**Principles supporting the Relationship between Institutional Governing Bodies and the Higher Education Funding Council for England**

Approved by the HEFCE Board, 3 March 2011

The Higher Education sector in England aspires to the highest standards of governance, based on the autonomy of HEIs and mutually agreed regulation by the Higher Education Funding Council for England and on the Council’s responsibility, where applicable, to the Charity Commission in its role as Principal Regulator. The following principles will be regularly reviewed.

**Principles**

1. It is the responsibility of governing bodies to set the strategic and financial direction of their HEI and to hold it to account in a demonstrable and open way that promotes public confidence in their HEI.

2. It is the responsibility of an HEI’s executive to manage the performance of the HEI and to ensure that members of their governing bodies receive the information that they require to carry out their role.

3. The Council respects the autonomy of HEIs, their governing bodies and executives, while undertaking its accountability responsibilities and its duties as Principal Regulator.

4. Members of governing bodies need to be proactive in the exercise of their responsibilities and commit to developing the knowledge required to exercise them.


6. Communication takes place through the accountable officer in an open and supportive manner, recognising at all times the important role of the Chair of the governing body.

7. HEFCE will provide support for members of governing bodies to help make them aware of their responsibilities to HEFCE and it will publicise channels of communication.
Commentary

1. It is the responsibility of governing bodies to set the strategic and financial direction of their HEI and to hold it to account in a demonstrable and open way that promotes public confidence in their HEI.

An effective system of self-regulation is the foundation of the proportionate and risk-based HEFCE regulation and self-regulation will become increasingly important after 2012 in what is likely to become a more deregulated sector. This principle lays out the role of governing bodies to own the strategic direction of the HEI, to consider and ultimately approve the HEI's plan and to monitor progress against the agreed plan.

2. It is the responsibility of an HEI’s executive to manage the performance of the HEI and to ensure that members of their governing bodies receive the information that they require to carry out their role.

This principle lays out the role of executives in running the HEI, advising their governing bodies on strategy and planning and providing the information that governing bodies need to carry out their role effectively. It recognises that in a well-managed institution there is a shared understanding of roles and an effective information flow that enables governing body and executive to carry out their respective responsibilities.

3. The Council respects the autonomy of HEIs and their governing bodies while undertaking its accountability responsibilities and, where applicable, its duties as Principal Regulator.

The HEFCE values the autonomy of institutions as the most effective way to secure diversity and long-term sustainability within the English HE sector. HEFCE is governed by statute in what it can demand and works within the parameters of the Financial Memorandum (FM). It does not intervene beyond what is necessary to fulfil its legal obligations and its remit to protect public investment. Intervention is proportionate to risk and the range of possible interventions is set out in our support strategy. This list is not exhaustive and is updated periodically. The Council also operates as the Principal Regulator for all those HEIs that are defined as exempt from regulation by the Charity Commission, as outlined in our Memorandum of Understanding with the Charity Commission.

4. Members of governing bodies need to be proactive in the exercise of their responsibilities and commit to developing the knowledge required to exercise them.

Governors are expected to fulfil their responsibilities, both individual and collective, in a proactive manner and notify HEFCE of an adverse situation in a timely manner. HEIs have a duty to ensure that their members are aware of their responsibilities. In order to fulfil these responsibilities, governors should seek appropriate development by means of institutional induction and development programmes and through communication and information from other sources they consider appropriate, including HEFCE. Currently this might involve briefings, such as the Getting to Grips series, and subscribing to current awareness tools, such as the Leadership Foundation for HE governance web-
site, the CUC newsletter and 'governance-hefce' the monthly email alert system from HEFCE.

5 The Council articulates its relationship with a governing body in a formal document.

Currently this relationship is largely based on related accountability requirements and on the council’s duties as principal regulator. It is expressed in the FM, which explains the terms and conditions of the HEFCE grant and the accountability mechanisms. In future, when some HEIs may receive little or no direct grant funding, the nature of this relationship would change and a new formal relationship would need to be developed.

6 Communication takes place through the Accountable Officer in an open and supportive manner, recognising at all times the important role of the Chair of the governing body.

Currently the key institutional contact for HEFCE staff is the accountable officer. Recognising the formal relationship is with the governing body, HEFCE’s annual risk assessments and grant letters are copied to chairs of governing bodies. Council staff also meet chairs of finance and audit committees as part of the programme of HEFCE Accountability Reviews (HARs) and regional consultants visit incoming chairs on request. HEFCE is always available for direct communications from governors and governing bodies, although governors normally should discuss issues in the first instance with the University Secretary or Clerk to the Board. Confidentiality will be respected in appropriate circumstances within the confines of Freedom of Information legislation which binds both the HEFCE and HEIs.

7 HEFCE will provide support for members of governing bodies to help make them aware of their responsibilities to HEFCE and it will publicise channels of communication.

HEFCE has a responsibility to ensure that important messages are received and understood by members of governing bodies. Currently this is achieved through HEFCE’s monthly e-mail alert service (governance-hefce), its annual meeting and visits to governing bodies by senior HEFCE staff. The Governor Development Programme, run by the Leadership Foundation for HE, will also cover these communication channels.
Relationships between Institutional Governing Bodies and HEFCE in 2010

1 The formal relationship currently existing between HEFCE and every governing body is laid out in the Financial Memorandum (FM). It reflects HEFCE’s responsibility to provide annual assurances to Parliament and the governing body’s responsibility to use public funds for the purposes intended by Parliament. It also covers HEFCE’s responsibilities as principal regulator of HEIs that are exempt charities.

2 The governing body collectively retains responsibility for following the FM, and, under the FM’s terms, it appoints an accountable officer, usually the head of institution, who is a member of that governing body. The accountable officer acts on behalf of the governing body, but the governing body remains collectively responsible. The chair of the governing body may be required to appear before the Public Accounts Committee alongside the accountable officer, HEFCE’s accounting officer (the chief executive), and the DBIS permanent secretary, as principal accounting officer.

3 On appointment, incoming heads of institution and incoming chairs receive a letter from the HEFCE CEO, drawing attention to their responsibilities under the FM. Incoming heads of institution are visited by HEFCE regional consultants early in their period of office.

4 HEFCE’s institutional teams normally work with and through the accountable officer and the HEI’s executive team, but are available for consultation by members of governing bodies on request. In some circumstances HEFCE may request a meeting with members of the governing body, normally the chair, while normally notifying the head of the institution.

5 HEFCE sends each HEI an annual risk assessment and an annual grant letter. These are also sent to chairs and we would expect them to be made available to all members of the governing body.

6 Since 2007 HEFCE has had a programme of HEFCE assurance reviews (HARs) which aim to complement and provide additional assurance about the returns and reports that constitute each HEI’s annual accountability submissions. During the HAR there are discussions with the chairs of the governing body, the finance and audit committees, as well as with the head of institution, the clerk and the internal auditor. Each institution will receive a HAR visit in the period 2007-08 to 2011-12. The purpose of the HAR is to provide HEFCE with assurance that it can rely on the institution’s own systems of self-regulation. At the heart of this is the governance system itself. This approach has enabled the substantial reduction in HEFCE accountability requirements over the last ten years.¹

HEFCE’s CEO, Deputy CEO and Head of Leadership, Governance and Management visit HEIs and address governing bodies. These normally follow invitations from the chair of the governing body or the accountable officer.

HEFCE officers are in regular contact with CUC and GuildHE. They contribute to CUC and GuildHE meetings.

HEFCE holds an Annual Meeting to which all chairs of governing bodies are invited and all governors are welcome. This reviews key issues, provides the opportunity for presentations on particular subjects and for governors to question the HEFCE executive.

HEFCE provides a monthly e-mail alert service, governance-hefce, to help governors keep up to date with its activities (to subscribe https://www.jiscmail.ac.uk/cgi-bin/webadmin?SUBED1=governance-hefce&A=1) and HEFCE contributes to the CUC newsletter.

HEFCE’s Institutional Teams provide an interface between HEFCE and the institutions for which it has funding and regulatory responsibility. Governors may contact the Associate Director or Regional Consultant responsible for their institution for general information concerning the institution’s activities and accountability to HEFCE. A list of contacts is available at: http://www.hefce.ac.uk/regions/teams/. Communications routes are described in paragraph 4.

The support strategy for institutions makes provision for HEFCE to engage directly with the Chair of the Board and/or Chair of the Audit Committee, and with the full governing body if necessary. This would normally be handled by the relevant Associate Director.

A development programme for new governors is delivered by the Leadership Foundation for HE. The CUC developed this programme and its costs were met by HEFCE.

HEFCE funded CUC to develop a programme to embed good governance, which includes the maintenance of a web-site www.lfhe.ac.uk/governance/ and publication of the governors’ briefings “Getting to Grips”. HEFCE has also funded a number of other governance projects from its Leadership, Governance and Management Fund e.g. Key Performance Indicators and a framework for effective governance reviews, which is currently being piloted.

HEFCE publishes the CUC code of practice and guide to good governance.