

Annual Report

2007–08

one mission

four core values

seven strategic aims



Conventions

Swansea Institute of Higher Education (SIHE) became **Swansea Metropolitan University** during the reporting year, and is referred to in the publication by its new name; and

North East Wales Institute of Higher Education (NEWI) became **Glyndŵr University** in the summer 2008, and is referred to in the publication by its new name.

Financial Year (1 April – 31 March) 2007 – 08

Academic Year (1 August – 31 July) 2007/08

HEIs – Higher education institutions

FECs – Further education colleges

FTE – Full-time equivalent

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Notes on Reaching Higher targets:

Progress towards *Reaching Higher* Targets 2000/01 to 2010/11 – as at April 2008.

In **all the targets** included in this publication, except the spinout target and the overhead costs target, data shown up to 2006/07 are actual data taken from HESA records for UK HEIs and the Lifelong Learning Wales Record (LLWR) (or equivalent) for UK FEIs.

For the **spinout target**, data up to 2005/06 are actual data taken from the HEBCI survey.

For the **overhead costs target**, data up to 2005/06 are actual data taken from the HESA records.

In May 2007, the Welsh Assembly Government amended the Welsh medium target, which now applies to Welsh domiciled students only.

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What HEFCW does – mission and aims

The Higher Education Funding Council for Wales is an Assembly Government Sponsored Body.

Under the Further and Higher Education Act 1992, confirmed by the Education Act 2002, HEFCW administers funds made available by the Welsh Assembly Government to support education and research by higher education institutions in Wales, and certain higher education courses at further education colleges.

Under the Education Act 1994, HEFCW accredits universities and colleges that provide initial teacher training for school teachers and commissions research to improve the standards of teachers and teacher training.

We have:

one mission

four core values

seven strategic aims

HEFCW's mission:

Is to promote internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely.

Working with partners, we deploy funds from the Welsh Assembly Government and others to:

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

We are committed to maintaining and upholding four **core higher education values**, which are reflected in our strategic aims.

four core values:

1	2	3	4
<p>Scholarship and Learning</p> <p>Sustaining a culture which demands disciplined thinking and intellectual integrity, encourages curiosity, challenges existing ideas and generates new ones.</p>	<p>Lifelong Learning</p> <p>Enabling individuals to develop their capabilities to their highest potential throughout life.</p>	<p>Civic Responsibility</p> <p>Playing a major role in encouraging good citizenship and in shaping a democratic, inclusive society founded on respect for the rights of the individual and their responsibilities to society as a whole.</p>	<p>Sustainability</p> <p>Working to ensure that the sector develops structurally in a manner that best supports the delivery of the strategic aims and remains internationally competitive.</p>

seven strategic aims:

1	2	3	4	5
<p>Reaching Wider</p> <p>Delivering wider participation and access in support of social inclusion and economic upskilling.</p>	<p>The 'Deal for Students'</p> <p>Delivering the highest quality learning and related support.</p>	<p>Research Excellence</p> <p>Delivering improved research performance to underpin the knowledge economy and cultural and social renewal.</p>	<p>Benefiting the Economy and Society</p> <p>Delivering more productive relationships between higher education institutions and the public and private sectors, other agencies and local communities.</p>	<p>Initial Teacher Training</p> <p>Delivering newly qualified teachers of high quality.</p>
6		7		
<p>Making it work: the Higher Education sector in Wales</p> <p>A strong emphasis on reconfiguration, collaboration, and other measures to sustain improved performance of individual institutions and the HE system as a whole.</p>		<p>Making it work: HEFCW</p> <p>Being an effective public sector body by:</p> <ul style="list-style-type: none"> • having the capability and infrastructure that enables us to work effectively internally and with all our stakeholders and partners (especially the Welsh Assembly Government and the HE sector in Wales); and • being an employer of choice. 		

1

Reaching Wider

- consulted on the evaluation of our *Reaching Wider* initiative and on widening access activities.
- announced additional financial support for part-time students.
- announced further funding for Wales's *Reaching Wider* partnerships.

2

The 'Deal for Students'

- helped the sector establish new arrangements for Welsh medium HE.
- produced a 'technology-enhanced learning' strategy for the sector.
- organised, through GO Wales, over 600 student and graduate placements, while its Jobs facility was used by 600 organisations to advertise vacancies to graduates.

3

Research Excellence

- reviewed our research funding and assessment policies.
- supported a major institute for cognitive neuroscience to the tune of £5.17 million.
- co-funded a new centre to study bilingualism at Bangor University.

4

Benefiting the Economy and Society

- saw HE institutions in Wales once again perform well in the annual UK-wide HE Business and Community interaction survey.
- funded the 'Beacon for Wales', a collaboration to encourage universities to engage communities more fully in their work.
- submitted evidence to and appeared before the National Assembly's inquiry into the economic contribution of higher education.
- Funded three major collaborations under the Third Mission Fund.

5

Initial Teacher Training

- gave advice to the Assembly Government's Education Minister about how best to reconfigure ITT provision in Wales.
- produced revised criteria for accrediting ITT provides in line with Assembly Government requirements.

6

Making it work: the Higher Education sector in Wales

- gave Glyndŵr University (formerly NEWI) £5.3 million to strengthen its position in north-east Wales.
- approved £7.5 million for an innovative collaboration between HE institutions in SW Wales.
- implemented a revised approach for capital funding.
- hosted a successful conference on internationalisation.

7

Making it work: HEFCW

- carried out and reported on our first survey of stakeholders and partners.
- launched our Gender Equality Scheme.
- consulted on a new single equality scheme.
- Redesigned the organisation to make it more responsive to the needs of the Welsh Assembly Government and the HE sector.

Chairman's statement



This is my first report as Chairman of the Higher Education Funding Council for Wales (HEFCW), following the end of the term of office of Professor Sir Roger Williams, who worked tirelessly over the past 13 years, first as a Council member and then as Chair of HEFCW, to guide the higher education sector in Wales so outstandingly.

Developments in Wales have gathered pace over the last 12 months.

The Welsh Assembly Government announced a major review of higher education, including student finance arrangements in Wales, and the National Assembly's Enterprise and Learning Committee began an inquiry into the economic contribution of higher education in Wales. It is against this backdrop that higher education institutions in Wales have produced some notable achievements over the last financial year, all the while teaching students effectively, carrying out research of the highest quality, and working to benefit communities and the economy.

Reshaping the sector continues to be a major priority. We supported three south west Wales higher education institutions to establish a partnership to integrate services; we supported the establishment of a Low Carbon Research Institute involving four universities; and we funded the then North East Wales Institute, Wrexham, to strengthen its position as Wales's higher education institution in north east Wales. NEWI achieved its university status and its new name, Glyndŵr University, over the summer, just months after Swansea Institute of Higher Education realised its goal of becoming Swansea Metropolitan University.

Partnerships and collaborations have helped showcase the work of Welsh higher education institutions on the world stage: we congratulate Professor Sir Martin Evans of Cardiff University on the award of last year's Nobel Prize for Medicine, and the University for being recognised as one of the world's 200 top universities. A partnership of universities and other bodies also secured major funding to become a 'Beacon' to lead Welsh universities in working more closely with the public.

That is not to say there aren't challenges. Partnerships and mergers within the HE sector in Wales do not always emerge even after sometimes lengthy discussions, and we must always work hard to ensure that momentum is not lost. While we have made considerable progress in carrying out our remit from the Welsh Assembly Government to reconfigure initial teacher training provision in Wales, negotiations can be prolonged and challenging. We recognise that we also need to work with institutions to help them tackle improvements in leadership and governance.

I have been pleased to become a member of the Ministerial Task and Finish Group, chaired by Professor Merfyn Jones, and set up to review HE in Wales as we come towards the end of the lifetime of the current Assembly Government HE strategy, *Reaching Higher*. The outcomes that will emerge from the decisions of the Minister following Professor Merfyn Jones' forthcoming report are likely to have profound implications for HE in Wales over the coming decade.

As an organisation, we carried out our first ever survey of partners and stakeholders, which has been particularly useful for me as a new Chairman and which will help us define our own role in parallel with the outcomes of the review. While we are pleased with our favourability rating, the main value of the survey has lain in highlighting specific features of our ways of working. We have plans to improve our effectiveness to ensure that our partners continue to be, and increasingly so, satisfied with our work.

Finally, a word about HEFCW staff and its Council. As well as the end of the term of Professor Sir Roger Williams, we have been saddened that Professor Nigel Stott has stepped down as a Council member due to ill health. I would like to thank all Council members and the staff of HEFCW's executive for making my transition into this new role as smooth as possible. I look forward to working with them all over the coming months.

Mr Roger Thomas, OBE.

Chief Executive's statement



We made grant allocations of more than £435 million in the 2007/08 academic year. We further increased the support for wealth and knowledge creation as well as for economic and social development through increased funding for research and third mission activity. We continued to seek ways to target funding selectively in support of strategic priorities.

While there was a small real terms funding increase for the sector as a whole, we recognised that higher education (HE) in Wales would need to work hard to retain its competitiveness in the UK and beyond.

We remain cautiously optimistic about the performance of the sector in Wales against the targets set out through *Reaching Higher*, the Welsh Assembly Government's ten-year strategy for HE.

We are helping institutions to work towards their goals by providing funding in a number of the target areas. For example, we target funding through our widening access premiums (£5.5 million), which include additional funding for students from Communities First areas, through the *Reaching Wider* initiative (£2 million) and a further £1.8 million for institutions to implement their strategies to widen access.

The sector performed strongly in recruiting 12% of Welsh domiciled undergraduate new entrants from Communities First areas.

Wales continues to be attractive to overseas students, showing an increase in their recruitment of 15.4% on the previous year, compared to 7.4% in the UK as a whole (excluding the unique pull of London and the south east of England).

The aim to increase the proportion of Welsh domiciled HE students in Welsh HEIs and FEIs undertaking some element of their course through the medium of Welsh remains a continuing challenge. We worked closely with institutions, Higher Education Wales (HEW) and the Centre for Welsh Medium Higher Education to support the sector in establishing a new national framework and development plan for Welsh medium provision. More than halfway through the lifespan of *Reaching Higher*, institutions remain steady at 5%.

While overhead costs in Wales remain lower than the UK average, the target for further reducing them in relation to the rest of the UK (excluding London and the south east) remains challenging.

The percentage of Research Council funding attracted by HEIs in Wales remains only just over 3%, but we are optimistic that the number of research-related investments through the Reconfiguration and Collaboration Fund will soon produce results against this target. In addition, the sector has already exceeded, a year early, the target to increase research income from non-Research Council sources.

Reshaping the sector to improve competitiveness and sustainability, through collaborations or mergers, remains one of our goals and that of the Welsh Assembly Government. In the reporting year, we supported the Wales Institute of Cognitive Neuroscience and the Low Carbon Research Institute, which are not only significant developments in their own right, but will also position the HE sector in Wales to compete more strongly for UK-wide research funding.

Finally, the HE sector in Wales has already achieved the 2010/11 target of doubling the number of profitable spinout companies produced annually, with continuing good performance recorded in the UK funding bodies' HEBCIS exercise in recent years.

While we were pleased that the overall financial position of the sector continued to improve, we will, as always, monitor closely the situation to help mitigate the possible impact of any operating deficits in individual institutions.

Some of the major policy developments of the year included a review of our research policy and our research funding method, and a strategy for enhancing learning and teaching through technology for the HE sector in Wales. We also published proposals for the future research assessment framework – the Research Excellence Framework – with the other UK funding bodies.

Lastly, this report includes, as before, a summary of the operational plan activities which we were tasked to carry out by the Welsh Assembly Government.

We have achieved most of them, and we are making good progress with the remainder. We could not have achieved them without the dedication and professionalism of staff in HEFCW's small executive.

Professor Philip Gummatt

Formula funding allocations 2007/08

Institution	Total Formula Funding for Teaching	Research (QR) & (RIF)	Third Mission Fund Allocations	PGR	Grand Total
	£	£	£	£	£
University of Glamorgan	48,242,293	1,967,066	863,760	344,312	51,417,431
Aberystwyth University	24,527,521	6,199,267	469,895	397,090	31,593,773
Bangor University	22,893,217	8,732,943	570,495	563,604	32,760,259
Cardiff University	66,943,443	40,520,891	1,483,954	2,932,684	111,880,972
University of Wales, Lampeter	4,813,012	1,359,189	155,423	91,298	6,418,922
Swansea University	27,603,730	8,766,516	1,197,088	926,685	38,494,019
University of Wales Institute, Cardiff	25,119,571	1,225,347	470,054	66,160	26,881,132
University of Wales, Newport	18,513,851	432,164	259,447	31,233	19,236,695
Glyndŵr University	14,790,999	120,202	212,212	6,532	15,129,945
Swansea Metropolitan University	14,517,174	81,218	195,257	5,789	14,799,438
Trinity College Carmarthen	5,596,360	0	151,902	0	5,748,262
University of Wales Registry	0	245,535	0	0	245,535
Coleg Sir Gâr	1,084,769	0		0	1,084,769
Coleg Llandrillo Cymru	1,274,940	0		0	1,274,940
Swansea College	46,882	0		0	46,882
Neath Port Talbot College	110,206	0		0	110,206
Bridgend College	71,452	0		0	71,452
Coleg Menai	56,979	0		0	56,979
Total	276,206,402	69,650,337	6,029,487	5,365,384	357,251,610

*Figures may not sum exactly to totals due to rounding

What the figures show

Our grant from the Welsh Assembly Government

We receive our grant from the Welsh Assembly Government on a financial year (FY) basis (1 April to 31 March), but allocate most of our funding on an academic year (AY) basis (1 August to 31 July).

We announced grant allocations of more than £435 million for higher education in 2007/08.

In the 2007 – 08 financial year, our grant from the Assembly totalled **£424.9million**.

This included:

Recurrent programme funds of **£371.7 million**;

Above baseline funding of **£21million** to support *Reaching Higher* objectives;

Reaching Higher capital of **£3 million**;

Capital funds of **£18.396 million**;

Open University programme funds of **£7.7 million**; and

Running costs of **£3.101 million**

Formula funding allocations for the academic year 2007/08

This financial year settlement let us allocate **£357.3 million** in formula grant to the sector for teaching, third mission, research and postgraduate research training.

The average increase for formula funding allocations for higher education institutions on their 2006/07 grants was 3.84% in cash terms.

Premium funding

We made 'premium', or extra, payments for widening access, disabled and Welsh medium students. We allocated an additional £215 per eligible student for widening access and continued to pay the additional premium, also set at £215, per eligible student from Communities First areas. We distributed £5.5 million through the combined widening access premiums.

HEIs received an additional £220 per eligible disabled student, taking funding in this area to more than £700K. Roughly £1.4 million was distributed through Welsh medium premium allocations.

Research

We increased the resource:

- for all 5*, 5 and 4 rated research by 2.66%, and awarded an additional £3 million which the Welsh Assembly Government made available to help institutions meet the full economic costs of research funded by charities; and,
- for postgraduate research training (PGR) by 2.66%.

We maintained the substantial level support through our £4.14 million Research Investment Fund, which is used to bring on emerging research, enhance existing areas of strength or reshape institutions' research portfolio.

Formula funding allocations in AY 2007/08

£276.2 million for teaching

£69.7 million for research

£5.37 million for postgraduate research training

£6.03 million for third mission

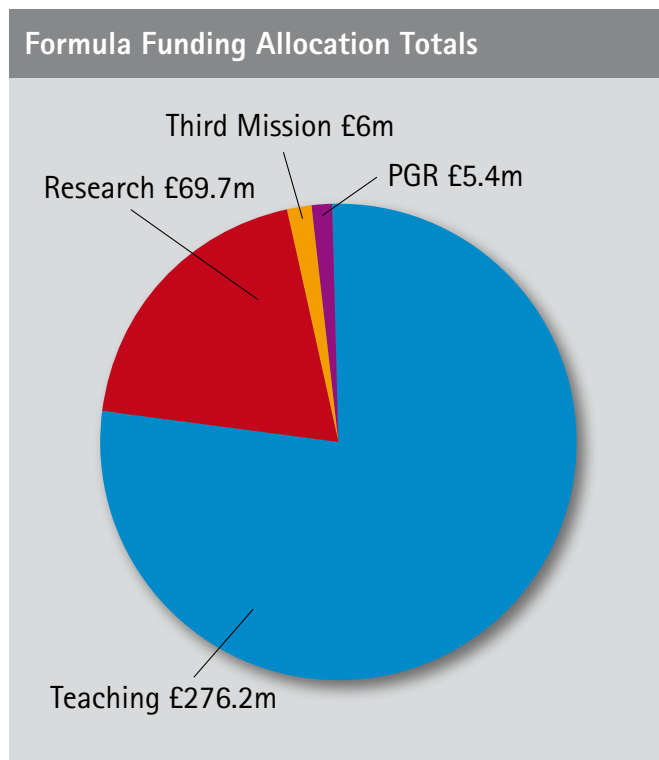
£7.87 million for the Open University in Wales

Above baseline *Reaching Higher* funding (translated to academic year funding)

Above baseline funding under the Welsh Assembly Government's 10-year strategy *Reaching Higher* provided £16.1 million to support reconfiguration and collaboration in the sector, £2 million being allocated to widen access and a further £3 million being earmarked for capital funding.

Third mission

Our Third Mission Fund increased to £6.03 million. Spending for graduate employment initiatives totalled £2.1 million.



Non-formula funding allocations for the academic year 2007/08

Non-formula funding totalled £15.71 million for teaching-related grants, which included support for students, initial teacher training and learning and teaching. We also contributed £1.04 million towards helping institutions meet increased costs under the Teachers' Pension Scheme.

Joint initiatives

We contributed towards a number of joint initiatives, totalling £8.9 million, with our partner UK funding bodies, such as to the Joint Information Systems Committee (JISC, £2.285 million) which provides the joint academic network (JANET).

Capital funding

Our grant from the Welsh Assembly Government includes earmarked capital funding to support infrastructure development for research and for learning, teaching and IT. We allocated £20.2 million for this in 2007/08.

Total formula and non-formula HE sector funding in AY 2007/08

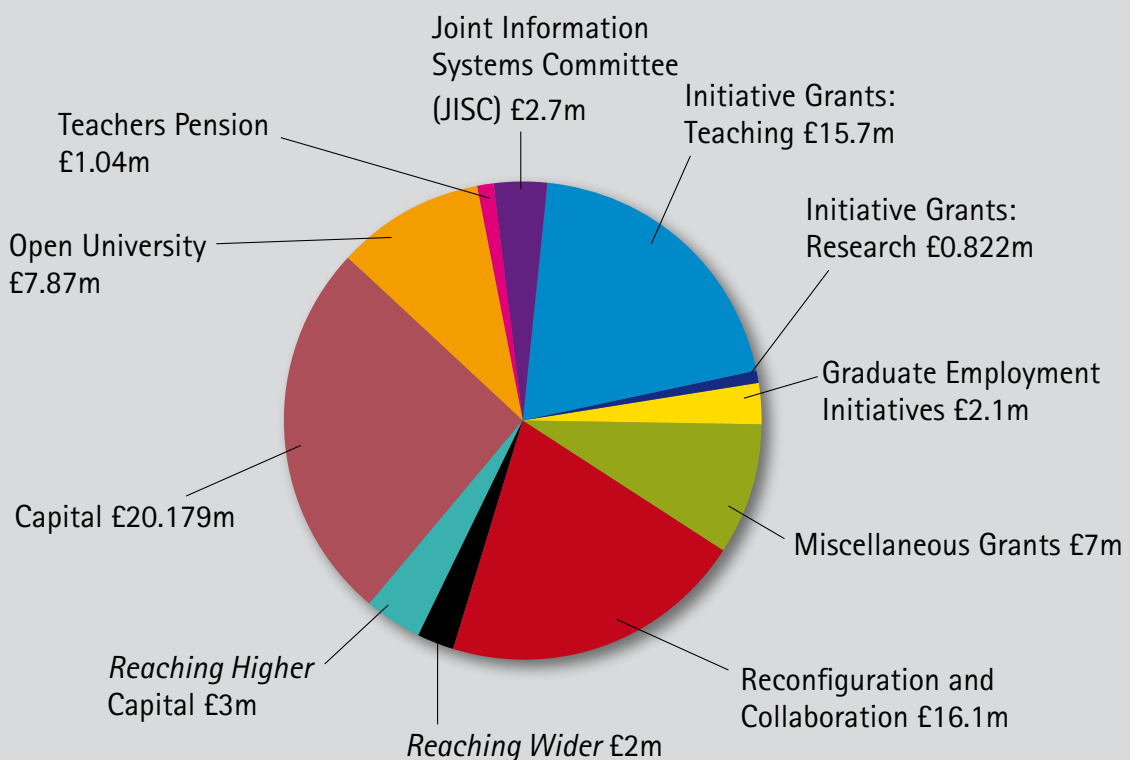
The total of our recurrent – formula and non-formula – and capital grant allocations for 2007/08 amounted to £414.76 million.

HEFCW funding for academic year 2007/08

Recurrent Grant	
	Spend to July 2008 (£)
Grant for Teaching	
Main formula grant	264,040,021
Per capita	4,507,539
Widening access premium	5,529,306
Welsh Medium premium	1,375,153
Disability premium	754,380
Total	276,206,399
Open University	7,874,000
Teaching Related Grants	
Widening access	1,793,921
Learning and teaching strategies	2,453,246
Welsh medium (Fund, Unit, Centre for Welsh Medium HE, and Special Initiatives)	577,725
Initial Teacher Training (ITT) Special Initiatives	6,000
Initial Teacher Training (ITT) Strategy	1,166,470
ERASMUS fee reimbursement	1,000,820
Part time fee waiver	1,000,000
Graham Funding	6,400,000
North Wales Clinical School	1,053,400
Initial Teacher Training (ITT) Partnerships	260,770
Total	15,712,352
Teachers Pension Scheme	1,040,260
Grants for Research	
RAE based grant (QR)	65,509,381
Research Investment Fund (RIF)	4,140,959
Initiatives—including Research Board, Overseas Research Students Awards Scheme and University of Wales Board & Press.	822,428
Total	70,472,768
Grant for postgraduate research training	5,365,384
Third Mission Grants	
Third Mission Fund	6,029,757
Graduate Employment Initiatives	2,135,000
Total	8,164,757

Non Mainstream Grants	
including – Learning and Teaching Support Network, Joint Information Systems Committee, HE Quality Assurance programmes, disability funding	9,741,219
HE Strategy Funding	
(allocation on a FY basis translated into AY)	
Reconfiguration and Collaboration (comprises Assembly earmarked funds & funds from HEFCW baseline grant)	16,088,333
<i>Reaching Wider</i>	2,000,000
Reaching Higher Capital	3,000,000
	21,088,333
Recurrent Total	Total 415,665,472
Capital (allocation on FY basis translated in AY)	20,179,000
including infrastructure for research and teaching and learning	
Grand total	435,844,472

Other allocations 2007/08



Enrolments by institution, level and mode 2007/08

	Undergraduate degree		Undergraduate non-degree		Undergraduate (UG)	
	Full-time	Sandwich	Full-time	Sandwich	Part-time (excl. FO)	Part-time (FO)
University of Glamorgan	9,247	133	1,683	0	5,445	1,712
Aberystwyth University	5,662	68	93	30	1,895	30
Bangor University	5,635	34	93	0	1,328	42
Cardiff University	15,471	269	100	0	3,859	0
University of Wales, Lampeter	1,014	0	72	0	2,203	5
Swansea University	8,525	59	92	0	2,012	0
University of Wales Institute, Cardiff	5,633	38	511	0	794	92
University of Wales, Newport	2,972	0	256	0	2,129	1,883
Glyndŵr University	2,113	0	208	0	3,333	568
Swansea Metropolitan University	2,461	5	278	0	1,348	0
Trinity College Carmarthen	1,081	0	0	0	800	0
Bridgend College	0	0	30	0	10	0
Coleg Sir Gâr	242	0	0	0	72	0
Coleg Llandrillo Cymru	92	0	117	0	577	0
Swansea College	0	0	10	0	4	0
Coleg Menai	0	0	0	0	19	0
Neath Port Talbot College	0	0	23	0	43	0
Open University in Wales	0	0	0	0	4,144	0
Total	60,148	606	3,566	30	30,014	4,332

Source: End of Year Monitoring of Higher Education Enrolments (EYM) 2007/08

Notes: (1) Sandwich students counted as 1

(2) Includes fundable, non-fundable, overseas and island enrolments

(3) Franchised out includes part-time undergraduate only

(4) Part-time Undergraduate includes degree and non degree enrolments

(5) Figures may not sum to totals due to rounding

Postgraduate Taught			Postgraduate Research			Total
Full-time	Sandwich	Part-time	Full-time	Sandwich	Part-time	
1,076	0	1,747	188	0	215	21,446
445	0	782	221	0	63	9,289
840	0	734	364	0	119	9,188
2,032	0	2,252	1,190	0	309	25,482
301	0	543	96	0	113	4,347
715	0	642	445	0	134	12,624
1,300	0	477	109	0	112	9,066
261	0	972	30	0	26	8,529
214	0	319	31	0	34	6,820
412	0	563	11	0	60	5,138
121	0	76	0	0	0	2,077
0	0	0	0	0	0	40
0	0	0	0	0	0	314
0	0	0	0	0	0	786
0	0	0	0	0	0	14
0	0	0	0	0	0	19
0	0	0	0	0	0	66
0	0	376	0	0	0	4,520
7,716	0	9,483	2,685	0	1,185	119,764

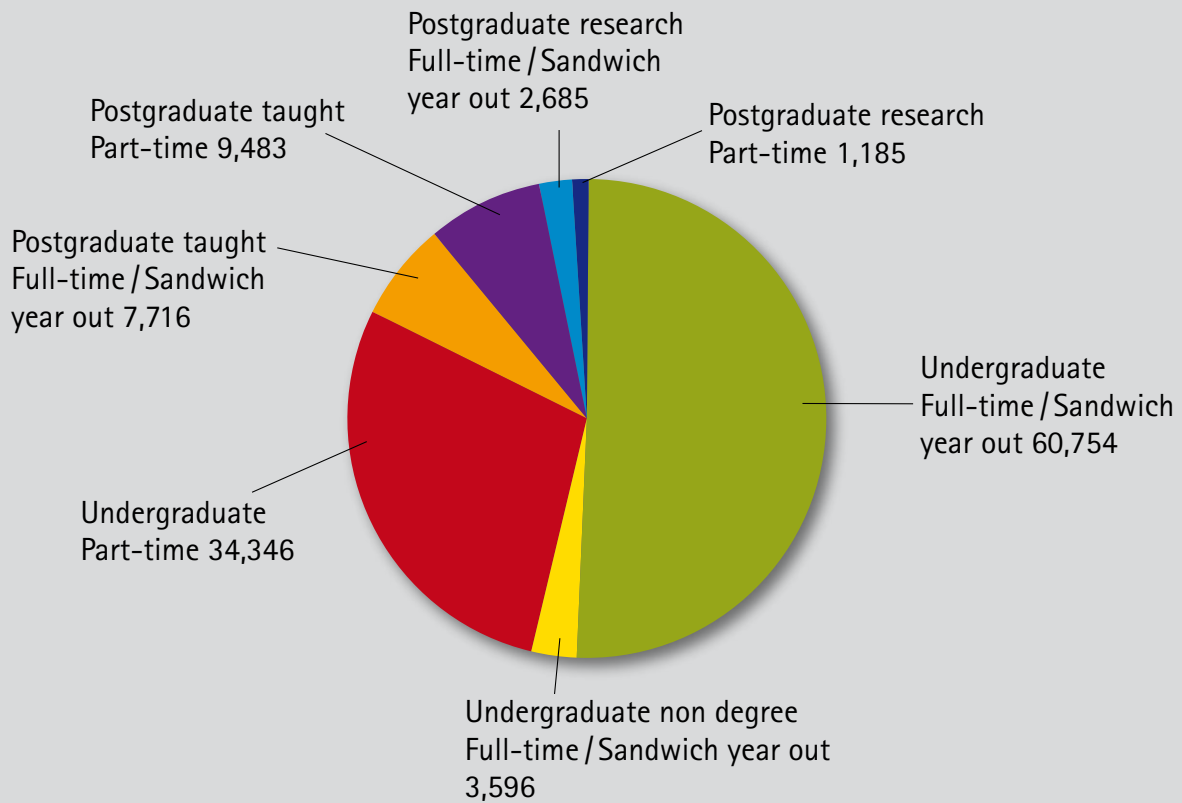
Enrolments by fee status, level and mode 2007/08

		Full-time Enrolments	Sandwich Enrolments	Part-time Enrolments	Total Enrolments
Home & EC fundable	Undergraduate	51,332	554	32,061	83,947
	Undergraduate non-degree	2,994	30	0	3,024
	Postgraduate taught	3,718	0	8,126	11,843
	Postgraduate research	1,731	0	813	2,544
	Total	59,774	584	41,000	101,357
Home & EC non-fundable	Undergraduate	5,136	0	1,626	6,762
	Undergraduate non-degree	257	0	0	257
	Postgraduate taught	214	0	363	577
	Postgraduate research	104	0	214	318
	Total	5,711	0	2,203	7,914
Overseas (includes Channel Islands and Isle of Man)	Undergraduate	3,680	52	659	4,391
	Undergraduate non-degree	316	0	0	316
	Postgraduate taught	3,784	0	994	4,778
	Postgraduate research	851	0	158	1,009
	Total	8,630	52	1,811	10,493
Total	74,114	636	45,014	119,764	

EYM 07/08 Enrolments by level and mode

Undergraduate degree	Full-time/Sandwich	60,754
Undergraduate non-degree	Full-time/Sandwich	3,596
Undergraduate	Part-time	34,346
Postgraduate taught	Full-time/Sandwich	7,716
	Part-time	9,483
Postgraduate research	Full-time/Sandwich	2,685
	Part-time	1,185

Enrolments by levels and mode



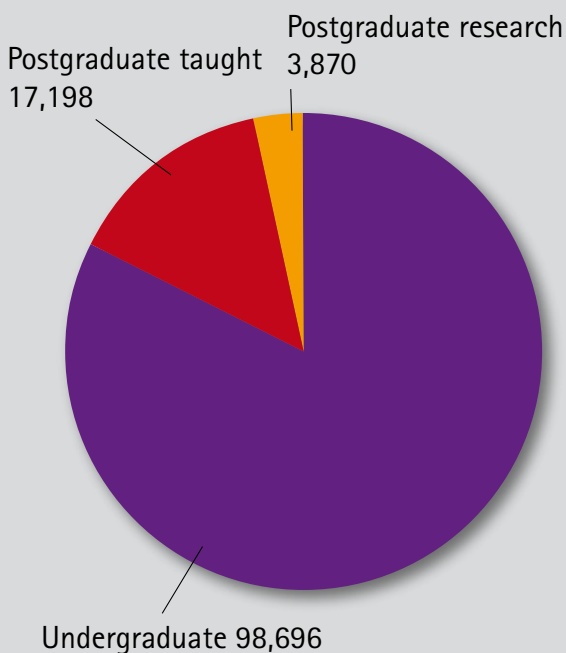
EYM 07/08 Enrolments by level

Undergraduate	98,696
Postgraduate taught	17,198
Postgraduate research	3,870

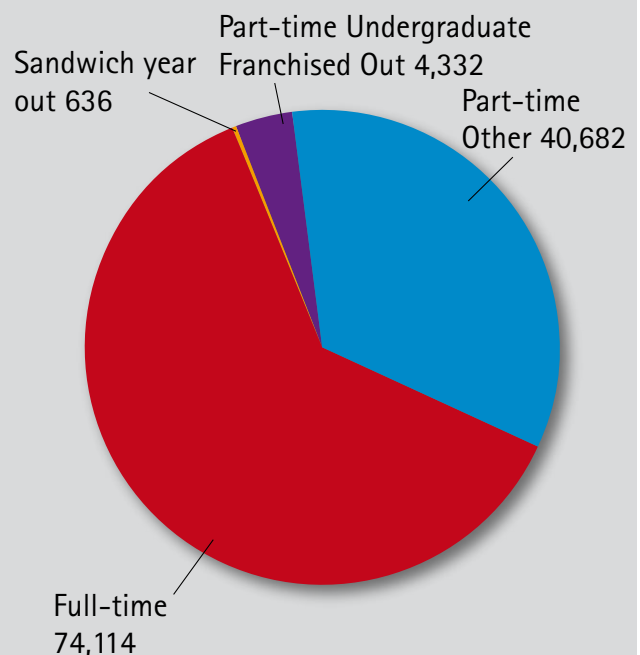
EYM 07/08 Enrolments by mode

Full-time	74,114
Sandwich	636
PT UG Franchised Out	4,332
PT Other	40,682

Enrolments by level



Enrolments by mode



Reaching Wider

The context

Widening access to higher education in support of social inclusion and economic upskilling is a major Welsh Assembly Government priority. Higher education institutions (HEIs) offer a range of activities to encourage people of all ages to improve their skills and participate in higher education (HE) whatever their background. HEFCW supports HEIs in responding to the needs and circumstances of a diverse student body. Our flagship *Reaching Wider* initiative provides innovative programmes for key target groups traditionally under-represented in HE: people from Communities First areas¹, black and minority ethnic (BME) groups, disabled students, and those who wish to study through the medium of Welsh.

Our aims

- To increase access to higher education for those with the potential to benefit from it by encouraging institutions to consider applications from all communities.
- To work with the HE sector to promote co-ordinated widening access activities and share good practice across Wales.
- To support work to encourage looked-after children and care leavers to consider opportunities in higher education.

What we do

- We fund higher education institutions to produce strategies to widen access and increase provision for disabled students.
- Widening access is one of our priority areas for distributing our core funding more strategically because there are additional costs in recruiting and retaining students from backgrounds where there is little tradition of participating in higher education (HE). Some potential university applicants might need additional support, skills development or confidence-building before they consider embarking on a HE course.
- We provide additional funding to institutions for students from Communities First areas and

for those in receipt of a disabled students' allowance.

- We have a widening access committee to advise our Council on policy, with representatives from across the HE sector in Wales.
- Our *Reaching Wider* initiative supports four regional HE/FE partnerships. These partnerships provide interactive programmes to widen access, encourage more co-ordination of activities regionally and share good practice across the sector.

Achievements in 2007–08

- In 2007/08, HEIs received £2 million for the *Reaching Wider* initiative, £1.8 million to support the implementation of widening strategies, £5 million for widening access premium funding (including targeted funding for Communities First students and students with non-traditional qualifications) and £700K for disabled students.
- We consulted on the outcomes of the independent evaluation of our policies for widening access and the *Reaching Wider* initiative.
- We evaluated the impact of the introduction of flexible fees on widening access.
- We consulted on the independent evaluation of our *Reaching Wider* initiative and on widening access activities, collecting views from HE institutions and other partners in order to better focus our widening access activities.
- We announced additional financial support for part-time students. We will set aside an annual fund of £6.4 million for the next three years to maintain and strengthen part time programmes, helping to widen access for part-time students and strengthening HEIs' engagement with employers in delivering part-time higher education.

Performance against remit letter tasks

Action	Outcome
<p>Take steps to encourage more institutions to work with the Frank Buttle Trust towards gaining the Quality Mark for Care Leavers, and work with the sector to develop guidance on care leavers in higher education.</p>	<p>Ongoing. Update provided as part of December 2007 advice to Minister on widening access policies [see below]. Three institutions have been awarded the Quality Mark (Cardiff University, Swansea University and Glyndŵr) and at least three others are close to submitting applications. Guidance has been drafted and discussed with Widening Access Committee. It will be developed in consultation with the sector with the aim of launching it at the planned conference on working with care leavers in November 2008.</p>
<p>In the light of the new flexible fee arrangements being introduced in Wales, and the stock-take of our policies for widening access conducted last year, provide preliminary advice to the Assembly on whether there is a need to make any changes to the widening access initiatives funded through HEFCW by December 2007.</p>	<p>✓ Achieved. Following consideration by Widening Access Committee and by Council, advice submitted December 2007.</p>
<p>Assist the Assembly as required to develop the mechanism for targeting the additional funding made available in response to the Graham Review on part-time study, and to plan for future mainstreaming of this funding.</p>	<p>✓ Achieved. A proposed mechanism for targeted distribution of the proportion of the Graham Review funding passed to HEFCW developed in conjunction with the Assembly Government, and approved by Council at its meeting on 29 June 2007.</p>

¹ Communities First areas are the 100 most deprived electoral divisions according to the Welsh Assembly Government's Multiple Index of Deprivation.

Widening access

The percentage of all **Welsh domiciled undergraduate new entrants to HE courses at UK HEIs or FEIs who are domiciled in the Welsh Community First areas** to rise from **8.9% in 2000/01** to **11.4% in 2010/11**.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	2,733	26,848	10.2%	3,036	27,857	10.9%	3,408	28,903	11.8%
UK HEIs and FEIs*	3,484	39,056	8.9%	4,053	42,181	9.6%	4,364	43,077	10.1%
Lowest/highest (Welsh HEIs):	2.0% - 15.8%			2.2% - 16.4%			2.6% - 17.4%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	3,401	29,577	11.5%	3,448	29,687	11.6%	3,325	28,937	11.5%
UK HEIs and FEIs*	4,450	44,300	10.0%	4,351	42,589	10.2%	4,244	42,912	9.9%
Lowest/highest (Welsh HEIs):	4.2% - 16.0%			3.3% - 16.0%			2.8% - 15.6%		

	2006/07		
	Number	Total	%
Welsh HEIs	3,618	30,197	12.0%
UK HEIs and FEIs*			
Lowest/highest (Welsh HEIs):	3.6% - 17.4%		

The Community First areas correspond to the 100 most deprived electoral divisions according to the Assembly Multiple Index of Deprivation. Students domiciled within the Community First areas are those whose home postcode lies within these divisions.

The percentage of students domiciled in the Community First areas is out of Welsh domiciled students at the institution with known wards.

Welsh domiciled students are taken to be those with a Welsh home postcode.

All modes of study are included.

In 2003/04, one institution had a large proportion of unmappable postcodes (16%) and this may have affected the percentage domiciled in the Welsh Community First areas.

*The UK figures for 2001/02 and 2002/03 previously included data for UK FEIs from 2000/01 as an estimate. The figures presented here include actual UK FEIs data for 2000/01 to 2005/06.

The deal for students

The context

We help Wales's higher education institutions to support excellent teaching so that the student experience is of high quality. We are responsible for ensuring that the quality of funded provision in institutions is assessed and for helping the higher education (HE) sector in Wales reach its target for 7% of students who live in Wales taking some part of their HE course through the Welsh language.

Our aims

- To see a higher education sector which compares favourably with the rest of the UK and overseas in providing high quality learning and teaching.

What we do

- We fund institutional learning and teaching strategies and encourage institutions to share good practice.
- We work closely with the Quality Assurance Agency for Higher Education (QAA) to monitor institutional actions to secure the quality and standards of their awards.
- We work with the HE Academy to enhance quality and standards, with the UK HE Europe Unit on EU opportunities, and with the Wales International Consortium on international issues.
- We support maintaining and developing Welsh medium courses through funding higher education institutions (HEIs) and supporting the Centre for Welsh Medium Higher Education.
- Our Learning and Teaching Committee advises our Council on policy issues in this area and includes representatives from the HE sector in Wales.

Achievements in 2007–08

- We developed a new 10-year strategy for enhancing learning and teaching through technology. We also announced that we would be allocating an additional £1 million to support and encourage institutions to take up the opportunities provided by technology to meet the objectives of the new strategy.
- We worked closely with institutions, Higher

Education Wales (HEW) and the Centre for Welsh Medium Higher Education to support the sector in establishing a new national framework and development plan for Welsh medium provision. We secured Welsh Assembly Government agreement to allocating Reconfiguration and Collaboration funding to implement the development plan.

- We consulted and provided revised guidance on how our Welsh medium premium payments work, and lowered the eligibility threshold for the Welsh medium premium to encourage the development of new provision.
- With the QAA, we implemented a new method for reviewing directly-funded HE provision in further education colleges.
- We reported on the outcomes of the HEFCW-commissioned York Consulting report on *The Extent and Effectiveness of Student Representation Structures within Higher Education Institutions across Wales*. Some outcomes included: all institutions considered students to be important in improving quality; systems in most institutions were well developed, with links between senior management and the Students' Union President, although there were differences with how systems were co-ordinated; and, weaknesses at faculty, school or departmental level were often more apparent, though were being addressed.
- The 2007 National Student Survey showed that 83 per cent of students in Wales were satisfied with their experience, above the figure for the UK as a whole. The results also saw improved outcomes for academic support and learning resources. As in the rest of the UK, the lowest levels of satisfaction were again in assessment and feedback, with only 61% of students expressing satisfaction here. In Wales, we have been working with the Higher Education Academy to enhance the assessment of students.
- The Welsh Video Network is a pioneering project which aims to provide at least 80 high-quality videoconferencing studios for all higher education institutions and further education colleges in Wales. We agreed to continue funding it in 2007-08.

Performance against remit letter tasks

Action	Outcome
Initial review of QAA Institutional Review process in Wales to aid the development of new arrangements for the next cycle.	Ongoing. Consultants have been appointed to undertake the initial review to inform the new Quality Working Group.
Seek new three-year learning and teaching strategies and provide feedback. This will include encouraging institutions to identify how the UK Professional Standards Framework for teaching and supporting learning in higher education may be supported through their strategies.	✓ Achieved. Guidance published April 2007 which included specific reference to the UK Professional Standards Framework. Strategies submitted by all funded institutions.
Work closely with the HE sector to contribute to the Assembly Government's response to the independent review into the mission and purpose of FE (the Webb Review).	✓ Achieved. HEFCW submitted its response to the Webb Review in April 2007 (Council received at its May meeting). Webb Report published December 2007. The Assembly's response will be part of the Skills and Employment Strategy, out to consultation until 10 April 2008.
Work with the HE Academy, JISC and others to develop and consult on an e-learning strategy and report outcomes to the Assembly by March 2008.	✓ Achieved Final version of <i>Enhancing Learning and Teaching through Technology: A Strategy for Higher Education in Wales</i> submitted to the Assembly in March and published on 7 April 2008.
In light of the review undertaken by HEFCW in 2006 – 07 on higher level skills needs in Wales, work closely with the HE sector to contribute to the Assembly Government's response to the Leitch review of skills, due to be made in the Autumn 2007.	✓ Achieved. Initial response to Leitch made to the Assembly in February 2007. Formal advice submitted 1 October 2007. The Assembly's response now set out in its Skills and Employment Strategy, published in July 08.
Take forward the work undertaken during 2006 – 07 on the programme of enhancement activities drawn up by the HE Academy, and encourage HEIs further to engage with the Academy and utilise its services to enhance the quality of the student learning experience.	✓ Achieved. A programme of activities has been implemented in Wales. Progress is monitored through a series of liaison meetings with HEA officers, including quarterly progress reports to Learning and Teaching Committee. The Academy has prepared an action plan in response to the recent evaluation, which includes increased working more closely with institutions at all levels.
Implement the agreed actions in the light of the Assembly's response to HEFCW's advice on the Options Appraisal for Welsh Medium Provision submitted in financial year 2006 – 07.	✓ Achieved. New national framework and development plan for Welsh medium higher education established. Discussions continue on further future developments.

Welsh medium

The proportion of **Welsh domiciled HE students** in Welsh HEIs and FEIs undertaking **some element of their course** through the medium of **Welsh** to increase from **5.3% in 2000/01** to **7% in 2010/11**.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	3,473	63,681	5.5%	3,205	67,792	4.7%	3,412	71,301	4.8%
Welsh HEIs and FEIs	3,495	65,800	5.3%	3,246	69,993	4.6%	3,412	72,436	4.7%
Lowest/highest (Welsh HEIs):	0.0% - 38.0%			0.0% - 27.7%			0.0% - 22.3%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	3,523	72,315	4.9%	3,404	74,118	4.6%	3,625	73,539	4.9%
Welsh HEIs and FEIs	3,540	73,415	4.8%	3,421	75,083	4.6%	3,647	74,751	4.9%
Lowest/highest (Welsh HEIs):	0.0% - 33.7%			0.0% - 41.3%			0.3% - 38.6%		

	2006/07		
	Number	Total	%
Welsh HEIs	3,778	74,415	5.1%
Welsh HEIs and FEIs	3,824	75,968	5.0%
Lowest/highest (Welsh HEIs):	0.3% - 40.0%		

Students are counted as having some element of their course through the medium of Welsh if they are flagged as taking a module that is available wholly or partly through the medium of Welsh or if any of the modules they are taking has a greater than zero percentage of provision through the medium of Welsh. Courses in Welsh language and literature are included.

All modes of study are included.

Wales as destination of first choice

The proportion of all **Welsh domiciled full-time HE students** enrolled at UK HEIs who are **studying at HEIs in Wales** to increase from **60.1% in 2000/01** to **70% in 2010/11**.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	31,772	67,742	46.9%	33,729	68,669	49.1%	34,917	71,506	48.8%
Lowest/highest (Welsh HEIs):	29.5% - 84.7%			30.8% - 85.8%			28.1% - 87.3%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	35,816	73,695	48.6%	36,028	75,462	47.7%	36,053	76,520	47.1%
Lowest/highest (Welsh HEIs):	27.9% - 86.6%			27.5% - 85.0%			27.7% - 82.8%		

	2006/07		
	Number	Total	%
Welsh HEIs	37,930	79,413	47.8%
Lowest/highest (Welsh HEIs):	27.7% - 83.7%		

Welsh domiciled students are taken to be those with a Welsh home postcode.

Full-time and sandwich modes of study are included.

Proportion of **Welsh domiciled full-time HE students** enrolled at UK HEIs who are **studying in Welsh HEIs**:

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Total UK HEIs	31,772	52,882	60.1%	33,729	54,442	62.0%	34,917	55,747	62.6%

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Total UK HEIs	35,816	57,204	62.6%	36,028	57,165	63.0%	36,053	57,145	63.1%

	2006/07		
	Number	Total	%
Total UK HEIs	37,930	58,188	65.2%

Overseas students

The percentage change in the number of overseas students attending HE courses in Welsh HEIs to be **equal to, or greater than**, the comparable figure for UK HEIs (excluding London and the SE) by 2010/11.

	2000/01			2001/02			2002/03		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	5,322	109,765	4.8%	5,878	114,387	5.1%	7,250	121,156	6.0%
UK HEIs (excl London and SE)	98,381	1,366,391	7.2%	108,496	1,430,036	7.6%	131,358	1,489,600	8.8%
Lowest/highest (Welsh HEIs):	0.5% - 9.5%			0.6% - 10.1%			1.2% - 11.2%		

	2003/04			2004/05			2005/06		
	Number	Total	%	Number	Total	%	Number	Total	%
Welsh HEIs	8,345	124,221	6.7%	9,644	129,231	7.5%	10,779	131,842	8.2%
UK HEIs (excl London and SE)	149,805	1,548,260	9.7%	154,168	1,576,133	9.8%	159,199	1,610,800	9.9%
Lowest/highest (Welsh HEIs):	0.2% - 11.6%			1.2% - 11.9%			1.6% - 12.3%		

	2006/07		
	Number	Total	%
Welsh HEIs	12,440	134,890	9.2%
UK HEIs (excl London and SE)	170,962	1,621,542	10.5%
Lowest/highest (Welsh HEIs):	1.6% - 17.0%		

Overseas students are taken to be those students not domiciled in the EU, the Channel Islands or the Isle of Man and includes incoming exchange students.

All modes of study are included.

Overseas students (continued)

The percentage change in the number of overseas students attending HE courses in Welsh HEIs to be **equal to, or greater than**, the comparable figure for UK HEIs (excluding London and the SE) by 2010/11.

Year-on-year change

	2000/01 to 2001/02	2001/02 to 2002/03	2002/03 to 2003/04	2003/04 to 2004/05
Total Welsh HEIs	10.4%	23.3%	15.1%	15.6%
Total UK HEIs (excl London and SE)	10.3%	21.1%	14.0%	2.9%
Lowest/highest (Welsh HEIs):	-7.7% - 97.6%	2.8% - 93.9%	-94.2% - 64.1%	-5.2% - 875.0%

	2004/05 to 2005/06	2005/06 to 2006/07
Total Welsh HEIs	11.8%	15.4%
Total UK HEIs (excl London and SE)	3.3%	7.4%
Lowest/highest (Welsh HEIs):	-18.8% - 143.6%	-62.1% - 129.0%

Overseas students are taken to be those students not domiciled in the EU, the Channel Islands or the Isle of Man and includes incoming exchange students.

All modes of study are included.

Research excellence

The context

Research is essential for creating knowledge. When this knowledge is applied, it can create wealth, and new, high-level jobs. HEFCW's funding enables higher education institutions (HEIs) to sustain research of world-class excellence and to continue to form new collaborative partnerships which strengthen their individual research goals. It also offers opportunities to the business community to engage with Welsh higher education (HE) to the wider benefit of Welsh society and its economy.

Our aims

- To ensure that the research base in Wales is of a quality which compares favourably with the rest of the UK and internationally.
- That research groupings in Wales are of a sufficient size and disciplinary range to be effective and sustainable.
- To help the HE sector in Wales secure increased research income from sources other than HEFCW, particularly via Research Council grants and from the commercialisation of their research outputs.

What we do

- We provide most funding for research through the QR (Quality Research) funding stream, which rewards and reinforces research excellence based on the outcomes of the Research Assessment Exercise (RAE).
- We provide: funding for institutions to use flexibly to support their research strategies through our Research Investment Fund (RIF); funding for the training of postgraduate research students; and support for investment in the physical research infrastructure.
- We also provide monies through the UK-wide science research investment fund (SRIF), which HEIs use to invest in the infrastructure – such as buildings, facilities and equipment – to enable them to carry out first-class research.

Achievements in 2007–08

- We reviewed our research policy and our research funding method. We reviewed our research policy and our research funding method, with the valuable help of our Research Sounding Group. The outcomes of the review included a revised statement of our research policy objectives and the broad supporting funding framework.
- Along with the other UK higher education funding bodies, we published proposals for the future research assessment framework – the Research Excellence Framework.
- The Wales Institute of Cognitive Neuroscience (WICN), involving Bangor, Cardiff and Swansea Universities, was launched. The Institute draws together existing cognitive neuroscience research excellence and will receive £5.17 million of reconfiguration and collaboration funding. By combining resources and expertise, and sharing the costs of expensive technology, WICN allows Welsh cognitive neuroscience research to compete with the best institutions in the world for research funding. It will also offer potential opportunities to take economic and commercial advantage of emerging developments in this field.
- The Economic and Social Research Council, HEFCW and the Welsh Assembly Government announced £5 million of funding for a new research centre to study bilingualism. Based at Bangor University, the new research centre aims to create greater understanding of bilingualism across the world.

Performance against remit letter tasks	
Action	Outcome
<p>Monitor the level of income secured by the sector from the Research Councils and other external funders of research by May 2007, and take other measures as appropriate to help stimulate grant capture. Submit to the Assembly by the end of March 2008 an assessment of what further steps the Council proposes in this area.</p>	<p>✓ Q1 activity achieved. A report on the sources of research income for HEIs in Wales for academic year 2005/06 put to Council's meeting in May 2007.</p> <p>✓ Q4 activity achieved. The assessment was submitted to the Assembly in July 2007, ahead of the original deadline, so that it would be available to inform the CSR exercise.</p>
<p>Continue to play a full role in UK-wide arrangements for the 2008 RAE throughout the year, and in developing successor arrangements to the RAE.</p>	<p>✓ Achieved. HEFCW has continued to contribute to the management of the 2008 RAE through its membership of the RAE Steering Group. We published a consultation paper on successor arrangements to the RAE in November 2007, in partnership with the other UK HE funding bodies.</p>

Research income

A The percentage of Research Council funding attracted by HEIs in Wales to rise from 3.3% to 4.5%.

	2000/01	2001/02	2002/03	2003/04	2004/05
Welsh HEIs Total	22,915,000	27,077,000	27,856,000	28,657,000	28,660,000
Total UK	695,065,000	805,172,000	819,804,000	832,981,000	926,145,000
Wales as % of UK	3.3%	3.4%	3.4%	3.4%	3.1%

	2005/06	2006/07
Welsh HEIs Total	34,465,000	35,552,000
Total UK	1,073,233,000	1,151,951,000
Wales as % of UK	3.2%	3.1%

Data relating to the Centre for Advanced Welsh and Celtic Studies have not been included in these figures.

B The research income from sources other than the Research Councils to rise by 60% on £55.6 million by 2007/08 and 100% by 2010/11.

	2000/01	2001/02	2002/03	2003/04	2004/05
Welsh HEIs Total	55,645,000	60,663,000	67,495,000	67,943,000	76,751,000
Increase as % of baseline		9.0%	21.3%	22.1%	37.9%

	2005/06	2006/07
Welsh HEIs Total	86,717,000	95,754,000
Increase as % of baseline	55.8%	72.1%

Data relating to the Centre for Advanced Welsh and Celtic Studies have not been included in these figures.

Benefiting the economy and society

The context

Third mission activities at higher education institutions apply and exploit knowledge which, in turn, benefits social, cultural and economic development in Wales.

The funding we give for third mission activities helps the higher education (HE) sector respond to Welsh Assembly Government and UK strategies in areas such as the economy, science, skills and the resultant interactions with business, and to work with bodies like the sector skills councils.

The Welsh HE sector produces more than 30,000 graduates a year. It contributed more than £1.64 billion to the Welsh economy in 2004–05². Higher education institutions (HEIs) are major employers in Wales³, accounting for 1.4% of the workforce. Furthermore, universities gained export earnings for Wales of at least £114 million in 2004–05.

Our aims

- To benefit the economy and society through delivering more productive relationships between higher education institutions and the public and private sectors, other agencies and local communities.
- To support the retention of graduate skills in the Welsh economy and their contribution more widely.

What we do

- Our Third Mission Fund requires institutions to produce strategies which outline how they will benefit HE and the economy, and support social and cultural well-being in the local community and Wales as a whole.
- Wales is at the forefront of employability initiatives in the UK, with unique schemes such as GO Wales, which have strengthened employer links with universities. This part ESF-funded programme brings graduates and business together by, for example, supporting work placements.
- We work with the Welsh Assembly Government

and other Wales and UK partners to take forward agendas which affect higher education institutions such as skills, sustainability, foundation degrees and opportunities in European and international HE.

- We contribute to developments in medical education and research on a UK stage through our membership of the UK Healthcare Education Advisory Committee (UKHEAC).

Achievements in 2007–08

- We completed the doubling of our Third Mission Fund (begun in 2005/06) to reflect the increasing recognition of the role of HEIs in supporting economic, social and cultural development.
- We have been working with the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship* (ESDGC) Champion to deliver the related Action Plan's priorities for the HE sector. Against this backdrop, we announced the allocation of £22,500 each to enable HEIs to make progress against two of the HE sector-related actions contained within the action plan: to undertake a "self-analysis of where ESDGC is being taught within their institution" and where it could be further incorporated; and to encourage all HEIs to develop a suitable environmental management system or equivalent.
- The UK-wide Higher Education – Business and Community Interaction Survey (HEBCIS) showed that our universities as generators of income continue to boost Wales's economy and communities. HE institutions in Wales continued to improve across a range of indicators of economic and social contribution through activities such as delivering training and consultancy services or commercialising new knowledge. Latest figures show that Wales generated 13.1% of all higher education business spinout and staff start-up activity and 10.7% of all UK graduate start-ups. Wales also accounted for 10.1% of income from collaborative research involving both public funding and funding from business, outperforming 7 out of 9 English RDA

regions. Welsh income generation has increased in this area by more than 77% since 2001/02 and in 2006/07 reached over £67.7 million.

- Cardiff University, University of Glamorgan, Amgueddfa Cymru – National Museum Wales, Techniquest and BBC Wales came together and successfully bid to become Wales's only Beacon for Public Engagement in a UK initiative supported by the Wellcome Trust and Research Councils UK. They now lead Welsh universities in working more closely with the public. This will help the people in Wales play a much more interactive role in the work of higher education institutions. The Beacon for Wales will encourage universities to make wider contributions to society by involving communities more fully in their work, as part of the biggest initiative of its kind ever launched in the UK.

- In 2007, GO Wales organised more than 600 student and graduate placements with businesses in Wales, most of them in the SME sector. The programme also helped over 500 students and graduates to find short term periods of work experience with Welsh organisations, helping them find out more about career areas of interest and build contacts in their chosen area. 600 organisations across Wales used our GO Wales Jobs facility to advertise their vacancies to graduates.

Performance against remit letter tasks	
Action	Outcome
Work closely with the Assembly's <i>Education for Sustainable Development and Global Citizenship</i> (ESDCG) Champion and the HE sector to take forward the relevant requirements in the ESDGC Action Plan. Provide a progress report to the Assembly on actions taken and planned by the end of March 2008.	✓ Achieved. Detailed progress report submitted on 27 March 2008

Spinout

The number of profitable spinout companies produced from HEIs in Wales to double from 21 to 42.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Welsh HEIs Total	25	31	14 *	17	15	26
Lowest/highest (Welsh HEIs)	0/7	0/7	0/4	0/5	0/5	0/6

Data shows actual new spinout companies to be formed each academic year.

* We believe that the drop in 02/03 might be explained in part by the sector's awareness of the impending 2003 Financial Act, which disincentivised academic engagement with spinout activity (HMT has been made aware and is considering the situation).

² *Building an Opportunity Society and a Knowledge Economy* (Higher Education Wales)

³ Professor Stephen Hill (2003), *The Economic Impact of Higher Education in Wales*

Initial teacher training

The context

Initial teacher training (ITT) courses run by higher education institutions (HEIs) in Wales recruit to intake targets set by the Welsh Assembly Government. These targets are designed to help meet the need for trained teachers in Wales by providing sufficient newly qualified teachers each year.

The Assembly-commissioned review of ITT in Wales, which reported in January 2006, concluded that there was an oversupply of teachers in Wales, particularly for primary schools. It recommended that the ITT sector in Wales – universities and colleges which offer training for teachers – should reduce the number of teachers they trained. Working with the sector and the Assembly Government, we have considered the implications of the changes, which will include reconfiguring the ITT sector in Wales.

HEIs continue to attract high numbers of trainee primary teachers, with 982 recruited against a target of 950 in 2007/08.

HEIs recruited 1,089 trainees to secondary courses, against a target of 1,240. This included 784 recruited to priority subject areas, where there are more marked teacher shortages, against a target of 920.

Our aims

- To support higher education institutions in Wales to deliver newly qualified teachers of the highest quality.

What we do

- We work with:
 - * the higher education (HE) sector in Wales to achieve intake targets set by the Welsh Assembly Government for trainee teachers at primary and secondary level; and
 - * Estyn – the office of Her Majesty's Chief Inspector of Education and Training in Wales – to secure the quality and standards of ITT provision.
- Our funding for ITT strategies encourages institutions to take a more strategic approach to ITT, combining the relevant priorities of HEFCW, Estyn and the Assembly Government, including that for Welsh Medium ITT provision. These priorities include supporting secondary priority subjects, training for Welsh medium teachers, partnerships with schools, maintaining and enhancing quality and curriculum development.
- We help control over-recruitment to primary courses in institutions.
- We monitor closely recruitment to secondary subjects, particularly in priority subject areas which might be more difficult to recruit to. We pay particular attention to areas where there are shortages of teachers, such as in science or for Welsh medium courses.

Achievements in 2007–08

- We worked with institutions on reconfiguring the ITT sector in response to the Welsh Assembly Government's Review of Initial Teacher Training.

Performance against remit letter tasks

Action	Outcome
Work with the ITT sector to implement plans for the reconfiguration of ITT, in line with the timetable agreed with the Assembly.	✓ Achieved. Following receipt of further advice from the Assembly in July 2007, we requested more detailed plans from institutions and engaged in dialogue with them to clarify and test assumptions. We reported, as requested, to the Assembly in early April.

Making it work – the HE sector in Wales

The context

Reconfiguration of and collaboration in the higher education (HE) sector in Wales remains the key priority under the Welsh Assembly Government's *Reaching Higher* strategy.

Following the introduction of flexible tuition fee arrangements, we are working closely with the sector to manage the financial implications of demand-led student finance.

HE in Wales is working to pitch itself appropriately in the face of an increasingly competitive global market for higher education. Higher education institutions (HEIs) are faced with not only encouraging students from overseas to consider Wales an attractive destination, but also with the challenge of promoting the benefits of international exchanges for home students.

Our aims

- To look at further ways of meeting the Assembly's requirement for us to develop a more strategic approach towards the use of core funding and funding earmarked for the *Reaching Higher* agenda.
- To continue to work with institutions to see how best to implement the vision presented in the report on the provision of post-92 HE in south east Wales.
- To explore how further to develop leadership and governance within the sector.

What we do

- We administer the Welsh Assembly Government's Reconfiguration and Collaboration Fund (RCF), which supports major, well-founded proposals for higher education institutions to merge or work together in clusters or networks of excellence in teaching, research and third mission activities.
- We have a Strategic Development Fund which supports collaborations and UK-wide, strategic initiatives which do not fall under the remit of the RCF.
- We are responsible for approving HEIs' tuition fee plans, following confirmation that institutions could introduce flexible fees in 2007/08. These plans outline how institutions will earmark 30% of their additional income from flexible fees for widening access (through, for example, offering bursaries and scholarships) and promoting higher education.
- We ask HEIs to report on progress against *Reaching Higher* targets through their own institutional strategic plans. We monitor their progress, provide feedback and work with them on enhancing certain areas of performance.
- We review and report on the five year financial forecasts of institutions and their annual audited financial statements.
- Our Council visits each higher education institution in Wales at least once every three years to engage more fully with individual institutions, increase HEFCW's knowledge and understanding of those institutions and improve our methods of feedback to institutions.
- We review estates strategies, where institutions take account of their individual estates needs, including the accommodation requirements of students and financial and environmental sustainability issues.
- We provide capital funding to institutions to support investment in buildings and equipment for teaching and research.
- We help institutions to adhere to other guidelines and legislation such as equality and procurement.
- We continue to support the governance and management work of the Leadership Foundation for Higher Education (LFHE) and the Committee of University Chairmen (CUC), both on a UK and Wales level. HEFCW's Chief Executive chairs a group which brings together the senior representatives from CHEW (Chairs of Higher Education Wales), HEW (Higher Education Wales), the Leadership Foundation in Wales and others involved in governor and management development.
- We work with the UK-wide body, the Equality Challenge Unit (ECU), to monitor higher

education institutions' performance in meeting their statutory obligations under equality legislation. The ECU leads on UK-wide projects and research activities, and organises Welsh Liaison Group meetings to share knowledge and best practice. HEFCW itself monitors equality and diversity data on HEIs in Wales and provides advice and guidance in this area.

Achievements in 2007–08

- We supported an investment of £7.5 million in three south west Wales higher education institutions for an innovative partnership to integrate a range of services for students and staff. Funding for Swansea University, Swansea Metropolitan University and Trinity College Carmarthen from the Reconfiguration and Collaboration Fund will help them: integrate a range of services and administrative functions, including student records and intranet systems; create a south west Wales 'virtual' library and careers service; and with staff development. It will also give a co-ordinated approach to environmental sustainability and estates management.
- We provided an investment of £5.2 million from the Reconfiguration and Collaboration Fund to establish a Low Carbon Research Institute involving Cardiff, Bangor, Glamorgan and Swansea Universities. The Institute is drawing together and building upon the expertise at the partner universities to establish Wales as an internationally recognised centre for low carbon energy research. The Institute will also contribute to the development of a low carbon economy in Wales.
- We gave Glyndŵr University, Wrexham – formerly NEWI – £5.3 million to strengthen its position as Wales's higher education institution in northeast Wales. The investment, from our Strategic Development Fund, will be given over three years and helped the University along the road to gaining its own degree awarding powers, and to securing university title. It also helped address the *One Wales* commitment to "support the development of NEWI to full University status".
- We consulted with the sector on proposals for a revised approach to arrangements for capital funding from 2008–09 to encourage institutions to take a more long-term approach to capital investment. We then worked with staff from the sector to develop a framework for the information required under the new approach and to select a viable range of indicators.
- We announced a supplementary capital funding allocation of £5.5 million in 2008. This will go towards addressing the shortfall in capital funding for learning and teaching in Welsh HEIs which has been identified and to support investment in infrastructure which will help the sector respond effectively to the Welsh Assembly Government's Science Policy for Wales.
- We hosted a successful conference in Cardiff in February on internationalisation.
- Under the auspices of the Committee of University Chairmen's (CUC) Embedding Good Governance Steering Group, and in partnership with the other UK funding bodies, we supported the LFHE to produce easily accessible briefing materials for governors on key aspects of their responsibilities, including finance, audit, HR and estates. The CUC also published a Handbook for Members of Audit Committees in Higher Education Institutions.
- As part of HE's contribution to the Assembly Government's 'Making the Connections' and 'Value For Money' agenda, we supported institutions in demonstrating £10.3 million procurement efficiencies in 2006/07, the latest year for which information is available.
- We have been working with the sector and the other UK HE funding bodies to support institutions in achieving new standards in new building construction and in making further improvements to sustainability, in line with the Welsh Assembly Government's aspirations.
- HEFCW and HEFCE commissioned a new evaluation project to examine support provision for disabled students in HE. The research brings together the changes the higher education sector in England and Wales have seen over the past ten years in relation to the support of disabled students.
- The pilot Women's Universities Mentoring Scheme (WUMS) is a HEFCW-funded project that works to establish inter-university mentoring partnerships for women employees in Welsh HEIs. The WUMS is scheduled to run throughout the 12 universities of Wales during 2008.

Performance against remit letter tasks

Action	Outcome
<p>In the light of <i>Reaching Higher</i>, the principle of funding on a something for something basis, and the wider content of Assembly Government policy, work alongside DCELLS as required to prepare evidence and help identify higher education priorities for the forthcoming Comprehensive Spending Review.</p>	<p>✓ Achieved. Evidence was submitted to the Assembly, and various discussions held, as required.</p>
<p>Provide advice to the Minister by the end of December 2007 on the approach currently taken within the sector to develop leadership and governance (including the impact of governor induction and development); on ways to improve HEFCW's ability to advise the Assembly on risks; and on further options for action.</p>	<p>✓ Achieved. Report submitted to the Minister December 2007.</p>
<p>Work with Assembly officials to identify the most promising areas for reducing burdens and on the question of establishing a concordat between appropriate agencies in Wales.</p>	<p>✓ Achieved. Proposals which identify areas where HEFCW could reduce burden through unilateral action and other opportunities for reducing burden that require the Assembly to take the lead sent to the Head of Division in March 2008.</p>
<p>Continue with work to generate the evidence base to enable the Assembly to respond to the demands arising from the implementation of the new pay framework for the sector, due for completion summer 2007.</p>	<p>✓ Achieved. Report received from R&C funded project to support introduction of new pay framework.</p>

Reducing overhead costs

The **median administration cost** per FTE student for Welsh HEIs to drop from the 45th percentile of administration costs per FTE student in UK HEIs (excl. London and the SE) to the 40th by 2007/08 and the 25th by 2010/11.

	2000/01	2001/02	2002/03	2003/04
Welsh HEIs Median (£)	2,476	2,642	2,855	3,157
Percentage of UK (excl. London and SE) HEIs with administration cost per FTE student below Welsh median	45%	44%	46%	51%
UK (excl. London and SE) HEIs Median (£)	2,659	2,802	2,888	3,140
Lowest/highest (Welsh HEIs) (£):	1,483 – 5,419	1,603 – 5,801	1,760 – 6,663	1,635 – 7,354

	2004/05	2005/06
Welsh HEIs Median (£)	3,264	3,390
Percentage of UK (excl. London and SE) HEIs with administration cost per FTE student below Welsh median	46%	47%
UK (excl. London and SE) HEIs Median (£)	3,358	3,461
Lowest/highest (Welsh HEIs) (£):	1,876 – 5,665	1,948 – 5,976

Administration costs include academic departmental costs (excluding academic staff costs), academic services expenditure and expenditure on administration and central services (and exclude expenditure on premises). The FTE calculation includes all HE and FE for all years and non-credit bearing students up to 2003/04 (with the exception of some Welsh for Adults students for whom FTE data are not available for 2000/01 to 2004/05).

Data are taken from institutional level higher education management statistics published on the HEIDI system, which are based on HESA data.

Data for Cardiff University and UWCM have not been combined in this table for 2000/01 to 2003/04. Data for University of Glamorgan and RWCMD have not been combined in this table for 2000/01 to 2005/06.

Making it work – HEFCW

The context

HEFCW needs to provide an environment in which our staff can realise their full potential so that we can deliver our policy objectives and provide an effective service.

As an intermediary body between the Welsh Assembly Government and the higher education (HE) sector in Wales, we act within an environment over which we exercise influence rather than control.

HE in Wales is part of a UK and wider international market for students and staff. Developments elsewhere impact on the competitiveness of the sector in Wales

HEFCW's accountability

The relationship between HEFCW and the Welsh Assembly Government is defined in the *Management Statement and Financial Memorandum*.

The Chief Executive is accountable to the Welsh Assembly Government and to the National Assembly for Wales for use of the public funds made available to HEFCW.

The Education Minister holds an annual review meeting with the Chairman and Chief Executive, and Assembly Government officials conduct quarterly performance review meetings with the Chief Executive and HEFCW staff.

Our records and accounts are audited by the independent office of the Auditor General for Wales (Wales Audit Office).

HEFCW's Council and executive

During 2007 – 08, there were twelve members of the Council, including the Chair. This included one new member who joined on 1 April 2007.

With the Chair's final term coming to an end in February 2008, it was extended by the Welsh Assembly Government for a further two months, and a new Chair was recruited to start on 5 May 2008.

The Council met eight times in 2007 – 08. An assessor from the Welsh Assembly Government attends the meetings. The Chief Executives of the Higher Education Funding Council for England and the Scottish Funding Council and the Deputy

Secretary responsible for higher education at the Department for Employment and Learning Northern Ireland have observer status on the Council.

- The average number of full-time equivalent posts in HEFCW in 2007 – 08 was 52. This included staff working on a full time, part-time, job-share, or fixed term basis, staff on long and short-term secondments and students working on placements within HEFCW.

Our aims

- To recruit and develop staff who perform effectively and who display the values and behaviours of the organisation.
- To continually assess and identify areas for improvement through exercises such as the EFQM assessments, Investors in People, stakeholder surveys, staff surveys and Welsh Assembly Government performance reviews, and take the required action, including in the areas of leadership and management, in order to be capable of meeting future challenges.
- To fulfil our mission, we must ensure that we provide an effective service to our stakeholders and partners, and that clear, accessible and strategic communications support both our internal operations and our relationships with the Welsh higher education sector, the Welsh Assembly Government and other external partners.
- In taking forward the Assembly Government's strategy, *Reaching Higher*, we will take any necessary action to maintain both the confidence of the sector and our own capacity to facilitate change.
- To work effectively and efficiently, and be a model employer, having maintained the Investors in People standard. We are committed to keeping our staffing and support structure under review, and also our financial and other systems, to ensure that they continue to be appropriate to safeguard public funds and deliver value for money.
- To treat the Welsh and English languages on the basis of equality in providing services to the public in Wales.

What we do

- We produce, in a single document, a corporate strategy (setting out our long-term strategic outcomes); a corporate plan for the three financial years ahead; and a detailed operational plan covering the first of those three years. The operational plan includes targets and actions set out in the Welsh Assembly Government's annual Remit Letter to HEFCW. Progress against the targets in the plans is reviewed quarterly both by our Council and at meetings with the Assembly Government.
- We maintain a high-level corporate risk register which identifies risks associated with the delivery of our corporate plan objectives, and with the broader environment within which we operate, and measures for managing those risks.
- We maintain a dialogue with the Welsh Assembly Government about the need for an appropriate level of funding for the HE sector in Wales.
- We have a Welsh Language Scheme, approved by the Welsh Language Board, and a Welsh Language Mainstreaming Strategy, approved by the Welsh Assembly Government. The Strategy outlines how we intend to embed consideration of the Welsh language into our policy making and service delivery processes.
- We involve and consult with staff and other interested stakeholders in the development of our equality schemes and subsequent action plans. The plans include actions addressing both HEFCW as an employer and policies related to the HE sector in Wales.
- To monitor the effectiveness of the application process and related employment policies, and to find out whether all applicants and staff are treated equally, we have been and will be monitoring the gender, age, disability, marital status, racial or ethnic origin, sexual orientation, religion or belief of our staff and applicants. As a small organisation, we could not publish our 2007 – 08 data without identifying individuals. Our website includes equality monitoring data on the HE sector in Wales and on HEFCW as an employer.

Access to information

Publications Scheme

- HEFCW's Publications Scheme, drawn up under Section 19 of the Freedom of Information Act 2000 sets out: the information we publish, or

intend to publish, as a matter of course; how this information will be published; and whether the information is available free of charge or on payment. The Publication Scheme is available at www.hefcw.ac.uk or in hard copy on request.

Code of Practice and register of interests

- All Council members and staff are required to abide by a Code of Practice and to register financial, political and other interests relevant to HEFCW business. The register of interests is available on request from the Clerk to the Council and from www.hefcw.ac.uk.

Complaints

- We operate a Complaints Against HEFCW Procedure and HEFCW can be investigated by the Welsh Administration Ombudsman. We received one request to consider a complaint under the Complaints Procedure during the year.

Achievements in 2007–08

- We examined our organisational structure to serve our needs better, and to make HEFCW more strategically focused, flexible and able to make the best use of our staff. Our aim was a structure well fitted to respond to the developing higher education agenda in Wales and beyond, strengthening capacity in some areas, enabling HEFCW to engage more strategically with higher education institutions (HEIs), rebalancing senior management to support better the Chief Executive, integrating functions and making teams more adaptable.
- In order to assess how effective our service is, and how well our relationships work, we commissioned, in the autumn 2007, our first ever survey of stakeholders and partners. The independent survey gathered views about the services we provide and about our relationships with other organisations and included feedback about:
 - people's knowledge, awareness and views of HEFCW;
 - perceptions about HEFCW's role;
 - perceptions about the quality of services and support provided by HEFCW;
 - contact and dealings with HEFCW staff;
 - the effectiveness of HEFCW's methods of communication;
 - perceptions about the effectiveness of the

relationships between HEFCW and our partners and key stakeholders; and

- priority areas for improvement.

In the survey, we received a 74% favourability rating, in line with the results for similar surveys in England and Scotland.

- We produced our first Gender Equality Scheme. The Scheme set out how we would take forward our employment duty in this area and how we would support HEIs to enable them to improve their performance in providing and promoting gender equality.
- Later in the year, we invited comments on a new, draft Equality Scheme. Here, we brought together our existing equality schemes and action plans for disability, gender and race. The Scheme also included information on our work in the areas of age, religion and belief, sexual orientation and equality more generally, which shows our intentions to go beyond just complying with the legislation. By engaging with all equality strands in this way, we hope to reduce bureaucracy, encourage effective implementation – internally, and within the sector – and, most importantly, ensure that equality is properly mainstreamed into our core activities.
- We produced the second annual compliance report on our Welsh Language Scheme. Overall, we have made steady progress during the year. We received positive feedback from the members of staff who participated in Welsh Language Awareness sessions. We also made progress in our linguistic skills strategy. We are particularly pleased with the number of staff who have begun learning Welsh or improving their Welsh language skills: 7 members of staff indicated fluency or advanced skills, and 18 staff had skills at basic or intermediate level.

- ACAS reported on the findings of a review of pay, grading and job evaluation in the context of equal pay. The review demonstrated that there was no evidence of discrimination within the pay system and that the results produced by the application of HEFCW's Job Sizing instrument showed no evidence of sex bias.
- We produced a brand new communications policy and strategy. The policy set out our aims and objectives with respect to our various internal and external communications activities, and outlined the roles and responsibilities of HEFCW staff and Council members in contributing to the effective management of those activities. The Strategy set out our priorities and actions towards meeting the aims and objectives of the Policy.
- We implemented a new project management framework. This will help staff run and deliver an array of projects, from very simple to complex ones, and was designed to improve the clarity and effectiveness of the project management process.
- We were accredited ISO27001 certification following an independent review of our Information Security Management system.
- The Welsh Assembly Government announced the appointment of a new chair for HEFCW, Roger Thomas OBE, who was the former Chair of the University of Glamorgan and Chairs of Higher Education Wales (CHEW). The Assembly Education Minister paid tribute to outgoing Chair, Professor Sir Roger Williams, for his service to HE over the last 13 years, and his contribution to leading the HE sector in Wales through times of substantial change "with real authority, energy and diplomatic skill".

Performance against remit letter tasks	
Action	Outcome
Work with Assembly officials during the first quarter of 2007 – 08 to develop a more coherent and strategic approach to communications activities.	✓ Ongoing Communications Strategy and Policy approved by Council June 2007 (subject to a number of points of detail). Held initial discussions with the Assembly in August and agreed a number of actions to develop a more strategic, complementary approach on communications activities.

Council committees and working groups in 2007–08

- *Quality Assessment Committee / Learning and Teaching Committee*
Chair: Professor Philip Gummatt
- *Audit and Risk Committee*
Chair: Mr Tim Rees
- *Human Resources Committee*
Chair: Mrs Tina Stephens
- *Remuneration Committee*
Chair: Professor Sir Roger Williams
- *Third Mission Committee*
Chair: Dr Len Arthur
- *Reconfiguration and Collaboration Panel*
Chair: Dr Geoffrey Thomas
- *Welsh Medium Provision in Higher Education Steering Group*
- *Widening Access Committee*
Chair: Professor Philip Gummatt
- *Strategic Development Fund Assessment Panel*
Chair: Professor Sir Roger Williams
- *Research Sounding Group*
Chair: Professor Sir Brian Smith

Members of the Council during 2007–08

Professor Sir Roger Williams, Chairman

Former Vice-Chancellor, University of Reading [First appointed to Council in 1995; Appointed Chairman in 2002
Re-appointed for a three-year term in 2005.]

Professor Sir Roger Williams was educated at Tredegar Grammar School and is a physics graduate of Oxford. After a period with the National Coal Board in Operational Research, he was on the staff of the University of Manchester from 1966 to 1993 with periods of secondment in the US, Canada and Australia. He was Vice-Chancellor of the University of Reading from 1993 to 2002.

He was Special Adviser to the House of Lords Select Committee on Science and Technology from 1986 to 1992 and was Chairman of the Joint Committee of the Science and Engineering Research Council and the Economic and Social Research Council.

Sir Roger joined the Council in 1995 and was appointed Chairman on 1 March 2002 for a period of 3 years, to 28 February 2005 and reappointed to February 2008. He was awarded a knighthood in the 2006 Queen's Birthday Honours list in recognition of his services to Higher Education.

Other members:

Professor Philip Gummatt

Chief Executive
[from May 2004]

Professor Gummatt is the Chief Executive at the Higher Education Council for Wales (HEFCW). Professor Gummatt joined HEFCW from Manchester University, where he was Pro Vice-Chancellor, former Head of the Department of Government and Professor of Government and Technology Policy. He was a founder member and non-executive director of PREST (Policy Research in Engineering, Science and Technology) at Manchester – one of the leading science policy research centres globally – and is a former member, and Chair of the Board of Examiners, of the Training Board of the Economic and Social Research Council.

Dr Len Arthur

Former Senior Lecturer at the University of Wales Institute, Cardiff

[1 May 2002 to 30 April 2005; 1 May 2005 to 30 April 2008, extended to 30 November 2008]

Dr Len Arthur has 35 years experience in further and higher education in England and Wales, and was a senior lecturer at the University of Wales Institute, Cardiff and Director of Research and Enterprise at the Institute's Business School. Dr Arthur has played a leading role in the National Association of Teachers in Further and Higher Education.

Professor Mari Lloyd-Williams

Professor and Director of Academic Palliative and Supportive Care Studies Group, University of Liverpool

[1 January 2007 to 31 December 2009]

Professor Lloyd-Williams has held a personal chair at the University of Liverpool Faculty of Medicine since 2003, where she is also a consultant in palliative medicine and Director of one of the largest community medical education curricular in the UK. She was lately Hon Senior Lecturer and Medical Lead of the LOROS Hospice, Leicester. She has an international profile for her research on psychosocial aspects of cancer for patients and families, and also palliative care for non cancer patients, and is principal investigator for several major grants. She has wide experience of chairing and sitting on regional and national committees including currently the Professional Conduct Committee of the General Medical Council and Department of Health Committee on Psychosocial Care. A fluent Welsh speaker, she is actively involved in her local community as a trustee of St Kentigern Hospice and the congregational chapel, and as a magistrate.

Mr Tim Rees

[25 June 2002 to 24 June 2005; 25 June 2005 to 24 June 2008, extended to 30 November 2008]

Mr Tim Rees is a Chartered Accountant with extensive experience of the public, private and voluntary sectors. He served on the Board of the University of Glamorgan from 1992 and was Chair of Governors from 1996 until his appointment to HEFCW. Mr Rees has previously served with the Land Authority for Wales, the Welsh Development Agency and the Welsh Health Common Services Authority.

Professor D Garel Rhys OBE

Former Director of the Centre for Automotive Industry Research, Cardiff University

[31 October 2003 to 30 October 2006; reappointed 31 October 2006 to 30 October 2009]

Professor Emeritus Garel Rhys was Director of the Centre for Automotive Industry Research at Cardiff University's Business School and held the Society of Motor Manufacturers and Traders chair in Motor Industry Economics. He headed the Business School's Economics Section until 1999. He is chairman of the Welsh Automotive Forum. He has also advised various Select Committees. He is currently chair of the Welsh Assembly's Economic Research Advisory Panel (not a salaried position) and a member of the Ministerial Advisory Group to DE&T. He is also a member of the (DTI) Motor Racing Industry Advisory Panel. He is Professor Emeritus at Cardiff University.

Mr Kenneth Richards

[1 January 2007 to 31 December 2009]

Mr Ken Richards was educated at University College, Cardiff and the Economics Department of the Massachusetts Institute of Technology. He spent most of his career as an academic at Aberystwyth University, where he was latterly Senior Lecturer in Taxation and Finance in the School of Management and Business. He was a member of both independent reviews into student finance in Wales, chaired by Professor Teresa Rees, and has published a number of academic papers on this topic. He is Treasurer of the University of Wales Guild of Graduates, a member of the Investments Committee of Aberystwyth University, and sits on the Executive Committee of the Pantyfedwen Trust. Mr Richards is an Honorary Research Fellow at the Cardiff School of Social Sciences.

Professor Sir Brian Smith

[1 December 2002 to 30 November 2005; 1 December 2005 to 30 November 2008]

Sir Brian was appointed Vice-Chancellor of Cardiff University in 1993, and retired in 2001. Prior to that, he was master of St Catherine's College, University of Oxford. He was awarded a knighthood in 1999 in recognition of his successes in building mutually profitable links between the University and industry and commerce. Sir Brian has also served on the Welsh Development Agency from October 1998, assisting in opening up markets for

Wales in India and China. Sir Brian is International Ambassador for Cardiff University.

Mrs Tina Stephens

Specialist in management and staff development

[1 May 2002 to 30 April 2005; 1 May 2005 to 30 April 2008, extended to 30 November 2008]

Mrs Tina Stephens is a specialist in management and staff development and a Chief examiner for the Chartered Institute of Personnel and Development. She has 26 years experience in higher education and was Head of the Wrexham Business School, part of the North East Wales Institute. Mrs Stephens is Chair of the North Wales Associate Groups, a network that promotes the mutual development of SMEs to foster economic and employment opportunities.

Dr Geoffrey Thomas

Former Head of Continuing Education Department, Oxford University and President of Kellogg College (to 31 Dec 2007)

[1 June 2000 to 30 May 2003; 1 June 2003 to 30 June 2005 (extended to 30 September 2005)]

Reappointed [1 January 2006 to 31 December 2008]

Dr Geoffrey Thomas is the former Head of the Continuing Education Department at Oxford University, and President of Kellogg College. Dr Thomas is a native Welshman and a graduate of Swansea University. His postgraduate degree was obtained at Cambridge University. He has spent periods as a visiting scholar at the Smithsonian Institution in Washington, DC, at Harvard University, the University of California at Berkeley, and the University of Washington. He has also been a Council Member of the British Association, and Executive Committee member of the Universities Association for Continuing Education, and a member of Cabinet Office Committee of Inquiry on the Public Understanding of Science.

Professor Nigel Stott CBE

[1 January 2006 to 31 December 2008]

Professor Nigel Stott is currently Emeritus Professor of General Practice in Wales (based at Cardiff University) and he was awarded the CBE for Services to Medicine in 2001. He was awarded an Honorary Fellowship of Cardiff University in July 2007 and is a fellow of the Royal College of Physicians Edinburgh, the Royal College of General Practitioners and the Academy of Medical Sciences. He has been a member of the Joint Medical Committee of HEFC, Standing Committee for Postgraduate Education in Wales, Council of RCGP Wales and the Research Strategy Committee for UWCM. He has also served as a non-executive member of the UHW Trust Board and was appointed by the National Assembly to chair the reference group that advanced a Primary Care Strategy for Wales in 2001.

Mrs Pauline Thomas

Head of Abertillery Comprehensive School

[1 April 2007 to 31 March 2010]

Mrs Pauline Thomas graduated from Nottingham University with a degree in Chemistry; from Keele University (Alsager College) with a PGCE (commendation) in Science and Maths and gained her MA in Educational Management from the Open University in 1998. She moved to Wales in 1999 and took up the post of Deputy Head of Monmouth Comprehensive School. Mrs Thomas completed her NPQH at Cardiff University in 2001 and took up her current post as Head of Abertillery Comprehensive School in January 2002. She has been an elected member of the Association of School and College Leaders Council (ASCL) since 1999 and previously served as its Membership Officer before being elected as Honorary Secretary in 2005.

Annual report and accounts

For the year ended 31 March 2008

Annual report

Introduction and background

Statutory background

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

These accounts have been prepared in accordance with the direction made by Welsh Ministers 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 can be obtained from the Council.

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.

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

The responsibilities of the Higher Education Funding Council For Wales

HEFCW is responsible for the administration of funds made available by the Welsh Assembly Government, and others, in support of the provision of education and the undertaking of research by higher education institutions in Wales and the provision of prescribed courses of higher education in local authority or further education institutions in Wales, and the performance of such supplementary functions as are required of it by the Further and Higher Education Act 1992 and the Education Act 1994.

Employee involvement

Regular staff meetings and seminars ensure good internal communications and provide opportunities for staff to contribute to the workings of HEFCW. A Works Council, through which representatives can raise issues of concern to staff, met on a regular basis.

On 26 January 2000, HEFCW achieved the Investors in People award. This award was re-assessed during October 2006 and the Council was still found to be meeting the Investors in People standard. HEFCW's accreditation is in place until October 2009.

HEFCW is committed to developing its Diversity policies to ensure that all employees are treated equally, irrespective of gender, age, marital status, disability, racial or ethnic origin, sexual orientation, religion or belief.

HEFCW's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applicants with a disability where they have the appropriate skills and abilities to perform the job. If disablement should occur during employment HEFCW would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.

Creditor payment policy

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 2007 – 08 payment performance indicated that 98.5 per cent of invoices (2006 – 2007: 97.8%) were paid in accordance with agreed contractual conditions, or where no condition existed, within 30 days of the presentation of a valid invoice.

Audit

The accounts of the Council are audited by the Auditor General for Wales as required by paragraph 16(1) of Schedule 1 to the Further and Higher Education Act 1992. External audit fees in respect of this and other audit work are shown at Notes 3 and 6 to these accounts.

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

Council membership

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

Chairman

Professor Sir Roger Williams
Former Vice Chancellor, University of Reading

Members

Professor Philip Gummatt
Chief Executive, Higher Education Funding Council for Wales

Dr Len Arthur
Senior Lecturer at University of Wales Institute, Cardiff

Professor Mari Lloyd-Williams
Director of Community Studies, University of Liverpool

Mr R P V (Tim) Rees
Chartered Accountant; former Chair of Governors at the University of Glamorgan

Professor D Garel Rhys CBE
Former Director of the Centre for Automotive Industry Research, Cardiff University

Mr Kenneth Richards
Former Senior Lecturer in Taxation and Finance, Aberystwyth University

Professor Sir Brian Smith
Former Vice Chancellor, Cardiff University

Mrs Tina Stephens
Specialist in management and staff development; Chief examiner for Chartered Institute of Personnel and Development

Professor Nigel Stott CBE
Emeritus Professor of General Practice in Wales, Cardiff University

Dr Geoffrey P Thomas
Former Head of Continuing Education Department, Oxford University and President of Kellogg College

Mrs Pauline Thomas (*appointed 1 April 2007*)
Head of Abertillery Comprehensive School.

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

Committee/panel	Members
Remuneration	Professor Sir Roger Williams (Chair), Mrs Tina Stephens
Widening access	Professor Philip Gummatt (Chair)
Quality assessment	Professor Philip Gummatt (Chair)
Audit & Risk	Mr Tim Rees (Chair), Professor Nigel Stott
Human resources	Mrs Tina Stephens (Chair), Mr Tim Rees, Professor Garel Rhys
Reconfiguration & Collaboration	Dr Geoffrey Thomas (Chair), Mr Tim Rees, Professor Garel Rhys
Third mission	Dr Len Arthur (Chair)
Learning & Teaching	Professor Philip Gummatt (Chair)
Strategic Development Fund Assessment	Professor Sir Roger Williams (Chair), Professor Sir Brian Smith, Professor Philip Gummatt
Research Sounding Group	Professor Sir Brian Smith (Chair)
Appointments	Professor Sir Roger Williams (Chair), Dr Len Arthur, Mr Tim Rees, Mrs Tina Stephens, Professor Philip Gummatt.

Assessor appointed by Welsh Ministers

Dr David Bacon

Head of Higher Education Division, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government

The register of members' interests is available for inspection through the Clerk to the Council at the Council's offices in Llanishen and on the HEFCW website.

Management commentary

Mission statement and strategic aims

HEFCW's mission is to promote internationally excellent higher education in Wales, for the benefit of individuals, society and the economy, in Wales and more widely.

Working with partners, HEFCW deploys funds from the Welsh Assembly Government and others in order to:

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

In all that HEFCW does it is committed to maintaining and upholding the enduring core higher education values of:

Scholarship and learning

Sustaining a culture which demands disciplined thinking and intellectual integrity, encourages curiosity, challenges existing ideas and generates new ones.

Civic responsibility

Playing a major role in encouraging good citizenship and in shaping a democratic, inclusive society founded on respect for the rights of the individual and their responsibilities to society as a whole.

Lifelong learning

Enabling individuals to develop their capabilities to their highest potential throughout life.

Sustainability

Working to ensure that the sector develops structurally in a manner that best supports the delivery of the strategic aims and remains internationally competitive.

HEFCW's strategic aims in discharging its responsibilities are:

- Reaching wider:** delivering wider participation and access in support of social inclusion and economic upskilling;
- The 'deal' for students:** delivering the highest quality learning and related support;
- Research excellence:** delivering improved research performance to underpin the knowledge economy and cultural and social renewal;
- Benefiting the economy and society:** delivering more productive relationships between higher education institutions and the public and private sectors, other agencies and local communities;
- Initial teacher training:** delivering newly qualified teachers of high quality;
- Making it work:** The higher education sector in Wales: a strong emphasis on reconfiguration, collaboration and other measures to sustain improved performance of individual institutions and the HE system as a whole; and
- Making it work:** HEFCW: being an effective public body by (i) having the capability and infrastructure that enables us to work effectively internally and with all our stakeholders and partners (especially the Welsh Assembly Government and the HE sector in Wales); and (ii) being an employer of choice.

Remit letter

In February 2007 the Minister for Education, Lifelong Learning and Skills issued the annual remit letter to the Council. This sets out the Welsh Assembly Government's guidance to HEFCW for the year and the priorities and outputs the Minister expects HEFCW to deliver and which should be reflected in the HEFCW's operational plan. Significant items in the remit letter included a re-emphasis on reconfiguration and collaboration and on widening access, the implementation of the Graham review, the reconfiguration of initial teacher training (ITT), and public sector reform, as set out in Making the Connections and Delivering the Connections.

Operational plan

Of the 52 actions identified in the operational plan for 2007 – 08, 47 were achieved, one was partially achieved, one was dropped as no longer applicable, and three were carried forward to 2008 – 09.

Some of the key operational plan actions were to:

- *Implement a programme of action to improve retention in HE.* Programme of action produced and implementation begun, for example work on institutional student tracking and monitoring;
- *Seek new three-year teaching and learning strategies and provide feedback, to include encouragement to institutions to identify how the UK Professional Standards Framework for teaching and supporting learning could be supported.* Strategies submitted by all institutions;
- *Complete the review of research policy by July 2007 and publish outcomes by August 2007.* Statement of research policy objectives and broad supporting funding scenario agreed by Council and published in July 2007;
- *Launch second three-year third mission funding cycle.* New third mission strategies produced and funding began in December 2007;
- *Work with ITT sector to implement plans for the reconfiguration of ITT.* Detailed plans received from institutions, followed by dialogue between Council and institutions, including testing of assumptions. Report submitted to the Assembly Government;
- *Liaise with the sector to develop submissions to the Reconfiguration and Collaboration Fund, with targets and deliverables.* Targets and deliverables confirmed for partnerships approved in 2007 – 08: functional administrative collaboration in South West Wales and the Low Carbon Research Institute.

HEFCW and the HE sector have also played a full part in the Assembly Government's Making the Connections initiative. In work carried out jointly by the Welsh Assembly Government and the Wales Audit Office on preparedness and delivery of Making the Connections in the central government area, HEFCW was assessed as doing particularly well against the theme of working together, and encouragingly against the themes of making better use of resources and preparing and developing the workforce.

In addition HEFCW has carried out a significant organisational restructuring during 2007 – 08, in order to enable the organisation to focus more

strongly on the key areas of strategic interaction with the sector and the Welsh Assembly Government, including institutions' strategic plans and long term sustainability, and leadership, governance and management. The restructuring has involved the creation of two directorates rather than one, and a reduction in the number of heads of teams from nine to four. The Works Council and staff generally were consulted throughout the process, which involved two heads of team taking voluntary redundancy at a cost of £53,000.

Financial review

The net operating costs for the year were £444.7 million (2006 – 07 (restated) net operating costs £433.7 million). The cumulative general fund at 31 March 2008 after crediting grant in aid funding of £443.6 million, was £6.3 million (2006 – 07 (restated) £7.2 million). The Council's expenditure is planned on the basis of the funds available to it through annual receipts of grant in aid and other income and general fund balances. The financial statements will always record a net operating costs result for the year as a result of the crediting of funding received to the general fund in the balance sheet. The Council's activities are also planned to ensure that its cash carry forward remains within the two per cent of total grant in aid for the year allowed by the Welsh Assembly Government. Expenditure on fixed assets amounted to £258,000 in the year.

Remuneration report

Remuneration policy

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

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

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

No specific bonus is payable to the directors although an annual performance award equivalent to one step increment on salary bandings can be made in accordance with the performance appraisal process which applies to all staff appointments.

Remuneration committee

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

Salary and pension disclosures*

Position	Name	Salary	Real Increase in Pension & Lump Sum	Pension at 31/03/08 & Lump Sum	CETV at 01/04/07	CETV at 31/03/08	Real increase in CETV as funded by employer
		£	£'000	£'000	£'000	£'000	£'000
Chairman	Prof Sir Roger Williams	£15,552 (2006-07: 15,168)	N/A	N/A	N/A	N/A	N/A
Chief Executive	Prof Philip Gummatt	£107,794 (2006-07: 107,053)	0 - 2.5 pension plus 2.5 - 5 lump sum	5 - 10 pension plus 25 -30 lump sum	199	248	23
Director of Finance and Corporate Services	Richard Hirst	£85,445 (2006-07: 81,787)	0 - 2.5 pension	40 - 45 pension	633	765	38
Director of Strategic Development	David Blaney	£34,418 (2006-07: nil)	2.5 - 5 pension	20 - 25 pension	240	328	44

Due to certain factors being incorrect in last year's CETV calculator, there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007-08.

David Blaney was appointed as a director on 1 November 2007. The full year equivalent of his salary shown above is £82,602. The CETV of £240k shown above is the balance at 31 October 2007, the day before his appointment as director.

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

The Chief Executive has a permanent contract and is an ordinary member of the Principal Civil Service Pension Scheme.

The Chairman and Council Members (excluding the Chief Executive) are not members of the Principal Civil Service Pension Scheme and do not receive any pension benefits paid for by the HEFCW. Council Members (excluding the Chairman and Chief

Executive) receive a non-pensionable salary of £4,878 per annum.

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

* This information is subject to audit

Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service from October 2002 calculated as in premium. In nuvos, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

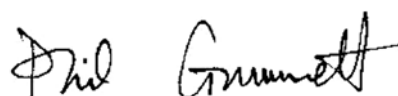
Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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



Professor Philip Gummatt
Chief Executive and Accounting Officer
15 July 2008

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 Welsh Ministers, 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, recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Council is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the accounts direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Principal Accounting Officer for the Welsh Ministers 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, for the keeping of proper records and for safeguarding the Council's assets, are set out in the Accounting Officers' Memorandum.

Statement on internal control

Scope of responsibility

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

The purpose of the system of internal control

2 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of HEFCW's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in HEFCW for the year ended 31 March 2008 and up to the date of approval of the accounts, and accords with Treasury Guidance.

Capacity to handle risk

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

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

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

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

The risk and control framework

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

Body	Key responsibilities
HEFCW Council	To approve the risk management strategy and policies, and to determine HEFCW's 'risk appetite', advised by the Audit and Risk Committee, the Chief Executive and the Management Board.
Audit and Risk Committee	To review the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing HEFCW, and advise the Council on the effectiveness of measures to safeguard HEFCW's assets and the prevention and detection of fraud and irregularity.
The Chief Executive	<p>As Accounting Officer, the Chief Executive remains ultimately accountable for the organisation and its management of risk. He must:</p> <ul style="list-style-type: none"> • have a clear understanding and assessment of the risks that could prevent delivery of objectives • ensure that the organisation has effective risk management and control processes • be provided with assurance that the processes and the key strategic risks are being effectively managed
Management Board	Owners of the corporate risk register responsible for reviewing it on a regular basis (at least three times a year ahead of each Audit and Risk Committee meeting) to ensure that the key risks for HEFCW are recorded and are being effectively managed.
Directors and Heads of Teams	<p>Directors are responsible for overseeing and signing-off of Team risk registers.</p> <p>Heads of Teams are the owners of Team (operational) risk registers and project risk registers for their own Teams.</p> <p>Responsible for ensuring that:</p> <ul style="list-style-type: none"> • registers are prepared, covering the key risks that exist in relation to activities or projects managed by the Team; • risks are assessed against HEFCW's common evaluation criteria, in particular to ensure that registers distinguish clearly between significant (corporate) risks and minor risks; • systems are established to regularly monitor and update the registers (at least three times a year); • actions identified to manage the key risks are effective and sufficient.

Body	Key responsibilities
Risk Assurance Section	<p>Advising on the development and implementation of the risk management policy and guidelines and facilitating implementation.</p> <p>Developing a risk-based audit plan (in consultation with members of the Management Board and for approval by the Audit and Risk Committee) such that audit assurance is focussed on the effectiveness of controls in place to manage the most significant risks.</p> <p>Providing an annual opinion, based on the risk-based audit plan, to the Accounting Officer on the effectiveness of corporate governance, risk management and internal control.</p>
All Other Staff	Identification and management of operational and project risks. Drawing the attention of their line manager to key risks, which may be sufficiently serious to require monitoring at corporate level.

Review of effectiveness


7 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and directors and heads of teams within HEFCW who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

8 Specific developments during 2007-08 to strengthen our ability to achieve HEFCW's strategic objectives and manage risk include:

- I instigated a review of the organisational structure with the aim of ensuring that HEFCW's resources are best able to secure the achievement of our strategic aims and to address the risks involved. The new structure was implemented in stages through the year and included the appointment of an additional director, and a reduction in the number of heads of teams from nine to four;

- Following an independent review HEFCW received ISO 27001 certification for its Information Security Management Systems. I regard this as particularly significant given the current emphasis on the importance of data security;
- We implemented a new data assurance strategy, designed to provide greater assurance about the data generated by institutions for funding purposes.

9 The internal audit service has identified a number of areas where controls require strengthening during the year and up to the date of signature of the statement. In each case an action plan has been agreed with the relevant manager for addressing the weakness. One of the issues identified by our control systems is some delay in implementing the agreed actions. However, I do not consider that any of the issues raised indicates a significant weakness which would warrant disclosure here, and I am satisfied that the system of internal control has developed effectively over the course of the year.



Professor Philip Gummatt
Chief Executive and Accounting Officer,
15 July 2008

The certificate and report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of the Higher Education Funding Council for Wales for the year ended 31 March 2008 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and the auditor

The Chief Executive as accounting officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' Directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' Directions made thereunder. I report to you whether, in my opinion, the information which comprises the Introduction and Background, Management Commentary and the unaudited part of the Remuneration Report in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to

the authorities which govern them.

In addition, I report to you if in my opinion, the Higher Education Funding Council for Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Higher Education Funding Council for Wales' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Higher Education Funding Council for Wales' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction and Background, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Higher Education Funding Council for Wales' 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 and the part of the Remuneration Report to be audited are free

from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Further and Higher Education Act 1992 and directions made thereunder by Welsh Ministers, of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2008 and of its net operating costs and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' Directions made thereunder; and
- information which comprises Introduction and Background, the Management Commentary and the unaudited part of the Remuneration Report given within the Annual Report is consistent with the financial statements.

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

16 July 2008

Operating cost statement for the year ended 31 March 2008

	Note	2008		2007 restated	
		£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	422,881		408,291	
Capital expenditure	3	7,828		11,564	
Other purposes	5	23,325		30,440	
		454,034		450,295	
<i>Council expenditure:</i>					
Administration costs	6	708		795	
Staff costs	7	2,186		2,006	
Depreciation	10	129		113	
Amortisation	11	10		9	
Notional charges - cost of capital	8	237		250	
		3,270		3,173	
Total expenditure			457,304		453,468
Income from activities	2		12,563		19,752
Net operating costs before interest and appropriations			(444,741)		(433,716)
Interest receivable	9		460		356
Appropriations	9		(460)		(356)
Net operating costs for the year transferred to the general fund			(444,741)		(433,716)
Movement on general fund					
Balance brought forward			7,180		7,150
Net operating costs for year			(444,741)		(433,716)
WAG grant in aid			443,646		433,496
Notional cost of capital adjustment			237		250
Balance carried forward			6,322		7,180
All activities are continuing.					
There are no recognised gains and losses in either 2007-08 or in 2006-07.					

The notes on pages 57 to 68 form part of these accounts.

Balance sheet as at 31 March 2008

	Notes	2008		2007 restated	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	10		246		117
Intangible fixed assets	11		-		10
			246		127
Current assets					
Debtors	12	844		1,448	
Cash at bank and in hand	21	6,001		6,230	
		6,845		7,678	
Creditors					
Amounts falling due within one year	13	(769)		(625)	
Net current assets			6,076		7,053
Net assets			6,322		7,180
Financed by :					
Capital and reserves					
General fund	14		6,322		7,180
Total government funds	14		6,322		7,180

The notes on pages 57 to 68 form part of these accounts.

Signed on behalf of the Council



Professor Philip Gummert
Chief Executive and Accounting Officer
15 July 2008

Cashflow statement for the year ended 31 March 2008

		2008	2007 restated
	Notes	£'000	£'000
Operating activities			
Net cash outflow from operating activities	20	(443,854)	(434,089)
Returns on investments and servicing of finance			
Interest received		448	346
Interest surrendered to the Welsh Assembly Government		(448)	(346)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	10	(258)	(43)
Net cash outflow before financing		(444,112)	(434,132)
Financing			
Welsh Assembly Government Funding		443,646	433,496
Welsh Assembly Government notional cost of capital adjustment	8	237	250
Decrease in cash	21	(229)	(386)

The notes on pages 57 to 68 form part of these accounts.

Notes to the accounts

1. Accounting policies

(a) Basis of accounting

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

The accounts are prepared under the modified historical cost convention and in accordance with the requirements of the Companies Act 1985, the *Government Financial Reporting Manual* 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.

(b) Grants for European Union (EU) projects

Income:

The Council receives grant income relating to EU projects from two sources. Grant income from the Welsh Assembly Government in support of European Social Fund projects is credited to the general fund in the year in which expenditure is incurred. EU income in support of European Social Fund projects is credited to the operating cost statement in the year in which expenditure is defrayed.

Expenditure:

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

(c) Funding

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

(d) Grants payable

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

(e) Notional charges

Cost of Capital:

As directed by Welsh Ministers, a notional capital charge reflecting the cost of capital employed, is included in operating costs and calculated at 3.5% (2006-07 - 3.5%) of capital employed.

(f) Pension costs

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

(g) Tangible fixed assets

IT equipment costing more than £500 and any other fixtures, fittings or equipment costing more than £1,000 are 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 shown below. A full year's depreciation is charged in the year of acquisition.

IT equipment	- 3 years
Electrical equipment	- 5 years
Fixtures and fittings	- 5 years

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

(h) Intangible fixed assets

Software licences costing more than £500 are capitalised.

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

Software licences	- 3 years
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(i) Value Added Tax

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

(j) Operating leases

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

2. Income from activities

	2008	2007
	£'000	£'000
Welsh Assembly Government – Financial contingency, mature students' access bursary and Open University student support funds (a)	81	5,278
European Union – European Social Fund	-	1,992
Office of Science & Innovation – Science Research Investment Fund	12,482	12,482
	12,563	19,752

(a) These funds are received from the Welsh Assembly Government for onward distribution to the HE sector. Principally, these funds exist to provide financial assistance to students in hardship. From 2007-08, all funds except Open University student support funds are distributed directly by the Welsh Assembly Government.

3. Funding of higher education

	2008			2007
	Recurrent	Capital	Total	Total restated
	£'000	£'000	£'000	£'000
Higher Education Institutions				
Aberystwyth University	38,322	621	38,943	39,087
Bangor University	37,467	581	38,048	38,638
Cardiff University	123,398	1,643	125,041	117,773
Swansea University	48,179	679	48,858	44,888
University of Wales, Lampeter	7,612	121	7,733	7,401
North East Wales Institute	17,097	369	17,466	17,545
University of Wales, Newport	21,654	459	22,113	21,884
University of Wales Institute, Cardiff	29,903	636	30,539	31,305
Swansea Metropolitan University (see (a) below)	16,301	366	16,667	18,016
Trinity College Carmarthen	7,872	139	8,011	7,147
University of Glamorgan (see (b) below)	56,705	1,662	58,367	54,604
Royal Welsh College of Music and Drama (see (b) below)	-	-	-	4,996
University of Wales Registry	769	-	769	1,420
Open University	8,850	-	8,850	7,688
Sub-total	414,129	7,276	421,405	412,392
Further Education Institutions				
Bridgend College	99	-	99	67
Coleg Sir Gâr	1,115	-	1,115	1,183
Coleg Llandrillo	1,291	-	1,291	1,350
Coleg Menai	59	-	59	53
Neath Port Talbot College	112	-	112	115
Coleg Morgannwg	60	-	60	420
Swansea College	32	-	32	38
Sub-total	2,768	-	2,768	3,226

	2008			2007
	Recurrent	Capital	Total	Total restated
	£'000	£'000	£'000	£'000
Other Organisations				
Department for Children, Schools and Families	49	-	49	-
Arad Consulting Ltd	-	-	-	40
Economic and Social Research Council	690	-	690	1,000
EKOS Consulting	-	-	-	24
Equality Challenge Unit	45	-	45	30
The Gus John Partnership	26	-	26	-
Evidence Ltd	-	-	-	21
Higher Education Funding Council for England (HEFCE)	3,346	315	3,661	3,237
HERO Ltd	29	-	29	28
The Higher Education Academy	894	-	894	885
JANET (UK) Ltd	134	214	348	-
Institute of Employment Studies	-	-	-	49
Integrated Web Systems Ltd	-	-	-	20
London Economics	-	-	-	27
Quality Assurance Agency	232	-	232	77
SQW Ltd	-	-	-	21
UKERNA	-	-	-	146
Universities UK	56	-	56	56
Wales Audit Office – audit fees, EU-funded projects	-	-	-	14
York Consulting Ltd	-	-	-	27
Other	483	23	506	452
Sub-total	5,984	552	6,536	6,154
Total	422,881	7,828	430,709	421,772
Less ESF funded expenditure (see note 5)	-	-	-	(1,917)
Total	422,881	7,828	430,709	419,855

(a) In January 2008, Swansea Institute of Higher Education changed its name to Swansea Metropolitan University.

(b) On 1 January 2007 the Royal Welsh College for Music and Drama (RWCMD) became a wholly owned subsidiary of the University of Glamorgan.

4. Grants to institutions

Included in these accounts are grants to institutions, which are subject to the recipients' external auditors' confirmation that they have been used for their intended purpose. The financial year of higher education institutions ends on 31 July and audited accounts are expected to be received by the Council by 31 December. A review by Council staff of institutions' 2006/07 financial statements disclosed that the external auditors had considered that grants had been used for their

intended purpose and no adjustments to grants were necessary. Additionally, the audit of student numbers carried out in the summer of 2007 did not lead to any material adjustments. Any adjustment arising from the audit of 2007/2008 accounts and student numbers, will be made by the Council in future years.

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

5. Expenditure for other purposes

	2008	2007
	£'000	£'000
Financial contingency and mature students access bursary funds (a)	81	5,279
European Social Fund (b)	-	1,917
Science Research Investment Fund	23,244	23,244
	23,325	30,440

(a) This expenditure relates to the onward distribution of funds from the Welsh Assembly Government for the purpose of providing financial assistance to students in hardship.

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

6. Administration costs

	2008	2007
	£'000	£'000
Accommodation costs	357	347
Office costs	61	90
Bought in services	16	47
Auditors' remuneration – Annual audit fee of the HEFCW	16	16
Auditors' remuneration – Additional assurance report work	4	4
Council members' travel and subsistence costs	10	9
Council members' meeting costs	20	22
Staff travel and subsistence costs	36	44
Staff related expenditure on training etc.	89	105
Information technology costs	99	111
	708	795

Administration costs exclude £22k charged to programme recurrent costs (2007 – £22k).

7. Staff costs

(a) Analysis

	2008			2007		
	Staff	Council Members (inc Chief Executive)	Total	Staff	Council Members (inc Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	1,834	172	2,006	1,788	160	1,948
Social security costs	146	13	159	140	14	154
Other pension costs	367	27	394	328	25	353
Redundancy costs	53	-	53	-	-	-
Total payroll costs	2,400	212	2,612	2,256	199	2,455
Less costs charged to programme recurrent costs	(426)	-	(426)	(449)	-	(449)
Administration payroll costs	1,974	212	2,186	1,807	199	2,006

(b) Pensions

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

For 2007–08, employers' contributions of £394,150 were payable to the PCSPS (2006–07 £353,045) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates were unchanged from 2006–07). The scheme's actuary reviews employer contributions every four years following a full scheme valuation. From 2008–09, the salary bands will be revised but the rates will remain the same (the rates will be changing from April 2009). The contribution rates are set to meet the cost of the benefits accruing during 2007–08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

(c) Average number of staff employed

The Higher Education Funding Council for Wales employed an average of 56 full time equivalent staff during the financial year ending 31 March 2008, as follows:

(c) Average number of staff employed

	2008	2007
	Numbers	Numbers
Senior Management	2	2
Policy Teams	29	30
Finance & Corporate Services	25	25
	56	57
Staff with a permanent UK employment contract	54	54
Other staff - temporary	1	1
Other staff - seconded	1	2
	56	57

8. Notional charges

	2008	2007 restated
	£'000	£'000
Cost of capital - 3.5 % (2007 - 3.5%) of capital employed	237	250

9. Appropriations

	2008	2007
	£'000	£'000
Receipts surrenderable to the Welsh Assembly Government:		
Bank interest	460	356

10. Tangible fixed assets

	IT equipment	Fixtures & fittings	Electrical equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2007	300	31	50	381
Additions	88	170	-	258
Disposals	(18)	-	-	(18)
At 31 March 2008	370	201	50	621
Depreciation				
At 1 April 2007	216	25	23	264
Charged during year	103	16	10	129
Released on disposals	(18)	-	-	(18)
At 31 March 2008	301	41	33	375
Net book value at 31 March 2008	69	160	17	246
Net book value at 1 April 2007	84	6	27	117

11. Intangible fixed assets

	Software licences
Cost	£'000
At 1 April 2007 and at 31 March 2008	29
Amortisation	
At 1 April 2007	19
Charged during year	10
At 31 March 2008	29
Net book value at 31 March 2008	-
Net book value at 1 April 2007	10

12. Debtors

	2008	2007 restated
	£'000	£'000
Trade debtors	1	-
Prepayments and accrued income	158	213
Balances with other central government bodies	685	1,235
	844	1,448

Prepayments at 31 March 2007 have been restated to remove prepayments of £4.588m in order to correctly reflect accounting policy 1(d) by recognising grants when paid (see note 14).

13. Creditors: Amounts falling due within one year

	2008	2007
	£'000	£'000
Trade creditors	-	107
Accruals	769	518
	769	625

14. Effect of prior period adjustment on general funds

	2007 restated
	£'000
General fund	
At 31 March 2007	
As originally stated	11,768
Adjustment to prepayments (see note 12)	(4,588)
At 31 March 2007 - restated	7,180

15. Lease obligations

	2008	2007
	£'000	£'000
Amounts charged to the operating cost statement for operating lease rentals in respect of accommodation	157	157
Annual commitment on leases expiring within:		
One year	-	68
Two to five years	-	-
Over five years	164	91

16. Capital commitments

	2008	2007
	£'000	£'000
Contracted	-	4

17. Financial commitments

	2008	2007
	£'000	£'000
Revenue grants (a)	143,623	157,553
European projects (b)	23	23
	143,646	157,576

(a) This amount will be funded by grant in aid from the Welsh Assembly Government

(b) European projects will be funded as follows:

	2008	2007
	£'000	£'000
European Social Fund grants	23	23
	23	23

The European projects also have financial commitments of £38k to be funded by external match funding contributions from Higher Education institutions and small and medium sized enterprises.

18. Losses and special payments

	2008	2007
	£	£
Fruitless payments	249	708

19. Related party transactions

The Welsh Assembly Government is regarded as a related party. During the year, the HEFCW has had various material transactions with the Welsh Assembly Government for which it is regarded as the parent Department. The following Council members and members of senior management have entered into relationships or transactions that are considered to be related parties, and which are shown in the table below: -

Name	Relationship
Dr Len Arthur (Council member)	<ul style="list-style-type: none"> ◆ Senior Lecturer; University of Wales Institute, Cardiff. ◆ Son-in Law, European Commission, Framework 7 Consultation.
Mr RPV (Tim) Rees (Council member)	<ul style="list-style-type: none"> ◆ Member & Chairman of Audit Committee, Representative Body of the Church in Wales.
Professor Sir Brian Smith (Council member)	<ul style="list-style-type: none"> ◆ International ambassador, Cardiff University
Mrs Tina Stephens (Council member)	<ul style="list-style-type: none"> ◆ Member of Advisory Board for School of Business & Regional Development at UW Bangor.
Professor D Garel Rhys, OBE (Council member)	<ul style="list-style-type: none"> ◆ Chairman, Economic Research Advisory Panel to Wales Assembly Government ◆ Emeritus Professor, Cardiff University. ◆ Member of Ministerial Advisory Group (DE&T) ◆ Member of Motor Racing Advisory Board (DTI) ◆ Honorary Fellow, Swansea Metropolitan University ◆ Daughter in Law, Senior Lecturer at University of Wales, Newport.
Professor Nigel Stott, CBE (Council Member)	<ul style="list-style-type: none"> ◆ Emeritus Professor, Wales College of Medicine, Cardiff University.
Mr Kenneth Richards (Council Member)	<ul style="list-style-type: none"> ◆ Executive Committee member, James Pantyfedwen Trust ◆ Honorary Research Fellow, Cardiff University School of Social Sciences ◆ Member, University of Wales, Aberystwyth Investments Committee
Professor Mari Lloyd-Williams (Council Member)	<ul style="list-style-type: none"> ◆ Son, student at University of Wales, Bangor
Mrs Pauline Thomas (Council Member)	<ul style="list-style-type: none"> ◆ Honorary Secretary, Association of School and College Leaders
Professor Philip Gummett (Chief Executive)	<ul style="list-style-type: none"> ◆ Wife, part-time tutor at Swansea Metropolitan University.
Mr Richard Hirst (Director of Finance & Corporate Services)	<ul style="list-style-type: none"> ◆ Director of Higher Education and Research Opportunities (HERO) Limited.

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

20. Reconciliation of net operating costs for the year to net cash outflow from operating activities

	2008	2007 restated
	£'000	£'000
Net operating costs	(444,741)	(433,716)
Amortisation charges	10	9
Depreciation charges	129	113
Decrease in debtors	592	662
Increase/(decrease) in creditors	156	(1,157)
Net cash outflow from operating activities	(443,854)	(434,089)

21. Reconciliation of net cash flows to movement in net funds

	2008	2007 restated
	£'000	£'000
Decrease in cash	(229)	(386)
Net funds as at 1 April	6,230	6,616
Net funds as at 31 March	6,001	6,230
Analysis of net funds:		
Cash at bank and in hand	6,001	6,230

22. Derivatives and other financial instruments

The Council does not issue or trade in financial instruments such as loans and has no borrowings. It relies primarily on Welsh Assembly Government grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

23. Post balance sheet events

The Accounting Officer authorised these financial statements for issue on 17 July 2008.