

GUIDANCE ON THE PROCESS AND CRITERIA FOR ASSESSING STUDENT NUMBERS AND GOOD GOVERNANCE FOR UNIVERSITY TITLE AND UNIVERSITY COLLEGE TITLE FOR NON-HEFCE FUNDED ORGANISATIONS

[NB This guidance will be incorporated in to the full revised guidance on degree awarding powers and university title to be published by BIS shortly]

Process

1. Non-HEFCE funded organisations that wish to apply for university title or university college title are required to commission their own report(s) and at their own expense to provide the assurances on student numbers and/or good governance as part of a self-certification process.
2. The report(s) can be commissioned from the organisation's own external auditors or an independent consultant with appropriate expertise, whichever is most appropriate for the applicant.
3. The report(s) should be addressed to the organisation's Board and confirm explicitly that it/they may be used for the purpose of considering, and providing advice on, the organisation's application for university or university college title by:
 - the Privy Council where the application is being made through the Privy Council;
 - BIS;
 - HEFCE;
 - the QAA; and,
 - the Charity Commission where the university or university college is, or expects to be, a registered charity.
4. The report(s) and any additional supporting evidence must be submitted to BIS as part of the organisation's full application for university title or university college title.
5. BIS will then seek advice from HEFCE on the student number and corporate and financial governance aspects of the application, the QAA on academic governance and the Charity Commission where the university or university college is, or expects to be, a registered charity.

6. Where the organisation is a registered charity either BIS or the Privy Council¹ will seek advice from the Charity Commission. As the change in status may affect the original charity, it is expected that the applicant will have taken specialist legal advice on any charity law implications and to have sought advice from the Charity Commission before committing to any changes.
7. As a voluntary alternative to the commissioned reports, non-HEFCE funded organisations can sign up to HEFCE's accountability framework, which itself refers to the Governance Code of Practice published by the Committee of University Chairs ('the CUC Code'). This would need to be done at least 18 months in advance of any application for university title, so that HEFCE can review the accountability returns at least twice before offering advice to BIS. HEFCE and the organisation would need to agree the appropriate review process in advance. For further information on its accountability framework please see the HEFCE website.²

Student numbers (university title only)

8. The organisation must ensure that its application provides independent verification that its student numbers meet or exceed the criterion as follows:

'normally have at least 1,000 full-time equivalent higher education students, of whom at least 750 are registered on degree courses (including foundation degree programmes), and the number of full-time equivalent higher education students must exceed 55 percent of the total number of full-time equivalent students.'
9. The full-time equivalent number should be calculated in accordance with paragraphs 1 – 3, but not paragraph 5, of [Schedule 9 of the Education Reform Act 1988](#). As such it should:
 - include international students and non-HEFCE funded students;
 - exclude students studying at sites outside the UK; and
 - for the purpose of calculating *'the total number of full-time equivalent students'*, include students studying at all educational levels.
10. The application should clearly set out the calculation used to verify the student numbers.

¹ This will depend on whether the applicant is applying for university or university college title through the Privy Council or through the business and company names route.

² <http://www.hefce.ac.uk/whatwedo/reg/assurance/accountabilityframework/>

Evidence requirement for good governance

11. We need to be assured that the organisation is well governed and managed to ensure its long term commitment to higher education and the interests of its students, adopting standards that are consistent with those expected of the higher education sector generally.
12. As for HEFCE funded institutions, assessment against the good governance criteria for non-HEFCE funded organisations should be based, as far as possible, on existing published sources of information.
13. The applicant must be prepared to engage with BIS during the period of consideration of the evidence for good governance and to commission and/or submit such other information as BIS may reasonably request while considering the application.

Corporate Governance

14. Applicants are required to provide evidence that they comply with generally accepted principles of good governance.
15. In addition the applicant must provide evidence that its directors (if a company) or its trustees (if a charity) are eligible to act and have not been disqualified from acting as directors or trustees.
16. Where the university or university college is, or expects to be, a charity the applicant will need to take account of guidance on the responsibilities of trustees and effective trusteeship to be found on the Charity Commission website.
17. We assume that an organisation applying for university or university college title is either required or has decided to comply with a particular code of practice on governance (see examples below), most of which require periodic evaluation of continuing compliance. The applicant should evidence compliance by submitting the report of its most recent evaluation against the principles of the particular code, supplemented by its statement of corporate governance as published in its annual financial statements. If more than three years has elapsed since the last evaluation we would expect the applicant to update this in the context of their application for university or university college title.

18. Where an organisation does not adhere to a particular code, perhaps by virtue of its size or sector, it will need to commission an evaluation on a 'comply or explain' basis³ against the accepted principles of good governance described in an appropriate code of practice such as the examples in the next paragraph.

19. Examples of governance codes of practice and guidance are:

- The 'Guide for Members of Higher Education Governing Bodies in the UK' produced by the Committee of University Chairs ('the CUC Code'). This includes a Governance Code of Practice which requires a formal and rigorous review of governance effectiveness at least every five years. HEFCE funded HE institutions are required to report on a 'comply or explain' basis in the annual corporate governance statement in their audited financial statements.
- 'Good Governance: A Code for the Voluntary and Community Sector' developed by the sector for the sector. This Code has been designed to provide flexibility according to the type and size of an organisation.
- The 'UK Corporate Governance Code' developed by the Financial Reporting Council. The Listing Rules require companies to apply the main principles of the Code and report to shareholders on how they have done so.
- The 'Corporate Governance Guidance and Principles for Unlisted Companies in the UK' developed by the Institute of Directors and ecoDa. This is a voluntary code and draws on existing national and international corporate governance codes and the experience of good governance in individual unlisted enterprises.

20. The above is not intended to be an exhaustive list and applicant organisations may wish to refer to other sources of information in their evaluation of their corporate governance.

Academic Governance

21. We need to be assured of the current and likely future management of the applicant's academic standards and quality of learning and teaching and that there are clear and appropriate lines of accountability for academic responsibilities.

³ If a good governance characteristic appears not to be valid in a particular setting the applicant organisation should explain why either it hasn't been adopted or an alternative has been sought.

22. Organisations that wish to apply for university title or university college title must first have been awarded their own taught degree awarding powers. As such they will have undergone a rigorous scrutiny process by the Quality Assurance Agency (QAA) before a recommendation is made to the Privy Council. Once awarded, organisations will be subject to Institutional Review by the QAA every six years (with an interim paper-based review after three years).
23. BIS will therefore seek advice from the QAA based on the applicant's last Institutional Review (or interim review if more recent) as well as asking if there is anything else known to the QAA about the applicant that could be relevant to BIS' consideration of their application for university or university college title. Only the latter will apply in the case of an organisation that has not yet had its first Institutional Review following its detailed scrutiny for taught degree awarding powers.
24. Organisations can, however, where they feel it appropriate, provide additional information on academic governance as part of their independent report on good governance. In such cases we will also seek the QAA's advice on this aspect of the application.

Financial Governance

25. We need to be assured that an applicant organisation is financially viable and can offer its students reasonable assurance about its medium- to long-term sustainability.
26. Applicants should submit, as part of their evidence, audited financial statements for the two years prior to their application. As far as possible we will rely on financial data and information that organisations have produced to meet their own needs, however, it may sometimes be necessary to request additional financial details in order to consider fully the issues identified in the next paragraph. We understand that this may involve commercially sensitive information. In complying with the Freedom of Information Act and similar legislation we will try to make it clear to applicants what information we regard as confidential and, where objections to publication arise, we will judge each case on its merits.

27. The applicant will be required to provide evidence:

- that it plans and manages its activities to remain sustainable and financially viable;
- that it has robust and comprehensive systems of risk management and internal control;
- that it has effective arrangements for the management and quality assurance of data used for internal decision making;
- that it has regular, reliable, timely and adequate information to monitor operational and financial performance;
- of the sustainability of its operations now and in the medium- to long-term;
- that it complies with statutory requirements relating to external audit.

Change of control or ownership

28. When the ownership or control of a university or university college changes, it must inform BIS of the intended sale or change and, within three months of conclusion of the sale or change, provide evidence that it continues to satisfy the criteria for student numbers and good governance as set out in this guidance.

29. BIS will carry out or commission such assessment of that evidence as it considers necessary.

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