

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

For the year ended 31 March 2011

## 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 National Assembly for Wales (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 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

These statements cover the eighteenth 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 local authority or 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 May 2009 and HEFCW was still found to be successfully meeting the standard. HEFCW is making plans for a further re-assessment by May 2012.

## **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 gender, age, marital status, disability, racial or ethnic origin, sexual orientation, religion, belief and 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 where they have the appropriate skills and abilities to perform the job. 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 2% for 2010-11 (2009-10 – 2.8%), this is low compared to most other organisations in the public sector (average working time lost per CIPD Absence Management Annual Survey Report 2010 – Public Services 4.2%; Education 2.7%; Central Government 4.2%; Other Public Services 3.9%; Local Government 4.5%).

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.

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

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

#### **Creditor payment policy**

In 2008, as a direct response to the risk of business failure arising from late payment, the Prime Minister committed all government departments to pay suppliers as soon as possible, and within 10 days. Following this, the Welsh Government asked all Welsh Government Sponsored Bodies to examine and review existing payment practices and performance, and to sustain or move as closely as possible to the 10 day payment commitment set for government departments wherever practical. 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 this new prompt payment target for the second full year in 2010-11 was 98.7% (2009-10 – 97.6%). During 2011-12 we will look to sustain and improve on this performance, with the aim of moving towards a 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 7 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 (*appointed 5 May 2008*)  
*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 (*appointed 1 December 2008*)  
*Registrar and Deputy Chief Executive of the University of Exeter;*  
Dame Alexandra Burslem (*appointed 1 December 2008*)  
*Former Vice-Chancellor of Manchester Metropolitan University;*  
Professor Mari Lloyd-Williams (*reappointed 1 January 2010*)  
*Senior Clinical Academic, University of Liverpool;*  
Professor Katherine Oglesby (*appointed 1 December 2008*)  
*Former Senior Deputy Vice-Chancellor of the University of Teesside;*  
Professor Sir Brian Smith (*reappointed 1 December 2008*)  
*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 (*appointed 1 April 2010*)  
*Head Teacher of Treorchy Comprehensive School;*  
Mr David Mason (*appointed 1 April 2010*)  
*Former Principal/Chief Executive of Coleg Gwent;*  
Ms Nina Park (*appointed 1 April 2010*)  
*Vice President 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 (from 24 September 2010), Professor Mari Lloyd-Williams
Research, innovation and engagement	Professor Robin Williams (Chair), Professor Sir Brian Smith, Ms Nina Park
Audit and risk	Mr David Allen (Chair), Mr David Mason (from 24 September 2010), one vacancy
Reconfiguration and collaboration	Dame Alexandra Burslem (Chair), Mr David Mason, Professor Sir Brian Smith, Professor Robin Williams, Professor Philip Gummatt
Human resources	Dame Alexandra Burslem (Chair to 10 December 2010), Ms Nina Park (Chair from 11 December 2010)
Remuneration	Mr Roger Thomas (Chair), Dame Alexandra Burslem, Ms Nina Park
Appointments	Mr Roger Thomas (Chair), Mr David Allen, Dame Alexandra Burslem, Professor Katherine Oglesby, Professor Robin Williams, Ms Nina Park (from 11 December 2010), Professor Philip Gummatt

#### Assessor appointed by Welsh Ministers

Mr Owen Evans

*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)

### Management commentary

During 2010-11 HEFCW produced its new three year corporate strategy in response to the Welsh Government's higher education policy document, *For our Future*. The key elements of the strategy 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.

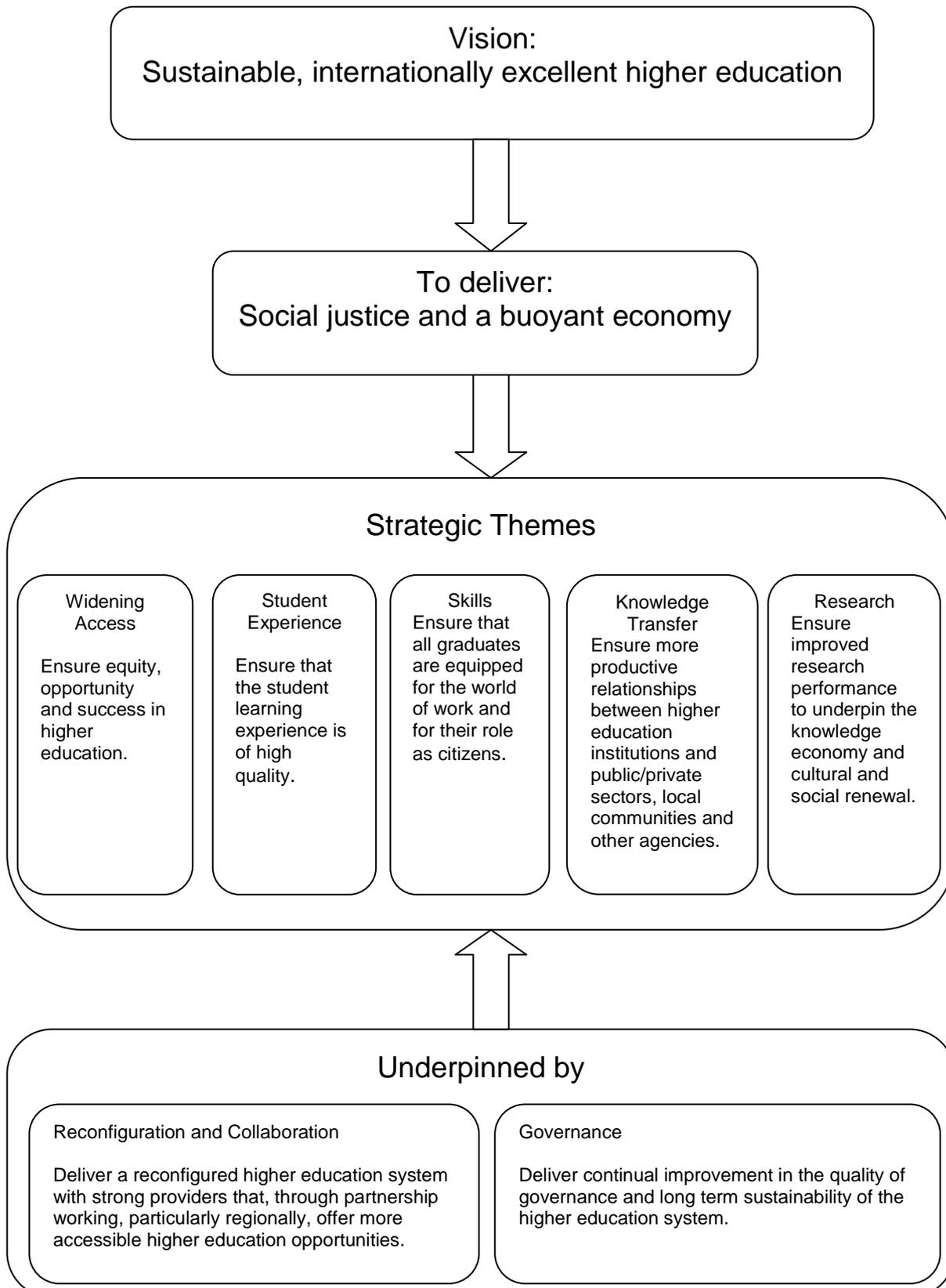
In order to:

- 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)

#### Remit letter

In March 2010, 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:

- Making a greater strategic use of funding
- Meeting needs and priorities through systematic planning and delivery of learning
- Increasing participation, accessibility and standards

#### Operational plan

HEFCW then produced its operational plan on the basis of policies and actions identified in the remit letter. Of the 69 actions identified in the operational plan for 2010-11, 57 were achieved, two were considered to be no longer applicable, one lay with the Welsh Government for action, and nine were carried forward to 2011-12.

Some of the key operational plan actions were to

- Require the sector to develop regional strategies for the planning and delivery of aspects of higher education.
- Restructure HEFCW's funding streams to move to a Strategic Implementation Fund and aligning expenditure with *For our Future* priorities.
- Refresh and restructure the Reaching Wider initiative.
- Develop and publish guidance on new three year learning and teaching and widening access strategies.
- Establish Y Coleg Cymraeg Cenedlaethol.
- Develop a new Foundation Degree policy
- Finalise a new research funding regime for 2011/12 to strengthen the capacity and capability of the Welsh research base.
- Publish measures to cap the recruitment of funded student numbers from 2011/12.

2010-11 saw the decision by the Welsh Government to introduce higher level fees for full-time undergraduates from 2012-13. It will meet the cost of the increase above current fee levels for Welsh-domiciled students wherever they study in the United Kingdom. The implementation of this policy means major new responsibilities for HEFCW, in terms of approving institutions' fee plans and making payments to the Student Loans Company for the fee support costs.

2010-11 also saw the publication of the McCormick review of higher education governance in Wales. The recommendations of the review, if accepted by the Welsh Government, would have significant implications for the future role and development of HEFCW.

## **Annual report (continued)**

### **Management commentary (continued)**

#### **Financial review**

The net operating costs for the year were £455.5 million (2009-10 net operating costs (restated) £475.2 million). The cumulative general fund at 31 March 2011 after crediting grant in aid funding of £456.9 million, was £5.7 million (2009-10 £4.3 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 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 £96,000 in the year.

#### **International financial reporting standards**

HEFCW's 2010-11 annual accounts have been prepared, in line with all relevant central government public sector organisations, under International Financial Reporting Standards (IFRS).

#### **Environmental and community matters**

HEFCW has a joint health and safety/environmental group which met regularly during the year and has implemented many of the actions identified within the environmental improvement plan. These have included the promotion of video conferencing, advice to staff on the use of printers, and the completion of a lighting survey to ensure that any future alterations to the building incorporate more environmentally friendly lighting. HEFCW has also continued to record carbon emissions generated by its business travel.

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).

### **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.

## Annual report (continued)

### Remuneration report (continued)

#### Remuneration policy (continued)

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 either one step increment on salary bandings or 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 to consider matters affecting the pay and performance bonus of the Chief Executive and make recommendations for approval to the Welsh Government accordingly.

#### Senior employees' salaries and non-consolidated performance pay ('bonus')\*

Position	Name	2010-11	2010-11	2009-10	2009-10
		Salary	Bonus	Salary	Bonus
		£'000	£'000	£'000	£'000
Chair	Roger Thomas	20-25	N/A	20-25	N/A
Chief Executive	Professor Philip Gummatt	105-110	0-5	105-110	5-10
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	95-100	N/A

The total salary for Roger Thomas for the year 2010-11 was £24,264 (2009-10 - £24,264). He waived his right to his salary and elected for payment to be made to a registered charity.

The non-consolidated performance pay awards for Professor Philip Gummatt payable in 2010-11 and 2009-10 are in respect of their respective previous performance years.

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

<b>Position</b>	<b>Name</b>	<b>Accrued pension at pension age at 31/03/11 &amp; related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31/03/11</b>	<b>CETV at 31/03/10</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 Gummatt	10 -15 pension plus 40 – 45 lump sum	0 – 2.5 pension plus 2.5 – 5 lump sum	316	288	20
Director of Finance and Corporate Services	Richard Hirst	50 - 55 pension	0 – 2.5 pension	949	882	(3)
Director of Strategic Development	David Blaney	35 - 40 pension	0 – 2.5 pension	487	423	24

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 CETVs were changed in 2010-11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 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. 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 his 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/my-civil-service/pensions/index.aspx](http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx).

#### 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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)

#### **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.

Professor Philip Gummett  
Chief Executive and Accounting Officer  
13 July 2011

## 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.

## Statement on internal control

### Scope of responsibility

1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of HEFCW's policies, aims, and objectives whilst safeguarding the public funds and other assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Welsh Public Money*. My role and responsibilities as Accounting Officer for HEFCW are set out in the memorandum *The Responsibilities of an AGSB Accounting Officer*. I also attend regular meetings with officers in the Further Education and Higher Education Policy Division of the Welsh Government where the priorities for HEFCW and the key risks facing the organisation are reviewed.

### The purpose of the system of internal control

2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of HEFCW's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in HEFCW for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury Guidance.

### Capacity to handle risk

3 HEFCW's approach to risk management is set out in its risk management policy and guidelines, which were updated in February 2008. This approach was reviewed during 2010-11 and changes are being introduced during 2011-12. Risk management involves a planned and systematic approach to the identification, assessment and mitigation of the risks that could hinder the achievement of strategic objectives. The stages HEFCW goes through to integrate risk management into its processes are summarised below.

4 HEFCW's key objectives are set out in its Corporate Strategy and Operational Plan. Responsibility for the activities and processes undertaken to achieve those objectives resides with the various teams within HEFCW. Teams are responsible for identifying and assessing the risks associated with the delivery of their objectives, and for capturing this information in team risk registers.

5 Risks to the delivery of HEFCW's objectives which are assessed as 'significant' in terms of their probability of occurrence and their potential impact are regarded as corporate level risks. These risks are identified on a separate corporate risk register, as well as in team registers, and are subject to close and regular scrutiny by Management Board, the Audit and Risk Committee, and Council. Each team is expected to:

## Statement on internal control (continued)

### Capacity to handle risk (continued)

- Establish clear objectives for their areas of operation, including those from the latest Corporate Strategy and Corporate & Operational Plan, and identify and evaluate the key risks to achieving those objectives;
- Incorporate risk responses into a system of internal control that is designed to address opportunities, facilitate effective and efficient operations, protect HEFCW's interests and ensure compliance with applicable laws and guidance;
- Design, operate and monitor the system of internal control;
- Ensure that emerging risks are identified and an appropriate response is made;
- Monitor the effectiveness of the system of risk and internal control management, and report significant weaknesses or non-compliance to the Management Board;
- Ensure that a risk-based approach to internal control is communicated to all their team's staff and embedded in operational processes;
- Provide an annual assurance in the form of a statement of internal control by the relevant Director or Head of Team to the Chief Executive on the extent of compliance with this Policy.

### The risk and control framework

6 The particular roles and responsibilities of the various groups and individuals within HEFCW are set out below.

Body	Key responsibilities
HEFCW Council	To approve the risk management strategy and policies, and to determine HEFCW's 'risk appetite', advised by the Audit and Risk Committee, the Chief Executive and the Management Board.
Audit and Risk Committee	To review the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing HEFCW, and advise the Council on the effectiveness of measures to safeguard HEFCW's assets and the prevention and detection of fraud and irregularity.
The Chief Executive	As Accounting Officer, the Chief Executive remains ultimately accountable for the organisation and its management of risk. He must: <ul style="list-style-type: none"> <li>• have a clear understanding and assessment of the risks that could prevent delivery of objectives</li> <li>• ensure that the organisation has effective risk management and control processes</li> <li>• be provided with assurance that the processes and the key strategic risks are being effectively managed</li> </ul>

**Statement on internal control** (continued)

**The risk and control framework** (continued)

<b>Body</b>	<b>Key responsibilities</b>
Management Board	Owners of the corporate risk register responsible for reviewing it on a regular basis (at least three times a year ahead of each Audit and Risk Committee meeting) to ensure that the key risks for HEFCW are recorded and are being effectively managed.
Directors and Heads of Teams	<p>Directors are responsible for overseeing and signing-off of Team risk registers.</p> <p>Heads of Teams are the owners of Team (operational) risk registers and project risk registers for their own Teams.</p> <p>Responsible for ensuring that:</p> <ul style="list-style-type: none"> <li>• registers are prepared, covering the key risks that exist in relation to activities or projects managed by the Team;</li> <li>• risks are assessed against HEFCW’s common evaluation criteria, in particular to ensure that registers distinguish clearly between significant (corporate) risks and minor risks;</li> <li>• systems are established to regularly monitor and update the registers (at least on a three times a year);</li> <li>• actions identified to manage the key risks are effective and sufficient.</li> </ul>
Risk Manager	Advising on the development and implementation of the risk management policy and guidelines and facilitating implementation.
Assurance Section	<p>Developing a risk-based audit plan (in consultation with members of the Management Board and for approval by the Audit and Risk Committee) such that audit assurance is focussed on the effectiveness of controls in place to manage the most significant risks.</p> <p>Providing an annual opinion, based on the risk-based audit plan, to the Accounting Officer on the effectiveness of corporate governance, risk management and internal control.</p>
All Other Staff	Identification and management of operational and project risks. Drawing the attention of their line manager to key risks, which may be sufficiently serious to require monitoring at corporate level.

## Statement on internal control (continued)

### Review of effectiveness

- 7 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and directors and heads of teams within HEFCW who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of any review of the effectiveness of the system of internal control by the Council, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 8 Specific developments during 2010-11 to strengthen our ability to achieve HEFCW's strategic objectives and manage risk include:
- We focused our resources on the delivery of the Welsh Government's *For our Future* strategy for higher education;
  - we implemented revised institutional assurance review processes, and undertook additional work at one institution to support the annual governance assurance statement to the Welsh Government;
  - we achieved ISO 27001 recertification;
  - we benchmarked our processes against the Welsh Government's Security Policy Framework;
  - we provided Cabinet Office with assurance on our pension processes;
  - the GO Wales project received its end of year certification audit by the Auditor General for Wales in January 2011, and also received a satisfactory Wales European Funding Office project inspection and verification report.
- 9 During the year our control systems, including the work of the internal audit service have identified a number of areas where controls require strengthening. Details of the most significant issues have been recorded either in internal audit reports or in the individual assurance statements referred to above. I do not consider that any of the issues raised indicates a significant weakness in our internal controls which would warrant disclosure here, and I am satisfied that the system of internal control has developed effectively over the course of the year.

Professor Philip Gummatt  
Chief Executive and  
Accounting Officer  
13 July 2011

## **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 2011 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 Reserves 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 HEFCW's 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 thereunder 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 the 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 2011 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 Statement on Internal Control 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**

13 July 2011

## Statement of comprehensive net expenditure for the year ended 31 March 2011

		2011		2010 restated	
	Notes	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
<i>Funding of higher education:</i>					
Recurrent expenditure	4	431,595		437,742	
Capital expenditure	4	17,223		24,284	
Other purposes	6	28,204		22,128	
		<u>477,022</u>		<u>484,154</u>	
<i>Council expenditure:</i>					
Staff costs	8	2,243		2,243	
Depreciation	10	76		85	
Amortisation	11	-		1	
Loss on disposal of fixed assets		2		-	
Other expenditures	7	593		645	
		<u>2,914</u>		<u>2,974</u>	
<b>Total expenditure</b>			479,936		487,128
<b>Income</b>					
Income from activities	3		<u>24,299</u>		<u>11,935</u>
<b>Net operating costs</b>			(455,637)		(475,193)
Interest receivable	9		4		3
Appropriations	9		<u>(4)</u>		<u>(3)</u>
<b>Net operating costs after interest transferred to the general reserve</b>			<u>(455,637)</u>		<u>(475,193)</u>

All activities are continuing.

There are no recognised gains or losses in either 2010-11 or 2009-10.

The notes on pages 27 to 43 form part of these accounts.

## Statement of financial position as at 31 March 2011

	Notes	As at 31 March 2011 £'000	As at 31 March 2010 £'000	As at 1 April 2009 £'000
<b>Non-current assets</b>				
Property, plant and equipment	10	184	166	201
Intangible assets	11	-	-	1
<b>Total non-current assets</b>		<u>184</u>	<u>166</u>	<u>202</u>
<b>Current assets</b>				
Trade and other receivables	12	804	820	212
Cash and cash equivalents	13	5,515	4,360	5,625
<b>Total current assets</b>		<u>6,319</u>	<u>5,180</u>	<u>5,837</u>
<b>Total assets</b>		6,503	5,346	6,039
<b>Current liabilities</b>				
Trade and other payables	14	(927)	(1,000)	(796)
Provisions for liabilities and charges within one year	15	(7)	(7)	-
<b>Total non-current assets plus net current assets</b>		5,569	4,339	5,243
<b>Non-current liabilities</b>				
Provisions for liabilities and charges after one year	15	(22)	(24)	-
<b>Assets less liabilities</b>		<u>5,547</u>	<u>4,315</u>	<u>5,243</u>
<b>Reserves</b>				
General reserve		<u>5,547</u>	<u>4,315</u>	<u>5,243</u>
		<u>5,547</u>	<u>4,315</u>	<u>5,243</u>

The notes on pages 27 to 43 form part of these accounts.

Signed on behalf of HEFCW

Professor Philip Gummett  
Chief Executive and Accounting Officer  
13 July 2011

## Statement of cash flows

### for the year ended 31 March 2011

	Notes	2011 £'000	2010 restated £'000
<b>Cash flows from operating activities</b>			
Net operating costs after cost of capital and interest		(455,637)	(475,193)
Depreciation charges		76	85
Amortisation charges		-	1
Loss on disposal of fixed asset		2	-
Decrease/(increase) in trade and other receivables		16	(608)
(Decrease)/increase in trade and other payables		(73)	211
Movement in provisions		(2)	24
<b>Net cash outflows from operating activities</b>		<u>(455,618)</u>	<u>(475,480)</u>
<b>Cash flows from returns on investments and servicing of finance</b>			
Interest received		4	3
Interest surrendered to the Welsh Government		(4)	(3)
<b>Net cash flows from returns on investments and servicing of finance</b>		<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	<u>(96)</u>	<u>(50)</u>
<b>Net cash outflow from investing activities</b>		<u>(96)</u>	<u>(50)</u>
<b>Cash flows from financing activities</b>			
Funding from the Welsh Government		<u>456,869</u>	<u>474,265</u>
<b>Net cash flows from financing activities</b>		<u>456,869</u>	<u>474,265</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>1,155</u>	<u>(1,265)</u>
<b>Cash and cash equivalents at beginning of period</b>		4,360	5,625
<b>Cash and cash equivalents at end of period</b>		<u>5,515</u>	<u>4,360</u>
<b>Net increase/(decrease) in cash</b>		<u><u>1,155</u></u>	<u><u>(1,265)</u></u>

The notes on pages 27 to 43 form part of these accounts.

**Statement of changes in reserves  
for the year ended 31 March 2011**

	<b>General reserve £'000</b>
<b>Balance at 1 April 2010</b>	
As previously stated	4,315
<b>Prior period adjustments</b>	
Cost of capital charges from Statement of Comprehensive Net Expenditure (no longer reportable)	167
Non-cash charges – cost of capital adjustment previously credited to general reserve (no longer reportable)	(167)
<b>Balance at 1 April 2010 - restated</b>	<u>4,315</u>
<b>Changes in reserves 2010-11</b>	
Net operating costs	(455,637)
<b>Total recognised income and expense for 2010-11</b>	<u>(455,637)</u>
Funding from the Welsh Government	456,869
<b>Balance at 31 March 2011</b>	<u><u>5,547</u></u>

The notes on pages 27 to 43 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 2010-11 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 8 to the accounts.

### 2. Prior period adjustments

#### Removal of cost of capital charge

As part of HM Treasury's 'Clear Line of Sight' project, the cost of capital charge will no longer need to be reported in an entity's annual report and accounts. In response to this, HEFCW will no longer be showing a cost of capital charges note. It will also no longer be showing these costs on the face of its statement of comprehensive net expenditure or a matching balancing entry credited directly to its statement of changes in reserves. This is to make reporting simpler and easier to understand.

For the financial year 2009-10, this adjustment reduces the net operating costs by £167,000 in the statement of comprehensive net expenditure but has no overall effect on the general reserve balance, being counter-balanced by the removal of the entry previously directly credited to the reserve (see Statement of Changes in Reserves).

**Notes to the accounts (continued)**

**3. Income from activities**

	2011 £'000	2010 £'000
European Union – European Social Fund	1,879	1,443
Department for Business, Innovation & Skills (Formerly Department for Innovation, Universities & Skills) – Research Capital Investment Fund	6,031	10,492
Welsh Government – Strategic Capital Investment Fund (Pontio project) (a)	15,000	-
Welsh Government – Universities Heads of the Valleys Institute Year 2 Funding (b)	<u>1,389</u>	<u>-</u>
	<u><u>24,299</u></u>	<u><u>11,935</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. Year 1 funding of £280k in 2009-10 was sourced from recurrent funds and paid to the University of Glamorgan through recurrent expenditure.

## Notes to the accounts (continued)

## 4. Funding of higher education

	Recurrent	2011 Capital	Total	2010 Total
	£'000	£'000	£'000	£'000
<b>Higher Education Institutions</b>				
Aberystwyth University	39,671	6,156	45,827	48,007
Bangor University	36,927	710	37,637	39,569
Cardiff University	121,776	1,975	123,751	125,900
Swansea University	47,158	862	48,020	48,007
University of Wales, Lampeter (see (a) below)	5,278	103	5,381	6,529
Glyndŵr University	21,091	487	21,578	19,708
University of Wales, Newport	20,069	611	20,680	21,415
University of Wales Institute, Cardiff	32,338	824	33,162	32,978
Swansea Metropolitan University	13,993	480	14,473	15,578
Trinity University College, Carmarthen (see (a) below)	12,175	1,530	13,705	15,532
University of Wales Trinity Saint David (see (a) below)	5,520	1,593	7,113	-
University of Glamorgan	59,978	1,574	61,552	67,763
University of Wales	615	-	615	710
Open University	7,080	-	7,080	12,627
<b>Sub-total</b>	<b>423,669</b>	<b>16,905</b>	<b>440,574</b>	<b>454,323</b>
<b>Further Education Institutions</b>				
Bridgend College	78	-	78	77
Coleg Sir Gâr	1,193	-	1,193	1,134
Coleg Llandrillo	1,364	-	1,364	1,310
Coleg Menai	-	-	-	8
Neath Port Talbot College	132	-	132	122
Gower College Swansea (formerly Swansea College)	25	-	25	24
<b>Sub-total</b>	<b>2,792</b>	<b>-</b>	<b>2,792</b>	<b>2,675</b>
<b>Carried forward</b>	<b>426,461</b>	<b>16,905</b>	<b>443,366</b>	<b>456,998</b>

## Notes to the accounts (continued)

## 4. Funding of higher education (continued)

	Recurrent £'000	2011 Capital £'000	Total £'000	2010 Total £'000
<b>Brought forward</b>	426,461	16,905	443,366	456,998
<b>Other Organisations</b>				
Awbery Management Centre	68	-	68	-
Department for Business Innovation and Skills	49	-	49	-
Department for Children, Schools and Families	-	-	-	49
DTZ Debenham Tie Leung Ltd	45	-	45	-
Economic and Social Research Council	125	-	125	225
Equality Challenge Unit	48	-	48	45
Higher Education Funding Council for England (HEFCE)	4,188	315	4,503	4,000
The Higher Education Academy	766	-	766	944
Higher Education Wales	40	-	40	-
High Performance Computing Wales	1,400	-	1,400	-
Impact Associates	-	-	-	30
JANET (UK) Ltd	(195)	3	(192)	456
KPMG LLP	28	-	28	52
National Union of Students	20	-	20	22
Old Bell 3 Ltd	23	-	23	22
Quality Assurance Agency	187	-	187	165
2020 Delivery Ltd	73	-	73	-
Schneider Electrical Buildings UK Ltd (formerly TAC UK Ltd)	-	-	-	26
Universities UK	69	-	69	40
University of Leeds	23	-	23	-
University of Southampton	250	-	250	250
Other	591	-	591	691
<b>Sub-total</b>	<b>7,798</b>	<b>318</b>	<b>8,116</b>	<b>7,017</b>
<b>Total</b>	<b>434,259</b>	<b>17,223</b>	<b>451,482</b>	<b>464,015</b>
<b>Less ESF funded expenditure</b> (see note 6)	<b>(2,664)</b>	<b>-</b>	<b>(2,664)</b>	<b>(1,989)</b>
<b>Total</b>	<b>431,595</b>	<b>17,223</b>	<b>448,818</b>	<b>462,026</b>

(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.

**Notes to the accounts (continued)****5. 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' 2009/10 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 2010 did not lead to any material adjustments. Any adjustment arising from the audit of 2010/11 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.

**6. Expenditure for other purposes**

	2011 £'000	2010 £'000
European Social Fund (a)	2,664	1,989
Research Capital Investment Fund (b)	12,594	20,139
Pontio Project (c)	11,556	-
Universities Heads of the Valleys Institute (d)	1,390	-
	<u>28,204</u>	<u>22,128</u>

- (a) The amounts relating to grant payments made 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 funding expenditure by higher education institution is given below:

**Notes to the accounts (continued)****6. Expenditure for other purposes (continued)**

	2011 £'000	2010 £'000
Aberystwyth University	999	1,659
Bangor University	1,468	2,396
Cardiff University	7,647	12,043
Swansea University	1,793	2,750
University of Wales, Lampeter	69	225
University of Wales, Trinity Saint David	35	-
Glyndŵr University	70	98
University of Wales, Newport	45	88
University of Wales Institute, Cardiff	117	251
Swansea Metropolitan University	10	20
University of Glamorgan	305	554
University of Wales	36	55
	<u>12,594</u>	<u>20,139</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.

**7. Other expenditures**

	2011 £'000	2010 £'000
<b>Administration costs</b>		
Accommodation costs	334	352
Office costs	41	40
Bought in services	40	31
Auditors' remuneration – Annual audit fee of the HEFCW	16	18
Auditors' remuneration – Additional assurance report work	4	4
Council members' travel and subsistence costs	9	11
Council members' meeting costs	16	27
Staff travel and subsistence costs	23	35
Staff related expenditure on training, recruitment etc.	39	59
Information technology costs	71	68
	<u>593</u>	<u>645</u>

The auditor of HEFCW during the year was the Auditor General for Wales. Administration costs exclude £10k charged to programme recurrent costs (2010 - £14k).

**Notes to the accounts (continued)****8. Staff costs****(a) Analysis**

	Staff	2011 Council Members (inc Chief Executive)	Total	Staff	2010 Council Members (inc Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	1,998	180	2,178	1,977	180	2,157
Social security costs	147	14	161	145	15	160
Other pension costs	349	24	373	342	55	397
Total payroll costs	2,494	218	2,712	2,464	250	2,714
Less costs charged to programme recurrent costs	(469)	-	(469)	(471)	-	(471)
Administration payroll costs	2,025	218	2,243	1,993	250	2,243

**(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/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2010-11, employers' contributions of £374,401 were payable to the PCSPS (2009-10 £369,690) 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 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

**Notes to the accounts (continued)**

8. **Staff costs** (continued)

(b) **Pensions** (continued)

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 have been calculated by the Government Actuary's Department and amounted to £29,219 at 31 March 2011, £1,779 of which has been credited to the Statement of Comprehensive Net Expenditure in 2010-11 (2009-10 charge £31,000).

(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 2011, as follows:

	2011 Numbers	2010 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.

	2011 Numbers	2010 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>

**Notes to the accounts (continued)**8. **Staff costs** (continued)(d) **Sickness absence data**

	2011	2010
Sickness absence rate	1.99	2.79
Number of working days lost	287	386
Approximate cost of working days lost	<u>£28,077</u>	<u>£37,799</u>

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

9. **Appropriations**

	2011 £'000	2010 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest	<u>4</u>	<u>3</u>

10. **Property, plant and equipment**

	Information technology equipment £'000	Fixtures & fittings £'000	Total £'000
<b>Cost</b>			
At 1 April 2010	399	228	627
Additions	35	61	96
Disposals	-	(3)	(3)
At 31 March 2011	<u>434</u>	<u>286</u>	<u>720</u>
<b>Depreciation</b>			
At 1 April 2010	346	115	461
Charged during year	48	28	76
Released on disposals	-	(1)	(1)
At 31 March 2011	<u>394</u>	<u>142</u>	<u>536</u>
Net book value at 31 March 2011	<u>40</u>	<u>144</u>	<u>184</u>
Net book value at 1 April 2010	<u>53</u>	<u>113</u>	<u>166</u>
<b>Asset financing</b>			
Owned	<u>40</u>	<u>144</u>	<u>184</u>
Net book value at 31 March 2011	<u>40</u>	<u>144</u>	<u>184</u>

**Notes to the accounts (continued)****10. Property, plant and equipment (continued)**

	Information technology equipment	Fixtures & fittings	Total
<b>Cost</b>	£'000	£'000	£'000
At 1 April 2009	385	228	613
Additions	50	-	50
Disposals	(36)	-	(36)
At 31 March 2010	<u>399</u>	<u>228</u>	<u>627</u>
<b>Depreciation</b>			
At 1 April 2009	317	95	412
Charged during year	65	20	85
Released on disposals	(36)	-	(36)
At 31 March 2010	<u>346</u>	<u>115</u>	<u>461</u>
Net book value at 31 March 2010	<u>53</u>	<u>113</u>	<u>166</u>
Net book value at 1 April 2009	<u>68</u>	<u>133</u>	<u>201</u>
<b>Asset financing</b>			
Owned	53	113	166
Net book value at 31 March 2010	<u>53</u>	<u>113</u>	<u>166</u>

**11. Intangible fixed assets**

	Software licences £'000
<b>Cost</b>	
At 1 April 2010 and at 31 March 2011	<u>30</u>
<b>Amortisation</b>	
At 1 April 2010 and at 31 March 2011	<u>30</u>
Net book value at 31 March 2011	<u>-</u>
Net book value at 1 April 2010	<u>-</u>

**Notes to the accounts (continued)****11. Intangible fixed assets (continued)**

	Software licences £'000
<b>Cost</b>	
At 1 April 2009 and at 31 March 2010	<u>30</u>
<b>Amortisation</b>	
At 1 April 2009	29
Charge during the year	<u>1</u>
At 31 March 2010	<u>30</u>
Net book value at 31 March 2010	<u>-</u>
Net book value at 1 April 2009	<u>1</u>

**12. Trade receivables and other current assets**

	2011 £'000	2010 £'000	2009 £'000
<b>Amounts falling due within one year</b>			
Trade receivables	11	28	-
Prepayments and accrued income	221	135	195
Other receivables	2	1	-
Balances with other central government bodies	<u>570</u>	<u>656</u>	<u>17</u>
	<u>804</u>	<u>820</u>	<u>212</u>

**13. Cash and cash equivalents**

	2011 £'000	2010 £'000	2009 £'000
Balance at 1 April	4,360	5,625	6,001
Net change in cash and cash equivalents	<u>1,155</u>	<u>(1,265)</u>	<u>(376)</u>
Balance at 31 March	<u>5,515</u>	<u>4,360</u>	<u>5,625</u>
The following balances at 31 March were held at:			
Commercial banks and cash in hand	<u>5,515</u>	<u>4,360</u>	<u>5,625</u>
	<u>5,515</u>	<u>4,360</u>	<u>5,625</u>

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

	2011 £'000	2010 £'000	2009 £'000
<b>Amounts falling due within one year</b>			
Accruals	<u>927</u>	<u>1,000</u>	<u>796</u>
	<u>927</u>	<u>1,000</u>	<u>796</u>

**Notes to the accounts (continued)****15. Provisions for liabilities and charges**

	2011 £'000	2010 £'000	2009 £'000
Broadly by analogy pension liability (see note 8(b))	29	31	-
	<u>29</u>	<u>31</u>	<u>-</u>

**Analysis of timing of liability**

Falling due within one year	7	7	-
Falling due between 2012 and 2017	6	6	-
Falling due between 2018 and 2028	13	13	-
Thereafter	3	5	-
	<u>29</u>	<u>31</u>	<u>-</u>

**16. 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.

2011 £'000	2010 £'000
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**Obligations under operating leases comprise:**

## Buildings

Not later than one year	167	164
Later than one year and not later than five years	668	654
Later than five years	241	400
	<u>1,076</u>	<u>1,218</u>

**17. Capital commitments**

2011 £'000	2010 £'000
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Contracted capital commitments at 31 March 2011 not otherwise included in these accounts

Property, plant and equipment  
Contracted

<u>-</u>	<u>34</u>
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## Notes to the accounts (continued)

### 18. Other financial commitments

	2011 £'000	2010 £'000
Revenue grants (a)	130,773	147,190
European projects (b)	7,158	9,452
	<u>137,931</u>	<u>156,642</u>

(a) This amount will be funded by grant in aid from the Welsh Government to July 2011.

(b) European projects will be funded as follows:

	2011 £'000	2010 £'000
European Social Fund grants	7,158	9,452
	<u>7,158</u>	<u>9,452</u>

The European projects also have financial commitments of £2,865k to be funded by external match funding contributions from Higher Education institutions and small and medium sized enterprises.

### 19. Losses and special payments

	2011 £	2010 £
Fruitless payments	<u>130</u>	<u>751</u>

### 20. Related party transactions

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 or transactions that are considered to be related parties, and which are shown in the table below: -

**Notes to the accounts (continued)****20. Related party transactions (continued)**

<b>Name</b>	<b>Relationship</b>
Mr Roger Thomas (Chair of Council)	<ul style="list-style-type: none"> <li>◆ Member, Department for Children, Education, Lifelong Learning &amp; Skills Ministerial Advisory Group; Review of Higher Education in Wales</li> <li>◆ Honorary Doctor, University of Glamorgan</li> </ul>
Mr David Allen (Council member)	<ul style="list-style-type: none"> <li>◆ Member of Leadership, Governance and Management Committee, Strategy Advisory Committee, The Higher Education Funding Council for England.</li> </ul>
Dame Alexandra Burslem (Council member)	<ul style="list-style-type: none"> <li>◆ Chair of Executive Board &amp; Operational Board, British Council Education UK Partnership</li> <li>◆ Chair, Education Honours Committee</li> </ul>
Professor Katherine Oglesby (Council member)	<ul style="list-style-type: none"> <li>◆ Member Strategic Advisory Committee on Widening Access and Participation, The Higher Education Funding Council for England</li> </ul>
Professor Sir Brian Smith (Council member)	<ul style="list-style-type: none"> <li>◆ International ambassador, Cardiff University</li> </ul>
Mr David Mason (Council member)	<ul style="list-style-type: none"> <li>◆ Chair of Merthyr Tydfil College Ltd</li> <li>◆ Honorary Fellow, University of Wales, Newport</li> </ul>
Mrs Bethan Guilfoyle (Council member)	<ul style="list-style-type: none"> <li>◆ Secondary Education representative, Ministerial Advisory Group, DCELLS</li> <li>◆ Independent Governor (to July 2010) University of Glamorgan Governing Body</li> </ul>
Professor Robin Williams CBE (Council member)	<ul style="list-style-type: none"> <li>◆ Trustee, Engineering Education Scheme in Wales (EESW)</li> <li>◆ Emeritus Professor, University of Wales</li> <li>◆ Emeritus Professor, Swansea University</li> <li>◆ Honorary Fellow, Cardiff University</li> <li>◆ Honorary Fellow, Bangor University</li> <li>◆ Honorary Fellow, Swansea University</li> <li>◆ Honorary Graduate, University of Wales</li> <li>◆ Member of the Advisory Board, CAFMAD, Bangor and Aberystwyth Universities</li> <li>◆ Member of the Thematic Panel for Natural and Applied Sciences, Bangor University Academic Review</li> <li>◆ Member, Advisory Group for Engineering, Swansea University</li> <li>◆ Member of Council, The Learned Society for Wales</li> <li>◆ Member, Ministerial Advisory Group , DE&amp;T, WAG</li> <li>◆ Chair, recent Coleg Federal Planning Board</li> <li>◆ Member, DCELLS Review of HE in Wales</li> <li>◆ Member of Council, Science Advisory Council for Wales</li> <li>◆ Daughter employed by Swansea University</li> </ul>
Professor Philip Gummett (Chief Executive)	<ul style="list-style-type: none"> <li>◆ Wife, part-time tutor at Swansea Metropolitan University</li> </ul>

## Notes to the accounts (continued)

### 20. Related party transactions (continued)

Any funds paid to the institutions and organisations noted above are detailed in note 4, 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.

### 21. 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 2010-11 £456.9m or 95.0% of HEFCW's income was derived from the Welsh Government (2009-10: £474.3m or 97.6%). Of the remaining income £24.3m or 5.0% was derived from bank interest and income from activities (2009-10: £11.9m or 2.4%). 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 (2009-10: 0.05%). The cash balance at the year end was £5.5m. 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.

### 22. Events after the reporting period

The Accounting Officer authorised these financial statements for issue on 13 July 2011.