

**To: Heads of higher education
institutions in Wales**

Reference: W06/51HE
Date: 15 November 2006
Response By: 31 January 2007
Further Information: Liz Heal
029 2068 2240
elizabeth.heal@hefcw.ac.uk

Transparency Review reporting for academic year 2005/06

I am writing to ask you to submit your institution's annual Transparency Review return for 2005/06. A response is required by **31 January 2007**.

In July 2000 we issued Circular letter W00/67HE (dated 3 July 2000) which formally notified you of the Transparency Review reporting requirements. Institutions should note the update to the TRAC guidance issued by the BUFDG Costing and Pricing Group in July 2006. There are two changes to the template for returns. Firstly, the Cost of Capital adjustment has been replaced by the Return for Financing and Investment (RFI) adjustment. The RFI is calculated using both asset values and expenditure, and better reflects the purpose of the adjustment. Secondly, publicly funded teaching activities should now be classified into regulated and non-regulated provision to improve the understanding of the results on PFT for the institution as a whole. Guidance on these changes is available on the web at:

- www.jcpsg.ac.uk/guidance/annexes.htm for the RFI adjustment (annex 15)
- www.jcpsg.ac.uk/guidance/revisions/ for revisions for the PFT classification (July 2006 update).

In reporting these data, please confirm that:

- the costs reported have been prepared in accordance with the TRAC requirements – as set out in Section B (minimum requirements) of Part III of the TRAC Guidance, issued by the Joint Costing and Pricing Steering Group in June 2005 and subsequent updates
- the income has been prepared in accordance with the Funding Councils' requirements set out in Annex 16 of that guidance
- tests for reasonableness have been carried out and the results of these have been presented to a Board Committee to give assurance that the outcome is fair and reasonable, as required in part II, Chapter C.1.

The annual TRAC return also asks institutions to provide details of the committee, authorised by the governing body, responsible for confirming compliance with the costing standards. These standards are set out in Part II of the TRAC Guidance, Chapter B.2. In providing assurance to the head of institution, the relevant committee should seek assurance from the

internal auditors to confirm that they have reviewed progress on meeting the Transparency Review requirements; that the processes in place comply with the TRAC Guidance; and that the institution has implemented TRAC methods on a robust basis.

In April 2006, HEFCE issued a validation checklist to help English institutions review their 2004-05 TRAC data. Many institutions found this helpful. The checklist can be used for this and future data collection exercises to help improve the robustness of data. It can be downloaded from the HEFCE web-site, www.hefce.ac.uk under Finance & assurance/Finance and funding/Transparency review.

Submitting returns for 2005/06

The TRAC return form is enclosed with this letter for information only. An electronic return should be completed and submitted through the HEFCE extranet. A copy of this letter will be sent to your Director or Head of Finance, with details of how to access the extranet.

A hard copy of the completed return, signed by you (as head of institution) should also be sent by 31 January 2007:

Liz Heal
HEFCW
Linden Court
The Orchards
Ilex Close
Llanishen
Cardiff
CF14 5DZ

We will treat the information provided as strictly confidential. We will report to the Welsh Assembly Government on the sector aggregate data only, which we expect to publish.

For further information about the reporting requirements, please contact me at elizabeth.heal@hefcw.ac.uk or on 029 2068 2231.

Yours sincerely

Liz Heal
Statistical Analyst