

Funding Councils' responses and comments on recommendations

This table summarises the Funding Councils' responses to the recommendations in the report 'Financial Reporting and Activity Costing: Report to the Higher Education Funding Councils in England, Scotland and Wales (July 2003)'

Recommendation	Options/actions/comments	Lead responsibility	Timescale
<p>1. Confirm to stakeholders and to HEIs that the conceptual bases for the infrastructure adjustment and the cost of capital employed adjustment continue to be valid, while accepting that the following arrangements should be made for refining or reaffirming the methods for calculating the adjustments:</p>	<p>Circulation of FRACG report together with funding council responses, and timetable where appropriate.</p>	<p>Funding councils</p>	<p>November 2003</p>
<p>a. The insurance basis for calculating the infrastructure adjustment for buildings should be continued.</p>	<p>As above.</p>		
<p>b. Further work should be undertaken to clarify the basis on which HEIs insure their buildings and the frequency of periodic valuations.</p>	<p>Extension of initial enquiries by BUFDG or small consultancy project.</p>	<p>Funding councils/BUFDG/SCOP Finance/JCPSG</p>	<p>By 31 March 2004</p>
<p>c. A pilot study should be carried out to test if an infrastructure adjustment for equipment is likely to be material and to justify this being added in future years.</p>	<p>Consultancy support required. JCPSG to commission and oversee work within its remit for development of TRAC</p>	<p>JCPSG</p>	<p>By 31 March 2004</p>
<p>d. Work with sector representative bodies should be undertaken – specifically with the British Universities Finance Directors Group (BUFDG) and SCOP Finance network – to determine the risk-free rate of return and how the risk premium should be calculated.</p>	<p>Scope of work to be determined and resources identified. Consultancy support required.</p>	<p>Funding councils/BUFDG/SCOP Finance</p>	<p>By September 2004</p>
<p>e. The exceptional items adjustment is not required. Exceptional items should be treated in accordance with Financial Reporting Standard 3 – written off in the year of occurrence – and that no adjustment be made in the annual reporting from 2003-04 onwards.</p>	<p>Confirm in circulation of FRACG report. Will require supplementary guidance notes, and formal communication to sector on the change to TRAC methodology. JCPSG to commission technical note for sector.</p>	<p>Funding councils</p>	<p>November 2003 December 2003</p>

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<p>2. Consider – with stakeholders and with HEIs – options to provide further assurance that the implementation of TRAC is both fair and reasonable, and robust, bearing in mind the additional burden this will place on the HEIs. Those options could include:</p> <p>a. The extent to which external auditors could express an opinion on the work of internal audit in applying of the TRAC methodology and the information in the annual returns to the funding council.</p> <p>b. The scope for the funding councils’ Audit Services to include reviews as part of their data audit programmes.</p>	<p>Funding councils to bring together relevant organisations (including HEIs) to identify and evaluate options, to engage in further discussions with Treasury on proposed approach, followed by consultation with the sector.</p> <p>Development of supplementary guidance for HEIs/ auditors.</p> <p>Review funding council assurance processes to accommodate any changes.</p>	<p>Funding councils/ other stakeholders</p> <p>Funding councils/JCPSG/ consultants</p> <p>Funding council</p>	<p>Autumn 2003</p> <p>By 31 March 2004</p> <p>By 31 March 2004</p>
<p>3. Consider the frequency and potential to adopt a statistical sampling approach to meet the necessary level of assurance.</p>	<p>As for 2 above</p>	<p>Funding councils</p>	<p>By 31 March 2004</p>
<p>4. Confirm to stakeholders and HEIs that a more prescriptive approach to activity reporting through the published financial statements based on <i>SSAP 25: Segmental Reporting</i> would not be consistent with the requirements of the Standard or Generally Accepted Accounting Practice, and would not achieve the desired objective of reporting the full economic cost of activities consistently across the sector.</p>	<p>Confirm by circulation to the sector of the FRACG report.</p>	<p>Funding councils</p>	<p>November 2003</p>

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<p>5. Discuss with HEIs expanding the annual Transparency Review return to include both income and full costs across the five headings: publicly funded teaching, non-publicly funded teaching, publicly funded research, non-publicly funded research, other.</p>	<p>Consultation with sector bodies and institutions required. (To set out pro-forma for reporting, reasons, confidentiality issues and how data will be used – link to sustainability, and in longer-term for monitoring)</p> <p>Development of methodology and guidance to be commissioned by JCPSG</p>	<p>Funding councils</p> <p>JCPSG/consultants</p>	<p>Spring 2004</p> <p>Spring 2004</p>
<p>6. Bring the review of the HESA Finance Statistics Return to an early completion so that the data burden on HEIs can be reduced as soon as possible.</p>	<p>HESA Steering Group established to take forward review and consult with the sector and related organisations.</p> <p>Revised return operative for 2004-05</p>	<p>HESA</p>	<p>Spring 2004</p> <p>2004-05</p>