

## HE-BCI major review: Phase 2 ‘in-kind’ consultation outcome decisions

This document is intended to form the basis of a notification of changes for the HE-BCI 2023/4 data collection. To maximise time for provider preparation this is being issued out of cycle, adjacent to the publication of consultation responses, in autumn 2023.

A further notification of changes will be issued for the same (and possibly subsequent) collection year(s) in-cycle in spring 2024, following the remaining work on the HE-BCI Review.

### Revised guidance amendments

The following document outlines the changes to guidance on in-kind contributions that have been decided as an outcome from the ‘Phase 2 consultation’ on this matter.<sup>1</sup>

Amendments have been introduced in response to feedback from respondents. These are generally minor in character and are explained below. We have consulted with Statutory customers over these amendments to ensure they reflect their expectations, following the consultation and our analysis of responses.

For ease of use, we have also reproduced, and updated, the accompanying rationale for each change, again in light of feedback from respondents.

**Figure 1: comparison of ‘Introduction’ guidance**

Where referenced in current guidance	Proposed guidance
No current guidance	<p>The reporting of ‘in-kind’ contributions in the HE-BCI data collection is to allow UK funding councils to determine the levels of economic support provided to collaborative partnerships by external partners alongside public funding.</p> <p>It is acknowledged that the value of ‘in-kind’ contributions is not purely economic, and instead contributions are perceived by their benefit transfer values within the context of the project. However, to allow for comparability of contributions received by providers they are to be assigned an economic value.</p>

1. The use of an ‘Introduction’ would provide a clear presentation of the purpose for recording ‘in-kind’ contributions in the HE-BCI data collection.

<sup>1</sup> <https://consultation.hesa.ac.uk/liaison/he-bci-phase-2-consultation/>

2. It would provide a clear reference to the non-monetary benefits of contributions and provide justification for the use of a monetary proxy value in the record.
3. The wording on assigning an economic value has been amended slightly to better reflect the rest of the guidance and remove a potential ambiguity.

**Figure 2: comparison of ‘General definition’ guidance**

Where referenced in current guidance	Proposed guidance
<p>... ‘in-kind’ contributions include contributions to the project from the non-academic collaborators (for example staff time, use of equipment and other resources, materials, provision of data etc.) as described in the project collaboration agreement.</p> <p>‘Collaborative research’ must involve:</p> <ul style="list-style-type: none"> <li>• grant-in-aid from at least one public body, and</li> <li>• a contribution (which may be cash or “in-kind” if specified in the collaborative agreement and auditable) from at least one external non-academic collaborator.</li> </ul>	<p>‘in-kind’ contributions are any contributions to a specific project that are not monetary but are of economic, social, or cultural value to the project and the communities they benefit. They are contributions made by non-academic collaborators of a project and may be stated in initial letters of support or project agreements.</p> <p>Contributions include assets, both tangible and intangible, which would otherwise not have been obtained outside of the collaborative partnership. The types of contributions received can be broad and diverse in nature.</p> <p>‘Collaborative research’ must involve:</p> <ul style="list-style-type: none"> <li>• grant-in-aid from at least one public body, and</li> <li>• a contribution (which may be cash or “in-kind” if specified in the collaborative agreement and auditable) from at least one external non-academic collaborator.</li> </ul>

4. The proposed guidance presents a collaborative approach drafted by HESA and Research England, along with other statutory customers. This ensures that the guidance is consistent with external data reporting requirements and the data meets the requirements of funders. This will improve the data as a robust and reliable source. We judge that this alignment is likely to reduce burden on providers by allowing them to align systems.
5. The proposal recognises assets as being a form of contribution and uses terminology in a manner consistent with financial information.
6. The proposal acknowledges the value of a contribution may be bound to the context of the collaboration and the assigned economic values may be relative to this.
7. A typographical error was removed.

**Figure 3: comparison of ‘Types’ guidance**

<b>Where referenced in current guidance</b>	<b>Proposed guidance</b>
<p>‘in-kind’ contributions could for example include staff time, resources, materials, provision of data etc.</p>	<p>‘In-kind’ contributions are any contributions to a specific project that are not monetary but are of economic, social, or cultural value to the project and the communities they benefit. Whilst not prescriptive, the list below provides guidance on common types of contributions that may feature in collaborative projects:</p> <ul style="list-style-type: none"> <li>• Staff time from non-academic collaborator for those working directly on project including <i>pro bono</i> professional services, legal advice, marketing advice, staff cover (covering those working directly on project)</li> <li>• Consumables, e.g. Sheet plastics, Papers/ materials for printing, Disposable drugs paraphernalia</li> <li>• Facilities, e.g. Meeting rooms, Classrooms, Labs, Sports facilities/ spaces</li> <li>• Equipment, e.g. Music recording devices Horse hydra-therapy machinery, Telescopes</li> <li>• Knowledge, i.e. data sets/ source data, e.g. Patient data, Marketing lists, Census data, Use of software, Copywriting software, Computer programming software, CAD/ CAM design packages</li> <li>• Travel and subsistence costs, e.g. Rail travel, Accommodation</li> <li>• Advertising/ publicity, e.g. Webspace, Article spaces in magazines or newspapers.</li> </ul> <p>HESA acknowledges that contributions outside of the above stated list may be received and, where a value can be reasonably assigned, these should be included in the HE-BCI data.</p> <p>However, we understand the value of contributions can often be bound purely to the context of the project or partnership, and</p>

	<p>therefore in some instances no economic value equivalent can be assigned.</p> <p>Examples of this may include waste or refuse given for the purpose of scientific research, or freely available intellectual property (IP) generated by the partnership. Where a HE provider cannot reasonably assign a monetary value equivalent to contributions received, they must omit these from the return. In doing so it is still acknowledged that there is a value to the collaborative partnership however this cannot be accurately captured and compared against contributions of other types.</p>
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8. The proposed guidance responds to a request from HE providers for clearer examples of what types of contributions may be eligible for return. Our statutory customers have acknowledged that proposed guidance offers a suggestive, but not exhaustive list of common types of contributions made to collaborative projects. They are content that it offers improved and sufficient guidance however providers may still wish to confirm the eligibility of less-common forms of contribution for the purpose of the data return.
9. The offered guidance is advisory and not prescriptive. It acknowledges that other forms of contributions outside of those stated may be accounted for in the data.
10. The guidance provides clear indication that providers must not account for contributions that cannot be assigned an economic value. It recognises that these contributions may still hold value in the context of the project but must be omitted from the return to ensure comparability in the data.
11. The wording has been amended to remove a potential ambiguity or duplication around the recording of staff time from non-academic collaborators as an in-kind contribution.

**Figure 4: comparison of ‘Methodology’ guidance**

Where referenced in current guidance	Proposed guidance
No current guidance	<p>For the purposes of the HE-BCI data collection HE providers are to report an assigned economic value of contributions. Values may be determined by the reporting HE provider or gifting partner. They may be stated in letters of support or project agreements.</p> <p><i>Values assigned by the HE provider</i></p> <p>Whilst HESA do not stipulate a single methodology for assigning values, a suggested method may be the use of market equivalent costings or the consistent use of</p>

	<p>single unit values for repeated contribution types. For example, an HE provider may determine the economic value equivalent of staff time using a reasonable sector average hourly rate (unit) and multiplying this by the number of hours an individual has contributed to a project (frequency), i.e. hourly rate x number of hours.</p> <p>Example:</p> <p><b>Collaborative research project:</b> Re-design of Typhoon blade  <b>Partners:</b> Poppleton University (reporting HE provider) and Rolls Royce (RR) (external non-academic partner)  <b>Type:</b> Use of containerised powder coating machinery  <b>Quantity:</b> 1 piece of machinery  Unit: 5 days  <b>Rate per unit:</b> market value = £17,600 per day  Total 'in-kind' value = £88,000</p> <p><i>Values provided by a 3rd party</i></p> <p>Providers may wish to submit values provided to them by partner organisations. If provided by an external partner, values must be confirmed in writing, for example as stated in letters of support or project agreements. Submitting providers should use best judgement to determine the reasonableness of assigned values and may wish to revisit values throughout the lifecycle of a project.</p>
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12. UKRI, OfS, HEFCW, SFC and DfENI have confirmed there is no requirement for all providers to use a single method for assigning economic values. Instead, they require that providers are confident in their chosen method, and that their valuations meet a threshold of accountability required for internal audit.
13. The suggested guidance aims to support providers who have previously under-reported contributions due to a lack of method in assigning values<sup>3</sup>. The guidance is advisory and does not prohibit the use of alternative methods that may already be used.
14. The proposed guidance acknowledges that values may be assigned by the reporting HE provider, a consortium or HE providers or by partners external to an HE provider.

<sup>3</sup> Annex C, paragraph 7

15. The wording has been improved to suggest that collaborators may wish to assign values in letters of support or project agreements.

**Figure 5: comparison of ‘Multi-partner projects’ guidance**

<b>Where referenced in current guidance</b>	<b>Proposed guidance</b>
<p>Where a consortium of providers are receiving a benefit from ‘in-kind’ contributions that are shared between multiple HE providers in the UK and overseas, it should be shared across all partners irrelevant of location so that the UK partners are showing a truer share.</p> <p>Where the ‘in-kind’ contributions cannot be attributed to a specific HE PROVIDER (for example where there are multiple HE providers) the costs should be apportioned, and care must be taken to avoid "double counting".</p>	<p>Where there are several HE providers collaborating on a project it should be assumed that the reporting of contributions are equally split between reporting providers. This reduces the possibility of double-counting, duplication of data and reduces burden to providers. Where HEPs cannot agree how to apportion contributions between them they must default to an equal split.</p> <p>We acknowledge that HE providers within a consortium may agree to apportion contributions differently between themselves. For example, where there have been different levels of use of in-kind contributions between partners. If HE providers chose to apportion contributions in this way, there must be clear evidence of this agreement. HE providers must ensure that there is no duplication of submitted values.</p> <p>Where an overseas HE provider is a collaborator on a project, their share of any in-kind collaboration should not be returned by the UK-based partners.</p> <p><b>Example 1:</b>  <b>Collaborative research project:</b> Re-design of Typhoon blade  <b>Partners:</b> University A (reporting HE provider), University B (reporting HE provider) and external non-academic partner  <b>Type:</b> Use of containerised powder coating machinery  <b>Quantity:</b> 1 piece of machinery  Unit: 5 days  <b>Rate per unit:</b> market value = £17,600 per day  <b>Total ‘in-kind’ value = £88,000</b>  <b>Alternative reporting practice agreed: None</b>  <b>University A submission: £44,000</b>  <b>University B submission: £44,000</b></p>

	<p><b>Example 2:</b></p> <p><b>Collaborative research project:</b> Re-design of Typhoon blade</p> <p><b>Partners:</b> University A (reporting HE provider) University B (reporting HE provider) and external non-academic partner</p> <p><b>Type:</b> Use of containerised powder coating machinery</p> <p><b>Quantity:</b> 1 piece of machinery Unit: 5 days</p> <p><b>Rate per unit:</b> market value = £17,600 per day</p> <p><b>Total 'in-kind' value =</b> £88,000</p> <p><b>Alternative reporting practice agreed:</b> 30/70 split</p> <p><b>University A submission:</b> £26,000</p> <p><b>University B submission:</b> £61,600</p>
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16. UKRI, OfS, HEFCW, SFC and DfENI have confirmed there is no requirement for all providers to use a single method for apportioning values between partner HE providers.
17. The proposed guidance preferences that one, single approach must be adopted by all providers within a consortium to avoid 'double counting' of contributions to one single project. It acknowledges that providers may choose to operate their own stated agreement.
18. A consistent approach must be used to improve the accuracy and comparability of the data.
19. Consistency in the apportioning of contributions between providers will improve the reliability of the data and allow for more accurate comparability.
20. Some ambiguous wording was removed, and some minor amendments made to aid clarity.
21. Some consultation respondents asked us to provide standard wording for contracts. Suppliers of data will understand that such advice could only ever be provisional, as it is for contracting partners to determine the approach that will be taken over reporting requirements and also over dispute resolution, and it is not something we would reasonably expect to take a position on. However, it is generally good practice to make provision for data reporting requirements in legal documents, and this may be a matter where the HE sector may wish to consider formulating appropriate standards, perhaps working through sector representative organizations. If a sector-recognised standard was produced and deemed credible by stakeholders in the HE-BCI data, we would be happy to include a link to such a document in guidance.

**Figure 6: comparison of 'multi-year' projects**

Where referenced in current guidance	Proposed guidance
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Income attributable to the record year should be returned, i.e. the whole value of a multiple year grant should not be returned in the year it was awarded but apportioned over the years as required.

### **Multi-year projects**

In-kind contributions to multi-year projects may be stated at the start of a collaboration such as in letters of support or collaboration agreements. They may also be awarded during the life cycle of a project and in addition to those stated at the start.

### ***Contributions not allocated to specific years of project***

Where contributions are not allocated to specific years of a multi-year project, providers should pro-rata in-kind contributions across all years of the project from the point at which they are known.

#### *Example 1:*

A provider is awarded a contribution valued at £150,000 and it is stated in the initial letter of support for a three-year project. The submitting HE provider should apportion the value across the remaining years of the project and return £50,000 per year.

#### *Example 2:*

A provider is awarded a contribution valued at £150,000 in year two of a three-year project. The submitting HE provider should apportion the value across the remaining years of the project and return £75,000 in years two and three.

### ***Contributions allocated to specific years of a project***

If a contribution is allocated to specific years of a multi-year project, providers must report these in line with their own financial accounting practices: either reported to specific years as allocated, or pro-rated across the project years. Where the HE provider's financial year differs from the HESA reporting year, data should be returned as appropriate for the HESA year and in a way that avoids double counting.

#### *Example 1:*



A contribution of equipment valued at £150,000 is included in the initial letter of support for a three-year project. The equipment is specified to only be used in the second and third years of the project. The submitting HE provider may choose to pro-rata the contribution as either £50,000 across the three years of the project or return a value of £75,000 in years two and three only.

*Example 2:*

A contribution of £150,000 is awarded in the second year of a three-year project. The equipment is specified to only be used in the second year of the project. The submitting HE provider may choose to return the contribution as either £75,000 in years two and three, or £150,000 in year two only.

Recording in this way allows for variances in contributions received between that stated from the start of a project (such as stated in letters of support) and those provided throughout the duration of a project.

**Where a project is extended**

Where the life-cycle of a project is extended any contributions received must be apportioned in line with providers' own financial accounting practices: either reported to specific years as allocated, or pro-rated across the remaining project years (i.e. in a manner consistent with the approach taken to contributions allocated to a specific year of the project, covered in the above guidance). Where the HE provider's financial year differs from the HESA reporting year, data should be returned as appropriate for the HESA year and in a way that avoids double counting.

*Example:*

A project is expected to be three years in length. In year 2 the project is extended by a further 2 years. A further £150,000 of contributions are to be awarded to the project

	<p>in addition to the £300,000 stated in the initial project agreement.</p> <p>Depending on its normal accounting practices, the HEP should report the remaining contributions to the project in one of the following ways:</p> <p>Option 1 (allocating funds to project years):  Year 2: £137,500 (£100,000 + (£150,000/ 4))  Year 3: £137,500 (£100,000 + (£150,000/ 4))  Year 4: £37,500 (£150,000/ 4)  Year 5: £37,500 (£150,000/ 4)</p> <p>Option 2 (pro-rating funds across project years):</p> <p>Remaining initial value = 200,000  Additional value = 150,000  Total = 350,000  350,000/ 4 remaining years (initial 2 + additional 2)  £87,500 per year</p> <p>Year 2: £87,500  Year 3: £87,500  Year 4: £87,500  Year 5: £87,500</p> <p><b><i>In-year contributions</i></b></p> <p>In-year contributions may be made to a project. These may be in addition to those stated in the letter of support or initial project agreement. If a contribution is allocated to a specific year(s) of a multi-year project, providers must report these in line with their own financial accounting practices: either reported to specific years as allocated, or pro-rated across the project years. Where the HE provider's financial year differs from the HESA reporting year, data should be returned as appropriate for the HESA year and in a way that avoids double counting.</p> <p>Where contributions are not allocated to a specific year(s) of a multi-year project, providers should pro-rata in-kind contributions across all years of the project from the point at which they are known.</p>
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	<p>Please refer to previous guidance for examples.</p>
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22. We refer to this method for reporting data as ‘across-year’. By across-year we mean contributions are allocated across the lifespan of a project and values apportioned across collections. The methodology used for this should reflect the HE provider’s normal financial reporting policy for multi-year projects.

23. Across-year reporting would allow providers to report contributions awarded throughout the project lifecycle and outside of those stated at the start of a collaboration, for example in letters of support.



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24. Across year reporting would eliminate spikes in the data and provide a more consistent representation of contributions received by an HE provider throughout a project
25. UKRI, OfS, HEFCW, SFC and DfENI have not stated a preference for how contributions to projects spanning multiple data collections are reported to HESA. However, they require a single method to be used by all providers to ensure consistency and comparability in the HE-BCI dataset. In this case, a method that provides consistency with the provider's existing accounting practice is preferable to a prescribed national method, which may be at odds with this.
26. Providers have stated the contributions received throughout a project are often different to those stated pre-award or at the point of initial contract. They have suggested that the ability to submit values throughout a project life cycle could mitigate discrepancies in values and provide a more accurate reflection of the contributions they receive. Feedback from respondents was very helpful in improving the consistency of this section and adding a new example.
27. HESA acknowledges that across-year reporting may be more burdensome for some than prospectively reporting all contributions at the start of a project. We consider this additional burden to be proportionate to the improvements in the reliability and consistency of the data by reporting in this way. We also believe that this shared approach can improve the confidence of HE providers when reporting 'in-kind' contributions and support a fairer and more trustworthy comparison of values.

**Figure 7: comparison of 'Collecting and recording – methodologies' guidance**

Where referenced in current guidance	Proposed guidance
<p>Whilst it is recognised that 'in-kind' contributions are difficult to capture systematically, only 'in-kind' contributions that have been formally recorded, for example on Finance, within a contract or recorded within the management system, should be returned. (By formally recorded it is meant recorded in a way that is clear and transparent.)</p> <p>Income should be returned in line with the audited/published financial statements.</p> <p>...a contribution (which may be cash or "in-kind" if specified in the collaborative agreement and <b>auditable</b>) from at least one external non-academic collaborator.</p>	<p>For the purposes of the HE-BCI data collection providers are to report an assigned economic value of contributions. This value can be that stated by either the gifting partner or the HE provider; however, the HE provider must use best judgement to determine the reasonableness of assigned values.</p> <p>There is no requirement for contributions to be stated in published accounts or financial records. Where providers consider that certain HE-BCI in kind contributions fall within the remit of these, they may be included. As such economic values stated in the HE-BCI data collection fall outside the remit of the statutory financial audit. However, as with any data return, they do fall within the remit of data and internal audit, and therefore providers must maintain documentation sufficient to support</p>

	the assigned values and justify the methodologies used. This may be in the form of standard agreed protocols for treatment of common 'in-kind' contributions, or individual documentation supporting more complex or unusual 'in-kind' contributions.
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- 28. The current guidance references three different thresholds of accountability. This is misleading and diminishes the reliability and trust in the data. UKRI, OfS, HEFCW, SFC and DfENI have requested that a single, refined statement of accountability is required to improve confidence in the data.
- 29. The current references to financial audit are concerning to providers and have historically led to the under-reporting of contributions<sup>6</sup>. The proposed guidance mitigates these concerns and clearly states that values reported in the HE-BCI data collection will not be subject to financial audit.
- 30. The revisions provide clear guidance that providers must document and retain justification for the valuation of contributions. This aims to improve the quality of the data and promote confidence in the reporting of 'in-kind' contributions by providers and its users.
- 31. No changes have been made to this section of the proposed guidance.

<sup>6</sup> As stated during the UKRI & HESA 2020/ 21 roundtables. A summary of these discussions is attached as Annex D



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