

# Higher Education Funding Council for Wales **Annual report and accounts**

**For the year ended 31 March 2012**

## Annual report

### Introduction and background

#### Statutory background

The Higher Education Funding Council for Wales (HEFCW) was established under the Further and Higher Education Act 1992. On 7 May 1999, the National Assembly for Wales was created and took over the majority of the functions of the Welsh Office from 1 July 1999, which led to HEFCW becoming a sponsored body of the former National Assembly for Wales, (as constituted by the Government of Wales Act 1998. As a result of the Government of Wales Act 2006, HEFCW became an Assembly Government Sponsored Body and following the election of a new government in May 2011, became known as a Welsh Government Sponsored Body (WGSB).

These accounts have been prepared in accordance with the direction made by Welsh Ministers with the consent of HM Treasury, in exercise of powers conferred by paragraph 16 (2) of schedule 1 to the Further and Higher Education Act 1992. A copy of the direction can be obtained from HEFCW.

The accounts are prepared in accordance with the 2011-12 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

These statements cover the nineteenth reporting period of HEFCW and reflect the continuing development of HEFCW's systems and policies.

#### The responsibilities of the Higher Education Funding Council For Wales

HEFCW is responsible for the administration of funds made available by the Welsh Government, and others, in support of the provision of education and the undertaking of research by higher education institutions in Wales and the provision of prescribed courses of higher education in further education institutions in Wales, and the performance of such supplementary functions as are required of it by the Further and Higher Education Act 1992. Our responsibilities for initial teacher training are covered under the Education (School Teachers' Qualifications) (Wales) Regulations 2004 and the Education Act 2005.

#### Employee involvement

Regular staff meetings and seminars ensure good internal communications and provide opportunities for staff to contribute to the workings of HEFCW. A Works Council, through which representatives can raise issues of concern to staff, meet on a regular basis. A formal consultation process is in place which supports the consultation mechanism for the Works Council and also the process for changes to policies and procedures.

In 2000, HEFCW achieved the Investors in People award. This award was re-assessed in March 2012 and HEFCW was still found to be meeting the required standard.

## **Annual report (continued)**

### **Introduction and background (continued)**

#### **Employee involvement (continued)**

HEFCW is committed to developing its diversity policies to ensure that all employees are treated fairly, irrespective of age, disability, gender reassignment, marital or civil partnership status, pregnancy, race, religion or belief, sex, sexual orientation or any other protected characteristic.

HEFCW's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applicants with a disability. If disablement should occur during employment HEFCW would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities. To reinforce this policy, in May 2009, HEFCW became qualified to use the 'Two Ticks' Disability symbol and has been reassessed annually as maintaining this standard. This symbol represents recognition given by Jobcentre Plus to employers who have agreed to make certain positive commitments regarding the employment, retention, training and career development of disabled individuals.

Sickness absence is monitored by HEFCW. At 1.45% of potential working time lost for 2011-12 (2010-11 – 1.99%), this is low compared to most other organisations in the public sector (average working time lost per CIPD Absence Management Annual Survey Report 2011 – Public Services 4.0%; Education 2.8%; Central Government 3.7%; Other Public Services 3.6%; Local Government 4.2%; and Public sector workforce size 50-249, 3.3%).

In 2009, HEFCW became the first organisation in Wales to be awarded the Welsh Government's small workplace health award at silver level. The award recognises measures taken in smaller organisations to help improve the health and well-being of staff. HEFCW was commended for the range of materials and resources available to employees, and the policies and procedures in place which promoted physical and mental health and well-being. HEFCW has maintained its commitment to this silver standard throughout the year and is due to be re-assessed later in 2012.

#### **Personal data related incidents**

There have been no reported personal data related incidents during the year.

#### **Creditor payment policy**

HEFCW is fully committed to the prompt payment of suppliers and aims to pay all valid invoices as soon as possible. HEFCW's performance against the Welsh Government's prompt payment target of 10 days, for the third full year in 2011-12 was 99.1% (2010-11 – 98.7%). During 2012-13 we will look to sustain and improve on this performance, with the aim of moving towards the Welsh Government's five day payment target. We will balance this request against the impact on our resources and the need to maintain effective internal controls.

## Annual report (continued)

### Introduction and background (continued)

#### Audit

The accounts of the Council are audited by the Auditor General for Wales as required by paragraph 16(1) of Schedule 1 to the Further and Higher Education Act 1992. External audit fees in respect of this and other audit work are shown at Note 6 to these accounts.

So far as the Accounting Officer is aware, there is no relevant audit information of which HEFCW's auditors are unaware; and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that HEFCW's auditors are aware of that information.

#### Council membership

The following persons served as Council members during the reporting year:

##### Chair

Mr Roger Thomas OBE (*reappointed 5 May 2011*)  
*Former Chair of Governors and Pro-Chancellor of the University of Glamorgan*

##### Members

Professor Philip Gummett  
*Chief Executive, Higher Education Funding Council for Wales;*  
Mr David Allen OBE (*reappointed 1 December 2011*)  
*Registrar and Deputy Chief Executive of the University of Exeter;*  
Dame Alexandra Burslem (*reappointed 1 December 2011*)  
*Former Vice-Chancellor of Manchester Metropolitan University;*  
Professor Mari Lloyd-Williams (*reappointed 1 January 2010*)  
*Senior Clinical Academic, University of Liverpool;*  
Professor Katherine Oglesby (*reappointed 1 December 2011*)  
*Former Senior Deputy Vice-Chancellor of the University of Teesside;*  
Professor Sir Brian Smith (*term of office ended 30 November 2011*)  
*Former Vice Chancellor, Cardiff University;*  
Professor Robin Williams CBE (*appointed 1 August 2009*)  
*Former Vice-Chancellor, Swansea University*  
Mr James Bennett (*appointed 1 April 2010, resigned 5 April 2011*)  
*Former Principal of South Tyneside College*  
Mrs Bethan Guilfoyle CBE (*appointed 1 April 2010*)  
*Former Head Teacher of Treorchy Comprehensive School;*  
Mr David Mason (*appointed 1 April 2010*)  
*Chair of Merthyr Tydfil College, Former Principal/Chief Executive of Coleg Gwent;*  
Ms Nina Park (*appointed 1 April 2010*)  
*Vice President, Human Resources for Control Techniques*

## Annual report (continued)

### Introduction and background (continued)

#### Members (continued)

The following Council Members served on HEFCW's committees and panels during the year:

Committees	Members
Student experience, teaching and quality	Professor Katherine Oglesby (Chair), Mrs Bethan Guilfoyle, Mr David Mason, Professor Mari Lloyd-Williams (to July 2011)
Research, innovation and engagement	Professor Robin Williams (Chair), Professor Sir Brian Smith (to 30 November 2011), Ms Nina Park, one vacancy
Audit and risk	Mr David Mason (Chair from 1 December 2011), Mr David Allen (Chair to 30 November 2011)
Strategic development (formerly Reconfiguration and collaboration)	Dame Alexandra Burslem (Chair), Mr David Mason, Professor Sir Brian Smith (to 30 November 2011), Professor Robin Williams, Professor Philip Gummett, one vacancy
Human resources	Ms Nina Park (Chair), Dame Alexandra Burslem
Remuneration	Mr Roger Thomas (Chair), Dame Alexandra Burslem, Ms Nina Park
Appointments	Mr Roger Thomas (Chair), Mr David Allen (to 30 November 2011), Mr David Mason (from 1 December 2011), Dame Alexandra Burslem, Professor Katherine Oglesby, Professor Robin Williams, Ms Nina Park, Professor Philip Gummett

#### Assessor appointed by Welsh Ministers

Mr Owen Evans

*Group Director of Skills, Higher Education and Lifelong Learning, Welsh Government*

The register of members' interests is available for inspection through the Clerk to the Council at HEFCW's offices in Llanishen. HEFCW's full address is Linden Court, The Orchards, Ilex Close, Llanishen, Cardiff CF14 5DZ.

## **Annual report (continued)**

### **Introduction and background (continued)**

#### **Management board membership**

The HEFCW Management Board is responsible for HEFCW's management and operation.

It is made up of the Chief Executive, the Director of Finance and Corporate Services, the Director of Strategic Development, the Head of Governance, Leadership and Information, the Head of Research, Business and Communities, the Head of Strategy, Learning and Funding and the Head of Resources.

#### **Management commentary**

The key elements of HEFCW's strategy remain those set out in its corporate strategy for 2010-11 to 2012-13, and are set out below.

#### **Our mission and strategic aims**

We strategically use resources from the Welsh Government and others to:

- secure higher education learning and research of the highest quality;
- make the most of the contribution of higher education to the culture, society and economy of Wales;
- Ensure high quality, accredited teacher training across Wales.

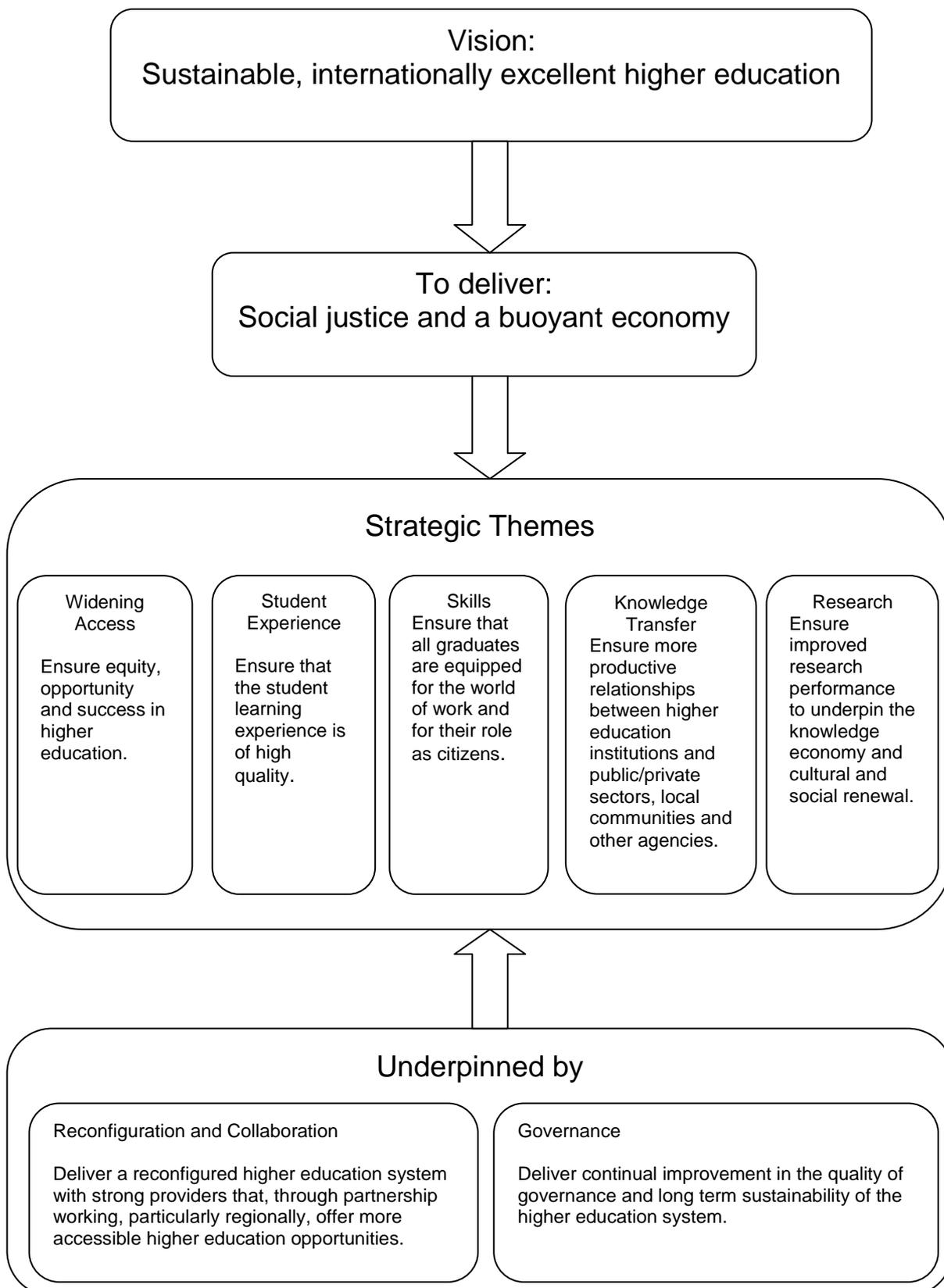
In order to:

- Enhance social justice;
- Support a buoyant economy

Annual report (continued)

Management commentary (continued)

Our strategic framework (as set out in the HEFCW Corporate Strategy 2010-11 to 2012-13 document)



## Annual report (continued)

## Management commentary (continued)

## Progress against Corporate Strategy measures

As a means of monitoring our progress over the last two years against the twelve measures set out in our Corporate Strategy 2010-11 to 2012-13 document, we set out below the latest available information for the academic year to 31 July 2011.

Strategic measure	Baseline	Progress	Progress
<b>1</b> A 10% rise in the proportion of all Welsh domiciled students studying higher education courses at higher education institutions and further education institutions in Wales who are domiciled in the Welsh Communities First Areas <b>from 15.6% in 2008/09 to 17.2% in 2012/13.</b>	2008/09	2009/10	2010/11
	15.6%	16.2%	Data not yet available
<b>2</b> A 2.7% rise in the module completion rate for undergraduate enrolments in Welsh higher education institutions <b>from 87.6% in 2008/09 to 90% in 2012/13.</b>	2008/09	2009/10	2010/11
	87.6%	90.1%	92.5%
<b>3</b> The three year rolling average score for Wales in the National Student Survey 'overall satisfaction'* question will be <b>equal to, or greater than the comparative score for the UK.</b>  <i>* 'Score' means percentage of students who agreed with 'Overall, I am satisfied with the quality of my course'.</i>	2007 to 2009	2009 to 2011	2010 to 2012
	3-year rolling average	3-year rolling average	3 year rolling average
	Welsh HE institutions	Welsh HE institutions	Welsh HE institutions
	83.3%	82.7%	Data not yet available
	UK HE institutions	UK HE institutions	UK HE institutions
	81.7%	82.7%	Data not yet available
<b>4</b> The number of Welsh domiciled students at Welsh higher education institutions and further education institutions undertaking some element of their course through the medium of Welsh <b>will rise from 4,586 in 2008/09 to 5,509 in 2012/13.</b> <i>*Baseline and target have been amended to reflect 2008/09 data correction.</i>	2008/09	2009/10	2010/11
	4,586	4,612	4,690

## Annual report (continued)

## Management commentary (continued)

## Progress against Corporate Strategy measures (continued)

Strategic measure	Baseline	Progress	Progress
<p><b>5</b> The percentage growth in the number of overseas students attending higher education courses in Welsh higher education institutions will <b>be equal to, or greater than, the comparable figure for UK higher education institutions</b> (excluding London and the South East).</p>	2007/08 to 2008/09  % growth	2008/09 to 2009/10  % growth	2009/10 to 2010/11  % growth
	Welsh HE institutions  15.1%	Welsh HE institutions  26.7%	Welsh HE institutions  16.4%
	UK HE institutions (excl. London and SE England)  10.4%	UK HE institutions (excl. London and SE England)  11.9%	UK HE institutions (excl. London and SE England)  8.5%
<p><b>6</b> The proportion of leavers obtaining first degrees from full-time courses who were employed, studying or both six months after leaving, will be <b>equal to, or greater than the UK proportion by 2012/13</b>.</p>	2008/09 % employed / studying after 6 months	2009/10 % employed / studying after 6 months	2010/11 % employed / studying after 6 months
	Welsh HE institutions  91.2%	Welsh HE institutions  91.9%	Welsh HE institutions  91.0%
	UK HE institutions  89.9%	UK HE institutions  90.4%	UK HE institutions  90.3%
<p><b>7</b> The absolute participation rate within Welsh higher education providers of students in the five Universities Heads of the Valleys Institute unitary authorities will rise by 8% to the current national average by 2012/13 (<b>from 2.5% to 2.7%</b>).</p>	2007/08	2008/09	2009/10
	2.5%	2.5%	2.5%

## Annual report (continued)

## Management commentary (continued)

## Progress against Corporate Strategy measures (continued)

Strategic measure	Baseline	Progress	Progress
<b>8</b> The total number of part-time students studying higher education courses in higher education institutions and further education institutions in Wales will <b>rise from 54,714 in 2008/09 to 59,000 in 2012/13.</b>	2008/09	2009/10	2010/11
	54,714	50,243	Data not yet available
<b>9</b> The number of spin-off companies still active which have survived at least three years will increase by 10% <b>from 252 in 2008/09 to 277 in 2012/13.</b>	2008/09	2009/10	2010/11
	252	301	376
<b>10</b> The annual percentage growth in income from Research Councils will be <b>equal to, or greater than, the comparable figure for UK higher education institutions</b> (excluding the 'golden triangle' of Oxford, Cambridge and London).  [In 2008/09, Welsh HE income from the Research Councils accounted for 4.8% of the UK total excluding 'golden triangle' universities.]	2007/08 to 2008/09	2008/09 to 2009/10	2009/10 to 2010/11
	% growth in income for <b>Welsh HE institutions</b>	% growth in income for <b>Welsh HE institutions</b>	% growth in income for <b>Welsh HE institutions</b>
	17.4%	3.0%	1.2%
	% growth in income for <b>UK HE institutions</b>	% growth in income for <b>UK HE institutions</b>	% growth in income for <b>UK HE institutions</b>
	13.9%	3.1%	-2.7%
<b>11</b> <b>At least 75% of the Welsh higher education institutions</b> will have an annual income in excess of the UK median (36% in 2008/09), with <b>no institution to be in the lower quartile by 2012/13</b> (4 in 2008/09).	2008/09	2009/10	2010/11
	In excess of UK median 36%  (4 out of 11 institutions)	In excess of UK median 45%  (5 out of 11 institutions)	In excess of UK median 40%  (4 out of 10 institutions)

**Annual report** (continued)**Management commentary** (continued)**Progress against Corporate Strategy measures** (continued)

<b>11</b> (continued) <b>At least 75% of the Welsh higher education institutions</b> will have an annual income in excess of the UK median (36% in 2008/09), with <b>no institution to be in the lower quartile by 2012/13</b> (4 in 2008/09).	2008/09  In lower quartile 36%  (4 out of 11 institutions)	2009/10  In lower quartile 36%  (4 out of 11 institutions)	2010/11  In lower quartile 30%  (3 out of 10 institutions)
<b>12 No higher education institution</b> to be classified as 'high risk' under HEFCW institutional risk review processes.	2008/09 No of HE institutions classified as 'high risk'  0	2009/10 No of HE institutions classified as 'high risk'  0	2010/11 No of HE institutions classified as 'high risk'  0

**Remit letter**

In March 2011, the Minister for Children, Education and Lifelong Learning issued the annual remit letter to the Council. This sets out the Welsh Government's guidance to HEFCW for the year and the priorities and outputs the Minister expects HEFCW to deliver and which should be reflected in HEFCW's operational plan. The remit letter focused on a number of themes, of which the following were particularly significant:

- Planning for delivery of the new fee grant and for the new role of approving and enforcing tuition fee plans from 2012/13
- Building a sustainable sector
- Taking action to improve the learner experience and graduate employability

**Operational plan**

HEFCW then produced its operational plan on the basis of policies and actions identified in the remit letter. Of the 46 actions identified in the operational plan for 2011-12, 42 were achieved, one was carried forward to 2012-13 and three were awaiting action from the Welsh Government.

Some of the key operational plan actions were to

- Provide advice to the Minister on the future structure of the sector.
- Require new three year strategies from institutions for widening access and for learning and teaching.
- Publish good practice guidance on the funding of student unions.
- Publish guidance on student charters, in conjunction with NUS Wales and HEW.

## Annual report (continued)

### Management commentary (continued)

#### Operational plan (continued)

- Secure the launch and commencement of operations of Y Coleg Cymraeg Cenedlaethol.
- Produce a Skills and Employability Framework, in conjunction with business and the sector.
- Implement a voluntary exit scheme in order to meet running cost reductions

In 2011-12 HEFCW has also been working through the implications of the new approach to student fees, and the consequences for funding. Consultations have been held with the sector on both the funding approach for 2012/13 and the approach to controlling student numbers from 2013/14.

#### Financial review

The net operating costs for the year were £386.7 million (2010-11 net operating costs £455.6 million). The cumulative taxpayers' equity general fund at 31 March 2012 after crediting grant in aid funding of £389.1 million, was £8.0 million (31 March 2011 - £5.5 million). HEFCW's expenditure is planned on the basis of the funds available to it through annual receipts of grant in aid and other income and general fund balances. The financial accounts will always record a net operating costs result for the year as a result of the crediting of funding received to the taxpayers' equity general reserve in the Statement of Financial Position. HEFCW's activities are also planned to ensure that its cash carry forward remains within the two per cent of total grant in aid for the year allowed by the Welsh Government.

Expenditure on property, plant and equipment amounted to £9,000 in the year.

#### International financial reporting standards

HEFCW's 2011-12 annual accounts have been prepared, in line with all relevant central government public sector organisations, under International Financial Reporting Standards (IFRS).

#### Sustainability

The primary role of HEFCW is to develop and sustain internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely. The 51 staff and Council members who make up the organisation, operate from a single shared office building in North Cardiff. Our main direct environmental impact arises from the use of the office building and business travel.

HEFCW has been recording its environmental performance in relation to business travel since 2007-08. This has been supported by the development of an environmental management system at Green Dragon Level 2 and the use of the Sustainable Procurement Assessment Framework.

## Annual report (continued)

### Management commentary (continued)

#### Sustainability (continued)

The provision of shared services within our office accommodation has to date prevented us from recording energy use within the building although this has now been addressed and we will be able to report on energy use in future years. Our aim to reduce energy consumption will be aided by the fact that we will be occupying approximately 25% less space in our offices from September 2012, following the renewal of our lease and an organisational restructuring exercise. We will also consider reporting in future on gross expenditure attributable to energy consumption through electricity costs and business travel expenditure as a means of monitoring progress in this area. It should be noted that because of our shared office arrangement, there is currently no means of monitoring our water consumption.

The table below compares CO<sub>2</sub> and mileage recorded in relation to business travel between 2009-10 and 2011-12. From this it can be seen that overall business travel has declined. In 2010-11 we also commenced recording the use of our video conferencing suite as an alternative to travel. This shows that in 2010-11, 53 video conferences were recorded with an estimated saving of over 234 hours of staff time and 9,972 miles of travelling. In 2011-12, provisional figures indicate that the facilities were used on fewer occasions, 26, but by more attendees, on average, than the previous year, resulting in estimated savings of 213 hours of staff time and 10,249 miles of travelling.

	2009-10		2010-11		2011-12	
	Miles	CO <sub>2</sub> KG	Miles	CO <sub>2</sub> KG	Miles	CO <sub>2</sub> KG
Total	161,365	34,648	128,150	25,180	100,200*	22,357*

\*Provisional figures yet to be confirmed

We will continue to promote the use of our video conferencing facilities and if travelling is unavoidable, encourage staff to consider the environmental impact of their preferred mode of transport before making a final decision on how to travel.

In terms of waste management, we already have some basic records in place to monitor paper usage and the quantity of bags of shredded and other waste paper disposals. Consideration will be given to further developing these records as a means of monitoring these areas and making improvements.

The recycling of waste by staff is encouraged by providing recycling receptacles within the office to separately deposit plastic, cardboard, paper and batteries. We will continue to promote recycling within the office.

#### Community matters

HEFCW has continued as part of its special leave policy, to give the option of members of staff taking up to two days' paid leave per annum to volunteer to support local charities or community groups. HEFCW has reinforced its links with local communities through its membership of SEWEN (South East Wales Equality Network).

## **Annual report (continued)**

### **Remuneration report**

#### **Remuneration policy**

The remuneration of the Chair, the Council Members and the Chief Executive is set by the Welsh Government. The remuneration of the Chair and Council Members is governed by the Welsh Government's Scheme for Remunerating Chairs and Members of WGSBs and NHS Bodies introduced on 1 April 2004.

The Chief Executive's remuneration is set by the Welsh Government and may include a performance related award of up to 10% based on the assessment of performance targets set by the Chair of the Council.

The directors' remuneration is set in accordance with the approved pay and grading system within HEFCW, which applies to all staff appointments. HEFCW's overall levels of remuneration and its annual pay remit, which apply to all staff including the directors, are approved by the Welsh Government.

No specific bonus is payable to the directors although an annual performance award equivalent to an award percentage approved by the Welsh Government can be made in accordance with the performance appraisal process which applies to all staff appointments.

#### **Remuneration committee**

HEFCW has a Remuneration Committee which is responsible for reviewing annually the performance of the Chief Executive and the directors. The committee, consisting at any time of at least two members, both of whom are Council Members, has delegated authority from the Council to consider matters affecting the pay and performance bonus of the Chief Executive and make recommendations for approval to the Welsh Government accordingly.

**Annual report** (continued)**Remuneration report** (continued)**Senior employees' salaries and non-consolidated performance pay\***

<b>Position</b>	<b>Name</b>	<b>2011-12 Salary</b>	<b>2011-12 Non- cons'd</b>	<b>2010-11 Salary</b>	<b>2010-11 Non- cons'd</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chair	Roger Thomas	20-25	N/A	20-25	N/A
Chief Executive	Professor Philip Gummett	105-110	5-10	105-110	0-5
Director of Finance and Corporate Services	Richard Hirst	95-100	N/A	95-100	N/A
Director of Strategic Development	David Blaney	100-105	N/A	100-105	N/A
Band of highest paid member of staff		105-110		105-110	
Total Remuneration (£'000)					
Median Total Remuneration		£41,517		£38,745	
Ratio		2.7		2.8	

The total salary for Roger Thomas for the year 2011-12 was £24,264 (2010-11 - £24,264). He waived his right to his salary and elected for payment to be made to a registered charity.

Each of the non-consolidated performance pay awards for Professor Philip Gummett payable were in respect of the previous respective performance year.

**Annual report** (continued)**Remuneration report** (continued)**Senior employees' pensions\***

<b>Position</b>	<b>Name</b>	<b>Accrued pension at pension age at 31/03/12 &amp; related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/03/12</b>	<b>CETV at 31/03/11</b>	<b>Real increase in CETV</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chair	Roger Thomas	N/A	N/A	N/A	N/A	N/A
Chief Executive	Professor Philip Gummett	15 - 20 pension plus 45 - 50 lump sum	0 – 2.5 pension plus 0 - 2.5 lump sum	338	314	12
Director of Finance and Corporate Services	Richard Hirst	55 - 60 pension	0 – 2.5 pension	1,050	958	7
Director of Strategic Development	David Blaney	40 - 45 pension	(0 – 2.5) pension	578	539	(9)

Richard Hirst and David Blaney are members of the Premium defined benefit scheme, part of the Principal Civil Service Pension Scheme. The scheme benefits do not include the payment of an automatic lump sum on retirement (see 'pensions' below).

The actuarial factors used to calculate cash equivalent transfer values (CETVs) were changed in 2011-12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

## Annual report (continued)

### Remuneration report (continued)

#### Salary and pension disclosures\*

The Chief Executive has a permanent contract and is an ordinary member of the Principal Civil Service Pension Scheme. His contract stipulates a three-month notice period. Other than the possibility of payment in lieu of notice, there are no explicit contractual provisions for compensation for early termination.

The directors also have permanent contracts, requiring a notice period of three months and the same terms as the Chief Executive in respect of contract termination.

The Chair and Council Members (excluding the Chief Executive) are not members of the Principal Civil Service Pension Scheme and do not receive any pension benefits paid for by HEFCW. Council Members (excluding the Chair and Chief Executive) receive a non-pensionable salary of £5,076 per annum.

All salaries stated are gross salaries only, as none of the Council Members or senior staff received any other remuneration or benefits in kind, other than as disclosed below.

\* This information is subject to audit

#### Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium, and classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in classic accrue at the rate of 1/80<sup>th</sup> of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

## Annual report (continued)

### Remuneration report (continued)

#### Pensions (continued)

In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Civil Service pension arrangements can be found at the website

[www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

#### Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Annual report (continued)

### Remuneration report (continued)

#### Pensions (continued)

#### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

#### Broadly by analogy (BBA) pensions

A BBA pension arrangement entitles the recipient to benefits that are similar to those provided by the PCSPS classic scheme described above, and obliges HEFCW and the member to make contributions in line with the PCSPS. HEFCW is responsible for funding future pension benefits and retaining pension contributions. A BBA pension is held by the Former Chair of Council, Professor Sir Roger Williams.

#### Exit packages

During the year HEFCW implemented a voluntary exit scheme in order to meet running cost reduction requirements. All agreed departures will take place during 2012-13.

Exit package cost band	Number of departures agreed
<£10,000	1
£10,000 - £25,000	1
£25,000 - £50,000	3
£50,000 - £100,000	3
£100,000 - £150,000	1
<b>Total number of exit packages</b>	9
<b>Total cost /£</b>	£ 468,292

Voluntary exit compensation costs are payable in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. All costs have been accounted for in full in 2011-12, the year in which HEFCW has committed to the liability of the cost of the agreed voluntary departures.

Professor Philip Gummett  
Chief Executive and Accounting Officer  
20 July 2012

## Statement of HEFCW's and the Chief Executive's responsibilities

Under paragraph 16(2) of schedule 1 to the Further and Higher Education Act 1992, Welsh Ministers with the consent of the Treasury, have directed the Higher Education Funding Council for Wales to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HEFCW and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis.

The Principal Accounting Officer for the Welsh Ministers has designated the Chief Executive as Accounting Officer of the Higher Education Funding Council for Wales. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding HEFCW's assets, are set out in the Accounting Officers' Memorandum published by the Welsh Government.

## HEFCW Governance Statement 2011-12

### HEFCW and its objectives

The Higher Education Funding Council for Wales (HEFCW) is a Welsh Government Sponsored Body (WGSB) responsible for using funding provided by the Welsh Government and others to secure higher education learning and research of the highest quality and to make the most of the contribution of higher education to the culture, society and economy of Wales in order to enhance social justice and a buoyant economy. Our objectives are set out against key strategic themes:

- Widening access – ensure equity, opportunity and success in higher education
- Student experience – ensure that the student learning experience is of high quality
- Skills – ensure that all graduates are equipped for the world of work and for their role as citizens
- Knowledge transfer – ensure more productive relationships between higher education institutions and public/private sectors, local communities and other agencies
- Research – ensure improved research performance to underpin the knowledge economy and cultural and social renewal

These themes are underpinned by two further objectives:

- Reconfiguration and collaboration – deliver a reconfigured higher education system with strong providers that, through partnership working, particularly regionally, offer more accessible higher education opportunities
- Governance – deliver continual improvement in the quality of governance and long term sustainability of the higher education system

### Scope of responsibility

As Accounting Officer of HEFCW, I am accountable to the Permanent Secretary of the Welsh Government as its Accounting Officer for the discharge of my responsibility to maintain sound systems of governance, risk management and internal control. These systems support the achievement of our policies and strategic objectives, whilst safeguarding the public funds and Council assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Welsh Government guidance *Managing Welsh Public Money*. I am also responsible for ensuring that the public funds and assets assigned to HEFCW are used economically, efficiently and effectively. I also acknowledge my responsibilities in respect of the funds provided to HEFCW which are transmitted to higher and further education institutions and others for education, research and associated purposes.

### Governance Framework

As a body which oversees governance at higher education institutions, HEFCW aspires to operate with as high a level of corporate governance as possible. The following paragraphs describe the Council's governance framework.

## HEFCW Governance Statement 2011-12 (continued)

### Governance Framework (continued)

The purpose of the governance framework is to set out the way in which the organisation is governed and managed. It sets out all the systems and processes in place through which the organisation is directed and controlled and also includes the culture and values of the organisation. It enables the organisation to monitor performance against its strategic objectives and to consider whether these objectives have been delivered through the most effective means. The system of internal control is a significant part of the framework and is designed to manage risk at a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives.

The HEFCW Council comprises 8-12 members appointed by the Minister for Education and Skills in accordance with the requirements of the Further and Higher Education Act 1992. It meets seven times a year. The Council's meetings are attended by an observer from the Welsh Government and by the President of the National Union of Students (Wales) as an observer. The Council is supported by Audit and Risk, Human Resources, Remuneration and Appointments Committees, as well as three strategic advisory committees covering areas of higher education policy which are important to HEFCW's remit. The background and declaration of interests of our Council members, and the membership of our committees, are published on our website. The Council is also supported by a UK-wide advisory committee: the UK Healthcare Education Advisory Committee. The Council has an independent procedure for hearing complaints against decisions by HEFCW, the Complaints Panel, which met once in 2011/12. The complaint was not upheld. Further details about our committees and other corporate governance information are available on the Council's website.

The Council carries out an annual effectiveness review of its governance, comprising an appraisal of the Council, including members' performance, by the Chair through discussions with members and a comparison of HEFCW's governance arrangements with the Financial Reporting Council's corporate governance code. This annual effectiveness review was discussed at the Council's members' workshop in May 2011, and overall the Council was content with its effectiveness and governance practices. A detailed comparison of Council governance against the HM Treasury corporate governance code for central departments is being carried out as part of the 2012 review of governance.

The Audit and Risk Committee has benchmarked its operation against the National Audit Office checklist for audit committees, which uses criteria derived from the HM Treasury Audit Committee Handbook. There are five members, two of whom (including the Chair) are members of HEFCW's Council. The Committee meets three times a year in the presence of the internal and external auditors. The minutes of the Committee are presented to the Council after each meeting, and the Chair of the Committee reports any matters of particular note to the Council. The remit of the Committee includes both

## HEFCW Governance Statement 2011-12 (continued)

### Governance Framework (continued)

HEFCW itself and HEFCW's assurance work with the HE sector. The Committee provides the Council with an annual report, which incorporates the Committee's opinion on governance, internal control and risk management.

The Council discharges its legal responsibility to ensure that provision is made to assess the quality of education in funded institutions through its Student Experience, Teaching and Quality Committee (SETQC) and its Quality Assessment and Enhancement Sub-Group (QAESG). The assessment of provision is carried out primarily by the Quality Assurance Agency, which provides an annual academic year report on the outcomes of reviews, considered by QAESG, SETQC and the Council. The report for 2010/11 can be found on the Council's website.

QAESG also considers assessments undertaken in HE institutions by professional statutory and regulatory bodies, such as Estyn, as well as the outcomes of the National Student Survey.

We have regular interaction with the Department for Education and Skills, under the terms of the Management Statement and Financial Memorandum between the Department and HEFCW. [These are to be replaced by a new Framework Document which is currently being finalised by the Department.] The Department and HEFCW have a quarterly monitoring meeting at official level, which enables the Department to monitor HEFCW's progress against our operational plan and key performance indicators and to monitor our risk register and the actions we are taking to mitigate risk.

The Minister for Education and Skills has a quarterly meeting with the Chair and Chief Executive, which enables him to monitor HEFCW's delivery against our strategic objectives.

We work in partnership with many other organisations to help us deliver our objectives, including the Quality Assurance Agency, the Joint Information Systems Committee, the Equality Challenge Unit, the Leadership Foundation for Higher Education and the Higher Education Academy. The Higher Education Funding Council for England (HEFCE), as the major UK funder, undertakes lead oversight of these bodies, and where appropriate there are supplemental agreements in place between HEFCW and the body to provide for any specific Welsh requirements. HEFCE also has responsibility for oversight of the Open University as an institution, although HEFCW works directly with the Open University in Wales on the provision it delivers in Wales.

We also have a memorandum of understanding with the Charity Commission which sets out how we will work together and share information to co-ordinate our regulatory activities with respect to higher education institutions in Wales.

We deliver a European funded project, GO Wales, which operates under European funding rules, and which is subject to audit on behalf of both WEFO and the European Commission.

## **HEFCW Governance Statement 2011-12 (continued)**

### **Governance framework (continued)**

We are the major funder of the Coleg Cymraeg Cenedlaethol which was established in 2011 to work with the HE sector to support the development of Welsh medium higher education. This means that we undertake specific monitoring activity at Wales level to ensure that objectives are met.

A separate stream of funding is provided to us for the Universities Heads of the Valleys Institute. This initiative is subject to additional monitoring arrangements agreed with the Department for Education and Skills.

### **The risk and control framework**

HEFCW operates a system of internal control which is designed to manage risk to policies, aims and objectives at a reasonable level rather than to eliminate all risk entirely; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system is based on a continuing process designed to: identify and prioritise the risks to the achievement of HEFCW's policies and strategic objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them effectively. The system of internal control has been in place in HEFCW for the year ended 31 March 2012 and up to the date of the approval of the annual report and accounts, and accords with Treasury guidance.

The core internal control arrangements include financial policies and procedures, staff policies and procedures, ICT security arrangements, including information security, procurement policies and procedures and performance management arrangements. All our policies and procedures are available to staff on the intranet, and new staff are given a comprehensive induction programme.

### **Approach to risk management**

HEFCW's risk management processes are overseen by the Audit and Risk Committee on behalf of the Council. Each team within HEFCW produces a risk register against the probability and impact definitions agreed by the Audit and Risk Committee. The Chief Executive and Directors also produce a risk register for cross-HEFCW risks. These risk registers are reviewed three times a year by HEFCW's senior management to ensure a consistent approach and to consider the range of risks identified by teams as being significant. If the combined score for probability and impact is above the tolerance boundary agreed by the Audit and Risk Committee, the risk goes on to the Corporate Risk Register. The Corporate Risk Register is reviewed by the Audit and Risk Committee three times a year, with the results being reported to Council. As part of the review by the Audit and Risk Committee we also provide early warning of possible future risks.

## **HEFCW Governance Statement 2011-12 (continued)**

### **Approach to risk management (continued)**

The risk registers sit alongside the operational plan, which is updated and reported to Council on a quarterly basis, thereby providing scrutiny of our operational performance against which our risk analysis can be judged.

Alongside the main risk registers, each team produces a fraud risk register designed to ensure that fraud risks are identified and managed. The implications of the Bribery Act are being included in the management of fraud risk.

The risk management policy and guidelines are available to all staff on the intranet, together with the team and corporate risk registers.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. While I am ultimately responsible for ensuring the system of internal control is effective in managing the Council's risks, I am supported in the process by the directors and other members of the senior management team. My review is also informed by the work of the internal auditor and the managers within HEFCW who have responsibility for the development and maintenance of the internal control framework, and by comments from the external auditors in their management letters. This assurance statement has been considered by the Management Board, which is comprised of the senior managers of the organisation, and it reflects their assessment of the overall governance arrangements.

HEFCW's system of internal control provides a framework for all the processes and activities designed to give reasonable assurance regarding the achievement of objectives. The system is designed to manage rather than eliminate risk. It must also take into account the funds provided by HEFCW to legally independent and autonomous higher education institutions and other bodies for education, research and related purposes. HEFCW's assurance framework therefore needs to encompass our internal operational and financial controls and our controls in relations to organisations in receipt of our funding. It is for this reason that higher education institutions funded by HEFCW are required to comply with a financial memorandum, which helps us to secure accountability for the regularity and propriety of the use of public funds provided to them. We consider various returns provided to us by institutions, including their annual accounts, as part of our work to ensure the protection of the public investment in institutions. This work includes seeking assurance that the public funds provided to institutions have been used for the purposes for which they were intended.

## HEFCW Governance Statement 2011-12 (continued)

### Review of effectiveness (continued)

Each of the key annual controls – the risk registers, the financial statements and the external auditors' report and comments thereon, internal audit reports and institutional risk reviews and assurance reports – has been considered by the Audit and Risk Committee with reports on to the Council. During the year our control systems have identified a small number of issues that required specific action to manage the associated risks. There were no significant weaknesses in our internal controls in 2011-12 which warrant disclosure here.

Each year, internal audit reviews an aspect of the risk management arrangements as part of its programme of work and reports on it to management and to the Audit and Risk Committee. In 2011-12 the internal audit report provided substantial assurance on the enhanced risk processes.

The Committee's opinion for 2011-12 is as follows:

It is the opinion of the Audit and Risk Committee that:

- the Council's arrangements for governance, risk management and internal control, are effective;
- the frameworks of control at Welsh higher education institutions are adequate to safeguard public funds;
- the audited accounts can be relied upon; and
- the Accounting Officer is entitled to rely on the assurances that he and the Committee have received from the Head of Internal Audit, the Head of Governance, Leadership and Information, and other HEFCW Officers.

The Internal Auditor has provided the following opinions to the Chief Executive and the Council:

- Sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, risk management and internal control processes.
- Governance, risk management and internal controls arrangements for HEFCW have been adequate and effective during the year and the Council and Accounting Officer can therefore place reasonable reliance on them.

## HEFCW Governance Statement 2011-12 (continued)

### Review of effectiveness (continued)

I set out earlier in this statement the Council's objectives. Delivery of these objectives is measured by performance against 12 measures set out in the Council's corporate strategy. When progress against the targets, which are due to be achieved by the end of 2012-13 was last reported to the Council in October 2011, it was forecast that two of the targets are unlikely to be achieved: these are for increasing the number of part-time students and increasing the number of Welsh-domiciled students taking some part of their course through the medium of Welsh. The Welsh Government and the Council are taking a number of initiatives to make part-time study more attractive, and the establishment of the Coleg Cymraeg Cenedlaethol should increase the emphasis on Welsh medium provision. However, there can be no certainty that these measures will ensure that the targets are achieved.

The Council's financial performance has been effective, both in terms of the strength of the financial systems in place and the outcomes they have delivered. The Council has for a number of years received management letters from the WAO with no weaknesses reported in them, and internal audit reports provide substantial assurance on the finance systems. In terms of outcomes, we pay institutions accurately and on time, and we exceed our prompt payment targets.

The most significant other issues and developments connected to our internal control system arising during 2011-12 were as follows:

- The Welsh Government has made significant changes to how higher education is funded, incorporating an increase in tuition fee support for students and a commensurate reduction in HEFCW grant, with effect from the academic year 2012/13. These policies have given rise to significant changes in the way HEFCW will fund institutions in future, and in the setting of student number controls for 2013/14. These represent significant areas of risk for HEFCW in the future.
- The new arrangements for tuition fee support mean that for the first time HEFCW will be channelling funding through the Student Loans Company in 2012/13. We have been working closely with the SLC to prepare for the new arrangements, including agreeing a service agreement and supporting operational processes.
- We continue to develop our information security and assurance arrangements in response to the Security Policy Framework required by the Welsh Government. We have experienced no reportable loss or compromise of personal data in this period.
- The Audit and Risk Committee and Council receive regular reports on our institutional risk review system, which is the process by which we assess and monitor the overall risk profile of each HE institution. Based on our analysis of the annual accounts of HEIs for 2010/11 and on the other information available to us, no institution faces immediate risk to its sustainability. However, the new fees and funding regime, with the uncertainties it brings with it about, for example, student flows, presents a range of uncertainties for institutions, which will require us to monitor closely the evolving position.

## HEFCW Governance Statement 2011-12 (continued)

### Review of effectiveness (continued)

- The GO Wales European funded programme received a clear audit report from the WAO, who stated that 'expenditure has been properly incurred and defrayed in accordance with the relevant terms and conditions of the grant offer letter'. In order to meet our running costs targets, we offered a voluntary exit scheme in 2011-12. Those staff who are leaving under the scheme will go at various points in 2012-13. We are carrying out an organisational restructuring during 2012-13 to ensure that we are able to operate as effectively as possible with our reduced numbers and in the light of the new challenges we face. There will inevitably be an increased level of risk to our effective operation whilst we adjust to the new staffing and structure.
- During the year we retained ISO27001 (the information security standard) accreditation; Investors in People accreditation was confirmed and extended until 2015; our current Silver Small Business Health Standard Award is due for review in 2012-13; and we retained our Green Dragon Level 2 accreditation for environmental management systems throughout the year.

I have considered the evidence provided with regards to the production of the annual governance statement. The conclusion of my review is that HEFCW's overall governance and internal control structures have been appropriate for HEFCW's business and have worked satisfactorily throughout 2011-12.

Professor Philip Gummett  
Chief Executive and Accounting Officer  
20 July 2012

## **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of the Higher Education Funding Council for Wales for the year ended 31 March 2012 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Chief Executive and auditor**

As explained more fully in the Statement of Higher Education Funding Council for Wales' and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Higher Education Funding Council for Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Higher Education Funding Council for Wales; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales** (continued)

### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2012 and of its net operating costs after interest, recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Further and Higher Education Act 1992.

### **Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under the Further and Higher Education Act 1992; and
- the information which comprises the Introduction and Background, Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

**The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales** (continued)

**Report**

I have no observations to make on these financial statements.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

23 July 2012

## Statement of comprehensive net expenditure for the year ended 31 March 2012

		2012		2011	
	Notes	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	379,855		431,595	
Capital expenditure	3	-		17,223	
Other purposes	5	21,819		28,204	
		<u>401,674</u>		<u>477,022</u>	
<i>Council expenditure:</i>					
Staff costs	7	2,728		2,243	
Depreciation	9	58		76	
Amortisation	10	-		-	
Loss on disposal of fixed assets		-		2	
Other expenditures	6	607		593	
		<u>3,393</u>		<u>2,914</u>	
<b>Total expenditure</b>			(405,067)		(479,936)
<b>Income</b>					
Income from activities	2		<u>18,406</u>		<u>24,299</u>
<b>Net operating costs</b>			(386,661)		(455,637)
Interest receivable			3		4
Appropriations	8		<u>(2)</u>		<u>(4)</u>
<b>Net operating costs after interest transferred to taxpayers' equity</b>			<u>(386,660)</u>		<u>(455,637)</u>

All activities are continuing.

There are no recognised gains or losses in either 2011-12 or 2010-11.

The notes on pages 36 to 52 form part of these accounts.

## Statement of financial position as at 31 March 2012

	Notes	As at 31 March 2012 £'000	As at 31 March 2011 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9	135	184
Intangible assets	10	-	-
<b>Total non-current assets</b>		<u>135</u>	<u>184</u>
<b>Current assets</b>			
Trade and other receivables	11	1,477	804
Cash and cash equivalents	12	7,550	5,515
<b>Total current assets</b>		<u>9,027</u>	<u>6,319</u>
<b>Total assets</b>		9,162	6,503
<b>Current liabilities</b>			
Trade and other payables	13	(1,106)	(927)
Provisions for liabilities and charges within one year	14	<u>(1)</u>	<u>(7)</u>
<b>Total non-current assets plus net current assets</b>		8,055	5,569
<b>Non-current liabilities</b>			
Provisions for liabilities and charges after one year	14	(19)	(22)
<b>Assets less liabilities</b>		<u>8,036</u>	<u>5,547</u>
<b>Taxpayers' equity</b>			
General reserve		<u>8,036</u>	<u>5,547</u>
		<u>8,036</u>	<u>5,547</u>

The notes on pages 36 to 52 form part of these accounts.

Signed on behalf of HEFCW

Professor Philip Gummett  
Chief Executive and Accounting Officer  
20 July 2012

## Statement of cash flows for the year ended 31 March 2012

	Notes	2012	2011
		£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating costs before interest		(386,661)	(455,637)
Depreciation charges		58	76
Amortisation charges		-	-
Loss on disposal of fixed asset		-	2
(Increase)/decrease in trade and other receivables		(673)	16
Increase/(decrease) in trade and other payables		179	(73)
Movement in provision for liabilities and charges due within one year		(6)	0
Movement in provisions		(3)	(2)
<b>Net cash outflows from operating activities</b>		<u>(387,106)</u>	<u>(455,618)</u>
<b>Cash flows from returns on investments and servicing of finance</b>			
Interest received		3	4
Interest surrendered to the Welsh Government		(2)	(4)
<b>Net cash flows from returns on investments and servicing of finance</b>		<u>1</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(9)	(96)
<b>Net cash outflow from investing activities</b>		<u>(9)</u>	<u>(96)</u>
<b>Cash flows from financing activities</b>			
Funding from the Welsh Government		389,149	456,869
<b>Net cash flows from financing activities</b>		<u>389,149</u>	<u>456,869</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,035</u>	<u>1,155</u>
<b>Cash and cash equivalents at beginning of period</b>		5,515	4,360
<b>Cash and cash equivalents at end of period</b>	12	<u>7,550</u>	<u>5,515</u>
<b>Net increase in cash</b>		<u>2,035</u>	<u>1,155</u>

The notes on pages 36 to 52 form part of these accounts.

**Statement of changes in taxpayers' equity  
for the year ended 31 March 2012**

	<b>General Reserve £'000</b>
<b>Balance at 1 April 2011</b>	<u>5,547</u>
<b>Changes in taxpayers' equity 2011-12</b>	
Net operating costs	<u>(386,660)</u>
<b>Total recognised income and expense for 2011-12</b>	<u>(386,660)</u>
Funding from the Welsh Government	389,149
<b>Balance at 31 March 2012</b>	<u><u>8,036</u></u>

The notes on pages 36 to 52 form part of these accounts.

## Notes to the accounts

### 1. Statement of accounting policies

#### (a) Basis of accounting

These accounts are prepared in accordance with a direction issued by Welsh Ministers, with the consent of the Treasury, in exercise of the powers conferred by paragraph 16(2), schedule 1 to the Further and Higher Education Act 1992.

The accounts have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by H M Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HEFCW for the purpose of giving a true and fair view has been selected. The particular policies adopted by HEFCW are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### (b) Grants for European Union (EU) projects

##### *Income:*

HEFCW receives grant income relating to EU projects from two sources. Grant income from the Welsh Government in support of European Social Fund projects is credited to the general reserve in the year in which expenditure is incurred. EU income in support of European Social Fund projects is credited to the statement of comprehensive net expenditure in the year in which expenditure is defrayed.

##### *Expenditure:*

As the applicant for European projects contracting with third parties for the delivery, HEFCW's liability arises when a valid claim from the grant recipient is received.

#### (c) Funding

Grant in aid is received from the Welsh Government to fund general revenue and capital activities. This amount of grant in aid is regarded as financing and is credited to the general reserve on receipt.

#### (d) Grants payable

These accounts are prepared on a financial year basis to 31 March, but grants payable are issued on an academic year basis to 31 July. Grants payable are recorded as expenditure in the period in which the recipient carries out the activity, which creates an entitlement. Those grants of a recurring nature, mainly the recurrent and capital funding provided to Higher Education Institutions, are brought to account when paid. In the opinion of HEFCW, this treatment achieves in all material respects a match between grant funding brought to account and the pattern of financial activity at the Higher Education Institutions.

## Notes to the accounts (continued)

### 1. Statement of accounting policies (continued)

#### (e) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) arrangements. HEFCW recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS arrangements.

A former Chair of HEFCW is covered by a pension scheme which is analogous with the PCSPS. HEFCW makes payments to the former Chair as they are due. However the expected cost of providing the pension is recognised through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

#### (f) Property, plant and equipment

Property, plant and equipment are carried at fair value. Depreciated historical cost is used as a proxy for fair value for all classes of these assets as all have either short useful lives or low value, or both.

Information technology assets costing more than £500 and any other fixtures, fittings or equipment costing more than £1,000 are capitalised.

Depreciation is provided on all these assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, being a realistic reflection of the consumption of the asset, as shown below. A full year's depreciation is charged in the year of acquisition.

Information	
technology assets	- 3 years
Electrical equipment	- 5 years
Fixtures and fittings	- 5 years

Any office alterations included within fixtures and fittings are amortised over the remaining period of the lease, from the date of purchase.

#### (g) Intangible fixed assets

Software licences costing more than £500 are capitalised.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as shown below. A full year's amortisation is charged in the year of acquisition.

Software licences	- 3 years
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## Notes to the accounts (continued)

### 1. Statement of accounting policies (continued)

#### (h) Value Added Tax

As HEFCW is not registered for VAT, all transactions in the accounts are stated inclusive of any attributable VAT.

#### (i) Operating leases

Operating lease rentals are charged to the operating cost statement in the year to which they relate.

#### (j) Financial instruments

Financial assets: Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Cash comprises cash at bank on instant access terms.

Financial liabilities: Trade payables are not interest bearing and are stated at their nominal value.

#### (k) Segmental reporting

The FReM directs public bodies to meet the requirements of IFRS 8 to report information concerning operating segments where the criteria under IFRS 8 are met. HEFCW considers its activities contribute to a single mission operating within the same business environment and there are no separable operating segments. As a result HEFCW does not report by operating segments.

#### (l) Staff costs and secondments

Staff on secondment normally continue to be paid by HEFCW. The reimbursement of costs for seconded staff is netted off against staff costs in note 7 to the accounts.

**Notes to the accounts (continued)**

**2. Income from activities**

	2012 £'000	2011 £'000
European Union – European Social Fund	3,220	1,879
Department for Business, Innovation & Skills – Research Capital Investment Fund	4,227	6,031
Welsh Government – Strategic Capital Investment Fund (Pontio project) (a)	-	15,000
Welsh Government – Universities Heads of the Valleys Institute Year 3 Funding (b)	2,936	1,389
Y Coleg Cymraeg Cenedlaethol Scholarships	130	-
Former Reaching Higher Capital Commitments (c)	<u>7,893</u>	<u>-</u>
	<u><u>18,406</u></u>	<u><u>24,299</u></u>

(a) The Pontio project is funding for Bangor University for the Pontio Centre, an arts and innovation centre in Bangor

(b) This funding is paid to the University of Glamorgan.

(c) These are commitments to fund capital projects in HE institutions agreed under the former Reaching Higher initiative.

Prior to 2012, funding for such capital projects was received through Strategic Implementation Capital funding from the Welsh Government.

## Notes to the accounts (continued)

## 3. Funding of higher education

	2012 Recurrent	Recurrent	2011 Capital	Total
<b>Higher Education Institutions</b>	£'000	£'000	£'000	£'000
Aberystwyth University	34,308	39,671	6,156	45,827
Bangor University	33,359	36,927	710	37,637
Cardiff University	113,880	121,776	1,975	123,751
Swansea University	42,018	47,158	862	48,020
University of Wales, Lampeter (see (a) below)	-	5,278	103	5,381
Glyndŵr University	14,674	21,091	487	21,578
University of Wales, Newport	17,217	20,069	611	20,680
Cardiff Metropolitan University (b)	26,399	32,338	824	33,162
Swansea Metropolitan University	12,095	13,993	480	14,473
Trinity University College, Carmarthen (see (a) below)	-	12,175	1,530	13,705
University of Wales Trinity Saint David (see (a) below)	15,299	5,520	1,593	7,113
University of Glamorgan	49,066	59,978	1,574	61,552
University of Wales	557	615	-	615
Open University	9,362	7,080	-	7,080
<b>Sub-total</b>	<u>368,234</u>	<u>423,669</u>	<u>16,905</u>	<u>440,574</u>
<b>Further Education Institutions</b>				
Bridgend College	60	78	-	78
Coleg Sir Gâr	1,518	1,193	-	1,193
Coleg Llandrillo	1,233	1,364	-	1,364
Neath Port Talbot College	118	132	-	132
Gower College Swansea (formerly Swansea College)	15	25	-	25
<b>Sub-total</b>	<u>2,944</u>	<u>2,792</u>	<u>-</u>	<u>2,792</u>
<b>Carried forward</b>	<u>371,178</u>	<u>426,461</u>	<u>16,905</u>	<u>443,366</u>

## Notes to the accounts (continued)

## 3. Funding of higher education (continued)

	2012		2011	
	Recurrent	Recurrent	Capital	Total
	£'000	£'000	£'000	£'000
<b>Brought forward</b>	371,178	426,461	16,905	443,366
<b>Other Organisations</b>				
Awbery Management Centre	87	68	-	68
Department for Business Innovation and Skills	-	49	-	49
DTZ Debenham Tie Leung Ltd	39	45	-	45
Economic and Social Research Council	458	125	-	125
Equality Challenge Unit	59	48	-	48
Higher Education Funding Council for England (HEFCE)	3,881	4,188	315	4,503
The Higher Education Academy	926	766	-	766
Higher Education Wales	-	40	-	40
High Performance Computing Wales	1,400	1,400	-	1,400
JANET (UK) Ltd	-	(195)	3	(192)
KPMG LLP	30	28	-	28
National Union of Students	23	20	-	20
Old Bell 3 Ltd	-	23	-	23
Quality Assurance Agency	219	187	-	187
2020 Delivery Ltd	-	73	-	73
Universities UK	65	69	-	69
University of Leeds	-	23	-	23
University of Southampton	250	250	-	250
Y Coleg Cymraeg Cenedlaethol (c)	3,855	-	-	-
Other	613	591	-	591
<b>Sub-total</b>	11,905	7,798	318	8,116
<b>Total</b>	383,083	434,259	17,223	451,482
<b>Less ESF funded expenditure</b> (see note 5)	(3,228)	(2,664)	-	(2,664)
<b>Total</b>	379,855	431,595	17,223	448,818

(a) On 1 December 2010, Trinity University College, Carmarthen merged with the University of Wales, Lampeter and the new institution was renamed University of Wales, Trinity Saint David.

(b) University of Wales Institute, Cardiff changed its name to Cardiff Metropolitan University on 1 November 2011.

(c) Y Coleg Cymraeg Cenedlaethol was established in 2011 to work with the HE sector to support the development of Welsh medium higher education.

**Notes to the accounts (continued)****4. Grants to institutions**

Included in these accounts are grants to institutions, which are subject to the recipients' external auditors' confirmation that they have been used for their intended purpose. The financial year of higher education institutions ends on 31 July and their audited accounts are provided to HEFCW by 31 December. A review by HEFCW staff of institutions' 2010/11 financial statements confirmed that each institution's external auditors had considered that grants had been used for their intended purpose and no adjustments to grants were necessary. Additionally, the audit of student numbers carried out in the summer of 2011 did not lead to any material adjustments. Any adjustment arising from the audit of 2011/12 accounts and student numbers, will be made by HEFCW in future years.

HEFCW confirms that grants it has received from the Welsh Government have been used for their approved purposes.

**5. Expenditure for other purposes**

	2012 £'000	2011 £'000
European Social Fund (a)	3,228	2,664
Research Capital Investment Fund (b)	4,227	12,594
Pontio Project (c)	3,444	11,556
Universities Heads of the Valleys Institute (d)	2,936	1,390
Y Coleg Cymraeg Cenedlaethol Scholarships	91	-
Former Reaching Higher Capital Commitments (e)	7,893	-
	<u>21,819</u>	<u>28,204</u>

(a) The amounts relating to grant payments made to higher education institutions under the European Social Fund (ESF) are subject to separate audits. Any adjustment arising from these audits will be accounted for in future years.

(b) An analysis of research capital funding by higher education institution is given below:

**Notes to the accounts** (continued)**5. Expenditure for other purposes** (continued)

	2012 £'000	2011 £'000
Aberystwyth University	591	999
Bangor University	466	1,468
Cardiff University	2,507	7,647
Swansea University	663	1,793
University of Wales, Lampeter	-	69
University of Wales, Trinity Saint David	-	35
Glyndŵr University	-	70
University of Wales, Newport	-	45
Cardiff Metropolitan University	-	117
Swansea Metropolitan University	-	10
University of Glamorgan	-	305
University of Wales	-	36
	<u>4,227</u>	<u>12,594</u>

- (c) This is Strategic Capital Investment Fund capital funding paid to Bangor University in respect of the Pontio Centre Project.
- (d) This payment was made to the University of Glamorgan in accordance with the Agreement between Welsh Ministers and HEFCW dated 16 February 2010. Payment of funding is dependent upon satisfactory progress against set targets and deliverables.
- (e) An analysis of former Reaching Higher Capital Commitment expenditure by higher education institution is given below:

	2012 £'000	2011 £'000
Aberystwyth University	4,893	-
University of Wales, Trinity Saint David	<u>3,000</u>	<u>-</u>
	<u>7,893</u>	<u>-</u>

Prior to 2012, funding for such capital projects was included in the Capital Expenditure Summary in note 3.

**Notes to the accounts** (continued)**6. Other expenditures**

	2012 £'000	2011 £'000
<b>Administration costs</b>		
Accommodation costs	354	334
Office costs	33	41
Bought in services	29	40
Auditors' remuneration – Annual audit fee of HEFCW	17	16
Auditors' remuneration – Additional assurance report work	4	4
Council members' travel and subsistence costs	6	9
Council members' meeting costs	13	16
Staff travel and subsistence costs	20	23
Staff related expenditure on training, recruitment etc.	31	39
Information technology costs	100	71
	<u>607</u>	<u>593</u>

The auditor of HEFCW during the year was the Auditor General for Wales.  
Administration costs exclude £8k charged to programme recurrent costs (2011 - £10k).

**7. Staff costs****(a) Analysis**

	2012	Total	2011	Total
	Staff	Council Members (inc Chief Executive)	Staff	Council Members (inc Chief Executive)
	£'000	£'000	£'000	£'000
Wages and salaries	1,968	184	1,998	180
Social security costs	165	16	147	14
Other pension costs	384	26	349	24
Voluntary exit costs	468	-	-	-
Total payroll costs	<u>2,985</u>	<u>226</u>	<u>2,494</u>	<u>218</u>
Less costs charged to programme recurrent costs	(483)	-	(469)	-
Administration payroll costs	<u>2,502</u>	<u>226</u>	<u>2,025</u>	<u>218</u>
		<u>2,728</u>		<u>2,243</u>

## Notes to the accounts (continued)

### 7. Staff costs (continued)

#### (b) Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but HEFCW is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2011-12, employers' contributions of £410,696 were payable to the PCSPS (2010-11 £374,401) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

A former Chair of Council receives pension benefits broadly by analogy (BBA) with the PCSPS.

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by HEFCW. There is no fund and therefore no surplus or deficit or assets. The scheme liabilities for service are calculated by the Government Actuary's Department every two years and is next due to be performed at the end of 2012-13 and amounted to £29,219 at 31 March 2011.

#### (c) Average number of staff employed

The Higher Education Funding Council for Wales employed an average of 51 full time equivalent staff during the financial year ending 31 March 2012, as follows:

	2012 Numbers	2011 Numbers
Senior Management	3	3
Strategic Development	19	19
Finance & Corporate Services	23	23
Chief Executive's Office	6	6
	<u>51</u>	<u>51</u>

One member of staff included in Finance & Corporate Services above was not a permanent member of staff.

**Notes to the accounts** (continued)

7. **Staff costs** (continued)

(c) **Average number of staff employed** (continued)

	2012	2011
	Numbers	Numbers
Staff with a permanent UK employment contract with HEFCW	50	50
Other staff engaged on the objectives of HEFCW	1	1
	<u>51</u>	<u>51</u>

(d) **Sickness absence data**

	2012	2011
Sickness absence rate (%)	1.45	1.99
Number of working days lost	204	287
Approximate cost of working days lost	<u>£19,994</u>	<u>£28,077</u>

The approximate cost of working days lost is based upon the salary at level 4 (step 4) a middle management staff level.

8. **Appropriations**

	2012	2011
	£'000	£'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	<u>2</u>	<u>4</u>

**Notes to the accounts (continued)**

**9. Property, plant and equipment**

	Information technology equipment	Fixtures & fittings	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2011	434	286	720
Additions	9	-	9
Disposals	-	-	-
At 31 March 2012	<u>443</u>	<u>286</u>	<u>729</u>
<b>Depreciation</b>			
At 1 April 2011	394	142	536
Charged during year	32	26	58
Released on disposals	-	-	-
At 31 March 2012	<u>426</u>	<u>168</u>	<u>594</u>
Net book value at 31 March 2012	<u>17</u>	<u>118</u>	<u>135</u>
Net book value at 1 April 2011	<u>40</u>	<u>144</u>	<u>184</u>
<b>Asset financing</b>			
Owned	17	118	135
Net book value at 31 March 2012	<u>17</u>	<u>118</u>	<u>135</u>

**10. Intangible fixed assets**

	Software licences £'000
<b>Cost</b>	
At 1 April 2011 and at 31 March 2012	<u>30</u>
<b>Amortisation</b>	
At 1 April 2011 and at 31 March 2012	<u>30</u>
Net book value at 31 March 2012	<u>-</u>
Net book value at 1 April 2011	<u>-</u>

**Notes to the accounts (continued)****11. Trade receivables and other current assets**

	2012 £'000	2011 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	20	11
Prepayments and accrued income	1,456	791
Other receivables	1	2
	<u>1,477</u>	<u>804</u>
<b>Intra-government balances</b>		
Other central government bodies	1,169	581
Local authorities	0	0
NHS Trusts	0	0
Public corporations and trading funds	0	0
Balances with other government bodies	<u>1,169</u>	<u>581</u>
Balances with non-government bodies	308	223
	<u>1,477</u>	<u>804</u>

**12. Cash and cash equivalents**

	2012 £'000	2011 £'000
Balance at 1 April	5,515	4,360
Net change in cash and cash equivalents	2,035	1,155
Balance at 31 March	<u>7,550</u>	<u>5,515</u>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	<u>7,550</u>	<u>5,515</u>
	<u>7,550</u>	<u>5,515</u>

**13. Trade payables and other current liabilities**

	2012 £'000	2011 £'000
<b>Amounts falling due within one year</b>		
Accruals	1,106	927
	<u>1,106</u>	<u>927</u>

Included in this figure is £468k relating to staff Voluntary Exit Scheme costs, details of which can be found in note 7. Also included is a sum of £406k due to HEIs in respect of the GO Wales European Social Fund Convergence project. There are no intra-government balances included in the accruals figure above.

**Notes to the accounts (continued)**

**14. Provisions for liabilities and charges**

	2012 £'000	2011 £'000
Broadly by analogy pension liability (see note 7(b))	20	29
	<u>20</u>	<u>29</u>

**Analysis of timing of liability**

Falling due within one year	1	7
Falling due between 2013 and 2018	6	6
Falling due between 2019 and 2029	13	13
Thereafter	0	3
	<u>20</u>	<u>29</u>

**15. Commitments under leases**

**Operating leases**

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

2012 £'000	2011 £'000
---------------	---------------

**Obligations under operating leases comprise:**

Buildings

Not later than one year	120	167
Later than one year and not later than five years	329	668
Later than five years	36	241
	<u>485</u>	<u>1,076</u>

Expenditure in the year on leasing costs of £167k is included in note 6.

**16. Capital commitments**

2012 £'000	2011 £'000
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Contracted capital commitments at 31 March 2012 not otherwise included in these accounts

Property, plant and equipment  
Contracted

<u>-</u>	<u>-</u>
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## Notes to the accounts (continued)

### 17. Other financial commitments

	2012 £'000	2011 £'000
Revenue grants (a)	137,561	130,773
European projects (b)	12,498	7,158
	<u>150,059</u>	<u>137,931</u>

(a) This amount will be funded by grant in aid from the Welsh Government to July 2012.

(b) European projects will be funded as follows:

	2012 £'000	2011 £'000
European Social Fund grants	10,340	6,298
HEFCW	2,158	860
	<u>12,498</u>	<u>7,158</u>

The European projects also have financial commitments of £4,771k to be funded by external match funding contributions from Higher Education institutions and small and medium sized enterprises.

### 18. Losses and special payments

	2012 £	2011 £
Fruitless payments	<u>-</u>	<u>130</u>

### 19. Related parties

The Higher Education Funding Council for Wales is a Welsh Government Sponsored Body. The Welsh Government is regarded as a related party. During the year, HEFCW has had various material transactions with the Welsh Government, which is regarded as the parent Department.

The following Council members and members of senior management have entered into relationships that are considered to be related parties, and which are shown in the table below: -

**Notes to the accounts** (continued)19. **Related parties** (continued) -

<b>Name</b>	<b>Relationship</b>
Mr Roger Thomas (Chair of Council)	◆ Honorary Doctor, University of Glamorgan
Mr David Allen (Council member)	◆ Member of Leadership, Governance and Management Committee, Strategy Advisory Committee, The Higher Education Funding Council for England (to July 2011).
Mr David Mason (Council member)	◆ Chair of Merthyr Tydfil College Ltd ◆ Honorary Fellow, University of Wales, Newport
Mrs Bethan Guilfoyle (Council member)	◆ Education Commissioner for Welsh Government in Blaenau Gwent
Professor Robin Williams CBE (Council member)	◆ Emeritus Professor, University of Wales ◆ Emeritus Professor, Swansea University ◆ Honorary Fellow, Cardiff University ◆ Honorary Fellow, Bangor University ◆ Honorary Fellow, Swansea University ◆ Honorary Graduate, University of Wales ◆ Member of the Advisory Board, CAFMAD, Bangor and Aberystwyth Universities ◆ Member, Advisory Group for Engineering, Swansea University ◆ Member of the Research Committee, Coleg Cymraeg Cenedlaethol ◆ Daughter employed by Swansea University
Professor Philip Gummett (Chief Executive)	◆ Wife, part-time tutor at Swansea Metropolitan University

Any funds paid to the institutions and organisations noted above are detailed in note 3, otherwise the funds paid in the year were nil. None of the key managerial staff or other related parties has undertaken any material transactions with the Higher Education Funding Council for Wales.

## Notes to the accounts (continued)

### 20. Financial instruments

IFRS 7 and International Accounting Standards (IAS) 32 and 39 require an organisation to present and disclose information on the possible impact of financial instruments on its financial position and performance, and on the extent of its risk exposure.

*Liquidity risks* – In 2011-12 £389.1m or 95.5% of HEFCW's income was derived from the Welsh Government (2010-11: £456.9m or 95.0%). Of the remaining income £18.4m or 4.5% was derived from bank interest and income from activities (2010-11: £24.3m or 5.0%). HEFCW does not consider that its general activities are exposed to any significant liquidity risk, and is satisfied that future income is sufficient to meet its commitments.

*Interest rate risks* – Cash balances which are drawn down from the Welsh Government to pay funding commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.05% in the year (2010-11: 0.05%). The cash balance at the year end was £7.55m. HEFCW does not consider that its general activities are exposed to significant interest rate risks.

*Foreign currency risk* – The general activities of HEFCW are not exposed to any significant foreign exchange risks.

*Cash flow risk* – HEFCW is not exposed to any significant cash flow risks.

### 21. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on 20 July 2012.