

FURTHER AND HIGHER EDUCATION ACT 1992

Account prepared pursuant to Section 62 and paragraph 16 of Schedule 1 to the Further and Higher Education Act 1992, of the Higher Education Funding Council for England for the period ended 31 March 1997, together with the Comptroller and Auditor General's Report thereon. (In continuation of House of Commons Paper No. 213 of 1997-98.)

Presented pursuant to Act 1992, c.13, sch 1, paragraph 16(3)

Higher Education Funding Council for England Account 1997-98

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 27 JULY 1998

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Foreword

Members of the Board during 1997-98

Sir Michael Checkland (Chairman from 2 October 1997)
 Mr Brandon Gough (Chairman to 31 July 1997)
 Mr Brian Fender CMG (Chief Executive)
 Mrs Joan Bingley
 Mr Anthony Booth CBE (see note below)
 Professor Marilyn Butler (from 1 October 1997)
 Professor Sir John Cadogan CBE
 Professor Sir Colin Campbell (to 5 August 1997)
 Professor Ron Cooke (from 6 August 1997)
 Mr Michael Fallon (to 4 April 1997)
 Dr David Fussey
 Professor Kay-Tee Khaw (to 5 August 1997)
 Ms Caroline Neville (from 6 August 1997)
 Mr David Potter CBE from 18 August 1997)
 Professor Sir Gareth Roberts (from 6 August 1997)
 Ms Barbara Stephens
 Dr John Strickson (to 5 August 1997)
 Professor Sir Stewart Sutherland
 Dr Keith Taylor (from 6 August 1997)
 Dr Rab Telfer CBE (to 5 August 1997)
 Miss Janet Trotter OBE (to 5 August 1997)
 Ms Dorma Urwin (from 6 August 1997)

Note: Mr Anthony Booth acted as Chairman between 1 August 1997 and 1 October 1997.

The Council's role and responsibilities

The Higher Education Funding Council for England (the Council) was established on 6 May 1992 under Section 62 of the Further and Higher Education Act 1992. It assumed its funding responsibilities from its predecessor councils on 1 April 1993. Its role is set out in the Further and Higher Education Act 1992 and can be summarised as:

- To administer funds to support education and research in higher education institutions.
- To administer funds to support prescribed higher education courses in further education institutions.
- To provide the Secretary of State for Education and Employment with information relating to all aspects of higher education teaching and research, including the financial needs of the sector.
- To secure the assessment of the quality of education at institutions in receipt of Council funding.

The Council's mission

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

Strategic aims

To achieve our mission, we aim to:

- a. Promote high standards of education and research so as to advance knowledge and scholarship, encourage improvement and innovation, and enhance students' learning experience and employment prospects.
- b. Encourage institutions to increase access, secure equal opportunities, support lifelong learning, and maximise achievement for all who can benefit from higher education.
- c. Maintain and encourage the development of a wide variety of institutions with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.
- d. Develop and sustain effective partnerships with institutions, employers, other funding and professional bodies, and others with a stake in higher education, by providing clear and open information and promoting collaboration between them.
- e. Advise Government and other stakeholders on higher education's needs and aspirations, and help make widely known the achievements and opportunities offered by higher education, particularly to students.
- f. Use consultation, research and benchmarking to increase knowledge and understanding of higher education, and inform policy development.
- g. Contribute to the healthy development of higher education in this country and overseas by learning from international experience and helping to promote the reputation and competitiveness of UK higher education abroad.
- h. Promote effective financial management, accountability for the use of public funds, and value for money.
- i. Enable our staff to provide a high quality service, within an open and supportive working environment.

**System of Internal
Financial Control**

The Chief Executive has made a statement on the Council's internal financial control systems. This statement is reproduced on page 11 of these accounts.

**Financial results for
1997-98**

These accounts cover the year 1 April 1997 to 31 March 1998. They include only the accounts of the Council. In previous years, group accounts, comprising the accounts of the Council and the JNT Association, a not for profit company limited by guarantee, were prepared. However for 1997-98, the Council does not consider that the consolidation of the JNT Association has a material impact on its financial statements. Accordingly, consolidated accounts have not been prepared for 1997-98. During 1997-98, the JNT Association, on a turnover of £19.2 million, returned a surplus after taxation of £99,214 (1996-97 £291,089) and at 31 March 1998 had net assets of £926,217 (1997 £827,003). The accounts of the JNT Association for 1997-98 have been externally audited, and the report was unqualified.

The vast majority of the Council's income is from Grant-in-Aid. In 1997-98 this was £3,531,639,000 (1996-97 £3,469,236,000). Within this sum £229,000 was used for capital purposes (1996-97 £257,000). Total income for the year was £3,536,923,000 (1996-97 £3,474,573,000).

The Council aims to distribute the funds received each year within that year. The Financial Memorandum between the Department for Education and Employment and the Council recognises that it may not always be possible to match receipts and payments exactly within the year. Consequently the Council is permitted to carry forward up to 2 per cent of the Grant-in-Aid provided for distribution to institutions and for its running costs.

The results for 1997-98 show a surplus of £2,226,000 (1996-97 deficit of £13,408,000). The surplus has been added to the balances carried forward at 31 March 1997 (£45,190,000), and represents a timing difference between receipt of Grant-in-Aid and the actual payments.

The balance at 31 March 1998 was £47,416,000

Achievements in 1997-98

During 1997-98 the Council's principal achievements, its key performance targets and its performance against these targets were as follows:

	1997-98 key performance target	Achievement
1.1	To announce the main funding allocations by March 1998 and to deliver all funding to institutions correctly and on time.	Achieved.
1.2	Student numbers in 1997-98 to be within 1.5 per cent of the Secretary of State's target.	Student numbers were within 1 per cent of the Secretary of State's target.
1.3	To introduce a new funding method for teaching which encourages improvements in quality, funds similar provision at similar levels, and responds to the needs of students and the wider community.	The method has been implemented and allocations announced.
1.4	To continue support for at least 15 PFI pathfinder projects. To disseminate experience and good practice through publishing at least four case studies and through regional PFI conferences.	Falmouth College of Arts signed a contract in December 1997. There are eleven other approved pathfinders, and one still under consideration. Discussions are being held with other potential pathfinders. Case studies are being sought from a range of sources. Our guide to PFI was published in November 1997.
2.1	With the new Quality Assurance Agency (QAA), to have made over 250 assessment visits and published over 180 individual quality assessment reports by March 1998.	279 visits have been completed. 180 reports have been published.

1997-98 key performance target	Achievement
2.2 In co-operation with representative bodies, negotiate the transfer of staff and functions to the new QAA in a way which secures independence and comparability of judgements, and allows the Council to meet its statutory responsibilities.	<p>Staff and resources were formally transferred to the QAA on 1 October. Activities and staff relocated to Gloucester on 4 April, with a small core team being retained for a short period at Northavon House to ensure continued delivery of the assessment programme. At the agency's request, some payroll functions have been transferred, but the main accounting function has remained in Bristol, together with office services, until 31 July 1998.</p> <p>The Quality Assurance Committee has received two reports on the evaluation of the visits conducted between October 1996 and November 1997. These indicate continued robust delivery of the current programme.</p>
3.1 To evaluate how the provision of higher education might be enhanced by responding to regional needs and by encouraging regional collaboration, and to develop mechanisms to achieve this.	<p>Seven Regional Consultants started work on 3 November. They provide a higher level, more strategic interaction with institutions and regional bodies. Discussions have been held with Government regional offices, the Further Education Funding Council and others. Regional factors have informed the evaluation of bids under the additional student numbers initiative, and will be a significant driver in the framing of the widening participation initiative for which bids will be shortly invited.</p>
3.2 With external partners, to allocate up to £17 million in matched funding for research equipment by 31 January 1998.	<p>Bids were received and peer reviewed by the research councils. Emphasis was placed on collaboration and sharing equipment. Decisions on funding were made by the steering group in November. £35 million allocated by the funding and research councils was matched by £45 million from industry, to support around 250 projects in over 55 institutions.</p> <p>An additional competition for health and life sciences equipment is being run jointly with the Wellcome Trust. It has matched our contribution of £1 million. Applications were peer reviewed by the Trust. Infrastructure bids were also reviewed to ensure that they differed to those that Wellcome would have funded in their own right.</p>
4.1 To reach wider audiences through increasing the range of written materials and through establishing regular regional meetings.	<p>A new document system has been introduced and a range of explanatory materials are being developed to improve clarity and targeting both inside and outside the sector.</p> <p>Nine regional seminars have been held on funding processes and data requirements. An additional seminar was also held for Further Education Colleges. Four regional seminars on the new teaching funding method have been held. Further seminars are planned.</p>

1997-98 key performance target	Achievement
5.1 Within eight weeks of an institution being identified as in immediate financial difficulties, to secure the necessary action by the institution.	Task groups operate for each Category 1 and 2* institution. They form a view on whether an institution is taking necessary action and, if not, identify remedies. We have required all institutions in Category 1 and 2* to identify the ameliorative action they intend to take to restore financial health.
5.2 To make 50 audit visits to institutions and produce 50 reports during 1997-98.	45 visits have been completed. 50 reports are in draft or final form.
5.3 To produce two guides for the sector on obtaining value for money.	It was originally intended that a guide on estates maintenance would be published in October 1997. However, consultation with representative bodies indicated that the proposed approach to maintenance was too narrowly focussed. The time scale for producing a guide on information technology was extended to June 1998. The steering group originally planned to conduct a user satisfaction survey in October 1997. This took place in January 1998, when students were more familiar with institutions' provision, and was completed by March 1998.
6.1 To provide an efficient, effective service within the running costs budget, achieving the efficiency gain in 1997-98 required by the Secretary of State.	Running costs were within budget and the efficiency gain was achieved.
6.2 To achieve a new pay structure by August 1997.	A new pay system was adopted on 1 August, along with a revised performance review system.
6.3 To achieve the Investors in People standard by March 1998.	The Council was awarded the standard on 18 May 1998.

Equal opportunities

The Council has an equal opportunities policy, which takes account of issues of harassment in the workplace. The Council has been awarded the Disability Symbol, signifying that it meets specified standards when dealing with disabled people.

As part of the equal opportunities policy, all disabled applicants for vacancies who meet the essential criteria are guaranteed an interview.

Year 2000 issues

The Council fully recognises the importance of the millennium issue, which not only covers computer systems, but all other business systems such as telephones, lifts, access controls etc, business interfaces and paper records.

Work is underway to ensure the Council's systems, facilities, services and equipment are year 2000 compliant. We are seeking assurances and warranties from suppliers and business partners, including the Higher Education Institutions, that they will continue to function properly as the year 2000 approaches and during and after that year.

The review of internal computer systems, services, facilities and equipment and other embedded systems is complete and we are not anticipating any business critical problems. We are expecting to have to upgrade some systems such as our telecom equipment and a number of minor databases. All the required upgrades will be completed by 31 March 1999.

Payment of creditors

The Council is fully committed to the prompt payment of its suppliers' bills and supports the Confederation of British Industry's prompt payment code. The Council aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of satisfactory goods or services or the presentation of a valid bill, whichever is the later. All suppliers have been notified of this commitment and have been given clear guidelines to help the Council achieve this aim.

The Council's accounting systems allow the actual payment performance against the 30 day target to be monitored. During 1997-98 the target was met for 98.1 per cent of invoices.

Quality Assurance Agency

The Council's statutory role to secure the assessment of the quality of education at institutions in receipt of its funding was delivered internally through its Quality Assessment Division until 30 September 1997. From 1 October 1997, the Council contracted with the Quality Assurance Agency to provide this service.

Brian Fender CMG

Chief Executive and Accounting Officer
Higher Education Funding Council for England

16 July 1998

Statement of the Higher Education Funding Council for England and the Chief Executive's responsibilities

Under section 16 of schedule 1 to the Further and Higher Education Act 1992, the Higher Education Funding Council for England (the Council) is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Education and Employment (Appendix 1), with the consent of the Treasury. The accounts are prepared on an accruals basis (modified by the revaluation of fixed assets) and must show a true and fair view of the Council's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Council is required to:

- observe the accounts direction issued by the Secretary of State for Education and Employment, 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 have been followed and disclose and explain material departures in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the body will continue in operation

The Accounting Officer for the Department for Education and Employment has designated the Chief Executive as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the non-departmental public bodies Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Statement by the Chief Executive on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Council.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Board;
- regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines;

The Council has an internal audit service, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Council's Audit Committee and approved by me. At least annually, the Chief Auditor provides me with a report on internal audit activity in the Council. The report includes the Chief Auditor's independent opinion on the adequacy and effectiveness of the Council's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the senior managers within the Council who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Where improvements that could be made to the system of internal control are identified, and specific actions are agreed, they are implemented within a pre-determined time scale.

Brian Fender CMG
Chief Executive and Accounting Officer
Higher Education Funding Council for England

16 July 1998

The Comptroller and Auditor General's Report on the Statement on the System of internal Financial Control

In addition to my audit of the financial statements, I have reviewed the Accounting Officer's statement of internal financial control set out on page 11. The object of my review is to draw attention to noncompliance with HM Treasury's guidance "Corporate governance: statement on the system of internal financial control" (DAO (GEN) 13/97).

Basis of opinion

I carried out my review in accordance with Bulletins 1995/1 and 1996/3 "Disclosures relating to corporate governance" issued by the Auditing Practices Board insofar as they relate to statements on the system of internal financial control.

The guidance does not require me to perform the additional work necessary to, and I do not, express any opinion on the effectiveness of the Council's system of internal financial control.

Opinion

With respect to the Accounting Officer's statement on the system of internal financial control set out on page 11, in my opinion the Accounting Officer has provided the disclosure required by HM Treasury's guidance "Corporate governance: statement on the system of internal financial control" and the statement is not inconsistent with the information of which I am aware from my audit work on the financial statements.

John Bourn
Comptroller and Auditor General

22 July 1998

National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON SW1W 9SP

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 14 to 32 under the Further and Higher Education Act 1992. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 18.

**Respective
responsibilities of the
Higher Education
Funding Council for
England, the Chief
Executive and Auditors**

As described on page 7 the Council and the Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them and report my opinion to you.

Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Higher Education Funding Council for England at 31 March 1998 and of the surplus, total recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Further and Higher Education Act 1992 and with the direction made thereunder by the Secretary of State for Education and Employment; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

22 July 1998

National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON SW1W 9SP

Income and Expenditure Account for the Year to 31 March 1998

	Notes	1998 £000	1997 £000
Gross Income:			
HMG Grants Receivable	2	3,531,410	3,468,979
Transfer from Deferred Grant Account	12	299	399
Other Income	3	5,214	5,195
		<u>3,536,923</u>	<u>3,474,573</u>
Expenditure:			
Grants payable to Institutions			
Recurrent & Capital Expenditure	4	3,502,659	3,452,652
Access Funds	4	21,710	21,693
Council Administration Costs			
Staff costs	5c	5,059	5,332
Depreciation	7	299	396
Other Administration	6	4,876	7,854
Notional Costs	14	2,784	3,149
		<u>3,537,387</u>	<u>3,491,076</u>
Operating Deficit		(464)	(16,503)
Profit on Sale of Fixed Assets			
		2	7
Interest Receivable			
		0	0
Taxation			
		0	0
Reversal of the Notional Cost of capital			
		2,795	3,137
Appropriations to DfEE			
		(107)	(49)
Surplus/(Deficit) for the period		<u>2,226</u>	<u>(13,408)</u>
Statement of retained surplus			
Surplus brought forward	13	45,190	58,598
Surplus/(Deficit) for the period		2,226	(13,408)
Surplus carried forward		<u>47,416</u>	<u>45,190</u>

All operations are continuing.

The notes on pages 16 to 28 form part of these accounts.

Statement of Total Recognised Gains and Losses as at 31 March 1998

	1998	1 997
	£000	£000
Surplus/(Deficit) per Income and Expenditure Account	2,226	(13,408)
Unrealised Surplus on Revaluation: Note 15	1	1
	2,227	(13,407)

Balance Sheet as at 31 March 1998

	Notes	1998 £000	1997 £000
Fixed Assets			
Tangible Assets	7	<u>230</u>	<u>310</u>
Current Assets			
Debtors	8a	5,857	3,476
Loans	8b	28	95
Cash At Bank & In Hand	9	<u>42,110</u>	<u>42,257</u>
		<u>47,995</u>	<u>45,828</u>
Creditors			
Amounts Falling Due Within One Year	10	<u>(558)</u>	<u>(617)</u>
Net Current Assets		<u>47,437</u>	<u>45,211</u>
Total assets less current liabilities		<u>47,667</u>	<u>45,521</u>
Represented by			
Provision for Insurance	14	0	11
Deferred Government Grant	12	249	319
Reserves			
Revaluation Reserve	15	2	1
General Reserve	13	<u>47,416</u>	<u>45,190</u>
		<u>47,667</u>	<u>45,521</u>

Brian Fender CMG
 Chief Executive
 Higher Education Funding Council for England

16 July 1998

The notes on pages 16 to 28 form part of these accounts.

Cash Flow Statement for the Year to 31 March 1998

	1998	1997
	£000	£000
Operating Activities		
Receipts		
HMG grant funds received through the DfEE:		
Programme Funds	3,520,563	3,456,501
Running Costs	9,318	12,478
Other receipts	5,062	2,066
Repayment of staff loans	15	24
	<u>3,534,958</u>	<u>3,471,069</u>
Payments		
Funding paid to institutions	3,524,997	3,474,345
Administration costs	10,026	12,891
Loans to staff for approved purposes	1	10
	<u>3,535,024</u>	<u>3,487,246</u>
Net Cash Outflow from Operating Activities	(66)	(16,177)
Capital Expenditure & Financial Investment		
Repayment of Loans to institutions	53	54
Purchase of Tangible Fixed Assets	(267)	(234)
Sale of Fixed Assets	2	10
	<u> </u>	<u> </u>
Net Cash Outflow from Capital Expenditure & Financial Investment	(212)	(170)
Financing		
Transfer to Deferred Government Grant	229	257
Grant-in-Aid surrendered to DfEE	(98)	(51)
Net cash outflow	<u>(147)</u>	<u>(16,141)</u>

	1998	1997
	£000	£000
Notes:		
1 Reconciliation of Operating Deficit to net cash outflow from operating activities:		
Operating Deficit	(464)	(16,503)
Depreciation charges	299	396
Release from Deferred Government Grant	(299)	(399)
Notional Costs	2,784	3,149
Increase in debtors & staff loans	(2,367)	(3,076)
Revaluation adjustment	11	9
(Decrease)/increase in creditors	(30)	247
Net cash outflow from operating activities	<u>(66)</u>	<u>(16,177)</u>
2 Reconciliation of net cash flow to movement in net debt		
Net funds at 1 April 1997	42,257	58,398
Decrease in cash for the year	(147)	(16,141)
Net funds at 31 March 1998	<u>42,110</u>	<u>42,257</u>
3 Reconciliation of grant received to payments made to Institutions		
Grant received from DfEE for distribution to Institutions	<u>3,520,563</u>	<u>3,456,501</u>
Grants paid to Higher Education Institutions:		
Recurrent and Capital	3,395,315	3,343,062
Animal Licences	-	1,033
RCA Bursaries	2,406	2,373
Grants paid to Further Education Institutions and others:		
Recurrent and Capital	105,566	106,184
Access Funds paid to:		
Higher Education Institutions	21,698	21,679
Further Education Institutions and the Teacher Training Agency	<u>12</u>	<u>14</u>
Total grants paid to Institutions and others	<u>3,524,997</u>	<u>3,474,345</u>
Overspend of grants to Institutions and others	<u>(4,434)</u>	<u>(17,844)</u>

Notes to the Accounts

Accounting policies 1

Basis of Accounting

These accounts are drawn up in accordance with a direction (see Appendix 1) given by the Secretary of State for Education and Employment, with the consent of the Treasury and in accordance with the Further and Higher Education Act 1992 (para 16(1) of Schedule 1). The accounts are prepared under the historic cost convention, modified by revaluation of fixed assets and in accordance with the requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board with the exception of the requirements contained in FRS3 for the inclusion of a note showing historical cost profits and losses.

Fixed assets

Expenditure on the acquisition of tangible fixed assets is capitalised at the lower of cost or net book value where the costs for an individual asset, or group of assets, exceed £2,500.

Tangible Assets

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost or valuation of each asset evenly over its expected useful life, as follows:

Land & Buildings	– 10 years
Computers & Printers	– 3 years
Fixtures, Fittings & Furniture	– 5 years
Office equipment	– 4 years
Cars	– 4 years

Depreciation on assets transferred from UFC and PCFC is provided for by reference to their original purchase date. A full years depreciation charge is provided in the year of acquisition for all assets and none in the year of disposal.

Grants from the Department for Education and Employment

These are accounted for in accordance with the purpose of the grant and are credited to the Income & Expenditure Account in the year of receipt. Access Funds are accounted for separately. Grants for the Council's running costs are credited to the Income & Expenditure Account when applied for recurrent purposes, but credited to the Deferred Grant Account when applied to meet the cost of acquiring or constructing assets which are capitalised. Grant held in the Deferred Grant Account is released to the Income & Expenditure Account over the estimated useful life of the related assets.

Grants to Institutions

Grants to institutions are recognised when they fall due for payment. Grants to institutions to finance capital expenditure are subject to repayment in full, or in part, if the assets purchased are disposed of. The Council has discretion to allow the sale proceeds to be used to finance new capital projects.

Taxation

The Council does not trade and hence is not liable for Corporation Tax.

Pension Costs

Employees of the Council are members of the Principal Civil Service Pension Scheme. The conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply to the employees of the Council. For 1997-98 contributions of £570,691 (1996-97 £588,667) were paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For 1997-98 these rates varied between 11% and 19.5% (1996-97 11% and 19.5%) of salary depending on staff salary bands.

Leases

Rentals payable in respect of operating leases are charged directly to the Income and Expenditure account.

Value Added Tax

During the year the Council undertook various services on behalf of the Quality Assurance Agency, as the agency had not had the opportunity to set up its own support functions. This activity led to taxable supplies in excess of the annual threshold and caused the Council to register for VAT. The registration is likely to be cancelled on 31 July, as the agency intends to undertake its own support functions from that date.

Related Party Transactions

The Council is a non-departmental public body sponsored by the Department for Education and Employment (DfEE).

The DfEE is regarded as a related party, as are sister funding bodies: the Scottish Higher Education Funding Council, the Higher Education Funding Council for Wales, the Department for Education Northern Ireland, the Teacher Training Agency and the Further Education Funding Council for England.

During the year, the Council entered into the following material transactions with the following related parties, to which board members are related parties:

Funding allocations to Thames Valley University, a governor of which is Anthony Booth, a board member.

Funding allocations to University of Surrey, a governor of which is Anthony Booth, a board member.

Funding allocations to the University of Kingston, a governor of which is Mrs Joan Bingley, a board member.

Funding allocations to the University of Oxford, where Professor Marilyn Butler, a board member, is Rector of Exeter College.

Funding allocations to the University of Nottingham, whose head is Professor Sir Colin Campbell, a former board member.

Funding allocations to the University of York, whose head is Professor Ron Cooke, a board member.

Funding allocations to the University of Greenwich, whose head is Dr David Fussey, a board member.

Funding allocations to the University of Sheffield, whose head is Professor Sir Gareth Roberts, a board member.

Funding allocations to St. Martin's College, a governor of which is Ms Barbara Stephens, a board member.

Funding allocations to North East Surrey College of Art & Technology, whose head is Dr John Strickson, a former board member.

Funding allocations to the University of Teesside, whose chairman of governors was Dr Rab Telfer, a former board member.

Funding allocations to Cheltenham and Gloucester College of Higher Education, whose head is Miss Janet Trotter, a former board member.

Funding allocations to Worcester College of Higher Education, whose head is Ms Dorma Urwin, a board member.

The Council has had no material transactions with companies of which Council board members, former board members or directors are or were directors of those companies during the year. Board members, former board members and directors have other relationships through family members who are employees or students at institutions funded by the Council or through membership of governing bodies. These do not give rise to material transactions which need to be disclosed. Details of relationships are held in the Council's register of interests which is available for inspection at the Council's offices in Bristol by appointment.

**HMG grants
receivable**

2

This note deals with Grant-in-Aid receivable from the DfEE (Class IX, Vote 1) during the year.

	1998 £000	1997 £000
Recurrent and Capital Expenditure	3,497,583	3,434,808
Vired from Running Costs	1,270	0
Transferred from the Teacher Training Agency	1,529	0
	<u>3,500,382</u>	<u>3,434,808</u>
Administration Costs	10,817	12,735
Vired to Recurrent Expenditure	(1,270)	0
Transferred to Deferred Grant	(229)	(257)
	<u>9,318</u>	<u>12,478</u>
Access Funds	<u>21,710</u>	<u>21,693</u>
Total Grant-in-Aid	<u>3,531,410</u>	<u>3,468,979</u>

Other Income	3	1998	1997
		£000	£000
Funding from other Sources			
Advisory services provided to the DENI		127	197
Contributions to Council administration costs for joint initiatives:			
SHEFC		45	221
HEFCW		20	92
DENI		0	82
Other studies undertaken on behalf of the DfEE		0	95
Funding receivable from other Councils for joint initiatives:			
SHEFC		2,763	2,688
DENI		544	139
HEFCW		1,267	1,320
		<u>4,766</u>	<u>4,834</u>
Income from Activities			
Conferences		17	15
Publications		65	76
Sub-letting of part of premises		237	177
Miscellaneous		22	45
		<u>341</u>	<u>313</u>
Other Operating Income			
Institution income from property provided from public funds:			
Rents		1	1
Sale of publicly funded assets		8	0
Access funds returned in respect of the academic year to 31 July 1997		98	47
Funds returnable to the DfEE		<u>107</u>	<u>48</u>
Total Other Income		<u>5,214</u>	<u>5,195</u>

Glossary

DENI:	Department of Education, Northern Ireland
SHEFC:	Scottish Higher Education Funding Council
HEFCW:	Higher Education Funding Council for Wales
DfEE:	Department for Education and Employment

Analysis of Recurrent and Capital Grants	4	1998 £000	1997 £000
Recurrent Funding			
Basic Recurrent Grant		3,051,142	2,880,792
Inherited Liabilities		100,799	129,011
London Extra Costs		86,649	88,770
JISC		30,855	30,678
Continuing Education		20,011	20,577
Collaborative Research		10,598	0
ORSAS		8,842	9,258
LAN/MAN		8,451	4,057
Museums, Galleries & Collections		7,701	7,459
Joint Research Initiative		7,662	8,568
Research Libraries		6,268	6,855
Minority Subjects		3,949	3,784
FDTL		3,891	1,604
Pilot Site Licences		3,250	3,234
TLTP		2,482	4,767
RCA Bursaries		2,405	2,373
Quality Assurance Agency		2,369	0
Copyright Libraries		2,350	2,327
Other Special Initiatives		8,730	4,187
Other		1,224	14,128
Less: College Fees		<u>(25,158)</u>	<u>(25,093)</u>
		<u>3,344,470</u>	<u>3,197,336</u>
Capital Funding			
Major Projects		16,064	26,204
Backlog Maintenance		57,399	14,521
Formula Capital		37,644	197,661
Tomlinson		47,082	15,897
		<u>158,189</u>	<u>254,283</u>
Animals (Scientific Procedures) Act		<u>0</u>	<u>1,033</u>
Total Recurrent and Capital grants		3,502,659	3,452,652
Access Funds		<u>21,710</u>	<u>21,693</u>
		<u>3,524,369</u>	<u>3,474,345</u>

The Board Members certify that Government grants have been used by the Council only for approved purposes.

Included in this account are grants to institutions which are subject to verification by the recipients' external auditors that they have been used for their intended purposes. The financial year of institutions ends on 31 July. When this account was prepared, all of the audit opinions for the year ended 31 July 1997 had been received. One account was qualified but this qualification was not connected with the use of Council funds.

Basic recurrent grant –

Annual funding for teaching and research.

Inherited liabilities –

Reimbursement in respect of liabilities inherited by the institutions formerly under the control of local authorities or former colleges of advanced technology, when these were incorporated as independent institutions.

London extra costs –

Contribution toward the additional costs of operating in London.

JISC –

The Council's contribution to the Joint Information Systems Committee to fund sector wide networking and access to datasets.

Continuing Education –

Funding for vocational and non vocational continuing education in former Universities Funding Council funded institutions.

Collaborative Research –

Funding to encourage collaborative research, primarily between former Polytechnics and Colleges Funding Council funded institutions.

ORSAS –

The Council's contribution to the Overseas Research Students Awards Scheme to attract high quality overseas research students to institutions in Britain.

LAN/MAN –

Funding to enable the development of new Metropolitan Area Networks (MAN), the enhancement of existing MANs and the strategic improvement of Local Area Networks (LANs).

Museums, Galleries & Collections –

The Council's contribution towards the costs of operating and maintaining museums, galleries and collections at individual institutions but accessible by all institutions.

Joint Research Initiative –

Funding, in conjunction with the Research Councils, to enable institutions to purchase expensive pieces of research equipment with the help of matched funding from industry.

Research Libraries –

Funding to support the additional costs of certain specialised research collections widely used by researchers throughout the higher education sector.

Minority Subjects –

Additional funding for subjects which are unlikely to attract a ratio of students to staff that could be maintained through basic recurrent grant.

FDTL –

A joint initiative with DENI to stimulate developments in teaching and learning, and to promote the dissemination of good practice.

Pilot Site Licences –

An initiative to establish whether, by working with publishers, it is possible to make academic journals cheaper and more accessible for academic staff and students.

TLTP –

The Council's contribution to the Teaching and Learning Technology Programme to encourage the greater use of Information Technology in teaching and learning.

RCA Bursaries –

Bursaries to students of the Royal College of Art on behalf of the DfEE.

Quality Assurance Agency –

Funding to secure the assessment of the quality of education between 1 October 1997 and 31 March 1998.

Copyright Libraries –

Additional funding for copyright libraries that allow free access to researchers from within the United Kingdom higher education community.

Other Special Initiatives –

Funding provided by the Council for specific academic activities funded outside the formulae funding for teaching and research.

Other –

Other funding for teaching and research not included in the formula allocations or detailed above.

Major Projects –

Funding for specific building projects.

Backlog Maintenance –

Funding to assist institutions in restoring their building stock to a sound condition subject to routine maintenance.

Formula Capital –

Annual funding for capital purposes. This type of funding ceased on 31 July 1997, when the funds were transferred to basic recurrent grant.

Tomlinson –

Funding towards the cost of the reorganisation of medical education and research in London.

**Salaries and
Wages**

5(a) Board members' emoluments & expenses

The Board consists of up to 15 members, including the Chairman and Chief Executive of the Council. With the exception of the Chief Executive, members are appointed for a term of two or three years by the Secretary of State for Education and Employment. The Chief Executive is appointed by the other members of the Board with the approval of the Secretary of State. Non Executive Board members are eligible to receive an annual honorarium. The Chairman's total emolument consists of a salary.

The Chief Executive, Brian Fender CMG, was appointed on 1 October 1995. In common with all Council staff, the Chief Executive of the Council is a member of the Principal Civil Service Pension Scheme. The amount of the Chief Executive's bonus is decided by the Remuneration Committee, who review performance against an annual Personal Responsibility Plan agreed by the Chairman.

The bonus is also approved by the Secretary of State. The contracts of both the Chairman and the Chief Executive expire on 30 September 2000.

	1998 £000	1997 £000
Non Executive Honoraria	42	44

	Number	Number
The number of Board members in receipt of honoraria	18	12

Each honorarium was in the range £0 – £4,999 and no member received pension contributions. During the year, two members waived their rights to an honorarium totalling £7,000.

	£000	£000
Emoluments of the Chairman:		
Brandon Gough – to 31 July 1997	13	37
Anthony Booth – 1 August 1997 to 1 October 1997	10	0
Sir Michael Checkland – from 2 October 1997	19	0
	<u>42</u>	<u>37</u>

Emoluments of the Chief Executive:		
Salary (including pension contributions)	113	110
Bonus	6	4
Reimbursement of additional travel cost	7	3
	<u>126</u>	<u>117</u>

	1998 Number	1997 Number
--	----------------	----------------

5(b) Senior employees (including seconded staff)

The number of senior employees, (excluding the Chief Executive shown above), who received emoluments during the year in excess of £40,000 are detailed below.

£40,000 to £49,999 per annum	8	10
£50,000 to £59,999 per annum	3	1
£60,000 to £69,999 per annum	2	1

		£000	£000
5(c)	Staff Costs		
	Staff Salaries	3,922	4,196
	Staff Social Security	335	345
	Staff Pension costs	571	589
	Temporary Staff costs	231	202
		<u>5,059</u>	<u>5,332</u>
		Number	Number
	The average number of staff employed during the year to 31 March, excluding the Chief Executive, was:		
	Management staff	120	133
	Support staff	66	69
Other administration	6	1998	1997
		£000	£000
	Council Members honoraria and associated travel and subsistence costs	50	53
	Committee members, advisors and quality assessment inspectors fees and associated travel and subsistence costs	711	3,390
	General administrative payments	432	517
	Telephone & Postage	249	287
	Recruitment & training	323	316
	Travel & Subsistence for Staff	588	586
	Publications, printing, publicity	300	372
	Hospitality	10	5
	Premises	1,862	1,831
	Audit fee	29	29
	Consultancy fees	304	457
	Relocation expenditure	7	1
	Adjustment re Revaluation of Assets	11	10
		<u>4,876</u>	<u>7,854</u>
	Included above are:		
	Quality assessment division costs		
	Administrative payments – included above	674	2,507
	Staff Costs – included in note 5c	473	978
	Total Direct Costs	<u>1,147</u>	<u>3,485</u>
	Research assessment division costs		
	Administrative payments – included above	16	1,342
	Staff Costs – included in note 5c	14	124
	Total Direct Costs	<u>30</u>	<u>1,466</u>
	Annual commitments under operating leases are as follows:		
	a – Land & Buildings Leases expiring within:		
	One year	0	0
	Two to five years	263	263
	More than five years	947	947
		<u>1,210</u>	<u>1,210</u>

	1998	1997
	£000	£000
b - Others		
Leases expiring within:		
One year	39	0
Two to five years	0	36
More than five years	0	0
	<u>39</u>	<u>36</u>

Tangible fixed assets

7

	Land & Buildings £000	Furniture & Office Equipment £000	Computers £000	Motor Vehicles £000	Total £000
Cost or Valuation					
At 1 April 1997	10	610	1,429	12	2,061
Additions	0	3	226	0	229
Disposals	0	-74	-271	0	-345
Revaluation in the year	0	1	-16	0	-15
At 31 March 1998	<u>10</u>	<u>540</u>	<u>1,368</u>	<u>12</u>	<u>1,930</u>
Depreciation					
At 1 April 1997	4	547	1,190	10	1,751
Provision for the year					
Historic	1	51	245	2	299
Additional	0	0	-5	0	-5
Disposals	0	-74	-271	0	-345
At 31 March 1998	<u>5</u>	<u>524</u>	<u>1,159</u>	<u>12</u>	<u>1,700</u>
Net Book Value					
At 31 March 1998	<u>5</u>	<u>16</u>	<u>209</u>	<u>0</u>	<u>230</u>
At 31 March 1997	<u>6</u>	<u>63</u>	<u>239</u>	<u>2</u>	<u>310</u>

Debtors

8a

	1998	1997
	£000	£000
Contributions due from other Councils for		
Administrative costs and joint ventures	4,033	3,162
Teacher Training Agency	1,529	0
Trade Debtors	30	71
Prepayments	265	243
	<u>5,857</u>	<u>3,476</u>

8b

	Staff £000	Lancaster University £000	Total £000
Balances as at 1 April 1997	42	53	95
Advances during the year	1	0	1
Repayments during the year	(15)	(53)	(68)
Balances as at 31 March 1998	<u>28</u>	<u>0</u>	<u>28</u>

None of the above loans are interest bearing and the Council has accepted responsibility for recovery.

Balances at 31 March repayable within:	1998	1997
	£000	£000
One year	9	68
Two to five years	19	24
More than five years	0	3
	<u>28</u>	<u>95</u>

As at 31 March 1997 and 31 March 1998, 5 members of staff had loans outstanding in excess of £2,500. The total value of these loans was £27,323 (1997: £35,084).

The Council's Financial Memorandum with institutions delegates to institutions decisions on using assets, which were totally or partially funded using Exchequer funds, as security for borrowing, but requires them to notify the Council when they do this. During 1997-98 institutions used Exchequer funded assets valued at £14.084 million (1996-97 £132.16 million) as partial security against loans totalling £15 million. In the unlikely event of loans not being repaid, the lenders will have a preferential charge on the assets, in advance of the Exchequer.

Details of Balances at year end 9

	1998	1997
	£000	£000
Cash held at the Bank of England:		
– in respect of running costs	190	247
– in respect of programme funds	41,872	41,751
Cash held at other banks and in hand:		
– for Running Costs	1	8
– in respect of Programme Grants for which the Council has earmarked funds for specific initiatives	0	226
– other funds held for the JISC European Networking Group	47	25
	<u>42,110</u>	<u>42,257</u>

The main bank accounts of the Council are held at the Bank of England in an Office of HM Paymaster General account and in consequence any interest is retained to the benefit of the Exchequer.

The DfEE authorises a working balance at 31 March of two per cent of the total funds available for distribution in the financial year. The figures above are within the margin as follows:

	1998		1997	
	Running Costs	Programme Funds	Running Costs	Programme Funds
	£000	£000	£000	£000
Grant received	9,547	3,498,853	12,735	3,456,501
2% thereof	191	69,977	255	69,130
Balances as above	191	41,872	255	41,977

Creditors:	10		1998	1997
Amounts falling due within one year			£000	£000
		Trade creditors	9	108
		Other creditors	56	26
		Taxation and social security	5	(1)
		Accruals	488	484
			<u>558</u>	<u>617</u>

Financial Commitments and contingent liabilities as at end of period	11	Recurrent expenditure for institutions is approved by the HEFCE Board on an academic year basis – 1 August to 31 July. There were no contingent liabilities.	1998	1997
			£000	£000
		The amount of grant committed for the period April to July is	1,054,655	1,014,768
		Support offered and payable for specific projects undertaken by institutions	12,473	42,954
		Support offered and payable for specific major works:		
		– due within one year	0	17,500
		– due within two to five years	0	0
		– due after five years	0	0

Deferred Government Grant	12		1998	1997
			£000	£000
		Balances at 1 April 1997	319	461
		Allocated from Grant-in-Aid	229	257
		Released for the year	(299)	(396)
		Realised on disposal	0	(3)
		Balances at 31 March 1998	<u>249</u>	<u>319</u>

Deferred capital grant represents funding used to finance the purchase of fixed assets.

Reconciliation in Movement of Government Funds	13	Year to 31 March 1998			Year to 31 March 1997		
		Total	Programme Grant	Running Costs	Total	Programme Grant	Running Costs
		£000	£000	£000	£000	£000	£000
Balances as at 1 April		45,190	44,591	599	58,598	58,192	406
Surplus/(Deficit) for the year		2,226	2,297	(71)	(13,408)	(13,601)	193
Balances as at 31 March		<u>47,416</u>	<u>46,888</u>	<u>528</u>	<u>45 190</u>	<u>44 591</u>	<u>599</u>

Notional costs **14** Guidance given by the Treasury in respect of NDPBs Annual Reports and Accounts, (published in March 1996), requires NDPBs to disclose the full cost of their activities in their accounts. The Council has therefore included in its accounts charges for the notional cost of capital. In 1996-97 the notional cost of insurance premiums was also included.

Cost of capital:

The cost of capital employed has been arrived at by calculating a rate of 6% to the average capital employed (defined as a simple average of total assets less current liabilities at 31 March 1997 and 31 March 1998) by the Council during 1997-98.

Insurance:

The notional cost of insurance in 1996-97 was calculated in accordance with guidance received from the Treasury and rates recommended by them. The total cost for 1996-97 was £11,130. For 1997-98 Treasury guidance recommends that the Council follow the treatment for provisions described in Financial Reporting Exposure Draft 14. Therefore no further provision is required for 1997-98, and the provision brought forward at 1 April 1997 has been released to the Income & Expenditure Account.

**Revaluation
reserve**

15

	1998	1997
	£000	£000
Balance at 1 April	1	0
Indexation of Fixed Assets	1	25
Revaluation Adjustment	0	(24)
Balance at 31 March	<u>2</u>	<u>1</u>

Appendix 1

Accounts Direction given by the Secretary of State for Education and Employment: in respect of Accounts from 1 April 1997

The Secretary of State for Education and Employment with the approval of the Treasury, in accordance with the Further and Higher Education Act 1992 (paragraph 16(1) of Schedule 1) and the Financial Memorandum between the Department for Education and Employment and the Higher Education Funding Council for England gives the following Accounts Direction. The Direction applies both to the HEFCE and the HEFCE Group (defined below).

- 1 “The HEFCE Group” (the Group) includes the HEFCE and any subsidiary undertakings. “Subsidiary Undertakings” are as defined in the Companies Act and amplified by Financial Reporting Standard (FRS)2.
- 2 The accounts shall be entitled overall as “Consolidated financial statements of the Higher Education Funding Council for England”.
- 3 The financial statements which it is the duty of the HEFCE to prepare in respect of the period from 1 April 1997 to 31 March 1998 and thereafter on an annual basis (with comparatives) shall comprise and be ordered as follows:
 - a. the Board Members’ Responsibility Statement (1);
 - b. Accounting Officer’s Statement on Internal Financial Control;
 - c. the audit report;
 - d. a foreword in respect of the Group and entitled “Group Foreword”;
 - e. a statement of performance targets and results for the Group; and
 - f. in respect of the HEFCE and the Group using a side by side presentation;
 - i. an income and expenditure account;
 - ii. a balance sheet;
 - iii. a cash flow statement using the direct method (2) according to FRS1; and
 - iv. if there are any changes in net assets that have not been reflected in the income and expenditure account, a statement of total recognised gains and losses according to FRS3.

For i) to iv) above, such notes should be included as may be necessary to comply with paragraph 4 below.

-
1. In accordance with Auditing Standard 600 (SAS 600).
 2. Under the direct method operating receipts and payments are separately disclosed.

- 4 The HEFCE shall observe all relevant guidance given in "Government Accounting" and in "Executive NDPBs: Annual Reports and Accounts guidance" as amended or augmented from time to time.
- 5 The accounts shall be produced under the historical cost basis of accounting (modified by any revaluations) to give a true and fair view of the surplus or deficit, state of affairs, recognised gains and losses and cash flow of the HEFCE and the Group. Subject to the foregoing requirement, the annual accounts shall also without limiting the information given and save as prescribed in Schedule 1 to this Direction meet:
 - a. the accounting and disclosure requirements of the Companies Act;
 - b. Generally Accepted Accounting Practice in the United Kingdom (UK GAAP) with the exception of the requirement contained in FRS3 for the inclusion of a note showing historical cost profits and losses;
 - c. any disclosure and accounting requirements which the Treasury may issue from time to time in respect of financial statements which are required to give a true and fair view; and
 - d. any additional disclosure requirements contained in "The Fees and Charges Guide".
- 6 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a. fixed assets at their value to the business by reference to current costs; and
 - b. stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 7 The HEFCE shall follow the guidance issued by the Treasury in March 1996 requiring NDPBs to disclose in their accounts the full costs of their activities. Accordingly, the accounts shall include notional charges to reflect the cost of interest on capital employed. The notional cost shall be reversed before calculation of the carried forward balance on the Income and Expenditure account. A notional premium shall also be included in respect of the uninsured risks consequent on the Government's non-insurance policy.
- 8 The accounts of the HEFCE and the HEFCE Group shall also include information set out in Schedule 2 to this Direction.
- 9 This direction shall be reproduced as an appendix to the accounts.

Signed by authority of the Secretary of State

Imogen Wilde

Divisional Manager, Higher Education Funding Division,
Department for Education and Employment

3 February 1998

Schedule 1

- 1 This schedule relates to the HEFCE and the Group.
- 2 The disclosure exemptions permitted by the Companies Acts will not apply unless specifically authorised by the Secretary of State.
- 3 The income and expenditure accounts and the balance sheets, shall respectively follow format 2 and format 1 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are relevant. Regard should be had to the need to strike the balance sheet totals at "Total Assets less Current Liabilities".
- 4 The financial statements should be compiled on a gross basis consistent with the overriding requirement to show a true and fair view. The primary financial statements should be drawn to the nearest £'000.
- 5 All the disclosure requirements set out in this Direction must be complied with except where nil values arise for both the current accounting period and the comparative value.
- 6 The foreword and balance sheet should be signed and dated by the HEFCE Accounting Officer.

Schedule 2

- 1 The foreword as a minimum shall contain the relevant information required by the Companies Act 1985 to be disclosed in the Director's report. Additionally it should:
 - a. describe the statutory authority for the accounts and include a brief history of the body and its statutory background together with the names of the Board members who served from the start of the financial accounting period until the accounts are approved by the Board;
 - b. include a reference to the financial statements being prepared in accordance with a direction given by the Secretary of State with the approval of The Treasury, in pursuance of paragraph 16(1) of Schedule 1 of the Further and Higher Education Act 1 992; and
 - c. be elaborated with such additional information as the Council may consider to be useful to the readers of the financial statements.
- 2 The notes to the accounts shall include details of the key corporate targets agreed with the Secretary of State together with the performance achieved.

- 3** The Income and Expenditure account or notes for HEFCE and the Group shall show where relevant, inter alia:
- a. Under "Income":
 - i. Total grant-in-aid from the Department for Education and Employment (DfEE) (see further 6(a));
 - ii. Total earmarked grants from DfEE (see further 6(a));
 - iii. Grants from other departments and exchequer bodies, eg for advice given to the Department for Education Northern Ireland (DENI);
 - iv. income from activities, such as receipts from the sale of occasional publications;
 - v. transfer from deferred grant account in respect of the utilisation of grant in-aid for capital;
 - vi. expenditure in the year under review; and
 - vii. other operating income.
 - b. Under "Expenditure":
 - i. grants paid to institutions measured on an accruals basis (see further 6(c));
 - ii. grants paid to subsidiary undertakings measured on an accruals basis (in the case only of HEFCE); and
 - iii. administration costs analysed on the face of, or in the notes to, the accounts (see 6 (g) below).
- 4** The Balance Sheet for the Group and the HEFCE shall show where relevant, inter alia:
- a. Tangible fixed assets: the HEFCE in consultation with the DfEE shall determine a de-minimis value for capitalising fixed assets in the balance sheet which for the time being should be no higher than £2,500.
- 5** The cash flow statement drawn on the direct method for the Group and the HEFCE shall disclose inter alia:
- a. Grants received from DfEE (see further note 6(a) below);
 - b. Grants paid to institutions (see further note 6(a) below); and
 - c. Grants paid to subsidiary undertakings (HEFCE only).
- 6** The notes to the annual financial statements shall disclose:
- a. By way of note to the cash flow statement a schedule of total grants paid to the institutions shown by type of grant matched against grants paid to the Council by the DfEE. The note shall also disclose under or overspends according to the types of grant and in total. Examples of the types of grants dealt with by this heading are: recurrent expenditure of institutions (HEIs and FEIs disclosed separately), Access Grants and RCA bursaries;
 - b. The working cash balance at the year end compared to the amount authorised by DfEE, divided between programme and running costs;
 - c. A reconciliation statement between 6(a) and 6(b) above and the grants income and grant expenditure disclosed in the income and expenditure account;

- d. Amounts of receipts from institutions in respect of Exchequer funded assets sold by them and repaid to the Consolidated Fund through the DfEE;
- e. Amounts of gross interest receivable together with amounts surrendered to the DfEE;
- f. Amounts of any other income received, together with amounts surrendered to the DfEE;
- g. Administration costs analysed by pay and non-pay costs by main types of expenditure;
- h. Details of staff costs including the average number of employees, the chairman's and chief executive's remuneration, the number of Council members (excluding the chairman and chief executive) and their total remuneration and the number of employees whose remuneration exceeds £40,000 a year analysed in £10,000 bands;
- i. An analysis of full cost expenditure of the main activities which the Council is undertaking in accordance with its operational plan;
- j. A note that Board members confirm that Government grants received have been used only for approved purposes; and
- k. A note on Related Party Transactions.

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