

Foreword

The 2002-07 strategic plan prepares the way for a much bigger exercise. The 2003-08 strategic plan will bear the fruits of a major review of higher education over the next 10 years, set against the needs of students, the economy and society. The current plan builds on developments and achievements already in train, many of which were identified in the 2001-06 strategic plan.

The current plan seeks to develop the many positive features of higher education. Universities and colleges are today increasingly recognised as the major drivers of the country's economic competitiveness and the well being of society including:

- improving competitiveness, through skills, knowledge transfer and technology
- improving quality of life
- improving social cohesion, through greater inclusiveness and shared values
- generating wealth through the development of science and creative industries.

We want to build on the results of the 2001 Research Assessment Exercise. These provide further confirmation that researchers in the UK are among the best in the world: more than half the country's researchers are in departments that carry out work of international standing.

We also want to ensure that completion rates for UK students remain among the best in the world, despite the fact that we now have a mass system of higher education, open to many different types of student. Universities and colleges are doing much to improve the employability of graduates by equipping them with the skills they will need at work throughout their careers. New initiatives, such as Foundation Degrees, are providing challenging opportunities, better aligned to the workplace, which are proving attractive to non-traditional students.

We recognise our responsibilities and pivotal role in meeting government targets for higher education. We are especially committed to working with the Learning and Skills Council, universities, further education colleges and schools to meet the challenging target of 50 per cent of 18-30 year-olds having the opportunity to benefit from higher education by 2010. Achieving this target will require co-ordinated action at the national, regional and local levels, through a campaign to capture the imagination of the providers and consumers of higher education.

As well as addressing these themes, our major efforts are currently directed towards developing with our partners and stakeholders a longer-term view of higher education. The results will feed into our strategic plan for 2003-08, to be published in March 2003.



Sir Howard Newby
Chief Executive

Our mission

‘Working in partnership, we promote and fund high-quality, cost-effective teaching and research, meeting the diverse needs of students, the economy and society.’

Our role

The HEFCE is a non-departmental public body set up under the Further and Higher Education Act 1992. Our primary role is to distribute public funding for teaching and research and related activities in universities



and colleges, within the context of the Government’s policy for higher education. In addition, we advise the Secretary of State for Education and Skills on the funding needs of the higher education sector.

Strategic aims



To achieve our mission, we aim to:

Partnership

- a. Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.
- b. Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.
- c. Promote and support productive interaction between HE and business and the community in order to encourage the transfer of knowledge and expertise, and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.

Funding high quality, cost effective teaching and research

- d. Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.
- e. Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.
- f. Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.
- g. Promote effective financial and human resource management, accountability for the use of public funds, and value for money.
- h. Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.

Diversity

- i. Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.
- j. Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.

- k. Enable our staff to provide a high quality service, within an open and supportive working environment.

Partnership

Strategic aim ▶

Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.

Working in partnership with higher education institutions (HEIs) and the wider community of stakeholders lies at the heart of everything we do, and is essential to achieving our mission. We work with representatives of employers' organisations and professional bodies, for example, through our growing links with Regional Development Agencies (RDAs) and other regional partners; through the delivery of programmes such as the Higher Education Innovation Fund; and through membership of our strategic committees and advisory panels.

We are working with the Learning and Skills Council (LSC), both regionally and nationally, to develop better integration between the higher and further education sectors, particularly in terms of clearer

progression routes for students from further education (FE) to higher education (HE). We expect our partnership with the LSC to develop as we work together to achieve the Government's target of 50 per cent participation in higher education by 18-30 year-olds by 2010. That target will only be achieved through stronger links between all parts of the education system. We will also work with schools, sixth form colleges and other key regional partners to raise attainment and aspirations throughout the 'supply chain' from school into HE.

We continue to collaborate with government departments and other bodies so that higher education can play its full part in supporting national and regional objectives for economic, social and cultural development. These partners include:

- the Department for Education and Skills (DfES) and the Treasury
- the Department of Trade and Industry (DTI) and the Office of Science and Technology (OST)
- the Department of Health.

Key achievements to date

- We have published a statement on the web of our standards of service. This clarifies our role and the levels of service our stakeholders can expect from us.
- The HEFCE Restructuring and Collaboration Fund is supporting a wide range of collaborative projects and partnerships, including support for regional associations of HEIs (see HEFCE 01/55).
- Agreement with the RDAs for a programme of action to develop the relationship between HE and RDAs, in support of regional economic development and social regeneration.
- We implemented joint programmes with:
 - the Department of Health in allocating a further 1,000 medical places, and forming two new medical schools
 - the Home Office in allocating grants under the Active Community Fund to encourage volunteering by staff and students
 - the DTI/OST in allocating grants from the Higher Education Innovation Fund, to improve the connections between HE and business
 - the OST in allocating grants from the Science Research Investment Fund to improve the research infrastructure.

Future outcomes

- An increasing range of collaborations between HEIs, leading to greater academic, financial, economic and wider social benefits.

- An increasing awareness by government departments of the contributions that higher education makes to economic and social goals.
- A clear understanding on the part of HEIs and other stakeholders of what they can expect from us, while minimising the burden of information.
- The full involvement of HEIs and other stakeholders in developing our policies.
- Stronger partnerships of HEIs, FECs, schools and other bodies working to widen participation.

Commitments

- Hold an annual conference for heads of HEIs, an annual meeting for chairs of governors and stakeholders generally, and an annual conference for the FECs that we fund directly.
- Consult on all major initiatives and developments.
- Issue publications that explain all major areas of our activity, with better-targeted distribution of relevant publications to various stakeholders.
- Carry out another customer satisfaction survey in 2002; and use the results to improve.
- Meet the published standards of service for consultations and special initiative exercises.

Key performance targets

- Achieve a ratio of overall satisfaction compared with dissatisfaction of at least 6:1, as measured by the customer satisfaction survey.
- Support at least 10 major collaborations each year through the Restructuring and Collaboration Fund.



Partnership

Strategic aim ►

Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.

As a funding body, one of our major roles is to advise Government on the resource needs of higher education. This is an ongoing process to help Government by producing objective assessments of higher education's successes and requirements in the fast-developing knowledge economy. This is especially important because of the central role that higher education plays in the UK's economic and social development, as recognised in the Government's 2000 spending review.

We aim to be seen as an authoritative source of knowledge and expertise about higher education and what it can offer its stakeholders. We will actively promote the sector's successes and highlight future challenges through conferences and publications. HEFCE publications will increasingly be disseminated electronically via our web-site.

The Council has played a major part in developing the Higher Education and Research Opportunities (HERO) internet portal, which provides information to a wide range of users about higher education in the United Kingdom. The UK's higher education funding bodies, Research Councils and other agencies have set up HERO Ltd, a company limited by guarantee, to own and manage the service.



Key achievements to date

- Provided well informed advice for the Government's 2002 spending review, based on an extensive programme of research.
- HERO internet portal now operational, with on average 130,000 page views per month during the year 2000-01.

Future outcomes

- Increased recognition of the HEFCE as an authoritative source of knowledge and advice about HE.
- Increased demand for HE services through better knowledge and awareness, particularly in working towards the target of 50 per cent participation in HE by 18-30 year-olds by 2010.

Commitments

- Work with key stakeholders in developing a new strategic plan covering 2003-08.
- Publish an annual report.
- Publish the outcomes of research projects and consultations.
- Improve communications with stakeholders through the internet and our help-desk.
- Support the development of the information service provided through the HERO internet portal.

Key performance targets

- Increase number of hits on the HEFCE web-site by 50 per cent (from the 2001-02 baseline) by 2006.
- Increase usage of HERO by 350 per cent (from the 2001-02 baseline) by 2006.

Partnership

Strategic aim ▶

Promote and support the development of partnerships and interaction between HE and business and the community in order to encourage the exchange of knowledge and expertise, and enhance the productive application of HE resources and capabilities to the needs of employers, society and the economy.

We continue to promote better-informed and more productive partnerships between HEIs, business, including companies of all sizes and sectors, and a range of bodies within the wider community (both as employers and users of expertise). These partnerships aim to impact on national or regional economic development or to provide services in the community.

We also work at the national level with relevant bodies, including the DTI, the NHS and non-statutory organisations.

Recent funding streams have aimed to raise the capability of the higher education sector to respond to the needs of business and the wider community. Success will come when there is widespread commitment that this is an important and growing role of a modern university or college. Stable funding streams enable individual HEIs to plan strategically, building on their particular strengths, and recognising their diverse missions and regional environments. They can then determine the appropriate balance between teaching, research, and activities that link with the wider community and business (third stream activities).

Key achievements to date

- More than 95 per cent of HEIs have both a strategy and funding for building their capability to respond to the needs of business and the wider community.
- HEIs' July 2001 annual operating statements showed good progress in dedicating staff and other resources to implementing their plans.
- The survey of interactions between HE and business has established a quantitative baseline and qualitative benchmarks for measuring and identifying improvements in the range and volume of interactions.
- Further funding for business and community interactions has been awarded to most HEIs under the Higher Education Innovation Fund (HEIF), and to all HEIs under the Higher Education Active Community Fund (HEACF).
- Employability of graduates was a major criterion for the allocation of additional student places for 2001-02.

Future outcomes

- HEIs improve the employability of graduates, by equipping them with the skills they will need at work throughout their careers.
- All HEIs continue to improve their capability to contribute to economic growth and the health of society more generally - both regionally and nationally - in appropriate collaboration with each other and in a way that reflects their diverse capabilities and missions.

- All HEIs increase their non-public income by applying teaching and research to meet user needs, and by giving a wider range of users access to their resources.
- More widespread integration of employability skills into mainstream provision, by summer 2004. Further promotion of employability skills by the Learning and Teaching Support Network.

Commitments

- Support staff and students working with the community, by funding £27 million through the HEACF over the years 2001-04 to produce 13,600 new volunteering opportunities.
- Continue to develop the scale and criteria for the third stream of core funding for HEIs, building on the £188 million already allocated under the Higher Education Reach-out to Business and the Community (HEROBC), HEIF, Business Fellowship and HEACF schemes.

Key performance targets

- All HEIs to implement their plans for improving the employability of graduates with support from the Teaching Quality Enhancement Fund, by July 2002.
- Significantly improve the range and volume of interactions between higher education and business, in aggregate, as measured against HEIs' individually agreed target outcomes for use of the HEROBC, HEIF and HEACF awards and against the baseline established in 2001 for the sector as a whole.



Funding high quality, cost effective teaching and research

Strategic aim ►

Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.

Approximately three-quarters of our grant is allocated for learning and teaching. We aim to promote high-quality learning and teaching in HE.

Over the planning period we will ensure that our strategy for learning and teaching takes account of the changing policy environment. A key element is the Government's target of 50 per cent participation in HE by 18-30 year-olds by the year 2010.

We will also seek to ensure that there is a synergy of effort and funding between our strategies for

learning and teaching, widening participation, employability, and disability. We will do this through:

- the continuing implementation of the Teaching Quality Enhancement Fund
- the development of subject centres and dissemination of good practice and innovation
- an increase in joint initiatives with other agencies, such as the Institute for Learning and Teaching, other HE funding bodies, the Joint Information Systems Committee, and the DfES.

We will encourage institutions to implement learning and teaching strategies and to support improvements in the quality of HE in FECs. Working in partnership with the Quality Assurance Agency, we will implement effective new arrangements for HE quality assurance. We will support institutions that wish to restructure or enhance their careers services in light of recommendations from the Harris Review on "Developing Modern Higher Education Career Services".



Key achievements to date

- Financial support for the enhancement of learning and teaching in all HEIs, through the Teaching Quality Enhancement Fund.
- The July 2001 annual operating statements from HEIs demonstrate that virtually all are implementing their learning and teaching strategies, and meeting their own targets.
- The Learning and Teaching Support Network has been established with 24 subject centres, a Programme Executive and a Generic Centre. The network is increasingly perceived as a key source of information and advice.
- Support for the Institute for Learning and Teaching has enabled it to exceed its business plan targets: by October 2001 it had recruited 8,300 members. The institute has also accredited 99 staff development programmes at 87 HEIs.
- Phase four of the Fund for the Development of Teaching and Learning was launched in October 2001. This programme builds on, and makes use of, the findings of the teaching quality assessment process.
- Investment in phase three of the Economic and Social Research Council's Teaching and Learning Research Programme, which will fund pedagogic research into post-16 educational provision, including HE and lifelong learning.
- A good practice guide was published in June 2001 to support institutions in implementing their learning and teaching strategies.
- Closer links developed between our strategies for learning and teaching, widening participation, employability and disability. Institutions have been encouraged to make similar connections.
- Through our contract with the Quality Assurance Agency, the eight-year programme of reviews of teaching quality, covering all subject areas and all HEIs, was completed in December 2001.
- We took a leading role in discussions about the evolving framework for quality assurance in HE.
- Fifty-six FECs chose to deliver their higher education in partnership with an HEI, through franchises or consortia in 2001-02.
- £18 million is being provided over 2001-04 to fund the second phase of the development programme to raise the quality of learning and teaching on HE programmes in directly funded FECs.
- Supported initiatives to restructure and enhance HEIs' careers services.
- Awarded 20 teaching fellowships in 2001.
- Successfully implemented 40 prototype foundation degree programmes, offering at least 2,000 places from autumn 2001.
- Allocated funds from the Teaching Quality Enhancement Fund to support the implementation of institutional learning and teaching strategies that included proposals to enhance the employability of graduates.

Future outcomes

- Good practice and developments in learning and teaching will be disseminated and embedded in all HEIs through the activities funded by the Teaching Quality Enhancement Fund. There are three separate strands, covering institutions, subjects, and individuals.
- All HEIs will continue to implement their learning and teaching strategies. All institutions will use their strategies as working documents to be revised, updated and integrated with other institutional strategies such as those for widening participation, human resources, and students with disabilities. Achievement against targets will be monitored through the annual operating statements.
- A quality assurance method and programme will be established that is accepted by all parties as striking the right balance in securing accountability and public information on the one hand while also minimising the burden on HEIs.
- A network of FECs will deliver high-quality HE across the country, working in close partnership with HEIs, and contributing substantially to widening participation.
- Expansion of student numbers delivered within planned targets and resources.



Commitments

- Twenty national teaching fellowship awards to be awarded by July 2002.
- The Institute for Learning and Teaching to have achieved a target recruitment of 10,000 members by the end of September 2002.
- Projects under phase four of the Fund for the Development of Teaching and Learning to have started by October 2002.
- Continued support for the implementation of institutional learning and teaching strategies.
- Continued support for the Learning and Teaching Support Network.
- Publish further good practice guidance to HEIs by May 2002, encouraging the implementation and integration of strategies for learning and teaching, widening participation, and students with disabilities.
- Continue to support the business plan of the Institute for Learning and Teaching over the five-year period 1999-2000 to 2003-04.
- Support high-quality pedagogic research in HE through investment in the Teaching and Learning Research Programme.
- Build capacity for research in learning and teaching through the activities of the Learning and Teaching Support Network.
- Manage a co-ordination team for work-related learning on behalf of the DfES, from January 2002 to April 2004.



Key performance targets

- By August 2003, 90 per cent of all institutions are evaluated as progressing towards the target outcomes for their learning and teaching strategies – as monitored through the annual operating statements.
- New quality assurance method to come into effect from the academic year 2002-03.
- Planned student numbers in 2002-03 to be within 2 per cent of the Secretary of State's target.



Funding high quality, cost effective teaching and research

Strategic aim ▶

Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.

UK researchers are among the best in the world. They rank first in the world in terms of the numbers of publications and citations generated per million dollars spent on research. Currently the UK carries out 4.7 per cent of the world's research, it produces 7.6 per cent of the world's scientific publications, and over 9 per cent of the citations of scientific papers. The recent HEFCE review of research policy has demonstrated that our guiding principles for research funding, including assessment, have contributed to this success.

Our aim is to promote the long-term vitality of the research base. We therefore provide a framework for institutions to develop a high-quality research capability by selectively funding the best research. This includes funds to support opportunities for collaboration, the

development of young researchers, and research into emerging areas.

By continuing to provide the majority of our research funding as a block grant, we support institutional autonomy and diversity, allowing HEIs themselves to determine the scope and direction of their research activities.

The Government has recognised the need to invest in research infrastructure by providing additional funding. It is also starting to address concerns about the recruitment and retention of academic researchers. We see this investment as endorsing the dual support system and recognising the quality of UK research. We will continue to promote research by rewarding quality through the selective and transparent allocation of funding. We will continue to provide special funding, for further investment in the research infrastructure, to institutions that can demonstrate high quality.

Key achievements to date

- The 2001 Research Assessment Exercise (RAE) was successfully completed in December 2001. The results of this and other measures show that there has been a significant improvement in research quality. More than half (55 per cent) of research staff now work in departments that undertake research of international excellence.
- In partnership with the OST we have allocated £600 million under the Science Research Investment Fund. This is in addition to over 300 projects funded through the existing Joint Infrastructure Fund and other capital projects, involving £150 million of collaborative work of which £30 million is provided by charities.
- We reviewed and published a report on the impacts and links between charitable funding and research.
- Throughout the planning period, we used special funding when appropriate to generate new opportunities for strategic partnerships to enhance the research base.
- Reviewed the model for research funding to ensure it helped to support appropriate levels of capital investment and research capability.
- Reviewed research capacity in veterinary science and nursing.
- Continued to review and provide for an enhanced Joint Academic Network (JANET).

Future outcomes

- Improve the output of the research base.

Commitments

- Review the operation of the 2001 RAE and evaluate options for the future
- Use special funding throughout the planning period, where appropriate, to generate new opportunities for strategic partnerships to enhance the research base.
- Continue working with the OST to ensure appropriate development of the research base.
- Build an on-line information environment providing secure and convenient access to a comprehensive collection of scholarly material.
- Continue to review and provide for an enhanced JANET.
- Implement outcomes of the fundamental review of research policy from 2002-03, as detailed in the publication 'Review of research: report on consultation' (HEFCE 01/17).
- Continue to promote minimum standards for teaching PhD students, and to address other people issues affecting research staff within the wider developments in human resource management.

Key performance targets

- To maintain the quality of the UK research base, relative to the rest of the world, as measured by citation rates.



Funding high quality, cost effective teaching and research

Strategic aim ▶

Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.

We commission and undertake research and development work in order to:

- ☐ inform ourselves and the sector about trends and developments in HE
- ☐ help develop our policy
- ☐ assist in monitoring and evaluating our policy.

All significant developments in our policy and practice are rooted in consultation, and in structured, thorough analysis of the options to achieve desired ends.

Wherever significant new policies are implemented, we will evaluate what these achieve, to satisfy ourselves that they have secured the desired outcomes and to ensure that we learn from experience.

We will maintain and improve our record on dissemination, looking at the best way to ensure that research findings and examples of best practice reach, and are used by, the relevant practitioners in HEIs.

In carrying out research and development projects we will collaborate with and draw upon the expertise of other stakeholders. We will carry forward work on benchmarking in collaboration with Universities UK, the Standing Conference of Principals (SCOP) and others.



Key achievements to date

- Our standards of service, issued on the web in September 2001, set out the standards we apply for the conduct of consultation exercises.
- We consulted on each significant HEFCE initiative introduced in 2001.
- New performance indicators for employment were published in April 2001, and the third set of performance indicators was published in December 2001.
- A list of research and development projects commissioned by the Council is available on our web-site.
- We produced a long-term review of supply and demand in higher education (HEFCE 01/62).

Future outcomes

- Institutions are better informed about their performance relative to that of others.
- Better informed policy decisions.

Commitments

- To commission research and development studies that will inform policy development; to disseminate the outcomes to HEIs and other stakeholders; and to keep under review the effectiveness and impact of the programmes.
- Strengthen our forward planning of the overall HEFCE research programme, and share information about our plans with key stakeholders.

- Work towards ensuring that the collection and publication of robust performance indicators is fully embedded within the normal arrangements for collecting data from HEIs. This will mean moving towards collection through the Higher Education Statistics Agency (HESA) system. The target date for HESA processing is 2004, based on the 2002-03 data.
- In 2002, the sector will be consulted on developing performance indicators for numbers of disabled students.
- Work towards developing performance indicators to:
 - investigate student progression on sub-degree programmes
 - measure participation rates by home background
 - publish the first of a series of reports on patterns of student progression

Key performance target

- By December 2002, to publish the fourth set of performance indicators including employment outcomes.

Funding high quality, cost effective teaching and research

Strategic aim ▶

Promote effective financial and human resource management, accountability for the use of public funds, and value for money.

HEIs are independent bodies responsible for managing their own affairs effectively and efficiently, and are accountable for the public funds they receive. We are responsible for ensuring that funds provided for teaching and research are only used for those purposes, while promoting value for money. We set out conditions for the use of grants in a Financial Memorandum and an Audit Code of Practice. We monitor compliance with these conditions through financial and statistical surveys and audit visits.

We work in partnership with the sector and individual institutions to help the sector help itself. We provide information, guidance and self-assessment tools so that HEIs can benchmark their own performance against that of others, and prioritise their efforts to improve. The

objective is to help HEIs to improve their decision making processes and to make the best use of available resources.

Both HEIs and the HEFCE are accountable to a range of stakeholders. We therefore need transparent and open governance arrangements, published information on matters important to stakeholders, and reliable assurance mechanisms. A condition of the funding allocated by the Government in its 1998 comprehensive spending review was that the HE sector should implement a consistent and transparent approach to costing. We work with sector bodies, HEIs, the OST and the other UK funding bodies to continue to meet this requirement.

We will work with the sector and its stakeholders to ensure that, through these processes, stakeholder confidence is maintained and enhanced, while minimising the burden that accountability arrangements place on institutions.

Key achievements to date

- 100 per cent of HEIs met the requirement to submit transparent data on costing by January 2002.
- Promoted improvements in pricing of non-publicly funded activity within HEIs, to ensure that prices reflect the value delivered to the customer.
- Successfully completed five projects to help reduce the burden of accountability on HEIs and to improve stakeholder confidence.
- Refocused promotion of effective procurement to make fuller use of electronic methods, and to enhance collaboration across the sector.
- Completed the second round of allocations to develop good management practice.
- Data for 1999-2000 show that 64 per cent of the HE sector's buildings and facilities is now as new or sound, or shows only minor deterioration.
- Developed an Equality Challenge Unit to help the sector deliver improvements in monitoring and performance of equal opportunities.
- Announced £214 million for a second round of funding for capital projects to improve the infrastructure for learning and teaching, and to improve provision for disabled students.
- Allocated £330 million over three years to 2003-04 to improve staff management processes, including staff recruitment, retention and development.

Future outcomes

- Improved governance and management by HEIs, based on effective financial and strategic planning.
- All HEIs to have well-defined equal opportunities policies and monitoring procedures.
- Improved stakeholder confidence in HE, based on good governance and management within HEIs,

including proper accountability for public funds, while minimising the burden on HEIs.

Commitments

- All HEIs to make a full compliance statement on all aspects of internal control in their financial statements for the period to 31 July 2003.
- Complete initiative to improve poor estates by 2005.
- Work with sector representative bodies and HEIs in promoting improved investment appraisal, pricing and procurement processes to support better decision making.
- Develop and disseminate value for money studies, and good practice guides.
- Implement a new audit regime, including a five-yearly cycle of audit visits within an agreed accountability framework covering all stakeholders.
- Work with the sector to support the development of leadership and management.

Key performance targets

- By 2004, 75 per cent of all the sector's estate will be classified as 'as new or sound' or 'showing only minor deterioration'.
- All HEIs to meet requirements for reporting transparent data on costs for 2001-02 in January 2003, and annually thereafter.
- By the end of 2003, 20 per cent of purchases to be made through the 'Procureweb' site and other collaborative projects.
- All HEIs to have comprehensive equal opportunity policies and monitoring procedures in place by December 2002.
- All HEIs to be operating full human resource strategies by July 2002.



Funding high quality, cost effective teaching and research

Strategic aim ▶

Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.

As a national body, we are able to represent higher education in England and the UK. We work with higher education bodies throughout the world in order to:

- increase our understanding of higher education trends and issues by learning from the experience of overseas providers and funders

- influence the development of policies that could benefit UK higher education, by participating in international research, development, collaboration and other relevant activities
- promote the achievements and qualities of the UK higher education sector by providing objective information
- gather information on comparable countries and benchmark the performance of UK higher education against those countries.

We carry out these activities in the spirit of co-operation and collaboration with our national and international partners.



Key achievements to date

- Partnerships and wide-ranging contacts established with Brazil, China, India, Indonesia, Japan, South Africa, Thailand, and the US.
- Commissioned five projects examining international comparisons, including the impact of the internet and collaboration in research library provision (US, Germany, France, Canada).
- Established five initiatives to support innovation and internationalisation for research, teaching and learning, and links between industry and education (for example in China, India and Brazil).
- Represented the interests of UK higher education by speaking at international conferences and participating in relevant activities overseas. Received over 200 overseas visitors to the Council annually.
- Undertook six policy forums on key topics in countries of strategic interest to the UK, exchanging good practice and comparing the performance, qualities and achievements of UK higher education with that of other countries.
- Conduct or commission research and development projects taking account of international higher education practice and experience.
- Support targeted initiatives that encourage the internationalisation of UK higher education.
- Support the establishment of a UK marketing strategy for higher education and the strengthening of the international dimension of the HERO web-site.
- Contribute to international activities, receive visitors and provide appropriate information on the achievements and qualities of UK higher education.
- Promote and support excellence and innovation in higher education through the dissemination and exchange of good practice, and policy dialogue on key topics, with policymakers and others in countries of strategic importance to the UK.

Future outcomes

- International aspects taken into account in reaching policy decisions.
- An increased contribution to the internationalisation of UK higher education.
- An improvement in the UK higher education sector's standing and esteem abroad.

Commitments

- Undertake and encourage joint collaborative programmes, and participate in other international activities, such as conferences, as appropriate and within available resources.

Key performance targets

- Undertake at least three international studies to help inform our policy decisions and related developments by July 2004.
- Establish at least three initiatives that support aspects of internationalisation for UK HE.
- By 2004, maintain and develop six collaborative programmes in countries of strategic importance to the UK, involving ourselves and other appropriate national partners.

Diversity

Strategic aim ►

Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all those who can benefit from higher education.

We are promoting wider participation in HE and lifelong learning through a range of policies and activities, including our method for funding teaching, the allocation of additional student numbers, and special funding programmes.

We will support and encourage HEIs in working to make higher education more accessible and socially inclusive, and we will continue to monitor the provision they make for students with disabilities. We will support HEIs' efforts to improve student retention and achievement, through our funding methods and by encouraging and disseminating good practice.

We will publish an evaluation of our overall strategy for widening participation in 2002. This will inform the nature of our longer-term commitment to widening access to, participation in, and progression from higher education.

We will encourage and enable institutions to deliver flexible provision that meets the needs of lifelong learners. We will help institutions to deliver the Government's National Education and Training Targets for lifelong learning.

Over the planning period we will place emphasis on:

- ensuring that our strategy for widening participation takes account of the changing policy environment. A key element is the Government's target of 50 per cent participation by 18-30 year-olds by 2010
- ensuring a synergy of effort and funding between our strategies for learning and teaching, widening participation, employability and disability.

Key achievements to date

- Provided supplements for institutions to meet the additional costs of supporting students from diverse backgrounds or with disabilities.
- Published performance indicators for HEIs, including indicators of non-completion rates, and of their effectiveness in widening participation.
- Published guidance on good practice in strategies for widening participation.
- During 2001, HEIs provided updated three-year strategies and action plans for widening participation. These showed that virtually all are developing their strategies, and setting targets using their performance indicators.
- Successfully implemented 40 prototype Foundation Degree programmes, offering at least 2,000 places from autumn 2001.
- Developed links between our strategies for learning and teaching, widening participation, employability, and support for disabled students, and encouraged institutions to do so.

Future outcomes

- Stronger partnerships between HEIs, FECs, secondary schools and other partners to raise the attainments and aspirations of disadvantaged groups, strengthening the 'supply chain' to HE.
- Increased collaboration between institutions to share, promote and embed good practice in widening participation.
- The HE student body as a whole is more representative of the population, and potential students perceive academic ability as the key criterion for entry into HE.
- Improved student retention and achievement.
- Better employment prospects for students from disadvantaged backgrounds.

Commitments

- Our funding method will remove disincentives for HEIs to improve the participation by under-represented groups of students.
- Support, through our funding method, options for collaboration between HEIs and FECs.
- Support partnerships and networks in each region through which HEIs collaborate to widen access and participation.
- Support institutions, through the allocation of £56 million over the two years 2002-04, to improve provision for disabled students.
- Make available at least 1,000 additional student numbers from 2003-04, to provide relevant summer work placements for students from disadvantaged groups.
- By summer 2003, to evaluate Foundation Degrees to identify how far they have reached new markets for HE students, and to inform future policy.
- Establish, in partnership with the LSC, two New Technology Institutes in each region. Allocate funding to support the institutes' higher education additional student number places.

Key performance targets

- Following consultation, introduce a new 'Partnerships for Progression' initiative to strengthen links between HEIs, FECs, schools and other partners in widening participation.
- Participation by socio-economic groups currently under-represented in HE rises faster than growth in overall numbers between 1999 and 2004.
- Significant increase in the number of HEIs using performance indicators in order to set widening participation targets, as monitored in annual operating statements and revised widening participation action plans.



Diversity

Strategic aim ►

Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.

Institutions are responsible for determining their own missions, including their relative focus on meeting local, regional, national or international needs. We are committed to supporting institutional diversity. Our aspiration is to secure the development of a range of institutions and a diversity of provision, so that in every area those able to benefit from higher education have access to suitable high-quality courses.

In August 2000 we published a policy statement on our approach to encouraging and sustaining diversity in higher education. Since then, the debate has

continued on the extent to which HEFCE funding programmes are, in aggregate, tending to cause HEIs to converge their missions on the same set of objectives, and whether greater differentiation by mission should be encouraged. Over the next year, we intend to develop our approach to that issue.

Our funding method recognises costs associated with small and specialist institutions and particular groups of students, as long as they can be justified by the additional value gained. We are developing funding relationships with a wider range of FECs. The financial health of the sector depends partly on the wider economy, but also on good management by institutions themselves. To help ensure that the sector remains financially healthy, we undertake regular financial monitoring, engaging with individual HEIs when necessary, and promote good practice.

Key achievements to date

- Three new specialist institutions joined the higher education sector in 2001: the Dance and Drama Conservatoire, the Arts Institute at Bournemouth, and the Royal Agricultural College.
- The HEFCE Restructuring and Collaboration Fund has funded projects to enhance diversity, and support financial and academic restructuring. Over 100 projects have been approved so far, with investment of some £130 million.
- We announced a further £18 million of development funding for FE colleges in 2001-04 to raise the quality of learning and teaching on their HE programmes.
- Substantial progress has been made in forming the e-University. The holding company and the operating company have both been incorporated; a strategic partnership has been agreed with Sun Microsystems to develop the technology platform; and the first pilot programmes have been agreed.
- We worked with RDAs to encourage institutions to help implement the RDAs' economic strategies.
- We co-sponsored regional reports on the economic and geographical contributions of HEIs to their regions, published by Universities UK.
- We have worked closely with those HEIs facing financial difficulties, often as a result of under-recruitment, in order to agree a recovery plan.

Future outcomes

- Reach a common understanding with HEIs and other partners on how far HEFCE funding should promote greater differentiation by mission.
- Sustain diversity by recognising warranted cost differences between HEIs, without compromising the principle of comparable funding for comparable activity.

- Promote stronger links between the HE sector, RDAs and other bodies in securing regional economic and social development.
- Strengthen the network of FECs providing higher education, in particular by encouraging them to build partnerships with HEIs.

Commitments

- Support more projects through the Restructuring and Collaboration Fund, backed by a more strategic approach to using the fund to support major change.
- Each year to evaluate the financial and institutional health of all HEIs, in the light of detailed analysis of financial forecasts, actual results and other data.
- Each year to work with any HEIs in financial difficulty, to find a solution which will secure viability.
- Work with the RDAs to encourage institutions to help implement the RDAs' regional economic strategies and increase their contribution to regional economic development.
- Continue to build the e-University as an effective delivery mechanism for high-quality on-line higher education in the UK and overseas.
- Allocate the next round of development funding for FECs to support improvements in learning and teaching on their HE programmes.

Key performance targets

- e-University to be operational by the end of 2002.
- Within eight weeks of an institution being identified as in immediate financial difficulties, to identify the problems and to agree the necessary action.
- Reach agreement with the nine regional associations of HEIs on future HEFCE funding and priorities for action by the end of December 2002.



Organisational aim

Strategic aim ▶

Enable our staff to provide a high-quality service, within an open and supportive working environment.

We recognise that the quality of the service we provide to our stakeholders depends on a motivated and well-supported workforce. We want to be counted among the best, practising what we preach by following good

management practices and always seeking to improve.

During 2002 we will start to develop a new approach to strategic planning. We will enter into a dialogue with our key external stakeholders and with HEFCE staff to develop our 2003-08 strategic plan. We wish to reach a greater level of understanding among our stakeholders of what we are seeking to achieve, and to work closely with them in achieving strategic goals.

Key achievements to date

- We have completed our first self-assessment against the European Foundation for Quality Management Excellence Model and have identified three areas for development, covering our people, processes and information support. We have continued to make progress in these three areas and are preparing the next self-assessment.
- We have maintained our Investors in People accreditation, and continued to promote our knowledge management strategy, and to develop our e-business strategy in line with the Modernising Government agenda.
- The Cabinet Office has awarded us beacon status for our work-life balance initiative. This is being progressed through initiatives covering 'wellness', health and safety, stress management, and ergonomics.
- With the active engagement of staff and the Public and Civil Service union, we have developed and evaluated a new performance review system, based on the Excellence Model. We have negotiated a new performance-related pay system and a three-year pay award with the union.
- To help us understand the quality of working life in the Council, we have, with staff, developed a new staff survey. For most categories we are rated more highly than the level of the top performing companies in the UK.
- We have continued to implement a knowledge management strategy and action plan, embedding knowledge-sharing behaviours into our performance and reward systems.
- The HEFCE Board has carried out a review of its own effectiveness.

Future outcomes

- A shared vision with stakeholders of the key outcomes for higher education and a collaborative approach to how those key targets are to be met.
- An increasingly effective service to institutions and other stakeholders in the main areas of our work, supported by improved standards of internal service.
- A motivated, skilled and well-supported workforce.

Commitments

- Develop 2003-08 strategic plan through dialogue with key external stakeholders and with HEFCE staff.
- Fully integrate activity-based planning and budgeting.
- Embed risk management into operational practices and processes.
- Develop and embed electronic information management systems.
- Publish the outcomes of the review of the HEFCE Board's effectiveness and the actions being taken to address the issues raised.

Key performance targets

- To be among the top 20 per cent of UK public sector organisations, as measured by the Excellence Model, by December 2004.
- Ninety-eight per cent of payments to suppliers to be within 30 days of receipt of a valid invoice.
- All profiled grant payments paid in accordance with our published payment schedule, to 100 per cent accuracy.



Appendix A

Financial and resource information

Council administrative costs

	(£ million)		
Financial year	2001-02	2002-03	2003-04
HEFCE running costs	14.6	14.9	To be announced

Planned funding for the HEI sector

	(£ million)		
Financial year	2001-02	2002-03	2003-04
2001-02 HEFCE grant	4,391		
HEFCE grant (announced in spending review)		4,592	4,764
Public contributions to fees	450	451	462
Student contributions to fees	343	363	384
OST funding for HEIF	20	20	40
Capital grants			
for IT and other capital	106	154	206
for research	150	154	158
Access and hardship funds	103	108	115
Total	5,563	5,842	6,129
Student numbers (full-time equivalents in thousands)	1,028	1,041	1,053

Appendix B

Progress towards key performance targets published in the HEFCE's 2001-06 strategic plan

Strategic aim	Key performance target	Progress to 31 March 2002
<p>a. Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.</p>	Meet the standards stated in the code of practice (currently in preparation) for the consultations and special initiatives exercises conducted by the Council (or where in exceptional cases that is not feasible give a clear explanation why not).	Achieved.
	Achieve a ratio of overall satisfaction compared with dissatisfaction of at least 6:1, as measured by the customer satisfaction survey.	The next customer satisfaction survey will take place from November 2002 until March 2003.
	Support at least 10 major collaborations per year through the Restructuring and Collaboration Fund.	Achieved. 13 major collaborations funded in 2001-02.
<p>b. Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.</p>	Increase number of hits on HEFCE web-site by 50 per cent against the 2001-02 baseline by 2006.	On target.
	Increased usage of HERO by 350 per cent (from 2001 baseline) by 2006.	On target.
<p>c. Promote and support productive interaction between HE and business and the community in order to encourage the transfer of knowledge and expertise and enhance the relevance of programmes of teaching and research to the needs of employers and the economy.</p>	All HEIs to have implemented their plans for enhancing the employability of graduates via the Teaching Quality Enhancement Fund by July 2002.	On target.
	Significantly improve the range and volume of interactions between HE and business, in aggregate, against a quantitative baseline to be defined in 2001.	89 awards have been made to support knowledge transfer projects between single institutions and business, under the HE Innovation Fund.
	Successful implementation of 40 prototype Foundation Degree programmes, offering at least 2,200 places from autumn 2001.	37 prototype programmes successfully launched, offering at least 2,000 places. Three further prototype programmes to begin in September 2002

Strategic aim	Key performance target	Progress to 31 March 2002
<p>d. Promote high standards of education so as to advance knowledge and scholarship, encourage improvement, enterprise and innovation, and enhance students' learning experiences and employment prospects.</p>	<p>Eighty per cent of all institutions are evaluated as progressing towards achievement of their learning and teaching strategies' target outcomes by July 2002.</p>	<p>On target.</p>
	<p>Student numbers in 2001-02 to be within 2 per cent of the Secretary of State's target.</p>	<p>Achieved.</p>
	<p>New quality assurance framework operational in England from January 2002.</p>	<p>This target has been overtaken by the agreement that more fundamental revision was needed of the principles and scope of the new method. Good progress has been made in reaching agreement among all parties on a more focused method, and the information requirements associated with it, which will be introduced from the spring of 2003.</p>
<p>e. Promote high standards of research so as to advance knowledge and scholarship and encourage improvement, enterprise and innovation.</p>	<p>An improvement on average between RAE 2001 and the previous exercise in 1996.</p>	<p>Achieved.</p>
	<p>An increase in staff in units rated 5* in RAE 2001 compared with RAE 1996.</p>	<p>Achieved.</p>
<p>f. Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.</p>	<p>By December 2001 publish the third set of performance indicators including employment outcomes.</p>	<p>The third set of performance indicators was published in December 2001.</p>

Strategic aim	Key performance target	Progress to 31 March 2002
<p>g. Promote effective financial and human resource management, accountability for the use of public funds, and value for money.</p>	<p>By 2004, 75 per cent of all the sector's estate will be classified as A or B (as new, or only minor deterioration).</p>	<p>Data from Estate Management Statistics for 1999-2000 show that 64 per cent of the sector's buildings are now in condition categories A and B. This represents an improvement of 1 per cent on the previous year. The target is unlikely to be achieved within current resource levels.</p>
	<p>All HEIs to meet reporting requirements of transparency review for 1999-2000 in July 2001 and for 2000-01 in January 2002.</p>	<p>Achieved for 1999-2000 and 2000-01 reporting.</p>
	<p>Twenty per cent of purchases to be made through Procureweb and other collaborative projects by end 2003.</p>	<p>On target.</p>
	<p>All HEIs to have comprehensive equal opportunity policies and monitoring procedures in place by 2002.</p>	<p>HR strategies submitted in June 2001 identified equal opportunities policies, targets and monitoring procedures to be implemented and in place by June 2002.</p>
	<p>All HEIs to be implementing human resource strategies from autumn 2001.</p>	<p>All HEIs are implementing the human resource strategies submitted to the HEFCE in June 2001.</p>
<p>h. Contribute to the healthy development of higher education in this country and overseas by learning from international experience, and helping to promote the reputation of UK higher education abroad.</p>	<p>Establish six collaborative programmes in strategic countries involving ourselves and other appropriate national partners, by 2004.</p>	<p>Additional collaborative programmes have been agreed with Japan and Thailand. Programmes with Brazil, China, India, South Africa and the US have been established and are continuing. Programmes with France and Australia are under discussion.</p>

Strategic aim	Key performance target	Progress to 31 March 2002
<p>i. Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.</p>	<p>Participation by socio-economic groups currently under-represented in HE rises faster than growth in overall numbers between 1999 and 2004.</p>	<p>On target.</p>
	<p>Significant increase in the number of HEIs using performance indicators in order to set widening participation targets. Quantitative and qualitative analysis by Action on Access of strategic action plans.</p>	<p>On target.</p>
<p>j. Maintain and encourage the development of a wide variety of institutions, with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.</p>	<p>e-University to be operational by end 2002.</p>	<p>Finance Director and Learning Programmes Director appointed and in post. Interviewing for sales and marketing/business development director. Technology platform in prototype and to be delivered by November 2002. Pilots signed. Invitation to bid for additional student numbers issued.</p>
	<p>Within eight weeks of an institution being identified as in immediate financial difficulties, to identify the problems and to agree the necessary action.</p>	<p>Achieved.</p>
<p>k. Enable our staff to provide a high-quality service, within an open and supportive working environment.</p>	<p>To be among the top 20 per cent of UK public sector organisations, as measured by the Excellence Model, by December 2004.</p>	<p>On target. We have reviewed this objective in the context of the likely 2003-08 strategic plan objective for organisational development.</p>
	<p>Ninety-eight per cent of payments to suppliers to be within 30 days of receipt of a valid invoice.</p>	<p>Achieved.</p>
	<p>All profiled grant payments paid in accordance with our published payment schedule, to 100 per cent accuracy.</p>	<p>Achieved.</p>

Appendix C

Glossary

Audit Code of Practice	The code describes our minimum audit requirements and those that we consider to be good practice or worthy of consideration.
DTI	Department of Trade and Industry
DfES	Department for Education and Skills (formerly the Department for Education and Employment)
Dual-support system	The major source of research support in UK higher education sector is split between the six Research Councils and the Arts and Humanities Research Board. This, along with the direct funding given to universities by the HE funding councils, makes up the dual-support system
Excellence Model	An internationally recognised framework for high-quality management practices
FE	Further education
FEC	Further education college
Financial Memorandum	The memorandum sets out the terms and conditions for the payment by the HEFCE of funds to the governing body of an institution, out of funds made available by the Secretary of State for Education and Employment
HE	Higher education
HEFCE	Higher Education Funding Council for England
HEI	Higher education institution
HEIF	Higher Education Innovation Fund
HERO	Higher Education and Research Opportunities – an internet portal for a range of users wishing to find information on opportunities and contacts within HE
HEROBC	Higher Education Reach-out to Business and the Community – this initiative aims to ensure that HE is responsive to the needs of business, including the wider community, where this will lead to wealth creation
IT	Information technology
JANET	Joint Academic Network – a UK-wide computer network which connects all HEIs and Research Council sites and about 100 FECs
OST	Office of Science and Technology
QAA	Quality Assurance Agency for Higher Education
RAE	Research Assessment Exercise – an exercise carried out periodically to determine the quality of research in UK HEIs
SCOP	Standing Conference of Principals
Special initiatives	Special initiatives are HEFCE funds for specific activities for a limited period not linked to formula funding allocations

Photographs in this publication were kindly supplied by the following:

University of Birmingham, Brunel University, University of Wolverhampton, University of the West of England, Bristol.