

FURTHER AND HIGHER EDUCATION ACT 1992

**Accounts**, prepared pursuant to paragraph 16(1) of Schedule 1 to the Further and Higher Education Act 1992, of the Further and Higher Education Funding Councils for Wales for the period ended 31 March 1997, together with the reports of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 630 of 1995-96.)

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

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# **Further and Higher Education Funding Councils for Wales Accounts 1996-97**

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 14 JULY 1997

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# Further Education Funding Council for Wales

## Foreword

**History of the Council and background information**

**1** The Further Education Funding Council for Wales (FEFCW) was established under the Further and Higher Education Act 1992. The Council is a Non-Departmental Public Body which came into existence on 6 May 1992.

These accounts have been prepared in accordance with the direction made by the Secretary of State for Wales, with the consent of the 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 is attached to these accounts.

The accounts are prepared in accordance with the requirements of the Companies Acts and Accounting Standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate.

**Review of activities and developments**

**2** The surplus for the year was £1.153 million which, after an adjustment for a notional charge for the cost of capital, resulted in cumulative retained reserves of £2.687 million. The Council's activities are planned in order 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 Office. Expenditure on fixed assets amounted to £0.096 million in the year.

These statements cover the fourth reporting period of the Council and reflect the continuing development of the Council's systems and policies. More detailed descriptions and explanations will be included in the Annual Report.

**The responsibilities of the Further Education Funding Council for Wales**

**3** The Further Education Funding Council for Wales (FEFCW) is responsible for securing the provision of further education and the administration of funds made available by the Secretary of State for Wales and others, and, in so doing, is required to secure a high quality, cost-effective further education system which plays its part in meeting the social and economic needs of Wales.

**The Council's aims**

- 4** The Council's aims in discharging these responsibilities are:
- (i) to secure the provision of sufficient and adequate full and part-time further education in Wales;
  - (ii) to contribute to the development of a skilled and well-qualified workforce;
  - (iii) to promote continuous improvement in the quality of further education;
  - (iv) to encourage the widening of access to further education and equality of opportunity for all individuals who could benefit from it;
  - (v) to ensure the development of provision for Welsh medium further education and Welsh for adults;

- (vi) to ensure the provision of opportunities for students to progress within further education and between further and higher education;
- (vii) to secure value for money for the funds employed by the Council;
- (viii) to ensure that the achievements, contribution and potential of the FE sector and its financial needs are effectively represented.

A more detailed description and explanation of the aims and priorities of the Council will be contained in the Annual Report.

<b>Employee involvement</b>	5	<p>Regular staff meetings and seminars ensure good internal communications and provide opportunities for staff to contribute to the workings of the Council. A Staff Forum, through which representatives can raise issues of concern to staff, meets on a regular basis.</p> <p>The Council's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from the disabled where they have the appropriate skills and abilities to perform the job. If disablement should occur during employment the Council would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.</p>																		
<b>CBI prompt payment code</b>	6	<p>The Council is fully committed to the prompt payment of its suppliers' bills and supports the Confederation of British Industry's Prompt Payment Code. An analysis of the Council's 1996-97 payment performance indicated that over 95% of invoices were paid in accordance with agreed contractual conditions, or where no condition existed, within 30 days of the presentation of a valid invoice.</p>																		
<b>Auditors</b>	7	<p>The accounts of the Council are audited by the Comptroller and Auditor General as required by paragraph 16(1) of schedule 1 to the Further and Higher Education Act 1992.</p>																		
<b>Council membership</b>	8	<p>The following persons served as Council members during the reporting year:</p> <p><i>Chairman</i></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;">Richard Webster</td> <td style="width: 10%; text-align: center;">-</td> <td style="width: 50%;">Director, Midcast Engineering (Wales) Limited</td> </tr> </table> <p><i>Members</i></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;">Professor John Andrews</td> <td style="width: 10%; text-align: center;">-</td> <td style="width: 50%;">Chief Executive</td> </tr> <tr> <td>Stephen Dunster</td> <td style="text-align: center;">-</td> <td>Head of Finance, Welsh Local Government Association</td> </tr> <tr> <td>Shaun Dyke</td> <td style="text-align: center;">-</td> <td>Former Director and General Manager, British Aerospace Airbus Ltd, Broughton</td> </tr> <tr> <td>Osborn Jones</td> <td style="text-align: center;">-</td> <td>Chief Executive, Snowdonia BIC, Bangor</td> </tr> <tr> <td>Caroline Lewis</td> <td style="text-align: center;">-</td> <td>Deputy Principal of Coleg Menai and member of the Curriculum and Assessment Authority for Wales (ACAC)</td> </tr> </table>	Richard Webster	-	Director, Midcast Engineering (Wales) Limited	Professor John Andrews	-	Chief Executive	Stephen Dunster	-	Head of Finance, Welsh Local Government Association	Shaun Dyke	-	Former Director and General Manager, British Aerospace Airbus Ltd, Broughton	Osborn Jones	-	Chief Executive, Snowdonia BIC, Bangor	Caroline Lewis	-	Deputy Principal of Coleg Menai and member of the Curriculum and Assessment Authority for Wales (ACAC)
Richard Webster	-	Director, Midcast Engineering (Wales) Limited																		
Professor John Andrews	-	Chief Executive																		
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Osborn Jones	-	Chief Executive, Snowdonia BIC, Bangor																		
Caroline Lewis	-	Deputy Principal of Coleg Menai and member of the Curriculum and Assessment Authority for Wales (ACAC)																		

Idris Price	-	Managing Director, E and L Instruments Ltd, Wrexham
Ken Thomas	-	Former member of Her Majesty's Inspectorate of Schools
Grant Walshe	-	Former South Wales Regional Director, Barclays Bank Plc
Trevor Wilmore	-	Chief Executive of Barry College and member of South Glamorgan TEC

*Assessor appointed by Secretary of State*

Steve Martin	-	Under Secretary for Education, Welsh Office
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*Professor John Andrews*  
Chief Executive

2 July 1997

## **Statement of Council's and Chief Executive's responsibilities**

Under paragraph 16(2) of schedule 1 to the Further and Higher Education Act 1992, the Further Education Funding Council for Wales 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, with the consent of the Treasury. The accounts are prepared on an accruals basis 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 financial statements the Council is required to:

- observe the accounts direction issued by the Secretary of State, 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 any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer of the Welsh Office has designated the Chief Executive of the Further Education Funding Council for Wales as the Accounting Officer. His relevant responsibilities as Accounting Officer, including the responsibility 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.

# 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 6 to 22 under the Further and Higher Education Act 1992. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

## Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 4 the Council and the Chief Executive are responsible for the preparation of 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 to 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 assessment of the significant estimates and judgements made by the Council and 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 the financial transactions conform to the authorities which govern them. In forming my opinion I have 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 Further Education Funding Council for Wales at 31 March 1997 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 directions made thereunder by the Secretary of State for Wales;
- 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  
11 July 1997

National Audit Office  
23/24 Park Place  
Cardiff CF1 3BA

## Further Education Funding Council for Wales Income and Expenditure Account for the year ended 31 March 1997

		1997	1996
	Note	£'000	As restated £'000
<b>Gross income</b>			
Grant in aid	2	179,986	178,401
Release of deferred government grant	2	135	148
Operating income	3	2	4
Other income	4	426	393
<b>Total income</b>		<u>180,549</u>	<u>178,946</u>
<b>Expenditure</b>			
Funding of further education:			
Recurrent expenditure	5	159,102	157,029
Major capital work	5	3,646	5,370
Minor capital/estates development work	5	11,478	10,825
Purchase of equipment	5	2,199	4,952
Other purposes		426	393
		<u>176,851</u>	<u>178,569</u>
Council expenditure:			
Administration costs	7	1,105	1,056
Staff costs	8	1,163	1,080
Depreciation	11	133	142
Notional charges			
- insurance	9	5	4
- cost of capital	9	136	158
		<u>2,542</u>	<u>2,440</u>
<b>Total expenditure</b>		<u>179,393</u>	<u>181,009</u>
<b>Surplus/(deficit) on operating activities</b>		<b>1,156</b>	<b>(2,063)</b>
(Deficit) on sales of fixed assets		(1)	-
Interest receivable		<u>154</u>	<u>178</u>
<b>Surplus/(deficit) for the financial year</b>		<b>1,309</b>	<b>(1,885)</b>
Appropriations	10	<u>(156)</u>	<u>(182)</u>
<b>Surplus/(deficit) for the year transferred to reserves</b>		<u><b>1,153</b></u>	<u><b>(2,067)</b></u>



**Movements on Reserves**

	<b>1997</b>	1996
	<b>£'000</b>	As restated £'000
<b>Retained surplus brought forward</b>	<b>1,398</b>	3,307
Surplus/(deficit)for the year	1,153	(2,067)
Adjustment for notional charge (cost of capital)	<u>136</u>	<u>158</u>
<b>Retained surplus carried forward</b>	<b><u>2,687</u></b>	<b><u>1,398</u></b>

All activities are continuing.

*The notes on pages 11 to 22 form part of these accounts.*

## Further Education Funding Council for Wales Balance Sheet as at 31 March 1997

			1997	1996
	Note	£'000	£'000	As restated £'000
<b>Fixed assets</b>				
Tangible fixed assets	11		191	<u>230</u>
<b>Current assets</b>				
Debtors	12	143		72
Short term investments	13	2,369		937
Cash at bank and in hand		<u>352</u>		<u>531</u>
		2,864		1,540
<b>Creditors</b>				
Amount falling due within one year	14	<u>(168)</u>		<u>(138)</u>
<b>Net current assets</b>			<u>2,696</u>	<u>1,402</u>
<b>Total assets less current liabilities</b>			<u>2,887</u>	<u>1,632</u>
<b>Financed by:</b>				
<b>Provisions for liabilities and charges</b>				
Insurance	15		9	<u>4</u>
<b>Accruals and deferred income</b>				
Deferred government grant	2	191		230
<b>Capital and reserves</b>				
Income and expenditure account		<u>2,687</u>		<u>1,398</u>
<b>Total Government funds</b>	16		<u>2,878</u>	<u>1,628</u>
			<u>2,887</u>	<u>1,632</u>

*The notes on pages 11 to 22 form part of these accounts.*

Signed on behalf of the Council  
*Professor John Andrews*  
 Chief Executive

2 July 1997

## Further Education Funding Council for Wales Statement of Total Recognised Gains and Losses

	Note	1997 £'000	1996 As restated £'000
Surplus/(deficit) for the financial year		1,153	(2,067)
Adjustment for notional charge			
- cost of capital	9	<u>136</u>	<u>158</u>
<b>Total recognised gains and losses relating to the year</b>		<b>1,289</b>	<b><u>(1,909)</u></b>
Prior year adjustment	23	<u>(4)</u>	
<b>Total gains and losses recognised since last annual report</b>		<b><u>1,285</u></b>	

*The notes on pages 11 to 22 form part of these accounts.*

## Further Education Funding Council for Wales Cash Flow Statement for the year ended 31 March 1997

	Note	1997 £'000	1996 As restated £'000
<b>Net cash inflow/(outflow) from operating activities</b>	24	1,263	(1,847)
<b>Returns on investments and servicing of finance</b>			
Interest received		153	178
Interest paid to the Welsh Office		(153)	(178)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(106)	(60)
Receipts from sale of tangible fixed assets		-	5
<b>Management of liquid resources</b>			
Cash (withdrawn from)/added to short term investments	13	<u>(1,432)</u>	<u>1,976</u>
<b>Net cash (outflow)/inflow before financing</b>		(275)	74
<b>Financing</b>			
Deferred government grants		<u>96</u>	<u>62</u>
<b>(Decrease)/increase in cash</b>	25	<u>(179)</u>	<u>136</u>

*The notes on pages 11 to 22 form part of these accounts.*

# Further Education Funding Council for Wales

## Notes to the Accounts

### Accounting policies 1

#### **Basis of accounting**

These accounts are prepared in accordance with a direction by the Secretary of State for Wales, 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 are prepared under the historical cost convention and in accordance with the requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate. Fixed assets are valued at historic cost less depreciation and have not been revalued as, in the opinion of the Council, such adjustment would not be material.

#### **Grant in Aid**

Grant in aid is received from the Welsh Office for operating expenditure and capital expenditure. Where grant in aid has been used for the purchase of tangible fixed assets, the grant is treated as deferred income which is credited to the income and expenditure account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

#### **Joint costs**

The structure of the Welsh Funding Councils' Executive has been deliberately planned to take into account that, whilst it is necessary to have the common provision of professional services, the Executive is servicing two separate Councils, each of which is developing its own independent policies and fulfilling its individual responsibilities.

There are therefore two operational divisions, one working to the Further Education Funding Council for Wales and the other to the Higher Education Funding Council for Wales. The other areas of the Executive have common responsibilities. These consist of the Chief Executive's Office, Finance and Common Services Division and Quality Assessment Division.

Wherever possible the costs of those Divisions with joint responsibilities are allocated directly to the financial statements of the relevant Council. However, there are joint costs that cannot reasonably be allocated directly to the two Councils and following an annual internal review, these costs are apportioned on the basis of two thirds to Further Education and one third to Higher Education.

#### **Notional charges**

##### *Insurance:*

As a government sponsored body, the Further Education Funding Council for Wales does not generally insure. To ensure that the accounts reflect the full cost of activities, the Secretary of State for Wales has directed that a notional insurance

premium in respect of any uninsured risk is to be included in the Income and Expenditure account.

*Cost of Capital:*

As directed by the Secretary of State for Wales, a notional capital charge reflecting the cost of capital employed is included in operating costs and calculated at 6% of capital employed.

These changes were introduced with effect from 1996-97 and the 1995-96 comparative figures have been restated accordingly.

**Pension costs**

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. Contributions have been paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For 1996-97 these rates are between 11% and 19.5% for permanent staff, depending on the grade. The 1995-96 rates were also between 11% and 19.5%.

**Tangible fixed assets**

Equipment costing more than £1,000 (either individually or in the combined purchase of similar items) is capitalised.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Computers and printers	-	3 years
Electrical equipment	-	5 years
Fixtures and fittings	-	5 years

**Reconciliation of grant in aid**      **2**

The following note reconciles the cash amounts received from the Welsh Office as grant in aid for the year with the financial statements.

(a) Grant in aid received from Welsh Office:

	Class	Vote	1997 £'000	1996 £'000
Grant in aid received	XIV	2	180,082	178,463
Less amounts used for capital expenditure			(96)	(62)
Grant in aid per income and expenditure account			<u>179,986</u>	<u>178,401</u>

(b) Deferred grant in aid

	£'000	£'000
Balance as at 1 April	230	316
Capital grants received in year	96	62
Less amounts released to income and expenditure account	(135)	(148)
Balance as at 31 March	<u>191</u>	<u>230</u>

<b>Operating income</b>	<b>3</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Subscriptions to Welsh Funding Councils mailing list	2	3
		Other	-	1
			<u>2</u>	<u>4</u>

<b>Other income</b>	<b>4</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Access funds	426	393
			<u>426</u>	<u>393</u>

<b>Funding of further education</b>	<b>5</b>		<b>1997</b>		<b>1996</b>	
			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
			<b>Recurrent</b>	<b>Capital</b>	<b>Recurrent</b>	<b>Capital</b>
		<b>Further education institutions:</b>	<b>grant</b>	<b>grant</b>	<b>grant</b>	<b>grant</b>
		Aberdare College	2,025	198	1,785	255
		Afan College	2,842	511	2,985	385
		Barry College	5,743	413	6,038	447
		Bridgend College	6,359	389	5,927	492
		Carmarthenshire College of Technology & Art	9,083	1,388	8,696	3,241
		Coleg Ceredigion	2,513	281	2,592	551
		Deeside College	5,530	1,229	5,495	608
		Coleg Glan Hafren	9,143	463	9,531	719
		Gorseinon College	3,965	397	4,047	377
		Gwent Tertiary College	24,059	2,216	24,372	2,131
		Coleg Harlech	1,161	298	1,359	266
		Coleg Llandrillo	9,550	775	8,781	1,252
		Coleg Llysfasi	1,506	200	1,296	603
		Coleg Meirion-Dwyfor	3,907	279	3,647	729
		Coleg Menai	7,524	984	7,256	1,042
		Merthyr Tydfil College	2,725	297	2,779	454
		Neath College	7,621	576	6,754	644
		Pembrokeshire College	5,795	313	5,428	417
		Pencoed College	1,350	136	1,321	193
		Pontypridd College*	7,777	459	6,657	502
		Coleg Powys	4,920	582	4,962	1,694
		Rhondda College*	569	-	1,740	130
		St David's 6th Form College	2,034	156	2,072	240
		Swansea College	8,528	536	8,674	725
		Welsh College of Horticulture	1,551	229	1,595	266
		Workers' Education Association, North Wales	280	6	281	10
		Workers' Education Association, South Wales	851	10	724	17
		Yale College	8,795	3,536	8,969	2,419
		National Council of YMCAs of Wales	112	1	82	2
		Ystrad Mynach College	3,985	293	3,913	336

\*On 1 September 1995 these institutions merged and became Pontypridd College

	1997		1996	
	£'000 Recurrent grant	£'000 Capital grant	£'000 Recurrent grant	£'000 Capital grant
<b>Other organisations:</b>				
Curriculum and Assessment Authority for Wales	50	-	-	-
Further Education Development Agency	340	-	300	-
Fforwm	10	-	-	-
National Council for Vocational Qualifications	100	-	-	-
United Kingdom Education and Research Networking Association	347	-	-	-
Welsh Joint Education Committee	50	-	60	-
Various Institutions in receipt of payments for SLDD	2,432	-	2,632	-
Payments to County Councils in respect of Excepted Loan Liabilities	230	-	238	-
<b>Higher education institutions:</b>				
University of Wales, Aberystwyth	403	17	253	-
- Welsh Institute of Rural Studies	87	-	280	-
University College of North Wales Bangor	407	21	425	-
University of Wales, Cardiff	262	11	269	-
University of Wales Institute, Cardiff	943	53	1,208	-
University of Wales College, Newport	670	30	722	-
North East Wales Institute	11	-	8	-
Swansea Institute of Higher Education	545	24	530	-
University of Wales Swansea	195	8	212	-
Trinity College Carmarthen	37	2	38	-
Welsh College of Music and Drama	14	-	(20)	-
University of Glamorgan	166	6	116	-
<b>Total</b>	<b>159,102</b>	<b>17,323</b>	<b>157,029</b>	<b>21,147</b>
<b>Analysis of capital grants:</b>				
Major capital work		3,646		5,370
Minor capital/estates development work		11,478		10,825
Purchase of equipment		2,199		4,952
		<b>17,323</b>		<b>21,147</b>



**Grants to institutions**

- 6(i)** Included in these accounts are grants to institutions which are subject to audit by the recipients' external auditors that they have been used for their intended purposes. The financial year of further education institutions ends on 31 July and audited accounts are expected to be received by the Council by 31 December. A review by the Council staff of institutions' 1995/96 financial statements disclosed that the external auditors had considered that grants had been used for their intended purposes and no adjustments to grants were necessary. Additionally the audit of student numbers carried out in the summer of 1996 did not lead to any material adjustments. Any adjustments arising from the audit of institutions' 1996/97 accounts and student numbers will be made by the Council in future financial years.
- (ii)** Note 17 (ii) to the 1995/96 accounts explained that in certain circumstances the funding of full time provision for 16-18 year olds on school premises would be outside Council's powers to fund. It was noted that in the academic year 1995/96 four institutions had provision of this nature costing an estimated £620,000 and that the Council intended to discuss the position with the Welsh Office and report the action taken in the 1996/97 accounts.

The Council's investigations, in the light of more detailed legal advice, have shown that the provision being made by one college in association with 11-18 schools was in order since the students were adults and a second college's provision terminated before the summer term 1996. However, investigations have also shown that provision in partnership with such schools by three of the colleges continued into the summer term 1996 and involved some £190,000 of expenditure outside the scope of the legislation which is charged to the Funding Council's 1996/97 accounts. In response to these findings, the following actions have been taken:

- a) The Welsh Office have taken over the funding of 16-18 provision and there is therefore no question of the Council continuing to fund outside its powers.
- b) The Council has given clear guidance, agreed by our legal advisers, to ensure that other collaborative provision is tightly controlled.
- c) The Council is monitoring contracts between institutions and third party providers.
- d) The Council is carrying out direct audit work to validate the courses and student numbers provided under the contracts.

In light of the above actions, the Welsh Office has agreed that no further action is required as the Council has taken prompt action to avoid any repetition of the problem from academic year 1996/97 onward.

- (iii)** Except as reported above the Council confirms that grants received from the Welsh Office have been used for their approved purposes.

<b>Administration costs</b>	<b>7</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>As restated £'000</b>
		Audit fee	9	9
		Accommodation costs	168	164
		Office costs	124	135
		Bought in services	620	578
		Staff and Council members' travel and subsistence costs	29	39
		Staff related costs	108	97
		Council related costs	5	6
		Information technology costs	42	28
			<u>1,105</u>	<u>1,056</u>

The Auditors received no remuneration for non-audit work.

<b>Staff costs</b>	<b>8(a)</b>	<b>Staff costs</b>						
			<b>1997</b>		<b>1996</b>			
			<b>Staff</b>	<b>Council</b>	<b>Total</b>	<b>Staff</b>	<b>Council</b>	<b>Total</b>
				<b>members</b>			<b>members</b>	
				<b>(incl.</b>			<b>(incl.</b>	
				<b>Chief</b>			<b>Chief</b>	
				<b>Executive)</b>			<b>Executive)</b>	
			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		Salaries	887	72	959	818	71	889
		National insurance	68	4	72	63	5	68
		Pension costs	124	8	132	116	7	123
			<u>1,079</u>	<u>84</u>	<u>1,163</u>	<u>997</u>	<u>83</u>	<u>1,080</u>

(b) The emoluments of the Chairman were:

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Chairman (from 5.5.95)	11	9
Ex-Chairman (to 5.5.95)	-	1

(c) The number of members, excluding the Chairman and Chief Executive, whose emoluments were in the following range were:

	<b>Number</b>	<b>Number</b>
£Nil to £4,999	8	10

(d) The emoluments of the Chief Executive including tangible benefits were:

	<b>£'000</b>	<b>£'000</b>
Pay and taxable benefits	59	56
Performance related bonus	5	5
Employer's pension contribution	11	11
	<u>75</u>	<u>72</u>

The Chief Executive's emoluments have been apportioned in accordance with the policy as stated in note 1, i.e. £49,890 to the Further Education Funding Council and £24,945 to the Higher Education Funding Council. The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme.

(e) The Welsh Funding Councils employed 76 staff as at 31 March 1997, as follows:

	1997 Numbers	1996 Numbers
Further Education Funding Council division staff	21	17
Higher Education Funding Council division staff	13	13
Finance and Common Services and Quality Assessment divisions and Chief Executive's office staff whose costs are apportioned as per the policy for joint costs outlined in note 1	42	41
	<u>76</u>	<u>71</u>

(f)

	Numbers	Numbers
Average monthly number of FEFCW employees during the year	45.5	43.5
Number of employees whose remuneration was between:		
£40,001 - £50,000*	1	3
£50,001 - £60,000*	2	-

\*For 1996-97 each of the bands above includes 1 member of staff whose costs are apportioned as per the policy for joint costs outlined in note 1 (1995-96 2 members of staff were in the £40-£50k band).

**Notional charges**      9      Notional charges are calculated in accordance with the accounting policy in note 1 and at rates issued by the Treasury. For 1995-96 and 1996-97 the rates are as follows:

	1997 £'000	1996 As restated £'000
(i) Insurance		
Employer's liability: unlimited	}      5	}      4
Public liability: £5m limit		
Office contents		
(ii) Cost of capital	136	158

**Appropriations**      10

	1997 £'000	1996 £'000
Receipts surrendered to the Welsh Office:		
Investment interest	154	178
Other	2	4
	<u>156</u>	<u>182</u>

Operating income and investment interest are surrendered to the Welsh Office.

Tangible fixed assets	11	Computers and printers	Fixtures and fittings	Electrical equipment	Total
		£'000	£'000	£'000	£'000
<b>Cost</b>					
	At 1 April 1996	170	389	38	597
	Additions	71	12	13	96
	Disposals	(34)	-	(2)	(36)
	<b>At 31 March 1997</b>	<b>207</b>	<b>401</b>	<b>49</b>	<b>657</b>
<b>Depreciation</b>					
	At 1 April 1996	141	210	16	367
	Charged during year	44	80	9	133
	Disposals	(33)	-	(1)	(34)
	<b>At 31 March 1997</b>	<b>152</b>	<b>290</b>	<b>24</b>	<b>466</b>
<b>Net book value</b>					
	<b>At 31 March 1997</b>	<b>55</b>	<b>111</b>	<b>25</b>	<b>191</b>
	At 31 March 1996	29	179	22	230

Debtors	12	1997	1996
		£'000	£'000
	Trade debtors	6	6
	Other debtors	53	1
	Prepayments and accrued income	79	58
	Staff loan	5	7
		<b>143</b>	<b>72</b>

(i) Other debtors

This represents the amount owed to the Further Education Funding Council by the Higher Education Funding Council.

(ii) Staff loan

As at 31 March 1997 the amount outstanding for staff loans was £8,385. This amount has been apportioned between the Higher Education and Further Education Funding Councils according to the policy as stated in note 1. The term of the loan is eight years.

The amount falling due after more than one year is £4,132 of the £5,590 currently owed to the Further Education Funding Council.

Short term investments	13	1997	1996
		£'000	£'000
	Midland money market investment		
	Term: 6 days (1995-96 3 days)	<b>2,369</b>	<b>937</b>

<b>Creditors:</b>	<b>14</b>	<b>1997</b>	<b>1996</b>
<b>amounts falling due</b>		<b>£'000</b>	<b>£'000</b>
<b>within one year</b>	Accruals and deferred income	<u>168</u>	<u>138</u>
		<u>168</u>	<u>138</u>
<hr/>			
<b>Provisions for</b>	<b>15</b>	<b>1997</b>	<b>1996</b>
<b>liabilities and</b>			As restated
<b>charges</b>		<b>£'000</b>	<b>£'000</b>
	Insurance:		
	Balance as at 1 April	4	-
	Transfer from income and expenditure account	<u>5</u>	<u>4</u>
	Balance as at 31 March	<u>9</u>	<u>4</u>
<hr/>			
<b>Reconciliation of</b>	<b>16</b>	<b>1997</b>	<b>1996</b>
<b>movements in</b>			As restated
<b>government funds</b>		<b>£'000</b>	<b>£'000</b>
	Retained surplus/(deficit) for the year	1,153	(2,067)
	Adjustment for notional charge – cost of capital	136	158
	Movement on the deferred government grant account	<u>(39)</u>	<u>(86)</u>
	Movement in government funds	<u>1,250</u>	<u>(1,995)</u>
	Government funds as at 1 April	<u>1,628</u>	<u>3,623</u>
	Government funds as at 31 March	<u>2,878</u>	<u>1,628</u>
<hr/>			
<b>Lease obligations</b>	<b>17</b>	<b>1997</b>	<b>1996</b>
		<b>£'000</b>	<b>£'000</b>
	Operating lease rentals due within the next year:		
	Leases expiring within:		
	One year	76	-
	Two to five years	-	-
	More than five years	<u>-</u>	<u>94</u>
		<u>76</u>	<u>94</u>

The Welsh Funding Councils currently occupy the first floor of Lambourne House on a 25 year lease from September 1992. The lease has a break clause and in March 1997 the Councils exercised the break clause following a decision not to commit the Councils to a further 20 year lease. The Welsh Office required the Councils to exercise the break clause for the same reason. If the lease on Lambourne House is not renewed the Councils will be required to find alternative accommodation.

The lease rentals above are for amounts due to 20 October 1997, the date of expiry, including a three month penalty charge.

<b>Capital commitments</b>	18		1997 £'000	1996 £'000
		Contracted	-	1
		Authorised but not contracted	-	27
			<u>-</u>	<u>28</u>

<b>Financial commitments as at 31 March 1997</b>	19	The amount of grant committed for the period 1 April 1997 to 31 July 1997 was:		
			1997 £'000	1996 £'000
		Capital grants	3,301	947
		Revenue grants	<u>50,489</u>	<u>49,330</u>
			<u>53,790</u>	<u>50,277</u>

These amounts will be funded by grant in aid from the Welsh Office.

<b>Losses and special payments</b>	20	The total for losses and special payments in the year amounted to £2,685 (1995/96 £6,471) made up as follows:		
			1997	1996
		Fruitless payments	£817	£375
		Bad debts written off	£1,853	£661
		Loss of cash and cash equivalents	£15	-
		Loss of fixed assets	-	£5,435

**Contingent liabilities** 21 Following the Councils' decision to exercise the break clause in the lease on the first floor of Lambourne House (note 19), the terms of the lease may require the Councils to reinstate the property to the layout and condition as at commencement of the lease. The Councils' professional advisors in this matter have estimated the works to cost between £100,000 and £150,000 excluding fees and VAT. Any costs arising will be funded by the Further and Higher Education Funding Councils for Wales according to the policy for joint costs as stated in note 1.

In addition, tangible fixed assets (note 11) include fixtures at Lambourne House and the expiry of the lease may result in the assets having no value to the Councils. The maximum loss in value is estimated to be £111,000 which reflects the net book value as at 31 March 1997 of fixtures and fittings.

These liabilities are dependent on the outcome of negotiations between the Councils and the Lessor for the revision of the terms of the lease.

**Related party transactions**            22        The Further Education Funding Council for Wales is a Non-Departmental Public Body (NDPB) sponsored by the Welsh Office.

The Welsh Office is regarded as a related party. During the year, the Further Education Funding Council for Wales has had various material transactions with the Welsh Office and with other entities for which the Welsh Office is regarded as the parent Department, viz: the Higher Education Funding Council for Wales, Office of Her Majesty's Chief Inspector of Schools in Wales and the Curriculum and Assessment Authority for Wales.

In addition, the Further Education Funding Council for Wales has had various material transactions with other central government bodies. Most of these transactions have been with the National Council for Vocational Qualifications.

Two Council Members occupy senior positions in further education institutions funded by the Further Education Funding Council for Wales. Caroline Lewis is Deputy Principal at Coleg Menai and Trevor Wilmore is Chief Executive at Barry College. In addition, Kay Wilmore, wife of Trevor Wilmore, is a member of the senior management team at Coleg Glan Hafren. Grants paid to Coleg Menai, Barry College and Coleg Glan Hafren are detailed in note 5.

None of the key managerial staff or other related parties have undertaken any material transactions with the Further Education Funding Council for Wales during the year.

**Prior year adjustment**            23        The revised accounts direction effective for the financial year ended 31 March 1997 (Appendix 1) requires the inclusion of notional charges for insurance premiums and the cost of capital to ensure the accounts reflect the full cost of activities. The 1995-96 position has therefore been restated to take into account the effect of notional charges for comparative purposes. The restated figures are summarised below:

	1996 £'000
<b>(i) Income and Expenditure account</b>	
Deficit for the year as previously reported	(1,905)
Notional charge – cost of capital	(158)
Notional charge – insurance	<u>(4)</u>
Restated deficit for the year	(2,067)
Retained surplus brought forward	3,307
Adjustment for notional charge – cost of capital	<u>158</u>
Restated retained surplus carried forward	<u>1,398</u>
<b>(ii) Balance Sheet</b>	
Income and expenditure account as previously reported	1,402
Prior year adjustment – notional charges	(162)
Adjustment for notional charge – cost of capital	<u>158</u>
Restated income and expenditure account	<u>1,398</u>
Provision for liabilities and charges – insurance (previously £nil)	<u>4</u>

<b>Reconciliation of</b>	<b>24</b>	<b>1997</b>	<b>1996</b>
<b>operating surplus/</b>			<b>As restated</b>
<b>(deficit) to net cash</b>		<b>£'000</b>	<b>£'000</b>
<b>inflow/(outflow) from</b>			
<b>operating activities</b>			
	Operating surplus/(deficit)		
	(before financing and appropriations)	1,156	(2,063)
	Depreciation charges	133	142
	Deferred capital grants released to income	(135)	(148)
	Notional charge – cost of capital	136	158
	Increase in insurance provision	5	4
	(Increase)/decrease in debtors	(70)	54
	Increase in creditors	38	6
	<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>1,263</b></u>	<u><b>(1,847)</b></u>

<b>Analysis of</b>	<b>25</b>	<b>1997</b>	<b>1996</b>
<b>changes in cash</b>			<b>As restated</b>
<b>during the year</b>		<b>£'000</b>	<b>£'000</b>
	Balance as at 1 April	531	395
	Net cash (outflow)/inflow	(179)	136
	<b>Balance as at 31 March</b>	<u><b>352</b></u>	<u><b>531</b></u>



## Appendix 1

# Further Education Funding Council for Wales – Accounts Direction

Accounts direction given by the Secretary of State for Wales, with the approval of HM Treasury, in accordance with the Further and Higher Education Act 1992, Schedule 1, Paragraph 16 (2)

- 1 The Further Education Funding Council (hereinafter referred to as the “Council”) shall prepare accounts for the financial year ended 31 March 1997 and subsequent financial years comprising:
  - i. a Foreword;
  - ii. a Statement of the Council’s and Accounting Officer’s responsibilities;
  - iii. an Income and Expenditure account;
  - iv. a Balance Sheet;
  - v. a Cash Flow Statement;
  - vi. a Statement of Total Recognised Gains and Losses (if appropriate); andincluding such notes as may be necessary for the purpose referred to in the following paragraphs.
- 2 The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
- 3 Subject to this requirement, the accounts shall be prepared in accordance with:
  - i. generally accepted accounting practice in the United Kingdom (UK GAAP);
  - ii. the disclosure and accounting requirements contained in “The Fees and Charges Guide” (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which HM Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
  - iii. the accounting and disclosure requirements given in “Government Accounting” and in “Executive NDPB’s: Annual Reports and Accounts guidance” as amended or augmented from time to time,in so far as these are appropriate to the Council and are in force for the financial year for which the statement of accounts is to be prepared.
- 4 Clarification of the application of the accounting and disclosure requirements of the Companies Act is given in Schedule 1 attached\*. Additional disclosure requirements are set out in Schedule 2\*.

- 5 The income and expenditure account and balance sheet shall be prepared under the historical cost convention.
- 6 This Direction supersedes any earlier direction.

Signed: *L Pavelin*

The Head of Finance Services Division, Welsh Office

Date: 5.11.96

*\*Schedules 1 and 2, together with the standard layout of accounts required by the Direction, are not reproduced here but are available from the Council on request.*

# Higher Education Funding Council for Wales

## Foreword

### History of the Council and background information

- 1 The Higher Education Funding Council for Wales (HEFCW) was established under the Further and Higher Education Act 1992. The Council is a Non-Departmental Public Body which came into existence on 6 May 1992.

These accounts have been prepared in accordance with the direction made by the Secretary of State for Wales, with the consent of the 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 is attached to these accounts.

The accounts are prepared in accordance with the requirements of the Companies Acts and Accounting Standards issued or adopted by the Accounting Standards Board, so far as these requirements are appropriate.

### Review of activities and developments

- 2 The surplus for the year was £1.113 million which, after an adjustment for a notional charge for the cost of capital, resulted in cumulative retained reserves of £3.949 million. The Council's activities are planned in order 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 Office. Expenditure on fixed assets amounted to £0.048 million in the year.

These statements cover the fourth reporting period of the Council and reflect the continuing development of the Council's systems and policies. More detailed descriptions and explanations will be included in the Annual Report.

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

- 3 The Higher Education Funding Council for Wales (HEFCW) is responsible for the administration of funds made available by the Secretary of State for Wales, 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.

### The Council's aims

- 4 The Council's aims in discharging these responsibilities are:
- (i) the maintenance and development of high quality and cost effective institutions covering a diverse range of missions which individually provide in different measure for the education of students, the pursuit of scholarship and the advancement of knowledge, each institution thereby playing its part according to its mission in meeting the social, economic and cultural needs of Wales, the United Kingdom, Europe and beyond;
  - (ii) the promotion of the provision of high quality cost effective higher education which is distinctive in emphasising personal development in relation to the world of work and the community;

- (iii) the widening of access to higher education provision for those who have the ability to benefit from it;
- (iv) the maintenance, development and improvement of the quality of research carried out in higher education institutions in Wales;
- (v) the extension in volume and quality of research which contributes to wealth creation having particular regard to the Secretary of State's economic policies;
- (vi) the assessment and effective representation to the Secretary of State and others of the funding and other needs, aspirations and concerns of the diverse range of institutions in the Welsh higher education sector.

A more detailed description and explanation of the aims and objectives of the Council will be contained in the Annual Report.

<b>Employee involvement</b>	5	<p>Regular staff meetings and seminars ensure good internal communications and provide opportunities for staff to contribute to the workings of the Council. A Staff Forum, through which representatives can raise issues of concern to staff, meets on a regular basis.</p> <p>The Council's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from the disabled where they have the appropriate skills and abilities to perform the job. If disablement should occur during employment the Council would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.</p>
<b>CBI prompt payment code</b>	6	<p>The Council is fully committed to the prompt payment of its suppliers' bills and supports the Confederation of British Industry's Prompt Payment Code. An analysis of the Council's 1996-97 payment performance indicated that over 95% of invoices were paid in accordance with agreed contractual conditions, or where no condition existed, within 30 days of the presentation of a valid invoice.</p>
<b>Auditors</b>	7	<p>The accounts of the Council are audited by the Comptroller and Auditor General as required by paragraph 16(1) of schedule 1 to the Further and Higher Education Act 1992.</p>
<b>Council membership</b>	8	<p>The following persons served as Council members during the reporting year:</p> <p><i>Chairman</i></p> <p>Sir Idris Pearce, Chairman, CBE, TD, DL, FRICS (until October 1996)        – Former President of the Royal Institution of Chartered Surveyors and Member of the Higher Education Funding Council for England until May 1996</p> <p>Sir Philip Jones, Chairman, CB (from November 1996)        – Chairman, Total Oil Holdings</p>

*Members*

Professor John Andrews – Chief Executive

Professor Brian Clarkson (from June 1996) – Former Vice Chancellor,  
University of Wales, Swansea

Dr Eleri Edwards – Consultant Anaesthetist, Wrexham Maelor Hospital

Dr Kenneth Gray, CBE (from June 1996) – Technical Director, THORN EMI  
and Managing Director, Thom Transaction

Professor Richard M Griffiths – Professor of French and Vice Principal,  
King's College, London

Alfred Morris – Vice Chancellor, University of the West of England and Member of  
the Further Education Funding Council for England from January 1997

Dr Brynley Roberts, CBE – Former Librarian, National Library of Wales

Dr Ann Robinson – Director General, National Association of Pension Funds

Professor Roger Williams – Vice Chancellor, University of Reading

*Assessor appointed by Secretary of State*

*Steve Martin* – Under Secretary for Education, Welsh Office

*Professor John Andrews*

Chief Executive

2 July 1997

## **Statement of Council's and Chief Executive's responsibilities**

Under paragraph 16(2) of schedule 1 to the Further and Higher Education Act 1992, the Higher Education Funding Council for Wales 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, with the consent of the Treasury. The accounts are prepared on an accruals basis 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 financial statements the Council is required to:

- observe the accounts direction issued by the Secretary of State, 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 any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer of the Welsh Office has designated the Chief Executive of the Higher Education Funding Council for Wales as the Accounting Officer. His relevant responsibilities as Accounting Officer, including the responsibility 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.

# 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 30 to 44 under the Further and Higher Education Act 1992. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 35 and 36.

## Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 28 the Council and the Chief Executive are responsible for the preparation of 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 to 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 assessment of the significant estimates and judgements made by the Council and 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 the financial transactions conform to the authorities which govern them. In forming any opinion I have 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 Wales at 31 March 1997 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 directions made thereunder by the Secretary of State for Wales;
- 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  
11 July 1997

National Audit Office  
23/24 Park Place  
Cardiff CF1 3BA

## Higher Education Funding Council for Wales Income and Expenditure Account for the year ended 31 March 1997

			1997	1996 As restated
	Note	£'000	£'000	£'000
<b>Gross income</b>				
Grant in aid	2	243,474		242,465
Release of deferred government grant	2	68		74
Operating income	3	1		2
Other income	4	<u>1,312</u>		<u>1,275</u>
<b>Total income</b>			<b>244,855</b>	<b><u>243,816</u></b>
<b>Expenditure</b>				
Funding of higher education:				
Recurrent expenditure	5	229,506		214,029
Major capital work	5	32		204
Minor capital/estates development work	5	11,022		11,795
Purchase of equipment	5	-		15,739
Other purposes		<u>1,318</u>		<u>1,275</u>
		<b><u>241,878</u></b>		<b><u>243,042</u></b>
Council Expenditure:				
Administration costs	7	907		901
Staff costs	8	681		621
Depreciation	11	67		71
Notional charges				
- insurance	9	3		2
- cost of capital	9	<u>204</u>		<u>191</u>
		<b><u>1,862</u></b>		<b><u>1,786</u></b>
<b>Total expenditure</b>			<b><u>243,740</u></b>	<b><u>244,828</u></b>
<b>Surplus/(deficit) on operating activities</b>			<b>1,115</b>	<b>(1,012)</b>
Interest receivable			<u>217</u>	<u>236</u>
<b>Surplus/(deficit) for the year</b>			<b><u>1,332</u></b>	<b><u>(776)</u></b>
Appropriations	10		<u>(219)</u>	<u>(239)</u>
<b>Surplus/(deficit) for the year transferred to reserves</b>			<b><u>1,113</u></b>	<b><u>(1,015)</u></b>



**Movements on Reserves**

	1997	1996
	£'000	As restated £'000
<b>Retained surplus brought forward</b>	2,632	3,456
Surplus/(deficit) for the year	1,113	(1,015)
Adjustment for notional charge (cost of capital)	204	191
<b>Retained surplus carried forward</b>	<u>3,949</u>	<u>2,632</u>

All activities are continuing.

*The notes on pages 35 to 44 form part of these accounts.*

## Higher Education Funding Council for Wales Balance Sheet as at 31 March 1997

			1997	1996
	Note	£'000	£'000	As restated £'000
<b>Fixed assets</b>				
Tangible fixed assets	11		95	<u>115</u>
<b>Current assets</b>				
Debtors	12	33		31
Short term investments	13	3,893		2,587
Cash at bank and in hand		<u>237</u>		<u>141</u>
		4,163		2,759
<b>Creditors</b>				
Amount falling due within one year	14	<u>(209)</u>		<u>(125)</u>
<b>Net current assets</b>			<u>3,954</u>	<u>2,634</u>
<b>Total assets less current liabilities</b>			<u>4,049</u>	<u>2,749</u>
<b>Financed by:</b>				
<b>Provisions for liabilities and charges</b>				
Insurance	15		5	<u>2</u>
<b>Accruals and deferred income</b>				
Deferred government grant	2	95		115
<b>Capital and reserves</b>				
Income and expenditure account		<u>3,949</u>		<u>2,632</u>
<b>Total government funds</b>	16		<u>4,044</u>	<u>2,747</u>
			<u>4,049</u>	<u>2,749</u>

*The notes on pages 35 to 44 form part of these accounts.*

Signed on behalf of the Council  
Professor John Andrews  
Chief Executive

2 July 1997

## Higher Education Funding Council for Wales Statement of Total Recognised Gains and Losses

		1997	1996
	Note	£'000	As restated £'000
Surplus/(deficit) for the financial year		1,113	(1,015)
Adjustment for notional charge			
- cost of capital	9	<u>204</u>	<u>191</u>
<b>Total recognised gains and losses relating to the year</b>		1,317	<u>(824)</u>
Prior year adjustment	23	<u>(2)</u>	
<b>Total gains and losses recognised since last annual report</b>		<u>1,315</u>	

*The notes on pages 35 to 44 form part of these accounts.*

## Higher Education Funding Council for Wales Cash Flow Statement for the year ended 31 March 1997

	Note	1997 £'000	1996 As restated £'000
<b>Net cash inflow/(outflow) from operating activities</b>	24	1,406	(857)
<b>Returns on investments and servicing of finance</b>			
Interest received		215	236
Interest paid to the Welsh Office		(215)	(236)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(52)	(30)
Receipts from sale of tangible fixed assets		-	2
<b>Management of liquid resources</b>			
Cash (withdrawn from)/added to short term investments	13	<u>(1,306)</u>	<u>818</u>
<b>Net cash inflow/(outflow) before financing</b>		48	(67)
<b>Financing</b>			
Deferred government grants		<u>48</u>	<u>31</u>
<b>Increase/(decrease) in cash</b>	25	<u>96</u>	<u>(36)</u>

*The notes on pages 35 to 44 form part of these accounts.*

# Higher Education Funding Council for Wales

## Notes to the Accounts

### Accounting policies 1

#### **Basis of accounting**

These accounts are prepared in accordance with a direction by the Secretary of State for Wales, 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 are prepared under the historical cost convention and in accordance with the requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate. Fixed assets are valued at historic cost less depreciation and have not been revalued as, in the opinion of the Council, such adjustment would not be material.

#### **Grant in aid**

Grant in Aid is received from the Welsh Office for operating expenditure and capital expenditure. Where Grant in Aid expenditure has been used for the purchase of tangible fixed assets, the grant is treated as deferred income which is credited to the income and expenditure account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

#### **Joint costs**

The structure of the Welsh Funding Councils' Executive has been deliberately planned to take into account that, whilst it is necessary to have the common provision of professional services, the Executive is servicing two separate Councils, each of which is developing its own independent policies and fulfilling its individual responsibilities.

There are therefore two operational divisions, one working to the Further Education Funding Council for Wales and the other to the Higher Education Funding Council for Wales. The other areas of the Executive have common responsibilities. These consist of the Chief Executive's office, Finance and Common Services Division and Quality Assessment Division.

Wherever possible the costs of those Divisions with joint responsibilities are allocated directly to the financial statements of the relevant Council. However, there are joint costs that cannot reasonably be allocated directly to the two Councils and following an annual internal review, these costs are apportioned on the basis of two thirds to Further Education and one third to Higher Education.

#### **Notional charges**

##### *Insurance:*

As a government sponsored body, the Higher Education Funding Council for Wales does not generally insure. To ensure that the accounts reflect the full cost of activities, the Secretary of State for Wales has directed that a notional insurance

premium in respect of any uninsured risk is to be included in the Income and Expenditure account.

*Cost of Capital:*

As directed by the Secretary of State for Wales, a notional capital charge reflecting the cost of capital employed is included in operating costs and calculated at 6% of capital employed.

These changes were introduced with effect from 1996-97 and the 1995-96 comparative figures have been restated accordingly.

**Pension costs**

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) in respect of their pensions. Contributions have been paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For 1996-97, these rates are between 11% and 19.5% for permanent staff depending on the grade. The 1995-96 rates were also between 11% and 19.5%.

**Tangible fixed assets**

Equipment costing more than £1,000 (either individually or in the combined purchase of similar items) is capitalised.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Computers and printers	-	3 years
Electrical equipment	-	5 years
Fixtures and fittings	-	5 years

**Reconciliation of grant in aid**

2

The following note reconciles the cash amounts received from the Welsh Office as grant in aid for the year with the financial statements.

(a) Grant in aid received from Welsh Office:

	Class	Vote	1997 £'000	1996 £'000
Grant in aid received	XIV	2	243,522	242,496
Less amounts used for capital expenditure			(48)	(31)
Grant in aid per income and expenditure account			<u>243,474</u>	<u>242,465</u>

(b) Deferred grant in aid:

	£'000	£'000
Balance as at 1 April	115	158
Capital grants received in year	48	31
Less amounts released to income and expenditure account	(68)	(74)
Balance as at 31 March	<u>95</u>	<u>115</u>



**Grants to institution**                    6            Included in these accounts are grants to institutions which are subject to audit by the recipients' external auditors that they have been used for their intended purposes. The financial year of higher education institutions ends on 31 July and audited accounts are expected to be received by the Council by 31 December. A review by the Council staff of institutions' 1995/96 financial statements disclosed that the external auditors had considered that grants had been used for their intended purposes and no adjustments to grants were necessary. Additionally the audit of student numbers carried out in the summer of 1996 did not lead to any material adjustments. Any adjustments arising from the audit of institutions' 1996/97 accounts and student numbers will be made by the Council in future financial years.

The Council confirms that grants received from the Welsh Office have been used for their approved purposes.

<b>Administration costs</b>	7		
		1997	1996
		£'000	As re-stated £'000
Audit fee		9	9
Accommodation costs		84	81
Office costs		80	81
Bought in services		620	610
Staff and Council members' travel and subsistence costs		39	39
Staff related costs		44	54
Council related costs		11	12
Information technology costs		20	15
		<u>907</u>	<u>901</u>

The Auditors received no remuneration for non-audit work.

<b>Staff costs</b>	8(a)	1997			1996		
		Staff	Council Members (incl. Chief Executive)	Total	Staff	Council Members (incl. Chief Executive)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Salaries		511	52	563	467	48	515
National insurance		39	3	42	34	3	37
Pension costs		72	4	76	65	4	69
		<u>622</u>	<u>59</u>	<u>681</u>	<u>566</u>	<u>55</u>	<u>621</u>

(b) The emoluments of the Chairman were:

	1997	1996
	£'000	£'000
Chairman (from 1.11.96)	5	-
Ex Chairman (to 1.11.96)	7	11



- (c) The number of members, excluding the Chairman and Chief Executive, whose emoluments were in the following range were:

	Number	Number
£Nil to £4,999	9	8

- (d) The emoluments of the Chief Executive including tangible benefits were:

	£'000	£'000
Pay and taxable benefits	59	56
Performance related bonus	5	5
Employer's pension contribution	11	11
	<u>75</u>	<u>72</u>

The Chief Executive's emoluments have been apportioned in accordance with the policy as stated in note 1 i.e. £49,890 to the Further Education Funding Council and £24,945 to the Higher Education Funding Council. The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme.

- (e) The Welsh Funding Councils employed 76 staff as at 31 March 1997, as follows:

	1997 Numbers	1996 Numbers
Further Education Funding Council division staff	21	17
Higher Education Funding Council division staff	13	13
Finance and Common Services and Quality Assessment divisions and Chief Executive's office staff whose costs are apportioned as per the policy for joint costs outlined in note 1	<u>42</u>	<u>41</u>
	<u>76</u>	<u>71</u>

- (f)
- |   | Numbers | Numbers |
|---|---------|---------|
| Average monthly number of HEFCW employees during the year | 25      | 25.5    |

Number of employees whose remuneration was between:

£40,001 – £50,000*	2	3
£50,001 – £60,000*	1	–

\*For 1996-97 each of the bands above includes 1 member of staff whose costs are apportioned as per the policy for joint costs outlined in note 1 (1995-96 2 members of staff were in the £40-£50k band).

**Notional charges**      9

Notional charges are calculated in accordance with the Accounting Policy in note 1 and at rates issued by the Treasury. For 1995-96 and 1996-97 the rates are as follows:

	1997 £'000	1996 As restated £'000
(i) Insurance		
Employer's liability: unlimited	3	2
Public liability: £5m limit		
Office contents		
(ii) Cost of capital	204	191

<b>Appropriation</b>	<b>10</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Receipts surrendered to the Welsh Office:		
		Investment interest	217	236
		Other	2	3
			<u>219</u>	<u>239</u>

Operating income and investment interest are surrendered to the Welsh Office.

<b>Tangible fixed assets</b>	<b>11</b>		<b>Computers and printers</b>	<b>Fixtures and fittings</b>	<b>Electrical equipment</b>	<b>Total</b>
			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>Cost</b>				
		At 1 April 1996	85	194	19	298
		Additions	35	6	7	48
		Disposals	(16)	-	(1)	(17)
		At 31 March 1997	<u>104</u>	<u>200</u>	<u>25</u>	<u>329</u>
		<b>Depreciation</b>				
		At 1 April 1996	70	105	8	183
		Charged during year	22	40	5	67
		Disposals	(16)	-	-	(16)
		At 31 March 1997	<u>76</u>	<u>145</u>	<u>13</u>	<u>234</u>
		<b>Net book value</b>				
		At 31 March 1997	<u>28</u>	<u>55</u>	<u>12</u>	<u>95</u>
		At 31 March 1996	<u>15</u>	<u>89</u>	<u>11</u>	<u>115</u>

<b>Debtors</b>	<b>12</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Trade debtors	1	6
		Prepayments and accrued income	29	22
		Staff loan	3	3
			<u>33</u>	<u>31</u>

(i) *Staff loan*

As at 31 March 1997 the amount outstanding for staff loans was £8,385. This amount has been apportioned between the Higher Education and Further Education Funding Councils according to the policy as stated in note 1. The term of the loan is eight years.

The amount falling due after more than one year is £2,065 of the £2,795 currently owed to the Higher Education Funding Council.

<b>Short term investments</b>	<b>13</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Midland money market investment		
		Term: 6 days (1995-96 3 days)	<u>3,893</u>	<u>2,587</u>
<hr/>				
<b>Creditors: amounts falling due within one year</b>	<b>14</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Trade creditors	1	-
		Other creditors	52	1
		Accruals and deferred income	<u>156</u>	<u>124</u>
			<u>209</u>	<u>125</u>
		(i) <i>Other creditors</i>		
		This amount is in respect of monies owed by the Higher Education Funding Council to the Further Education Funding Council.		
<hr/>				
<b>Provisions for liabilities and charges</b>	<b>15</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>As restated</b>
				<b>£'000</b>
		Insurance:		
		Balance as at 1 April	2	-
		Transfer from income and expenditure account	<u>3</u>	<u>2</u>
		Balance as at 31 March	<u>5</u>	<u>2</u>
<hr/>				
<b>Reconciliation of movements in government funds</b>	<b>16</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>As restated</b>
				<b>£'000</b>
		Retained surplus/(deficit) for the year	1,113	(1,015)
		Adjustment for notional charge - cost of capital	204	191
		Movement on the deferred government grant account	<u>(20)</u>	<u>(43)</u>
		Movement in government funds	<u>1,297</u>	<u>(867)</u>
		Government funds as at 1 April	<u>2,747</u>	<u>3,614</u>
		Government funds as at 31 March	<u>4,044</u>	<u>2,747</u>

<b>Lease obligations</b>	<b>17</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Operating lease rentals due within the next year:		
		Leases expiring within:		
		One year	38	-
		Two to five years	-	-
		More than five years	-	47
			<u>38</u>	<u>47</u>

The Welsh Funding Councils currently occupy the first floor of Lambourne House on a 25 year lease from September 1992. The lease has a break clause and in March 1997 the Councils exercised the break clause following a decision not to commit the Councils to a further 20 year lease. The Welsh Office required the Councils to exercise the break clause for the same reason. If the lease on Lambourne House is not renewed the Councils will be required to find alternative accommodation.

The lease rentals above are for amounts due to 20 October 1997, the date of expiry, including a three month penalty charge.

<b>Capital commitments</b>	<b>18</b>		<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Contracted	-	-
		Authorised but not contracted	-	14
			<u>-</u>	<u>14</u>

<b>Financial commitments as at 31 March 1997</b>	<b>19</b>	The amount of grant committed for the period 1 April 1997 to 31 July 1997 was:		
			<b>1997</b>	<b>1996</b>
			<b>£'000</b>	<b>£'000</b>
		Capital grants	1,289	3,655
		Revenue grants	75,367	69,046
			<u>76,656</u>	<u>72,701</u>

These amounts will be funded by grant in aid from the Welsh Office.

<b>Losses and special payments</b>	<b>20</b>	The total for losses and special payments in the period amounted to £1,713 (1995/96 £4,336) made up as follows:		
			<b>1997</b>	<b>1996</b>
		Ex-gratia payments	-	£250
		Fruitless payments	£1,679	£1,327
		Bad debts written off	£27	£41
		Loss of cash and cash equivalents	£7	-
		Loss of fixed assets	-	£2,718

**Contingent liabilities**

- 21 Following the Councils' decision to exercise the break clause in the lease on the first floor of Lambourne House (note 19), the terms of the lease may require the Councils to reinstate the property to the layout and condition as at commencement of the lease. The Councils' professional advisors in this matter have estimated the works to cost between £100,000 and £150,000 excluding fees and VAT. Any costs arising will be funded by the Further and Higher Education Funding Councils for Wales according to the policy for joint costs as stated in note 1.

In addition, tangible fixed assets (note 11) include fixtures at Lambourne House and the expiry of the lease may result in the assets having no value to the Councils. The maximum loss in value is estimated to be £55,000 which reflects the net book value as at 31 March 1997 of fixtures and fittings.

These liabilities are dependent on the outcome of negotiations between the Councils and the Lessor for the revision of the terms of the lease.

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**Related party transactions**

- 22 The Higher Education Funding Council for Wales is a Non-Departmental Public Body (NDPB) sponsored by the Welsh Office.

The Welsh Office is regarded as a related party. During the year, the Higher Education Funding Council for Wales has had various material transactions with the Welsh Office and with other entities for which the Welsh Office is regarded as the parent Department, viz: the Further Education Funding Council for Wales

In addition, the Higher Education Funding Council for Wales has had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions have been with the Higher Education Funding Council for England and Scottish Higher Education Funding Council.

Two Council Members are also members of institutions funded by the Higher Education Funding Council for Wales. Professor Brian Clarkson is a member of the Governing Board of Carmarthenshire College of Technology and Art and Grant Walshe is Honorary Treasurer and Council Member of University of Wales College of Medicine. Grants paid to these institutions are detailed in note 5.

None of the key managerial staff or other related parties has undertaken any material transactions with the Higher Education Funding Council for Wales during the year.

<b>Prior year adjustment</b>	<b>23</b>	<p>The revised accounts direction effective for the financial year ended 31 March 1997 (Appendix 1 ) requires the inclusion of notional charges for insurance premiums and the cost of capital to ensure the accounts reflect the full cost of activities. The 1995-96 position has therefore been restated to take into account the effect of notional charges for comparative purposes. The restated figures are summarised below:</p>	1996 £'000
		(i) Income and Expenditure account	
		Deficit for the year as previously reported	(822)
		Notional charge - cost of capital	(191)
		Notional charge - insurance	(2)
		Restated deficit for the year	<u>(1,015)</u>
		Retained surplus brought forward	3,456
		Adjustment for notional charge - cost of capital	191
		Restated retained surplus carried forward	<u>2,632</u>
		(ii) Balance Sheet	
		Income and expenditure account as previously reported	2,634
		Prior year adjustment – notional charges	(193)
		Adjustment for notional charge – cost of capital	191
		Restated income and expenditure account	<u>2,632</u>
		Provision for liabilities and charges – insurance (previously £nil)	<u>2</u>

<b>Reconciliation of surplus/(deficit) for the year to net cash inflow/(outflow) from operating activities</b>	<b>24</b>		1997 £'000	1996 As restated £'000
		Operating surplus/(deficit) (before financing and appropriations)	1,115	(1,012)
		Depreciation charges	67	71
		Deferred capital grants released to income	(68)	(74)
		Notional charge - cost of capital	204	191
		Increase in insurance provision	3	2
		(Increase)/decrease in debtors	(2)	3
		Increase/(decrease) in creditors	87	(38)
		<b>Net cash inflow/(outflow) from operating activities</b>	<u>1,406</u>	<u>(857)</u>

<b>Analysis of changes in cash during the year</b>	<b>25</b>		1997 £'000	1996 As restated £'000
		Balance as at 1 April	141	177
		Net cash inflow/(outflow)	96	(36)
		<b>Balance as at 31 March</b>	<u>237</u>	<u>141</u>

## Appendix 1

# Higher Education Funding Council for Wales – Accounts Direction

Accounts direction given by the Secretary of State for Wales, with the approval of HM Treasury, in accordance with the Further and Higher Education Act 1992, Schedule 1, Paragraph 16 (2)

- 1 The Higher Education Funding Council (hereinafter referred to as the “Council”) shall prepare accounts for the financial year ended 31 March 1997 and subsequent financial years comprising:
  - i. a Foreword;
  - ii. a Statement of the Council’s and Accounting Officer’s responsibilities;
  - iii. an Income and Expenditure account;
  - iv. a Balance Sheet;
  - v. a Cash Flow Statement;
  - vi. a Statement of Total Recognised Gains and Losses (if appropriate); andincluding such notes as may be necessary for the purpose referred to in the following paragraphs.
- 2 The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
- 3 Subject to this requirement, the accounts shall be prepared in accordance with:
  - i. generally accepted accounting practice in the United Kingdom (UK GAAP);
  - ii. the disclosure and accounting requirements contained in “The Fees and Charges Guide” (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which HM Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
  - iii. the accounting and disclosure requirements given in “Government Accounting” and in “Executive NDPB’s: Annual Reports and Accounts guidance” as amended or augmented from time to time,in so far as these are appropriate to the Council and are in force for the financial year for which the statement of accounts is to be prepared.
- 4 Clarification of the application of the accounting and disclosure requirements of the Companies Act is given in Schedule 1 attached\*. Additional disclosure requirements are set out in Schedule 2\*.

- 5 The income and expenditure account and balance sheet shall be prepared under the historical cost convention.
- 6 This Direction supersedes any earlier direction.

Signed: *L Pavelin*

The Head of Finance Services Division, Welsh Office

Date: 5.11.96

*\*Schedules 1 and 2, together with the standard layout of accounts required by the Direction, are not reproduced here but are available from the Council on request.*









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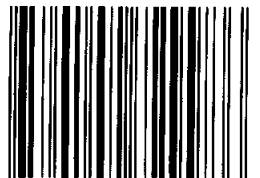
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