September 2013/23

Core funding/operations

Request for information

Returns should be made in December 2013 and July 2014

This document asks higher education institutions to send us their annual accountability returns for 2012-13.

Annual accountability returns 2013

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND

Contents

Annual accountability returns 2013

To	Heads of HEFCE-funded higher education institutions Heads of universities in Northern Ireland
Of interest to those responsible for	Audit, Estates, Finance, Governance, Management, Planning, Student data, Research data
Reference	2013/23
Publication date	September 2013
Enquiries to	HEFCE higher education policy advisers (on annual monitoring and data returns) HEFCE assurance consultants (for financial and audit accountability returns) There are searchable contact details for HEFCE staff at www.hefce.ac.uk/contact/stafflist/.

Executive summary

Purpose

1. This document asks higher education institutions (HEIs) to send us their annual accountability returns for 2013. The accountability returns are a significant part of the way in which HEIs can demonstrate accountability for the public funds distributed to them.

Key points

2. The accountability returns enable HEFCE to reassess HEIs' overall risk assessments and to ensure that HEIs are meeting their accountability responsibilities. They also help us understand issues and developments relating to higher education (HE) in England more broadly.

3. The various returns cover financial performance, financial sustainability, risk management, control and governance, value for money, the management and quality assurance of data, opportunities and challenges for institutions. In addition to the documentation requested in the annual process itself (detailed below and in the Annexes) we will also consider other sources of assurance.

4. The following requirements will apply:

   a. HEIs must submit, by **Monday 2 December**, the returns and reports specified in paragraph 9, updated financial tables showing the actual performance and position for 2012-13, and an updated forecast for 2013-14, along with a commentary that explains any significant changes from the data submitted in the July 2013 forecasts.

   b. HEIs must submit, by **Thursday 31 July 2014**, financial tables showing the updated forecast for 2013-14 and forecasts for 2014-15, 2015-16 and 2016-17, along with a full commentary that answers the specified questions.

By exception, we may request that some institutions submit full forecasts in December, but this will be discussed with any institutions affected in advance of the submission date.

5. We give the approval levels of specific returns in paragraph 9. If the timetable creates difficulties for HEIs, we request that they contact their HEFCE assurance consultant to discuss (for contact details see www.hefce.ac.uk/contact/stafflist/).

6. Following our review of the returns, we will notify each HEI of our risk assessment through a letter to the head of HEI (copied to the chair of the governing body) usually during April to May. This is an annual process, but we may revisit an HEI's overall risk assessment at any time if there is a significant change in circumstances. Until a new letter is issued, HEIs can assume that the last risk assessment letter is still valid.

7. We remind all HEIs of their obligation, under the Financial Memorandum with HEFCE, that they should inform us of any material adverse change in their circumstances (see 'Model Financial Memorandum between HEFCE and institutions', HEFCE 2010/19).

8. We are currently consulting on the new Financial Memorandum (effective from 1 August 2014), although we do not anticipate that this will affect the annual accountability information we collect.

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

Return	Approval level	Submission date
Annual assurance return	Accountable officer re Part 1 Trustees re Part 2.	2 December 2013
Annual monitoring statement (AMS)	Member of senior management team	
Signed audited financial statements	Governing body	
Financial results and updated forecast tables for 2012-13	Governing body	
Commentary: explanation of significant variances between the current and July 2013 submissions	Governing body	
Audit committee annual report	Governing body	
External audit management letter and management responses	Reported to audit committee	
Internal audit annual report	Reported to audit committee	
Value for money report (optional)	Governing body or audit committee	
Annual sustainability assessment (optional)	Governing body	
Higher Education Students Early Statistics Survey (HESES) 2013-14 return	Accountable officer	10 December 2013

Transparent Approach to Costing (TRAC) return	Board committee	31 January 2014, although earlier returns would be appreciated.
TRAC (T)	Accountable officer	28 February 2014, although earlier returns would be appreciated.
Financial forecast tables to 2016-17, Financial commentary	Governing body	31 July 2014

10. This publication gives guidance on the returns that must be submitted to us by:

- 2 December 2013
- 31 January 2014 (in the case of TRAC)
- 28 February 2014 (for this year, in the case of TRAC (T)
- 31 July 2014 (in the case of financial forecasts and commentary).

11. While the submission of the annual value for money report remains optional we have found the information in these reports extremely useful in demonstrating to key stakeholders that the sector continues to improve its efficiency and effectiveness. We therefore encourage institutions to submit these VFM reports.

12. Institutions should note that submission of the annual sustainability assessment is not currently part of the annual accountability suite of returns and is voluntary this year. See paragraph 42 for further information.

13. We will provide detailed guidance on the requirements of the HESES return in a separate HEFCE publication, 'HESES13: Higher Education Students Early Statistics Survey 2013-14' (expected to be published by the end of September 2013).

14. We will use the information collected primarily to:

a. Monitor the use of our funds for the purposes intended.

b. Assess compliance with the Financial Memorandum.

c. Form a basis for discussion with HEIs about their progress in key areas, their priorities for strategic development, and their current and future performance.

d. Largely determine our risk assessments of each HEI.

e. Identify issues and developments across, and within, parts of the HE sector. This will inform our advice to the Secretary of State on the provision of HE in England, and will help us to anticipate, change and develop well-informed policy responses where necessary. We will share broad findings in a number of ways, including: in our sector-wide report on our analysis of the financial health of the sector, and in our annual report on HE in England.

15. We may also use this information internally for other analyses that concern our core roles. We may share these analyses with other public bodies (for example, the Department for Business, Innovation and Skills) as the need arises.

Action required

16. The returns must be submitted by the deadlines shown in paragraph 9 **via the secure area of the HEFCE web-site at:** https://data.hefce.ac.uk . The required documents are:

- scanned PDF copy of the completed annual assurance return (Annex E) with part 1 signed by the accountable officer and part 2 signed by an appropriately authorised trustee (note **–** part 2 is not required from HEIs that are either not a charity, or are registered with, and make an annual return directly to, the Charity Commission)
- completed AMS template
- scanned PDF copy of the **signed** audited financial statements
- completed financial results and forecast tables
- financial commentary (specific questions to be covered and an optional template is provided in Annex D)
- audit committee annual report
- external audit management letter and management responses (combined in a single document)
- internal audit annual report
- value for money report (optional)
- annual sustainability assessment (optional)
- completed and appropriately authorised TRAC return reporting for 2012-13.

17. Templates for the AMS, financial tables and TRAC return will be available by early October 2013. We will write to heads of finance and our AMS contacts in each HEI at the beginning of October with details about how to access the templates and how to return information to us.

18. Templates for the financial forecast tables for the July submission will be made available in early May 2014. We will write to the heads of finance in each HEI at the beginning of May with details about how to access the template and how to return information to us.

Introduction

19. Higher education institutions (HEIs) are required to send us their annual accountability returns. These form a significant part of the way in which HEIs can demonstrate accountability for the public funds distributed to them. This document requests the returns for 2013.

20. The accountability returns enable us to refresh our overall risk assessments of HEIs, and to provide assurance that HEIs are meeting their accountability requirements. They also help us to understand issues and developments relating to HE in England more broadly.

21. The various returns cover financial performance, financial sustainability, risk management, control and governance, value for money (VFM), and the management and quality assurance of data, and opportunities and challenges for HE in England. When refreshing the risk assessment of HEIs, we will also consider other sources of assurance beyond the information requested in this document.

22. **We give the approval levels required for specific returns in paragraph 9.** If the timetable creates difficulties for HEIs we request that they contact their HEFCE assurance consultant to discuss (for contact details see www.hefce.ac.uk/contact/stafflist/).

23. Please note the following changes and areas of interest in this year's guidance:

a. In Annex E we have extended the charity declaration (Part 2) to cover 'paragraph 28' connected exempt charities[1]. Part 2 should be approved by the Board of Trustees.

b. The financial information completed for 2012-13 in the financial results and forecast tables should be consistent with both the audited financial statements, and the data returned to the HESA Finance Statistics Return.

c. The financial forecasts should include the institution's best estimates for the forecast period. We recognise that this return is a snapshot at a point in time. If, therefore, an institution's performance relative to forecast changes significantly, the institution should notify HEFCE through the material adverse change procedure outlined in the Financial Memorandum (HEFCE 2010/19, paragraph 18)[2]. We have noted further guidance on what should be reported to HEFCE in Annex A, paragraph 3 of this document.

d. The financial commentary to be submitted on 31 July 2014 should contain answers to the specific questions raised. Annex D provides a template for this, but we are happy to accept the HEI's own format where this information is available from documents produced for internal use, and provided all of the questions are answered. We expect the financial commentary to include discussion of all of the questions in the template.

[1] Under paragraph 28 of Schedule 3 of the 2011 Act, an institution administered by or on behalf of an exempt charity is also an exempt charity.
[2] All HEFCE publications can be found online at www.hefce.ac.uk/pubs/

e. The student numbers returned in the financial forecast tables should be consistent with how HEIs return student number data to HESA (www.hesa.ac.uk).

f. Table 7 in the financial forecast tables reviews compliance with the Financial Memorandum over the level of annualised servicing costs (ASC) for long-term financial commitments. This table should provide information about the ASC for all long-term borrowings in place at the year-end (31 July 2013), and any additional borrowings drawn down or agreed at 31 October 2013. We use these data to calculate the annual revisions to the borrowing consent limits, and to understand the borrowing behaviour in the sector. **It is important, therefore, that the information covers all loans and that institutions calculate the ASC correctly. The ASC consists of total expected payments of capital and interest over the period of the loan, divided by the loan period in years. This includes lump sums at the end of the term.** A common error is to take the average capital payments and add the interest payable for the year. We have also noticed that a number of loans have short-term repayment periods, but which amortise over a longer payment period, and which therefore have much higher ASCs than might have been assumed. Further guidance on calculating the ASC of long-term borrowing is provided in Annex F of the Financial Memorandum, page 34.

g. For funds monitored through the annual monitoring statement (AMS), we specify that institutions must state the amount of any underspend.

h. We have revised the questions relating to the impact of the HE reforms to explore more broadly the opportunities and challenges for HE in England.

i. The annual accountability return documents must be submitted via **the secure area of the HEFCE web-site** (https://data.hefce.ac.uk) which can be accessed from early October.

24. We are currently consulting on the new Financial Memorandum (effective from 01/08/2014), although this will not affect the annual accountability information we collect in December 2013.

25. With effect from 2013-14, we will require as a condition of grant that all institutions able to receive HEFCE research funding should comply with the concordat to support research integrity. Institutions will then be required to confirm in their annual assurance return that they comply with the concordat, particularly over its recommendations for internal processes and guidance, and for staff training.

26. Following our review of the returns we will notify each HEI of our risk assessment through a letter to the head of the HEI (copied to the chair of the governing body) in April or May. This is an annual process, but we may revisit an HEI's overall risk assessment at any time if there is a significant change in circumstances. Until a new letter is issued, HEIs can assume that the last risk assessment letter is still valid. We remind all HEIs of their obligation, under the Financial Memorandum, to inform us of any material adverse change in circumstances.

27. We will use the information collected primarily to:

a. Monitor the use of our funds for the purposes intended.

b. Assess compliance with the Financial Memorandum.

c. Form a basis for discussion with HEIs about their progress in key areas, their priorities for strategic development, and their current and future performance.

d. Largely determine our risk assessments of each HEI.

e. Identify issues and developments across, and within, parts of the HE sector. This will inform our advice to the Secretary of State on the provision of HE in England, and will help us to anticipate change and develop well-informed policy responses where necessary. We will share broad findings in a number of ways – for example, in our sector-wide report on our analysis of the financial health of the sector, and in our report on the impact of the reforms to HE in England.

We may also use this information internally for other analyses relating to our main roles, and we may share such analyses with other public bodies (for example, the Department for Business, Innovation and Skills) as the need arises. The documents to be sent to us, and their submission dates, are as follows:

Return	Approval level	Submission date
Annual assurance return	Accountable officer re Part 1 Board re Part 2.	2 December 2013
Annual monitoring statement (AMS)	Member of senior management team	
Signed audited financial statements	Governing body	
Financial results and updated forecast tables for 2012-13	Governing body	
Commentary: explanation of significant variances between the current and July 2013 submissions	Governing body	
Audit committee annual report	Governing body	
External audit management letter and management responses	Reported to audit committee	
Internal audit annual report	Reported to audit committee	
Value for money report (optional)	Governing body or audit committee	
Annual sustainability assessment (optional)	Governing body	

Higher Education Students Early Statistics Survey (HESES) 2013-14 return	Accountable officer	10 December 2013
Transparent Approach to Costing (TRAC) return	Board committee	31 January 2014, although earlier returns would be appreciated.
TRAC (T)	Accountable officer	28 February 2014, although earlier returns would be appreciated.
Financial Forecast tables to 2016-17 Financial commentary	Governing body	31 July 2014

28. Templates for the AMS, financial tables and Transparent Approach to Costing (TRAC) returns will be available by early October 2013. We will write to heads of finance and our AMS contacts in each HEI at the beginning of October with details about how to access the templates and how to return information to us. Templates for the financial forecast tables for the July 2014 submission will be made available in early May 2014. We will write to the heads of finance in each HEI at the beginning of May with details about how to access the template, and how to return information to us.

29. This publication gives guidance on all the annual returns apart from the HESES return. Detailed guidance on the requirements of the HESES return is provided in a separate HEFCE publication ('HESES12: Higher Education Students Early Statistics Survey 2013-14', expected to be published by the end of September 2013).

30. Since June 2010, HEFCE has been the principal regulator of the HEIs in England that are exempt from registration with the Charity Commission. This requires HEFCE to monitor these HEIs as charities regularly. However we largely rely on existing accountability processes in our role as principal regulator hence reducing the regulatory burden on the sector. The Accounts Direction to HEIs for 2012-13 financial statements (HEFCE Circular letter 21/2012) set out the reporting requirements for exempt-charity HEIs. These are included in Annex A paragraph 15 of this guidance, for ease of accessing the information. Further guidance on reporting, and on HEFCE's responsibilities as principal regulator, is available in Annex H of the Financial Memorandum and at www.hefce.ac.uk/whatwedo/reg/charityreg/. Annex H of the Financial Memorandum requires HEIs to have updated the charity information gateway pages on their web-sites by 31 January 2013. In Annex E we have extended the charity declaration to include the institution's duties towards 'paragraph 28'[3] connected exempt charities.

[3] Under paragraph 28 of Schedule 3 of the 2011 Act, an institution administered by or on behalf of an exempt charity is also an exempt charity.

Submission of the returns

31. Electronic copies of the following must be submitted via the secure area of the HEFCE web-site by **Monday 2 December 2013**:

- completed annual assurance return (Annex E) with part 1 signed by the accountable officer and part 2 signed by an appropriately authorised trustee (note: part 2 is not required from HEIs that are either not a charity or are registered and make an annual return directly to the Charity Commission)
- completed AMS template
- signed audited financial statements
- completed financial results and updated forecast tables to 2013-14
- commentary that explains the material changes from the data submitted in June 2012 forecasts
- audit committee annual report
- external audit management letter and management responses
- internal audit annual report
- value for money report (optional)
- annual sustainability assessment (optional).

Electronic copies of the following should be submitted via the secure area of the HEFCE web-site by **Tuesday 31 July 2014**:

- completed forecast tables to 2016-17
- full financial commentary.

Further information on this process will be sent to heads of finance and AMS contacts in October 2013. Guidance on the submission of the TRAC return is given in Annex A paragraphs 38-47.

32. The specific reporting requirements for the HESES return will be published in a separate HEFCE publication.

The impact of funding reforms and future context

33. Our January 2013 grant letter from the Department for Business, Innovation and Skills (BIS)[4] set out that HEFCE would distribute £2.9 billion for teaching in the financial year 2013-14 and specified £2.0 billion as an indicative level of funding for financial year 2014-15. Future years' funding is still to be confirmed, but we note that, even with the transition to student loans for most teaching funds, HEFCE will still be a significant funder of HE in terms of teaching, research and other funding (such as Higher Education Investment Funding and research capital).

34. The Secretary of State for BIS wrote to the chair of the HEFCE Board on 27 April 2012 providing guidance on student number controls for 2013-14. Through this guidance,

---

[4] This can be read in full at www.hefce.ac.uk/news/newsarchive/2012/name,69495,en.html

BIS asked HEFCE to free more student places from control, and make 5,000 places available through a 'core and margin' exercise (see www.hefce.ac.uk/news/newsarchive/2012/name,72760,en.html).

35. There are a number of important changes to the student number control arrangements for 2013-14 (see www.hefce.ac.uk/whatwedo/lt/howfund/studentgrades/). Most of these arise from recent guidance from Government, particularly that allocations should better reflect student choice as set out in the grant letter for 2013-14 which can be found at: http://www.hefce.ac.uk/whatwedo/invest/institns/annallocns/govletter/. Others follow our consultation in 'Student number controls and teaching funding: Consultation on arrangements for 2013-14 and beyond' (HEFCE 2012/04) which can be found at: www.hefce.ac.uk/pubs/year/2012/201204/name,69229,en.html.The results of the most recent consultation, published in the document 'Student number controls: consultation on arrangements for 2014-15 onwards', is available at: www.hefce.ac.uk/pubs/year/2013/201320/name,83098,en.html

36. We expect institutions to include their assumptions about future funding in their forecasts and to detail these in the accompanying financial commentary.

37. In June 2012, BIS wrote to the chairs of the HEFCE and Student Loans Company (SLC) Boards setting out the next steps in the Government's HE reform programme (see www.hefce.ac.uk/news/newsarchive/2012/name,73166,en.html). It asks HEFCE, in its lead oversight role, to work with the SLC and other sector bodies to ensure that the reforms are implemented in a timely and efficient way.

38. We note that the transition to the new funding regime will bring some challenges and new risks, (for example working-capital-management risks arising from the change from HEFCE's monthly profile of grant payment to the SLC's profile of three payments per year). HEIs should ensure that they have sufficient financial flexibility and capacity to adapt to the change in funding payment profiles. There are also uncertainties around the impact of higher tuition fees on demand. This may affect overall recruitment and have differential impacts at an institutional level. We expect HEIs to be modelling the potential impacts of these, and other, factors as part of their on going scenario planning, and to consider mitigating actions they could take, if necessary, in response.

39. HEFCE will continue to monitor the impacts of the Government's policy and funding reforms as well as wider issues and developments. This will inform our advice to the Secretary of State on the provision of HE in England, and will help us to anticipate change and develop well-informed policy responses where necessary.

Annual sustainability assessment

40. This assessment is not currently part of the annual accountability suite of returns and is not mandatory at this time. However we encourage HEIs to participate in the Financial Sustainability Strategy Group's (FSSG's) pilot year implementation.

41. In June 2010, Research Councils UK (RCUK) and Universities UK published 'Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions'. The report (known as the Wakeham report) made recommendations on sustainability assessment including:

Recommendation 2. We recommend that HEI governing bodies take a more proactive role in assuring themselves that there is an institution-wide strategy for financial sustainability and that the HEI has developed measures that assess the extent to which this is being achieved.

Recommendation 3. We recommend that HEFCE should consider how a consistent set of metrics can be incorporated into its annual accountability review process of an institution; and that the Funding Councils in the devolved administrations should consider how such a set of metrics can be incorporated into their equivalent processes. The Funding Councils should each then produce an annual summary report for the Funders Forum outlining headline information on the overall financial sustainability of institutions and specific information on the sustainability of the research base.

42. To respond to these recommendations, RCUK and HEFCE invited the FSSG – a sector-led, stakeholder group – to lead on developing an approach to meeting these recommendations in a way that would be appropriate to HEIs and their governing bodies and that could provide assurance to funders and other stakeholders, including BIS. FSSG published a further report in June 2011 titled 'Assessing the sustainability of higher education institutions'[5] and the approach was piloted by a group of 30 HEIs during 2012. Based on this work, FSSG recommended that all HEIs take part in a pilot year implementation in 2013 and submit their assessments to their respective funding council. Accordingly, we would encourage institutions to use the documents produced by the FSSG to inform their approach to assessing their sustainability and to submit it with the annual accountability returns in December.

43. In addition, the FSSG pilot proposed a financial metric – the Margin for Sustainability and Investment (MSI) as a consistent indicator that could provide a replacement for the current proxy (the Return for Financing and Investment – RFI) used in determining the full economic costs within the Transparent Approach to Costing (TRAC) – see paragraph 42 of Annex A. Where institutions have calculated an MSI as defined in the implementation notes (developed with pilot HEIs and BUFDG) this should also be reported in the separate section on the 2012-13 TRAC return.

44. The FSSG will evaluate the pilot year exercise and the suitability of the MSI as a possible replacement for the current RFI, including for use in determining the full economic costs of activities. The FSSG evaluation (to be carried out by KPMG) will relate to the pilot exercise as a whole. It will not assess or comment on an individual institution's submissions. HEFCE does not intend to publish any individual HEI's sustainability assessments or underlying information that an institution chooses to submit as evidence in support of its assessment. Further information about the FSSG's pilot exercise can be found at: www.hefce.ac.uk/whatwedo/lgm/trac/senior/

45. HEFCE's 'Accounts Direction to higher education institutions for 2012-13 financial statements and revised Accounts Direction for 2011-12' (HEFCE Circular letter 21/2012) can be found at: www.hefce.ac.uk/pubs/year/2012/cl212012/name,75024,en.html. For the

[5] Available at www.hefce.ac.uk/whatwedo/lgm/trac/tracforseniormanagers/

latest Financial Reporting Council position on going concern see www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/Going-concern-and-financial-reporting.aspx

Feedback

46. For the majority of HEIs we do not expect to have major concerns or queries. The main outcome for these institutions will be a letter updating our risk assessment of the HEI, and data that benchmark financial performance against the whole sector. This risk letter may contain comment on instances of non-compliance with the Financial Memorandum, Audit Code of Practice, the CUC Governance Code of Practice, and relevant charities legislation. We may also use the risk letter to draw attention to areas of financial performance or other matters over which we have concern. These are intended to help the HEI by highlighting issues and risks. Following our review of the returns we will notify each HEI of our risk assessment through a letter to the head of the HEI (copied to the chair of the governing body). This is an annual process, but we may revisit an HEI's overall risk assessment at any time, if there is a significant change in circumstances. Until a new letter is issued, HEIs can assume that the last risk assessment letter is still valid.

47. In addition to the risk letter, we will publish our assessment of the financial health of the sector. The relevant publication for the 2012 returns is 'Financial health of the higher education sector: 2011-12 financial results to 2014-15 forecasts' (HEFCE 2012/30). We will also publish our annual report on HE in England.

Freedom of information

48. Information submitted to HEFCE may be disclosed on request, under the terms of the Freedom of Information Act 2000. The Act gives a public right of access to any information held by a public authority, in this case HEFCE. We have a responsibility to decide whether any responses should be made public or treated as confidential. We may refuse to disclose information if it is covered by an exemption, (for example, where disclosure of information would prejudice commercial interests, such as institutions' financial and strategic planning, or where the release of information could result in anti-competitive behaviour). For further information about the Act, including the particular circumstances when information may be withheld, see www.ico.gov.uk under Freedom of Information Act.

Queries

49. HEIs should address questions about completing the AMS and HESES returns to their HEFCE higher education policy adviser. Questions about the other accountability returns should be addressed to their HEFCE assurance consultant or adviser (for contact details see www.hefce.ac.uk/contact/stafflist/).

Annex A Guidance

Annual assurance return

1. The purpose of this return is to confirm that the HEI's accountable officer has met their obligations to HEFCE under the Financial Memorandum (HEFCE 2010/19, paragraphs 12-27). We request that institutions complete the Annual assurance return (Annex E) template provided.

2. The return should cover the period to the financial year-end (31 July 2013), but should also report on any issues that have occurred until the date it is signed. The return is in two parts:

   a. Part 1 should be signed by the head of the HEI as the accountable officer. No other signatory is acceptable, since the accountable officer responsibility cannot be delegated.

   b. Part 2 is not required from HEIs that are either not a charity or are registered with, and make an annual return directly to, the Charity Commission. For all other HEIs, part 2 should be signed by the accountable officer, unless they are not a trustee, in which case it should be signed by an appropriately authorised trustee. In all cases, Part 2 should be approved by the governing body as the trustees of the HEI.

3. The Financial Memorandum requires that the institution inform us of any change in their circumstances which – in the judgement of the accountable officer and in agreement with the governing body – is a material adverse change. They should also inform us of any significant developments that could impact on the mutual interests of the institution and HEFCE (HEFCE 2010/19, paragraph 18). Annex B paragraphs 14-17 of the Financial Memorandum provide more details of this process, and an indicative, but not exhaustive, list of what should be reported to HEFCE. In signing part 1 of the annual assurance return, the accountable officer is declaring that any such events have been notified to HEFCE. These include but are not limited to:

   a. Any financial loss or reduction in income or working capital which is significant enough in the accountable officer's judgement to materially impact on the financial outturn or the cash position.

   b. Any new decision to invest or expend funds which in the accountable officer's judgement will have a material impact on the forecast position, as reported to HEFCE in the most recent annual accountability exercise.

   c. Any new or changed risks which in the accountable officer's judgement are significant enough to affect the institution's future sustainability.

   d. Any theft, fraud, loss of charity assets or other irregularity that meets one or more of the following conditions:

      i. Where the sums of money involved are, or are potentially, in excess of £25,000 (this figure aligns with reporting requirements for charities and we will keep it under review and notify changes through our annual accounts direction).

ii. Where the particulars of the fraud, theft, loss of charity assets or other irregularity may reveal a systemic weakness of concern beyond the institution, or are novel, unusual or complex.

iii. Where there is likely to be public interest because of the nature of the fraud, theft, loss of charity assets or other irregularity, or the people involved.

There may be cases of fraud, theft, loss of charity assets or other impropriety or irregularity, that fall outside this definition. In these cases or any others, HEIs can seek advice or clarification from their HEFCE assurance consultant (for contact details see www.hefce.ac.uk/contact/stafflist/). In view of the public interest, HEIs should normally notify the police of suspected or actual fraud. Where the police are not notified, management should advise the institution's audit committee of the reason.

4. Part 2 of the return seeks assurance about the conduct of the institution as a charity, including the reporting of serious incidents other than those covered by Part 1. HEIs that have 'paragraph 28'[6] connected exempt charities have undertaken to maintain up-to-date records of those charities and to make information about them available to HEFCE on request. This year we have requested explicit assurance in relation to the 'paragraph 28' connected charities as follows:

I confirm that the institution continues to maintain accurate and up-to-date records of all its 'paragraph 28' connected exempt charities and is in a position to make information about them available to HEFCE on request. Or I confirm that the institution has no 'paragraph 28' connected exempt charities. [Please delete whichever statement does not apply.]

5. In signing this return, the accountable officer is confirming that the HEI has returned all the relevant accountability returns, and that these are accurate, adhere to the published requirements, and have been through the appropriate approval process. The return to be completed, Annex E, may be downloaded from www.hefce.ac.uk/pubs alongside this document, or from the secure area of the HEFCE web-site in October 2013.

6. The completed and signed return should be scanned and then submitted via the secure area of the HEFCE web-site as a PDF document.

Annual monitoring statement

7. The AMS should be signed off by the AMS contact; this should be a member of the institution's senior management team. If the institution wishes to amend their AMS contact details e-mail Sandy Grenar, s.grenar@hefce.ac.uk.

8. The AMS was developed to monitor the use of special-initiative funding outside the main teaching and research funding allocation. As in previous years, the AMS will monitor the way HEIs spend their HEIF funding. As previously, the AMS also asks about

[6] Under paragraph 28 of Schedule 3 of the 2011 Act, an institution administered by or on behalf of an exempt charity is also an exempt charity

compliance with equality legislation, and (for HEIs that receive it) their use of Capital Investment Funding 2, and funding for museums and galleries. We will also ask about strategically important and vulnerable subjects.

9. The general condition of HEFCE funding still applies: we do not fund ahead of need. If expenditure on any project has slipped substantially, please contact us immediately to discuss whether it is appropriate to re-profile payments.

10. We also use the AMS to inform our view of key issues and developments in HE in England, and institutions responses to these. To support this, we value institution's views about the most significant areas of opportunity and challenge, and the ways in which they are responding to them.

11. We request information on activities running from 1 August 2012 to 31 July 2013. Although the questions ask HEIs to report against the position at 31 July 2013, we expect HEIs to provide details about any significant changes after that date. Institutions should describe these in the appropriate text box. This makes sure that we are working with the most up-to-date information when reviewing the returns.

12. Annex B includes the sample AMS for the 2013 return. We will supply the actual AMS template for completion in early October 2013.

Audited financial statements

13. We ask HEIs to send us, via the secure area of the HEFCE web-site, one scanned PDF of their complete financial statements that has been signed by all the relevant parties. The accountable officer and the chair or one other member of the governing body appointed by that body should sign the financial statements.

14. We require HEIs to follow the latest version of the 'Statement of recommended practice: accounting for further and higher education'[7] (SORP) in preparing their financial statements. HEIs should also comply with 'HEFCE's Accounts Direction to higher education institutions for 2012-13 financial statements and revised Accounts Direction for 2011-12' (HEFCE Circular letter 21/2012) and 'HEFCE's Accounts Direction to higher education institutions for 2013-14 financial statements' (HEFCE Circular letter 25/2013). The audited financial statements should, as a minimum, include:

a. An operating and financial review that should provide an overview of the institution's finances and operations including (an extract from the SORP 2007 is provided below):

i. The development, performance and operation of the business and operation of the HEI during the financial year.

ii. The position of the HEI at the end of the year.

iii. The main trends and factors underlying the development, performance and position of the business of the HEI, and its academic performance during the financial year.

iv. The main trends and factors which are likely to affect the HEI's future development, performance and position.

[7] The latest version (2007) is available from www.universitiesuk.ac.uk/highereducation/Pages/SORP.aspx

The statement should follow best practice as set out in the Reporting Statement 'The Operating and Financial Review' issued by the Accounting Standards Board in January 2006. The 2007 SORP contains a more detailed description of what is required, and HEIs should comply with the SORP reporting requirements in this regard.

b. A statement on internal control (corporate governance). In formulating their statements, HEIs should refer to best-practice guidance, including guidance from the Institute of Chartered Accountants in England and Wales and the British Universities Finance Directors Group (BUFDG). As a minimum these disclosures should include an account of how the institution has applied the following broad principles of corporate governance:

i. The identification and management of risk should be an on going process linked to the achievement of institutional objectives.

ii. The approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality.

iii. Review procedures must cover business, operational and compliance as well as financial risk.

iv. Risk assessment and internal control should be embedded in on going operations.

v. The governing body or relevant committee should receive regular reports during the year on internal control and risk.

vi. The principal results of risk identification and evaluation, and management review of its effectiveness, should be reported to, and reviewed by, the governing body.

vii. The governing body acknowledges that it is responsible for ensuring that a sound system of control is maintained, and that it has reviewed the effectiveness of the above process.

viii. Where appropriate, details of actions taken or proposed, to deal with significant internal control issues should be set out.

c. Where appropriate, a report in the corporate governance statement which specifies that the institution has considered the voluntary Committee of University Chairs (CUC) Governance Code of Practice contained in 'Guide for Members of Higher Education Governing Bodies in the UK: Incorporates the Governance Code of Practice and General Principles' (HEFCE 2009/14). Where an HEI's practices are not consistent with particular provisions of the code an explanation should be published in that statement. It is important that institutions adopt the CUC Governance Code of Practice, with the principles of the code adapted as appropriate to each HEI's character. This means that HEFCE can rely on institutional self-regulation, which minimises the accountability burden.

d. The external auditors shall report whether in all material respects:

i. The financial statements give a true and fair view of the state of the HEI's affairs, and of its income and expenditure, recognised gains and losses, and statement of cash flow for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and HEFCE requirements.

ii. The financial statements have been properly prepared in accordance with the SORP on accounting in further and higher education, sections 495 and 496 of the Companies Act 2006 (where the HEI is incorporated under the Companies Act), and any other legislative or regulatory requirements.

iii. Funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.

iv. Funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them. In particular, auditors should take into account the specific requirements of the Financial Memorandum, such as compliance with the short-term and long-term borrowing conditions.

e. Disclosures and reporting required to meet the institution's charitable obligations (see HEFCE 2010/19 Annex H for details).

15. New reporting requirements for HEIs that are exempt charities have been included in the Accounts Direction for 2012-13. Guidance about these requirements is available at www.hefce.ac.uk/whatwedo/reg/charityreg/. For ease of reference the main requirements for 2012-13 are listed below:

a. The exempt or registered charitable status of the HEI.

b. The trustees who served at any time during the financial year and, until the date, the financial statements were formally approved.

c. A statement that the trustees of the charity have had taken into account the Charity Commission's guidance on public benefit.

d. A report on how the HEI has delivered its charitable purposes for the public benefit during the year.

e. Information about payments to, or on behalf of, trustees, including: expenses, payments to trustees for serving as trustees (and waivers of such payments), and related party transactions involving trustees.

f. Details of HEIs 'paragraph 28'[8] connected charities:

For each 'paragraph 28' charity that has income in the year of £100,000 or more:

i. The name and charitable purpose.

ii. The opening balance, income and expenditure for the year, and closing balance.

For all other 'paragraph 28' charities:

[8] Under paragraph 28 of Schedule 3 of the 2011 Charities Act, an institution administered by or on behalf of an exempt charity is also an exempt charity

iii. An analysis into appropriate groups (for example: prize funds, bursary and/or scholarship funds, research support funds) stating the number of entities in each group.

iv. For each group: the aggregate opening balances, income and expenditure for the year, and closing balances. (Note: the terms 'opening' and 'closing' balance should be interpreted as total reserves where the paragraph (w) charity is an operating charity.)

A possible (non-mandatory) layout for these connected charity disclosures is available in the guidance referred to above.

Financial results and forecast tables (December 2013)

16. Following consultation with the sector, through BUFDG, we made the decision to continue with dual submission dates in the future in respect of the financial tables and commentary. For the December returns, the following requirements will apply:

a. Institutions will be required to submit, by Monday 2 December, the returns and reports specified in paragraph 9, the financial tables showing the actual performance and position for 2012-13 and updated forecast for 2013-14, along with a commentary that explains any material changes from the data submitted in the July 2013 forecasts.

17. The requirements for the July returns are set out in Annex A paragraphs 55-57. By exception, we may request that some institutions submit full forecasts in December, but this will be discussed with any institutions affected in advance of the submission date.

18. The forecasts should present the HEI's strategic plan in financial terms, be based on realistic assumptions, and be consistent with the accounting treatment in the financial statements.

19. We recognise that these returns are snapshots at a point in time and therefore request that, if anything significant changes in their performance relative to budget and/or forecast, then they should notify HEFCE through the material adverse change procedure outlined in the Financial Memorandum (HEFCE 2010/19, paragraph 18).

20. In developing the financial forecasts, HEIs must take account of the changing funding environment, their own plans regarding fee levels, and assumptions about the impact of these on demand.

21. We require the relevant elements of the December 2013 submissions of the 2013 annual accountability returns to be **approved by the governing body** (see paragraph 9). If this creates difficulties for institutions we request that they contact their HEFCE assurance consultant to discuss.

Financial commentary on past performance and future prospects (December 2013)

22. HEIs have not always fully answered the questions that we have asked in their financial commentary. Compliance improved in more recent returns, but further improvement is necessary to ensure that all HEIs provide all of the requested information. To help HEIs meet our requirements, this annex provides optional templates for HEIs to complete.

23. We recognise, however, that HEIs produce reports internally for management as well as for their governing body and its committees. Where the HEI already produces internal documentation that addresses all of the questions, we are happy to continue to receive the information in the institution's own format. Similarly, where specific questions may be answered by reference to other parts of the annual accountability return, please reference that document, rather than providing duplicate information.

Template for December 2013 submission

1	Explain any material variances between the 2012-13 audited performance and position relative to the June 2013 forecast.
2	Explain any material changes in the forecast for 2013-14.

24. Where the commentary outlined above has not been provided to a satisfactory level of detail, or if the information provided is not consistent with the operating and financial review, we will follow up with the relevant contacts at the HEI to obtain the required information.

Audit committee annual report

25. As stated in the Audit Code of Practice (Annex B to HEFCE 2010/19) the HEI's audit committee must produce an annual report for the governing body and the accountable officer. The audit committee annual report should cover the financial year 2012-13 and include any significant issues (including the committee's consideration of the 2012-13 financial statements, internal and external audit reports) up to the date the report is prepared. The governing body should normally consider the audit committee annual report before the annual financial statements are signed.

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

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

If institutions omit an opinion or fail to support their opinion with reference to evidence we will follow this up in the risk letter or through other HEFCE contact. Institutions should base these opinions on the information presented to the committee.

27. The report is likely to record the work of the committee over a period of 15 or 16 months up to the date of the presentation of the report, and to consider the following:

- information and assurances it has received to support its opinions
- the external auditors' management letter (for both 2011-12 and 2012-13)
- the internal auditors' annual report (for both 2011-12 and 2012-13)

- the committee's consideration of the performance of the internal and external audit services
- any value for money work
- any HEFCE assurance service or other relevant evaluation.

28. The report might also identify any key issues for the HEI arising out of its activity over the year. This would include any fraud or other serious incidents.

External audit management letter

29. External auditors should report to those charged with governance at each HEI (that is, the governing body or audit committee) by way of an annual management letter and, if necessary, an audit issues memorandum that highlights any significant accounting and control issues arising from the audit. The HEI's management should provide written responses to any recommendations made or issues raised, and these must be submitted to HEFCE.

30. **Where an institution communicates issues through more than one report, they should submit the additional reports to HEFCE** (an institution might, for example, have a separate report covering information technology audits or governance issues, or a separate report detailing management's responses). **Institutions should submit all reports as a single document.**

Internal audit annual report

31. The internal audit annual report should relate to the financial year 2012-13 and include any significant issues up to the date of preparing the report that affect the opinion. This should be addressed to the governing body and the accountable officer, and should be considered by the audit committee.

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

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

If institutions omit an opinion or fail to support an opinion with evidence, we are likely to follow it up in the risk letter or through other HEFCE contact.

33. Institutions should place these opinions in their proper contexts: that is, the work undertaken has been based on the agreed audit strategy which should cover the areas where an opinion is required, as well as incorporating knowledge of areas audited in previous years (including from a previous auditor). Institutions should provide internal audit performance measures, including coverage achieved against the original audit plan. The annual report should also draw attention to any significant audit recommendations which the internal audit service considers have not received adequate management attention.

Value for money report

34. Following the Public Accounts Committee (PAC) hearing into 'Regulating financial sustainability in higher education' and the subsequent report[9], and given the current

---

[9] Available at www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/914/91402.htm

economic environment, the sector is increasingly focused on getting value for money from public funds, and, for the benefit of students, from tuition fees. Universities UK also published a report[10] on 15 September 2011 noting that efficiency and effectiveness are key priorities for the UK HE sector, but that universities must continue to demonstrate good value for money in the new funding environment. We note that more than half of institutions submitted their annual value for money reports as part of their 2012 annual accountability return, as requested (this was not a mandatory return).

35. We ask, therefore, that HEIs submit an annual value for money report via the secure area of the HEFCE web-site by 2 December 2013. This is not mandatory, but is intended to be a non-burdensome way of addressing the concerns raised during the PAC discussions. If provided, the report should provide commentary on how the HEI delivers economy, efficiency and effectiveness. It should, in other words, show how the HEI makes the best use of the resources it has available to achieve the desired output, and maximise the benefit of that output.

36. As this is optional, we have not prescribed a format for the report, and we are happy to accept an annual report produced for internal purposes, provided the governing body reviews it (either through the board of governors or audit committee). Good practice guidance on value for money is available at www.hefce.ac.uk/whatwedo/reg/assurance/guidance/strategicmanagement/ under 'Value for money'.

37. Institutions may wish to take into account a review of last year's value for money reports. The full report is available at www.hefce.ac.uk/whatwedo/reg/assurance/guidance/strategicmanagement/ . This identified a number of areas of good practice in reporting value for money savings:

Structure

- Adopt a clear and logical structure for the report.
- Be guided by the institution's value for money strategy and objectives.
- Provide background information on key roles, approaches and so forth.
- Put value for money in context, such as the Diamond report.
- Start at the strategic level and then drill down into specific areas.

Coverage

- Include coverage of academic and professional services departments.
- Incorporate activities that generate additional income as well as those that reduce costs or improve efficiency.
- Include non-financial savings, such as staff time savings, improved efficiency and carbon reduction.
- Consider quality issues, such as degree classifications and student satisfaction.

---

[10] 'Efficiency and effectiveness in higher education: A report by the Universities UK Efficiency and Modernisation Task Group', available at www.universitiesuk.ac.uk/highereducation/Pages/EfficiencyinHigherEducation.aspx

- Consider operational indicators of value for money, such as space usage and accommodation occupancy.
- Report past and current performance and summarise plans for future years.

Content

- Set out clearly what the report is for and how it will be used.
- Explain what the institution is doing to achieve value for money and to realise savings.
- Include both narrative explanations and numerical details.
- Try to include just the right amount of detail not too little, not too much.
- Summarise progress in implementing the institution's value for money strategy.
- Set out the institution's key value for money achievements.
- Include information on suitable value for money benchmarks and performance against them.

Savings

- Work through all significant costs, rather than just focusing on the main areas of savings.
- Include, where possible, a clear list of savings made, perhaps aggregated at department level.
- Categorise savings by approach, for instance tendering or negotiation, or by specific initiative.
- Consider strategic and operational value for money initiatives. Perhaps just give examples of the latter if there are a lot of them.

Other

- Include the institution's value for money policy or strategy as an annex to the report.

Transparent Approach to Costing return

38. HEIs are required to submit an annual TRAC return via the secure area of the HEFCE web-site by 31 January 2014. Although the deadline for submission is 31 January 2014, earlier returns would be appreciated. We will publish a separate letter about the TRAC for teaching (TRAC (T)) return, which is required by 28 February 2014.

39. HEFCE and the TRAC Development Group will consider opportunities for aligning the reporting dates in future years, as part of the work to streamline and improve TRAC (see future plans for the TRAC development group at: www.hefce.ac.uk/media/hefce/content/whatwedo/leadershipgovernanceandmanagement/financialsustainabilityandtrac/review/TDG_chair_letter100713.pdf).

40. Institutions must submit the completed Excel file and a scanned PDF copy of the return via the secure area of the HEFCE web-site. The scanned copy **must be signed by**

the head of institution. We will send details of how to do this to the HEI's director or head of finance by letter.

41. The template incorporates in a single return:

a. The annual TRAC reporting requirements.

b. The charge-out rates for research collected on behalf of Research Councils UK, which will be used by RCUK and institutions for benchmarking purposes.

42. In the recent review of TRAC, institutions commented that the Return for Financing and Investment (RFI) adjustment is not sufficiently tailored to each institution's circumstances, and expressed the need to replace it. The FSSG pilot proposed an alternative financial metric – the Margin for Sustainability and Investment (MSI) . Institutions are asked to calculate their MSI for academic year 2012-13 in line with the guidance[11] provided by FSSG. The FSSG will evaluate the impact of the proposal to replace the RFI adjustment with the MSI in determining the full sustainable costs. For completeness and to facilitate the comparison with the RFI and Infrastructure adjustments, the calculation of the MSI is included in this year's TRAC return.

43. To help improve the quality of data submitted, automatic and self-validation checks are incorporated within the return. We also request a written commentary from HEIs to explain data that fall outside the parameters set in the return, and any unusual material movements when comparing 2012-13 with 2011-12 outputs as shown in the summary worksheet.

44. The TRAC pages on our web-site provide an update on guidance and development of TRAC methodology, and remind institutions of the key issues (www.hefce.ac.uk/whatwedo/lgm/trac/).

45. In reporting the TRAC data, the head of the institution should ensure that it is reasonable and confirm that it complies with all TRAC requirements. These include the requirement for a committee of the HEI's board to specifically confirm compliance with the Statement of Requirements (the committee should have a lay member majority). Institutions should also present annual TRAC figures and an analysis of the year-on-year changes in the figures (including the indirect and estates rates) to this board committee before they are reported. Where the timing of the board committee meeting makes this difficult, the institution can use delegated authority for chair's action, or approval by a management committee to confirm compliance before submitting. Presentation to an appropriate board committee after submission should then follow. Responsibility for confirming compliance still rests with the board committee. The committee should address any areas of non-compliance immediately and, where this is not possible, draw up an action plan that addresses these areas to a reasonable timescale.

46. The 2013 versions of the sample TRAC return form in PDF format, and the income allocation guidance and schedule (Annex 16), will be available to download from the TRAC Guidance web pages (www.jcpsg.ac.uk/guidance/annexes.htm) during October 2013. Institutions should download their individualised template for completing the TRAC data return and submit it via the secure area of the HEFCE web-site. We will send details

[11] See guidance at www.hefce.ac.uk/whatwedo/lgm/trac/senior/

of how to access the secure area of the HEFCE web-site to the HEI's director or head of finance.

47. We will report to BIS on the sector aggregate TRAC return data, which we expect to publish. For further information about the TRAC reporting requirements, contact your HEFCE assurance consultant (for contact details see www.hefce.ac.uk/contact/stafflist/).

Higher Education Students Early Statistics Survey

48. All HEIs must complete the annual survey of students on recognised HE courses. Detailed guidance on this return ('HESES13: Higher Education Students Early Statistics Survey 2013-14', expected to be published by the end of September 2013) will be available at www.hefce.ac.uk/pubs.

49. The HESES return should be uploaded to the secure area of the HEFCE web-site by 1200 on 10 December 2013. We will make workbooks available to HEIs in November.

Financial results and forecast tables (July 2014)

50. We will ask institutions to submit, by Thursday 31 July 2014, financial tables showing the updated forecast for 2013-14 and forecasts for 2014-15, 2015-16 and 2016-17, along with a full commentary that answers the questions specified in paragraph 56 below.

51. The forecasts should present the HEI's strategic plan in financial terms, be based on realistic assumptions, and be consistent with the accounting treatment in the financial statements. Annex C includes further guidance on completing the tables.

52. We recognise that these returns are snapshots at a point in time. We request, therefore, that, if an institution's performance relative to budget and/or forecast changes significantly, then they should notify HEFCE through the material adverse change procedure outlined in the Financial Memorandum (HEFCE 2010/19, paragraph 18).

53. In developing the financial forecasts, HEIs must take account of the changing funding environment, their own plans regarding fee levels, and assumptions about the impact of these on demand.

54. We require the **institution's governing body to approve** the relevant elements of the July 2014 submissions of the 2013 annual accountability returns (see paragraph 9). If this creates difficulties for institutions, we request that they contact their HEFCE assurance consultant to discuss.

Financial commentary on past performance and future prospects (July 2014)

55. We require institutions to submit a full financial commentary by 31 July 2014. Where the commentary deals with past performance and future prospects, we expect it will be consistent with the operating and financial review in the audited financial statements. These commentaries help us to understand the circumstances at specific HEIs; they also inform our understanding of the whole sector. To help HEIs respond to all of the required questions in this section, we have provided a template in Annex D they can complete. Institutions may have already produced a document that covers the information required in the financial commentary for their own planning purposes, so this template is optional. We expect, however, that the financial commentary will address **all** the questions in paragraph

56 below, whatever form it takes. **The governing body should discuss and approve the financial tables and commentary before they are submitted to us.**

56. As for the previous year's submission, the questions in the financial commentary are:

1	Explain how the institution is ensuring its: • sustainability, including the institution's strategy • quality of teaching and research • management of its key risks, including cash flow management • proposed borrowings or material leases • investment in its estates and infrastructure. Set out any conclusions from sustainability and any going concern reviews.
2	Explain the assumptions about student recruitment and fee income over the period of the forecasts, including how the institution is mitigating any risk and what scenario planning or sensitivity analysis has been undertaken.
3	Explain significant movements (±10 per cent in any one year) on the income and expenditure account and material changes on the balance sheet (including the detail on any material exceptional items). In particular, please provide an explanation for material increases in staff costs or numbers.
4	Explain the key assumptions made in developing the financial forecasts.

57. Where the commentary outlined above has not been provided to a satisfactory level of detail, or if the information provided is not consistent with the operating and financial review, we will follow up with the relevant contacts at the HEI to obtain the required information.

Annex B Sample annual monitoring statement 2013

This annex is for reference only. Templates for the AMS will be available in early October 2013. We will write to our AMS contacts in each HEI before then about how to access the templates and how to return information to us.

Annual Monitoring Statement 2013

This should be signed off by the institution's AMS contact by 2 December 2013. The AMS contact should be a member of the institution's senior management team. If an institution wishes to amend their contact please e-mail Sandy Grenar, s.grenar@hefce.ac.uk.

The questions number 1-23 however not all institutions will see all questions, for example, if you are not in receipt of HEIF funding, you will not see questions 1-7.

Enquiries should be directed to the AMS helpdesk on 01179 31 7309 or ams@hefce.ac.uk.

Knowledge exchange formula funding (through HEIF)

1. For 2012-13 your HEI received £[varies by institution] in HEFCE knowledge exchange formula funding. Did any funds remain unspent at the end of academic year 2012-13?

Response Yes/No

If 'yes' please state the value of the underspend and explain the reasons for this, in not more than 200 words. (This should include any spending since 31 July 2013.)

2. Have you made changes to your spend in academic year 2012-13 compared to how you projected that allocation of funds in Table B of your HEIF 2011-15 institutional knowledge exchange (KE) strategy? If so please provide updated information in the 'HEIF' spreadsheet linked to this question via https://data.hefce.ac.uk/HEIF13. Please also provide a brief explanation of the reasons for the change in the text box below. We will still need to approve the re-profiling of underspends annually, so changing the profile in Table B alerts us that you may seek approval for a re-profile, but does not constitute HEFCE approval for this.

3. Please provide a summary (250 words maximum) of the key achievements of the year linked to our KE formula funding, referring to both wider activity and the area(s) of expertise you identified in question 13 (key areas of strength and/or particular focus) of your institutional KE strategy.

4. Looking more narrowly at performance in terms of Higher Education – Business and Community Interaction survey (HE-BCI) income metrics (collaborative research, contract research, consultancy, equipment & facilities, regeneration and intellectual property) please comment (in not more than 500 words) on:

    a. any major changes (plus or minus) to the income metrics that are a significant focus of your overall KE strategy and/or plan for the use of KE formula funds (please comment particularly on your latest HE-BCI data, such as 2012-13 if that is to hand)
    b. any action that you are taking, particularly related to the use of HEIF, in consequence.

5. Have you faced any significant changes (from the response you gave in your HEIF 2011-15 institutional KE strategy, question 11) to the barriers and enablers affecting the delivery of your KE strategy? If yes, please provide brief details in the text box below (maximum 250 words).

6. Please outline any changes to external demand for your KE activities that you have experienced (and impacts on your performance): you may wish to consider the private and public sector, charitable sector, other sources and whether there have been shifts in the geography of demand (for example, local, regional, national, global).

7. Please describe any new, innovative KE activities that you are developing, which you believe will be the basis for future KE directions in the longer-term. This may reflect changes in external demand, the wider funding landscape, re-prioritisation of your KE activities and novel directions.

Equality and diversity monitoring

8. **The following questions aim to promote equality at a sector level and to support and encourage HEIs in addressing equality and diversity challenges. The questions reflect some key issues the sector, government and HEFCE have identified. Questions refer to the academic year 2012-13 only and will be reviewed annually. HEFCE's full range of equality objectives are set out in our Equality & Diversity Scheme (HEFCE publication 2012/03) which was developed in consultation with the sector.**

Please provide any diversity monitoring data you hold for your governing body or state if you do not collect data. Please e-mail equality@hefce.ac.uk and confirm by checking the box below when you have sent this. Data provided will be treated as confidential, analysed at a sector level and anonymised before publishing.

- ☐ Equality and Diversity data sent
- ☐ Equality and Diversity data not collected

9. Please briefly describe (in no more than 250 words) the challenges faced, and successes achieved, in addressing diversity among your governing body

10. Please briefly describe (in no more than 250 words) the challenges faced, and successes achieved, in addressing diversity among your senior staff.

11. Please briefly describe (in no more than 250 words) the challenges faced, and successes achieved, in addressing staff disability disclosure and representation.

12. Please briefly describe (in no more than 250 words) the challenges faced, and successes achieved, in addressing student attainment gaps between equality groups.

13. Please briefly describe (in no more than 250 words) the challenges faced, and successes achieved, in addressing student participation gaps between equality groups.

Capital funding

14. You received capital funding under the Capital Investment Fund (CIF) phase 2 in 2012-13. Please can you confirm the amount of HEFCE capital funding (research and teaching) spent during this academic year and provide a brief summary of the projects supported by this funding.

15. You will continue to receive capital funding under the Capital Investment Fund (CIF) phase 2 in 2013-14 and 2014-15. Please explain, in a maximum of 250 words, how your institution proposes to use the CIF 2 funding (both teaching and research capital) over the next two academic years (2013-14 and 2014-15). We are particularly interested to learn how the monies are being used in reducing carbon emissions and improving space usage.

HEFCE funding for university museums and galleries

16. For 2012-13 your HEI received museums and galleries funding to support one, or a number of, museum(s). For each funded museum, where available, please provide the following information: number of HE visits, number of further education (FE) visits, number of HEI courses drawing on the collection, number of loans made (including number of items and whether national or international), percentage of collection documented, number

of web-site visits, number of exhibitions, number of pupils on school visits, number of public events, number of visitors.

Support for moving full-time undergraduate numbers into strategically important and vulnerable subjects (SIVS)

17. In 2012-13 we protected certain subjects from the reduction in student number control limits needed to create the allocation of 20,000 ‘margin’ places. We asked institutions to maintain their intake to these subjects in return. In 2013-14 there was no ‘margin’ cut but we asked institutions to inform us if they were not able to maintain entrant numbers in these particular subject areas.

Please indicate to what extent you have been able to maintain undergraduate entrant numbers in chemistry, physics, maths, engineering, and modern foreign languages (the major subject areas protected in 2012-13) in academic year 2013-14, and what challenges you have faced in each area in doing this. We are particularly interested to understand the issues where institutions have been unable to maintain entrant numbers in any of these particular subject areas. If you also feel able to comment on the same subject areas for 2012-13 entry, we would also be interested to receive these. Information gathered through these responses will be used to consolidate our understanding of issues affecting these subject areas at a national level. If this is not relevant to you, please leave blank.

18. If there are any other subject areas where you would like to highlight particular recruitment challenges in 2013-14, at any HE level, please describe these.

19. We are continuing to provide additional funding for four subject areas which our evidence demonstrates are very high-cost: chemistry, physics, chemical engineering, and mineral, metallurgy and materials engineering. It is a condition of grant for institutions in receipt of this funding to continue to maintain taught programmes in the very high-cost disciplines that this funding aims to sustain. If you are in receipt of additional funding for very high-cost STEM subjects in 13-14, please provide a short report on your provision in these areas. This should include details of the undergraduate programmes offered in the four subject areas during the year, and the new entrants and total numbers of home and

EU students for each. We are also interested in any additional comments you might have on these subjects. If this is not relevant to you, please leave blank.

Opportunities and challenges for higher education

20. **The questions below ask about which areas of HE present the most significant opportunities and challenges for your institution in the next three years. The areas relate to HE activities and/or aspects of the environment in which HE providers operate. We recognise that many of the areas are inter-related, and that not all areas will be relevant to all HE providers. If the main areas of opportunity and challenge in the view of your institution are not represented in the lists, please record these under the 'other or others' category. You may, if appropriate, choose to select the same area or areas as presenting both opportunities and challenges.**

Which three areas present the most significant opportunities for your institution in the next three years?

- ☐ Expansion of courses delivered outside the UK
- ☐ Flexible study
- ☐ Partnerships with other higher education providers in the UK in relation to education
- ☐ Partnerships with other higher education providers overseas in relation to education
- ☐ Public funding
- ☐ Range of subjects offered
- ☐ Recruitment of students
- ☐ Regulatory and oversight arrangements for higher education
- ☐ Relationships with businesses and employers in the UK on education
- ☐ Relationships with businesses and employers overseas on education
- ☐ Relationships with businesses in the UK on research and knowledge exchange
- ☐ Relationships with businesses overseas on research and knowledge exchange
- ☐ Research partnerships with other higher education providers in the UK
- ☐ Research partnerships with other higher education providers overseas
- ☐ Student number control arrangements
- ☐ Types and levels of qualifications offered
- ☐ Widening participation and fair access

- ☐ Other or others (please specify)

20a. If you selected **recruitment of students** in the opportunities above, please indicate in which areas the opportunities lie. You may select as many as relevant.

If you did not select **recruitment of students** in the opportunities, please leave section 20a blank.

UK recruitment

- ☐ Undergraduate full-time
- ☐ Undergraduate part-time
- ☐ Postgraduate taught full-time
- ☐ Postgraduate taught part-time
- ☐ Postgraduate research full-time
- ☐ Postgraduate research part-time

Recruitment from other EU countries

- ☐ Undergraduate full-time
- ☐ Undergraduate part-time
- ☐ Postgraduate taught full-time
- ☐ Postgraduate taught part-time
- ☐ Postgraduate research full-time
- ☐ Postgraduate research part-time

International (non-EU) recruitment

- ☐ Undergraduate full-time
- ☐ Undergraduate part-time
- ☐ Postgraduate taught full-time
- ☐ Postgraduate taught part-time
- ☐ Postgraduate research full-time
- ☐ Postgraduate research part-time

20b. Please provide reasons for your three choices of opportunities.

21. Which **three** areas present the most significant challenges for your institution in the next three years?

- ☐ Expansion of courses delivered outside the UK
- ☐ Flexible study
- ☐ Partnerships with other higher education providers in the UK in relation to education
- ☐ Partnerships with other higher education providers overseas in relation to education
- ☐ Public funding
- ☐ Range of subjects offered
- ☐ Recruitment of students
- ☐ Regulatory and oversight arrangements for higher education
- ☐ Relationships with businesses and employers in the UK on education
- ☐ Relationships with businesses and employers overseas on education
- ☐ Relationships with businesses in the UK on research and knowledge exchange
- ☐ Relationships with businesses overseas on research and knowledge exchange
- ☐ Research partnerships with other higher education providers in the UK
- ☐ Research partnerships with other higher education providers overseas
- ☐ Student number control arrangements
- ☐ Types and levels of qualifications offered
- ☐ Widening participation and fair access

- ☐ Other or others (please specify)

21a. If you selected **recruitment of students** in the challenges above, please indicate in which areas the challenges lie. You may select as many as relevant.

If you did not select **recruitment of students** in the challenges, please leave section 21a blank.

UK recruitment

- ☐ Undergraduate full-time
- ☐ Undergraduate part-time
- ☐ Postgraduate taught full-time
- ☐ Postgraduate taught part-time
- ☐ Postgraduate research full-time

- ☐ Postgraduate research part-time

Recruitment from other EU countries

- ☐ Undergraduate full-time
- ☐ Undergraduate part-time
- ☐ Postgraduate taught full-time
- ☐ Postgraduate taught part-time
- ☐ Postgraduate research full-time
- ☐ Postgraduate research part-time

International (non-EU) recruitment

- ☐ Undergraduate full-time
- ☐ Undergraduate part-time
- ☐ Postgraduate taught full-time
- ☐ Postgraduate taught part-time
- ☐ Postgraduate research full-time
- ☐ Postgraduate research part-time

21b. Please provide reasons for your three choices of challenges.

22. What are the main ways in which your institution is addressing the opportunities and challenges?

Connected Institutions

23. Please confirm, and provide details of any existing agreements with connected institutions[12], and whether there have been, or you anticipate any changes to these agreements in future.

Declaration[13]

I confirm that the information provided above is correct

Name

Title

E-mail

[12] A 'connected institution' is an organisation receiving HEFCE grant funding from an HEI to which it is accountable but operating independently from that HEI. Information about the conditions for the use of Council funds in respect of a connected institution can be read in 'Model Financial Memorandum between HEFCE and institutions: Terms and conditions for payment of HEFCE grants to higher education institutions' HEFCE 2010/19, paragraph 36.

[13] To be signed by a member of the Senior Management Team

Annex C: Financial results and forecast tables 2013: guidance

Approach to forecasting

1. We recognise that HEIs may produce a number of different scenarios relating to their future financial position. Institutions should submit to us the forecasts that provide the most likely outcome (that is to say, the most realistic). Within the financial commentary provided alongside the financial tables, the institution should comment on how likely it is that the forecast position will materialise, and present and discuss other possible scenarios.

Accounting conventions

2. The main financial tables follow the format of the 'Statement of recommended practice: accounting for further and higher education' (SORP) introduced from 1 August 2007[14]. The financial information should therefore comply with all Financial Reporting Standards (FRSs) effective from 31 July 2013. In particular, HEIs should apply the definition of terms in the SORP when completing the return and be consistent with the accounting policies used in HEIs' 2012-13 financial statements.

Consolidation

3. The financial tables should cover the HEI and all its subsidiary undertakings. If an HEI has subsidiary undertakings, the financial tables should be consolidated in accordance with FRS 2 'Accounting for subsidiary undertakings'.

Joint venture entities and associates

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

FRS 17 (Retirement benefits)

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

Tables to be completed

6. The tables submitted in December will cover a three-year period and in July a six-year period, each starting with the two most recent years' audited financial statements. They comprise the following tables:

---

[14] The latest version (2007) is available from www.universitiesuk.ac.uk under Publications.

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

7. A sample of the financial tables to be completed in December can be found in Annex F. We will write to heads of finance in October 2013 about how to access and return the tables.

Financial indicators table

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

Guidance on Tables 1, 2, 3 and 4

9. Tables 1, 2, 3 and 4 are standard financial tables that should be completed in accordance with the SORP and be consistent with accounting policies adopted in HEIs' 2012-13 financial statements. The actual outturn for 2011-12 and 2012-13 entered in the tables should be consistent with the audited financial statements (restated if appropriate). The forecast figures for 2013-14 to 2016-17 should be based on an assessment of the most realistic assumptions over the forecast period. They should also be consistent with the HEI's strategic plan and with the most recent operating and financial review in the audited financial statements. Headings 1-6 and Heading 9 in Table 1 are automatically completed from Tables 1a and 1b and do not require input.

10. As well as returning information to HEFCE, all institutions must submit financial information for 2012-13 to the Higher Education Statistics Agency (HESA). The return to HESA (Finance Statistics Return) is based on the annual audited financial statements and, as such, should be consistent with both the audited statements and the data returned to HEFCE in December 2013.

Guidance on Table 1a

11. This section provides guidance on some of the sub-headings in Table 1a. The information returned should be consistent with the HEI's audited financial statements and the HESA Finance Statistics Return.

Sub-heading 1a: HEFCE teaching grant

12. This heading should contain the actual or expected total recurrent teaching funding from HEFCE. This should include the elements of funding as shown in Table A of the 2012-13 grant tables.

Sub-heading 1b: HEFCE research grant

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

Sub-heading 1c: HEFCE other grants

14. Amounts under this sub-heading should be any other HEFCE grants that have not been dealt with in the sub-headings 1a and 1b. Release of deferred capital grant from HEFCE should be included in Sub-heading 1f.

Sub-heading 1d: Teaching Agency funding

15. This should include all funding provided by the National College for Teaching and Leadership (or the former Teaching Agency previously the Training and Development Agency for Schools) apart from the release of any deferred capital grant.

Sub-heading 1e: SFA funding

16. This should include all funding provided by the Skills Funding Agency (SFA) apart from the release of any deferred capital grant.

Sub-heading 1f: Release of deferred capital grants

17. Amounts under this sub-heading should relate to a specific capital grant that has been used to purchase a capitalised asset. The release will be over the life of the asset and will offset the depreciation charge on those assets. This should include the release of deferred capital grants from HEFCE, the National College for Teaching and Leadership (the former Teaching Agency) and SFA.

Heading 2: Tuition fees and education contracts

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

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

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

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

Sub-heading 2e: Overseas students

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

Sub-heading 2f: Other fees and support grants

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

Sub-heading 3a: BIS Research Councils

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

Sub-heading 3b: UK-based charities

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

Sub-heading 3c: Other research grants and contracts

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

Sub-heading 4a: Other services rendered

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

Sub-heading 4b: Residences and catering operations

27. This should include the income from residences, catering and conference operations.

Sub-heading 4c: Income from health and hospital authorities (excluding teaching contracts for student provision)

28. This should include income received from UK health and hospital authorities for the funding of any employees of the institution, including posts in academic teaching, except for those relating to the provision of services rendered, which should be recorded under Sub-heading 4a, and research, which should be included under Heading 3. Income for teaching contracts should be returned as fee income under Heading 2.

Sub-heading 4d: Other operating income

29. This should include all other operating income not covered by Headings 4a-c.

Heading 5: Endowment and investment income

30. This should include: income from specific endowment asset investment; general endowment asset investments; other investment income and other interest receivable.

Guidance on Table 1b

31. Staff costs should cover all staff for whom the institution is liable to pay Class 1 National Insurance contributions or who have a contract of employment with the institution. This should include any severance costs (where these are not treated as exceptional items under Table 1 Heading 18), and these costs should be returned under Sub-heading 5, Other staff related costs. This table should be completed so as to be consistent with

how information is disclosed in the notes of the audited financial statements. Staff numbers should be all staff (academic and others) and be returned as full-time equivalent (FTE) numbers.

Guidance on Table 5: Supporting data

32. This table asks for data on miscellaneous items to support the information supplied in the other tables. The data requested should also be included within other operating expenses (Table 1 Heading 8). The items of data to be returned are:

Subheading 1a: Operating leases and other long-term operating expense commitments

33. This should include the expenditure incurred in the year on operating leases and other long-term operating commitments.

Subheading 1b: Annual contract cost of PFI deals

34. This should include the annual contract cost of private finance initiative (PFI) deals.

Subheading 1c: Maintenance expenditure

35. This should include all expenditure incurred in the year on the maintenance of premises (excluding the pay of staff involved, whose costs will be returned under Staff costs in Table 1b). It should cover expenditure to keep premises in good repair, and to replace and/or maintain existing systems.

Guidance on Table 6: HE student number forecasts

36. Institutions should return HE student numbers as full-time equivalents (FTEs) for both full-time and part-time numbers. **The population of students returned in the table should be consistent with the HE population returned in student number data to the Higher Education Statistics Agency** (www.hesa.ac.uk). **This means that the student numbers should include those who do not complete.** These data will be used to provide context to the other financial tables, and will not be used for funding purposes.

37. For each of the forecast years, three columns must be completed: ‘Home and EU Old-regime’, ‘Home and EU New-regime’ and ‘Island and overseas’. The Home and EU columns should include both HEFCE-fundable and non-fundable students. For the definition of old-regime and new-regime please see Annex Q of the Higher Education Students Early Statistics Survey (HESES- www.hefce.ac.uk/pubs/year/2012/201225/).

38. Postgraduate research students do not need to be categorised between old-regime and new-regime. All postgraduate research students should be returned under the ‘old-regime’ column.

39. Student numbers should be returned by mode (full-time, sandwich year-out and part-time) and level (undergraduate, postgraduate taught and postgraduate research). Sandwich year-out students should be included within the full-time numbers. Undergraduate numbers should also include foundation degrees.

40. Student numbers relating to franchised-out provision, National College for Teaching and Leadership (formerly the Teaching Agency) and NHS students should all be included within the totals. Please return students for whom the terms ‘old-regime’ or ‘new-regime’ does not apply under the ‘old-regime’ column. Where these are material elements of

provision, institutions could helpfully include further details of significant changes in the commentary.

Guidance on Table 7: Annualised servicing costs (ASC) of long-term borrowing

41. This table reviews compliance with the Financial Memorandum over the level of Annualised Servicing Costs (ASC) of long-term financial commitments. This table should provide information on the ASC of all long-term borrowings in place at the year-end (31 July 2013) and any additional borrowings drawn down or agreed at 31 October 2013. We use these data to calculate the annual revisions to the borrowing consent limits and to understand the borrowing behaviour in the sector. **It is important, therefore, that the information covers all the loans and that institutions calculate the ASC correctly (this includes both the capital and interest elements of the loans)**. **The ASC consists of total expected payments of capital and interest over the period of the loan, divided by the loan period in years. This includes lump sums at the end of the term.** A common error is to take the average capital payments and add the interest payable for the year. We have also noticed that a number of loans have short-term repayment periods, but which amortise over a longer payment period, and which therefore have much higher ASCs than might have been assumed. Further guidance on calculating the ASC of long-term borrowing is provided in Annex F of the Financial Memorandum (HEFCE 2010/19, page 34).

42. The first section of the table requires HEIs to input information about the level of borrowings as at 31 July 2013. The total loans outstanding on that date should agree with the audited balance sheet total long-term and short-term borrowings. The second section should record information about any additional borrowings agreed or drawn down before 31 October 2013. If you have any queries about how to complete this table, then please contact your HEFCE assurance consultant or assurance adviser (see www.hefce.ac.uk/contact/stafflist/).

43. We have pre-filled the table with the information input by HEIs to the 2012 financial results and forecasts return. We have, however, deleted loans from last year's return with nil outstanding or listed as repaid and/or expired. **Where any information is incorrect, please overwrite the amended details**, giving the reason in the far right-hand column (column O in the spreadsheet) using the drop-down menu. If the reason is not available in the drop-down menu, please select 'Other' and provide an explanation in the commentary.

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

Guidance on Table 8: net liquidity

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

46. If the HEI had negative net cash (where cash in hand and deposits repayable on demand, as defined by FRS 1, are exceeded by bank overdrafts that are repayable on

demand), for more than 35 consecutive days during the period 1 November 2012 to 31 October 2013, they should give the highest negative level in the final column of this table.

Public funding assumptions

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

48. HEFCE’s grant letter to HEIs in July 2013 announced the level of funding for the academic year 2013-14, and HEIs have also received correspondence about the level of capital funding available during this year. For future years, HEIs should include their own assumptions, and be clear about these in the commentary.

49. Paragraphs 33-39 of the main document provide the context that HEIs themselves should use in their future financial plans. We expect HEIs’ financial forecasts to be realistic about the level of public funding available, and the underlying assumptions they make in the financial commentary.

Annex D Financial commentary template

1. HEIs have not always fully answered the questions in the financial commentary. Compliance improved in more recent annual accountability returns, but further improvement is necessary to ensure that all HEIs provide all of the requested information. To help HEIs meet our requirements, this annex provides optional templates for HEIs to complete.

2. We recognise that HEIs produce reports internally for management as well as for their governing body and its committees. Where the HEI already produces internal documentation that addresses all of the questions, we are happy to continue to receive the information in the institution's own format. Similarly, where specific questions may be answered by reference to other parts of the annual accountability return, please reference that document, rather than providing duplicate information.

3. Note that questions that are unanswered by HEIs will be followed up by reviewers of the return.

Template for December 2013 submission

1	Explain any material variances between the 2012-13 audited performance and position relative to the June 2013 forecast.
2	Explain any material changes in the forecast for 2013-14.

Template for July 2014 submission

1	Explain how the institution is ensuring its sustainability, including the institution's strategy, quality of teaching and research, management of its key risks, including cash flow management, proposed borrowings or material leases and investment in its estates and infrastructure.
2	Explain the assumptions about student recruitment and fee income over the period of the forecasts, including how the institution is mitigating any risk and what scenario planning or sensitivity analysis has been undertaken.
3	Explain significant movements (±10 per cent in any one year) on the income and expenditure account and material changes on the balance sheet (including the detail on any material exceptional items). In particular, please provide an explanation for material increases in staff costs or numbers.
4	Explain the key assumptions made in developing the financial forecasts.

Annex E Annual assurance return template

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

Annex F Sample financial tables for submission in December

This annex is for reference only and may be downloaded from the HEFCE web-site alongside this document under Publications. Templates will be available to download from the secure area of the HEFCE web-site in early October 2013.

List of abbreviations

AMS	Annual monitoring statement
ASC	Annualised servicing cost
BIS	Department for Business, Innovation and Skills
BUFDG	British Universities Finance Directors Group
CIF	Capital Investment Framework
CUC	Committee of University Chairs
FM	Financial Memorandum
FRS	Financial Reporting Standard
FSSG	Financial Sustainability Strategy Group
FTE	Full-time equivalent
HE	Higher education
HE-BCI	Higher Education – Business and Community Interaction
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HEIF	Higher Education Innovation Funding
HESA	Higher Education Statistics Agency
HESES	Higher Education Students: Early Statistics (survey)
KE	Knowledge exchange
KPI	Key performance indicator
PAC	Public Accounts Committee
PFI	Private Finance Initiative
RCUK	Research Councils UK
SFA	Skills Funding Agency
SIVS	Strategically important and vulnerable subjects
SLC	Student Loans Company
SORP	Statement of recommended practice
TRAC	Transparent Approach to Costing
TRAC(T)	TRAC for teaching
UUK	Universities UK
VFM	Value for Money