

Guide for Members of Higher Education Governing Bodies in the UK

Incorporates the Governance Code of Practice and General Principles

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CUC

Committee of University Chairs

Please note: The advice in this guide was prepared in November 2008. It is provided on the basis that all persons making reference to it undertake responsibility for assessing the relevance and accuracy of its content.

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Introduction

Institutions of higher education in the UK are complex organisations, each characterised by a distinctive ethos. Each institution is autonomous and responsible for the management and direction of its own affairs. Yet almost all depend substantially on central government funding and face many similar challenges.

In particular, universities and colleges must respond to heightened expectations from their students, from Government, from business and from their own academic and professional staff. Learners are more demanding. Government seeks to underpin economic growth and social inclusion. Business and industry look for graduates with stronger and more relevant skills to compete in the world economy. And those who work in the higher education sector have greater expectations of their career opportunities and progression. At the start of the 21st century institutions of higher education have become highly ambitious communities. Governing bodies must therefore also be ambitious, as they seek to mould the circumstances which will convert those aspirations into successful outcomes within a robust and reliable framework of governance.

The Committee of University Chairs (CUC) has as its first aim supporting the higher education sector to develop the highest standards of governance. In 2004 we shared current good practice and encouraged its adoption across the sector. We also proposed a voluntary code to which, we hoped, all institutions would be able to subscribe. Events have substantially justified our confidence. We now offer an updated guide, intended further to assist members of governing bodies of universities and colleges of higher education throughout the UK in the performance of their duties.

This guide is a reference document. It is divided into four parts. **Part I** comprises the Governance Code of Practice adopted by CUC in the light of the recommendations of the Lambert Report. **Part II** is concerned with the general principles of governance and the role of the governing body. **Part III** contains detailed information about specific aspects of the higher education system, outlining the main differences between the HE sectors in England, Northern Ireland, Scotland and Wales. **Part IV** comprises annexes providing background information.

A summary version of this guide is also available which is made up of Parts I and II of this full version. The guide has been prepared with the encouragement of HEFCE and the invaluable support of a wide range of sector bodies.

In many ways publication of the 2004 edition of the CUC Guide was a landmark event. The authors and compilers did their work well and the publication was quickly adopted as a 'gold standard' across the higher education sector in the UK. Although some of the material in this new edition, especially relating to Scotland and Wales and to new charity legislation, has changed substantially, on the whole little alteration has been necessary. In particular the Governance Code of Practice and the General Principles of Governance remain largely unchanged, and we continue to commend them to all governing bodies.



Sir Andrew Burns
Chair
Committee of University Chairs

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Part I Governance Code of Practice

Role of the Governing Body

This Code is voluntary and is intended to reflect good practice in a sector which comprises a large number of very diverse institutions. It is recommended that institutions should report in the corporate governance statement of their annual audited financial statements that they have had regard to the Code, and that where an institution's practices are not consistent with particular provisions of the Code an explanation should be published in that statement.

1. Every higher education institution shall be headed by an effective governing body, which is unambiguously and collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment in which the institutional mission is achieved and the potential of all learners is maximised. The governing body shall ensure compliance with the statutes, ordinances and provisions regulating the institution and its framework of governance and, subject to these, it shall take all final decisions on matters of fundamental concern to the institution.
2. Individual members and governing bodies themselves should at all times conduct themselves in accordance with accepted standards of behaviour in public life which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
3. The governing body shall meet sufficiently regularly, and normally not less than four times a year, in order to discharge its duties effectively. Members of the governing body shall attend regularly and actively participate.
4. The institution's governing body shall adopt a Statement of Primary Responsibilities which should include provisions relating to:
 - approving the mission and strategic vision of the institution, long-term business plans, key performance indicators (KPIs) and annual budgets, and ensuring that these meet the interests of stakeholders
 - appointing the head of the institution as chief executive of the institution and putting in place suitable arrangements for monitoring his/her performance
 - ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, clear procedures for handling internal grievances and for managing conflicts of interest
 - monitoring institutional performance against plans and approved KPIs, which should be, where possible and appropriate, benchmarked against other institutions.

5. This Statement shall be published widely, including on the internet and in the annual report, along with identification of key individuals (that is, chair, deputy chair, head of the institution, and chairs of key committees) and a broad summary of the responsibilities that the governing body delegates to management or those which are derived directly from the instruments of governance.
6. All members should exercise their responsibilities in the interests of the institution as a whole rather than as a representative of any constituency. The institution shall maintain and publicly disclose a register of interests of members of the governing body.
7. The chair shall be responsible for the leadership of the governing body, and be ultimately responsible for its effectiveness. The chair shall ensure the institution is well connected with its stakeholders.
8. The head of the institution shall be responsible for advice on strategic direction and for the management of the institution, and shall be the designated officer in respect of the use of Funding Council funds. The head of the institution shall be accountable to the governing body which shall make clear, and regularly review, the authority delegated to him/her as chief executive, having regard also to that conferred directly by the instruments of governance.

Structure and Processes

9. There should be a balance of skills and experience among members sufficient to enable the governing body to meet its primary responsibilities and to ensure stakeholder confidence. A governing body of no more than 25 members represents a benchmark of good practice.
10. The governing body shall have a majority of independent members, defined as both external and independent of the institution.
11. Appointments shall be managed by a nominations committee, normally chaired by the chair of the governing body. To ensure rigorous and transparent procedures, the nominations committee shall prepare written descriptions of the role and the capabilities desirable in a new member, based on a full evaluation of the balance of skills and experience of the governing body. When vacancies arise they should be widely publicised both within and outside the institution. When selecting a new chair, a full job specification should be produced, including an assessment of the time commitment expected, recognising the need for availability at unexpected times.
12. The chair shall ensure that new members receive a full induction on joining the governing body, that opportunities for further development for all members of the governing body are provided regularly in accordance with their individual needs, and that appropriate financial provision is made for support.
13. The secretary to the governing body shall be responsible for ensuring compliance with all procedures and ensuring that papers are supplied in a timely manner with information in a form and of a quality appropriate to enable the governing body to discharge its duties. All members shall have access to the advice and services of the secretary to the governing body, and the appointment and removal of the secretary shall be a decision of the governing body as a whole.

14. The proceedings of the governing body shall be conducted in as open a manner as possible, and information and papers restricted only when the wider interest of the institution or the public interest demands, including the observance of contractual obligations.

Effectiveness and Performance Reviews

15. The governing body shall keep its effectiveness under regular review. Not less than every five years it shall undertake a formal and rigorous evaluation of its own effectiveness, and that of its committees, and ensure that a parallel review is undertaken of the senate/academic board and its committees. Effectiveness shall be measured both against the Statement of Primary Responsibilities and compliance with this Code. The governing body shall revise its structure or processes accordingly.

16. In reviewing its performance, the governing body shall reflect on the performance of the institution as a whole in meeting long-term strategic objectives and short-term KPIs. Where possible, the governing body shall benchmark institutional performance against the KPIs of other comparable institutions.

17. The results of effectiveness reviews, as well as of the institution's annual performance against KPIs, shall be published widely, including on the internet and in its annual report.

Part II General Principles of Governance

1 Summary of Responsibilities of Members of Governing Bodies

1.1 Higher education institutions (HEIs) are legally independent corporate institutions that have a common purpose of providing learning and teaching and undertaking research. They also have an important role in contributing to economic growth through research and developing links with business and the community. The governing body is responsible for ensuring the effective management of the institution and for planning its future development. It has ultimate responsibility for all the affairs of the institution.

1.2 The main responsibilities of the governing body should be set out in its Statement of Primary Responsibilities, which should be consistent with the institution's constitution (See Annex A1).

1.3 Independent, lay or co-opted governors need to bring particular behaviours to the governing body. They should question intelligently, debate constructively, challenge rigorously and decide dispassionately, and they should listen sensitively to the views of others, inside and outside meetings of the governing body.

Proper Conduct of Public Business

1.4 Governing bodies are entrusted with funds, both public and private, and therefore have a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of their business, and wherever possible following a policy of openness and transparency in the dissemination of their decisions. Such diverse funding sources also require that institutions adhere to the good practice appropriate to both public and private sector bodies. Through this guide the CUC seeks to indicate how this can best be achieved.

Strategic Planning

1.5 The governing body has a duty to enable the institution to achieve and develop its mission and primary objectives of learning and teaching and research. This responsibility includes considering and approving the institution's strategic plan, which sets the academic aims and objectives of the institution and identifies the financial, physical and staffing strategies necessary to achieve these objectives.

Monitoring Effectiveness and Performance

1.6 The governing body should regularly monitor its own effectiveness and the performance of the institution against its planned strategies and operational targets.

Finance

1.7 The governing body's financial responsibilities include:

- ensuring the solvency of the institution and safeguarding its assets
- approving the financial strategy
- approving annual operating plans and budgets which should reflect the institution's strategic plan
- ensuring that funds provided by the Funding Council are used in accordance with the terms and conditions specified in the Funding Council's Financial Memorandum
- ensuring the existence and integrity of risk management, control and governance systems and monitoring these through the audit committee
- receiving and approving annual accounts (audited financial statements).

Audit

1.8 The governing body is responsible for directing and overseeing the institution's arrangements for internal and external audit.

Estate Management

1.9 The governing body is responsible for oversight of the strategic management of the institution's land and buildings. As part of this responsibility it should consider, approve and keep under review an estate strategy that identifies the property and space requirements needed to fulfil the objectives of the institution's strategic plan, and also provides for a planned programme of maintenance.

Human Resource Management

1.10 The governing body has responsibility for the institution's human resource and employment policy. This includes ensuring that pay and conditions of employment are properly determined and implemented for all categories of employee. The governing body is also responsible for appointing and setting the terms and conditions for the head of the institution and such other senior posts as it may from time to time determine.

Equality and Diversity

1.11 The governing body should ensure that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students.

Students' Union

1.12 The governing body should take such steps as are reasonably practicable to ensure that the students' union operates in a fair and democratic manner and is accountable for its finances.

Health and Safety

1.13 The governing body carries ultimate responsibility for the health and safety of employees, students and other individuals while they are on the institution's premises and in other places where they may be affected by its operations. The governing body's duties include ensuring that the institution has a written statement of policy on health and safety, and arrangements for the implementation of that policy.

2 Conduct of Governing Body Business

Proper Conduct of Public Business

2.1 Governing bodies are entrusted with public funds and therefore have a particular duty to fulfil the highest standards of corporate governance at all times, and to ensure that they are discharging their duties with due regard for the proper conduct of public business.

2.2 Individual members of governing bodies and governing bodies themselves should at all times conduct themselves in accordance with accepted standards of behaviour in public life, which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

2.3 Attention is also drawn to the provisions of the Combined Code (see Bibliography).

2.4 This section outlines the general rules and conventions for the conduct of the business of governing bodies of higher education institutions, particularly those features that assist with compliance with the principles mentioned above. Members of governing bodies of church colleges are likely to have additional responsibilities not covered in this guide, relating to their institution's providing body and in their capacity as trustees.

Procedural Matters

2.5 The governing body should normally meet not less than four times a year. The agenda and supporting papers should be circulated in advance and the decisions minuted. Members should attend all meetings where possible, and the governing body should establish clearly the number, and if necessary the category, of members who constitute a quorum.

2.6 Certain items may be declared to be 'reserved', that is, business which for reasons of confidentiality is not open to discussion by the whole governing body. Such business should be kept to a minimum because of the general need for transparency and openness, but would normally include matters relating to an individual member of the HEI or commercially sensitive material.

2.7 To function efficiently, the governing body must have rules for the conduct of its meetings. Issues for which rules are required include, but are not restricted to:

- procedures for voting, rescinding decisions, calling extraordinary meetings, and declaring business reserved
- requirements for a quorum
- frequency of meetings.

The rules governing some of these issues are specified in the statutes of pre-1992 HEIs or the articles of post-1992 universities and colleges. The institution should draw up standing orders to regulate those aspects of the conduct of governing body business that are not already prescribed by the statutes or articles. Additionally, the institution's standing orders can usefully reiterate the relevant provisions of the statutes or articles in order to consolidate all the material for ease of reference.

2.8 Members of governing bodies should refer to their secretary for further information about the rules applying in their own institutions.

Corporate Decision Making

2.9 The governing body should exercise its responsibilities in a corporate manner; that is to say, decisions should be taken collectively by all of the members acting as a body. Members should not act individually, or as representatives of a constituency or in informal groupings, to take decisions on governing body business on an ad hoc basis outside the constitutional framework of the meetings of the governing body and its committees.

Role of the Chair

2.10 The chair is responsible for the leadership of the governing body and ultimately to the stakeholders for its effectiveness. As chair of its meetings he/she should promote its wellbeing and efficient operation, ensuring that its members work together effectively and have confidence in the procedures laid down for the conduct of business.

2.11 A chair should take particular care that the governing body observes the principles of public life, and that committees which play a central role in the proper conduct of the governing body's business report back appropriately. The chair should also ultimately be responsible for ensuring that the governing body operates effectively, discusses those issues which it needs to discuss, and dispatches its responsibilities in a business-like way.

2.12 Through leadership of the governing body, the chair plays a key role in the business of the institution, but should not be drawn into the day-to-day executive management. For the governing body to be effective, there must be a constructive and challenging working relationship between the chair and the executive head of the institution. This relationship will depend on the personalities involved, but reports by the National Audit Office (see Bibliography) have emphasised the need for both sides to recognise that the roles of chair and executive head are formally distinct. The relationship should be mutually supportive, but must also incorporate the checks and balances imposed by the different roles each has within an institution's constitution.

2.13 Lay or independent members of the governing body should also take care not to become involved in the day-to-day executive management of the institution. This also applies to the staff and student members of a governing body, except that in the course of their employment or in their activities as students they may have executive responsibilities within the institution.

Role of the Head of the Institution in Relation to the Governing Body

2.14 The head of the institution is responsible for the executive management of the institution and its day-to-day direction. The head of the institution must not seek to determine matters reserved for the governing body.

2.15 The specific responsibilities of the head of the institution in relation to governing body business include:

- implementing the decisions of the governing body or ensuring that they are implemented through the relevant part of the institution's management structure
- initiating discussion and consultation including, where appropriate, consultation with the staff and the academic board/senate on proposals concerning the institution's future development, and ensuring that such proposals are presented to the governing body
- fulfilling the duty, as the officer designated by the governing body under the terms of the Funding Council's Financial Memorandum ('the designated officer'), to alert the governing body if any actions or policy under consideration would be incompatible with the terms of the Financial Memorandum. If the governing body nevertheless decides to proceed, then the head of institution has a duty to inform either the chief executive of the relevant Funding Council or other appropriate officer.

Role of the Secretary or Clerk to the Governing Body

2.16 The secretary or clerk has a key role to play in the operation and conduct of the governing body, and in ensuring that appropriate procedures are followed:

- a. The secretary or clerk to the governing body should be appointed to that post by the governing body.
- b. Normally the secretary combines this function with a senior administrative or managerial role within the institution. The institution and the secretary must exercise care in maintaining a separation of the two functions. Irrespective of any other duties that the secretary may have within the institution, when dealing with governing body business the secretary will act on the instructions of the governing body itself.
- c. In carrying out his/her role as secretary to the governing body, the secretary should be solely responsible to the governing body and should therefore have a direct reporting link to the chair of the governing body for the conduct of governing body business (i.e. agendas, papers, minutes etc).
- d. The chair and members of the governing body should look to the secretary for guidance about their responsibilities under the charter, statutes, articles, ordinances and regulations to which they are subject, including legislation and the requirements of the Funding Council, and on how these responsibilities should be discharged. It is the responsibility of

the secretary to alert the governing body if he/she believes that any proposed action would exceed the governing body's powers or be contrary to legislation or to the Funding Council's Financial Memorandum. (Note: the head of the institution is formally responsible for alerting the governing body if any action or policy is incompatible with the terms of the Financial Memorandum but this cannot absolve the secretary from having this responsibility as well.)

- e. The secretary should be solely responsible for providing legal advice to or obtaining it for the governing body, and advising it on all matters of procedure.
- f. The secretary should advise the chair in respect to any matters where conflict, potential or real, may occur between the governing body and the chief executive.
- g. The secretary should ensure that all documentation provided for members of the governing body is concise and its content appropriate.

2.17 It is incumbent on the governing body to safeguard the secretary's ability to carry out these responsibilities. It is important that the secretary also both consults and keeps the head of the institution fully informed on any matter relating to governing body business (other than in relation to the remuneration committee's consideration of the head of institution's emoluments). It is good practice for the chair of the governing body, the head of the institution and the secretary to the governing body to work closely together within the legal framework provided by the charter, statutes or articles of government and the ordinances and regulations laid down by the institution and the Funding Council's Financial Memorandum. If this is not possible because of inappropriate conduct by one of the parties involved, it is the responsibility of the governing body to take appropriate action.

2.18 If there is a conflict of interest, actual or potential, on any matter between the secretary's administrative or managerial responsibilities within the institution and his/her responsibilities as a secretary to the governing body, it is the secretary's responsibility to draw it to the attention of the governing body. If the governing body believes that it has identified such a conflict of interest itself the chair should seek advice from the head of the institution, but must offer the secretary an opportunity to respond to any such question.

2.19 Further guidance on the role of secretaries or clerks to governing bodies is listed in the Bibliography.

Matters Concerning Members of the Governing Body

Conflicts of Interest

2.20 It is central to the proper conduct of public business that chairs and members of governing bodies should act and be perceived to act impartially, and not be influenced in their role as governors by social or business relationships.

Good practice requires that a member of a governing body who has a pecuniary, family or other personal interest in any matter under discussion at any meeting of the governing body or one of its committees at which he/she is present shall, as soon as practicable, disclose the fact of his/her interest to the meeting and shall withdraw from that part of the meeting. A member of the governing body is not, however, considered to have a pecuniary interest in matters under discussion merely because he/she is a member of staff or a student of the institution. Nor does the restriction of involvement in matters of direct personal or pecuniary interest prevent members of the governing body from considering and voting on proposals to insure the governing body against liabilities which it might incur.

2.21 Institutions should maintain a register of interests of all members of the governing body. The secretary and any other senior officer closely associated with the work of the governing body, for example the finance director, should also submit details of any interests. The register should be publicly available and should be kept up to date.

2.22 Details of the terms of appointment should be set out as appropriate in the letter of appointment, but institutions may wish to seek a signed undertaking that governors will act responsibly.

2.23 The governing body should have the power to remove any member of the governing body from office, and must do so if the member breaches the conditions of his/her appointment.

Members as Representatives

2.24 Members nominated by particular constituencies should not act as if delegated by the group they represent. No member may be bound, when speaking or voting, by mandates given to him/her by others, except when acting under approved arrangements as a proxy for another member of the governing body.

Induction and Development

2.25 It is the responsibility of the chair of the governing body, working with the secretary as appropriate, to ensure that all members of the governing body, when taking up office, be fully briefed on the terms of their appointment and be made aware of the responsibilities placed on them for the proper governance of the institution. They should receive copies of background documents at the time of their appointment. These could include:

- a copy of this guide
- the institution's annual report, audited financial statements, and financial forecast
- the overall strategic plan, and strategy documents covering areas such as learning and teaching, research, widening participation and estates
- notes describing the institution's organisational structure
- the rules and procedures of the governing body.

It is important for governing bodies to provide an induction or briefing session for new members, to explain their responsibilities, the function of the governing body and other organisations within HE, and the strategic objectives of the institution.

2.26 Following initial induction, members should regularly receive copies of both the institution's newsletter and the CUC newsletter (which is published three times a year), and appropriate publicity material about the institution to help them stay up to date with developments. There is an onus on members to keep themselves informed.

2.27 The Leadership Foundation for Higher Education (LFHE) is running a governor development programme. This includes an induction seminar for new members of governing bodies which is intended to supplement institutions' own induction arrangements, as well as seminars for more experienced governors and ones on specific topics. Institutions are strongly encouraged to nominate members to attend these seminars and should make appropriate financial provision. Details of the programme are available on the LFHE web-site.

2.28 Membership of committees provides a particular opportunity for members of the governing body to contribute their expertise to the institution and to learn more about aspects of its operations.

Expenses and Remuneration

2.29 Although a number of sectors now remunerate their non-executive directors for their services, in the HE sector normal practice is to pay only such incidental travelling and subsistence expenses or other allowances to lay members as the governing body may determine. In exceptional circumstances, however, it may be deemed appropriate to remunerate a lay officer. Before any decision to remunerate is taken, the governing body should consider:

- the provisions of charity law
- the implications of the decision for the division of responsibilities and overall relationship between the governing body and the executive
- the public service ethos which applies generally among HE governors
- the need to be explicit about time commitment and to apply a formal process of appraisal and performance management to the remunerated governor(s).

2.30 Where a decision to remunerate is taken, payments should be commensurate with the duties carried out and shall be reported in the audited statement of accounts.

2.31 Further information may be found in the CUC guidance note *Payment of Members of Governing Bodies*, available on the CUC web-site.

Strategic Planning

2.32 The governing body will rely on the executive head of the institution to be responsible for the operational management of the institution, and to offer

guidance to the governing body on issues coming before it. However, the governing body plays a key role in the strategic development of the institution. It should be involved in the development and approval of the institution's strategic plan, which influences and guides all decisions coming before the governing body. It should also approve an annual operating plan that identifies those aspects of the strategic plan being implemented in the year in question.

2.33 Strategic plans play an important role in informing the relationship between institutions and the Funding Councils.

2.34 Institutions must adopt a risk-based approach to strategic planning.

Risk Management

2.35 Risk can be defined as: 'the threat or possibility that an action or event will adversely or beneficially affect an organisation's ability to achieve its objectives'. HEIs are expected to identify and actively manage risks, having particular regard at governing body level to risks which could threaten the existence of the institution. An annual disclosure about risk management is required in audited financial statements.

2.36 Each institution's audit committee is required to provide advice to the governing body annually on risk management, control and governance in advance of the governing body approving the audited financial statements.

Delegation

2.37 Where permissible, the governing body may delegate authority or allocate some of its work to committees, grant delegated authority to the chair or a committee to act on its behalf, and delegate responsibility to the executive head and officers of the institution. Such delegations must be clearly defined in writing and be formally approved by the governing body. Having delegated authority to other bodies or individuals to act on its behalf, the governing body is nevertheless still ultimately accountable and has to accept corporate responsibility for the actions taken.

Delegation to the Chair

2.38 The governing body may grant delegated authority to the chair to act on its behalf between meetings. Policy on this matter should be defined in the governing body's standing orders or equivalent. Action taken under delegated authority will normally consist of business that would not have merited discussion at a governing body meeting (such as the signing of routine documents, and detailed implementation of matters already agreed by the governing body).

2.39 Occasionally, matters may arise which are judged too urgent and important to await the next meeting of the governing body. The chair then has the option of calling a special meeting, consulting the members of the governing body by correspondence, or dealing with the matter by chair's action. The chair should be careful not to take decisions by chair's action where it is inappropriate to do so, and not to exceed the scope of the delegated authority granted by the

governing body. Chair's action on matters of importance should only be taken where delaying a decision would disadvantage the institution.

2.40 The chair is answerable to the governing body for any action taken on its behalf. Where chair's action is taken, a report should be made to the next meeting of the governing body.

Delegation to Committees and Retention of Key Functions

2.41 It is common practice for the governing body to delegate some of its powers and to allocate some of its work to committees. In deciding which tasks or responsibilities should be delegated to committees, the governing body should retain a formal schedule of matters reserved to it for its collective decision. Such matters are likely to include final decisions on issues of corporate strategy; the review and approval of the institution's annual estimate of income and expenditure and audited financial statements; and the appointment and dismissal of the head of institution and of the secretary or clerk to the governing body.

2.42 The articles of some institutions list key powers that the governing body may not delegate. They also state that the governing body must establish committees on employment policy (without delegating to them the essential decision-making functions in this area).

2.43 All committees must be provided with a clear remit and written terms of reference that state the extent and limits of the committee's responsibilities and authority. Committees must take care not to exceed their terms of reference and should be so advised by the secretary to the governing body. Committees should distinguish between issues on which they are empowered to take decisions, and issues that they must refer to the governing body for decision. Where a committee is acting under delegated powers it should submit regular written reports to the governing body on decisions that it has taken on the governing body's behalf.

Committees and the Proper Conduct of Public Business

2.44 Most institutions will have committees dealing with finance, estates and facilities and human resources/staffing. However, there are three committees which should play a central role in supporting the proper conduct of the governing body's business: an audit committee, a remuneration committee and a nominations committee.

Audit Committee

2.45 Institutions are required to have an audit committee, the role of which is covered in Section 3 (paragraphs 3.9-11).

Remuneration Committee

2.46 Governing bodies should establish a remuneration committee to determine and review the salaries, terms and conditions (and, where appropriate, severance payments) of the head of institution and such other members of staff as the governing body deems appropriate.

2.47 Membership of such a committee should include the chair of the governing body, at least three other lay/independent members (not necessarily members of the governing body) and the lay treasurer if such an office exists, from among whom a committee chair should be appointed. The head of the institution may be a member of the committee, but in any case should be consulted on remuneration relating to other senior post-holders and should attend meetings of the committee, except when the committee discusses matters relating to his/her own remuneration.

2.48 The remuneration committee must seek comparative information on salaries and other benefits and conditions of service in the higher education sector. Two sources of information are available: the CUC has a database of salaries, benefits and conditions of service for heads of institution (currently available only to chairs of governing bodies); and the Universities and Colleges Employers Association (UCEA) collects data on the salaries of other senior staff.

2.49 If considering severance arrangements for senior staff, the remuneration committee must represent the public interest and avoid any inappropriate use of public funds. The committee should be careful not to agree to a severance package which staff, students and the public might deem excessive. Contracts of employment for senior staff should specify periods of notice of not more than 12 months, and should not provide for pension enhancements.

2.50 The remuneration committee's reports to the governing body should provide sufficient detail of the broad criteria and policies against which decisions have been made.

Nominations Committee

2.51 Governing bodies should establish a nominations committee to seek out and recommend the appointment of new lay/independent/co-opted members to the governing body. Membership of the nominations committee should include the chair of the governing body (who should normally chair it), at least three other lay/independent/co-opted members, the head of institution and at least one senior member of the academic staff.

2.52 Vacancies for lay/independent members and co-opted members should be publicised (including a job specification and a clear indication of the skills, knowledge and experience required) within and outside the institution. Staff and students, as well as members of the governing body, should be invited to submit names to the clerk of the governing body for transmission to the nominations committee. Some institutions co-opt promising candidates for governing body membership onto committees of the governing body to establish the suitability of those concerned for membership of the governing body itself in due course.

2.53 In making its recommendations to the governing body, the nominations committee must pay regard to the balance of membership and the needs of the institution, and may keep a 'skills register' against which to consider the field of candidates. The question of inclusion of appropriate members of the local community should also be addressed. In the pre-1992 universities the nominations committee's recommendations should be approved by the whole

governing body. In some institutions, decisions on the appointment of independent members must be approved by the independent members, but the whole governing body should discuss the nominations committee's reports before the independent members take their decision.

2.54 The CUC has carried out a survey of good practice on the appointment of persons to membership of the governing body (available from the CUC Secretariat).

Rotation and Re-appointment of Members

2.55 Continuity of membership is important to an institution, but so is the need for new blood. Lay/independent members should be appointed for a given term, which should be renewable, subject to satisfactory performance. In some pre-1992 HEIs, the period of the appointment is laid down in the statutes, but more often it is either left to the ordinances or not prescribed. The renewal of any appointment should not be automatic, but should be recommended by the nominations committee as part of its report on filling vacancies – again subject to satisfactory performance. Continuous service beyond three terms of three years, or two terms of four years, is not desirable (although exceptions, such as retention of a particular skill or expertise, may be permitted). After this point members should normally retire and be replaced by new members. There should be no bar to a particularly valued member returning to office if a vacancy occurs in future years. Where a member of the governing body is elected to serve as chair of the governing body or to some other statutory office such as pro-chancellor or treasurer, he/she would automatically begin a new term of membership linked to the office.

2.56 The re-appointment or replacement of the chair of the governing body should be considered carefully and in good time during the term of the appointment. There are variations of practice in the length of term for which the chair is normally appointed. However, the re-appointment of a chair beyond two terms of four years, or the equivalent, should be regarded as exceptional.

Representation of Staff and Students on Governing Bodies

2.57 The statutes of the pre-1992 HEIs normally provide for membership of the governing body by representatives of the academic staff and students (and in some cases non-academic staff); this is integral to the nature of governance in those institutions. In some institutions these categories of members can be excluded by decision of the governing body. However, the representation of staff and students on the governing body is important in all institutions, and it is strongly recommended that governing bodies do not exercise their power to exclude such members. If, nevertheless, a governing body does decide to exclude them, it should record formally in its minutes the grounds for its decision, and should publish these grounds within the institution and inform the Funding Council.

Principles of Openness and Transparency in the Operation of Governing Bodies

2.58 The general principle applies that students and staff of the institution should have appropriate access to information about the proceedings of the governing body. The agenda, draft minutes if cleared by the chair, and the signed minutes of governing body meetings, together with the papers considered at meetings, should generally be available for inspection by staff and students. There may, however, be matters covered in standing orders where it is necessary to observe confidentiality. Such matters are likely to concern individuals or have commercial sensitivity. Good practice for all institutions might include placing copies of the governing body's minutes on the institution's intranet and in its library, reporting on decisions in a newsletter, and ensuring that the annual report and accounts are circulated to academic departments and the students' union.

2.59 The institution's annual report and audited financial statements should be made widely available outside the institution, and ways should be found for the public, or the local community, to comment on institutional matters that concern them.

2.60 Institutions should consider what is the appropriate means to put this into effect. The statutes of most pre-1992 HEIs include provision for a court or similar body, with a wide membership drawn on a representative basis from external bodies, whose terms of reference meet these criteria. Some post-1992 universities, whose articles do not provide for a court, have nevertheless decided to establish representative bodies with a broadly similar function. In any event, institutions should ensure that machinery exists whereby they maintain a dialogue with appropriate organisations in their communities. Institutions should also consider publishing their annual reports on the web.

2.61 The Second Report of the Committee on Standards in Public Life (1996) states that institutions should publish key information to a common standard, including material on governance, in their annual reports. The following good practice is recommended:

- a. Audited financial statements (annual accounts) should include a statement which covers the responsibilities of the governing body in relation to corporate governance and internal control. Formal requirements for this statement are set out on the Accounts Directions of the Funding Councils, and guidance is available on the web-site of the British Universities Finance Directors Group (BUFDG).
- b. The annual report should include a corporate governance statement which sets out the institution's legal status and broad constitutional arrangements, recognises the general principles of public service and indicates how they are implemented, and takes account of the wide range of constituencies to which the institution reports. A model statement is set out in Annex A. This is an example of good practice, and will require adjustment to reflect the particular circumstances of individual institutions.

Review of the Effectiveness of the Governing Body and Performance of the Institution

2.62 The governing body should review its effectiveness regularly. Not less than every five years it should undertake a formal and rigorous evaluation of its own effectiveness, and that of its committees, and ensure that a parallel review is undertaken of the senate/academic board and its committees. Effectiveness shall be measured against both the Governance Code of Practice (Part I of this document) and the Statement of Primary Responsibilities (Part II, paragraph 1.2). The governing body shall revise its structure or processes accordingly. In reviewing its performance, the governing body shall reflect on the performance of the institution as a whole in meeting long-term strategic objectives and short-term key performance indicators.

2.63 The governing body should also ensure that it is able to discharge its responsibilities through a clear and accurate understanding of the institution's overall performance through a regular process of review. Any such review of performance should take into account the views of the senate or academic board, and should be reported upon appropriately within the institution and outside. Where possible, the governing body should benchmark institutional performance against the KPIs of other institutions.

2.64 In considering their own effectiveness, governing bodies may wish to engage persons independent to the institution to assist in the process.

2.65 The results of effectiveness reviews, as well as of the institution's annual performance against KPIs, shall be published widely, including on the internet and in its annual report.

2.66 The CUC has provided a checklist of possible review points in Annex 5 of *Progress Report of the Working Party on the Effectiveness of University Governing Bodies, 1999* (see CUC web-site).

3 The Regulation of Resource Management

Risk Management, Control and Governance

3.1 Institutions must have a sound system of risk management, control and governance. Essential elements of such a control system are:

- effective review by governing bodies, finance and audit committees with a lay majority
- control systems which include policies, objectives and plans, management of key risks and opportunities, monitoring of financial and operational performance, physical safeguarding of assets, segregation of duties, authorisation and approval procedures, and information systems
- an effective internal audit function
- the identification and management of risk embedded in all business systems.

3.2 At the highest level, risk management, control and governance is exercised by the governing body and its committees acting under its explicit delegation. The governing body has overall responsibility for institutional activities and finances. Many institutions have established a planning and resources committee to consider strategic plans and the allocation of resources to meet such plans. Detailed monitoring of the financial position and prospects is normally delegated by the governing body to a finance committee or equivalent.

3.3 Accounts Directions from the Funding Councils require institutions to include a statement of internal control in the corporate governance section of the audited financial statements, explaining the risk management arrangements operated by the governing body.

3.4 Day-to-day financial control is exercised by officers of the institution under delegation from the governing body. Many pre-1992 HEIs have a lay treasurer (or equivalent), usually with a financial background, who has a constitutional role in presenting financial statements and reports to the governing body. Responsibility for administering the finances and advising on financial matters is delegated to a professional employee, generally designated as director of finance. That individual must have access to the head of the institution whenever he/she deems it appropriate.

3.5 An essential element of financial management is the annual budget. This quantifies expected income and plans expenditure in the context of income expectation. In many institutions the approval of the annual budget is a responsibility reserved under the constitution to the governing body for its collective decision, without delegation. The annual budget must be approved by the governing body before the start of the financial year.

3.6 In conjunction with the revenue budget, a capital budget must be prepared, aggregating approved capital needs and identifying required funding sources and strategies.

3.7 Most institutions devolve the management of clearly identified elements of the annual budget to specified managers. These arrangements require the provision of accurate and timely financial information to budget holders, and hence the systems to generate such information, if they are to operate effectively. The governing body and/or its finance committee should receive summarised performance information at regular points in the year.

3.8 Institutions must have financial regulations and procedures. Financial regulations should specify the financial responsibilities and authority of the governing body, its committees, and staff. Financial procedures should specify processes to be followed in day-to-day financial transactions. There should be clear policies on a range of systems, including treasury management, investment management, risk management, debt management, and grants and contracts. These should be periodically reviewed to keep them up to date.

Audit and the Audit Committee

3.9 While the responsibility for devising, developing and maintaining control systems lies with management, internal audit provides independent assurance about the adequacy and effectiveness of risk management, control and governance. The internal audit service may also advise on value for money (VFM).

3.10 The Funding Councils require institutions to appoint an audit committee and set up internal and external audit arrangements in accordance with the Audit Codes as may be required by each such Council. The audit committee should be a small, authoritative body which has the necessary financial expertise and the time to examine the institution's risk management control and governance under delegation from the governing body. It should not confine itself to financial systems but should examine risk management, control and governance independently, and report areas of concern to the governing body. The committee must produce an annual report for the governing body, including its opinion on the adequacy and effectiveness of the HEI's risk management, control and governance arrangements; and arrangements for promoting economy, efficiency and effectiveness (value for money).

3.11 In summary, the specific responsibilities of members of the governing body in respect of audit are:

- to appoint the audit committee
- to consider and, where necessary, act on an annual report from the audit committee
- to consider the annual report of the internal audit service
- to appoint the external auditors
- to receive and approve the audited annual financial statements (this responsibility is usually reserved by the institution's constitution to the governing body for its collective decision, without delegation).

Requirements of the Funding Councils

3.12 The conditions of funding set by the Funding Councils include requirements set out in a Financial Memorandum (see Bibliography) issued to each institution. The main provisions include:

- the statutory basis on which public funding is provided to the institution and the purposes for which it is provided
- the need for the proper stewardship and effective use of public funding and accounting systems which enable the fulfilment of these requirements to be demonstrated
- the requirement for the institution to have in place sound systems of governance, management including risk management and internal control
- the need to safeguard the financial viability of the institution.

3.13 The format and content of Financial Memoranda are significantly different in the constituent parts of the UK, and more information on specific provision in each country can be found in Part III of this guide.

Procurement

3.14 In addition to the requirement under the Financial Memorandum for governing bodies to ensure that there is a sound system of internal control, they are responsible for ensuring the delivery of value for money (VFM) from public funds. Procurement of works, goods and services is an area where VFM considerations are important.

3.15 It has been established by the European Court of Justice that higher education institutions are bodies governed by public law, and hence bodies to which European public procurement rules apply, if they are publicly financed for more than half of their income.

3.16 Under European public procurement rules there are thresholds above which contracts must be awarded in accordance with those rules. Below these limits, institutions are free to tender locally only, but they should always ensure that sufficient competition is secured in order to ensure that VFM is achieved.

3.17 Governing bodies should ensure that VFM in procurement is achieved through obtaining assurances that:

- adequate procurement policies and procedures are in place
- policies and procedures are consistently applied, and there is compliance with relevant legislation.

3.18 To obtain these assurances governing bodies should ensure that the risk management framework and reporting mechanisms give adequate coverage of procurement processes and risks. The institution's procurement procedures, including procedures governing conflicts of interest relating to procurement matters, should form part of the Financial Regulations, which should be approved by the governing body.

CUC Guidance

3.19 The CUC has developed a range of documents which provide guidance in more detail on some of the topics covered in this part of the guide. These include:

- *Payments to Members of Governing Bodies*
- *A Note on the Appointment and Recruitment of Chairs of Governing Bodies*
- a series of templates for role descriptions for chairs, clerks and members of governing bodies
- a template for the appraisal of governors.

These documents are available on the CUC web-site.

Part III Information for Governors

The information in Part III is provided separately for England (Section A), Northern Ireland (Section B), Scotland (Section C) and Wales (Section D). Where the information for Northern Ireland and Wales is the same as for England, there are cross-references to the England section.

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A England

1 The Legal Status of Institutions

Background

1.1 The institutions which make up the current higher education sector have diverse backgrounds and traditions which are reflected in their constitutional arrangements and the structure and powers of their governing bodies. They can, however, be divided into two broad groups. In the case of the so-called pre-1992 HEIs, the constitution and powers of the governing body are laid down in, and limited by, the charter and statutes of the institution. For the so-called post-1992 universities and colleges, they are laid down in the Education Reform Act 1988 (as amended by the Further and Higher Education Act 1992), together with the instruments and articles of government or equivalent. Some institutions are companies limited by guarantee, in which case the memorandum and articles of association incorporate the provisions of the instruments and articles of government. Governing bodies should ensure that their institutions do not extend their activities beyond those permitted by these documents.

Pre-1992 Universities

1.2 The pre-1992 universities are a diverse group. They include the ancient universities of Oxford and Cambridge, the federal University of London, the 'civic' universities founded in the late nineteenth and early twentieth centuries, the former university colleges which awarded degrees of the University of London, the group of universities established in the 1960s, and the colleges of advanced technology which achieved university status following the Robbins Report of 1963.

Post-1992 Universities and Colleges

1.3 Most of the post-1992 universities are former polytechnics which until 1988 (or 1992 in Wales) were part of, and funded by, local education authorities (LEAs) and awarded degrees validated by the Council for National Academic Awards. The Education Reform Act 1988 made them into independent corporations and established the Polytechnics and Colleges Funding Council (PCFC) which took over responsibility for funding these institutions in England. Subsequently the Further and Higher Education Act 1992 enabled these institutions to award degrees in their own right, and to acquire the title of university. Some former university colleges and colleges of higher education have also been accorded university status.

University Colleges and Colleges of Higher Education

1.4 The university colleges and colleges of higher education which form part of the higher education sector in England were also funded by the PCFC following the passage of the Education Reform Act 1988. Use of the title of 'university college' indicates that the college has been granted the power to award its own degrees. A

number of colleges of higher education are supported by churches. These colleges often have ties to their founding bodies, which are known as providing bodies. The providing bodies may have the right to be represented on the governing body and be institutional trustees. They have the power to determine the character of the institution, and in some cases also have jurisdiction over the institution's assets. The colleges can be divided into two groups: general colleges offering a range of courses which may be narrower than in the universities, often with the emphasis on business and management, humanities and education; and specialist colleges.

Legal Status of Institutions

1.5 Although the institutions in the current higher education sector are diverse in origin, size and organisation, they share the following characteristics of being:

- legally independent corporate institutions
- bodies with charitable status
- accountable through a governing body which carries ultimate responsibility for all aspects of the institution.

The legal status of particular institutions can, however, take different forms, as described below.

Pre-1992 Universities

1.6 Most of the pre-1992 universities were established by a royal charter granted through the Privy Council, with an associated set of statutes. This form of organisation is known as a chartered corporation.

1.7 A very small number of pre-1992 universities were established by a specific Act of Parliament, the operative part of which is a set of statutes. This form of organisation is known as a statutory corporation.

1.8 The structure of governance for each university is laid down in the instruments of its incorporation (i.e. the Act or charter and the statutes). The charter and statutes can only be amended on application to the Privy Council. Most universities have supporting governance arrangements in the form of ordinances and regulations.

1.9 The Universities of Oxford and Cambridge have neither an Act of Parliament nor a charter, but do have a body of statutes, changes to the more important of which require the authority of the Privy Council. Further exceptions are the London School of Economics and the Institute of Cancer Research, which are companies limited by guarantee.

1.10 As successive generations of universities obtained their statutes, significant variations and differences were introduced.

Post-1992 Universities, University Colleges and Colleges of Higher Education

1.11 The Education Reform Act 1988 established as higher education corporations (HECs) certain higher education institutions in England previously maintained by local education authorities. The Act stipulated that any HEC should be conducted in accordance with articles of government approved by the Secretary of State. Model articles were prepared by the then Department of Education and Science to guide institutions in drawing up their own articles. It also amended the earlier legislation and set out the general format for an instrument of government, to be made by each HEC and approved by the Privy Council, governing the membership and constitution of the governing body. The Act also required HECs subsequently to make new articles of government to be approved by the Privy Council.

1.12 While most of the former polytechnics are governed by articles of government, four (formerly administered by the Inner London Education Authority) are established under the Companies Act as companies limited by guarantee. Such institutions are founded on a memorandum and articles of association which incorporate the provisions of the instruments and articles of government required in the 1988 and 1992 Acts. The governing body also acts as the board of directors for the company. A small number of universities, university colleges and general and specialist HE colleges formerly funded by the PCFC are also organised as companies limited by guarantee.

1.13 Some colleges are established as charitable trusts under a trust deed or through a scheme made by the Charity Commission. They are subject to supervision by the Charity Commission, and operate under instruments and articles of government approved by the Privy Council.

Charitable Status

1.14 All but one (Guildhall School of Music and Drama is owned and managed by the City of London Corporation) higher education institutions have charitable status. The implications of this for members of governing bodies are that they are formally recognised as trustees of a charity and subject to the obligations this imposes under charity law. However, English HEIs are usually exempt charities, i.e. they are not subject to the jurisdiction of the Charity Commission, and prior to the passage of the Charities Act 2006 they were not formally regulated specifically in respect of their status as charities. Institutions established as charitable trusts and some of those which have a royal charter or are companies limited by guarantee are registered charities, and hence do come under the jurisdiction of the Charity Commission. Secondary legislation under the Charities Act 2006 is expected to establish the HEFCE as the principal regulator for the higher education sector in England. The exempt charity provisions of the Act are expected to come into effect during 2009; at the time of writing it appeared that the impact on governance in higher education would be modest. However, HEIs will need to report annually that they have had regard to Charity Commission guidance on reporting how they deliver their charitable objectives 'for the public benefit'. In due course, HEIs may

have to pass a 'public benefit' test in order to confirm their charitable status. Some institutions may find it beneficial to organise more of the work they do with business and the community through subsidiary companies. Autonomous students' unions that are currently deemed to be exempt charities will be required to register with the Charity Commission.

1.15 Charitable status confers the following benefits:

- exemption from capital gains tax, and from income tax and corporation tax on income other than trading income arising outside the course of carrying on the primary purpose of the institution
- ability to recover income tax deducted from deeds of covenant and receipts under gift aid
- exemption from inheritance tax for donors to institutions
- substantial relief on business rates.

1.16 All higher education institutions are normally exempt from VAT on the supply of education and research. They may, however, be liable for VAT on trading activities.

1.17 Requirements that members of governing bodies need to bear in mind in relation to the charitable status of their institutions include:

- applying the assets and income of the institution only for the defined charitable purposes
- acting only within their legal powers
- taking particular care in organising trading activities which may not be regarded as charitable
- managing and protecting the property of the institution
- providing information and returns to the appropriate charity regulator (the Charity Commission or the Funding Council).

Other Legal Compliance

1.18 Governing bodies should ensure that their institutions comply with all relevant legal requirements – for example those relating to health and safety; human rights; data protection; freedom of information; race relations; gender, age and disability discrimination – and other legal obligations, such as contracts made in the institution's name. They should also ensure that appropriate processes and procedures are in place to achieve such compliance.

Personal Liability

1.19 The law relating to the personal liabilities of members of governing bodies is complex and its interpretation is ultimately a matter for the courts. This guide does not attempt a statement of the law, but offers general guidance on conduct, to

avoid actions which could involve a personal liability. Members of governing bodies should satisfy themselves that they understand their own position in their particular institution, and should:

- act honestly, diligently and in good faith
- be satisfied that a course of action proposed is in accordance with the institution's statutes or instruments and articles of government
- not bind the institution to a course of action which it cannot carry out
- ensure that the institution does not continue to operate if it is insolvent
- seek to persuade colleagues by open debate, and register dissent if they are concerned that the action would be contrary to any of the above
- avoid putting themselves in a situation where there is actual or potential conflict between their interests and those of the institution.

1.20 If this advice is followed it is unlikely that personal liability could arise, particularly since the powers and responsibilities of governing bodies are exercised in a collective manner and decisions are made by formal resolution. Moreover, the higher education institution is a separate legal entity, distinct from its members or officers. However, claims may be made in relation to the collective decisions and actions of the governing body. The Funding Councils have drawn the attention of governing bodies to the desirability of taking out insurance against the costs of any claims of negligence that may be made against members of the governing body in carrying out their duties. Institutions have been given details of brokers who offer appropriate schemes, and many institutions have taken out such insurance. Members of governing bodies should establish the position in their own institution.

1.21 Institutions may consider it appropriate for members to sign an undertaking that they understand and accept the responsibilities they are taking on.

2 The Framework of Governance of Higher Education Institutions

2.1 This section outlines the structure of governance for the pre-1992 HEIs and for the post-1992 universities and colleges. However, although these structures can be described in general terms, there are considerable differences at institutional level in terms of detailed arrangements, particularly for pre-1992 HEIs and church colleges. Members of governing bodies should therefore refer to the secretary to the governing body for detailed information about their particular institution.

Pre-1992 Universities

Governing Body

2.2 The governing body of these institutions is normally called the council and is the executive governing body of the university. It is responsible for the university's finances and investments, and for the management of the university estate and buildings. It has authority to make contracts on behalf of the university and to

enter into loans and mortgage agreements. In many cases it also has responsibility for the oversight of learning and teaching and research. University statutes will normally state that, subject to the powers of the senate in academic matters, the council has responsibility for the conduct of all the affairs of the university. The council will carry out many of its functions through committees: in particular it will often have, jointly with the senate, a resources or strategy committee which is responsible for planning the development of the university, bringing together academic priorities, financial considerations and building needs.

2.3 It is an important principle that the governing body has a lay majority, that is a majority of members who are external and independent – i.e. not staff or students of the university. Its membership is specified in the statutes by class of appointment and will typically include officers of the university, both lay and academic; co-opted members; elected staff members; and student representatives.

2.4 Following the report of the National Committee of Inquiry into Higher Education (the Dearing Report) and the report of the Lambert Review (see Bibliography) universities undertook reviews of the size of their governing bodies. There should be a balance of skills and experience sufficient among members to enable the institution to meet its primary responsibilities and ensure stakeholder confidence. A governing body of no more than 25 members represents a benchmark of good practice.

2.5 Governing bodies should meet regularly, and normally not less than four times a year. A great deal of business will be conducted through committees concerned with finance, property and capital development, or through joint committees of the council and the senate concerned with university strategy, resource allocation or employment, with the committees bringing forward recommendations for the governing body's approval.

Senate

2.6 The senate is responsible for regulating and directing the academic work of the university. In some cases, the statutes state that power in academic matters (for example the awarding of degrees) rests with the senate; but even where the statutes do not explicitly state this, the senate is regarded as the authority on purely academic matters. Constitutionally, the senate reports to the council. Decisions of the senate on academic matters which have financial or resource implications are subject to approval by the council. Conversely, decisions by the council which have academic implications (for example the creation or closure of an academic department) are subject to consultation with the senate, and the senate would normally be the initiating body in such matters.

2.7 The senate is chaired by the head of the institution. Unlike the governing body its membership is drawn from within the university, except where representation is accorded to external institutions for academic purposes. It consists of academic staff, with the proportion of staff in the various grades (professorial, non-professorial, research etc) varying among universities. Student representatives are also included. Senates vary in size from under 50 to well over 100 members.

2.8 The senate's specific responsibilities normally include:

- academic strategy
- promotion of research
- approval of content of the curriculum and new programmes
- academic standards
- procedures for the award of qualifications
- appointment of internal and external examiners
- policies and procedures on examinations
- criteria for admission
- student discipline.

Court

2.9 In a number of institutions there is another statutory body, namely the court. Originally charged in some cases with overall responsibility for all the affairs of the university, following the recommendations of the Dearing Report its role has been narrowed. The court no longer contributes to the day-to-day oversight of the university's affairs or to the decision-taking process, but offers a means whereby the wider interests served by the university can be associated with the institution. It also provides a public forum where members of the court can raise any matters about the university.

2.10 The court can range in size from around 50 to more than 400 members. The typical size is in the region of 200; more recently founded universities tend to have smaller courts. The court typically includes representatives of local authorities; MPs; representatives of other universities, colleges, schools and the professions; members of the council and university officers; elected staff and students; and representatives and graduates of the university.

2.11 The court is required by statute to meet at least once a year.

2.12 Its powers vary among institutions, but typically include the following:

- consideration of the annual report of the university
- receiving the annual accounts
- (in most, but not all, cases) appointing the chancellor.

2.13 Although the court has limited powers within a university's governance structure, it performs an important public role through its large and varied membership. Each year it considers the university's annual report, which ensures that a university's mission and achievements are communicated to a broadly representative group of lay people in a way that encourages them to ask questions and discuss the report.

Officers of the University

2.14 The statutes of the pre-1992 universities provide for a number of officers, including the following.

Chancellor

2.15 The chancellor is formally the lay head of the university and the chair of the court. The role is largely ceremonial – for example, the chancellor presides at degree congregations – but may include other non-executive functions.

Pro-Chancellor

2.16 The pro-chancellor (or one of the pro-chancellors if there is more than one) will normally be the chair of the governing body. The chair will be appointed to the post by the governing body from among its lay members. Other pro-chancellors will assist the chair, for example through chairing committees.

Treasurer

2.17 The treasurer is also appointed by the governing body from among its lay members.

Head of the Institution

2.18 The statutes of many pre-1992 universities define the head of the institution (most commonly entitled vice-chancellor, principal, director, rector or provost) as the chief academic and administrative officer of the university. The head of the institution is the chief executive of the university.

2.19 The head of the institution has overall responsibility for the executive management of the institution, and is accountable to the governing body for the exercise of these responsibilities. He/she is responsible for ensuring that the institution is well connected to its stakeholders. He/she is identified as the designated officer of the institution. As such, he/she is responsible for ensuring that the institution complies with the terms and conditions specified by the Funding Council for the use of Funding Council funds, and may be called to give evidence before the Public Accounts Committee. The head of the institution also chairs the senate.

2.20 The head of the institution, working with the secretary or clerk to the governing body, must ensure that the governing body receives proper and appropriately timed information to fulfil its responsibilities.

2.21 Deputies to the head of the institution (most commonly entitled pro or deputy vice-chancellors or principals) are normally appointed by the governing body for a fixed period of time. In some institutions, these appointments are now made on a permanent basis. These officers assist the head of the institution, but sometimes continue to carry out academic duties.

Registrar

2.22 The registrar is often the head of the administrative staff and will sometimes also be designated in the statutes as secretary or clerk to the governing body and the senate and other statutory bodies. The registrar is answerable to the head of the institution for his or her administrative responsibilities. In some universities, all the senior administrative officers – such as the bursar, finance officer, estates officer, personnel officer and academic registrar – report to the registrar. In others, some of these officers report directly to the head of the institution.

Membership of the Institution

2.23 In pre-1992 HEIs, the statutes state that the following are members of the institution and therefore comprise the corporate body of the HEI:

- lay members of the court
- lay members of the council
- academic staff
- such other members of staff as may be designated by the council
- graduates
- students.

The Visitor

2.24 Most pre-1992 HEIs have a Visitor. The office is usually referred to specifically in the charter and statutes, stipulating who is to hold the office, but if the charter and statutes are silent, then the Visitor is the Crown. The Crown has various legal manifestations (such as the Queen in Council, the Sovereign acting through the Lord President of the Council, or simply the Queen), and the procedures to be adopted will vary with the formulation. Other Visitors may, for example, be judicial or ecclesiastical office holders.

2.25 The role of the Visitor is now restricted largely to carrying the ultimate responsibility for determining the institution's internal legislative provisions, i.e. the charter and statutes. The jurisdiction of the Visitor is laid down by common law and by Act of Parliament. The jurisdiction no longer extends to employment matters; but where there is jurisdiction it is exclusive, that is the ordinary courts have no jurisdiction (except by way of judicial review if the Visitor acts unlawfully). The jurisdiction of the Visitor in respect of determining complaints from students and other members of the HEI (excluding those relating to employment matters) was removed formally in the Higher Education Act 2004. The Office of the Independent Adjudicator for Higher Education (OIA) has been granted authority to act in this respect.

Post-1992 Universities, University Colleges and Colleges of Higher Education

2.26 These mostly operate under articles of government.

Governing Body

2.27 The articles state that the governing body shall be responsible for:

- the determination of the educational character and mission of the institution and for oversight of its activities
- the effective and efficient uses of its resources, the solvency of the institution and safeguarding its assets
- approving annual estimates of income and expenditure
- the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of the head of the institution, the clerk to the governing body, and such other senior post-holders as the governing body may determine
- setting a framework for the pay and conditions of service of all other staff
- the appointment of external auditors.

2.28 The 1992 Further and Higher Education Act and the instruments of government state that the governing body shall consist of no fewer than 12 and not more than 24 members (plus the head of the institution unless he/she chooses otherwise). Of the appointed members:

- up to 13 must be independent members, namely people appearing to the appointing authority to have experience of, and to have shown capacity in, industrial, commercial or employment matters or the practice of any profession, and who are not members of staff or students of the institution or an elected member of the local authority
- up to two may be teachers of the institution, nominated by the academic board, and up to two may be students of the institution, nominated by the students
- at least one and not more than nine shall be co-opted members, nominated by the members of the governing body who are not co-opted members. (At the time of writing proposals were being considered which would allow institutions to remove this category of membership.)

2.29 At least one of the co-opted members must have experience in the provision of education. Elected members of any local authority are excluded from membership of the governing body, other than as co-opted members.

2.30 Subject to the above maxima and minima, the governing body itself can determine the number of members in each variable category, but must ensure that at least half of all members of the governing body are independent members.

2.31 Governing bodies should meet not less than four times a year. A great deal of governing body business may be dealt with through committees. As a result of carrying out effectiveness reviews of how they conduct their business, many governing bodies are seeking to organise their agendas in such a way as to give more time to the issues that are of major significance to the institution.

Academic Board

2.32 The academic board is responsible for academic affairs, including academic standards, research, scholarship, teaching and learning, and courses at the institution, and for considering the development of the academic activities of the institution, subject to the overall responsibilities of the governing body and the head of the institution.

2.33 Where the power to award degrees exists (as it does for all post-1992 universities and university colleges), it is provided under the Further and Higher Education Act 1992 which specified that this power should rest with the governing body. The academic board's responsibility for the administration of any awards is therefore by virtue of delegation from the governing body.

2.34 The articles specify that the academic board should normally consist of not more than 30 members, although exceptionally membership of up to 40 may be permitted. Additionally, the articles state that individuals in senior management positions (i.e. deputy and assistant principals, deans of faculty or equivalent, heads of schools and departments) must make up at least 50 per cent of the membership.

Officers

2.35 The articles of government of the post-1992 universities and colleges make provision for each institution to appoint to senior posts, which must include those of the principal and the clerk to the governing body. A brief description of senior positions follows.

Chancellor

2.36 Some post-1992 universities have appointed chancellors who may, among other non-executive functions, carry out ceremonial duties – for example, conferring degrees at degree congregations.

Chair of the Governing Body

2.37 The chair of the governing body is appointed by the governing body from among its independent members.

Head of the Institution

2.38 Subject to the responsibilities of the governing body, the head of the institution is the chief executive of the institution, and is responsible for:

- making proposals to the governing body about the educational character and mission of the institution, and for implementing the decisions of the governing body
- the organisation, direction and management of the institution and leadership of the staff

- the appointment, assignment, grading, appraisal, suspension, dismissal and determination – within the framework set by the governing body – of the pay and conditions of service of staff other than the holders of senior posts
- the determination, after consultation with the academic board, of the institution's academic activities, and for the determination of its other activities
- preparing annual estimates of income and expenditure, for consideration by the governing body, and for the management of budget and resources, within estimates approved by the governing body
- the maintenance of student discipline and, within the rules and procedures provided within the articles, for the suspension or expulsion of students on disciplinary grounds and for implementing decisions to expel students for academic reasons.

2.39 The head of the institution, working with the secretary or clerk to the governing body, must ensure that the governing body receives proper and appropriately timed information to fulfil its responsibilities.

Deputy (or Deputies) to the Head of the Institution

2.40 The deputy (or deputies) to the head of the institution assist the head of the institution and have specific management responsibilities. In some institutions they are appointed on a permanent basis and in others for a fixed term. They may be responsible for providing leadership in academic or related functions. In some instances they may be designated as pro vice-chancellors.

Secretary (or Clerk) to the Governing Body

2.41 The secretary or clerk to the governing body normally has other management responsibilities within the institution. Some are designated as secretary, registrar, deputy or pro vice-chancellor.

Membership of the Institution

2.42 In most of the institutions incorporated under the Education Reform Act 1988 as higher education corporations, membership of the corporation is identical with membership of the governing body.

3 The Funding Council

3.1 The Higher Education Funding Council for England (HEFCE) was formed by the Further and Higher Education Act 1992, to fund higher education in England.

3.2 The role of the Funding Council is to distribute public funds made available through Parliament via the Department for Innovation, Universities and Skills (DIUS) in England and to provide advice on the funding needs of higher education to the Secretary of State for Innovation, Universities and Skills.

Relationship of the Funding Council with the Department for Innovation, Universities and Skills

3.3 The main source of funding for higher education is the grant made available annually to the Funding Council. The grant is determined after the announcement of the Government's public expenditure plans.

3.4 It is the responsibility of HEFCE to determine how the grant is to be allocated to individual institutions. HEFCE determines annually:

- the total number of funded students in the sector based on data collected from institutions
- the number of additional students to be funded to meet government-planned student numbers
- the block grant for teaching and research allocated to each HEI
- special funding and earmarked capital to be used to secure change or fund activities that cannot be secured through core funding.

3.5 In making the grant available to HEFCE, the Secretary of State can impose conditions which must be met by all institutions, or by all institutions of a particular category. The Secretary of State can also require HEFCE to impose a condition of grant on an individual institution relating to the level of fees it charges, but otherwise conditions cannot be imposed on individual institutions, nor can they be framed by reference to particular courses or programmes of research (including the content of such courses or programmes and how they are taught, supervised or assessed), nor can they refer to the criteria for selecting and appointing academic staff or admitting students.

3.6 Members of the HEFCE Board are appointed by the Secretary of State; a representative of the Secretary of State is entitled to attend as the Assessor at HEFCE's board meetings, but not to take part in the decision-making process.

Lines of Accountability

3.7 The National Audit Office (NAO) is responsible for auditing the accounts of government departments and certain public bodies, and for reporting on them to Parliament.

3.8 The NAO audits HEFCE's accounts. The NAO can also undertake Value for Money (VFM) studies at HEFCE or at institutions.

3.9 The chief executive of HEFCE is the accounting officer who is answerable for the use of these funds. He/she may be summoned to appear before the Public Accounts Committee of the House of Commons to give evidence and answer questions. The Public Accounts Committee may also summon heads of institutions, as designated officers under the Financial Memorandum with HEFCE, and/or chairs of governing bodies to give evidence.

3.10 A new accountability framework has operated from August 2008, described in detail in *Accountability for higher education institutions* (HEFCE 2007/11). The key features are as follows:

- a. HEFCE's institutional assurance and risk framework is driven primarily by three elements:
 - the annual submission of accountability information from institutions in December of each year

- the five-yearly assurance review undertaken by HEFCE officers, which normally consists of a one-day visit to each HEI
 - a programme of data audit.
- b. These elements will inform HEFCE's assurance reporting to Parliament and the NAO.
- c. The information also largely determines HEFCE's risk assessment of each HEI. These risk assessments are shared with other public funders to avoid duplication and to help to minimise the accountability burden on institutions.

HEFCE will continue to work with other public funders towards having a common accountability framework for HEIs.

4 The Funding of Higher Education

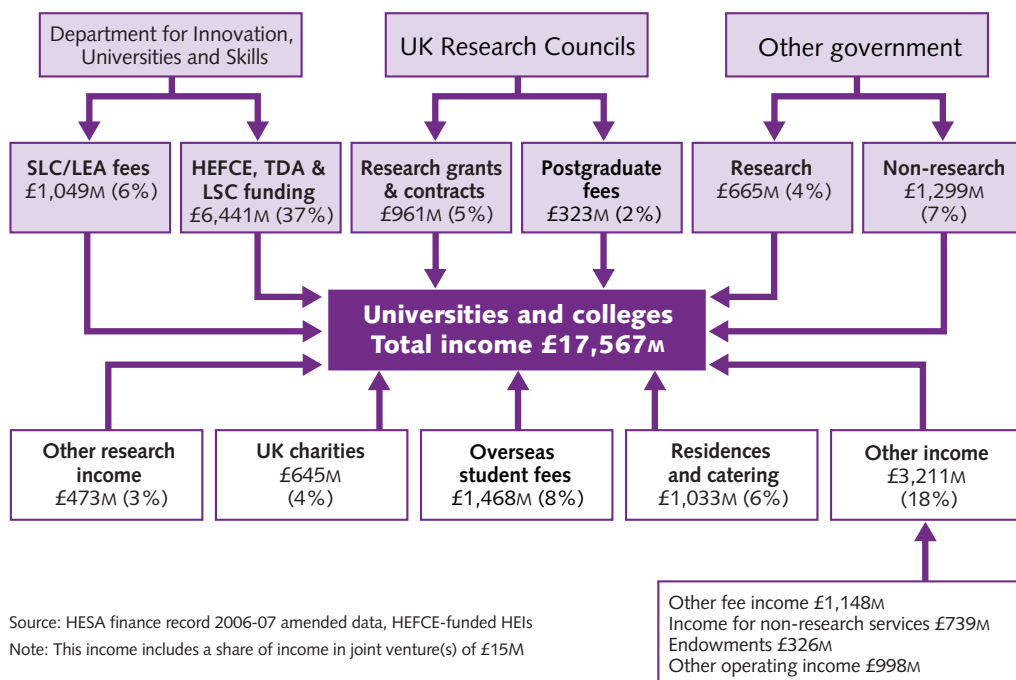
Institutional Funding

4.1 Higher education institutions attract income from a variety of sources. The relative proportion of income provided by each source reflects the diversity of institutions' missions and the markets they serve.

4.2 The total income of institutions in 2006-07 was £17.6 billion, of which £6.5 billion (or 37 per cent) was provided by HEFCE, the Learning and Skills Council (LSC) and the Training and Development Agency for Schools (TDA).

4.3 The diagram below shows the main sources of funding in 2006-07 for universities and higher education colleges.

Sources of finance for universities and colleges (2006-07)



Tuition Fees

4.4 The Higher Education Act 2004 gave HEIs the freedom from 2006-07 to determine the level of tuition fee payable by full-time home and European Union (EU) undergraduate students, to a maximum (£3,145 a year for 2008-09), subject to the requirement that each HEI has in place an Access Agreement approved by the Director of the Office for Fair Access (OFFA). OFFA is an independent non-departmental body established by the 2004 Act; it aims to promote and safeguard fair access to higher education for under-represented groups in society. Access Agreements show how HEIs will use some of their additional income from the higher level of tuition fees permitted by the 2004 Act to attract applications from students from low-income groups through bursary and other financial support and outreach work.

4.5 In practice, all but a very small minority of HEIs have chosen to set their tuition fee level at the maximum allowable.

4.6 Admissions themselves remain the sole responsibility of each HEI, which sets its own criteria for admission and selects its own students.

4.7 The governing body of each institution approves the level of fees for home and EU postgraduate and part-time students. Some of these students are self-financing; others are funded by their employers or other organisations. In the case of postgraduates, some students are funded by central Government, primarily through studentships from the Research Councils.

4.8 Overseas (i.e. non-EU) students are charged higher fees so that their fees cover the full economic cost of their tuition. Institutions are free to decide what level of fee they charge overseas students.

Funding Council Grant

4.9 The grant from HEFCE falls into the following categories:

- funding for teaching
- funding for research
- other related funding
- Higher Education Innovation Fund (HEIF).

HEFCE minimises the accountability burden on institutions by allocating the bulk of its funding using formulaic, conditional allocations, so that institutions receive a known sum of money as long as they meet specified criteria.

4.10 Funds for teaching and research are all part of a block grant. In other words, the institution may distribute the funds internally at its own discretion, as long as they are used for teaching and research and related activities. Other funding must be spent on the activities agreed with HEFCE. The following paragraphs summarise the funding methods; for more detail, see *Funding higher education in England: how HEFCE allocates its funds* (HEFCE 2008/33).

Funding for Teaching

4.11 HEFCE has an annual funding agreement with each institution which takes the form of Part 2 of the Financial Memorandum (see Part II paragraph 3.12). This agreement is constructed in broad terms and involves a commitment by the institution to undertake a certain volume of teaching activity in return for the receipt of HEFCE funds for teaching. Institutions supply information on their student numbers annually in December. These numbers form the basis of the teaching activity to be funded in the subsequent year. Should an institution fail to recruit students in appropriate numbers to achieve the required volume of teaching activity, HEFCE will hold back a proportion of the funds for teaching.

4.12 HEFCE's methodology for funding teaching has been based on consistent principles since 1998-99; reviews in 2003 and 2005 to 2007 confirmed these basic principles, but refined and adjusted some of the parameters of the funding formula. These basic principles are as follows:

- Similar teaching activities should be funded at similar rates, with variations from these rates based on previously determined factors.
- Institutions seeking to increase their student numbers should do so through allocations agreed by HEFCE of additional funded places.

The funding methodology itself is designed to be transparent, fair, efficient and flexible.

4.13 In the teaching formula as applied in 2008-09, all academic subjects are allocated to one of four price groups and a standard price for full-time students is calculated for each group. An institution's total standard resource for teaching is calculated by multiplying the full-time equivalent (FTE) students in each price group by the standard price for the group, and summing the totals for the four groups.

4.14 These calculations produce a standard rate of funding per student for each institution. So that institutions can have some flexibility to manage their own student numbers, the actual rate of funding can be as much as 5 per cent above or below the standard. If the variation from the standard is greater than 5 per cent, the Funding Council will adjust funding or student numbers for the institution so as to bring actual funding into closer alignment with the standard. Where necessary, adjustments are made over a period, to allow the institution to manage the required change.

Funding for Research

4.15 Public research funds are provided under a dual support system: HEFCE provides funds to support research infrastructure (for instance, salaries of permanent academic staff, premises, libraries and central computing), while the Research Councils provide funding for specific programmes and projects. HEFCE is committed to promoting excellent research and therefore it distributes research funds selectively to institutions that have demonstrated the quality of their research by reference to national and international standards.

4.16 Research quality has been assessed periodically in a Research Assessment Exercise (RAE), run by the four UK higher education funding bodies. The last two RAEs were in 2001 and 2008. Institutions could submit research in any subject area to be assessed through peer review by panels of experts. Submissions were made in a subject-based unit of assessment (UOA), of which there were 67 in the 2008 RAE.

4.17 The great majority of HEFCE funding for research is allocated as quality related (QR) grant. The funding allocated to an institution under this heading relates directly to the quality of work submitted to the most recent RAE. The QR funding method also takes into account research volume, measured primarily as the number of staff submitted for assessment but also using additional measures such as research student numbers and research income from charities and businesses. Results from the RAE 2008 will be used to inform research funding calculations for the first time in 2009-10. From 2011-12, the funding method will gradually incorporate the Research Excellence Framework (REF); this is currently under development and will be the new system for assessing and funding research. Information on the 2008 RAE is available at www.rae.ac.uk and information about the REF is available at www.hefce.ac.uk/research/ref

4.18 HEFCE's funding for research also includes support for selected subject areas where research activity has developed comparatively recently, through a research capability fund.

Other Related Funding

4.19 Though HEFCE's normal approach is to allocate core funding through the funding formulae for research and teaching, special funding and earmarked capital are used to secure change or fund activities that cannot be secured through core funding. The level of special funding is continuously reviewed to ensure that it is justified.

4.20 For the period 2007 to 2010, additional funding is being made available to support very high cost science subjects such as physics and chemistry which are strategically important to the economy and society but vulnerable because of relatively low student demand.

4.21 Earmarked capital funding is provided to support sustainable investment in higher education. Most of this funding is allocated by formula, the two main elements being the Learning and Teaching Capital Investment Fund and the Research Capital Investment Fund. All institutions which receive HEFCE funding for teaching or research receive an allocation under these programmes.

4.22 Institutions also fund capital projects out of mainstream recurrent funding, commercial loans, bonds and other borrowing, and from earned endowment and other income.

Higher Education Innovation Fund

4.23 The Higher Education Innovation Fund is designed to support and develop a broad range of knowledge transfer activities that result in economic and social benefit to the UK. The fund builds capacity and provides incentives for institutions

to engage with business, public sector bodies and third sector partners. Allocations under the current (fourth) round of the HEIF run from 2008 to 2011.

4.24 In part supported by HEIF funding, most institutions now undertake knowledge transfer and provide wide-ranging services such as contract research, advice on business development and the exploitation of intellectual property to external bodies on a commercial basis. Often these services are marketed through a separate subsidiary company, with profits covenanted back to the institution. HEFCE has published guidance for institutions working with such companies and joint ventures: *Related companies: guidance for higher education institutions* (HEFCE 2005/48; see Bibliography).

Research Grants and Contracts

4.25 In addition to HEFCE support for research, institutions obtain research funding through grants and contracts from Research Councils, contracts from industrial and commercial firms and government departments, and grants from charities and the EU. Where a contract, as opposed to a grant, is provided, the funder is normally looking for a specific return on its investment.

4.26 There are seven Research Councils:

- Arts and Humanities Research Council (AHRC)
- Biotechnology and Biological Sciences Research Council (BBSRC)
- Economic and Social Research Council (ESRC)
- Engineering and Physical Sciences Research Council (EPSRC)
- Medical Research Council (MRC)
- Natural Environment Research Council (NERC)
- Science and Technology Facilities Council (STFC).

4.27 HEFCE expects that, as part of ensuring the institution's long-term viability, an institution should know the full cost of its activities, including research, and use this information in making decisions. If an institution does not seek to recover the full cost, this should be the result of a clear policy set by the governing body and included in the financial strategy, and should not put the institution in financial difficulty. HEFCE expects that its funds will not subsidise non-public activities.

4.28 Transparent Approach to Costing (TRAC) is the methodology used by higher education institutions in the UK for costing their activities. HEFCE has supported the development and implementation of TRAC in HEIs since its inception, and seeks to ensure that TRAC is fit for purpose in meeting institutions' and stakeholders' needs. The TRAC methodology was originally devised for use at the whole institution level, and has been developed for use at activity and project level.

Medical and Dental Education and Research

4.29 Government funding for medical and dental education and research is distributed through a partnership between HEFCE and the National Health Service (NHS). HEFCE-allocated funds underpin teaching and research in university medical

schools, while NHS funds support the clinical facilities needed to carry out these activities in hospitals and other parts of the health service. Funding for students in health-related subjects such as nursing and midwifery generally comes from the NHS.

Teacher Education and Training

4.30 The Training and Development Agency for Schools provides funding for education and training courses aimed at school teachers. In particular, it funds initial teacher training (ITT) courses leading to qualified teacher status (QTS), and in-service education and training courses for teachers who hold QTS. HEFCE funds other teacher education and training provision outside the schools sector.

Business and Community Engagement

4.31 Institutions are increasingly undertaking knowledge transfer and providing other services to external bodies, often on a commercial basis. The scope of such services is wide-ranging, from advice on business development to the testing of products and goods, the exploitation of intellectual property, contract research and the letting of university accommodation. Many universities and colleges have established separate companies to market their services, with profits covenanted back to the institution. HEFCE has published guidance (on the web) for institutions on working with such companies and joint ventures: *Related companies: guidance for higher education institutions* (HEFCE 2005/48; see Bibliography). HEFCE's Higher Education Innovation Fund is designed to help institutions to develop an infrastructure for working with businesses and the wider community.

Endowments, Donations and Other Sources of Income

4.32 Universities and colleges have several other sources of income, including:

- income from endowments and trusts to raise money for the institution, especially through alumni
- donations
- sponsorship of posts (in particular professorial chairs, which are often in areas of immediate interest to the sponsoring company and sometimes for a fixed term)
- interest earned on cash balances and investments
- income from exploiting the results of research or inventions which have commercial applications
- teaching contracts for specific customers (nursing, other professions allied to medicine, further education, continuing professional development, ITT)
- fee income from short courses
- income from halls of residence fees and vacation lettings.

4.33 The importance of these other income streams varies from institution to institution: income from invested endowments, for example, tends to be more significant in the older universities, and donations tend to be focused on universities with medical schools.

Strategic Planning

4.34 HEFCE asks institutions to provide a copy of their corporate planning statement (CPS) each December. The CPS is the opportunity for institutions to supply HEFCE with a strategic update that provides the context in which to understand the other accountability returns more fully and the progress made towards delivery of the strategic plan and aims for the year ahead.

4.35 In this statement HEFCE requests an update on an institution'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 can include any area of strategic importance to the institution. Areas that institutions may wish to cover in the CPS include:

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

4.36 There is no prescribed format for the CPS, although HEFCE expects most returns to be an 'executive summary'-style review of the year. It may be a document already produced for the institution's own planning purposes, and may be relatively brief.

4.37 HEFCE encourages institutions to think about key opportunities and barriers to success in the year ahead. In doing so, it expects to receive advance notification of any proposals to its Strategic Development Fund, as well as large-scale capital projects.

Risk Management

4.38 The HEFCE document *Risk Management in Higher Education: a guide to good practice* (HEFCE 2005/11; see Bibliography) makes clear that risk management is an essential component of effective governance and provides an introduction to the subject specifically for governing bodies. All HEIs funded by HEFCE are required to have fully operational risk management arrangements.

4.39 The role of the governing body in relation to risk is at overview level. The governing body is not responsible for managing risk at operational level. It does, however, need to ensure that a robust system exists for identifying, evaluating and managing risk within the institution, and that this process is subject to regular review.

4.40 A specific methodology for managing risk is not prescribed. HEIs are encouraged to implement systems appropriate to their individual circumstances. However, as noted above, guidance is available from HEFCE (see Bibliography).

Internal Control

4.41 *Effective Financial Management in Higher Education: a guide for governors, heads of institutions and senior managers* (HEFCE 1998/29) offers guidance on the maintenance of robust financial management. HEFCE encourages institutions to benchmark their financial management arrangements against this guide. HEFCE has also published *Financial Strategy in Higher Education: a business approach* (2002/34), as guidance for governors, heads of institutions and senior managers (see Bibliography).

Audit

4.42 HEFCE's accountability and audit code of practice was revised in 2008 (it now forms part of the Financial Memorandum between HEFCE and institutions; see Bibliography). The code specifies HEFCE's requirements in respect of audit committees and external and internal audit in the sector, and contains good practice recommendations.

4.43 The way in which an audit committee in an HEI should operate and be constituted is set down in guidance from the CUC, published in 2008 (see Bibliography).

4.44 HEFCE's position is that governing bodies and audit committees should conduct themselves in line with the CUC's principles and practices, and that where they believe they differ in any material respects then this should be explained and made public. Overall, HEFCE aims to be content to rely on the accountability provided by an audit committee following CUC practice and by a governing body able to exercise accountability on behalf of external investors. HEFCE therefore supports the principle of an external majority on an HEI governing body.

4.45 Audit committee members should not be members of a finance committee or its equivalent because this would create a potential conflict of interest when the audit committee is considering decisions involving the finance committee. If an HEI's governing body determines that cross-representation involving one member is essential, this should be the subject of an explicit, recorded resolution – but it should not normally be an option for the chair of either committee.

Remuneration Committees

4.46 HEFCE has issued guidance in a circular letter (2003) to institutions on good practice in relation to severance (see Bibliography).

Undergraduate Student Support

Student Loans

4.47 There is a system of income-contingent student loans. These loans are repayable once the student has left higher education and achieved earnings that exceed a specified minimum threshold.

Access Funds

4.48 Institutions receive an earmarked grant of Access Funds through HEFCE to assist home students who face particular financial difficulties. The criteria for allocating this funding are determined by DIUS in conjunction with HEFCE, and individual institutions are responsible for deciding which students will benefit from the funding.

5 Learning and Teaching

5.1 The arrangements for quality assessment for learning and teaching are operated by the Quality Assurance Agency for Higher Education (QAA), which is funded primarily through service-level agreements with HEFCE and subscriptions from HEIs. The QAA's mission is to safeguard the public interest in sound standards of higher education qualifications and to inform and encourage continuous improvement in the management of quality in higher education. It carries out institutional audits of HEIs and an emphasis on students and their learning is at the centre of this audit process.

5.2 Quality assurance has involved the development and implementation of a range of reference points which are intended to set out requirements or expectations in relation to standards and quality management. The core reference points are: the Framework for Higher Education Qualifications, Subject Benchmark Statements and the Code of Practice for the Assurance of Quality and Standards in Higher Education, which set out the QAA's framework of expectations; programme specifications, to be written by institutions with these in mind; and progress files, which articulate the achievement and acquisition of skills.

5.3 The QAA completed its programme of subject reviews in England (and Northern Ireland) in December 2001 and planned to introduce a new form of 'academic review', which was intended to provide a 'lighter touch'. However, in response to criticism over these proposals within the sector, the then Secretary of State for Education overturned the QAA's proposals by announcing plans to reduce even further the burden of higher education quality assessments by placing greater reliance on institutions' internal quality assurance processes, while still providing reliable information for external stakeholders and proper accountability. As a result of this decision, the QAA developed, in consultation with the HE sector, a revised method of quality assurance based on audit principles, supplemented by a requirement from HEFCE for institutions to publish a core set of information on quality and standards.

5.4 The new system of Institutional Audit was introduced in 2002-03, replacing the previous processes of continuation audit and subject review. All HEIs were audited by the end of 2005 and the second round of audits is underway. These will take place on a six-year cycle. The audit investigates the effectiveness of internal quality assurance systems at an institutional level and how those systems operate to assure the quality of individual programmes. The audit also investigates the extent to which institutions adopt a strategic and systematic approach towards 'quality enhancement'. Audit places a significant emphasis on students, in terms of the

quality of the information they receive about their programmes of study, the ways in which their learning is facilitated and supported, and the academic standards they are expected to, and do, achieve. All HEIs are also required to publish a range of quantitative and qualitative information on quality and standards (referred to as Teaching Quality Information). This information is published on a national web-site (www.unistats.com) which is particularly aimed at prospective students and their advisers. It covers elements such as National Student Survey results, statistics on academic achievement and a summary of the institution's learning and teaching strategy. Consideration of the accuracy and reliability of this body of information, together with other information provided directly to students by institutions regarding their programmes of study, is another important part of the audit process.

5.5 In addition to the above, the QAA undertook subject-level reviews of all NHS-funded healthcare programmes in England during 2003 to 2006. These 'Major Reviews' were undertaken using a process of peer review and examined the learning opportunities in theory and practice. The method and procedures focused in particular on: 'the establishment, maintenance and enhancement of academic and practitioner standards'.

Quality Assurance by Other Bodies

5.6 The quality of provision of initial teacher training is assessed by inspectors from the Office for Standards in Education (OFSTED).

5.7 Certain programmes, such as examples in architecture, engineering and law, have accreditation arrangements with professional bodies through which the syllabus is reviewed and approved for recognition by those bodies as an initial phase of professional training. Institutions will therefore also receive accreditation visits from these bodies from time to time.

6 Research

6.1 Government supports research activity in HEIs through the dual support system, with funding flowing through the Funding Councils as a block grant informed by assessments of research quality, and through the Research Councils as individual peer-reviewed project grants. The arrangements for assessing research quality were reviewed in 2003-04, leading to the announcement of the RAE in 2008. Following the RAE 2008, there will be a unified framework for quality assessment and funding across all disciplines: the Research Excellence Framework. In each subject, quality will be assessed using bibliometric indicators of quality, expert review of outputs, other quantitative indicators and supplementary qualitative information. The precise combination used for each subject group will vary. The introduction of new arrangements for costing research activity at full economic cost will also have a significant impact upon the working of dual support and on the research environment more generally.

6.2 Research students play an important role in establishing and maintaining a vibrant institutional research culture and there have been continuing developments in quality assurance of the research student experience. In 2005 the QAA published

its Code of Practice for Research Degree Programmes, providing institutions with precepts on which to base their own local code of practice. In 2005-06 the QAA undertook a special review of research degree programmes with institutions, the findings of which are underpinning Institutional Audit visits during the 2005-06 to 2010-11 round. The current round of audit is reviewing the academic standards of award and quality of provision of research degree programmes in alignment with the QAA's Code of Practice. From 2003-04, Research Councils UK (RCUK) has awarded institutions skills training development funds in respect of Research Council-funded postgraduate research students and contract research staff. These funds are awarded annually to provide research skills training and personal and professional development opportunities.

6.3 The EU, UK Government, research funders, journals, professional academic bodies and royal societies – to name a few key stakeholders – continue to set new requirements designed to foster and promote research integrity and prevent research fraud and misconduct. Examples of new legislation include the EU Clinical Trials Directive (2001/20/EC) and the UK Human Tissue Act (2004). New UK regulatory bodies are being established with specific remits to ensure research integrity, whether specific in terms of subject matter (e.g. the Human Tissue Authority) or disciplinary coverage (e.g. the UK Panel for Research Integrity in Health and Biomedical Sciences). At the international level, the EU and the USA jointly hosted the first world conference on research integrity in September 2007.

6.4 In order to meet the expectations and requirements of stakeholders – including the wider general public – and to comply with changes in legislation, universities continue to embed and expand their range of policies, systems and procedures concerned with assuring research integrity. A key dimension of this is the provision of guidance and training, particularly to new and junior researchers. For example, inter alia, universities have in place policies for good research practice, ethical review procedures for research involving human participants, procedures for investigating allegations of research misconduct, research governance procedures for health and social care research, and systems for clinical trials of investigational medicinal products.

6.5 Public confidence and trust in institutions generally (business, Government, media, public sector organisations) is essential. Universities must continue to act and be seen to act transparently in how they conduct research, from initial design through to publication, cognisant of the need to comply with various requirements (e.g. data protection). Greater engagement by researchers with the wider public is important so that the public can be informed of the benefits as well as the risks of emerging new fields of research (a good example of this is the ESRC's initiative to explore the social, ethical and economic aspects of the debate around nanotechnology). Individual researchers continue to be innovative in how they conduct research and are themselves central players in informing debate and the development of research codes on quality assurance.

6.6 A parallel development to this continuing trend towards greater regulation of research is a continuing trend towards greater interdisciplinary and internationally collaborative research. This is resulting in the flow of good research practices from

and to different disciplines and cultures, creating greater cross-disciplinary understanding. There is a specific focus on the USA and emerging economies, such as China and India. The EU has created the European Research Council, which is intended to fund 'blue skies' research of the highest quality, improving Europe's standing in basic research.

7 Estate Management

7.1 The governing body is responsible for oversight of the strategic management of the institution's land and buildings, with the aim of providing an environment that will facilitate high-quality teaching and learning and research. After employee costs, those of managing estates and property represent the largest item of HEI expenditure. It requires long-term planning for capital development and the effective maintenance of existing properties, while having to comply with increasingly onerous legislation.

7.2 The chief responsibilities within estate management are to:

- develop an estate strategy for the institution which underpins and facilitates the HEI's corporate plan and academic objectives in teaching and research
- encourage a culture of efficient space use
- manage, review and allocate space to departments according to their needs while maximising the efficient and effective use of a valuable and scarce resource
- design and control the implementation of major capital and minor works, and carry out effective post-occupancy reviews
- maintain the institution's buildings, services and grounds through an established policy and programmes of planned and reactive maintenance, complying with current legislation, health and safety, and good practice
- assess systematically and regularly the condition of the institution's properties and services and prepare programmes for their maintenance
- manage the institution's property portfolio, disposing of and acquiring properties and managing legal and commercial documentation
- embrace the principles of sustainability and be environmentally conscious wherever possible in planning, design, operation and maintenance of the estate and buildings
- communicate widely and effectively with users at all stages of works and with stakeholders and community groups to foster good relationships between the HEI and the wider community, particularly local and planning authorities
- determine the scope of the estate function, ensuring that at all times the role of 'intelligent client' can be fulfilled and the estates resource is matched to the current workload

- ensure that estates expertise is present on the governing body
- ensure as far as possible that financial systems match costs to individual buildings
- ensure that an estates development plan is in place where substantial change is envisaged to the existing buildings, and make certain that future needs of the institution are made known to the local planning authority
- ensure that the estate is adequately insured and values of rebuilding are regularly reviewed
- ensure that a business recovery plan is in place
- ensure that estates is represented at senior management level, that the calibre of the estates director matches the senior role, and that sufficient appropriately qualified and skilled staff are available in the estates function
- ensure that adequate budgets are set to run, maintain and reinvest in the estate
- undertake benchmarking and peer review of estates performance, and consider adopting the self-assessment tool (Audesat) developed by the Association of University Directors of Estates (AUDE).

7.3 Governors should be informed through management information systems of the needs of the estate and development and maintenance requirements.

7.4 The functional suitability of the estate should be assessed and, where opportunities arise, improvements should be made.

8 Human Resource Management

The Governing Body as Employer

8.1 In pre-1992 HEIs, all appointments and contracts of employment are made on the authority of the governing body, even though in practice the governing body generally delegates these responsibilities. The institution is the legal employer.

8.2 In some institutions the articles specify that the governing body is responsible for the appointment of the head of the institution, the clerk to the board of governors, and such other senior post-holders as the governing body may determine. These staff together are referred to as 'senior post-holder' in this guide. The articles also specify that the head of the institution is responsible for the appointment of all other staff.

8.3 The governing body has responsibility for the institution's employment policies. This includes matters such as:

- ensuring that the HEI has a well-formulated human resource (HR) strategy closely aligned with the institutional strategy and mission
- ensuring that pay and conditions of employment are properly determined

- ensuring that the institution complies with the requirements of employment and other relevant legislation affecting employment (including inter alia health and safety at work; taxation; immigration; freedom of information; data protection; discrimination; human rights; TUPE (transfer of undertakings regulations); consultation)
- ensuring that there are policies and procedures for appointments, promotion, staff development and performance review/appraisal
- ensuring that the institution has a clear and effective internal communications strategy.

8.4 The governing body should set out key performance indicators in the area of human resource management and receive regular reports on progress, benchmarking the HR function as appropriate.

Universities and Colleges Employers Association

8.5 The Universities and Colleges Employers Association was established as an agency of Universities UK, the CUC and GuildHE to provide a single employers' organisation for the higher education sector. Its mission is to:

- represent, negotiate for and actively promote the interests of UK higher education institutions as employers to all stakeholders, including the trades unions
- promote excellence and recognise diversity across the higher education sector through the provision of advice and guidance to HEIs on employment, reward and HR practice.

8.6 Membership of UCEA is open to all UK HEIs and records close to 100 per cent membership. UCEA is financed by subscriptions from member institutions. Its services are available only to subscribing members.

8.7 UCEA has a board of directors comprising the nominees of Universities UK, the CUC, GuildHE and Universities Scotland.

8.8 Pay negotiations are undertaken at a collective national level by UCEA on behalf of the HEIs that opt to participate. Governing bodies in general have the freedom to decide whether to follow the national agreements (subject, of course, to any local contractual position to the contrary). In 2004 a national Framework Agreement was agreed by the former Joint Negotiating Committee for Higher Education Staff (JNCHES); this provided individual HEIs with an agreed framework for pay modernisation. The Framework Agreement moved the sector to local determination of grading (and other matters) linked to a national single pay spine. National pay bargaining continues under the auspices of the New JNCHES, which was formally launched in September 2008.

Suspension and Dismissal of Staff

8.9 The statutes of the pre-1992 HEIs specify procedures covering the suspension or dismissal of academic staff for misconduct or other 'good cause'; the dismissal of academic staff for other reasons, including by reason of redundancy or

incapacity; and the dismissal of senior post-holders. 'Academic staff' is defined in some institutions to include academic-related staff.

8.10 In pre-1992 HEIs, the Education Reform Act 1988 introduced provision for the dismissal, by reason of redundancy, of academic staff appointed or promoted after November 1987 ('the model statute'). The governing bodies of these institutions are responsible for approving any policy of making redundancies among academic staff, whether across the institution as a whole or in specific subject areas, and for appointing a redundancy committee to select and recommend to the governing body the members of staff to be made redundant. The position in relation to the dismissal of academic staff appointed before November 1987 depends on the particular HEI's statutes, ordinances and contracts of employment. The governing bodies of pre-1992 HEIs are also responsible for appointing individuals or bodies (as specified in the articles or statutes) to hear disciplinary charges which could result in the dismissal of academic staff, and to hear appeals and grievances from academic staff.

Revised Model Statute

8.11 Following the Bett Report in 1999 – which recommended that pre-1992 HEIs review their statutes to eliminate impediments to good management while ensuring fair treatment and safeguarding academic freedom – Universities UK and UCEA established a working group to draw up a revised model statute. This revised model statute for pre-1992 HEIs was agreed in 2003 by the Privy Council. Individual HEIs may apply to the Privy Council to adapt their existing statute to the model one, or an amended version of the model.

8.12 The revised model statute is based on a number of principles, which include the application of general principles of employment law to academic staff; the preservation and reinforcement of academic freedom; securing due process and fairness; and the simplification of the statutes, with the removal of matters of detail to ordinances.

8.13 The revised model statute requires governing body authorisation at the policy level to invoke redundancy procedures, but has removed the direct involvement of the governing body in their detailed implementation.

8.14 The articles of government of HE colleges and post-1992 universities require the governing body to make rules relating to the conduct of staff (i.e. disciplinary procedures), the suspension of staff and grievance procedures. The articles also contain rights of appeal against suspension or dismissal.

Public Interest Disclosure/Whistleblowing

8.15 The CUC has issued guidance on whistleblowing, which sets out good practice in dealing with such allegations. This guidance is reproduced in Annex A3.

Pensions

8.16 There is a range of pension provision in UK higher education: two multi-institution defined-benefit schemes which are specific to HE; defined-benefit public sector pension schemes which have members in HE; and 48 institution-specific schemes for support staff in pre-1992 institutions, described as self-administered trusts (SATs), mostly defined-benefit but some defined-contribution.

8.17 The two multi-institution pension schemes specific to higher education are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL).

8.18 The USS provides pensions for academic staff and support staff on similar grades, primarily in pre-1992 institutions. The membership of USS also includes some academics and senior staff in post-1992 institutions if they were previously members of USS while at a pre-1992 institution. The USS could in practice be open to all employees at HEIs, including support staff. Some institutions have taken advantage of this and others are in negotiation. The USS is a funded final-salary pension scheme and is one of the largest such schemes in the UK.

8.19 There are also public sector pension schemes with members in HE: the Teachers' Pension Scheme (TPS), the Scottish Teachers' Superannuation Scheme (STSS), the Local Government Pension Schemes (England, Wales and Scotland) (LGPS), the NHS Pension Scheme (NHSPS) and the New NHS Pension Scheme (New NHSPS).

8.20 The TPS provides pensions for academic staff in post-1992 institutions (the 'new' universities, many of which were formerly polytechnics, plus university colleges and HE colleges). It also of course provides pensions for schoolteachers in England and Wales. The TPS is 'notionally funded' – that is, contributions are assessed on a quasi-actuarial basis, but in reality no funds are built up and the liability for future pensions is ultimately borne by the taxpayer.

8.21 Some staff in medical schools are members of the NHSPS or New NHSPS.

8.22 In pre-1992 institutions, support staff on lower salary grades are generally provided with pensions by means of schemes set up by the individual institution. These are known in the sector as SATs, though this terminology would not be recognised outside the HE sector. The largest of these by some distance is SAUL, a multi-institution scheme with assets of some £1.3 billion. Many of the others are much smaller, which in some cases has given rise to concerns about their viability. Mostly these are also final salary arrangements, although there are examples of both career-average and money-purchase SAT schemes.

8.23 Support staff in post-1992 institutions, including higher graded staff, are mostly members of the LGPS, operated by the local authority responsible for the area where the institution is located. This reflects the origins of these institutions as polytechnics and colleges of higher education when they operated under the aegis of local authorities. The LGPS is a final salary pension scheme whose benefits and member contributions are centrally determined, although each local scheme has separate funding, administrative and employer contribution arrangements. It should

also be noted that those institutions which participate in the LGPS cannot in general withdraw from it (under the LGPS regulations on 'scheduled bodies'), and employees have a right to join.

8.24 Members of governing bodies of HEIs should ensure that they understand the institution's superannuation arrangements. In particular, they should clarify whether or not they have a collective or individual role as trustees of any pension fund. They should also be cognisant of the financial implications of their institution's pension arrangements and the obligation to report potential deficits on pension funds in the institution's annual accounts.

Health and Safety at Work

8.25 Governing bodies have a particular responsibility in law to ensure that their HEI is fully compliant with all aspects of health and safety at work legislation, which extends to the management of work-related stress. Governing bodies should ensure that institutional policies and procedures are in place across the range of their activities, and that there is appropriate periodic reporting (see also Section 11 below). The Health and Safety Executive recognises UCEA as the body with which it liaises and which reports overall on health and safety for staff in UK HEIs.

Senior Remuneration Committee

8.26 Governing bodies should ensure that the necessary formal arrangements are in place to oversee the remuneration, and other related matters (such as early retirement), of senior university officers.

HR Function

8.27 Funding Councils are concerned to ensure that institutions' HR functions are managed effectively, and are increasingly using funding mechanisms to effect improvements in HR strategies and practices, by setting down criteria and areas for improvement.

8.28 Governing bodies should ensure that the HR function is fully equipped in both skills and resources to respond to the increasing demands placed upon it in several areas:

- the continuing modernisation of pay arrangements
- the increasing competition for staff and the need to market HEIs as employers of choice
- new areas of enterprise and project management
- the increasing levels of regulation and litigation
- the need to ensure that the institution's workforce has the necessary new skills and experience
- the need for increased levels of leadership and management skills.

9 Students

Students' Unions

9.1 The students' union of an institution has an important role in relation to the welfare of students and in promoting social and other activities. In recognition of that role the union receives income, normally in the form of a grant, from the institution.

9.2 The Education Act 1994 states that the governing body must take such steps as are reasonably practicable to secure that the students' union operates in a fair and democratic manner, and is accountable for its finances. The union is required to present audited financial statements to the governing body each year.

9.3 The Act also states that students have the right not to be a member of the union, and that any student who exercises this right should not be unfairly disadvantaged in the provision of services or other facilities.

9.4 The governing body is required to prepare a code of practice setting out how the provisions of the Education Act 1994 are to be implemented, and it must make arrangements to ensure that the code is brought to the attention of students once a year. The governing body is also required to ensure that students are made aware each year of their right to opt out of union membership, and to ensure that they are notified of any provisions which the institution may have made to offer such students services which are normally provided by the union.

9.5 The constitution of the students' union is subject to approval by the governing body, and to review by the governing body at intervals of not more than five years. Students' unions in England and Wales are losing their exempt charitable status as a result of the Charities Act 2006. This legislation is leading to a review of governance arrangements in students' unions. A number of options are available in the new legislative landscape, including the union opting to register separately with – and be regulated by – the Charity Commission.

Student Discipline

9.6 In pre-1992 HEIs, rules and procedures concerning student discipline are normally prescribed in the institution's ordinances, which must be approved by the governing body. Responsibility for overseeing the implementation of those procedures (both in cases which relate to academic matters and in instances of misconduct) normally rests with the senate or equivalent.

9.7 The articles of some institutions state that responsibility for student disciplinary procedures relating to academic process rests with the academic board, although a student has the right to appeal to the governing body if he/she considers that these procedures have not been properly followed.

9.8 The articles of some institutions also provide for the governing body, after consultation with the academic board and student representatives, to make rules relating to the suspension, exclusion or expulsion of students on disciplinary grounds. The head of the institution is empowered by the articles to implement these rules, and he/she normally has authority to suspend, exclude or expel students for disciplinary reasons.

9.9 When considering disciplinary cases, institutions must take care to distinguish between offences which can properly be dealt with through internal disciplinary procedures, and criminal offences which are of such gravity that they should be dealt with by the police, at least in the first instance. The notes of guidance on *Student Disciplinary Procedures* (the Zellick Report) published in 1994 by Universities UK (see Bibliography) provide advice in this area.

Student Appeals and Complaints

9.10 Institutions should ensure that, within the above framework, they have developed adequate and effective internal machinery for dealing with student appeals against academic and disciplinary decisions, and for handling student complaints against the institution. Guidance is published by the Office of the Independent Adjudicator for Higher Education (OIA), which is now the independent review body for student complaints in England and Wales. Students may take their concerns to the OIA once all internal avenues have been exhausted.

10 Equality and Diversity

10.1 Discrimination legislation relating to gender, race, disability, religion, sexual orientation and age, together with evidence that the HE sector needs to improve its compliance and track record, has resulted in an increased focus on equal opportunities by the Funding Councils, and by trades unions.

10.2 The legislation in relation to race, disability and gender now requires institutions not just to avoid unlawful discrimination, but also to take proactive steps to promote good race relations, the position of disabled people and good relations between men and women. Responsibility for ensuring compliance expressly and specifically rests with governing bodies. Governing bodies should therefore ensure that non-discriminatory practices are followed, and that action plans are progressed throughout the institution.

10.3 The funding and representative bodies together support the Equality Challenge Unit (ECU). Founded in 2001, its mission is to support the sector to realise the potential of all staff and students whatever their race, gender, disability, sexual orientation, religion or age, to the benefit of those individuals, HEIs and society. ECU staff work collaboratively with institutions, sector-wide bodies and the HE recognised trades unions in fulfilment of its aims. Information about ECU, and extensive guidance to institutions, can be found on ECU's web-site (www.ecu.ac.uk).

Equality Legislation

10.4 Legislation, extending to both staff and students, outlaws direct and indirect discrimination, harassment and victimisation on grounds of race, gender, disability, religion, sexual orientation and age.

10.5 Direct discrimination applies where a person is treated less favourably on one of the protected grounds, and (except in relation to age) cannot be justified.

Indirect discrimination applies where a policy, practice or procedure is applied which on the face of it is neutral, but in its impact unjustifiably disadvantages one group rather than another.

10.6 Different provisions operate in relation to disability discrimination, where in place of indirect discrimination there is a duty to make reasonable adjustments so that people with disabilities are not disadvantaged.

10.7 Harassment applies where someone is subjected to unwanted conduct that violates their dignity or creates an intimidating, hostile, degrading, humiliating or offensive environment. Victimisation is where people are treated less favourably because they have made a complaint about discrimination on any of the protected grounds, or have brought or given evidence in a tribunal claim.

Public Sector Duties

10.8 In relation to race, disability and gender, HEIs are also required to take proactive steps to:

- promote equality of opportunity
- promote good relations between people of different races and between men and women, and positive attitudes towards disabled people
- eliminate unlawful discrimination.

10.9 HEIs must assess the impact of all their policies and functions on race, gender and disability equality and take measures to mitigate any inequalities discovered as a result of that monitoring. They have a statutory duty to publish the results of those impact assessments. All HEIs must publish race, gender and disability equality policies and have arrangements for implementing those policies. HEFCE may undertake periodic reviews of institutions' policies and action plans in order to fulfil its own statutory duties under the legislation, but it has no enforcement powers as these are invested in the Equality and Human Rights Commission.

10.10 Specific monitoring provisions apply to race, where HEIs also have duties to monitor (and publish the results of that monitoring) all aspects of student recruitment, admissions, progression and attainment as well as access to support services. All public bodies employing more than 150 staff are also bound under the employment duty, which requires them to monitor the recruitment and promotion of all their staff.

Freedom of Speech

10.11 Under the Education (No 2) Act 1986 and in accordance with the more recent Human Rights Act 1998 (Article 10 – the right to freedom of speech), the governing body has a duty to take such steps as are reasonably practicable to ensure freedom of speech within the law for students and members of staff of the institution and for visiting speakers. Governing bodies must also ensure that use of the institution's premises is not denied to any individual or body of people on the grounds of their beliefs, views, policies or objectives.

10.12 The 1986 Act requires governing bodies to maintain a code of practice setting out procedures for meetings held on the premises, and the conduct expected of those attending meetings.

11 Health and Safety

11.1 Protecting the health and safety of employees and students or members of the public who may be affected by an HEI's activities is an essential part of risk management and must be led by the governing body. Failure to include health and safety as a key business risk in decision-making can have serious results. Many high-profile safety cases in recent years have been rooted in failures of leadership. Members of the governing body have unequivocal responsibility for health and safety in their institutions. Health and safety law places duties on organisations and employers, and senior management can be personally liable when these duties are breached.

Legal Responsibilities of Higher Education Institutions

11.2 Health and safety law states that organisations must:

- provide a written health and safety policy
- assess risks to staff, students, partners, stakeholders and any other people who could be affected by their activities
- arrange for the effective planning, organisation, control, monitoring and review of preventive and protective measures
- ensure that they have access to competent health and safety advice
- consult staff about their risks at work and current preventive and protective measures.

11.3 Failure to comply with these requirements can have serious consequences – for both HEIs and individuals. Sanctions include fines, imprisonment, reputational damage and disqualification as a director.

11.4 Under the Corporate Manslaughter and Corporate Homicide Act 2007, an offence is committed where failings by an organisation's senior management are a substantial element in any gross breach of the duty of care owed to the organisation's staff or members of the public which results in death. The maximum penalty is an unlimited fine, and the court can additionally make a publicity order requiring the organisation to publish details of its conviction and fine.

Strategy on Health, Safety and Well-being

11.5 In order to fulfil its legal responsibilities, the governing body should set out a clear strategy on health, safety and well-being. Members of governing bodies need to establish a health and safety policy that is much more than a document – it should be an integral part of the institution's culture, values and performance standards. Governing body members should ensure that health and safety duties and benefits are communicated effectively throughout the institution, that health and safety matters are properly addressed, and that the institution's executive develops policies to avoid health and safety problems and responds quickly where difficulties arise or new risks are introduced.

Essential Principles

11.6 The essential principles of health and safety are:

- strong and active leadership
- visible, active commitment from the governing body
- establishing effective 'downward' and 'upward' communication systems and management structures
- integrating good health and safety management within business decisions
- engaging the workforce in promoting and achieving safe and healthy conditions
- providing high-quality training
- identifying and managing health and safety risks
- accessing (and following) competent advice
- monitoring, reporting and reviewing performance.

Actions

11.7 To secure the practical implementation of these principles, the following actions are suggested:

- Health and safety should appear regularly on the agenda for governing body meetings.
- The governing body should ensure that a senior manager with responsibility for health and safety oversight is appointed.
- An independent member of the governing body should act as the health and safety champion.
- The governing body should review targets and set goals, receive an annual report on health and safety performance, and monitor performance through both health and safety and audit committees.

Guidance

11.8 By following UCEA's (www.ucea.ac.uk) *Leading in Health and Safety at Work* guidance (2008) and the recommendations made by UCEA in its *University Health and Safety Management: Code of Best Practice* (2001) governors can help their institutions to find the best ways to promote a health and safety culture.

11.9 Further guidance can also be found at the Universities Safety and Health Association web-site (www.usha.org.uk) on individual topics, in particular guidance on auditing health and safety within institutions using the self-assessment tool, HASMAP.

B Northern Ireland

Where reference is made to the England section (A) it requires to be read as part of this chapter to describe the position in Northern Ireland or to distinguish it.

12 The Legal Status of Institutions

12.1 The position is broadly similar to that described under England (see Section A1). However, there are some differences, for example in relation to charities law. All charities in Northern Ireland will be required to register with the new Charity Commission for Northern Ireland. There will be no exempt charities and there will be a public benefit test. Also, use of the title 'university college' does not indicate that the college has been granted the power to award its own degrees. Members of governing bodies should check detailed provisions with their own institution.

13 The Framework of Governance of Higher Education Institutions

13.1 The position is broadly similar to that described under England (see Section A2). However, in Northern Ireland the jurisdiction of the Visitor in respect of determining complaints from students and other members of the HEI is still in place. This was being reviewed in 2008 by officials from the Office of the First Minister and Deputy First Minister with a view to including this role within the remit of the Ombudsman.

13.2 The university colleges operate under articles and instruments of government or a scheme of management, which set(s) out the composition of the governing body.

14 Funding

14.1 The position is broadly similar to that described under England (see Section A3), except that the Department for Employment and Learning (DEL) funds higher education institutions directly. There is no funding council as intermediary. The Northern Ireland Higher Education Council is a non-statutory body which advises DEL on higher education policy but has no role in allocating public funds.

14.2 The Northern Ireland Audit Office performs the same function on behalf of the Northern Ireland Assembly (or the Westminster Parliament when the Assembly is suspended) as does the NAO in England. DEL uses the HEFCE Audit Service as its agent to provide a further level of assurance in relation to its funding of universities.

15 The Funding of Higher Education

15.1 The position is broadly similar to that described under England (see Section A4), except that:

- a. The Department for Employment and Learning funds universities, except the Open University which is funded by HEFCE. DEL teaching and research grants are supplemented by non-formula funding for various initiatives which are generally time-bound. The universities also attract funding from other government departments, Research Councils, the private sector and charities.
- b. Widening participation premium funding was allocated to the universities on the basis of the numbers of students recruited who were non fee-paying, rather than on the basis of postcodes. With the advent of deferred tuition fees, DEL is looking at alternative criteria for allocation of the premium.
- c. Quality related funding is paid on a different formula which, in an aim to maintain a wide research base, allocates funding for all RAE units of assessment rated 3a and above. DEL also operates a Research Capability Fund for 3b-rated units which have been identified by the recipient university as being of strategic importance and where no corresponding units at the other Northern Ireland university at a higher rating were eligible.
- d. In addition to the Science Research Investment Fund and project capital allocations, DEL has funded research infrastructure through an initiative called the Support Programme for University Research (SPUR). SPUR is unique to Northern Ireland and is set up as a 50/50 public-private partnership between DEL and the charitable funder Atlantic Philanthropies.
- e. DEL, rather than the Training and Development Agency for Schools, funds teacher education.
- f. There is a Northern Ireland version of HEIF.
- g. The Higher Education (Northern Ireland) Order 2005 gave HEIs the freedom from 2006-07 to determine the level of tuition fees payable by full-time home and EU undergraduate students to a maximum (£3,145 a year for 2008-09), subject to the requirement that each HEI has in place an Access Agreement approved by DEL.
- h. Undergraduate student support includes means-tested bursaries of up to £3,335 per year for 2008-09.
- i. Postgraduate stipends are, in the main, funded by DEL rather than the Research Councils.

16 Learning and Teaching

16.1 The position is broadly similar to that described for England (see Section A5), except that initial teacher training is assessed by the Department of Education's Education and Training Inspectorate rather than OFSTED.

17 Research

See Section A6.

18 Estate Management

See Section A7.

19 Human Resource Management

See Section A8.

20 Students

20.1 The position is broadly similar to that described under England (see Section A9). However, in Northern Ireland the jurisdiction of the Visitor in respect of determining complaints from students and other members of the HEI is still in place. This was being reviewed in 2008 by officials from the Office of the First Minister and Deputy First Minister with a view to including this role within the remit of the Ombudsman.

21 Equality and Diversity

21.1 The position is the same as that described under England (see Section A10), except for the following.

21.2 The Race Relations (Northern Ireland) Order 1997 prohibits discrimination in the education field and places a general duty on educational bodies to ensure that facilities for education provided by them, and any ancillary benefits or services, are provided without racial discrimination. The Order has been amended by the Race Relations Order (Amendment) Regulations (Northern Ireland) 2003, which implemented the EU Race Directive and came into operation on 19 July 2003.

21.3 The Fair Employment and Treatment (Northern Ireland) Order 1998 makes it unlawful to discriminate on the grounds of religious belief or political opinion. In relation to a body responsible for an educational establishment, it is unlawful for it to discriminate in the way it treats its students and those wishing to become students. The Order has been amended by the Fair Employment and Treatment Order (Amendment) Regulations (Northern Ireland) 2003, which implemented the EU Framework Directive and came into operation on 10 December 2003.

21.4 In Northern Ireland, equality of opportunity is promoted through the Northern Ireland Act (1998) which came into force on 1 January 2000. Section 75 of this Act places a statutory obligation on all designated public authorities to ensure that they carry out their functions relating to Northern Ireland having due regard to the need to promote equality of opportunity under various categories, namely:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation
- between men and women generally

- between persons with a disability and persons without
- between persons with dependants and persons without.

21.5 In addition, public authorities are required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion and racial group.

21.6 These statutory obligations are implemented through Equality Schemes, which are approved by the Northern Ireland Human Rights Commission (NIHRC), and by screening policies and carrying out equality impact assessments where adverse impacts are identified on one or more of the categories listed above.

21.7 Governing bodies should obtain advice and guidance from the NIHRC as necessary to ensure that they continue to comply with the relevant equality and diversity legislation.

22 Health and Safety

22.1 The position is the same as in England (see Section A11), with most health and safety legislation now being EU-driven. EU directives on health and safety at work require uniform legal implementation throughout the UK.

C Scotland

23 The Legal Status of Institutions

Background

23.1 The institutions that make up the current higher education sector in Scotland have diverse backgrounds and traditions that are reflected in their constitutional arrangements and the structure and powers of their governing bodies. The 'Ancients' (the Universities of Aberdeen, Edinburgh, Glasgow and St Andrews) have a statutory base. The Universities of Dundee, Heriot-Watt, Stirling and Strathclyde were established by charter in the 1960s. The 'new universities' of Abertay Dundee, Glasgow Caledonian, Napier, Robert Gordon, Queen Margaret Edinburgh and West of Scotland were designated as universities under the Further and Higher Education (Scotland) Act 1992. The constitutional arrangements for the 'new universities' and other higher education institutions variously draw on a mixture of the 1992 Act, the Companies Acts and other legislation. The other higher education institutions are Edinburgh College of Art, Glasgow School of Art, Open University (Scotland), Royal Scottish Academy of Music and Drama, Scottish Agricultural College and UHI (University of the Highlands and Islands) Millennium Institute.

23.2 Although these institutions are diverse in origin, size and organisation, they share the following characteristics:

- legally independent corporate institutions
- bodies with charitable status
- accountable through a governing body which carries ultimate responsibility for all aspects of the institution.

The Framework of Governance of Higher Education Institutions

23.3 This section outlines the structure of governance in HEIs. However, although these structures can be described in general terms, there are considerable differences at institutional level in terms of detailed arrangements. Members of governing bodies should therefore refer to the secretary to the governing body for more detailed information about their particular institution.

The Ancients and Pre-1992 Universities

Court

23.4 The governing body of these institutions is normally called the court. It is responsible for the university's finances and investments and for the management of the university estate and buildings. It has authority to make contracts on behalf of the university, including those for employment, and to enter into loans and mortgage agreements. The court will carry out many of its functions through committees: in particular it will often have, jointly with the senate, a resources or

strategy committee which is responsible for planning the development of the university, bringing together academic priorities, financial considerations and building needs.

23.5 It is an important principle that the governing body has a lay majority – in other words, a majority of members who are external and independent, and are not staff or students of the university. Its membership is specified in the statutes by class of appointment, and will typically include senior officers of the university, co-opted members, elected staff members, graduates and student representatives.

Senate

23.6 The senate is responsible for regulating and directing the academic work of the university, and is generally regarded as the authority on purely academic matters. Decisions of the senate on academic matters which have financial or resource implications are subject to approval by the court. Conversely, decisions by the court which have academic implications are normally subject to consultation with the senate, and the senate would normally be the initiating body in such matters.

23.7 The senate is chaired by the principal. Unlike the governing body its membership is generally drawn from within the university. It consists of academic staff, with the proportion of staff in the various grades (professorial, non-professorial, research etc) varying among universities. There are also student representatives.

Officers of the University

23.8 The charter and statutes of the pre-1992 universities provide for a number of officers, including the following.

Rector

23.9 The four ancient universities and the University of Dundee have the office of rector. The rector is elected by the students and, in the case of Edinburgh, by the students and staff of the university. At Aberdeen, Edinburgh, Glasgow and St Andrews, the rector, and in his/her absence a vice-chair elected by the court from among all its members, presides at meetings of the university court; in the absence of both of them, a chair for the time is elected by the meeting.

Chancellor

23.10 The chancellor is formally the lay head of the university. The role is largely ceremonial; for example, the chancellor presides at degree congregations. The chancellor normally appoints an assessor who represents the interest of that office and is a member of the governing body.

Principal

23.11 The principal (the full title is principal and vice-chancellor) is the chief executive of the university. He or she is the chief academic and administrative officer.

23.12 The principal has overall responsibility for the executive management of the institution and is accountable to the governing body for the exercise of these responsibilities. The principal is designated as the chief officer of the institution, and as such is responsible for ensuring that the institution complies with the terms and conditions specified by the Funding Council for the use of Funding Council funds. He/she may be called to give evidence before the Audit Committee of the Scottish Parliament.

23.13 The principal chairs the senate.

23.14 Most principals convene regular meetings of senior staff to advise them about operational and strategic matters. These groups, often called the senior management group, usually have no constitutional basis, but they play an important role in sifting and steering business to and from formal university committees.

23.15 Part II, paragraphs 2.14 and 2.15, describes the principal's role in relation to the governing body.

Vice-Principals

23.16 Vice-principals are normally appointed by the governing body for a fixed period of time. In some institutions, these appointments are now made on a permanent basis. Vice-principals assist the principal, but will sometimes continue to carry out academic duties. Some institutions appoint senior vice-principals and/or deputy principals.

Secretary and Registrar

23.17 The secretary and registrar is often the head of university services and is sometimes also designated in the statutes as secretary or clerk to the governing body, the senate and other statutory bodies. The secretary and registrar is answerable to the vice-chancellor and principal for his/her administrative responsibilities. In some universities the directors of support services, such as the academic registrar and directors of estates, finance and human resources, report to the secretary and registrar. In others, some of these officers report directly to the principal.

23.18 Part II, paragraph 2.16, describes the secretary's role in relation to the governing body.

Membership of the University

23.19 In pre-1992 HEIs, the statutes state that the following are members of the institution and therefore comprise the corporate body of the HEI:

- lay members of the governing body
- academic staff
- such other members of staff as may be designated by the governing body
- graduates
- students.

This broad definition of membership is reflected in the participative framework of governance prescribed in pre-1992 HEIs.

Post-1992 Universities

Background

23.20 Universities established under and since the 1992 Further and Higher Education Act operate under articles of government that define the constitutional structure of the institution and the roles and responsibilities of its members.

Governing Body

23.21 The articles typically state that the court (i.e. the governing body) shall be responsible for conducting the affairs of the university and carrying out and promoting its objects, including:

- the management of its resources
- the appointment, grading, suspension, dismissal and determination of the pay and conditions of service of all staff, including the principal
- the appointment of external auditors.

23.22 The articles define the membership of the governing body, which includes the principal; other appointed and elected staff; and independent members, who must be in a majority.

23.23 The articles also set out a basic framework for how the governing body should conduct its business.

Senate (or Academic Board)

23.24 The senate is responsible for academic affairs, including academic standards, research, scholarship, teaching and learning and courses at the institution, and for considering the development of the academic activities of the institution, subject to the overall responsibilities of the governing body and the head of the institution.

23.25 Where the power to award degrees exists, that power rests with the governing body. The senate's responsibility for the administration of any awards is therefore by virtue of delegation from the governing body.

23.26 The articles usually specify the general rules for membership of the senate, the details of which are the responsibility of the governing body.

Officers

23.27 The articles of government of the post-1992 universities make provision for each institution to appoint to senior posts, which must include those of the principal and the secretary to the governing body. Although there are differences in detail, the roles and responsibilities of these individuals are broadly similar to those in pre-1992 Scottish institutions.

Other Higher Education Institutions

23.28 The constitutional and governance arrangements of the other HEIs tend to be similar to those of the post-1992 universities described above. However, each institution's arrangements are unique. Reference should therefore be made to the secretary or clerk to the governing body for information on each institution's constitution and governance.

Charitable Status

23.29 All higher education institutions have charitable status. Charity regulation in Scotland is the responsibility of the Office of the Scottish Charity Regulator (OSCR) under the Charities and Trustee Investment (Scotland) Act 2005. Unlike in England, the Scottish Funding Council (SFC) does not have any direct legal responsibilities in relation to charity regulation.

23.30 Charitable status confers the following benefits:

- increased opportunities for general fundraising
- many grant-giving trusts and foundations can only give funding to recognised charities
- special advantageous reliefs and schemes concerning income tax, corporation tax, business rates and other taxes.

23.31 All higher education institutions are normally exempt from VAT on the supply of education and research. They may, however, be liable for VAT on trading activities.

23.32 Requirements that members of governing bodies need to bear in mind in relation to their role as charity trustees include:

- acting in the interests of the institution
- seeking, in good faith, to ensure that the institution operates in a manner that is consistent with its objects or purposes
- acting with the care and diligence it is reasonable to expect of a person who is managing the affairs of another person
- ensuring that the institution complies with the provisions of the Charities and Trustee Investment (Scotland) Act 2005, and other relevant legislation.

23.33 OSCR is conducting a rolling review of charities' compliance with the statutory charitable criteria. The one higher education institution that has been reviewed to date is the University of Dundee. OSCR's conclusion was that the university met the statutory criteria. However, each charity is assessed on its own merits and therefore that conclusion may not necessarily apply to all higher education institutions.

Other Legal Compliance

23.34 Governing bodies should ensure that their institutions comply with all relevant legal requirements and other legal obligations (such as contracts made in the institution's name) by instituting appropriate processes and procedures to achieve and monitor such compliance.

Personal Liability

23.35 The law relating to the personal liabilities of members of governing bodies is complex and its interpretation is, of course, ultimately a matter for the courts. This guide does not attempt a statement of the law, but offers general guidance on conduct to avoid actions which could involve a personal liability. Members of

governing bodies should satisfy themselves that they understand their own position in their particular institution, and should:

- act honestly, diligently and in good faith
- be satisfied that a course of action proposed is in accordance with the institution's statutes or instruments and articles of government
- not bind the institution to a course of action which it cannot carry out
- ensure that the institution does not continue to operate if it is insolvent
- seek to persuade colleagues by open debate, and register dissent if they are concerned that the action would be contrary to any of the above
- avoid putting themselves in a situation where there is actual or potential conflict between their interests and those of the institution.

23.36 If this advice is followed it is unlikely that personal liability could arise, particularly since the powers and responsibilities of governing bodies are exercised in a collective manner and decisions are made by formal resolution. Moreover, the higher education institution is a separate legal entity, distinct from its members or officers. However, claims may be made in relation to the collective decisions and actions of the governing body. The Funding Councils have drawn the attention of governing bodies to the desirability of taking out insurance against the costs of any claims of negligence that may be made against members of the governing body in carrying out their duties.

23.37 Institutions may consider it appropriate that members sign an undertaking that they understand and accept the responsibilities they are taking on.

24 The Funding Council

24.1 The Funding Council in Scotland is the Scottish Further and Higher Education Funding Council, which operates using the shorter name of the Scottish Funding Council. The SFC was established by the Further and Higher Education (Scotland) Act 2005. Its remit encompasses all of further and higher education and therefore both further education colleges and higher education institutions. The SFC replaced the previously separate Scottish Further Education Funding Council (SFEFC) and Scottish Higher Education Funding Council (SHEFC), although since 1999 SFEFC and SHEFC had actually operated with a single chief executive and single staffing structure.

24.2 Under the Act, the SFC's 'general duty' is to exercise its functions for the purposes of securing the:

- coherent provision by the colleges and universities it funds (as a whole) of a high quality of fundable further education and fundable higher education
- undertaking of research among the colleges and universities.

24.3 The SFC's main funding power is the ability to fund colleges and universities for the provision of further and higher education, the undertaking of research, and the provision of associated facilities and services (for which the SFC can fund other organisations too).

24.4 A Management Statement and a Financial Memorandum between the Scottish Government and the SFC set out the broad framework within which the SFC operates, as well as more detailed financial conditions.

Framework of Accountability

24.5 The main source of funding for higher education is the grant made available annually by the Scottish Parliament to the Funding Council.

24.6 It is the responsibility of the Funding Council to determine how the grant is to be allocated to individual institutions. It determines annually:

- the total number of students to be funded
- the block grant for teaching and research allocated to each institution
- special funding linked to strategic objectives, and the purposes for which those funds must be spent.

24.7 In making the grant available to the Funding Council, the Cabinet Secretary for Education and Lifelong Learning can impose conditions which must be met by all institutions, or by all institutions of a particular category. The Cabinet Secretary can also require the SFC to impose conditions on institutions relating to the level of fees they charge. Except insofar as is required by such fee conditions, conditions cannot be imposed on individual institutions, nor can they be framed by reference to particular courses or programmes of research (including the content of such courses or programmes and how they are taught, supervised or assessed), nor can they refer to the criteria for selecting and appointing academic staff or admitting students.

24.8 The 2005 Act includes provisions to control the designation of institutions that the SFC can fund. These provisions include a duty on the SFC to ensure that every institution it funds has suitable arrangements for:

- overall governance and management
- financial oversight
- quality assessment and enhancement
- handling of grievances
- strategic planning and development
- making use of the credit and qualifications framework promoted by the SFC
- taking into account the educational and related needs (including support needs) of those who are, and who might wish to become, students
- taking into account the courses provided at other institutions when planning its own provision.

24.9 The SFC has a remit to ensure that institutions are making proper arrangements for financial management and accounting, and are using Funding Council funds in ways that are consistent with the purposes for which they have been allocated. The Governance and Management: Appraisal and Policy directorate is responsible for:

- developing strategic planning processes

- monitoring institutions' financial health
- working with institutions on the development of human resource management
- overseeing institutions' contribution to the Efficient Government Programme
- developing and disseminating good practice guidance in relation to governance and management.

24.10 The monitoring function includes the following:

- analysis of financial forecasts and annual financial statements
- assessment of institutions' financial control and audit arrangements
- participating in UK-wide and other projects aimed at developing and improving financial management in the sector

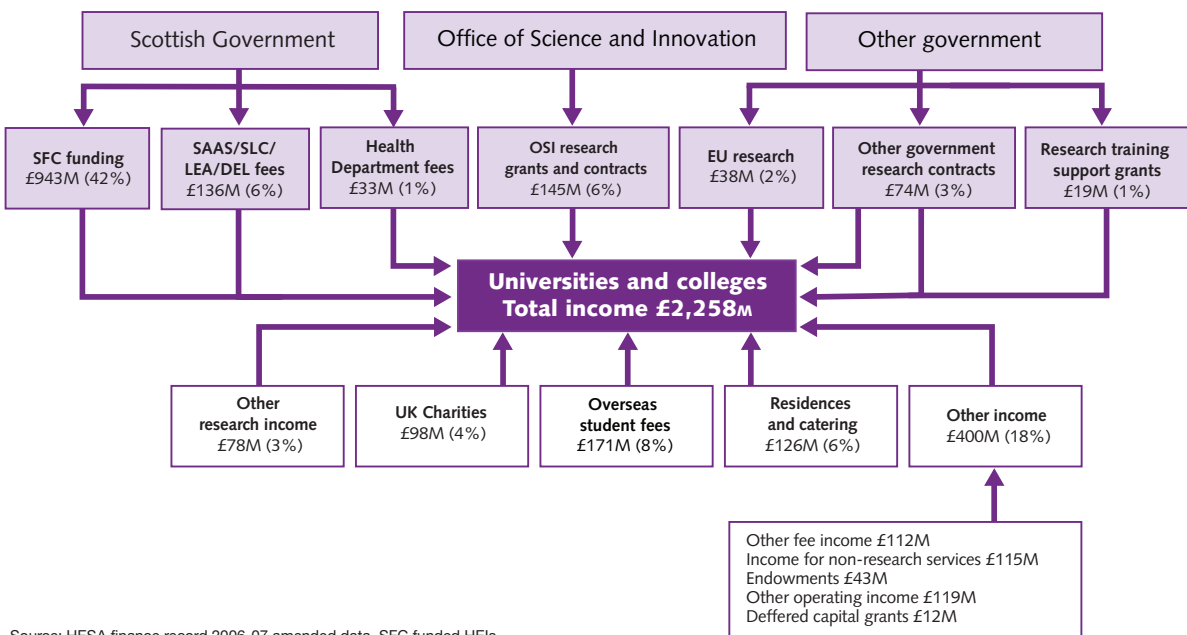
24.11 The chief executive of the SFC is ultimately answerable for the use of the funds that the Funding Council provides to colleges and universities. He or she may be summoned to appear before the Audit Committee of the Scottish Parliament, other committees of the Parliament, the Public Accounts Committee or other Westminster Parliamentary Committees to give evidence and answer questions. The Public Accounts Committee, or the Audit Committee of the Scottish Parliament, may also summon heads of institutions, as designated office holders, to give evidence.

25 The Funding of Higher Education

Institutional Funding

25.1 Higher education institutions attract income from a variety of sources, as shown in the diagram below. The relative proportion of income provided by each source reflects the diversity of institutions' missions and the markets they serve.

Sources of finance for Scottish HEIs (2006-07)



Source: HESA finance record 2006-07 amended data, SFC funded HEIs

Tuition Fees

25.2 Scottish students and non-UK EU students studying in Scotland do not have to pay up-front tuition fees. Neither do they now have to make a contribution after graduation to the Scottish Graduate Endowment.

25.3 Students studying in Scotland from elsewhere in the UK pay up-front tuition fees.

25.4 Overseas (i.e. non-EU) students are charged higher fees because, since 1980, the UK Government has required that their fees should cover the full economic cost of their tuition. Institutions are free to decide what level of fee they charge overseas students.

Funding Council Grant

25.5 The grant from the SFC falls into three main categories:

- funding for learning and teaching, including widening participation
- funding for research
- special funding.

25.6 The SFC uses formulaic, conditional allocations, so that institutions receive a known sum of money, as long as they meet specified criteria.

25.7 Funding for learning and teaching, research and some special funding, although allocated under these headings, is all part of a block grant. In other words, the institution may distribute the funds internally at its own discretion, as long as they are used for learning and teaching, research and related activities. Other special funding must be spent on the activities agreed with the SFC. The following paragraphs summarise the funding methods.

Funding for Teaching

25.8 The Funding Council provides funds to support the direct and indirect costs of providing teaching and learning to students studying in Scottish HEIs. These include the costs of academic, administrative, technical and support staff and facilities, accommodation, equipment and materials.

25.9 The funding is allocated on a transparent formulaic basis taking into account the number of students at an institution and the price group allocated to a particular subject. It is a price-based and not a cost-based system.

Funding for Research

25.10 The SFC operates a policy of allocating research funding selectively on the basis of research quality.

25.11 Research quality is assessed periodically in a Research Assessment Exercise, run by the four UK higher education funding bodies. The last RAE was in 2008. Institutions may submit research in any subject area to be assessed through peer review by panels of experts. Submissions are made in a subject-based unit of assessment, of which there were 67 in the 2008 RAE.

25.12 The main component of the SFC's funding formula for research is quality-related funding. The amount of money allocated to an institution under this heading relates directly to the quality of work submitted to the most recent RAE. The QR funding method also takes into account research volume, measured primarily as the number of staff submitted for assessment but also using additional proxy volume measures.

25.13 Looking to the future, a different approach to assessing research quality is currently under development: the Research Excellence Framework. The development work is primarily being led by HEFCE and is a response to a policy initiative from what is now the Department for Innovation, Universities and Skills. However, because of devolution that initiative does not necessarily apply directly to Scotland. The Scottish Funding Council has taken no decision on whether or not to participate in the REF or use it to inform funding. Any decision will be taken in the context of the Joint Future Thinking Taskforce on Universities, and will only be taken after full consultation with the sector.

25.14 In addition, the SFC distributes increasing amounts of research funds to support research development in new areas, strategic research developments, knowledge transfer and research collaboration by institutions. Research pooling is a significant and unique feature of Scotland's academic research base. Pooling is the formation of strategic collaborations between universities in disciplinary or multi-disciplinary areas, involving international quality departments or individual researchers across Scotland. The result is groupings of significant critical mass well positioned to compete with the best in the world in creating new knowledge as well as in offering enhanced graduate training and making innovative contributions to the economic and cultural life of Scotland.

Special Funding

25.15 Although the SFC's normal approach is to allocate core funding through the funding formulas for research and teaching, a number of activities cannot be funded in this way and are instead supported through special funding. All special funding methods are tested to minimise the accountability burden on institutions and are normally introduced only after consultation with the sector.

Capital Funding

25.16 The Funding Council provides just over one-third of the funding for investment in teaching and research facilities through specific capital grants. The remainder is funded from mainstream recurrent funding, commercial loans, bonds and other borrowing, and from endowment and other earned income.

Research Grants and Contracts

25.17 In addition to SFC support for research, institutions also obtain research funding through: grants and contracts from Research Councils; contracts from industrial and commercial firms and government departments; and grants from charities and the EU. Where a contract, as opposed to a grant, is provided, the funder is normally looking for a specific return on its investment.

Research Councils

25.18 There are seven Research Councils:

- Arts and Humanities Research Council
- Biotechnology and Biological Sciences Research Council
- Economic and Social Research Council
- Engineering and Physical Sciences Research Council
- Medical Research Council
- Natural Environment Research Council
- Science and Technology Facilities Council.

25.19 It is expected that, in determining the price to be charged for research contracts, institutions should be aware of the full economic costs involved (including indirect costs or overheads). Research Council grants will fund a proportion of the full economic costs of research projects, with the costs calculated on the basis of full economic costs. Further reference in this regard should be made to Section A, paragraph 4.28.

25.20 The Office of Science and Innovation, within DIUS, allocates funding to the Research Councils.

Funding from the Scottish Government Health Directorates

25.21 The Scottish Government Health Directorates provide substantial core support both directly and indirectly for teaching and research in medicine, dentistry and other healthcare subjects. Many clinical medical and dental academic staff employed by universities are funded by the Scottish Government Health Directorates. Indirect support for clinical teaching and research is provided by the Scottish Government Health Directorates to teaching hospitals and other NHS Scotland boards that are associated with universities, to enable them to sustain the facilities and service infrastructure for medical and dental education and research.

Other Sources of Income

25.22 HEIs have several other sources of income, including:

- income from endowments and trusts to raise money for the institution, especially through alumni
- donations
- sponsorship of posts (in particular professorial chairs, which are often in areas of immediate interest to the sponsoring company and sometimes for a fixed term)
- interest earned on cash balances and investments
- income from exploiting the results of research or inventions which have commercial applications
- teaching contracts for specific customers (nursing, other professions allied to medicine, further education, continuing professional development, initial teacher training)

- fee income from short courses
- income from halls of residence fees and vacation lettings.

25.23 The importance of these other income streams varies from institution to institution: income from invested endowments, for example, tends to be more significant in the older universities, and donations tend to be focused on universities with medical schools.

Framework of Accountability

Financial Memorandum

25.24 The SFC introduced a radically new and focused Financial Memorandum between itself and colleges and universities on 1 January 2006. This new Financial Memorandum sets out the SFC's expectations of the institution and the requirements which are a condition of the Funding Council's funding. It also sets out the agreed expectations which the institution, in the spirit of constructive partnership, has a right to have of the Funding Council. The Financial Memorandum states that the Funding Council will rely on the institution's own system of governance, its management and the conduct of the institution to safeguard all funds of the institution deriving from Scottish Ministers and to achieve the purposes for which those funds are provided. The Financial Memorandum's core requirement is therefore that governing bodies ensure that they have in place and have effectively implemented the proper arrangements for governance, leadership and management of their institution as required by statute and their instruments and articles of governance.

Strategic Planning

25.25 The Financial Memorandum commits the Funding Council to rely, as far as possible, on the data and information used by the institution for its own purposes. Consistent with that, with effect from 2006-07 the SFC eliminated its previously detailed strategic planning requirements, and therefore now:

- the SFC does not require any additional strategic planning documents over and above what institutions prepare for internal purposes
- planning cycles, timescales and the life span of planning documents are for institutions to determine.

25.26 The SFC's main requirement is that it always has a copy of the institution's current strategic plan and associated key strategies. The SFC continues to collect annual financial forecasts on the established, regular timetable because these are used and/or aggregated for specific Funding Council purposes. It is important that the forecasts are consistent with the latest strategic plan available to the SFC.

Internal Control, Risk Management and Audit

25.27 Consistent with the new Financial Memorandum, the SFC has simplified its requirements in relation to internal control, risk management and audit, so as to:

- focus on the key principles that are the Funding Council's requirements
- refer institutions to external sources of generally accepted good practice for more detailed guidance.

25.28 The SFC's Accounts Direction requires institutions to set out in their annual financial statements: 'the extent to which the college or university complies with the provisions of the Combined Code, insofar as they apply to the further or higher education sector'. The institution is also required to disclose:

- its high-level risk management arrangements
- a summary of 'the process it has applied in reviewing the effectiveness of the system of internal control'.

The SFC's audit requirements are now contained in the mandatory requirements associated with its Financial Memorandum and are available from the web-site www.sfc.ac.uk/information/information_gmap/mandatory_requirements.html

25.29 The key requirements are that each institution's governing body must:

- establish an audit committee
- secure an effective internal audit service (which cannot be provided by the external auditor).

25.30 Further, each institution must:

- have a strategy for systematically reviewing management's arrangements for securing value for money
- as part of internal audit, obtain a comprehensive appraisal of management's arrangements for achieving value for money.

25.31 The SFC monitors institutions' compliance with these requirements through the work of its Governance and Management: Appraisal and Policy directorate, including review of institutions' annual accounts, audit committee annual reports and internal and external audit reports.

25.32 All institutions are required to produce annual financial statements which have to be audited by a qualified auditor.

Undergraduate Student Support

25.33 For Scottish students studying in Scotland, support for living costs while at university comes from a means-tested system of repayable loans and non-repayable grants.

25.34 For Scottish students studying in other parts of the UK, and for students from those areas studying in Scotland, maintenance grants have been replaced with a system of income-contingent student loans. These loans are repayable once the student has left higher education and achieved earnings that exceed a specified minimum threshold.

26 Quality and Standards

Learning and Teaching

26.1 The Further and Higher Education Act (Scotland) 2005 confers on the SFC a statutory duty to assure and enhance the quality of the provision it funds.

26.2 The Joint Quality Review Group (JQRG) was set up in 2006 to review the SFC's policy on quality issues. The JQRG report was agreed by the SFC in August 2007. The three key principles identified in the report that underpin the approach to quality are:

- high-quality learning
- student engagement
- quality culture.

26.3 The report also contains many detailed recommendations on issues such as external review, governance and accountability, quality enhancement, student engagement, international education and public information about quality. Implementation of these recommendations is being taken forward by the Quality Working Groups (one for the college sector and one for the university sector).

26.4 In line with the SFC's partnership approach to quality, membership of each Quality Working Group includes all key stakeholders and agencies. The university sector group comprises the SFC, Universities Scotland, National Union of Students (NUS) Scotland, the Quality Assurance Agency for Scotland, the Higher Education Academy (HEA) and the Student Participation in Quality Scotland (sparqs) service.

26.5 Flowing from the recommendations of the Joint Quality Review Group, in June 2008 the SFC published revised guidance on issues relating to quality assurance and enhancement of learning and teaching. The guidance covers:

- annual institutional reporting to the Funding Council
- the nature and scope of institution-led quality review
- involvement of learners in quality processes
- public information about quality.

26.6 The Funding Council also asked each institution to provide, by 31 December 2008, a one-off summary statement explaining, in the institution's own words, how the governing body discharges its strategic responsibilities for quality – that is, how the governing body satisfies itself that appropriate processes are in place with regard to quality assurance and enhancement of educational provision.

26.7 The guidance emphasises that it is institutions, and not the Funding Council, which bear primary responsibility for, and ownership of, the quality of educational provision. The SFC meets its particular responsibilities through periodic external review by the QAA and through providing guidance to institutions on quality issues. The Funding Council also funds a range of enhancement-related activities, including the national enhancement themes, the Higher Education Academy, the Joint Information Systems Committee (JISC) and sparqs.

26.8 An important mechanism by which institutions assure and enhance the quality of provision is through processes of institution-led review. These processes are usually referred to as 'internal review' or 'subject review'. Institutions have

considerable flexibility in how they organise and run these processes, but there are clear expectations that all aspects of provision will be reviewed systematically over a defined schedule.

26.9 These internal review processes are subject to scrutiny through periodic enhancement-led institutional reviews (ELIR) conducted by the QAA. There is clear evidence from the outcomes of ELIR (and indeed from previous rounds of QAA reviews) that the quality and standards of provision are secure, that internal review is robust and effective, and that institutions use these processes effectively to manage and enhance the quality of provision.

Quality Assurance by Other Bodies

26.10 The quality of provision of initial teacher training is assessed and accredited by the General Teaching Council for Scotland.

26.11 Certain types of course, such as medicine and engineering, have accreditation arrangements with professional bodies, and institutions will therefore also receive accreditation-related visits from these bodies from time to time.

Research

26.12 Research quality at an institutional level is assessed by the Funding Council via the RAE cycle, and by the Research Councils via individual, peer-reviewed project grants. In addition, all institutions are required to meet certain minimum standards in training provision and environments for research students.

26.13 More generally, there is growing external scrutiny of institutional mechanisms for quality assurance in research management and research governance. In recent years researchers have begun to explore new areas of research (for example, genetic engineering, nanotechnology) and this, together with some high-profile events (such as the Alder Hey inquiry into the use of human organs), has affected public confidence in research. These developments have taken place in a climate in which businesses, Government, the media, public institutions and services are all expected to act and be seen to be acting ethically and openly in order to retain the general public's trust, goodwill and support.

26.14 In a move to improve public confidence in research, the UK Government, its departmental bodies, other government bodies and charitable research sponsors have introduced new regulations to strengthen and assure the quality of research processes, including research ethics, good research practice and research governance.

26.15 A parallel development to this move towards greater regulation of research is a trend towards greater interdisciplinary and internationally collaborative research. This is resulting in individual researchers learning and spreading good research practices from and to different disciplines and cultures, in turn resulting in generic research standards across disciplines.

27 Human Resource Management

27.1 Governing bodies should ensure that the HR function is fully equipped in skills and resources to respond to the increasing demands placed upon it in several areas:

- modernisation of pay arrangements
- increasing competition for staff and the need to market HEIs as employers of choice
- the new areas of enterprise and project management
- increasing levels of regulation and litigation
- the need to ensure that institutions have the necessary new skills
- the need for increased levels of leadership and management skills.

Governing bodies should seek to benchmark their HR function and progress.

The Governing Body as Employer

27.2 The institution is the legal employer. In pre-1992 HEIs, all appointments and contracts of employment are made on the authority of the governing body, even though in practice the governing body generally delegates these responsibilities.

27.3 The governing body has responsibility for the institution's employment policies. This includes matters such as ensuring that:

- the HEI has a well-formulated HR strategy aligned with the institutional strategy and mission, and that due attention is given to HR issues at the corporate level
- pay and conditions of employment are properly determined
- the institution complies with the requirements of employment and other relevant legislation affecting employment.

Universities and Colleges Employers Association

27.4 The Universities and Colleges Employers Association was established to provide a single employers' organisation for the higher education sector. It also provides a framework within which representatives of institutions can discuss matters concerned with the employment of staff, and it acts as a consultant and adviser to institutions on employment matters.

27.5 Membership of UCEA is open to all UK higher education institutions and it is financed by subscriptions from member institutions.

27.6 Salary negotiations are generally undertaken at national level by UCEA on behalf of higher education institutions, although governing bodies are free to choose whether or not to implement the national agreements. In 2003-04 a new national Framework Agreement was established, and this provides individual institutions with an agreed framework for pay modernisation.

Suspension and Dismissal of Staff

27.7 The statutes of the pre-1992 HEIs specify procedures covering the suspension or dismissal of academic staff for misconduct or other 'good cause'; the dismissal of academic staff for other reasons, including by reason of redundancy or incapacity; and the dismissal of senior post-holders.

27.8 The articles of government of the other HEIs require the governing body to make rules relating to the conduct of staff (i.e. disciplinary procedures), the suspension of staff and grievance procedures. The articles also contain rights of appeal against suspension or dismissal.

Independent Review of Staff Grievances

27.9 All institutions must have systems to handle staff grievances which are consistent with their constitutional arrangements.

Whistleblowing

27.10 All institutions should have appropriate channels through which staff can make allegations about perceived irregularities in the running of the institution or the activities of colleagues within the institution. Provided that the allegation is made lawfully, without malice and in the public interest, the position within the institution of the individual making the allegation should not be jeopardised.

27.11 The CUC has issued guidance on whistleblowing, which sets out good practice in dealing with such allegations. This guidance is reproduced in Annex A3.

Pensions

27.12 Academic and related staff in pre-1992 HEIs are eligible to join the Universities Superannuation Scheme, to which employers' and employees' contributions are made as required. Superannuation arrangements for other staff in pre-1992 HEIs may include a pension fund established and managed by the HEI itself. Members of governing bodies of pre-1992 HEIs should ensure that they understand the HEI's superannuation arrangements. In particular, they should clarify whether or not they have a collective or individual role as trustees of any pension fund.

27.13 The other HEIs do not maintain their own pension funds, but make employers' contributions to the Scottish Teachers' Superannuation Scheme for academic staff, and in most cases the Local Government Pension Scheme for other staff.

Remuneration Committee

27.14 Governing bodies should ensure that the necessary formal arrangements are in place to oversee the remuneration and other related matters (such as early retirement) of senior university officers. The SFC requires institutions to adhere to specific requirements in relation to severance arrangements for senior staff.

28 Estate Management

28.1 The governing body is responsible for oversight of the strategic management of the institution's land and buildings, with the aim of providing an environment that will facilitate high-quality research, teaching and learning. After employee costs, the cost of managing estates and property represents the largest item of HEI expenditure. It requires long-term planning for capital development and the effective maintenance of existing properties, while having to comply with increasingly onerous legislation.

28.2 The chief responsibilities within estate management are to:

- develop an estate strategy for the institution which underpins and facilitates the HEI's corporate plan and academic objectives in teaching and research
- encourage a culture of efficient space use
- manage, review and allocate space to departments according to their needs while maximising the efficient and effective use of a valuable and scarce resource
- design and control the implementation of major capital and minor works
- maintain the institution's buildings, services and grounds through an established policy and programmes of planned and reactive maintenance, complying with current legislation, health and safety, and good practice
- assess systematically and regularly the condition of the institution's properties and services and prepare programmes for their maintenance
- manage the institution's property portfolio, disposing of and acquiring properties and managing legal and commercial documentation
- embrace the principles of sustainability and be environmentally conscious wherever possible in the planning, design, operation and maintenance of the estate and buildings
- communicate widely and effectively with users at all stages of works and with stakeholders and community groups to foster good relationships between the HEI and the wider community, particularly local and planning authorities
- determine the scope of the estate function, ensuring that at all times the role of 'intelligent client' can be fulfilled and the estates resource is matched to the current workload
- ensure that estates expertise is present on the governing body
- ensure as far as possible that financial systems match costs to individual buildings
- ensure that an estates development plan is in place where substantial change is envisaged to the existing buildings, and make certain that future needs of the institution are made known to the local planning authority
- ensure that the estate is adequately insured and that rebuilding values are regularly reviewed
- ensure that a business recovery plan is in place

- ensure that estates is represented at senior management level and that the calibre of the estates director matches the senior role
- ensure that adequate budgets are set to run, maintain and reinvest in the estate
- undertake peer review of estates performance.

28.3 Governors should be informed through management information systems of the needs of the estate and development and maintenance requirements.

28.4 The functional suitability of the estate should be assessed and, where opportunities arise, improvements should be made.

29 Students

Students' Unions

29.1 The students' union of an institution has an important role in relation to the welfare of students and in promoting social and other activities. In recognition of that role the union receives income, normally in the form of a grant, from the institution.

29.2 The governing body must take such steps as are reasonably practicable to secure that the students' union operates in a fair and democratic manner, and is accountable for its finances. The union is required to present audited financial statements to the governing body each year.

29.3 The legislation stipulates that students have the right not to be a member of the union, and that any student who exercises this right should not be unfairly disadvantaged in the provision of services or other facilities.

29.4 The governing body is required to prepare a code of practice setting out how the provisions of the Education Act 1994 are to be implemented, and it must make arrangements to ensure that the code is brought to the attention of students once a year. The governing body is also required to ensure that students are made aware each year of their right to opt out of union membership, and to ensure that they are notified of any provisions which the institution may have made to offer such students services which are normally provided by the union.

29.5 The constitution of the students' union is subject to approval by the governing body, and to review by the governing body at intervals of not more than five years.

Student Discipline

29.6 In pre-1992 HEIs, rules and procedures concerning student discipline are normally prescribed in the institution's ordinances, which must be approved by the governing body. Responsibility for overseeing the implementation of those procedures (both in cases which relate to academic matters and in instances of misconduct) normally rests with the academic board or equivalent.

29.7 The articles of some institutions state that responsibility for student disciplinary procedures relating to academic process rests with the academic board,

although a student has the right to appeal to the governing body if he/she considers that these procedures have not been properly followed.

29.8 The articles of some institutions also provide for the governing body, after consultation with the academic board and student representatives, to make rules relating to the suspension, exclusion or expulsion of students on disciplinary grounds. The head of the institution is empowered by the articles to implement these rules, and he/she normally has authority to suspend, exclude or expel students for disciplinary reasons.

29.9 When considering disciplinary cases, institutions must take care to distinguish between offences which can properly be dealt with through internal disciplinary procedures, and criminal offences which are of such gravity that they should be dealt with by the police, at least in the first instance. The Zellick Report published by Universities UK (see Bibliography) provides advice in this area.

Student Appeals and Complaints

29.10 Institutions should ensure that they have developed adequate and effective internal machinery for dealing with student appeals against academic and disciplinary decisions, and for handling student complaints against the institution.

29.11 On 1 August 2005, the process of reviewing HEIs' management of complaints and appeals was transferred to the Scottish Public Services Ombudsman (SPSO). The SPSO provides an independent public services complaints system. Anyone may submit complaints about an HEI to the SPSO if they are dissatisfied with the outcome of an investigation or review of a complaint by the HEI. The SPSO cannot, however, consider complaints about academic judgments, most personnel matters and contracts and commercial transactions.

30 Equality and Diversity

Equal Opportunities

30.1 Governing bodies should ensure that non-discriminatory practices are followed, and that action plans are progressed throughout the institution. They should also request monitoring reports from management to demonstrate its commitment to and compliance with relevant legislation.

30.2 Under the Race Relations (Amendment) Act 2000, all institutions must meet the general duty to eliminate unlawful discrimination and promote race equality. HEIs are required by law to undertake specific duties to ensure better performance of the general duty. This includes the requirement to develop and implement race equality policies, assess the impact of their policies and practices on different ethnic groups, and publish details of progress in relation to race equality. Very similar general and specific duties detailed in the Disability Discrimination Act (2005) and the Equality Bill (regarding gender equality) included the requirement for all institutions to prepare a disability equality scheme by 2006, and a gender equality scheme by April 2007.

30.3 The Employment Equality Regulations protect employees and students from direct and indirect discrimination, harassment or victimisation on grounds of sexual orientation, religious faith or belief and, from 2006, age.

30.4 Equalities Commissions are able to take action against HEIs that do not comply with the new proactive duties. Institutions are open to external scrutiny and may be open to challenges regarding their compliance with the law. However, it is important to recognise that meeting equality-related statutory duties offers significant opportunities to enhance the effectiveness and responsiveness of organisations.

30.5 More detailed guidance is available in the SFC's *Good Practice Guide to Addressing Equality Legislation in Colleges and Universities*. The guide is structured to illustrate how equality responsibilities fit with all the main activities of colleges and universities: learning and teaching; knowledge transfer and research; student issues; staff issues; management; communications and public affairs; partnerships and community links; procurement and outsourcing; information and ICT (information, communication and technology) services; estates and capital; and health, safety and well-being.

Freedom of Speech

30.6 The governing body has a duty to take such steps as are reasonably practicable to ensure freedom of speech within the law for students and members of staff of the institution and for visiting speakers. Governing bodies must also ensure that use of the institution's premises is not denied to any individual or body of people on the grounds of their beliefs, views, policies or objectives.

30.7 Governing bodies are also required to maintain a code of practice setting out procedures for meetings held on the premises, and the conduct expected of those attending meetings.

31 Health and Safety and Corporate Homicide

Health and Safety

31.1 The governing body, as the employer, has a statutory responsibility to ensure the safety, health and welfare at work of its employees, visiting staff and other individuals. In the case of higher education those other individuals would include students, members of the public and contractors. For employees, the responsibilities extend to work-related stress.

31.2 Among the duties placed on the governing body are:

- preparation of a written statement of policy on health and safety, including details of the organisation and arrangements for implementing that policy and bringing the policy, and any revisions, to the attention of all employees
- provision for consultation with employees about health and safety arrangements
- provision for the appointment by recognised trades unions of safety representatives.

31.3 The governing body should satisfy itself that:

- the institution has a health and safety statement in which management responsibility for health and safety issues is clearly allocated at all levels
- those with such designated responsibility are aware of, and have access to, relevant regulations, advice and training
- the institution plans the implementation of its policy and sets health and safety standards which it expects to be achieved
- the institution has structures and arrangements for implementing its safety policy, such as safety officers and appropriate committees to assist management
- the necessary occupational health arrangements are in place to cover pre-employment screening, and other statutory checks during employment
- the institution monitors its activities to ensure that the agreed standards are being met.

Corporate Homicide

31.4 The Corporate Manslaughter and Corporate Homicide Act 2007 came into force on 6 April 2008. An organisation will be guilty of an offence if the way in which its activities are managed or organised causes death and amounts to a gross breach of a relevant duty of care to the individual. A substantial part of the breach must have been in the way in which activities were managed by senior management.

31.5 The Institute of Directors and the Health and Safety Commission have published guidance for governors and senior managers on the effective leadership of health and safety: *Leading Health and Safety at Work*. This document specifically refers to the new Corporate Manslaughter and Corporate Homicide Act 2007. It can be downloaded from the Health and Safety Executive web-site (www.hse.gov.uk/leadership/index.htm). The document needs to be interpreted in light of the constitutional and governance arrangements pertaining to higher education institutions.

D Wales

Where reference is made to Section A (England) it requires to be read as part of this chapter to describe the position in Wales or to distinguish it.

32 The Legal Status of Institutions

See Section A1.

32.1 The position is the same as that described in Section A1, paragraphs 1.5 to 1.21, except that in relation to charitable status (Section A1, paragraph 1.14) institutions in Wales will be required to become registered charities and hence will be regulated by the Charity Commission rather than the Funding Council.

33 The Framework of Governance of Higher Education Institutions

See Section A2. However, for Wales paragraph 2.19 should read: ‘...before the Public Accounts Committee or equivalent body in the different jurisdictions’.

34 The Funding Council

34.1 The Higher Education Funding Council for Wales (HEFCW) was formed by the Further and Higher Education Act 1992, to fund higher education in Wales. As a result of the Government of Wales Act 2006, HEFCW is now an Assembly Government Sponsored Body.

34.2 Under the Further and Higher Education Act 1992, confirmed by the Education Act 2002, HEFCW administers funds made available by the Welsh Assembly Government to support education and research by higher education institutions in Wales, and certain higher education courses at further education colleges.

34.3 Under the Education (School Teachers' Qualifications) (Wales) Regulations 2004, HEFCW has specific responsibility to accredit providers of initial teacher training for school teachers, in accordance with criteria specified by the Welsh Assembly Government. Under the Education Act 2005, HEFCW also carries out or commissions research to improve the training of teachers and the standards of teaching.

Relationship of the Funding Council with Government Bodies

34.4 The main source of funding for higher education is the grant made available annually to HEFCW. HEFCW receives its grant from the Welsh Assembly Government. The grant is determined after the announcement of the Assembly Government's public expenditure plans.

34.5 It is the responsibility of HEFCW to determine how the grant is to be allocated to individual institutions. HEFCW determines annually:

- the number of students to be funded to meet government planned student numbers
- the block grant for teaching and research allocated to each HEI
- special funding and capital programmes, linked to strategic objectives, and the purposes for which those funds must be spent.

34.6 In making the grant available to HEFCW, the Minister for Children, Education, Lifelong Learning and Skills can impose conditions which must be met by all institutions, or by all institutions of a particular category. The Minister can also require HEFCW to impose a condition of grant on an individual institution relating to the level of fees that it charges, but otherwise conditions cannot be imposed on individual institutions, nor can they be framed by reference to particular courses or programmes of research (including the content of such courses or programmes and how they are taught, supervised or assessed), nor can they refer to the criteria for selecting and appointing academic staff or admitting students.

34.7 Members of the HEFCW Council are appointed by the Assembly Government's Minister for Children, Education, Lifelong Learning and Skills. A representative of the Minister is entitled to attend as the Assessor at HEFCW's council meetings, but not to take part in the decision-making process.

Lines of Accountability

34.8 The Auditor General for Wales (AGW) is responsible for auditing the accounts of Welsh Assembly Government departments and certain public bodies, and for reporting on them to the National Assembly for Wales.

34.9 The Wales Audit Office audits HEFCW's accounts on behalf of the AGW. The AGW can also undertake value for money studies at HEFCW or at institutions.

34.10 The chief executive of HEFCW is the accounting officer and is answerable for the use of these funds. He or she may be summoned to appear before the Audit Committee of the Assembly, other committees of the Assembly, the Public Accounts Committee or other Westminster Parliamentary Committees to give evidence and answer questions. The Public Accounts Committee, or the Assembly's Audit Committee, may also summon heads of institutions, as designated office holders, to give evidence.

34.11 To ensure that institutions are making proper arrangements for financial management and accounting, and are using HEFCW funds in ways consistent with the purposes for which they have been allocated, HEFCW has established an institutional assurance service. The institutional assurance service has the right of access to all information held by the individual institutions that HEFCW funds. Over a cycle, the institutional assurance service evaluates at an overview level the systems of risk management, control and governance of individual institutions, and reports its findings to the Audit and Risk Committee of the HEFCW Council. This process involves visits by the institutional assurance service to the institutions.

35 The Funding of Higher Education in Wales

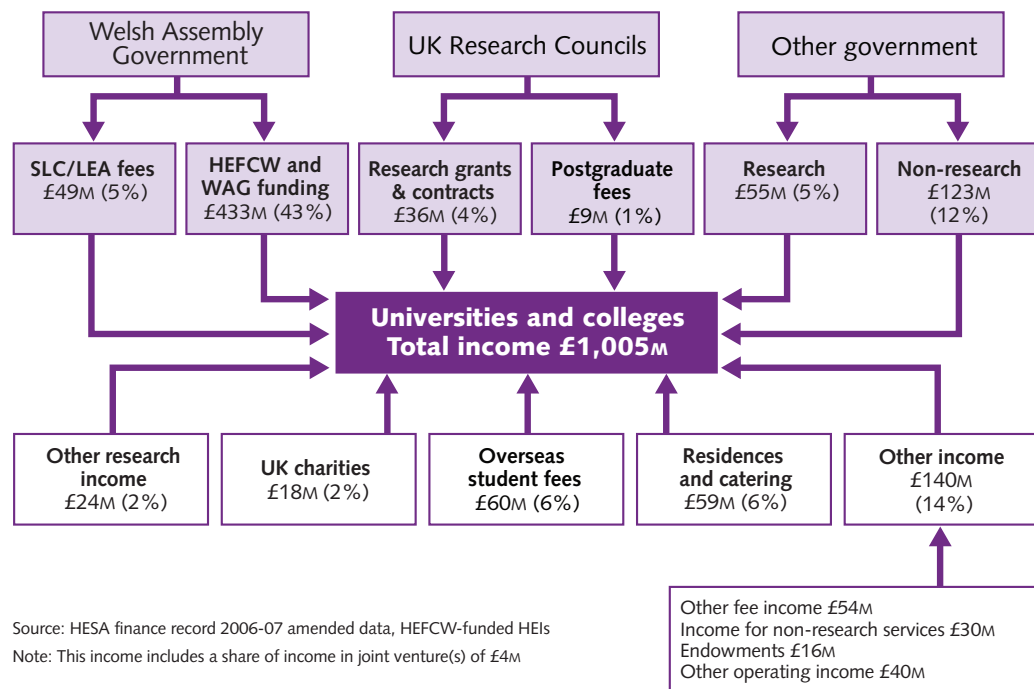
Overview of sources of funding

35.1 Higher education institutions attract income from a variety of sources. The relative proportion of income provided by each source reflects the diversity of institutions' missions and the markets they serve.

35.2 The total income from these sources in 2006-07 was £1,005 million, of which £433 million (or 43 per cent) was provided by HEFCW and the Welsh Assembly Government.

35.3 The diagram below concerning the main sources of funding in 2006-07 for higher education institutions funded by HEFCW was provided by the Higher Education Statistics Agency (HESA).

Sources of Finance for Welsh HEIs (2006-07)



Tuition Fees

35.4 The Higher Education Act 2004 gives the National Assembly for Wales powers to decide what levels of tuition fee and student support will apply in Wales. The Welsh Assembly Government began implementing these powers at the start of the academic year 2006-07, and also began providing student finance services in partnership with the Student Loans Company (SLC) and local authorities under the brand Student Finance Wales.

35.5 In 2006-07 the Welsh Assembly Government provided, via HEFCW, a supplementary income stream to compensate the sector, for that year only, for the new fee regime in England. The Welsh Assembly Government confirmed that from

2007-08 Welsh HEIs could introduce flexible fees payable by full-time home and EU undergraduate students up to a maximum amount (£3,145 for 2008-09), subject to the requirement that each institution produce a five-year tuition fee plan approved by HEFCW. These tuition fee plans outline how institutions will earmark 30 per cent of their additional income from flexible fees for widening access (for example, through offering bursaries and scholarships) and for promoting higher education. As required by the Welsh Assembly Government, each institution's fee plan for the period 2007-08 to 2011-12 has been made available on HEFCW's web-site.

35.6 In practice, all HEIs in Wales have chosen to set their tuition fee level at the maximum allowable. For 2008-09, students who normally live in Wales and study at a higher education institution in Wales are entitled to a fee grant of up to £1,890, which is paid directly to the student's place of study and does not have to be repaid.

35.7 Admissions remain the sole responsibility of each HEI, which sets its own criteria for admission and selects its own students.

35.8 The governing body of each institution approves the level of fees for home and EU postgraduates and part-time students. Some of these students are self-financing; others are funded by their employers or other organisations. In the case of postgraduates, some students are funded by central Government, primarily through studentships from the Research Councils.

35.9 Overseas (i.e. non-EU) students are charged higher fees so that their fees cover the full economic cost of their tuition. Institutions are free to decide what level of fee they charge overseas students.

35.10 In June 2008, the Minister for Children, Education, Lifelong Learning and Skills established a Task and Finish Group to conduct a review of higher education in Wales. Phase 1 of the review considered student finance arrangements in Wales. This included examining: the extent to which student finance is targeted to enhance widening access opportunities and encourage take-up of priority subjects; how best to tackle graduate debt in anticipation of the 2009 fee cap review in England; and how this is best achieved through national statutory student finance and locally delivered bursaries and scholarships, etc. The Task and Finish Group's report on Phase 1 of the review, and the Assembly Government's response to it, are available on the Welsh Assembly Government's web-site (<http://new.wales.gov.uk/publications/accessinfo/drnewhomepage/educationdrs2/educationdrs2008/reviewheconsultation/?lang=en>). Phase 2 of the review is to provide advice to the Assembly Government on the mission, purpose, role and funding of higher education in Wales. It is scheduled to report to the Assembly Government by March 2009.

HEFCW Grant

35.11 The grant from HEFCW falls into the following main categories:

- funding for teaching – including ITT; premium payments for widening access, students with disabilities and provision through the medium of Welsh; and per capita payments
- funding for postgraduate research training (PGR)
- funding for research
- funding for 'third mission' activities
- funding for special initiatives and claims-based allocations
- capital funding for learning and teaching and research.

HEFCW also allocates above-baseline funding in support of Welsh Assembly Government strategic priorities for higher education, including reconfiguration and collaboration, and widening access.

35.12 Funding for teaching, research and postgraduate research training, although allocated under these headings, is all part of a block grant. In other words, the institution may distribute the funds internally at its own discretion, as long as they are used for learning and teaching, research and related activities. Other special funding must be spent on the activities agreed with HEFCW. This includes funding to support the development and enhancement of Welsh medium provision, which is a distinctive area of provision in Wales. The following paragraphs summarise the funding methods.

Funding for Teaching

35.13 HEFCW has an annual funding agreement with each institution which sets out the student numbers institutions are required to deliver in return for funds for teaching. Student numbers are initially monitored through HEFCW's annual Higher Education Students Early Statistics (HESES) survey. These numbers are verifiable against HEFCW's End of Year Monitoring Survey. Where institutions fail to recruit their contract student numbers, HEFCW will hold back a proportion of the funding for teaching.

Development and Objectives

35.14 HEFCW's current teaching funding method was developed in consultation with the sector from June 1998 to November 1999.

35.15 The underlying objectives of the current method are to:

- be responsive to need, demand and government policy
- promote cost-effectiveness
- support quality
- be flexible and straightforward in operation.

Structure

35.16 The current method has two main elements: formula and non-formula. The formula element delivers base-level funding each year, taking account, as appropriate, of any identified policy priorities at the broad level. The non-formula component addresses specific issues/policy objectives to which the formula would be insufficiently sensitive. The balance is weighted heavily in favour of the formula (typically 98 or 99 per cent), to provide institutions with a reasonable measure of year-on-year financial stability within which to plan and manage.

The Formula Element

35.17 The formula element of the current teaching funding method was used for the first time for allocations for the academic year 2000-01. It operates for funding student numbers in three dimensions: level, mode and subject. These dimensions break down further, as follows:

- three levels – undergraduate degree, undergraduate non-degree and postgraduate taught
- three modes – full-time/sandwich, part-time, and part-time franchised out
- 11 Academic Subject Categories (ASCs), some sub-divided.

The collective term for a given level, mode and subject is a 'funding cell'. Separate arrangements apply for funding postgraduate research training.

35.18 For the academic years 2000-01 and 2001-02, student numbers were expressed in credit values for part-time provision and places for full-time/sandwich provision. For 2002-03, all student numbers were expressed in credit values. HEFCW now funds exclusively on the basis of credit values.

35.19 There are three categories of student numbers – core, addition and recovery – and they are established in that order. Core numbers are based on the current year's funded or actual (enrolled) numbers, whichever are the lower; addition numbers are those provided above the core; and recovery numbers are those made available to offset a one-year dip or drop in enrolment.

35.20 Core numbers in each institution are maximised by making adjustments, as far as possible in line with the pattern of the current year's enrolment. Within limits, and taking account of policy priorities, funded numbers unfilled in one funding cell may be moved to another where numbers have been exceeded. Funding cells are assigned to one of several policy priority groups, and numbers are moved by the funding model to cells of equal or higher priority.

35.21 Addition numbers are allocated taking account firstly of the scope in terms of the funding and numbers available to HEFCW, and then of policy priorities – that is, any priorities in terms of ASC, mode or level.

35.22 Recovery numbers are allocated pro rata to the amount of shortfall in enrolment apparent in a funding cell after core numbers have been established. Recovery allocation is capped at the numbers which bring funding in that cell up to the current year's level. Since recovery numbers are intended to offset a dip in enrolment in one year, they cannot be made available in a cell where funded numbers have not been met two years running.

35.23 For quota-controlled subjects (medicine, dentistry and initial teacher training leading to QTS), the Welsh Assembly Government sets the number of students – the quota – for entry into the first year of study. Numbers in these subjects are determined taking account of the intake numbers and the progression rates in previous years.

35.24 Numbers are funded on the basis of HEFCW's standard unit of funding for the ASC in which they are located.

Redistribution of Funded Numbers

35.25 The funding method provides for some redistribution of funded numbers outside the funding formula. Those institutions which wish to shape their profile in ways that differ from those dictated by the adjustment of funded numbers to establish each year's core may make a case for doing so. HEFCW invites such cases each year in May, following the announcement of grant for the coming year.

35.26 All movement of numbers, both within the funding formula and outside it, is undertaken on the basis of monetary values.

Other Payments

35.27 HEFCW makes two other types of payment: per capita and premium. Both are retrospective, based on the number of enrolments achieved the previous year or, in circumstances where numbers are anticipated to be subject to year-on-year fluctuations, on the average of the last two years' enrolment data.

35.28 Per capita payments recognise the fixed costs attached to all students (enrolment, records, etc). They are made pro rata from a pre-determined fund, subject to a minimum study requirement of 10 credit values.

35.29 Premium payments currently operate in three areas: widening access for socially excluded groups, Welsh medium provision and students with disabilities. The widening access premium has two elements: an amount per undergraduate enrolment of students from socially deprived areas, subject to the minimum 10-credit value study requirement; and an amount allocated for students recruited from Community First areas and those with non-traditional qualifications. The Welsh medium premium is a weighting on the funding attracted by a module undertaken through the medium of Welsh. The disability premium is an amount per student based on the numbers of students in receipt of Disabled Students Allowance.

Adjustment to Funding

35.30 HEFCW adjusts funding at the end of the year where the numbers actually enrolled by an institution fail to support the funding allocation made to it. In line with Welsh Assembly Government policy, adjustment for over-enrolment was discontinued in 2002-03. However, institutions have been alerted that, because of the demand-led nature of the student finance budget, financial implications could well arise for the Welsh Assembly Government budget from the recruitment of full-time students over and above HEFCW-funded places, and that they should bear this in mind when recruiting students and act with appropriate prudence.

35.31 Adjustment is carried out on the aggregate of numbers in non-quota-controlled ASCs, and within ASCs for those which are subject to quota.

35.32 There is a threshold below which no adjustment is applied. Currently this is £50,000 or 10 per cent of the institution's total grant for teaching, whichever is the lesser, across all ASCs.

Funding for Postgraduate Research Training

35.33 Each year, HEFCW establishes the total amount of funding to be made available for postgraduate research training, together with the standard unit of funding for each of three groups of related ASCs. Grants for individual institutions are calculated by applying the standard unit of PGR funding for the relevant ASC to the previous year's qualifying PGR enrolments in that ASC.

35.34 Where the total allocations for the sector resulting from the operation of the formula exceed the funding available, a proportion of qualifying enrolments will not attract funding.

35.35 Funding to institutions for PGR is provided in the form of a block grant.

Funding for Research

35.36 HEFCW operates a policy of allocating research funding selectively on the basis of research quality.

35.37 Research quality is assessed periodically in a Research Assessment Exercise, run by the four UK higher education funding bodies jointly. The last RAEs were in 2001 and 2008. Institutions may submit research in any subject area to be assessed through peer review by panels of experts. Submissions are made in a subject-based unit of assessment, of which there were 67 in the 2008 RAE.

35.38 The great majority of HEFCW's funding for research is allocated as quality-related (QR) grant. Allocations are calculated on the basis of institutions' performance in the RAE. The allocation method also takes into account research volume, measured primarily as the number of staff submitted to the RAE for assessment, but also using additional proxy volume measures including numbers of research students and research income from charities.

Third Mission Fund

35.39 HEFCW established a Third Mission Fund in 2004 as a dedicated stream of core funding to support HEIs in activities that bring economic and community benefits. Release of funding to institutions is subject to receipt of a satisfactory three-year strategy outlining how the institution's intended range of third mission activities will benefit higher education and contribute to economic and social well-being in Wales and beyond.

35.40 Funding allocations from the Third Mission Fund are based on a common level of foundation funding for all HEIs, plus formula-based supplementary funding which takes account of past performance. In the current cycle, £1 million per annum has also been earmarked to support collaborative third mission activities. Performance is monitored via the annual monitoring statements submitted to

HEFCW, which record progress against annual milestones agreed with institutions on receipt of their third mission strategies. Within their strategies, institutions are also expected to demonstrate a strategic approach to the use of non-HEFCW funding – particularly Academia for Business (A4B) programme funds available through the Welsh Assembly Government – to complement the Third Mission Fund, as part of a dual-support approach.

Funding for Initial Teacher Training

35.41 Under the Education (School Teachers' Qualifications) (Wales) Regulations 2004, HEFCW has specific responsibility to accredit providers of initial teacher training for school teachers, in accordance with criteria specified by the Welsh Assembly Government. Each year HEFCW determines funds and funded numbers for institutions which offer ITT on the basis of the intake quotas set by the Welsh Assembly Government under powers set out in the Education Act 2005. Under the Education Act 2005, HEFCW also carries out or commissions research to improve the training of teachers and the standards of teaching.

35.42 HEFCW works closely with the Welsh Assembly Government, Estyn (the Office of Her Majesty's Chief Inspector of Education and Training in Wales), the General Teaching Council for Wales and the universities and colleges providing the training, in order to ensure the best possible opportunities for trainee teachers throughout Wales.

Special Funding

35.43 Although the majority of HEFCW's funding is distributed as block grants to HEIs through the funding formula for research and teaching, a number of activities cannot be funded in this way and are instead supported through special funding. This includes some above-baseline funding allocated in support of Welsh Assembly Government strategic priorities for higher education, including for reconfiguration and collaboration and for widening access.

35.44 In some cases, special funding allocations are determined on the basis of assessment of strategies or other performance criteria; in other cases, funding is allocated on a case-by-case basis following consideration of bids submitted by institutions. All special funding methods are tested to minimise the accountability burden on institutions, and are normally introduced only after consultation with the sector. The main elements of special funding currently provided by HEFCW cover the following areas:

- reconfiguration and collaboration, including mergers, to reshape the sector as the way forward for securing a competitive and sustainable HE sector in Wales.
- strategic development funding to support lower-level collaborative initiatives and initiatives within individual institutions that significantly address Assembly Government priorities
- raising the quality of learning and teaching, and supporting excellent teaching

- widening access
- Welsh medium provision.

35.45 Special funding also supports joint activities by all the UK Funding Councils, such as the work of the Joint Information Systems Committee, the Leadership Foundation for Higher Education, and the Equality Challenge Unit.

Capital Funding

35.46 Capital funding is provided to HEIs in Wales through the Capital Investment Fund, which comprises two elements:

- HEFCW's capital funding for learning and teaching, and research
- Welsh HEIs' share of the funding provided by DIUS (from 2008-09) for research infrastructure on a UK-wide basis.

35.47 Institutions also fund capital projects out of mainstream recurrent funding, commercial loans, bonds and other borrowing, and from earned endowment and other income.

Research Grants and Contracts

As per Section A4, paragraphs 4.25 to 4.27 inclusive, except for 'HEFCE' read 'HEFCW'.

The Transparency Review

As per Section A4, paragraph 4.28, except for 'HEFCE' read 'HEFCW'.

Medical and Dental Education and Research

35.48 Medical education in Wales is delivered by Cardiff University and Swansea University. Dental education is delivered by Cardiff University. The provision draws upon a well-established, interdependent relationship with NHS Wales, through which medical students receive their clinical placements at various Welsh hospitals. The Welsh Assembly Government describes this arrangement as the 'hub and spoke' model. It includes partnerships with Swansea University and Bangor University (including provision at Glyndŵr University, formerly the North-East Wales Institute of Higher Education).

35.49 HEFCW supports an annual intake of clinical medical students at Cardiff University and an annual intake onto the Graduate Entry Scheme at Swansea University. The Welsh Assembly Government also supports these intakes through the Service Increment for Teaching (SIFT) funding delivered directly to the relevant teaching hospitals.

35.50 HEFCW also supports a range of other courses in subjects and professions allied to medicine, ranging from nursing to radiography and podiatry. These courses are available at several HEIs in Wales.

35.51 HEFCW liaises with the Welsh Assembly Government's Health Directorate and participates in the UK Funding Councils' Healthcare Education Advisory Committee, which advises the Funding Councils on all medical and dental matters, including country-specific issues on request.

Endowments, Donations and Other Sources of Income

See Section A4, paragraphs 4.32 and 4.33.

Strategic Planning

35.52 HEFCW requires institutions to provide annually a copy of their current strategic plan and, if the plan submitted has not been updated within the last academic year, a brief update report on progress made and significant developments since the plan was written. HEFCW recognises that institutions' plans vary in size and scope, and so does not specify a particular time period, format or structure for the strategic plan. However, HEFCW does expect that the strategic plan will cover each of the major activities in which the institution is engaged, according to its mission, and that the plan will include a range of key performance indicators and SMART (Specific, Measurable, Achievable, Relevant, Time-specific) targets.

35.53 Alongside strategic plans, HEFCW requires institutions to submit financial forecasts and student and staff number forecasts covering a five-year period. Since 2003, each institution has also been required to complete an annex indicating its planned contribution to the Welsh Assembly Government's Reaching Higher targets for the HE sector in Wales to 2010.

35.54 Since 2005, HEFCW has required institutions to submit details of performance in relation to a number of specific plans and sub-strategies through annual monitoring statements. These provide information to HEFCW on previously agreed performance indicators and targets, and assurance that the funds reported on have broadly been used for their intended purpose.

Risk Management and Internal Control

35.55 Risk management is an essential part of effective governance of HEIs. HEFCW sets out in its Financial Memorandum between itself and institutions and in its Audit Code of Practice details of institutions' responsibilities for having in place effective risk management and systems of internal control. The Financial Memorandum also states that institutions' risk management arrangements should consider the key principles set out in HEFCW's Accounts Direction to Higher Education Institutions, issued annually as a circular to the sector. HEFCW does not prescribe a specific methodology for managing risks. Institutions are encouraged to implement systems appropriate to their individual circumstances.

35.56 The role of an HEI's governing body in relation to risk management and control is at overview level; it is not responsible for managing risk at operational level. However, the governing body needs to ensure that a robust system exists for identifying, evaluating and managing risk within the institution, and that this process is subject to regular review.

Audit

35.57 The Financial Memorandum between HEFCW and the Welsh Assembly Government requires HEFCW to issue a code of practice governing institutions' audit arrangements. HEFCW's current Audit Code of Practice was issued in 2008

(see Bibliography). It sets out HEFCW's requirements for institutions' accountability and audit arrangements and the broad framework in which they should operate. Compliance with the mandatory requirements of the Audit Code of Practice is a requirement of the Financial Memorandum between HEFCW and institutions, and is therefore a condition of HEFCW grant.

35.58 Guidance on the way in which an audit committee in an HEI should operate and be constituted is set down in the *Handbook for Members of Audit Committees in Higher Education*, published by the CUC in February 2008.

35.59 HEFCW's position is that governing bodies and audit committees should conduct themselves in line with the CUC's principles and practices, and that where they differ this should be explained and made public. Overall, HEFCW aims to be content to rely on the accountability provided by an audit committee following CUC practice, and by a governing body able to exercise accountability on behalf of external investors. HEFCW therefore supports the principle of an external majority on an HEI governing body.

35.60 Audit committee members should not be members of a finance committee or its equivalent. This creates the potential for a conflict of interest when the audit committee is considering decisions involving the finance committee. If an HEI's governing body determines that minimal cross-representation (no more than one representative) is essential, this should be the subject of an explicit, recorded resolution – but it should not be an option for the chair of either committee. The chair of the governing body should not be a member of the audit committee.

Remuneration Committees

35.61 HEFCW has issued guidance to institutions on good practice in relation to severance agreements (see Bibliography).

Undergraduate Student Support

Student Loans

35.62 There is a system of income-contingent student loans. These loans are repayable once the student has left higher education and achieved earnings that exceed a specified minimum threshold.

Students from Wales

35.63 Students who normally live in Wales may be entitled to further support from the Welsh Assembly Government. Available support measures include Assembly learning grants to meet general living costs; special support grants for students who are over 60 or are in receipt of certain disability benefits; and fee grants for part-time students. Further details are available from the Student Finance Wales web-site (www.studentfinancewales.co.uk).

35.64 Institutions receive an earmarked grant of financial contingency funds from the Welsh Assembly Government to assist home students who face particular financial difficulties. The Welsh Assembly Government determines the criteria for allocating this funding, and individual institutions are responsible for deciding which students will benefit from the funding available. A national bursary scheme also operates for students in higher education in Wales. All students who are entitled to the full maintenance grant will be eligible for the national bursary.

35.65 HEFCW also operates a part-time undergraduate fee waiver scheme for students who are unemployed and actively seeking work, or who are in receipt of Department of Work and Pensions benefits. This scheme is designed to serve as an instrument for helping to combat social exclusion and to assist more people to obtain vocational qualifications. As such, it is intended to contribute towards widening participation for disadvantaged groups (such as care leavers), improving access and increasing rates of retention and achievement.

36 Learning and Teaching

36.1 The Quality Assurance Agency for Higher Education, in partnership with HEFCW, developed the process of institutional review for Wales, covering the period 2003-04 to 2008-09. Institutional review applies to all higher education provision in Wales.

36.2 Institutional review is an evidence-based process carried out through peer review. The current institutional review process (2003-04 to 2008-09) was developed by the QAA in partnership with HEFCW and the higher education and further education sectors. It is part of a wider quality assurance and standards framework for Wales.

36.3 The purpose of institutional review is to meet the public interest in knowing that institutions in Wales are providing higher education awards and qualifications of appropriate academic standard and quality. The process seeks to:

- i) as a minimum, enable HEFCW to meet its statutory obligations to secure that provision is made for assessing the quality of education provided in institutions for whose activities it provides financial support; institutional review should provide robust assurance of the effectiveness of quality assurance and standards mechanisms embedded in HEIs, and the outcomes should make accurate and timely information on the quality of learning opportunities and academic standards available to a wide range of stakeholder groups
- ii) be consistent with European requirements and guidance, as identified by the European Association for Quality Assurance in Higher Education (*Standards and Guidelines for Quality Assurance in the European Higher Education Area*, Helsinki, 2nd edition, 2007) and should benefit Wales compared with the rest of the UK, Europe and internationally
- iii) provide clear statements and evidence of continuous quality enhancement and improvement activities being undertaken within HE in Wales, and place into context the extent to which institutions engage with quality enhancement
- iv) have value to institutions beyond the outcome judgement and focus on the responsibility of each institution to secure the quality and standards of its awards in line with the QAA academic infrastructure
- v) make the learner experience central to the process and be based on the concept of peer review.

36.4 The institutional review process requires each institution to publish a range of regulated information about quality and standards, and a wider range of information will also need to be available to the reviewers. Some of this information is available on institutions' web-sites, and some is available on the Unistats web-site. The QAA includes commentary in the review report on the reliance that can reasonably be placed on the accuracy, integrity, completeness and frankness of the information an institution publishes on the quality of its programmes and the standards of its awards.

36.5 At the time of writing, HEFCW had just finished consulting on the institutional review process that will be used in Wales from 2009-10 (see Bibliography). HEFCW's recommendations to the QAA for the next institutional review process are to be made available early in 2009.

Quality Assurance by Other Bodies

36.6 The quality of provision of ITT is assessed by inspectors from Estyn (Her Majesty's Inspectorate for Education and Training in Wales).

36.7 Certain programmes, such as examples in architecture, engineering and law, have accreditation arrangements with professional bodies through which the syllabus is reviewed and approved for recognition by those bodies as an initial phase of professional training. Institutions will therefore also receive accreditation visits from these bodies from time to time.

37 Research

See Section A6. Note, however, that arrangements for QAA review of research degree provision differ slightly in Wales.

38 Estate Management

See Section A7. Note, however, that the Welsh Assembly Government has specific environmental requirements for building projects which are fully or part-funded by the Assembly Government, including HEFCW capital monies.

39 Human Resource Management

See Section A8.

40 Students

See Section A9.

41 Equality and Diversity

See Section A10.

42 Health and Safety

See Section A11.

Part IV Annexes

Annex A Other Codes of Practice

Annex A1 Model Statement of Primary Responsibilities

The principal responsibilities of the governing body should be set out in its Statement of Primary Responsibilities, which must be consistent with the institution's constitution. While there may be some variations because of different constitutional provisions, the principal responsibilities are likely to be as follows.

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
4. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.

12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To make such provision as it thinks fit for the general welfare of students, in consultation with the senate or academic board.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

Annex A2 Corporate Governance

BUFDG Guidance on Corporate Governance and Statement of Responsibilities of the Governing Body, including internal controls for Higher Education (August 2006)

Introduction

All institutions are required to include a corporate governance statement and statement of responsibilities, including reference to the institution's systems of internal control and risk management, within their financial statements. This guidance is intended to provide institutions with a framework for their corporate governance and responsibilities statement and replaces the previous BUFDG guidance *Corporate Governance in Higher Education*. This guidance is effective from August 2006.

Funding Councils

In preparing their corporate governance statement institutions should consider the best practice guidance and mandatory requirements issued by their Funding Council.

The Funding Councils issue an annual Accounts Direction specifying minimum requirements (HEFCE, HEFCW, Scottish Funding Council; Northern Ireland universities follow HEFCE's Accounts Direction).

Internal Control and Risk Management

Institutions are required to publish details of their systems of internal control and how such a system is linked to institutional objectives and implemented across the organisation. Specifically it is the responsibility of the governing body to maintain a sound system of internal control and to review the effectiveness every year.

Further, institutions must provide a statement that their risk management arrangements have been operating effectively for the financial year and up to the approval date of the financial statements. Institutions should provide information consistent with Turnbull guidance issued by the Financial Reporting Council (www.frc.org.uk/corporate/internalcontrol.cfm).

Voluntary Codes for Governing Bodies

Institutions should also consider the detailed code of practice from the Committee of University Chairs issued in *Guide for Members of Higher Education Governing Bodies in the UK*. Institutions are expected to state that they have had regard to the code and whether their practices are consistent with the code. This detailed guidance provides detailed principles on the operation of the governing body.

Furthermore, institutions should have regard to the Combined Code (www.frc.org.uk/corporate/combinedcode.cfm) on corporate governance issued by the Financial Reporting Council, which although intended for the private sector, forms the basis of good practice guidance for institutions.

Framework for Responsibilities and Corporate Governance Statement

Responsibilities of the governing body	<p>Explain where the responsibility rests for the administration and management of the institution's financial affairs, including preparation of financial statements.</p> <p>Explain the governing body's responsibilities in this regard. Consider responsibilities in respect of: maintaining proper accounting records, compliance with institution's charter or statutes, compliance with the SORP (Statement of Recommended Practice) and Funding Council Financial Memorandum, safeguarding assets and prevention and detection of fraud</p> <p>Explain institution's responsibilities in terms of corporate governance, refer to codes of practice (Funding Councils, CUC, Turnbull and Combined Code).</p>
Principles and ethos of institution	<p>Relevance of Nolan Committee Standards in Public Life to the institution and general principles adopted for decision making and accountability. Consider reference to any register of interests.</p>
Institution's constitution and structural organisation	<p>Explain legal constitution of governing body, key committees and their terms of reference. Explain who the trustees of the institution are. Consider the position of the de facto chief executive and reporting framework for decision making.</p> <p>Consider the membership and attendance, and the effectiveness of the governing body and its key committees.</p>
Statement on internal control	<p>Explain responsibilities of the governing body in this regard. Consider the principles of such an internal control and risk management process. Explain what system is in place, how it is linked to organisational objectives and embedded across the institution. Consider how such a system is reviewed.</p>

Annex A3 Guidance on Whistleblowing

This annex offers guidance to higher education institutions on the handling of allegations made by staff members relating to the running of the institution or the activities of colleagues within the institution (referred to as 'whistleblowing'). It is intended only as a statement of good practice and general principles: institutions should draft more detailed protocols to take account of individual circumstances and experience (if they have not done so already). In doing so, institutions should refer to the Public Interest Disclosure Act 1998 (the Public Interest Disclosure (Northern Ireland) Order 1998 in Northern Ireland), which sets out in detail when 'disclosures' by staff are protected by the Act. Such protocols would draw on the guidance given below, and would recognise the need to investigate allegations fully, while dealing fairly with anyone accused.

1. Universities and colleges of higher education, like other public bodies, have a duty to conduct their affairs in a responsible and transparent way and to take into account both the requirements of funding bodies (including of course the Funding Councils) and the standards set out in the reports of the Committee on Standards in Public Life. In addition, they are committed to the principles of academic freedom embodied in their own charters, statutes and articles of government, and enshrined in the Education Reform Act 1988.
2. Members of staff are often the first to know when things are going wrong in an institution, whether this concerns financial malpractice, the abrogation of appropriate and agreed procedures, or departures from the statutory or other requirements for good governance. All institutions should establish official channels through which such concerns can be raised, for example through heads of department, at official committees, or through staff representatives, including the accredited trades unions. In the normal course of events, concerns should be raised through these channels. But members of staff often feel, rightly or wrongly, that their own position in the institution will be jeopardised if they raise a particular concern in this way, and sometimes the usual channels may indeed be inappropriate.
3. Good practice would suggest that:
 - a. Allegations of injustice or discrimination against individuals should be dealt with under established procedures approved by the governing body or, if it is a student grievance, through the machinery established by the institution for this purpose.
 - b. Allegations about an individual's financial conduct should normally be made to the head of internal audit. He/she is required to have direct reporting relationships both with the vice-chancellor/principal/chief executive, as the officer designated by the governing body and by the Funding Council to be accountable for the control of the institution's funds, and with the audit committee established by the governing body. Internal audit should investigate the allegation and report to a higher authority as appropriate. Where, for whatever reason, the person making the allegation considers it

inappropriate to make it to the head of internal audit, the provisions of sub-paragraph c apply.

- c. Allegations about other issues could concern, for example, the behaviour of a senior officer of the institution, or a lay/independent member of the governing body, or the propriety of committee or other collective decisions. Such allegations should be made, as the person making the allegation deems appropriate, to the vice-chancellor/principal/chief executive, or to the secretary/registrar/clerk to the governing body, or to the chair of the governing body. If for any reason none of these individuals is deemed to be appropriate, the allegation should be made to the chair of the audit committee.
4. In any case where an allegation is made under sub-paragraphs 3b and 3c, the person to whom the allegation is made should make a record of its receipt and of what action is taken. Any allegation made under this procedure shall normally be the subject of a preliminary investigation either by the person to whom the allegation is made or more usually by a person or persons appointed by him/her. Institutions should take steps to ensure that investigations are not carried out by the person who may ultimately have to reach a decision on the matter. Where no investigation is carried out, and the allegation is effectively dismissed, the person making the allegation should be informed and given the opportunity to repeat the allegation to some other person or authority within the institution. This need not be done where an allegation is dismissed after an investigation. The person or persons against whom the allegation is made must also be told of it and the evidence supporting it. They should be allowed to comment before the investigation is concluded and a report made. The results of the investigation shall be reported to the audit committee.
5. Any person making an allegation under sub-paragraphs 3b or 3c should be guaranteed that the allegation will be regarded as confidential to the receiver until a formal investigation is launched. Thereafter, the identity of the person making the allegation may be kept confidential, if requested, unless this is incompatible with a fair investigation, or if there is an overriding reason for disclosure (for example, if police involvement is required). Provided the allegation has been made lawfully, without malice and in the public interest, the employment position of the person should not be disadvantaged because he/she made the allegation.
6. Institutions may wish to consider using the policy checklist proposed by Public Concern at Work so far as it applies to higher education institutions.

Annex B Glossary of Terms

1. The diversity of the higher education sector means that a wide range of terminology is used in matters of governance. The following terms have therefore been used in this guide to cover those which are broadly analogous.

Governing body	The university court (in Scotland), council, board of governors or other body ultimately responsible for the affairs of the institution
Member	Member of governing body, governor, board member
Head of the institution	The person with executive responsibility for the management of the institution, most commonly entitled vice-chancellor, principal, director, rector or provost
Chair	The chair, chairwoman, pro-chancellor or other person who takes the chair at meetings of the institution's governing body
Secretary	The clerk to the governing body, registrar, secretary or other person responsible for convening and arranging for minuting the meetings of the governing body

2. The following terms have also been used.

Pre-1992 HEIs	Higher education institutions which were funded centrally before the provisions of the Further and Higher Education Act 1992 came into force; and the two Northern Ireland universities
Post-1992 universities	Higher education institutions which acquired university designation as a result of the provisions of the Further and Higher Education Act 1992
Colleges	Those higher education colleges which, under the provisions of the Further and Higher Education Act 1992, are funded by the Higher Education Funding Councils for England and Wales
Funding Council	The Higher Education Funding Council for England (HEFCE), the Scottish Funding Council (SFC), the Higher Education Funding Council for Wales (HEFCW) or in Northern Ireland, where there is no intermediary funding council, the Department for Employment and Learning (DEL)

Annex C Abbreviations and Acronyms in Higher Education

ACU	Association of Commonwealth Universities
AGSB	Assembly Government-Sponsored Body (Wales)
AGW	Auditor General for Wales
AHRC	Arts and Humanities Research Council
AHUA	Association of Heads of University Administration
AMRC	Association of Medical Research Charities
ARC	Academic Registrars Council
ASC	Academic Subject Category
AUA	Association of University Administrators
AUDE	Association of University Directors of Estates
AURIL	Association for University Research and Industry Links
AUT	Association of University Teachers (now UCU)
BA	British Academy
BAAS	British Association for the Advancement of Science
BBSRC	Biotechnology and Biological Sciences Research Council
BDA	British Dental Association
BMA	British Medical Association
BUFDG	British Universities Finance Directors Group
CATS	Credit Accumulation and Transfer Scheme
CCCU	Council of Church Colleges and Universities
CETL	Centre for Excellence in Teaching and Learning
CHEIA	Council of Higher Education Internal Auditors
CIHE	Council for Industry and Higher Education
CLA	Copyright Licensing Agency Ltd
CPS	Corporate planning statement
CUC	Committee of University Chairs
CVCP	Committee of Vice-Chancellors and Principals (now Universities UK)
DDA	Disability Discrimination Act
DEFRA	Department for Environment, Food and Rural Affairs
DEL	Department for Employment and Learning (Northern Ireland)

DfES	Department for Education and Skills (now DIUS)
DFID	Department for International Development
DIUS	Department for Innovation, Universities and Skills
DLHE	Destinations of Leavers from Higher Education
ECCTIS	Education Counselling and Credit Transfer Information Service
ECU	Equality Challenge Unit
ECUK	Engineering Council UK
EFL	English as a foreign language
EIS	Educational Institute of Scotland
ELIR	Enhancement-led institutional review
EPSRC	Engineering and Physical Sciences Research Council
ERA	Education Reform Act 1988
ERASMUS	European Community Action Scheme for the Mobility of University Students
ERDF	European Regional Development Fund
ESF	European Social Fund
ESRC	Economic and Social Research Council
ESTYN	Her Majesty's Inspectorate of Education and Training in Wales
ETLLD	Scottish Executive Enterprise, Transport and Lifelong Learning Department (now the Scottish Government's Lifelong Learning Directorate)
FDS	First Destination Survey (now the DLHE)
FE	Further education
FEC	Further education college; also full economic costing
FEFC	Further Education Funding Council (now LSC)
FHEA	Further and Higher Education Act 1992
FOI	Freedom of Information Act
FTE	Full-time equivalent
GDC	General Dental Council
GMB	General, Municipal and Boilermakers Union
GMC	General Medical Council
GNVQ	General National Vocational Qualification
GTC	General Teaching Council for England
GTCNI	General Teaching Council for Northern Ireland
GTCW	General Teaching Council for Wales

HE	Higher education
HEA	Higher Education Act 2004; also Higher Education Academy
HE-BCI	Higher Education Business and Community Interaction (Survey)
HEC	Higher education corporation
HEFCE	Higher Education Funding Council for England
HEFCW	Higher Education Funding Council for Wales
HEI	Higher education institution
HEIF	Higher Education Innovation Fund
HEIFES	Higher Education in Further Education Students Survey
HEPI	Higher Education Policy Institute
HERA	Higher Education Role Analysis
HESA	Higher Education Statistics Agency
HESES	Higher Education Students Early Statistics Survey
HESMF	Higher Education Senior Managers Forum
HEW	Higher Education Wales
HMIE	Her Majesty's Inspectorate of Education
HNC/D	Higher National Certificate/Diploma
HR	Human resources
INSET	In-service education and training
IT	Information technology
ITE	Initial Teacher Education (Northern Ireland)
ITT	Initial teacher training
JANET	Joint Academic NETwork (computing)
JCPSPG	Joint Costing and Pricing Steering Group
JISC	Joint Information Systems Committee (of the higher education funding councils)
JNCHES	Joint Negotiating Committee for Higher Education Staff
JQRG	Joint Quality Review Group
KPI	Key performance indicator
LAN	Local Area Network (computing)
LEA	Local education authority
LFHE	Leadership Foundation for Higher Education
LGPS	Local Government Pension Scheme
LLD	Scottish Government's Lifelong Learning Directorate
LSC	Learning and Skills Council

MAN	Metropolitan Area Network (computing)
MRC	Medical Research Council
NAO	National Audit Office
NATFHE	National Association of Teachers in Further and Higher Education (now UCU)
NCIHE	National Committee of Inquiry into Higher Education (Dearing Committee)
NDPB	Non-departmental public body (otherwise known as 'quangos')
NERC	Natural Environment Research Council
NHSPS	National Health Service Pension Scheme
NIAO	Northern Ireland Audit Office
NIHRC	Northern Ireland Human Rights Commission
NTFS	National Teaching Fellowship Scheme
NUS	National Union of Students
OFFA	Office for Fair Access
OFSTED	Office for Standards in Education
OIA	Office of the Independent Adjudicator
ORSAS	Overseas Research Students Awards Scheme
OSCR	Office of the Scottish Charity Register
OSI	Office of Science and Innovation (now part of DIUS)
OU	Open University
PAC	Public Accounts Committee
PCFC	Polytechnics and Colleges Funding Council (wound up in 1992)
PFI	Private finance initiative
PGR	Postgraduate research training
PI	Performance indicator
QAA	Quality Assurance Agency for Higher Education
QCA	Qualifications and Curriculum Authority
QR	Quality related
QTS	Qualified teacher status
RAE	Research Assessment Exercise
RCUK	Research Councils UK
RDA	Regional Development Agency
REF	Research Excellence Framework
RSA	Royal Society of Arts

SAT	Self-administered trust
SAUL	Superannuation Arrangements of the University of London
SCONUL	Society of College, National and University Libraries
SCOP	Standing Conference of Principals (now GuildHE)
SENDA	Special Educational Needs and Disability Act 2001
SENDO	Special Educational Needs and Disability (Northern Ireland) Order 2005
SFC	Scottish Funding Council
SFEFC	Scottish Further Education Funding Council (now SFC)
SHEFC	Scottish Higher Education Funding Council (now SFC)
SKILL	National Bureau for Students with Disabilities
SLC	Student Loans Company
SORP	Statement of Recommended Practice: Accounting for Further and Higher Education
sparqs	Student Participation in Quality Scotland
SPSO	Scottish Public Services Ombudsman
TDA	Training and Development Agency for Schools
TPS	Teachers Pension Scheme
TRAC	Transparent Approach to Costing
TTA	Teacher Training Agency (now TDA)
TUPE	Transfer of Undertakings (Protection of Employment) Regulations
UCAS	Universities and Colleges Admissions Service
UCEA	Universities and Colleges Employers Association
UCET	Universities Council for the Education of Teachers
UCU	Universities and Colleges Union
UKCOSA	United Kingdom Council for Overseas Student Affairs
UKHEAC	UK Funding Bodies' Healthcare Education Advisory Committee
UOA	Unit of assessment
UPA	Universities Personnel Association
US	Universities Scotland
USI	Union of Students in Ireland
USS	Universities Superannuation Scheme
UUK	Universities UK (formerly CVCP)
WAO	Wales Audit Office

Annex D Representative Bodies in Higher Education

Association of Heads of University Administration

1. Members of the Association of Heads of University Administration (AHUA) are officers in UK universities, immediately below the level of the head of the institution, who have strategic, operational and governance responsibilities across a wide span of the institution's affairs. Such an officer will normally be the secretary to the governing body of the institution.
2. The AHUA promotes the adoption of best practice in the leadership of professional services and the governance of higher education institutions. This is achieved by:
 - sharing experience and encouraging good practice through the organisation of conferences and regional meetings and by contributing to working groups on specific issues
 - reinforcing AHUA's status as an influential and authoritative voice in the development of policy and professional services in UK higher education
 - monitoring proposed regulation and legislation to ensure that the management impact on HEIs is proportionate, and responding to consultation documents in a timely manner
 - promoting good governance in partnership with other key organisations
 - leading the development of career paths of professional services staff
 - enhancing members' leadership and management skills through a range of development initiatives in conjunction with other relevant bodies.

Committee of University Chairs

3. The Committee of University Chairs (CUC) was founded in 1986 and provides a forum for discussion for university chairs. By sharing their knowledge, experience and problems, they are enabled to act more efficiently in helping their councils and boards to discharge their responsibilities, and to contribute their own knowledge, experience and perspective to considering matters of concern.
4. The CUC meets twice a year in April and October. It has developed a friendly, informal style which helps members to discuss their ideas, concerns and problems with colleagues.
5. CUC is the representative body for the chairs of UK universities. It is a unified body which encompasses all universities irrespective of their mission or origins. As such, it reflects the diversity of the UK higher education sector, and therefore seeks to address generic rather than specific issues. It engages with a wide range of stakeholders, having in particular a close relationship with Universities UK (UUK).
6. CUC's aims reflect the following principles:
 - CUC is an enabling body which seeks to ensure that its members are well informed of relevant issues and developments, so that they are better able to discharge their roles for the accountability and sustainability of their institutions.

- CUC is an influencing body which seeks to address policy issues with Ministers and government departments across the UK on a range of strategic matters pertaining both to trends in HE as a whole and to the particular responsibilities of members of individual governing bodies, based on its access to sound data, substantial research and wide experience.
- CUC is a constructive body which seeks to contribute the distinctive experience, knowledge and perspective of its lay members.
- CUC is a body which provides a forum and network for members both individually and within like groupings, where they can share common issues and concerns in a supportive environment.

7. The aims of CUC are to:

- support the HE sector in developing the highest standards of governance appropriate within a sector comprised of autonomous and independent institutions, serving a multiplicity of stakeholders and vital to the nation's prosperity
- assist governing bodies to fulfil their responsibilities, particularly in relation to institutional strategy and performance
- promote best practice in university governance, and enable such best practice and related topics to be examined under its auspices through seminars, publications, conferences and advice
- work with individual governors to develop their knowledge and skills, as these relate to the good governance of their institutions, through (for example) governor development programmes and newsletters
- assist in the development of networks within the sector where individual members can seek the advice and support of their colleagues and benchmark their performance against organisations with similar profiles.

GuildHE

8. GuildHE is a membership body for the vice-chancellors, principals and directors of a number of newer universities, university colleges (which hold degree-awarding powers), specialist colleges and other institutional providers of higher education. Financed by annual contributions from its member institutions, GuildHE is the key advocate for the importance of institutional diversity within the HE sector, and succeeded a previous organisation called SCOP – the Standing Conference of Principals. Its members include many institutions with a specialist mission or subject focus, including major providers in art and design, music and the performing arts, agriculture, education and health.

9. As a formal representative body for higher education, GuildHE undertakes a similar role for its members to that performed by Universities UK. It represents its members' views and concerns to the Government, Funding and Research Councils and other educational interests. It acts to support the infrastructure of higher education through ownership and board-level support (alongside UUK) for the many national agencies in the HE sector, such as HESA, HEA, LFHE and UCAS, and other national-level working groups. It also provides a forum for

discussing the educational issues of the day, including through its practitioner networks for the governors and senior staff of its institutions. GuildHE works independently from, but also frequently collaboratively with, UUK to ensure that the views of all parts of the higher education sector are understood.

Higher Education Senior Managers Forum

10. The Higher Education Senior Managers Forum (HESMF) has been established as a means for the main representative professional groups in the sector to collaborate effectively on issues of shared interest. It follows an initiative taken by AHUA, and consists of the following membership:

- Association of Heads of University Administration
- Academic Registrars Council
- Association of University Administrators
- Association of University Directors of Estates
- British Universities Finance Directors Group
- Universities Personnel Association.

Representatives of UUK and GuildHE attend meetings of the HESMF.

11. The membership represents the five core business areas in higher education institutions throughout the UK:

- general management
- academic administration
- finance
- estates
- personnel.

12. The main purposes of the HESMF are to:

- be pro-active in identifying strategic issues and developing policy
- provide a clear route and more effective process for consultation
- develop the means to ensure a more effective and representative voice
- enable UUK to engage with the diverse needs and priorities of the sector
- exchange information and ideas and provide a valuable resource of knowledge and expertise for the sector.

13. The key benefits are to:

- have a more influential, representative voice in the sector
- avoid duplication of effort
- enhance communications between the groups
- inform UUK about issues of concern to senior managers, and advise on the best professional practice
- use members' expertise more effectively.

Higher Education Wales

14. Higher Education Wales (HEW) was established in 1996 to represent the higher education sector in Wales. It is the national council in Wales of Universities UK (see below). Its membership encompasses all the heads of the higher education institutions in Wales. In December 2006 HEW opened its new office in Cardiff Bay with five full-time staff. HEW provides an expert resource on all aspects of higher education in Wales to the many interested stakeholders, including Assembly Members and Welsh MPs, the Welsh and UK media, students, staff and business leaders. HEW promotes and supports higher education in Wales, representing the interests of its members to the National Assembly, Parliament, political parties and European institutions and bodies. It also negotiates on behalf of Welsh higher education.

Leadership Foundation for Higher Education

15. The LFHE was launched in March 2004 to serve the diverse leadership development needs of the senior management of UK universities and higher education colleges, including governors. It supports and promotes the excellent leadership, governance and management development that exists within higher education. The LFHE also provides current and future leaders in higher education with services such as:

- open programmes, mentoring and coaching
- customised programmes, consultancy, benchmarking and needs analysis
- networks and communities of learning through alumni activities, special interest groups and international links
- applied research and development to support new learning initiatives and stimulate innovation
- sharing and championing good practice in leadership, governance and management.

16. The LFHE has a small virtual team of experienced leadership and organisational development professionals drawn from higher education, other parts of the public sector, and from the private sector. It works in partnership with the higher education sector and other partner organisations. For more information about the LFHE visit its web-site (www.lfhe.ac.uk).

National Union of Students

17. Students' unions in individual institutions can affiliate to the National Union of Students. In Northern Ireland, membership is jointly administered by the NUS and USI (Union of Students in Ireland).

18. The role of the NUS includes:

- fighting for better rights for all its members on key issues such as student funding, welfare and accommodation
- representing students' views at a national level, for example through contact with other stakeholders and MPs; the NUS acts as the

authoritative voice on student funding, and its representatives are often in the media

- undertaking research into issues of relevance to students, and co-ordinating national campaigns
- providing training for local students' union officers
- via its commercial arm, the National Union of Students Services Limited, the NUS is engaged in collective purchasing of goods for sale in students' union shops and bars.

19. NUS policy is determined at an annual national conference to which all affiliated unions may send delegates and submit nominations. The NUS has a National Executive Committee which is elected annually and is supported by a salaried staff.

Staff Unions

20. National negotiations on pay and related matters for higher education staff are conducted under the auspices of the New Joint Negotiating Committee for Higher Education Staff (New JNCHES), which was formally launched in September 2008. Universities and HE colleges are free to choose whether to adopt the resulting national agreements – subject to commitments in any local collective agreements and in their contracts of employment with staff. New JNCHES has replaced JNCHES, which operated between 2001 and 2008. More details can be found at www.ucea.ac.uk

21. New JNCHES comprises representatives of the Universities and Colleges Employers Association and, as of November 2008,¹ the following trades unions:

- the Educational Institute of Scotland (EIS), which represents academic staff at post-1992 universities and colleges in Scotland
- the General, Municipal and Boilermakers Union, which represents support staff at some HEIs
- Unison, which represents support staff in both pre-1992 and post-1992 HEIs; by some margin it has the largest membership, nationally, among the unions representing HE support staff
- Unite, created in 2007 by the merger of Amicus and the Transport and General Workers Union, which represents support staff in HEIs.

22. Pay and related issues for clinical academic staff were, under the old JNCHES, dealt with by the Clinical Academic Staff Salaries Committee, which comprised representatives of UCEA, the British Medical Association (BMA), British Dental Association (BDA) and UCU. At the time of writing (November 2008), this is to be replaced by an arrangement whereby New JNCHES will facilitate negotiations on matters concerning clinical academics' pay, if the translation of relevant NHS pay awards cannot be agreed between officers of

¹ At the time of writing (November 2008), the Universities and Colleges Union (UCU) has chosen to remain outside of New JNCHES, although UCEA and the other unions hold the door open for it to join national bargaining. UCU was created by the amalgamation of the Association of University Teachers (AUT) and National Association of Teachers in Further and Higher Education (NATFHE) in 2006. It represents academic and academic-related staff in pre-1992 universities, plus academic staff in the post-1992 universities and HE colleges, including some clinical academic staff.

UCEA, BMA, BDA and UCU. Such negotiations, where they are necessary, should include representatives of these four bodies, on an agreed basis.

23. A forum for discussions between these parties, and other relevant stakeholders, on issues that are beyond the remit of the pay group will be provided via an annual 'stakeholders' forum, where issues of mutual interest will be discussed. The forum will be outside the New JNCHES arrangements and will not have a negotiating or consultative remit. It will, however, provide a regular opportunity for representatives of clinical academic staff and the employers to speak directly with each other.

24. Individual universities and HE colleges generally recognise only a few of the above trades unions for local negotiating purposes. In any particular case, the relevant unions will have been determined largely by history: for example, by whether the institution was an HEI before 1992, and by which of the three unions representing support staff (or which of their predecessors, given that each is the product of a series of mergers) historically developed organising rights in particular parts of the country.

25. In some universities and HE colleges, staff may be members of unions other than those formally recognised. In some cases, this is because other unions organise on campus – perhaps following institutional or union mergers. In other cases, staff have individual membership of different unions, sometimes retained from previous employment, or because of professional links (such as membership of the Royal College of Nursing or other health-related unions).

26. It may be helpful to note that recognition rights among the unions representing support staff have their roots in a 'spheres of influence' agreement. This was drawn up under Trades Union Congress (TUC) auspices in the mid-1960s, for the pre-1992 part of the sector; there is an equivalent TUC 'spheres of influence' agreement covering local government for the post-1992 part of the sector.

Universities Scotland

27. Universities Scotland represents 14 Scottish universities plus the Open University in Scotland, two art colleges, a conservatoire, an agricultural college and the UHI Millennium Institute. It is a membership organisation funded through subscription. Universities Scotland develops policy on behalf of the higher education sector in Scotland. It also promotes the sector to decision-makers and opinion-formers, and lobbies the Scottish Parliament and the Scottish Executive on behalf of the sector. Universities Scotland works closely with UUK, but has policy autonomy on Scottish higher education matters.

Universities UK

28. Universities UK was founded as the Committee of Vice-Chancellors and Principals (CVCP) in 1918 and comprised the executive heads of universities in the UK. It was incorporated as a private company limited by guarantee and with charitable status in June 1990. It is funded by annual contributions from its member institutions, in proportion to their size. Its governing structure consists

of a UK board and three autonomous national bodies: the England/Northern Ireland Council, Universities Scotland and Higher Education Wales. There are regular plenary meetings of all its members.

29. In its corporate plan, Universities UK sets out its vision of a UK system of higher education that is properly funded from a diversity of sources, accessible to all, at the leading edge of world research, and delivering high-quality teaching and learning.

30. Universities UK's vision is of an autonomous university sector in the UK that – through excellence in teaching, research and knowledge exploitation – raises aspirations, has an international reputation for innovation, and contributes to the wider economy and society.

31. Universities UK's declared mission is to be the essential voice of UK universities by promoting and supporting their work. In pursuit of this, UUK works to deliver its mission by:

- influencing stakeholders
- providing informed policy analysis
- co-ordinating sector agencies
- providing member-exclusive services
- enhancing its own operational efficiency and effectiveness.

Agencies of Universities UK and GuildHE

32. Universities UK and GuildHE (formerly SCOP) have established the following agencies, the governing boards of which include representatives from one or more of the following – Universities UK, GuildHE, Universities Scotland, HEW and the CUC:

- Equality Challenge Unit (ECU), jointly sponsored by Universities UK, the funding bodies and GuildHE
- Graduate Prospects (formerly the Higher Education Careers Services Unit) – Universities UK, GuildHE and Universities Scotland
- HESA – Universities UK, GuildHE, Universities Scotland and HEW
- Higher Education Academy – the Funding Councils, Universities UK and GuildHE
- QAA, in conjunction with the higher education funding bodies – Universities UK, Universities Scotland, HEW and GuildHE
- UCAS – Universities UK and GuildHE
- UCEA – Universities UK, GuildHE and the CUC.

Other Representative Bodies

33. In addition to the bodies listed above, a number of other academic, administrative and professional bodies (most of which are listed in Annex C) exist to spread good practice.

Annex E Higher Education Institutions Funded by the Funding Councils

Total Income and Numbers of Students (Full-time Equivalents) 2006-07

	No. of Students* (Full-time Equivalents)	Income (£000s)
Total UK	1,728,432	21,289,853
Total England	1,434,228	17,591,618
Anglia Ruskin University	14,600	110,450
Aston University	7,928	87,085
Bath Spa University	5,943	38,804
University of Bath	11,243	149,458
University of Bedfordshire	11,207	81,375
Birkbeck College	8,102	66,486
Birmingham City University	17,805	142,563
Birmingham College of Food, Tourism and Creative Studies	6,229	33,388
University of Birmingham	23,711	388,759
Bishop Grosseteste University College Lincoln	1,495	10,948
University of Bolton	6,159	43,829
Arts Institute at Bournemouth	2,291	17,662
Bournemouth University	13,402	88,830
University of Bradford	9,924	105,689
University of Brighton	15,669	135,263
University of Bristol	16,125	315,243
Brunel University	12,739	131,783
Buckinghamshire New University	6,775	52,401
University of Buckingham	686	10,435
University of Cambridge	18,554	958,166
Institute of Cancer Research	200	77,775
Canterbury Christ Church University	10,553	81,076
University of Central Lancashire	21,153	162,026
Central School of Speech and Drama	849	10,612

	No. of Students* (Full-time Equivalents)	Income (£000s)
University of Chester	8,970	56,582
University of Chichester	4,192	29,659
City University	12,861	148,485
Conservatoire for Dance and Drama	1,144	14,410
Courtauld Institute of Art	447	9,588
Coventry University	13,901	123,754
Cranfield University	2,505	138,616
University College for the Creative Arts	6,931	47,899
Cumbria Institute of the Arts	1,311	9,289
Dartington College of Arts	603	6,204
De Montfort University	16,606	125,874
University of Derby	13,247	90,535
University of Durham	14,280	193,704
University of East Anglia	14,163	161,544
University of East London	12,993	108,206
Edge Hill University	10,028	61,643
University of Essex	9,711	107,161
University of Exeter	11,848	155,853
University College Falmouth	2,234	22,419
University of Gloucestershire	6,877	56,838
Goldsmiths College	6,547	64,405
University of Greenwich	17,944	144,589
Guildhall School of Music and Drama	706	14,761
Harper Adams University College	1,705	21,992
University of Hertfordshire	19,427	180,988
Heythrop College	539	3,711
University of Huddersfield	15,340	102,276
University of Hull	13,794	127,372
Imperial College of Science, Technology and Medicine	12,615	556,117
Institute of Education	2,859	64,250
University of Keele	8,006	93,825

	No. of Students* (Full-time Equivalents)	Income (£000s)
University of Kent	13,624	127,601
King's College London	17,188	408,168
Kingston University	19,504	150,366
University of Lancaster	10,434	148,704
Leeds College of Music	580	6,956
Leeds Metropolitan University	24,049	146,006
University of Leeds	27,385	422,334
Leeds Trinity and All Saints	2,422	17,408
University of Leicester	11,722	185,495
University of Lincoln	10,572	71,652
Liverpool Hope University	5,823	46,298
Liverpool John Moores University	18,539	143,699
Liverpool Institute for Performing Arts	667	6,630
University of Liverpool	16,467	303,635
University of the Arts, London	18,817	166,977
London Business School	1,396	85,727
University of London (institutes and activities)	244	110,500
London Metropolitan University	21,772	156,591
London South Bank University	16,121	120,183
London School of Economics and Political Science	8,232	168,717
London School of Hygiene and Tropical Medicine	779	67,297
Loughborough University	13,421	177,153
Manchester Metropolitan University	28,562	208,143
University of Manchester	32,088	637,320
Middlesex University	17,153	138,171
University of Newcastle-upon-Tyne	17,632	317,582
Newman College of Higher Education	2,096	15,744
University of Northampton	8,464	61,185
University of Northumbria at Newcastle	20,739	165,630
Norwich School of Art and Design	1,061	8,756
University of Nottingham	25,779	382,403

	No. of Students* (Full-time Equivalents)	Income (£000s)
Nottingham Trent University	20,729	145,062
Open University	66,227	375,800
Oxford Brookes University	14,845	134,510
University of Oxford	18,896	676,380
University College Plymouth St Mark and St John	2,772	19,959
University of Plymouth	22,146	162,122
University of Portsmouth	16,259	132,859
Queen Mary and Westfield College	11,529	215,678
Ravensbourne College of Design and Communication	1,432	12,321
University of Reading	11,663	167,672
Roehampton University	7,740	54,563
Rose Bruford College	744	6,709
Royal Academy of Music	694	14,893
Royal Agricultural College	762	11,432
Royal College of Art	873	25,955
Royal College of Music	635	16,583
Royal College of Nursing	191	8,369
Royal Holloway and Bedford New College	7,591	104,912
Royal Northern College of Music	703	14,342
Royal Veterinary College	1,624	51,464
St George's Hospital Medical School	2,623	74,754
St Martin's College	7,073	56,973
St Mary's University College, Twickenham	3,519	26,042
University of Salford	16,245	156,206
School of Oriental and African Studies	3,897	47,596
School of Pharmacy	900	17,284
Sheffield Hallam University	24,518	177,249
University of Sheffield	21,688	338,706
Southampton Solent University	9,778	73,762
University of Southampton	21,473	324,800
Staffordshire University	10,825	95,332

	No. of Students* (Full-time Equivalents)	Income (£000s)
University of Sunderland	11,750	96,232
University of Surrey	9,962	181,740
University of Sussex	9,756	127,860
University of Teesside	13,664	104,584
Thames Valley University	18,258	106,218
Trinity Laban	746	15,327
University College London	17,378	598,303
University of Warwick	16,531	330,667
University of the West of England, Bristol	23,554	170,296
University of Westminster	16,400	146,352
University of Winchester	4,159	31,635
University of Wolverhampton	15,634	144,453
University of Worcester	5,504	37,882
Writtle College	4,113	22,482
York St John University	5,069	33,273
University of York	10,147	188,339
Total Wales	93,224	1,005,046
Aberystwyth University	7,827	85,937
Bangor University	8,326	102,668
Cardiff University	23,009	367,257
University of Wales Institute, Cardiff	8,226	65,185
University of Glamorgan	15,519	113,874
University of Wales, Lampeter	2,612	13,939
North-East Wales Institute of Higher Education	4,082	29,532
University of Wales, Newport	6,185	39,279
Royal Welsh College of Music and Drama	591	9,048
Swansea Institute of Higher Education	4,493	27,681
Swansea University	10,819	128,511
Trinity College, Carmarthen	1,535	12,714
University of Wales (central functions)	0	9,421

	No. of Students* (Full-time Equivalents)	Income (£000s)
Total Scotland	162,552	2,258,574
University of Aberdeen	11,152	172,563
University of Abertay Dundee	3,810	34,395
Bell College	3,445	21,748
University of Dundee	12,213	175,791
Edinburgh College of Art	1,623	17,147
University of Edinburgh	20,700	477,062
Glasgow Caledonian University	14,471	100,441
Glasgow School of Art	1,622	17,437
University of Glasgow	19,293	361,743
Heriot-Watt University	7,306	110,564
Napier University	9,405	88,823
University of Paisley	7,835	63,451
Queen Margaret University, Edinburgh	3,934	27,409
Robert Gordon University	9,221	79,188
Royal Scottish Academy of Music and Drama	597	11,765
University of St Andrews	7,297	118,331
Scottish Agricultural College	728	44,096
University of Stirling	7,794	88,872
University of Strathclyde	16,715	203,994
UHI Millennium Institute	3,389	43,754
Total Northern Ireland	38,427	434,615
Queen's University of Belfast	17,529	240,999
St Mary's University College	1,018	8,221
Stranmillis University College	1,155	11,002
University of Ulster	18,725	174,393

* All students including FE level students at HE institutions
Names and status of institutions were correct at November 2007.
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http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/feandhe/wagreviews/reviewhighereducationwales/?lang=en

- *Draft consultation document following Phase 1 of the review of higher education in Wales, December 2008*

Available at:

<http://new.wales.gov.uk/publications/accessinfo/drnewhomepage/educationdrs2/educationdrs2008/reviewheconsultation/?lang=en>

Other Reports

- *Combined Code (incorporating the Higgs and Smith Reports)*

Available at: www.frc.org.uk/documents/pdf/combinedcodefinal.pdf

Useful Web-sites

Charity Commission, www.charity-commission.gov.uk

Committee of University Chairs, www.shef.ac.uk/cuc

Department for Employment and Learning (Northern Ireland), www.delni.gov.uk

DIUS, www.dius.gov.uk

Equality Challenge Unit, www.ecu.ac.uk

GuildHE, www.guildhe.ac.uk

Higher Education Funding Council for England, www.hefce.ac.uk

Higher Education Funding Council for Wales, www.hefcw.ac.uk

Higher Education Wales

www.universitiesuk.ac.uk/aboutus/organisationalstructure/Pages/Higher-Education-Wales.aspx

HM Treasury, www.hm-treasury.gov.uk

Leadership Foundation, www.lfhe.ac.uk

National Student Survey, www.unistats.com

Office for Fair Access, www.offa.org.uk

Office of the Independent Adjudicator, www.oiahe.org.uk

Office of the Scottish Charity Regulator, www.oscr.org.uk

Quality Assurance Agency for Higher Education, www.qaa.ac.uk

Research Assessment Exercise, www.rae.ac.uk

Scottish Funding Council, www.sfc.ac.uk

Universities and Colleges Employers Association, www.ucea.ac.uk

Universities Scotland, www.universities-scotland.ac.uk

Universities UK, www.universitiesuk.ac.uk

Annex G Acknowledgements

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