green Fund

3. In the return HEIs should tell us about any underspend greater than 10 per cent of the HEI's total funds for that initiative for the year. If reporting an underspend, the HEI should give details of how it expects to get the spending profile back on track. If a project has reached its completion, any funds remaining unspent at the project completion date should be reported. More details on our approach to underspending can be found in paragraphs 37-40 of this annex.

4. The AMS template is at Annex B. We will write to AMS contacts by the end of September 2009 with details of how to access and return the AMS template.

5. From time to time, and in particular towards the end of a special funding initiative, we may need to conduct a qualitative evaluation of a programme in order to understand the impact that our funding has had across the sector, and to inform future policy and funding decisions. We believe this kind of evaluation is best handled outside the AMS process. We will contact HEIs separately about any evaluations and will always aim to strike a balance between gathering the information we need and minimising additional burden on HEIs.

## **Centres for Excellence in Teaching and Learning**

6. Funding for CETLs was announced in the Government's 2003 White Paper 'The future of higher education'. The purpose of the funding is to recognise and reward excellence in teaching and developing learning, to promote innovation and to invest further in excellent practice, to expand and deepen its impact within HEIs and across the sector. Following a two-stage bidding process (HEFCE 2004/05), we announced funding for 74 CETLs (HEFCE 2005/17).

7. We allocated £175 million as recurrent funding to CETLs over five years, and £140 million in capital funding time-limited for two years between April 2005 and March 2007, although in some cases this was extended until March 2008. There are three levels of recurrent funding: £2.5 million paid to CETLs in annual allocations of £500,000; £1.75 million paid in annual allocations of £350,000; and £1 million paid in annual allocations of £200,000. All allocations are paid on a quarterly basis. All capital funding should now have been spent.

8. For this AMS, HEIs are asked to provide assurance about their spending of the second tranche of recurrent funding for CETLs, from August 2008 to July 2009.. HEIs with more than one CETL should refer to each CETL separately in their AMS when providing additional details. Lead HEIs for a collaborative CETL are responsible for reporting on it in their AMS return, so should co-ordinate the information and data from their collaborative partners.

## **Teaching Quality Enhancement Fund – institutional strand**

9. Through the institutional strand of the TQEF we have provided formula-based special funding to support the development and implementation of HEIs' learning and teaching strategies. HEFCE 2006/11 announced the latest allocation of funds – a total of £158.5 million for the three-year period 2006-07 to 2008-09 – to embed and sustain strategies and supporting activities that HEIs have been developing over the past six years.

10. We invited HEIs to submit action plans showing how they would use the funding over the three years, detailing budgets and targets. HEIs are now asked to provide assurance of their progress in undertaking HEFCE-funded activities and achieving related targets in 2008-09.

## **Higher education in further education colleges**

11. As part of our 'Higher education in further education colleges' consultation (HEFCE 2006/48) we proposed that indirect funding agreements should provide security of funding and student numbers over an agreed period. This received extremely strong support, both from further education colleges and HEIs. The duration of collaborative arrangements will depend upon particular circumstances, but we expect them to be long term associations between member institutions. Unless there are exceptional circumstances, that period should be at least three years. Linked to this there should be clear provision for the termination of the agreement as a whole.

12. Thus, institutions involved in collaboration would be able to develop and implement their HE strategies in the knowledge that the funding and student numbers were



committed over a significant period. This should benefit both the lead institution and its partners by providing stability and predictability, and supporting a more strategic approach to the developments in HE.

13. The agreements need to have regard to individual institutions' success in fulfilling their obligations and responsibilities to the collaborative activity, but this need not deflect from establishing agreements that provide long-term stability and predictability.

14. The information requested in the AMS asks whether security of funding and student numbers is provided for the minimum three year period adopted in response to HEFCE 2006/48, and if not requests further details

### **Overseas Research Students Awards Scheme**

15. In HEFCE Circular letter 21/2005 we set out the terms of funding and objectives for ORSAS as follows:

- the objective of ORSAS is to encourage high-quality overseas postgraduate research students to undertake their research in the UK
- the funding should be used to provide awards to full-time postgraduate students who are classified as 'overseas' for tuition fee purposes
- awards must be made for the difference between the home tuition fee for postgraduate research students and the HEI's overseas tuition fee for the relevant subject
- awards may be held for a maximum of three years
- ORSAS awards may only be made up to the value of each HEI's ORSAS allocation. Additional awards funded from other sources should not be associated with the ORSAS name.

16. In 2006-07, formula-based payment arrangements for ORSAS were announced in a letter to HEIs dated 21 February 2006. Allocations to HEIs were fixed for the three-year period 2006-07 to 2008-09 and uplifted for inflation where possible.

17. In HEFCE Circular letter 18/2008 we announced our intention to phase out ORSAS over the academic years 2009-10 and 2010-11.

### **Higher Education Innovation Fund round four**

18. In response to 'Higher Education Innovation Fund round 4: invitation and guidance for institutional strategies' (HEFCE 2008/02), HEIs provided an institutional knowledge exchange (KE) strategy which included the planned use of HEIF 4 formula funding in 2008-09, 2009-10 and 2010-11. We said in HEFCE 2008/02 that we anticipated changes in planned spend over the period of HEIF 4, reflecting HEIs' reviewing and improving their own approaches and new national priorities emerging. We also said that we expected to maintain a dialogue with HEIs through the monitoring process on this dynamic and interactive approach.

19. We noted in HEFCE 2008/02 that the dynamism of our approach allows for responsiveness to changes in the KE policy landscape. The Department for Business, Innovation and Skills is currently exploring new approaches to KE to enhance the role of

higher education in public policy. The Council for Science and Technology report 'How academia and government can work together' (October 2008) proposes ways to strengthen engagement between academics and policy makers. We are seeking some additional information through this monitoring process to assist policy development in this area.

20. Since we published HEFCE 2008/02 there has been considerable change to the economic climate as a result of a global recession. This has placed new demands on higher education and had an impact on the ability of HEIs to achieve their original strategies and plans. We are maintaining a risk register on the impacts of the economic downturn on HEI knowledge exchange. It is important for us to understand the impacts of the downturn on individual HEIs' KE strategies and plans, to help us keep risks under review and plan mitigating actions.

### **Capital Funding**

21. Capital funding is provided for a majority of HEIs through the Capital Investment Framework (CIF) and for those not part of CIF through the previous annual grant system.

22. In the current funding climate we see it as important for HEIs to be able to demonstrate (to HEFCE and to a wider audience) effective use of capital funding for both teaching and research, using specific examples where possible. Ideally these examples will come from HEIs' larger projects that are making a real difference to the university or its stakeholders. The best examples are likely to have mentioned one or more of the following:

- the separate use individual learning and teaching and research strands
- the co-ordinated use of those separate strands
- the award leveraging other funds.

23. The aim of the CIF is to encourage HEIs to improve their strategic approach to infrastructure planning and investment, and to underpin sustainability, while reducing the accountability burden for capital funding.

24. The CIF was announced in January 2008 ('Capital Investment Fund: Capital for learning and teaching, research and infrastructure 2008-2011', HEFCE 2008/04), allocating £1,086 million for learning and teaching and £1,276 million for research determined by formulae for HEIs to invest in supporting infrastructure.

25. The CIF determines how HEIs access these grants. We need to monitor progress and improvements for HEIs who are included in the framework and HEIs must demonstrate that they remain within the criteria of the framework.

26. In the corporate planning statement, HEIs are required to make specific reference to estates management and sustainable development. For HEIs in the CIF, the AMS requires confirmation that targets and objectives are being met.

27. HEIs should understand that the requirements of the next evolution of the CIF are likely to require continuous improvement and clearer reporting of environmental performance, and they should be considering how and where this can be demonstrated and reported in their performance and accountability returns in future.

28. Other sources of information and data (including the Estate Management Statistics) will be used to complement and corroborate the information supplied here.

### **Equality and diversity monitoring**

29. In 'HEFCE Single Equality Scheme: consultation' (HEFCE 2006/28) we consulted the sector on our plans to meet our statutory duties to promote race, disability and gender equality under the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 2005 and the Equality Act 2006. These duties are not only to eliminate unlawful discrimination but also to promote equality of opportunity in all of these areas. 'The HEFCE Equality Scheme' (HEFCE 2007/01) brings together our race, disability and gender equality schemes and sets out an equality action plan to address these issues.

30. We have a statutory duty to monitor the impact of these three pieces of legislation on the higher education sector. As part of this monitoring we said we would build the disability, gender and race equality and diversity dimension into AMS by:

- asking HEIs to identify the equality and diversity dimension of their strategic objectives, including through widening participation, learning and teaching, and projects to reach out to diverse groups and organisations
- analysing the equality and diversity dimension of operating statements and using the results to inform ongoing discussions between HEFCE regional consultants and HEIs.

31. HEIs are asked to provide an assurance in the AMS that the objectives and targets for 2008-09, as agreed in each HEI's equalities action plan, have been delivered. Where objectives and targets have not been achieved, they should give further details, including any barriers to implementation.

32. The HEI may wish to focus on areas where it has undertaken impact assessments for equality and diversity, where it has embedded equality in a policy or process, or has worked in partnership with organisations or businesses that promote or support disabled people, people from black and minority ethnic backgrounds or voluntary/community organisations promoting gender equality.

33. HEIs should, as part of their implementation of the Act's requirements, be able to demonstrate some outcomes and results they have achieved to improve and promote gender, disability and race equality in their organisations.

### **Revolving Green Fund**

34. The Revolving Green Fund (RGF) is a partnership fund between HEFCE and Salix Finance Limited that aims to help higher education institutions (HEIs) in England reduce greenhouse emissions. A total of £30 million was available from 2008 to 2011 to provide recoverable grants to institutions for projects that reduce their emissions. HEIs will repay the funds through the savings they make.

35. The fund has two strands, an institutional small projects (ISP) fund and a 'transformational' fund for large, one-off projects. The transformational fund is for HEIs to tackle larger projects which will transform the institution's approach to managing its energy consumption and reducing its emissions. In March 2009 HEFCE funds totaling

£10 million were allocated to projects submitted by the University of East Anglia, Harper Adams University College and Lancaster University.

36. HEFCE published details of how to apply to the fund and the outcomes of the consultation in HEFCE Circular letter 20/2008. Institutions were invited to submit expressions of interest for the second round of the ISP strand in HEFCE Circular letter 04/2009. Information on the outcomes of the transformational fund and round one of the ISP fund is available on the HEFCE website at [www.hefce.ac.uk/lgm/sustain/rgf/](http://www.hefce.ac.uk/lgm/sustain/rgf/).

### **HEFCE approach to reporting on delivery and underspend**

37. In considering HEIs' AMS returns in respect of the key strategic initiatives, we distinguish between activities, targets and outcomes. For each of the strategic initiatives, HEIs stated a set of activities that they would undertake with HEFCE special funding, as well as targets and outcomes that they expected to achieve. In the AMS, HEIs are asked to confirm that the targets and objectives for 2008-09 have been delivered as originally outlined in their strategies or business plans for each initiative. They are required to provide more detail only where there have been problems with delivery or where plans have slipped.

38. We recognise that it is possible to fail to deliver fully an individual activity or target while still achieving overall objectives or outcomes. Therefore, it is not necessary to report every individual activity or target that is not achieved or only partially achieved. We do expect an explanation for all cases where under-achievement of targets and activities will mean that overall objectives and outcomes are not met, or where there is an impact on the delivery of other targets and achievements which together mean that overall objectives and outcomes cannot be met.

39. HEIs are asked to report on any significant underspend of funds for special initiatives. Each HEI should tell us about any underspend greater than 10 per cent of its total funds for that initiative for the year, unless the project is near to completion, in which case any funds remaining unspent at the project completion date should be reported upon. If reporting an underspend, HEIs should give details of how they expect to get the spending profile back on track.

40. We recognise that the relationship between activities and outcomes can be indirect, and that it is possible to undertake an activity with care and yet not secure the intended outcome because some other factor intervenes. In the short term, although all HEIs should undertake the activities they set for themselves, failure to achieve the intended outcomes will not necessarily affect their funding from HEFCE. However, as each strategic initiative progresses, we become increasingly focused on the outcomes. The additional funding is provided for a purpose, as a form of investment partnership between HEFCE and the HEI. If that purpose is not being achieved, we will review whether funding should continue. If the AMS shows insufficient progress, we will discuss appropriate actions on a case-by-case basis.

### **Implementing the Wellings Recommendation: pilot reporting of economic and social benefits**

41. Paul Wellings was asked by the Secretary of State to undertake a review into intellectual property and research benefits as one of the contributions to the Secretary of

State's development of a policy towards a long-term HE framework. His review report<sup>2</sup> was published in September 2008 and recommended that: 'HEFCE should seek annual reports from universities showing how each institution sets out to maximise the economic, social and environmental benefits to the UK arising from its research activities.'

42. In HEFCE Circular letter 16/2009 we proposed a pilot scheme that worked towards this recommendation by seeking volunteer HEIs to produce such benefit statements. We anticipate that these statements will describe the social, environmental, economic and cultural benefits of HEI activities. Consistent with our long-term third-stream policy, we are asking HEIs to consider benefits from all their research, teaching and other activities. We are particularly interested to gain descriptions of wider benefits that are not presently well captured in metrics, such as community and public engagement activities.

43. This pilot will run separately to this year's AMS, but to broadly similar timescales. The results of this pilot exercise and accompanying evaluation commentaries from the volunteer HEIs will inform the manner in which such reporting may be rolled out across the sector in future years.

### **Widening participation strategic assessments**

44. In May 2008, the then Secretary of State for Innovation, Universities and Skills asked HEFCE and OFFA for advice on how we could bring together institutions' widening participation and fair access policies into a single document and how this might be supported within our existing powers.

45. Following consultation with the sector, institutions submitted their first widening participation strategic assessments at the end of June 2009. An interim progress report will be required for submission in December 2009 with annual reports submitted in December each year thereafter.

46. Guidance and requests for the December 2009 interim progress report will be made separately in October, and will not form part of the AMS return.

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<sup>2</sup> 'Intellectual property and research benefits' may be read in full at [www.dius.gov.uk/higher\\_education/shape\\_and\\_structure/he\\_debate/~media/publications/1/int\\_property\\_and\\_research\\_benefits\\_131008](http://www.dius.gov.uk/higher_education/shape_and_structure/he_debate/~media/publications/1/int_property_and_research_benefits_131008)

## **Annex B Sample annual monitoring statement 2009**

### **Centres for Excellence in Teaching and Learning**

1. Have you met the targets and objectives for the period August 2008 to July 2009 for your Centre(s) for Excellence in Teaching and Learning (CETL(s)) as set out in the business plan submitted with your stage-two CETL bid and in any subsequently agreed amendments?

Response Yes/No

If 'no' please give further details.

2. For August 2008 to July 2009, you received £XXXX in recurrent funds for your CETL(s). Will any significant proportion of the funds expected to be spent in this period remain unspent at the end of academic year (AY) 2008-09?

Response Yes/No

If 'yes' please give the amount that will be carried over to AY 2009-10 and give details of actions that you are taking to get the spending profile back on track. Please also give details of any monies likely to remain unspent at the end of March 2010.

### **Teaching Quality Enhancement Fund – institutional strand**

3. Have you delivered the targets and objectives for 2008-09 in relation to funding from the Teaching Quality Enhancement Fund (TQEF) as agreed in your action plan submitted in response to HEFCE 2006/11 and in any subsequently agreed amendments?

Response Yes/No

If 'no' please give further details.

4. For 2008-09 you received £XXXX from the TQEF. Will any significant funds remain unspent at the end of AY 2008-09 when this strand finishes?

Response Yes/No

If 'yes' please give reasons for the underspend.

### **Higher education in further education colleges**

5. For your indirect funding agreements (sometimes known as 'franchise agreements' or 'franchises') with further education colleges, can you provide security of funding and student numbers for a minimum of three years?

Response Yes/No

If 'no', please give further details.

### **Overseas Research Students Awards Scheme**

6. Have you adhered to the objectives of the Overseas Research Students Awards Scheme (ORSAS) for 2008-09 as set out in the terms of funding (HEFCE Circular letter 21/2005)?

Response Yes/No

If 'no' please give further details.

7. For 2008-09 you received £XXXX for ORSAS. Will any significant funds remain unspent at the end of AY 2008-09?

Response Yes/No

If 'yes' please give the amount that will be carried over to 2009-10 and give details of actions that you are taking to get the spending profile back on track. Please note 2010-11 is the last year of funding; all ORSAS funds must be used by end of AY 2010-11.

### **Higher Education Innovation Fund round four**

8. Have you made progress as planned in 2008-09 towards delivering the activities and outcomes you set out in your Higher Education Innovation Fund round four (HEIF 4) strategy?

Response Yes/No

If 'no' please give further details.

9. Please provide a short summary (250 words maximum) of the key achievements of the year linked to HEIF formula funding, referring to flagship projects identified in your institutional strategy where desired.

10. The economic climate has changed markedly since your institutional strategy was compiled. To date, has the economic downturn directly impacted the implementation (or demand for aspects) of your strategy?

Response Yes/No

If 'yes' please give further details of impacts and your responses.

11. If, to date, the economic downturn has not impacted delivery of your strategy, do you envisage it doing so during the remainder of the HEIF 4 funding period? If so, how do you plan to change your strategy?

Response Yes/No

If 'yes' please give further details of strategy changes.

12. HEIF provides support for a broad range of business and community interactions, some of which may fall into the sphere of public policy work. As noted in Annex A the Council for Science and Technology report 'How academia and government can work together' proposes ways to strengthen engagement between academics and policy makers. Has your institution utilised HEIF funds to support such work?

Response Yes/No

If 'yes' please provide further details (free text space).

13. For 2008-09 you received a HEIF 4 formula allocation of £XXXX. Will any significant funds remain unspent at the end of AY 2008-09?

Response Yes/No

If 'yes' please give the amount that will be carried over to 2009-10 and details of actions that you are taking to get the spending profile back on track.

## **Capital Funding**

14. During 2008-09 you received capital funding under the Capital Investment Fund either by having met the requirements of the Capital Investment Framework or by providing programme and project information. Please explain, in a maximum of 100 words, how you have used this learning and teaching and research capital funding in a way that has made a significant difference to the HEI and/or its wider community. Examples of specific investments and benefits would be helpful. See paragraph 22 of Annex A of this document for guidance.

Have you broadly met the targets and objectives for 2008-09, as set out in your estates strategy?

Response Yes/No

If 'no' please give details of any material issues.

15. Have you broadly met the targets and objectives from your action plan subsequent to your Association of University Directors of Estates self-assessment toolkit or your own effectiveness review of your estates management?

Response Yes/No

If 'no' please give details of any material issues.

16. Please describe, in a maximum of 100 words, progress towards developing and implementing a carbon management plan. See 'Consultation on a carbon reduction target and strategy for higher education in England' (HEFCE 2009/27) for further information.

17. Please describe, in a maximum of 100 words, your work to date to reduce carbon emissions, as signalled in the grant letters of January 2008 and January 2009. This will link to the current consultation on carbon reduction strategy (HEFCE 2009/27) and the forthcoming consultation for the second round of the Capital Investment Framework.

## **Equality and diversity monitoring**

18. Have you made progress or met your objectives from last year as set out in your 2008-09 equality action plan?

Response Yes/No

If no, please give further details including any barriers to implementation.

If yes, please use this space to highlight any particular achievements.

19. Please briefly describe your key equality objectives and/or actions for 2009-10.

## **Revolving Green Fund (transformational strand)**

20. Your higher education institution was awarded funding under the transformational strand of the Revolving Green Fund in March 2009. Have you made progress as planned in 2008-09 towards implementing the project and is the project due to be completed on the agreed date?

Y/N

If 'no', please give further details.



## **Annex C Financial results and forecast tables 2009: guidance notes**

### **Approach to forecasting**

1. We recognise that higher education institutions (HEIs) may produce a number of different scenarios relating to their future financial position. The forecasts submitted to HEFCE should be the forecasts that provide the most likely outcome (that is to say, the most realistic). Within the commentary provided alongside the financial tables we would expect comments on the likelihood of the forecast position materialising, and discussion of the other possible scenarios.

### **Accounting conventions**

2. The main financial tables follow the format of the 'Statement of Recommended Practice: Accounting for Further and Higher Education' (SORP) introduced from 1 August 2007<sup>3</sup>. The financial information should therefore comply with all Financial Reporting Standards (FRSs) effective as at 31 July 2009. In particular, HEIs should apply the definition of terms in the SORP when completing the return and be consistent with the accounting policies used in HEIs' 2008-09 financial statements.

### **Consolidation**

3. The financial tables should cover the HEI and all its subsidiary undertakings. If an HEI has subsidiary undertakings, the financial tables should be consolidated in accordance with FRS 2 'Accounting for subsidiary undertakings'. Students' unions should be consolidated where this is the agreed approach used in the HEI's financial statements.

### **Joint venture entities and associates**

4. An entity (as defined by FRS 9) in which an HEI holds an interest on a long-term basis, and is jointly controlled by the HEI, should be accounted for using the gross equity method. FRS 9 requires the equity method to be used when consolidating associates. The income and expenditure table and balance sheet include the relevant lines that HEIs with joint venture entity and associate interests will need to complete. In case of any ambiguity, HEIs should be consistent with the way they treat joint venture entities in their audited financial statements.

### **FRS 17 (Retirement benefits)**

5. For the purposes of the financial forecasts balance sheet HEIs are asked to include the pension asset or liability for each year. We recognise that forecasting future pension values is difficult; however, we would expect HEIs to reflect the current economic conditions within their forecasts. Any assumptions made in the forecasts should be noted in the commentary.

### **Tables to be completed**

6. The tables cover a six-year period starting with the two most recent years' audited financial statements. They comprise the following tables:

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<sup>3</sup> The latest version (2007) is available from [www.universitiesuk.ac.uk](http://www.universitiesuk.ac.uk) under Publications.

Financial indicators table	Key financial indicators (automated)
Table 1	Income and expenditure account
Table 1a	Analysis of income
Table 1b	Analysis of staff costs
Table 2	Balance sheet
Tables 3 and 4	Cash flow
Table 5	Supporting data
Table 6	Student number forecasts
Table 7	Annualised servicing costs of long-term borrowings
Table 8	Net liquidity

7. A sample of the financial tables can be found in Annex D. We will write to heads of finance by the end of September 2009 with details of how to access and return the tables.

#### **Financial indicators table**

8. The first table is an automated table that is calculated from the data in the income and expenditure and balance sheet forecasts. The financial indicators used in this table help to show a trend of financial performance for each HEI. We expect that HEIs will comment on the trends of these indicators and any significant assumptions within the supporting commentary.

#### **Guidance on Tables 1,2,3 and 4**

9. Tables 1, 2, 3 and 4 are standard financial tables that should be completed in accordance with the SORP and consistent with accounting policies adopted in HEIs' 2007-08 financial statements. The actual outturn for 2007-08 and 2008-09 entered in the tables should be consistent with the recent audited financial statements (restated if appropriate). The forecast figures for 2009-10 to 2012-13 should be based on an assessment of the most realistic assumptions over the forecast period and should be consistent with the HEI's strategic plan. Headings 1-6 and Heading 9 in Table 1 are automatically completed from Tables 1a and 1b and do not require input.

10. As well as returning information to HEFCE, all institutions must submit financial information to the Higher Education Statistics Agency (HESA). The return to HESA (Finance Statistics Return) is based on the annual audited financial statements and, as such, should be consistent with both the audited statements and the data returned to HEFCE.

#### **Guidance on Table 1a**

11. Guidance is provided for some of the sub-headings on Table 1a. The information returned should be consistent with how HEIs return data to the HESA FSR and their audited financial statements.

#### Sub-heading 1a: HEFCE teaching grant

12. This heading should contain the actual or expected total recurrent teaching funding from HEFCE. This should include the elements of funding as shown in table A of the 2009-10 grant letter.

#### Sub-heading 1b: HEFCE research grant

13. This heading should contain the actual or expected total recurrent research funding from HEFCE.

#### Sub-heading 1c: HEFCE other grants

14. Amounts under this sub-heading should be any other grants that have not been dealt with in the above sub-heads. Release of deferred capital grants from HEFCE should be included in sub-heading 1f.

#### Sub-heading 1d: TDA funding

15. This should include all funding provided by the Training and Development Agency for Schools (TDA) apart from the release of any deferred capital.

#### Sub-heading 1e: LSC funding

16. This should include all funding provided by the Learning and Skills Council (LSC) apart from the release of any deferred capital.

#### Sub-heading 1f: Release of deferred capital grants

17. Amounts under this sub-heading should relate to a specific capital grant that has been used to purchase a capitalised asset. The release will be over the life of the asset and will offset the depreciation charge on those assets.

#### Heading 2: Tuition fees and education contracts

18. This should include all fee income, including short courses, self-financing full-cost courses funded by private/non-private sources and support grants in respect of all and only those students on courses for which fees are charged. It should include income arising from courses provided for other bodies where the HEI charges either a block fee to cover a specified number of students or a fee per individual student.

19. Sub headings 2a-2d should cover fee income from Home and EU domiciled students on HE courses. The fee income should be split by mode and level.

#### Sub-heading 2d: Home and EU domicile fees paid by the Department of Health

20. This should include income relating to teaching contracts from the NHS.

#### Sub-heading 2e: Overseas students

21. This heading should include HE course fee income from those students whose permanent or home address prior to entry is outside the UK and the EU.

#### Sub-heading 2f: Other fees and support grants

22. This heading should include fee income in respect of non-credit bearing courses, FE courses and research training support grants.

#### Sub-heading 3a: BIS Research Councils

23. This should include all research grants and contracts income (including tuition fees for studentships associated with the contract) from Research Councils under the Department for Business, Innovation and Skills (BIS). Research income from the British Academy and the Royal Society should also be included here.

#### Sub-heading 3b: UK-Based Charities

24. This should include all research grants and contracts income from charitable foundations, charitable trusts and so on, based in the UK, which are registered with the Charities Commission.

#### Sub-heading 3c: Other research grants and contracts

25. This should include all research grants and contracts that are not covered by headings 3a and 3b.

#### Sub-heading 4a: Other services rendered

26. This should include income in respect of services rendered to outside bodies, including the supply of goods and consultancies..

#### Sub-heading 4d: Other operating income

27. This should include all other operating income not covered by headings 4a-c.

#### **Guidance on Table 1b**

28. Staff costs should cover all staff for whom the institution is liable to pay Class 1 National Insurance contributions and/or who have a contract of employment with the institution . This should include any severance costs. This table should be completed so as to be consistent with how information is disclosed in the notes of the audited financial statements. Staff numbers should be all staff (academic and others) and be returned as full-time equivalent (FTE) numbers.

#### **Guidance on Table 5: Supporting data**

29. This table asks for data on miscellaneous items to support the information supplied in the other tables.

#### **Guidance on Table 6: Student number forecasts**

30. Student numbers should be returned as FTEs for both full-time and part-time numbers. The numbers returned should be consistent with how HEIs return student number data to the Higher Education Statistics Agency. The information will be used to provide context to the other financial tables and will not be used for funding purposes.

31. For each year, two columns must be completed: 'Home and EU' (both fundable and non-fundable) and 'Island and overseas'. Student numbers relating to franchised-out provision, TDA and NHS students should be included within the totals.

#### **Guidance on Table 7: Annualised servicing costs of long-term borrowing**

32. This table is used to review compliance with the Financial Memorandum in relation to the level of annualised servicing costs (ASC) of long-term financial commitments. This table should provide information on the ASC of all long-term borrowings in place at the

year-end (31 July 2009) and any additional borrowings drawn down or agreed at 31 October 2009. The data returned will enable us to update long-term borrowing thresholds to take account of latest audited total income and ASC figures. Guidance on calculating the ASC of long-term borrowing is provided in Annex F of the Financial Memorandum (HEFCE 2008/19).

33. The first section of the table requires HEIs to input information about the level of borrowings as at 31 July 2009. The second section should record information about any additional borrowings agreed and/or drawn down before 31 October 2009.

34. The table has been pre-filled with the information input by HEIs to last year's financial statements return. However, loans from last year's return with nil outstanding or listed as repaid/expired have been deleted. Where any other information is incorrect, please overwrite the amended details, giving the reason in the far right-hand column (column O in the spreadsheet) using the drop-down menu. If the reason is not available in the drop-down menu, please select 'Other' and provide an explanation in the commentary.

35. Where loans have terminated, please delete the loan and select the reason (for example repaid or expired) using the drop-down menu (and provide a further explanation in the commentary if necessary). Where there are new borrowings these should be added selecting 'New loan' in the far right-hand column (column O).

#### **Guidance on Table 8: Net liquidity**

36. This table is used to review compliance with the Financial Memorandum in relation to the level of short-term financial commitments. This table should provide the level of 'net liquidity', giving details of net cash, deposits and overdrafts (as defined in FRS 1 [Revised 1996]: Cash Flow Statements) and other current asset investments.

37. If the HEI had negative net cash (where cash in hand and deposits repayable on demand, as defined by FRS 1, are exceeded by bank overdrafts that are repayable on demand), for more than 35 consecutive days during the period 1 November 2008 to 31 October 2009, you should give the highest negative level in the final column of this table.

#### **Public funding assumptions**

38. HEIs are expected to include, within their financial tables, any HEFCE or other public funding that has already been announced. In relation to future revenue and capital funding, HEIs will need to make assumptions about the level of funding that might be available. We appreciate that there is a lot of uncertainty about the likely levels of public funding to be available in future years.

39. The announcement made by the HEFCE Board in May 2009<sup>4</sup> following the Secretary of State's letter of 6 May will provide some context to the level of funding expected to be available in 2010-11. For future years HEIs should include their own assumptions, and be clear about those in the commentary. The following two paragraphs provide some context on the overall economy and public finance position.

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<sup>4</sup> For full details see [www.hefce.ac.uk](http://www.hefce.ac.uk) under More news/HEFCE news archive/2009/'HEFCE statement following the Secretary of State's letter of 6 May'.

40. The April 2009 Budget predicted a sharp economic slowdown, with a forecast reduction in the economy of 3.5 per cent in 2009-10. Total government debt, as announced in the budget, would increase from 43 per cent of Gross Domestic Product in 2009 to 79 per cent by 2014 with debt not falling until 2018. This will have a significant impact on the level of public spending.

41. The Chancellor announced that the growth in total public spending would be limited to 0.7 per cent for up to three years after 2011. He also announced that additional savings of £5 billion would be made in 2010-11 and that the additional savings identified by the Operational Efficiency Programme over the next Spending Review period would rise to £9 billion a year by 2013-14. If government debt continues to rise, and more money needs to be spent on benefits, this could further squeeze spending on higher education.

42. Paragraphs 38-41 provide the context that institutions themselves should use in their future financial plans. We expect institutions' financial forecasts to be realistic about the level of public funding available, and the underlying assumptions to be explained in the financial commentary.

## **Annex D Sample financial tables**

This annex is for reference only and may be downloaded from the HEFCE web-site, [www.hefce.ac.uk](http://www.hefce.ac.uk), with this document under Publications. Templates will be available to download from the HEFCE extranet at the end of September 2009.

## **Annex E Annual assurance return template**

This annex is available for download with this document on the HEFCE web-site under Publications.

## List of abbreviations

<b>AMS</b>	Annual monitoring statement
<b>ASC</b>	Annualised servicing cost
<b>AY</b>	Academic year
<b>CETL</b>	Centre for Excellence in Teaching and Learning
<b>CIF</b>	Capital Investment Framework
<b>CPS</b>	Corporate planning statement
<b>DS</b>	Diploma Supplement
<b>FRS</b>	Financial Reporting Standard
<b>FTE</b>	Full-time equivalent
<b>HEFCE</b>	Higher Education Funding Council for England
<b>HEAR</b>	Higher Education Achievement Report
<b>HEI</b>	Higher education institution
<b>HEIF</b>	Higher Education Innovation Fund
<b>HESA</b>	Higher Education Statistics Agency
<b>HESES</b>	Higher Education Students: Early Statistics (survey)
<b>KE</b>	Knowledge exchange
<b>LSC</b>	Learning and Skills Council
<b>ORSAS</b>	Overseas Research Students Awards Scheme
<b>QAA</b>	Quality Assurance Agency for Higher Education
<b>RAS</b>	Research Activity Survey
<b>SORP</b>	Statement of Recommended Practice
<b>TDA</b>	Training and Development Agency for Schools
<b>TRAC</b>	Transparent Approach to Costing
<b>TQEF</b>	Teaching Quality Enhancement Fund
<b>VFM</b>	Value for money