

Higher Education Funding Council for England

Title	Annual accountability returns 2016: Request for information
To	Heads of HEFCE-funded higher education institutions
Of interest to those responsible for	Audit; Estates; Finance; Governance; Management; Planning; Student data; Research data; Academic quality.
Reference	31/2016
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Enquiries to	AAR@hefce.ac.uk

Dear Vice-Chancellor or Principal

Annual accountability returns 2016: Request for information

Purpose

1. This document asks higher education institutions (HEIs) to submit their annual accountability returns for 2016. These returns are a significant part of the way in which providers can demonstrate accountability for the public grant funding and student loan funding distributed to them.

Key points

2. All HEIs are required to submit the returns listed in Table 1 by the dates indicated in the final column.
3. We have made some changes to our assurance requirements concerning quality and value for money (see paragraph 10 for details).
4. We have reduced the data collection burden on providers this year by removing the collection of financial tables from the annual accountability returns. Instead we will collect this data directly from the Higher Education Statistics Agency Finance record.
5. We have also discontinued collection of the Annual Monitoring Statement (AMS). Any future requests for specific information will instead be tailored and sent to the relevant institutional contact.

Introduction

6. HEFCE takes assurance from a suite of accountability returns submitted by each provider to HEFCE under the terms of the Memorandum of Assurance and Accountability (most recently published as HEFCE 2016/12, www.hefce.ac.uk/pubs/year/2016/201612/). We minimise our accountability requirements by making use of a range of information and data that is needed by the HEI for internal management and assurance purposes.
7. We will use the information and data collected through the annual accountability returns to:

- ensure that public grant funding is used for the purposes intended
- assess compliance with the Memorandum of Assurance and Accountability and with the Agreement on Institutional Designation
- inform our risk assessment for each HEI and allow us to ensure that it is meeting our quality assessment requirements
- identify issues and developments across and within parts of the higher education sector in England, and to use these to inform future policy development
- inform our advice to the Secretary of State and the Department for Education on the health, quality and sustainability of higher education provision in England.

8. Table 1 lists the required annual accountability returns, together with the level at which each should be approved, submission dates, and the location of more detailed guidance. All the returns listed are to be submitted electronically via the secure area of the HEFCE website (the 'HEFCE extranet').

Table 1: Annual accountability returns

Element of the Annual Accountability Returns	Approval level	More detailed guidance	Submission date
The Annual Assurance Return using the template in Annex A	Accountable officer	Annex B	1 December 2016
Signed audited financial statements	Governing body	Memorandum of Assurance and Accountability (HEFCE 2016/12)	
The Audit Committee's annual report	Governing body		
The external auditor's management letter and the provider's management response to this	Reported to Audit Committee		
The internal auditor's annual report	Reported to Audit Committee		
A value for money report	Governing body or appropriate governing body committee		
A financial commentary	Governing body	Annex C	

An annual sustainability assessment (optional)	Governing body	See further information at www.hefce.ac.uk/funding/finsustainability/current/#assur)	
Higher Education Students Early Statistics (HESES) survey 2016-17	Accountable officer	HEFCE 2016/22	12 December 2016
Transparent Approach to Costing (TRAC) return	Governing body committee	Annex D	31 January 2017 , although earlier returns would be appreciated.
Transparent Approach to Costing (TRAC) for Teaching return	Accountable officer		28 February 2017 , although earlier returns would be appreciated.
Five-year financial forecasts	Governing body	Circular letter to be issued April 2017	31 July 2017

9. If the timetable for submissions creates difficulties for you, please discuss the reasons for this with your HEFCE assurance consultant.

Key changes

10. The key changes in this year's accountability returns are:

- a. The Annual Assurance Return now includes assurances from a provider's governing body about the quality and standards of its higher education provision. We wrote to providers in August 2016 setting out our requirements for this element of the return (HEFCE Circular letter 25/2016, www.hefce.ac.uk/pubs/year/2016/CL_252016/).
- b. When reporting on the financial year 2015-16, providers are required to follow the 2015 version of the 'Statement of recommended practice: Accounting for further and higher education' (SORP) when preparing their financial statements. They should also comply with 'HEFCE's Accounts direction to higher education institutions for 2015-16 financial statements' (HEFCE Circular letter 21/2015, www.hefce.ac.uk/pubs/year/2015/CL_212015/).
- c. All HEFCE-funded HEIs are required to submit a value for money (VFM) report in December 2016, as part of the annual accountability return covering the academic year 2015-16. This is a change to the voluntary nature of the VFM report in previous years. This VFM report should be considered by the provider's governing body or a delegated sub-committee with responsibility for seeking

assurance on, and improvement in, VFM activity. Please refer to HEFCE Circular letter 23/2016 www.hefce.ac.uk/pubs/year/2016/CL,232016/ for further details.

d. TRAC guidance (available online at www.hefce.ac.uk/funding/finsustain/trac/) has been updated to take account of the implications of the new Financial Reporting Standard 102 (FRS 102). Data collection relating to the 2015-16 year will be undertaken on a pilot basis. We will then assess whether any further updates or amendments to the TRAC guidance are necessary. Directors of Finance and TRAC managers should refer to Annex D for further information.

Our risk assessment for each provider

11. We will assess the Annual Accountability Returns made by each provider. This will result in a risk assessment for the provider and we will share this with the governing body and the Accountable Officer through a 'risk assessment letter'. From 2016-17, the risk assessment letter will include the judgement made about quality and standards as part of our new quality assessment arrangements. Details of the annual provider review process that supports the risk assessment will be published shortly.

12. We will also use the data and information submitted by individual providers to compile and publish an assessment of the financial health of the higher education sector in England. The relevant publication for the 2015 year is 'Financial health of the higher education sector: Financial results and TRAC outcomes 2014-15' (HEFCE 2016/04, www.hefce.ac.uk/pubs/year/2016/201604/).

Freedom of information

13. 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 information or data submitted to us by a provider should be made public or treated as confidential. We may refuse to disclose information in exceptional circumstances, for example where disclosure of information would prejudice commercial interests, such as a provider's 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.org.uk under 'Freedom of information'.

Action required

14. All HEIs are required to submit the annual accountability returns according to the deadlines set out in Table 1.

15. We will write to the Director of Finance in each provider at the beginning of October with guidance about accessing the templates and returning information to us.

Yours sincerely

Professor Madeleine Atkins

Chief Executive