

## Higher Education Funding Council for England

Title	Update on QA revised operating model and proposed changes to health funding
To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges
Of interest to those responsible for	Quality assessment and quality assurance; Academic governance; Planning and management; Student experience and engagement; Learning and teaching
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Dear Vice-Chancellor or Principal

### **Update on QA revised operating model and proposed changes to health funding**

1. I am writing to let you know about recent developments and next steps for the implementation of the revised operating model for quality assessment in England, which we published in March 2016 (HEFCE 2016/03, available at [www.hefce.ac.uk/pubs/year/2016/201603/](http://www.hefce.ac.uk/pubs/year/2016/201603/)), and which have been endorsed by the sector in response to last year's consultation on future approaches to quality assessment.

2. This letter also provides an update on two other issues: teaching funding to support widening access and successful student outcomes; and progress in developing our approach to supporting health, midwifery and allied professional training, should the Government proceed with its proposals to fund these subjects on the same basis as other areas of higher education.

### **Outcome of procurement exercise for quality assessment services**

3. HEFCE was required by law to undertake a procurement exercise to secure delivery of aspects of the new model, and a number of competitive bids were submitted. The specifications for the contracts were based on the consensus views that were fed back to us in the consultation on the future approaches to quality assessment. Following the conclusion of a voluntary standstill period, I am pleased to confirm that the Quality Assurance Agency for Higher Education (QAA) was selected to undertake the following activities in support of the revised operating model:

- gateways into the higher education system
- verification of a provider's approach to its own review processes
- unsatisfactory quality investigations
- international activities.

4. Additionally, the Higher Education Academy (HEA) will work with the sector representative bodies to explore different approaches to training external examiners and to the calibration of

marking practices. The Leadership Foundation for Higher Education (LFHE) will undertake work to evaluate any gaps in the capabilities of a range of governing bodies, and to design and pilot different approaches to additional support for governors. The contract specifications took account of concerns about these aspects of the proposals raised in the consultation exercise.

5. These organisations have excellent track records, and enjoy the confidence of the sector. The outcome also represents value for money, with substantial cost savings to the taxpayer.

### **Background to the revised operating model for quality assessment**

6. The procurement exercise marks the latest phase of a review of quality assessment undertaken by HEFCE with the higher education funding bodies in Wales and Northern Ireland, as part of their respective statutory responsibilities (see 'Future approaches to quality assessment in England, Wales and Northern Ireland: Consultation', HEFCE 2015/11, available at [www.hefce.ac.uk/pubs/year/2015/201511/](http://www.hefce.ac.uk/pubs/year/2015/201511/)). The review considered what kind of arrangements would be necessary for the next decade, to reflect the increasing dynamism and diversity of the higher education landscape. The review of quality assessment sought to achieve two aims: to focus meaningful external scrutiny on those areas that matter to students, and to reduce bureaucracy, cost and burden placed on providers by previous arrangements.

7. In developing the revised operating model, we worked closely with the Department for Business, Innovation and Skills (BIS), and the new approach underpins the Government's planned reforms to higher education. The White Paper, 'Success as a knowledge economy: Teaching excellence, social mobility and student choice' (available at <https://www.gov.uk/government/publications/higher-education-success-as-a-knowledge-economy-white-paper>), proposes a statutory duty for the new Office for Students to monitor and assess quality and standards across all providers. Reflecting the principles set out in last year's consultation, this will be achieved through the operation of a risk-based regulatory framework which reduces burden for low-risk providers. It also makes clear that the new approach will support the Teaching Excellence Framework (TEF) as part of a single, coherent quality assessment system, a further principle that underpinned the proposals in last year's consultation.

8. HEFCE is working with the QAA, BIS, the HEA and the LFHE to implement the revised arrangements. BIS has asked HEFCE to lead the implementation of Year 2 of the TEF, and again we are working closely with the QAA and others to ensure that all aspects of the quality assessment system are joined up.

9. The revised model will be implemented in full in England and Northern Ireland from 2017-18. The revised model provides, at the level of principle and key features, a shared approach in England, Wales and Northern Ireland. Wales is currently consulting on implementation to take account of the Higher Education (Wales) Act 2015 which came into force from 1 September 2015. We will continue to work with the Scottish Funding Council in areas of particular UK-wide importance. The selection of organisations that work across the UK as successful bidders will help with this approach.

### **Key components of the new operating model for quality assessment**

10. As explained above, the revised approach to quality assessment is designed to be proportionate and risk-based. It targets those providers that represent greater risk to the student academic experience or to the reputation of the sector as a whole. It is grounded in the mission and context of an individual university or college, and it will promote continuous improvement and

innovation in the areas that matter to students. In so doing, it recognises the importance of preserving a co-regulatory principle, with the sector representative bodies leading on key areas of work. The revised approach also focuses on international aspects of delivery, reflecting the significant support (identified through the consultation) for the principle that a provider should remain fully responsible for student outcomes, and the quality of the student academic experience, wherever its students are based.

### **Annual Provider Review**

11. The six-yearly Higher Education Review (HER) for established providers will be replaced by light-touch annual monitoring, but with the ability to intervene rapidly where there is evidence of a problem in an individual provider. This desk-based approach, called the Annual Provider Review, builds on existing data analysis and assurance arrangements, and will continue to be operated by HEFCE and the Office for Students.
12. For providers that are new or recent entrants to the sector, the Annual Provider Review will be complemented by a developmental period of enhanced scrutiny, including streamlined review visits at entry and the end of the developmental period.
13. The Annual Provider Review will be the core mechanism for assessing quality in low-risk providers. HEFCE data analysts, assurance experts and institutional teams spend much of their time reviewing, and discussing with institutions, the outputs of our wide range of intelligence gathering, data analysis and assurance activities. The Annual Provider Review formalises these activities and brings them together in a more structured way.
14. The four elements of our existing approach which are being brought together more formally are:
  - a. **Scrutiny of key pieces of data for each provider.** We will continue to monitor data on recruitment patterns, non-progression and non-completion rates, National Student Survey outcomes, degree outcomes (including differential outcomes for students with different characteristics) and employment outcomes.
  - b. **Intelligence gathering.** HEFCE routinely gathers intelligence and develops a sophisticated understanding of its providers and the context in which they operate, through regular visits and engagement activities.
  - c. **Assurances from governing bodies.** We currently collect and test annual assurances from governing bodies of higher education institutions on financial sustainability, management and governance (FSMG), data quality and value for money, through the Annual Accountability Return. In December 2016 your governing body will be asked to provide some additional quality-related assurances in the areas covered by the Higher Education Code of Governance, to include the quality of the academic experience, student outcomes and standards of awards. Governing bodies of further education and sixth form colleges that deliver higher education will be asked to submit a streamlined, quality-focused set of assurances on quality which will be designed specifically for these colleges. These will not duplicate the assurances which colleges already provide to the Skills Funding Agency.
  - d. **Quality letters.** We currently write to each higher education institution's governing body to share our judgement about its risk status, and any need for further action, in the

annual risk letter. We will expand this process within a new 'Quality letter' which will provide our judgements about quality to the vice-chancellor or principal and the chair of governing body. We will replicate this process in an appropriate way for further education and sixth form colleges, again without duplicating Skills Funding Agency processes.

15. The Annual Provider Review will not be a mechanistic process. Instead, we will bring together data, intelligence and assurance activities to come to a rounded judgement about the quality of the academic experience and student outcomes within the context in which a particular university or college operates. Peer review will be built into the judgement process for the quality-related aspects of the Annual Provider Review through the governance arrangements operated by HEFCE's independent quality committee (the Quality, Accountability and Regulation Strategic Advisory Committee). This will involve a panel of appropriately qualified and trained peer and student members who will review and moderate the output of the Annual Provider Review process.

16. We will follow up on the Annual Provider Review where there is a demonstrable need for us to discuss your institution's performance. We will also publish the outcomes of the quality-related aspects of the Annual Provider Review on the Register of Higher Education Providers (published at [www.hefce.ac.uk/reg/register/](http://www.hefce.ac.uk/reg/register/)).

17. HEFCE will publish a short guide to the Annual Provider Review process for all institutions, including details of the additional quality-related assurances, in July 2016.

#### **Verification of a provider's approach to its own review processes**

18. The revised operating model is based on the principle that your institution's own review processes should be the key mechanism to improve the student academic experience and student outcomes, using a range of data and intelligence relevant to your mission, provision and students. This routine analysis will provide the basis for internal reflection with students on the quality of student outcomes and the learning and teaching experience that is delivering them, as well as a framework within which continuous improvement activities and potential innovations can be planned and implemented.

19. To ensure that you are able to meet this set of expectations, the QAA will verify the approach your university or college takes to its own periodic review processes through a one-off scrutiny process. The purpose of this external verification is to ensure that your approach is sufficiently focused on improving student outcomes and has sufficient strong, external scrutiny built into it.

20. The verification process has been designed as a one-off activity that will take place during 2016-17 (small-scale pilot scheme) and 2017-18 (completion of the programme) for established providers. Once the verification exercise has been completed within your university or college, you need only confirm (through your Annual Accountability Return) that the programme of activities scheduled for the year has been completed and the outcomes discussed by the academic board, senate (or equivalent) and governing body. The evidence used by a governing body to provide its annual accountability statement will be tested, as now for some providers, through the existing five-yearly assurance review – the HEFCE Assurance Review (see next section).

21. Once the verification process has been satisfactorily completed for all established providers, the QAA will publish a document to illustrate the variety of approaches adopted across the sector, as a mechanism to disseminate good practice.

### **HEFCE Assurance Review**

22. HEFCE will use the established five-yearly HEFCE assurance review (HAR) visit to test the evidence and processes used by your governing body to provide its quality-related assurances, as we do currently for financial management, risk and data returns. There will be equivalent but context-sensitive arrangements for further education colleges. These developments will be tested in the pilot period in 2016-17. It will be important to ensure on the one hand that the extended HAR is credible, but on the other that it does not become in any way a burden on a similar scale to the Higher Education Review.

### **Pilot activities**

23. The revised operating model recognises the importance of preserving a co-regulatory approach to quality, with the sector representative bodies leading on the key areas of work. Over the course of 2016-17, HEFCE, the QAA, the LFHE and the HEA will be undertaking a series of pilot activities to test and develop several aspects of the new arrangements.

24. HEFCE will work with a small group of governing bodies scheduled for a HAR in 2016-17, to explore simple adjustments to the existing process for testing the evidence used to support quality-related assurances.

25. As a one-off exercise, the QAA will be undertaking a series of small-scale pilots looking at verification of a provider's approach to its own review processes, to ensure that these are focused appropriately on delivering continuous improvement in the student academic experience and in student outcomes. The LFHE will undertake work to support governing bodies in implementing the relevant sections of the Higher Education Code of Governance, while the HEA will explore different approaches to the training of external examiners and to the calibration of marking practices.

26. We will work with the National Union of Students, through the Student Engagement Partnership, and with student representative bodies in a group of individual providers, to explore and pilot a range of mechanisms to capture student views as part of the revised operating model in future years.

27. It is vital that providers play a role in shaping the development of the new arrangements, and so we are keen to hear from you if you are interested in participating in the pilot activities that we have planned for 2016-17. If you would like to express an interest in participating in one or more of these pilots, please contact [qualityassessmentreview@hefce.ac.uk](mailto:qualityassessmentreview@hefce.ac.uk).

### **Transition activities**

28. We have established transition arrangements for those providers (around 85) who were due for Higher Education Review in 2016-17. If you fall into this category we are already working to support you and your teams through the transition. We will publish a short guide outlining requirements for transition providers in June 2016.

## Further information

29. For further information, contact Scott Court, Head of HEFCE's Quality Team (tel 0117 931 7417, email [qualityassessmentreview@hefce.ac.uk](mailto:qualityassessmentreview@hefce.ac.uk)).

## Health and allied professions funding

30. In agreement with the Government, we are making progress on two areas of teaching funding for which changes need to be made from 2017-18 to reflect the spending review settlement, which extends until 2019-20. This work is, therefore, intended to set the pattern for the Government's investment in these areas through and beyond the transition to the planned Office for Students.

31. We will be consulting shortly on funding to support widening access and successful student outcomes, including progression to taught postgraduate education. Our proposals in this area are intended to focus investment more closely on priorities we have identified with Government, taking into account evidence we gathered during 2015 and the anticipated reductions in funding across the spending review period.

32. Alongside this, we are working with Government and representative bodies to develop an approach to allocating the teaching funding we will receive from 2017-18 to support health, midwifery and allied professional training in the event that the Government proceeds with its proposals to put the financing of nursing and allied health professional training on the same basis as other areas of higher education.

33. If the proposals proceed, students in health, midwifery and allied professions will receive loan finance to support tuition fees and living costs, as in other areas of undergraduate study and professional training. This will be phased in from 2017-18, with new entrants being supported through the new regime from 2017-18 and the system approaching steady state in 2019-20. With this in mind, our spending review settlement includes indicative funding to cover the elements of this training that could attract teaching grant.

34. We are committed to ensuring that, for the duration of the current spending period until 2019-20, the funding provided for nursing and allied health professions will be consistent with the amounts transferred for this purpose. We are now exploring how this can be achieved through a combination of recurrent and fixed-term investment. This requires us to identify which activities will command recurrent funding due to their high cost relative to the fee that can be charged or due to the 'at risk' characteristics of the students involved, and which areas need fixed-term support to ensure their future sustainability and to meet the future needs of the professions.

35. In order to gather the necessary evidence for this, we plan to include a new table in the 2016 Higher Education Students Early Statistics and Higher Education in Further Education: Students surveys, requesting a breakdown of the student numbers in 2016-17 by each healthcare discipline and potentially by year of course. There are several specialisms where it is not possible to identify them unambiguously from historic Higher Education Statistics Agency records and Individualised Learner Records, and we will write to institutions that offer this provision seeking details of how to disaggregate provision in due course.

36. We are also exploring how we can gain a better understanding of the costs of teaching for each healthcare discipline, and plan to commission a costing study for this purpose. If we are unable to finalise robust results from this study in time for the entry of the first students on the

new regime from 2017-18, we will work with representative bodies to determine an interim approach to distributing the funding we receive for this purpose, taking into account the current benchmark prices and the approach used to determine the allocation by Government. We are also actively discussing with representative bodies the priorities for strategic investment to support the sustainability and development of the disciplines, and we will welcome views on this in due course.

Yours sincerely

Professor Madeleine Atkins

Chief Executive