

Investing for successful futures

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A guide to HEFCE

August 2010/23

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This guide gives an overview of the work of the Higher Education Funding Council for England. We hope it will be useful to anyone who wants to know more about our work. For more information on our activities, visit our web-site, www.hefce.ac.uk.

This document is for information.

Alternative formats

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ISSUES

Foreword by Tim Melville-Ross CBE

Chair

HEFCE has a key role to play in promoting high-quality, cost-effective teaching and research to meet the needs of students, the economy and society.

We are the principal public funder of a higher education system that stands out as a national and international success story amid today's economic uncertainties and challenges.

The Government recognises the central role that universities play in rebuilding the economy and securing sustainable growth. Universities are essential to the country's economic and social achievements and the vitality of its intellectual and cultural life. Our role is to maintain this important contribution

to national success by investing wisely in high-level knowledge, skills and innovation.

Higher education today is being brought to a more diverse student body. We are strongly supporting the increasingly close relationship between universities and business. Much of the country's research is world-class. With 1 per cent of the world's population, the UK achieved 12 per cent of the world's scientific citations. It is essential that we press forward with these advances.

While higher education has to play its part in achieving government savings in these testing economic times, it is also essential that we secure sufficient investment – both public and private – to maintain the global competitiveness of higher education in England.

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Introduction by Sir Alan Langlands

Chief Executive

The total turnover of higher education institutions in England is more than £20 billion.

HEFCE is by far the largest single funder of higher education and research. The greater part of our allocations is distributed as

'block grant', which gives universities and colleges the discretion to spend according to their own priorities. This underpins the autonomy and diversity of institutions, widely regarded as the major strengths of higher education.

HEFCE is an advocate and supporter of all that is good and distinctive in higher education. We work closely with universities, colleges and other partners to achieve excellence and impact in education and research, and to provide opportunities for those who have the ability to benefit from higher education.

Our responsibilities are to develop policies, distribute funds, safeguard quality and assure the proper stewardship of public money. We also provide advice to the Secretary of State for Business, Innovation and Skills.

HEFCE will continue to work hard with universities, colleges and Government to ensure the quality of teaching continues to be trusted and achieves internationally respected standards. We will support universities in delivering the knowledge and high-level skills required to help the professions, businesses and public services to innovate and prosper. We will also continue to promote research excellence across a wide range of academic disciplines.

Through these activities and our support, we will seek to ensure that universities and colleges continue to be a powerful force in achieving the country's twin aims of a vibrant knowledge economy and a just society.

What is HEFCE?

The Higher Education Funding Council for England is responsible for distributing public money for higher education in England. We also help to develop and implement higher education policy.

Our role is to invest for successful futures whether for students, the economy or society. We do this by:

- funding teaching and research
- working to increase participation in higher education by those who have traditionally not gone to university
- working with employers, charities and the wider community to maximise the contribution of higher education to our economic and social well-being.

We work in partnership with autonomous universities and colleges, as well as other funders, representative bodies and regulators.

In academic year 2010-11, we will allocate £7.4 billion of public funds from the Government to universities and colleges to support this work. We are accountable for the proper use of these funds and for ensuring that the sector is financially healthy and well managed.

How we work with Government

HEFCE is a non-departmental public body. This means that while our broad remit is set by the Secretary of State for Business, Innovation and Skills, we are not part of any government department. This enables us to act as a broker between universities, colleges and the Government, ensuring the appropriate institutional freedom for teaching and research. The Government decides on the total public funding for higher education, and we distribute this funding fairly and transparently, according to agreed criteria.

Under the Further and Higher Education Act 1992, which established HEFCE, the Secretary of State is not entitled to frame his conditions of grant to us by reference to specific institutions, or to particular courses of study or programmes of research, or to the criteria for the selection and appointment of academic staff or for the admission of students. This is designed to safeguard both institutional and academic autonomy, which are widely regarded as key factors in the success of English higher education.

We also have an important role in advising the Secretary of State on higher education. We are required to provide our advice in confidence.

Promoting high standards

We are responsible for making sure that the quality and standards of learning and teaching are assessed in each university and college across England. We also assess the quality of research, enabling us to fund research selectively by supporting excellence wherever it is found.

In all the major areas of our work we identify and share good practice and help to build partnerships, enabling universities and colleges to learn from each other and a range of partner bodies that we support.

Our regulatory role

We have a regulatory duty to ensure that higher education institutions in receipt of public money provide value for money and are responsible in their use of public funds. We also ensure that the funding we distribute accurately reflects what is delivered. From June 2010 we are the principal regulator of those higher education institutions that are exempt charities, advising the Charity Commission where appropriate. Our duty as principal regulator is to promote institutions' compliance with charity law.

A strategic approach

The HEFCE Board sets our policy. Its members are appointed by the Secretary of State. Our strategic plan for 2006-2011, providing more details about our main areas of activity, was updated in June 2009.

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Who do we fund?

Most of our money goes to universities and colleges for higher education in England. We do not give grants or loans to individual students.

Our funding reflects the diversity of institutions delivering higher education in England. We currently fund 130 higher education institutions, including 88 universities. We also fund higher education courses in 123 further education colleges.

A diverse sector with a proud history

These universities and colleges vary enormously in size and in their range of courses and students. There are over 2 million students registered on higher education courses at higher education institutions in England.

English universities have a long, proud history. Oxford and Cambridge date from the 12th and 13th centuries. Other universities were founded in the 19th and early 20th centuries or in the 1950s and 1960s. These are sometimes collectively called ‘old universities’, whereas former polytechnics and colleges of education, which gained university status after 1992, are known as ‘new universities’. Each university must have its status approved by the Privy Council (part of the Government).

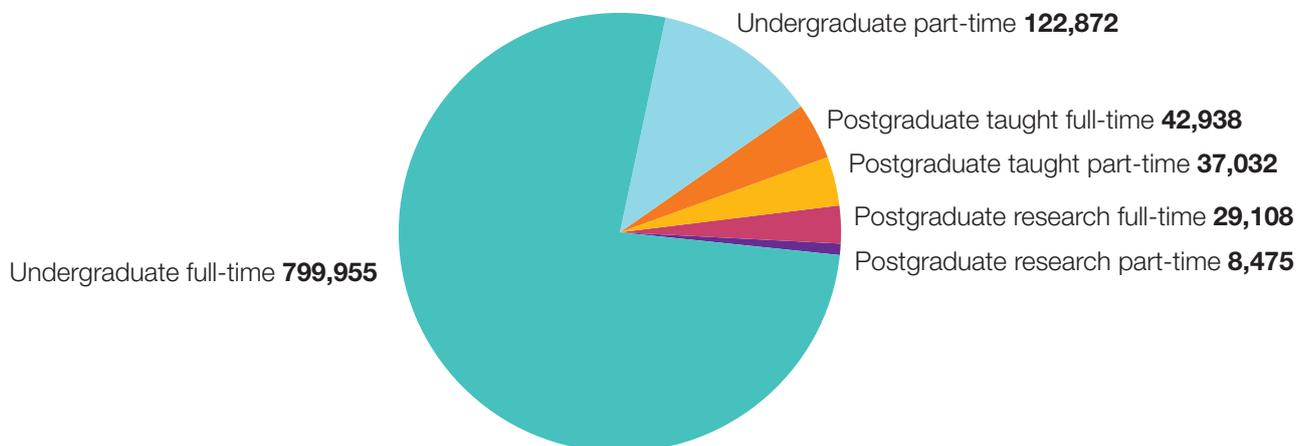
Higher education courses are also taught in further education colleges. For these colleges, HEFCE only

funds the higher education provision; colleges’ other courses are funded by the Skills Funding Agency.

Independent organisations

Universities and colleges are legally independent. Their structure reflects their history. But all have charitable status and run their own affairs, with governing bodies responsible for ensuring public accountability and trust. We supported the Committee of University Chairs in producing a code of practice for governors and work closely with other representative bodies, including Universities UK, GuildHE and the Association of Colleges.

Full-time equivalent students counted in HEFCE’s funding allocations for 2009-10:
total 1.04 million



How do we share out the money?

Each academic year, HEFCE distributes government funding for higher education. We use formulae to decide how to allocate most of that money to individual universities and colleges.

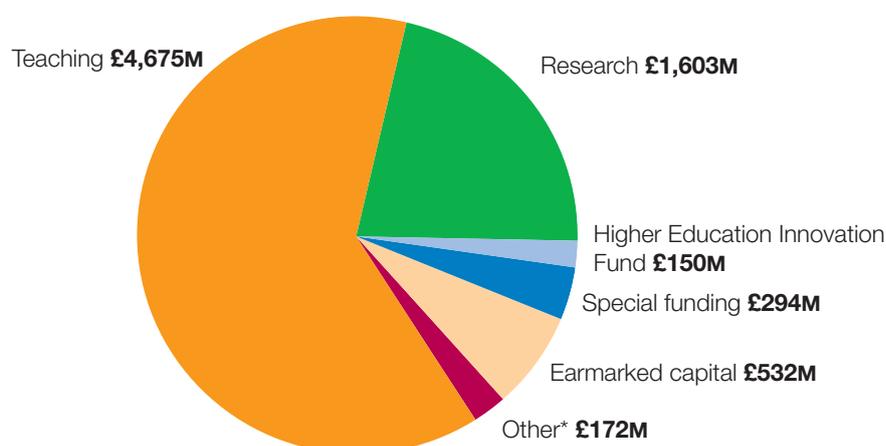
We believe that formula funding is the fairest and most transparent way to distribute money for research and teaching. This helps to fund core activities. This recurrent funding is added together as a block grant and is used by universities and colleges according to their own priorities. The only 'strings' attached are set out in a funding agreement, which includes targets relating to student numbers and other general requirements.

Funds for learning and teaching, and for widening participation

Each year's main teaching grant is based on the grant for the previous year, adjusted for inflation and any changes in student numbers. The grant reflects where students are studying and what courses they are taking. Additional costs such as operating in London are reflected in the grant, as are the extra costs of teaching courses with expensive technology or laboratory equipment.

There are also specific grants to reflect additional teaching or student costs. The most significant of these are for widening participation, improving student retention, and enhancing learning and teaching through the development of effective strategies. Some of these extra allocations reflect the higher costs that may be involved in supporting and reaching disadvantaged students. Other teaching allocations recognise the additional costs associated with particular types of provision.

Distribution of HEFCE funding 2010-11



* 'Other' comprises the University Modernisation Fund, and smoothing and moderation.

Teaching funding policy is regularly reviewed to take into account changing policy priorities.

Funds for research

Research is publicly funded under a 'dual support' system in England. HEFCE funding covers salaries, staff development, postgraduate research students, premises, libraries and blue-skies research. HEFCE funding for research is given to institutions in the block grant; this allows institutional managers to make strategic decisions about where it is best spent. The other side of the dual-support system is grants for specific projects, which are provided by the Research Councils, charities, industry, the European Union and government departments.

HEFCE research funding is distributed on the basis of excellence wherever it is found. The measure of excellence has been defined by the Research Assessment Exercise (RAE), a periodic sector-wide peer review exercise that was last conducted in 2008. New ways of assessing research quality are currently being developed, although RAE2008 will continue to drive funding until at least 2014.

Other funding

We provide capital funding for buildings and equipment and our Capital Investment Fund helps to ensure long-term sustainability for learning, teaching and research. We are distributing £134 million for learning and teaching capital in 2010-11 and £282 million for research in 2010-11. Capital funding has supported the UK's strong position in international research, made universities more attractive partners for business and increased research productivity. It has also made research possible in new areas.

Different sources of funding

While HEFCE is the largest single source of public funding for English higher education, universities also have access to a range of public and private sources, including student fees, their own endowment funds and employer contributions to research and course funding.

Full-time undergraduates contribute towards the cost of their tuition. For UK and EU students in 2010-11 the maximum is £3,290 a year.

Special funding – which is 4 per cent of total funding – helps support national facilities, such as the electronic network linking all universities and colleges, operated on behalf of the Joint Information Systems Committee.

Our Strategic Development Fund supports projects such as significant mergers and other forms of collaborations which support our strategic goals. Since it was set up in 2003, the Strategic Development Fund has supported around 316 projects or schemes with £712 million, of which just over £56 million was repayable grants.

Better accountability

Students and taxpayers need to know that public money and fee income is being used properly and well. While we have a responsibility to request information and data from universities and colleges, we have reduced avoidable burdens and their associated costs in recent years.

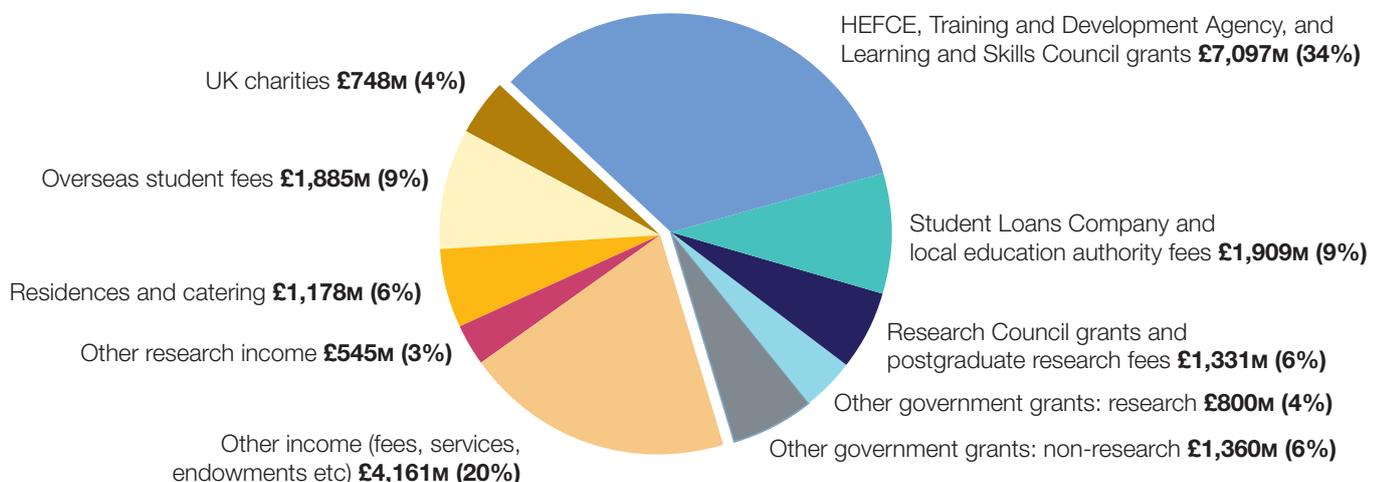
We are keen to ensure that regulation and accountability are as effective as possible, generating trust and supporting autonomy.

- Over £7.4 billion will be distributed by HEFCE to universities and colleges in 2010-11.
- Over £4.6 billion is being provided for teaching and over £1.6 billion for research.
- Capital funding of over £532 million will be allocated in 2010-11.
- The Higher Education Innovation Fund is distributing £150 million for 2010-11.
- Administrative burdens on universities fell 25 per cent from 2000 to 2004, and fell a further 21 per cent from 2004 to 2008, according to PA Consulting.

Sources of finance for HEFCE-funded HEIs 2008-09: total £21.0 billion

Private finance

Public finance



Source: HESA finance record 2008-09, HEFCE-funded HEIs.

Percentages do not sum due to rounding.

Investing in successful learning and teaching

Learning new lessons

We aim to ensure that all higher education students benefit from a learning and teaching experience that fully meets their needs and those of the economy and society.

With tuition fees and better information, students have become more demanding of high quality and an experience that deepens their personal and professional development. Employers are increasingly working with universities to shape courses. New technology is helping to improve the range and flexibility of what is on offer to an increasingly diverse student body.

We allocate two-thirds of our funds for teaching. Through those funds, we aim to see continuous improvements in course quality. High-quality learning and teaching, and flexible and innovative courses, are important features of English higher education which must be sustained for the benefit of students.

In funding teaching, we recognise the different costs of different activities, including the extra costs of widening participation, laboratory-intensive subjects and part-time courses. We have a targeted fund to support efforts to enhance learning and teaching.

Helping to improve teaching

While much of our teaching allocation is delivered by block grant, we support good-quality teaching in other ways. For 2010-11, we are giving institutions £134 million to refurbish or replace buildings and equipment for teaching.

We help fund the Higher Education Academy which aims to raise the status of teaching and works with institutions to help improve the learning experience of students. It does this through national programmes and events that share best practice in responding to students' growing expectations. The Academy provides guidance in learning and teaching in different subjects through its 24 subject centres. It has also developed a framework

for professional teaching standards and accreditation. The Academy runs the National Teaching Fellowship Scheme which recognises individual excellence.

The Academy works with 74 Centres for Excellence in Teaching and Learning, a network of HEFCE-funded institutional hubs of teaching expertise in subjects as diverse as the performing arts and veterinary education.

Assuring the quality of higher education

HEFCE has a statutory duty to assess the quality of the provision it funds and to identify any systematic problems in quality assurance. The Quality Assurance Agency for Higher Education is contracted by HEFCE to undertake audits of how institutions make sure that quality and standards are assured in their institution.

Alongside this system of audit, HEFCE and institutions make sure that robust and comparable information

£4,675 million will be allocated to teaching in 2010-11.

More students are studying science and mathematics, thanks in part to HEFCE's work on STEM subjects. Provisional final acceptances for 2009-10 represent an increase over 2007-08 of 16.8 per cent for maths, 10.7 per cent for physics and 1.3 per cent for chemistry. These increases follow rises from 2005-06 to 2007-08, when maths acceptances rose 12.4 per cent, chemistry 12.1 per cent and physics 10.3 per cent.

Over £1 billion is being provided between 2008 and 2011 for new and improved teaching equipment and buildings.

Eighty-two per cent of 252,000 students in England responding to the National Student Survey in 2010 said they were satisfied overall with the quality of their courses, and 67 per cent were happy with the assessment and feedback they received.

about teaching quality is made available to the public – in particular prospective students and their advisers. This ‘Teaching Quality Information’ (TQI) data include information about student satisfaction collected through the annual National Student Survey (NSS) which includes the views of some 223,000 students about their experiences. All these data are made available on the www.unistats.com web-site.

Our TQI Steering Group is reviewing policy in this area. We anticipate that the review will lead to a consultation in autumn 2010, setting out proposals for:

- a revised information set
- who will be responsible for publishing that information (including the future of the Unistats web-site and proposals for changes to the NSS)
- where future work will be required
- how public information in relation to the Quality Assurance Agency for Higher Education’s institutional audits will be handled.

The last audit under the current cycle of institutional audits in England and Northern Ireland will be completed in 2010-11. The representative bodies for higher education and a wide range of other stakeholders have clear interests in ensuring that any system for the assurance of quality and standards in higher education commands public confidence and protects the interests of students.

We are therefore working together to develop the principles that might underpin the development of the quality assurance system when the current cycle ends.

Strategically important subjects

Some subjects are of such national economic or social importance that they may need additional support to sustain them through periods of low demand from students. In particular, there has been a concern in recent years that insufficient numbers of young people were taking science, technology, engineering and maths (STEM) subjects either in school or at university.

We have a £350 million programme working with schools, Research Councils and learned societies to reverse the decline. There is extra support to maintain capacity in chemistry, physics, chemical engineering, and mineral, metallurgy and materials engineering. Work is going on in schools to encourage young people to take these subjects at GCSE, A-level and for the new diploma qualification.

There is already evidence of a significantly increased take-up in maths, chemistry, engineering and physics

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Stewart Martin, Head of Education and Principal Lecturer at Teesside University, was awarded a prestigious National Teaching Fellowship by the Higher Education Academy in 2009. Only 50 fellowships are given to academics each year from universities in England and Northern Ireland, with each recipient being awarded £10,000 to support their personal and professional development and research work. Stewart says: ‘I was extremely pleased to receive this Fellowship. Awards like this are particularly gratifying, as we need to raise the recognition and status of teaching nationally.’

in higher education and A-levels. A national programme to develop STEM subjects is being hosted by the University of Birmingham.

Flexibility in learning and teaching

HEFCE is funding a pilot scheme in which a group of institutions are testing innovative ways of organising learning and teaching, to support patterns that suit a variety of student needs. Examples include: two-year, fast-track honours degrees; accelerated, part-time study programmes; and work-based programmes.

Learning technology

New technology offers ways to deliver courses more imaginatively and flexibly for on-campus learners, part-time students and distance learners. Our guidance on enhancing learning and teaching through the use of technology aims to ensure that universities and colleges integrate this into their practice. We have also funded pilot programmes that are exploring the use of open educational resources. Through the Online Learning Task Force, we are investigating ways in which universities and colleges can use online learning to enable more students – in the UK and abroad – to study at UK institutions.

from care. In 2009-10 the Aimhigher Associates scheme, to which the Government contributed £21 million between 2008 and 2011, rolled out nationally. This will see 5,000 undergraduates supporting and encouraging 21,600 school and college students aged 13-18.

Embedding widening participation

We work with universities and colleges to ensure widening participation is a key goal for them too. A proportion of the teaching block grant to universities and colleges is intended to support a range of activities designed to widen participation and improve the teaching and retention of disadvantaged students. Institutions also spend around a quarter of their fee income on bursaries, scholarships and work with schools to encourage students to consider higher education.

Realising opportunities

The aim of widening participation is to ensure that there is equality of opportunity to access higher education in general, but it is also important to ensure that suitable, qualified students can access the institutions and programmes that best meet their needs and aspirations, regardless of their background. However, in institutions that demand very high entry qualifications, the participation rates of people from disadvantaged backgrounds remain low. Therefore, we have funded the Realising Opportunities project in which 13 of the country's leading, research-intensive universities are developing a national scheme that supports the 'most able but least likely' students to apply and gain a place.

Improved progression for vocational students

Many students who gain A-levels or an equivalent level qualification do not progress to higher education. Some simply want to go straight to work, and find it hard to balance a job and studies. They are missing out on a chance to upgrade their skills which could improve their value to employers.

Lifelong Learning Networks are intended to make it easier for vocational students to access higher education, which is often provided in further education colleges. We have funded 30 networks, which between them encompass every English region, bringing further education colleges together with higher education institutions, Sector Skills Councils and regional skills partnerships. Five of the networks are pathfinders linked to the new diplomas for 14-19 year-olds.

Nicolette Sweeney with some of her Year 9 pupils at South Hampstead High School, London, where she teaches geography. Nicolette became a teacher after graduating from Oxford University, to which she applied after attending a summer school. Summer schools give a taste of university life to young people who might not normally consider higher education. She says: 'Attending the summer school really opened my eyes. Before going I would never have dreamed that Oxford could be for me.' HEFCE continues to fund summer schools across England and has allocated £10.5 million for 2008-2010.

Students living in the most disadvantaged areas are 30 per cent more likely to enter higher education than they were five years ago¹.

The proportion of young, full-time undergraduates from state schools has risen from 81 per cent in 1997-98 to 88 per cent in 2008-09².

HEFCE is allocating £144 million in 2010-11 for widening participation.

In 2010-11 universities and colleges expect to spend around £360 million from their fee income on bursaries and scholarships, and around £40 million on additional outreach work³.

Disabled students

Improved access and facilities are important to enable students with disabilities to play their full part in campus life. We work with the Equality Challenge Unit, the Higher Education Academy and Action on Access to widen opportunities for disabled students. A £13 million allocation is made to universities and colleges to support these students.

¹ Data from 'Trends in young participation in higher education: core results for England' (HEFCE 2010/03).

² Data from HESA Performance Indicators, Table T1a.

³ The Independent Review of Higher Education Funding and Student Finance First call for evidence, Submission by the Office for Fair Access.

Investing in successful research

Exploring new ideas

Our aim is to develop and sustain a dynamic and internationally competitive research sector that contributes to economic prosperity, national well-being and the expansion of knowledge.

Our research funding forms one part of the ‘dual support’ system for public funding of research. It is given out as a block grant to institutions and used in four main ways:

- developing researchers
- supporting the cutting edge of knowledge, allowing higher education institutions to invest in curiosity-driven research, strategic priorities, or high-risk projects
- supporting responsive research, working with other funding streams, allowing research teams to develop and stay together between project grants, sustaining research areas that see a decline in project funding and re-aligning research groups to respond to new agendas
- sustaining a world-class research environment.

On the other side of the dual support system are a variety of project funders including industry, charities, the UK Research Councils and other government departments. For 2010-11, some two-thirds of our £1.6 billion research funding will be allocated to reflect quality as measured through the Research Assessment Exercise (see below). We will allocate the remainder between four other funding streams, to support: postgraduate research supervision; research commissioned by charities; research commissioned by business; and research libraries of national significance.

Quality-related funding

Each academic year, we distribute research funds to universities and colleges selectively by reference to

robust judgements of quality. We fund the highest quality wherever it is to be found. The quality judgements are made through peer review in the Research Assessment Exercise (RAE), the latest of which took place in 2008. RAE2008 will continue to drive funding until at least 2014.

RAE2008 saw some changes which involved moving from a single score to a quality profile for each submission; such profiles allowed a finer-grained assessment. We are currently developing the next assessment system, the Research Excellence Framework, an expert review process that will take greater account of the impact of research on the economy and society.

Working with businesses and charities

We allocate a proportion of research funding to universities and colleges to support their work with business. In 2010-11, a total of £64 million is being distributed in proportion to the income the institutions have received from business for research. This funding recognises the importance of research in

Fifty-four per cent of the research submitted by UK higher education institutions for RAE2008 was either world-leading or internationally excellent.

Of the 159 UK institutions taking part in RAE2008, 150 had at least 5 per cent world-leading research in their submissions.

For 2010-11, a third of HEFCE research funding for English higher education institutions goes to five universities, 50 per cent to 10 universities, and 75 per cent to 25 universities.

developing innovative ideas that can stimulate more highly skilled jobs, particularly through science and innovation, as well as regeneration of communities.

A significant amount of research in England is funded by charities. HEFCE funding recognises that institutions undertaking charity-funded research do not receive the full economic costs of that research. HEFCE charity support funding supplements charity income, to support institutions undertaking charitable research without detriment to other activities or their long-term sustainability. We achieve this by distributing funding against volumes of charitable research undertaken that meet the criteria of open competition and peer review. In 2010-11, we are distributing £198 million to support research commissioned by charities.

Investment in the future

Maintaining the UK's world-class research base requires the right investment and the confidence for universities and colleges to invest in the future. We support research across the full academic spectrum, and are keen to promote a balance between blue-skies research and work that is immediately practical. By providing a stable funding stream between Research Assessment Exercises we provide institutions with the capacity to plan their activities and make strategic investments in research areas.

A test subject helps to trial an innovative new technique for taking images of the brain at the University of York's Neuroimaging Centre (YNIC). The centre has developed a unique method taking parahydrogen, the fuel normally used in space shuttles, and combining it with a specially developed molecular scaffold. The new technique makes it easier to identify certain medical conditions. Images are also much clearer and ready in a fraction of a second, rather than more than 100 hours. The University of York set up and staffed the centre that went on to develop the technique with the help of grants from HEFCE including both quality-related research funding and £4 million from the Science Research Investment Fund.

In these difficult times, a dynamic research sector has a big role to play in developing innovative ideas that will help the economic recovery. An important part of sustaining the sector involves HEFCE supporting the development of a high-quality infrastructure, as well as the right environment to attract excellent researchers.

We work in partnership with the UK Research Councils and Government to help build research capacity. Working with other partners we developed a code of practice to support high-quality minimum standards for training and supervision of postgraduate students. This is monitored by the Quality Assurance Agency for Higher Education through its institutional audit programme.

Investing in future science and innovation

HEFCE research funding helps to support the ambition for UK science and innovation set out by the Government in its 10-year science and innovation framework, and more recently in the 'Innovation Nation' white paper. Through a joint initiative with the Department for Business, Innovation and Skills, a total of £1,276 million is being allocated in 2008-2011 from the Research Capital Investment Fund which replaces the Science Research Investment Fund. The money will support the long-term research strategies of universities and colleges.

We also support research in other ways, such as the £12.5 million we have given to the South East Physics Network in which six south-east England universities are providing a graduate school, an outreach programme to stimulate interest among pupils and a knowledge transfer programme with a one-stop shop for regional employers and small firms.

Investing in our economy and society

Engaging employers, businesses and communities

Higher education is playing a major role in helping businesses recover from the economic downturn and in building for the future. Universities and colleges have an impressive record in fostering innovation, enterprise and skills, supporting public policy, public services and the professions, and helping to create new wealth and job-generating opportunities.

Nearly four in five higher education institutions have already fully integrated working with businesses and the community into their mission, while integration has begun in other universities and colleges.

Supporting economic recovery

HEFCE has – through the Economic Challenge Investment Fund – enabled higher education to respond rapidly to the needs of employers and individuals in challenging economic times. Universities and colleges in England were invited to take part in this matched funding scheme to help individuals and businesses through the recession.

Sole trader Julia Desch with some of the wool from the rare breed Wensleydale Longwool Sheep, on which her business is based. Hers is one of nearly 500 small and medium-sized enterprises across Sussex to have benefited from Profitnet, a project developed by the Centre for Research in Innovation Management at the University of Brighton. The venture is partly funded by HEFCE's Strategic Development Fund, providing members within the local industry with a practical approach to growing better business. Julia's increased motivation as a result of Profitnet has made her act upon ideas for development, and product sales increased 300 per cent on the previous year.

The £58 million fund enables universities and colleges to provide tailored training, development and professional support to vulnerable groups. It consists of £27 million provided by HEFCE with £31 million matched funding from institutions.

We published a report with Universities UK in 2008 called 'Standing together: universities helping business through the downturn', outlining how institutions can use their links with employers to help in the recession. It is available to download at www.hefce.ac.uk/econsoc/employer/fe.

Teaching skills that employers need

The 2006 Leitch Review of Skills highlighted the need for more employees to have the sort of higher-level skills that employers increasingly need in a globally competitive economy. These skills remain just as important as business seeks to recover from the recession.

An important way to achieve this goal is by involving employers more in designing courses that meet their needs. We are spending £148 million on employer

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engagement for 2008-2011. Our Employer Engagement Fund is helping higher education be more responsive to the workforce development needs of employers. It is also supporting a growing number of courses that are jointly funded by them. We plan to fund at least 35,000 new students by 2011 on such courses.

Foundation degrees are also growing in popularity. These courses last two years, when taken on a full-time basis, and are designed with employers, combining academic study with workplace learning. Nearly 100,000 students have enrolled on foundation degrees since they were launched in 2001.

Higher education has an important role to play in the education and training of professionals in public and private sectors. For example, HEFCE funds a wide range of health-related training and education. In 2008-09 we spent over £360 million on around 32,000 full-time undergraduate medical and dental places.

Knowledge exchange

Innovative research and expertise in universities and colleges is being used for wider economic and social benefit through programmes that support the transfer or exchange of knowledge between institutions and others who may benefit. Universities and colleges are increasingly a source of knowledge and expertise for sectors as diverse as the creative industries, green technology, advanced engineering and charities. There are also growing links with small firms.

Our Higher Education Innovation Fund, worth £396 million for 2008-2011, supports activities which are of wider economic and social benefit. This fund is now in its fourth round, and is entirely allocated by formula.

Changing culture

A recent report for HEFCE on 'third-stream funding' (teaching and research are the other two funding 'streams') has looked at the extent to which such funding has changed the capacity and culture of universities and colleges in their responsiveness to the needs of business and the wider community and the benefits delivered as a result.

It has shown that up to £4.2 billion of £10.3 billion generated through such 'knowledge exchange' engagements between 2001 and 2007 can be directly or indirectly attributed to third-stream funding. Total knowledge exchange income has risen to over £3 billion a year.

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Surrey NanoSystems works closely with the University of Surrey to develop commercial nanotechnology applications including a new generation of faster microprocessor chips. Ben Jensen (pictured), Chief Technology Officer of the company, said: 'Before we started collaborating with the university, our business was generating around £1 million in sales per year. Following our successful research partnership we are now turning over around £20 million.' The University of Surrey's Advanced Technology Institute was funded by just under £4 million from HEFCE's Science Research Investment Fund.

Over £2 billion a year in income is generated for universities and colleges through the sharing of university knowledge and expertise with business and the wider community.

HEFCE has allocated £27 million from the Economic Challenge Investment Fund to support universities and colleges working with vulnerable people during the recession.

Nearly 100,000 students have enrolled on foundation degrees.

Over £1 billion a year is allocated by HEFCE for education, training and research in health-related subjects.

Supporting communities

Universities and colleges are part of the communities in which they are located. As well as supporting partnerships with businesses, our funding helps institutions to develop links with their wider communities and the public generally.

The Higher Education Innovation Fund supports this work and we have committed to increasing our emphasis on the contribution of higher education to society in the future.

Third-stream activities include projects that help community regeneration, support cultural activities and involve public services, charities, community groups and arts bodies as well as businesses. They all benefit from the innovations, ideas, skills and equipment embodied in our universities and colleges.

Institutions see engagement of all kinds – both economic and social – as an important part of their core missions.

Engaging the public

One way in which we are supporting the interaction between universities and the wider public is through Beacons for Public Engagement.

With a national co-ordinating centre and six regional bases, these university-based collaborative centres help support, recognise, reward and build capacity

for public engagement work across the UK. Together with the UK Research Councils, the Wellcome Trust and other UK higher education funding bodies, we are investing £9.2 million to support a step-change in recognition for public engagement across the sector.

Supporting the arts

Higher education institutions play a crucial role in developing the country's growing and vibrant creative economy. The arts and humanities community publishes nearly as many scholarly papers as the USA.

In 2010-11 HEFCE is investing around £200 million in 19 specialist institutions for art and design, performing arts and music. Our support for these subjects enables institutions to make vital contributions in terms of increased productivity and innovation to the economy and improving the quality of life.

How we know it works

Each year, we survey the extent of interaction between higher education and business and the community. Research shows that there is a greater recognition by both academics and external organisations of the value and benefits of working together in solving problems and delivering initiatives.

Spending on contract research with a single partner approaching a university or college has increased by 12 per cent in 2008-09. The largest part of this increase was non-commercial partners (that is, public and not-for-profit sector organisations), accounting for over £556 million of the £937 million total.

Income from knowledge exchange has been increasing at a rate of 12 per cent per year.

Seventy-four per cent of the interactions between external organisations and individual academics are initiated directly, though 13 per cent go through university knowledge exchange offices.

Seventy-six per cent of academics now say there is a positive culture about knowledge exchange at their university or college.

For every £1 we have provided to higher education through the Higher Education Innovation Fund, higher education institutions have generated between 4.9 and 7.1 times that investment in value for the economy and society.

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The Guildhall School of Music and Drama, with the London Symphony Orchestra and the Barbican Centre, has created the Centre for Orchestra with support from HEFCE's Strategic Development Fund. The centre offers world-class training for young professionals through collaboration with international music specialists in the heart of London.

Sustaining our investment

Future proof

In these difficult times, it is more important than ever to ensure that our investments help to sustain the quality and reputation of higher education in England. It is also vital that universities and colleges make the best use of financial and natural resources.

Our Leadership, Governance and Management Fund, worth £10 million over 2007-2010, was set up in 2004 to encourage good practice and build capacity and capability within the sector.

Together with the other UK funding bodies, we also provide funding for the Leadership Foundation for Higher Education. The Foundation develops leadership skills for existing and future leaders through a range of programmes, consultancy, mentoring and tailored support. We are working with the Equality Challenge Unit to improve opportunities for people regardless of their background.

Making the best use of resources

We are helping universities and colleges to make the best use of their resources and to contribute to national sustainable development targets. Between 1999 and 2011, over £6.3 billion will have been invested by the Government in improving the physical infrastructure of higher education. As part of this programme, we are helping to reduce carbon emissions.

In January 2010, we published our carbon reduction target and strategy (HEFCE 2010/01). We want the higher education sector to be recognised as a major contributor to sustainability through its research and exchange of knowledge, its graduates' skills and its own operations. We set up a Revolving Green Fund, which made available recoverable grants for projects to reduce institutions' carbon emissions.

We are also helping universities and colleges make better use of their resources. By sharing good practice on estate management, information technology and procurement, they can deliver real efficiencies.

Sadiha Hussain, an Ecoversity student ambassador at the University of Bradford, is pictured here in a sustainably constructed social space made from the same material as the Eden Project domes. The university's Ecoversity programme is designed to embed the principles of sustainable development across the institution. The Ecoversity StuDent project, funded with £3.09 million from HEFCE's Strategic Development Fund, aims to make this a reality through its students. As an ambassador Sadiha produced a 'Green Guide' that provides advice to students about living sustainably on campus and off. Sadiha says: 'It has widened my outlook and I would definitely recommend it. I would have done it even if they hadn't paid me!'

We have developed a strategy that will ensure higher education plays its part in national targets to cut carbon emissions compared to 1990 by 34 per cent by 2020 and 80 per cent by 2050.

Procurement efficiencies provided higher education with an extra £100 million in 2007-08.

£30 million has been made available through our Revolving Green Fund, in partnership with Salix Finance.

Between 2003 and 2007 universities cut carbon emissions per student by 5 per cent and increased the proportion of waste recycled from 13 to 29 per cent.

HEFCE – About us

HEFCE employs about 240 people, mostly at our head office in Bristol but with a small base at Centre Point in central London. The Council is headed by Chief Executive Sir Alan Langlands, while three directors take responsibility for our core strategic aims (research, innovation and skills; education and participation; and finance and corporate resources) and oversee regional issues. The HEFCE Board is responsible for strategic development and accountability.

We are committed to providing an efficient, high-value service. In 2009-10 HEFCE will cost £19.6 million to run, which is significantly less than most public organisations. We will distribute close to £8 billion to universities and colleges so our running costs represent 0.24 per cent of our total funding.

We are committed to using external evidence and specially commissioned research to develop policy. We are also committed to developing our staff and, through our Equality Scheme, to promoting equality.

An independent survey shows that favourability towards HEFCE has risen steeply in recent years. Ipsos MORI, which conducted the survey, concluded that favourability, familiarity and overall satisfaction have improved impressively since earlier surveys.

It found that 84 per cent of universities and colleges surveyed had a favourable view of HEFCE in 2007, compared with 76 per cent in 2003 and 61 per cent in 2000. Eighty-four per cent of non-higher education institution stakeholders also had a favourable view of HEFCE in 2009, which was slightly higher than the previous survey in 2005.

A recent review of HEFCE concluded that we are a high-performing organisation that has the confidence of the higher education sector and the Government. The review into our effectiveness and efficiency was, carried out by an independent group chaired by Dame Sandra Burslem.

In 2008, the European Foundation for Quality Management awarded HEFCE five stars in its 'Recognised for Excellence' award, the highest level available under the award.

As well as promoting sustainability in the higher education sector, we are committed to taking account of the impact of our work on the economy, society and the environment, as is shown in our corporate social responsibility policy. We are certified to ISO14001, an international environmental management system standard.



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The Carbon Trust Standard

We have achieved the Carbon Trust Standard, which is awarded to organisations who are taking real action to reduce their direct impact on climate change. Between 2006-07 and 2007-08, we reduced carbon emissions at our main Bristol office by 11 per cent.



How to keep up to date with what HEFCE is doing

Our web-site, www.hefce.ac.uk, gives details of our work.

Anyone can sign up to receive our monthly e-newsletter, which we use to alert people about the latest publications, consultations and additions to our web-site. Just go to www.hefce.ac.uk and click on 'Receive updates by e-mail'.

All our publications are available to download and a selection can be ordered in print: see www.hefce.ac.uk/pubs.

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