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## Higher Education Quality Assessment

### Higher Education Funding Council for England (HEFCE)

**RPC rating: validated**

As a result of the regulator's response to the RPC's initial review notice, the BIT assessment has now been validated. As first submitted, the assessment was not fit for purpose.

#### Description of proposal

Under the Further and Higher Education Act 1992, section 70 HEFCE provides a statutory duty to ensure that higher education providers that it funds, or is considering funding, fulfil their contractual obligations. It also has a duty to assess the quality of their offer. Following a review, the HEFCE decided to reduce the requirements on higher education providers to conduct six yearly reviews.

This measure removes the requirement for six yearly Higher Education Reviews (HER), and replaces this with desk based annual provider reviews (APR) by HEFCE. If the APR process identifies a need for further action, or a cause for concern, a detailed review will take place.

After a process of verification of the providers' internal quality arrangements, the governing body of HEFCE-funded providers will be required to produce an annual assurance that its internal quality assurance activities have been conducted appropriately. The assurance will be tested in a governance audit, which the regulator anticipates will need to include internal briefings and preparations.

#### Impacts of proposal

Currently, 133 higher education institutions (HEIs) and 207 further education colleges (FECs) will be affected by these changes.

The introduction of the new regulatory arrangements will eliminate the costs of preparing for HER, which involved drafting self-evaluation documents; briefing staff and students; preparing background documents; and holding meetings with review teams. Using data derived from 'The cost to providers in England of existing quality assurance and quality assessment practices' (Report to HEFCE by KPMG, 2015) the regulator estimates this will result in a total saving of £2.8 million for HEIs and £2.7 million for FECs.

The cost of the new QA process will have three elements: one off familiarisation with the new process, a verification process and the on-going annual cost of annual assurance of HEFCE.

The one off familiarisation costs, of reading the new documentation and briefing staff on the new process, have been estimated at 20 days of manager/director's time; this translates into a total cost of £687k for HEIs and £609K for FECs.

During the first year of operation (2017-18) providers will be required to undergo a one-off verification of the methodology they use to review their own internal quality processes. This is estimated to cost £541k for HEIs and £480k for FECs.

HEFCE estimates that providing assurance to HEFCE will cost 2 days of senior management time per year, to deal with internal briefings and preparations. In addition, in Year 1 and Year 2, there will be some additional costs associated with the need to prepare materials to support the assurance process (15 days of staff time in Year 1 and 10 days in Year 2). In Year 1, this is estimated to cost £450,000 for HEIs and £399,000 for FECs. Assuming that staff salaries are uplifted by 1% per year, and only 2 days of senior management time is spent from Year 3 onwards, by Year 10 the annual costs are estimated at £115,000 for HEIs and £102,000 for FECs.

HE providers will also incur costs where there is some cause for concern and they are required to prepare and host a detailed review. The regulator is unable to estimate how many reviews will prove necessary for each year, but it estimates these costs for a single review at £2,000 for HEIs and £1,000 for FECs.

## Quality of submission

The RPC considers the assessment to be fit for purpose. The issues raised by the RPC in its initial review have been addressed adequately in the revised assessment.

One of the concerns raised was that the regulator did not provide an estimate of the impact of detailed reviews. In the resubmission, the regulator has explained that it is unable to quantify how many detailed reviews are likely to be required. The regulator has, however, provided estimates of the cost of such reviews. Based on this estimate, the RPC is content that the EANDCB is unlikely to be altered by these costs, on any reasonable assumption as to the number of reviews required.

The RPC also noted that the original submission lacked clarity around the number of businesses affected by the change. The regulator has since clarified that it has used the most current figures for numbers of HEIs and FECs. It notes that the number of these businesses vary, because "*new institutions apply for HEFCE funding... while other institutions merge*" but that "*broadly there are between 130 and 140 HEFCE funded institutions and up to 250 education colleges involved in delivering HE at any given time.*"

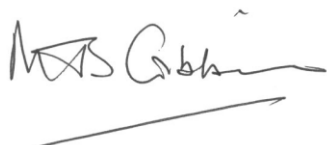
Overall the RPC is satisfied that the regulator has conducted a thorough and proportionate analysis of the impacts of this policy, and is able to validate the EANDCB presented.

### Departmental assessment

Classification	Qualifying Regulatory Provision (IN)
Equivalent annual net cost to business (EANDCB)	−£4.7 million
Business net present value	£42.3 million
Net Present Value	£42.3 million

### RPC assessment

Classification	Qualifying Regulatory Provision (IN)
EANDCB – RPC validated <sup>1</sup>	−£4.7 million
BIT Score	−£23.5 million
Small and micro business assessment	Not required



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.