

Higher Education Funding Council for Wales Annual report and accounts

For the year ended 31 March 2019



Noddir gan
Lywodraeth Cymru
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Annual report and accounts

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In this document financial year is shown as 2018-19 (April – March) and academic year is shown as AY17/18 or AY18/19 (August – July)

Performance report

Overview

The purpose of the 'overview' section is to give the user a short summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

Accounting Officer's statement on performance

In 2017 the full provisions of the Higher Education (Wales) Act 2015 came into force. We have continued to modify our own role, with arrangements around fee planning and quality assurance changing, and our role as a higher education regulator strengthening. We continue to work with Welsh higher education providers, both universities and further education colleges, to secure a smooth transition and to ensure that our new duties are carried out effectively. We also worked with Welsh Government colleagues in preparation for assuming responsibilities for Specific Designation of providers for which we became responsible in 2018-19.

We have continued to work with Welsh Government to implement the recommendations of Professor Sir Ian Diamond's Review of higher education and student finance arrangements. We welcome the indication from the Cabinet Secretary that we can expect to see annual increases in our budget, resulting from the Diamond implementation, in future years. As more funds become available for us to distribute, we have developed our thinking about how best to target that funding with a view to maximising the public benefit which it can provide.

We continue to support the concept of a single intermediary body with responsibility for post-compulsory education and training, which is being developed by the Welsh Government. We have contributed, as an external stakeholder, to the policy development work of Welsh Government and have begun to work with them on early implementation planning.

There are twelve high-level Performance Outcomes for 2020 included in our [Corporate Strategy 2017-20](#). We are currently on course to deliver successfully each of these target outcomes.

The tasks in our operational plan focus on priorities identified by the Welsh Government in its annual remit letter to us. Excellent progress was made, with 151 activities, from a total of 153, completed.

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About HEFCW

The Higher Education Funding Council for Wales – HEFCW – is the public body operating between Welsh Government and higher education providers. We regulate fee levels at higher education providers, ensure a framework is in place for assessing the quality of higher education and scrutinise the performance of universities and other designated providers.

We also provide funding for higher education teaching and research, and apply our influence and expertise to help deliver Welsh Government priorities for higher education that also have wider societal and economic benefits.

HEFCW is governed by a non-executive Council consisting of a Chair and up to ten other Council Members. In addition, HEFCW's Chief Executive is also a member of the Council. The HEFCW Management Board is responsible for HEFCW's management and operations. HEFCW has a staff of 42 divided into four teams, each headed by a member of the Management Board.

Our strategic themes are set out in the HEFCW [Corporate Strategy 2017 to 2020](#):

In pursuit of sustainable, accessible, internationally excellent higher education in Wales, we will:

- Fund higher education
- Regulate higher education providers
- Influence higher education with evidence-based advice and strong partnership working
- Work in partnership with students
- Operate effectively as an organisation.

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Key developments in year

2018-19 was the first full year in which we implemented the full range of our new regulatory powers under the *Higher Education (Wales) Act 2015*.

Our key activities this financial year with respect to our regulatory responsibilities included:

- Consulting on guidance for higher education (HE) providers applying for courses to be specifically designated for the support of Wales-domiciled students.
- Launching a new [Quality Assessment Framework for Wales](#), setting out how we get assurance that the quality of education or courses, provided by or on behalf of regulated institutions, meets the needs of learners. The Framework places more emphasis on the role of governing bodies in providing assurances about quality and standards at their institutions. We also carried out a consultation on quality that is, or is likely to become, inadequate, after which we published our procedures for assessing the quality of education.
- Working with Universities Wales to agree a student protection statement, which requires institutions to set out how they will protect the interests of students should, for example, a course or campus close.

In support of the Welsh Government proposals to establish a single body to oversee all arrangements for post-compulsory education and training (PCET) in Wales, we have continued to promote closer working across the PCET sector, including holding meetings with Colegau Cymru, National Training Federation Wales and Universities Wales. We organised a successful Conference in March 2019 attended by over 100 representatives from the PCET sectors to explore how progress in this direction could be made in advance of the legislation being laid.

The first phase of the Diamond Review-related reforms were implemented this year; our remit letter 2019-20 indicates that next academic year will see the full implementation of the Welsh Government's student finance reforms arising from Diamond.

The anticipated increase in HEFCW funding as a result of changes to student support arrangements from AY 2018/19 will be realised in stages until 2021/22. To ensure a smooth transition for higher education providers, we have adopted a staged approach to revising our funding methods, beginning with changes to the teaching funding method in AY 2019/20. Accordingly, we sought views on proposals to adjust our current funding methods for teaching in 2019/20, and on our proposed approach to develop new funding methods in 2020/21 and beyond.

During the year, the Welsh Government made a number of additional funding allocations, which allowed us to allocate:

- £3.5 million to new university-led activities for projects that enhanced collaboration between higher education and further education in innovation and engagement activities.
- £1.8 million to support university strategies for enhancing civic mission and community engagement, which included £200k for a Physics Mentoring Project.
- £10 million for estates capital developments
- £1.2 million for the Institute of Coding.

We published our Equality Annual Report, which is a requirement of the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 and our first Well-being of Future Generations Annual Report.

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Global Wales II is a three-year programme led by Universities Wales. HEFCW, a Global Wales partner along with Welsh Government and British Council Wales, received more than £3.5 million from the Welsh Government's European Transition Fund for Universities Wales to lead activities on promoting Wales as a study destination; diversifying the international student body; and capitalising on the growing demand for higher education globally.

£3 million was set aside in 2018-19 for higher education providers to work with businesses to deliver degree apprenticeships in software and web development; data analytics and data science; or information and cyber security. Following our initial call for proposals, it came to light that there was additional demand for digital degree apprenticeships in 2018/19 beyond those already approved by us. Accordingly, we allocated an additional 115 additional places for these in 2018/19.

From 1 April 2018, responsibility for managing the specific course designation process in Wales was transferred from Welsh Government to us. Specific designation in Wales applies to providers that want Welsh domiciled students to access student support for their courses. We introduced new HEFCW guidance on higher education providers applying for courses to be specifically designated for Welsh domiciled student support. We also outlined guidance for monitoring higher education providers that currently have courses specifically designated for new entrants.

We continue to monitor developments in other parts of the UK that might potentially impact on higher education in Wales, and worked with other administrations on UK-wide initiatives. We continued to contribute to the joint planning arrangements for the next Research Excellence Framework, *REF 2021*.

The significant risks identified during the year are set out in our Governance Statement (part of our Accountability Report) on page 27.

Information in respect of community, human rights, anti-fraud and anti-bribery matters is provided as part of Remuneration and Staff Report on pages 38 and 39.

Performance in year – overview

We are required by the Welsh Government to have a corporate plan setting out our medium to long-term objectives and an operational plan for the financial year ahead. Quarterly updates and monitoring meetings are held with the Welsh Government to monitor progress against the operational plan.

The Framework Document, which sets out the terms of the relationship between the Welsh Government and HEFCW, requires us to set budgets and monitor expenditure. This is achieved by issuing monthly budget reports and re-profiling cash expenditure twice during the year. We also monitor our cash balances on a monthly basis to ensure that they are kept within prescribed limits.

Operational Plan 2018-19 outcomes

Of the 153 activities identified in our operational plan:

- 151 were completed
- 1 was not completed within the planning period but will be actioned early in 2019-20
- 1 was no longer applicable due to external factors.

Progress against corporate strategy measures

In 2017-18, we published our new [Corporate Strategy 2017-20](#). Previous Corporate Strategies have set out ambitions for the higher education sector in Wales along with targets for the sector to deliver. With a reduction in the levers available to HEFCW and an uncertain policy environment, our new Corporate Strategy shifts from that approach to focus on HEFCW's functions and what it achieves as an organisation. There are twelve performance outcomes for HEFCW in the new Strategy. Achieving our Corporate Strategy objectives will contribute to our well-being objectives as set out in our [Well-being Statement](#). This year we consulted on the development of a set of [national measures for higher education performance](#), which we published in November 2018¹.

We will continue to monitor progress and work with higher education providers to encourage improved performance, noting that changes to our powers and funding constrain the extent to which we are able to exercise leverage in these areas.

¹ We will continue to monitor for one more year progress against the higher education sector targets included in our previous corporate strategy, details of which are on our [website](#).

Financial overview

<i>Performance in year</i>	2018-19 £000	2017-18 £000
Funding of higher education expenditure	(160,319)	(126,600)
Council expenditure	(2,999)	(2,846)
Income from activities	17,867	12,226
Interest net of appropriations	1	-
Grant in aid – funding from the Welsh Government	142,793	120,142
(Decrease)/increase in Taxpayers' Equity	(2,657)	2,922

Grant in aid funding from the Welsh Government has increased by 18.9% since last year, alongside an increase in 'income from activities'. The latter is mainly due to an increase of £6.1m in the funding received from the UK Research Partnership Investment Fund (UKRPIF) (see note 2 to the accounts).

Funding of higher education expenditure has increased by £33.7m. Details of the analysis of funding are shown in note 3 to the accounts. This increase is accounted for by the additional grant in aid received .

See the Statement of comprehensive net expenditure and the Statement of changes in taxpayers' equity on pages 44 and 47 for further details.

Expected future developments

Over the next twelve months, we will strengthen our capacity to deal with the requirements of being a regulator, while feeding into the Welsh Government's consultations on the formation of a new post-compulsory education and training body, as appropriate. In addition:

- We will continue to work towards implementing changes which have arisen as a result of the implementation of the Diamond reforms.
- In addition to our annual funding cycle, we will monitor developments against new innovation and engagement, research and capital funding streams.
- We will work towards promoting and implementing more higher-level degree apprenticeships in Welsh Government priority areas.

On 29 March 2017, the UK submitted its notification to leave the European Union (EU) in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the UK government confirmed agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified. There are no anticipated direct financial implications upon HEFCW of leaving the EU other than the impact on the future funding of our European Social Fund projects (ESF) (see note 16 for details).

Performance analysis

Corporate strategy objectives – summary

The following table presents some of the key activities we undertook during the year in support of our corporate strategy.

<p>Widening Access:</p> <p>We reviewed our Reaching Wider Programme and provided guidance to higher education providers about the Reaching Wider (RW) Programme. We also invited RW strategies from Partnerships, and RW plans from regulated institutions. RW is a Wales-wide, collaborative, long-term, widening access programme to break down barriers and widen access to higher education and higher-level skills for people of all ages from priority groups.</p> <p>We published our annual equality report.</p> <p>We published 2020/21 fee and access plan guidance.</p>	<p>Student Experience:</p> <p>We revised our guidance on student charters, high-level documents that lead students to more detailed information about areas such as regulations, student support, and course information. This included developing a student protection statement.</p> <p>We continued our active role with the UK Standing Committee for Quality Assessment provides sector-led oversight of higher education quality assessment arrangements that continue to be shared across the UK.</p> <p>We developed the gateway review for higher education providers review with the QAA. This tests providers’ provision against the baseline quality regulatory requirements.</p>	<p>Skills, Employability and Enterprise:</p> <p>ESF part-funded scheme GO Wales: Achieve through Work Experience, which welcomed its 1,000th student on to the programme during the reporting year, was extended until 31 January 2022.</p> <p>We consulted on the funding methodology for degree apprenticeships in 2019/20, invited expressions of interest for new degree apprenticeships in digital, engineering, and advanced manufacturing.</p>
<p>Innovation and Engagement:</p> <p>We launched two new funding streams for higher education providers to bid into for developments in higher education in further education collaboration in I&E activity, and enhancing civic mission.</p> <p>The review of Welsh Government-funded research and innovation by Professor Graeme Reid</p>	<p>Research:</p> <p>We approved institutional strategies for Global Challenge Research funding.</p> <p>We shared the arrangements for reviewing codes of practice on the fair and transparent identification of staff and outputs for submission to the 2021 Research Excellence Framework (REF 2021).</p>	<p>Funding higher education:</p> <p>We continued to fund research and teaching (with an emphasis on expensive subjects and part-time provision), and consulted on changes to our funding methods from 2019/20.</p>

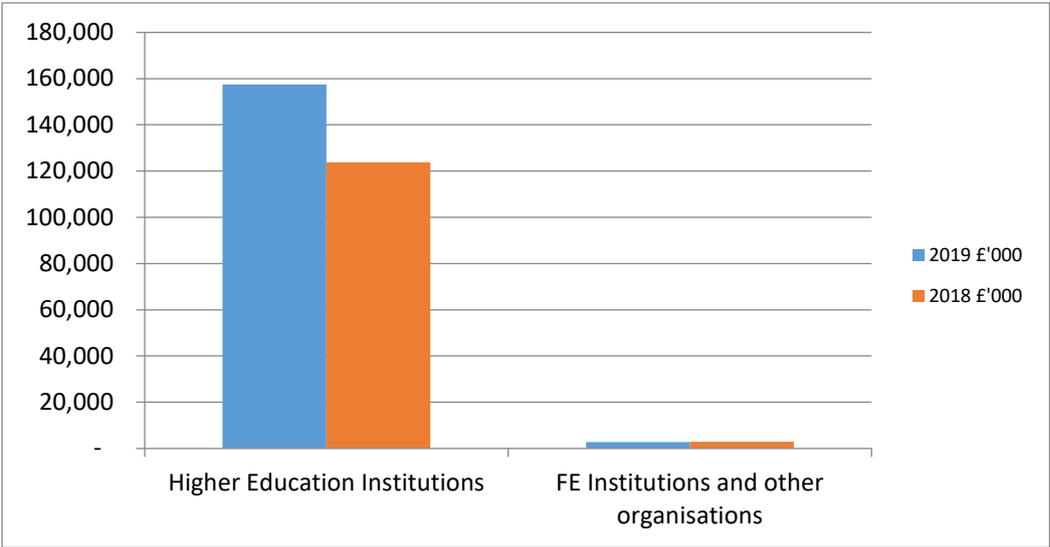
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<p>reported, recommending that Welsh Government resources are concentrated on cost-effective investments in areas of high potential. This has potential consequences for our long-term funding, and the way we work, to which we have already started to respond. We also responded to the Economy, Infrastructure and Skills Committee's Inquiry into Research and Innovation in Wales.</p>		
<p>Working in partnership with students:</p> <p>We worked with Universities Wales to agree a student protection statement.</p>	<p>Regulating higher education:</p> <p>We continued to monitor the financial sustainability of higher education providers, and the organisation and management of their financial affairs, with particular reference to the requirements of our Financial Management Code.</p>	<p>Evidence-based advice and partnership working:</p> <p>We gathered information about the proportion of Wales studies within higher education to inform a launch by The Learned Society of Wales to celebrate and support Wales studies.</p>
<p>Working effectively as an organisation</p> <p>We implemented a new flexible working scheme, more tailored to HEFCW's business needs as a small, agile organisation, while still affording flexibility for staff within the working week.</p>		

Financial analysis

In delivering the strategic aims and objectives as set out, we received £142.8m of grant in aid funding from the Welsh Government (2017-18: £120.1m). This is an annual increase in overall funding of £22.7m or 18.9%.

Funding of higher education expenditure (£'000)



In addition to grant in aid funding from the Welsh Government, £17.9m of other income was receivable in 2018-19 (2017-18: £12.2m). The increase of £5.7m is primarily due to the increase in receipts of UK Research Partnership Investment Fund (UKRPIF) funding.

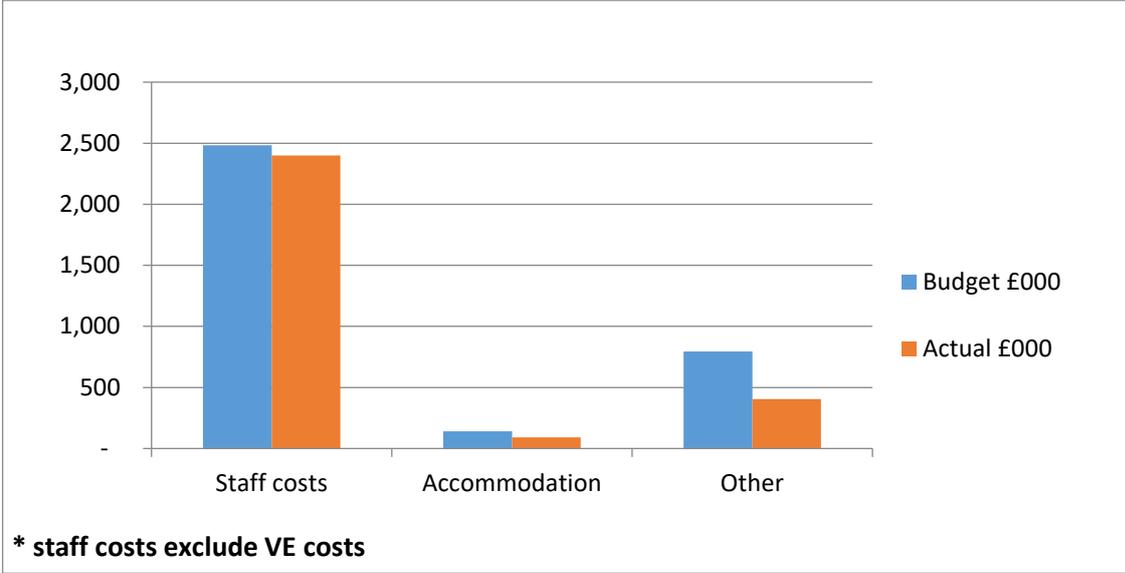
Total expenditure in 2018-19 was £163.3m (2017-18: £129.4m). Of this, £160.3m (2017-18: £126.6m) relates to the funding of the higher education (£156.1m to higher education institutions and £4.2m to fee institutions and other organisations) and £3.0m (2017-18: £2.8m) to our own costs incurred in delivering our duties in respect of higher education in Wales.

The increase in 'Funding of Higher Education' expenditure is in part attributable to the £6.1m funding from UKRPIF referred to above (see also note 5). In addition, there was an increase in recurrent funding of £10.6m, capital funding of £4.1m, as well as additional ring fenced funding for fee mitigation of £5.4m, post graduate taught masters interim support of £4.6m and funding for degree apprenticeship.

The net operating costs for the year were £145.5m (2017-18: £117.2m). The cumulative taxpayers' equity general fund at 31 March 2019, after crediting the grant in aid funding referred to above, was £8.4m (31 March 2018: £11.1m). The financial accounts will always record a net operating costs' result for the year as a consequence of the crediting of Welsh Government funding received to the taxpayers' equity general reserve in the Statement of Financial Position. Our activities are also planned to ensure that our cash carry forward at the financial year-end remains within the two per cent of total grant in aid for the year allowed by the Welsh Government.

Expenditure on property, plant and equipment amounted to £39k in the year (2017-18: £81k).

Other expenditure 2018-19 (£'000)



Other financial key performance indicators

The cash balance as at 31 March 2019 was £26k which represented 0.02 percent of total grant in aid funds available (2017-18: £1.9m, 1.63 percent) and remained within the maximum of 2% of total funding for the year permitted by the Welsh Government, as set out in the Framework Document.

We are operating under the Welsh Government’s target to pay suppliers of goods and services within ten working days of receiving a valid invoice. In 2018-19, we paid 97.1% of invoices within ten working days, with an average payment time of 1.1 days (2017-18: 97.0% and an average of 1.46 days).

Sustainability

Well-being of Future Generations

Introduction

This section of the annual report and accounts provides a summary of HEFCW’s progress towards meeting our statutory responsibilities in relation to the [Well-being of Future Generations \(Wales\) Act 2015](#) and covers the financial year April 2018 to March 2019.

HEFCW has published its Well-being of Future Generations 2019 full report on its website. The report contains the background to, and the context of, the Act and how it applies to HEFCW, the policy context as it relates to the implementation of the Act, and it details HEFCW’s progress against its well-being objectives and Well-being Statement.

Background and context

The Well-being of Future Generations (Wales) Act 2015 is about improving the social, economic, environmental and cultural well-being of Wales. HEFCW is committed to working in accordance with the Act’s sustainable development principle in a manner that seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. HEFCW is subject to the Well-being of

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Future Generations (Wales) Act 2015. While universities and colleges are not subject to the Act, they support its goals² and the five ways of working³.

To comply with the Act, HEFCW has published its [Well-being Statement and objectives](#). Our Well-being of Future Generations report provides our progress against these objectives and a summarised version is detailed below.

HEFCW’s progress towards its well-being objectives 2018-19

Well-being objective one	Ensure that higher education in Wales is relevant and accessible to all who could benefit from it, or contribute to it.
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An example how we met objective one in 2018-19:

The HEFCW-funded Reaching Wider (RW) Programme HEFCW recognises that widening access to higher education is a **long-term** agenda and has funded the Reaching Wider Programme since 2002/03.

In academic year 2017/18 HEFCW undertook a review of the Reaching Wider Programme to ensure it remained fit for purpose. HEFCW used the review process to further **integrate** the Well-being of Future Generations Act principles into the RW Programme.

In developing the revised programme guidance HEFCW used various methods of **collaboration** and **involvement** including:

- external review group consultation to support the development of the new guidance;
- engagement with the National Union of Students Wales;
- stakeholder involvement event.

In June 2018, HEFCW published guidance to RW Partnerships and institutions ([circular W18/14HE](#)) confirming they must work in an **integrated** way to meet regional needs with strategies and plans demonstrating how they contribute to the Well-being of Future Generations Act.

HEFCW’s RW Programme is a **preventative, collaborative** intervention supporting universities to work regionally across Wales, with priority schools, further education colleges and other stakeholder to widen access to higher education.

The revised RW Programme supports multiple well-being goals as they relate to **equality, prosperity, Welsh language, health and well-being** and **cohesive communities**. The RW Programme contributes to the Future Generations Act’s priority of **improving the skills of the population**, particularly those that are deemed to be disadvantaged.

Well-being objective two	Champion internationally excellent higher education that also works to support global well-being, and sustainable development.
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² The Future Generations Act goals: prosperous Wales, resilient Wales, healthier Wales, more equal Wales, a Wales of cohesive communities, a Wales of vibrant culture and thriving Welsh language and a globally responsible Wales.

³ Future Generations Act ways of working: i. long term; ii. prevention; iii. integration; iv. collaboration; and v. involvement. The text in bold in the examples of progress references the five ways of working.

An example how we met objective two in 2018-19:

In March 2019, HEFCW published Research and Innovation: The Vision for Wales⁴. The Well-being of future Generations Act’s principles have been embedded in the document, and sets out HEFCW’s commitment and approach to research and innovation.

The vision states ‘Wales will maintain and develop an excellent research base within its universities. Our research base will support innovation that **boosts productivity** in Welsh businesses, **delivering economic prosperity** and **social wellbeing** for the people of Wales. It will make a vital contribution to the delivery of the UK Government’s target of 2.4% of GDP expenditure on research and development’.

‘The Welsh research base will be **global** in perspective. Our universities will continue to **collaborate** with each other and with research leaders across the **UK and internationally**. They will work to maintain and enhance **partnerships** with industry, with the public sector and third sector organisations’.

‘Universities in Wales will have a strong sense of place. Research activity will respond to challenges specific to the **local region, engaging local communities to create new solutions**. Their work will be understood and appreciated by the local community and have relevance across Wales, the UK and the world’.

Well-being objective three	Promote a system of higher education that is financially, economically, socially, and environmentally sustainable.
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An example how we met objective three in 2018-19:

Financially and economically sustainable higher education system

HEFCW’s financial responsibilities relate both to its role as a funder of higher education institutions and to its own organisational operations.

[HEFCW’s Corporate Strategy](#) confirms funding higher education institutions as one of its five core functions which contribute to a **long-term vision of sustainable**, accessible, internationally excellent higher education in Wales.

HEFCW monitors the financial sustainability of higher education providers and the organisation and management of their financial affairs with particular reference to the requirements of our [Financial Management Code](#) (June 2017). Compliance with the Financial Management Code ensures that institutions are well run, have effective financial management arrangements and are sustainable for the future. This protects the interests of students, safeguards public funds and protects the reputation of higher education in Wales.

We adopt a holistic approach to institutional risk assessment, which includes financial health assessments.

Environmentally sustainable

⁴ This publication is not available on our website at the time of writing.

HEFCW promotes a system of higher education that is environmentally sustainable. HEFCW’s Knowledge Management System (KMS) records institutional estate and sustainability data. The KMS captures individual universities’ position in the People & Planet’s University League⁵ which is an independent league table of UK universities ranked by environmental and ethical performance. The data provides each institution’s rank in Wales and overall position in the UK. Currently, Wales has five universities within the top fifty and all universities in Wales are in the top one hundred based on environmental and ethical performance.

Socially sustainable

HEFCW promotes a system of higher education that is **socially sustainable**. In 2018-19 HEFCW began developing a Strategic Approach to Well-being and Health.

HEFCW’s approach to well-being and health has been selected to contribute to a Wales Audit Office’s (WAO) investigation into how public bodies, including HEFCW, are meeting their legislative duty under the Well-being of Future Generations Act. HEFCW’s draft well-being approach evidences alignment with our well-being objectives and well-being statement.

In developing our approach, HEFCW worked with a range of organisations across education sectors and other partners in and beyond Wales, including Universities Wales, NUS Wales Colleges Wales. HEFCW’s policy development has been informed by the work of other funding bodies, Universities UK and Advance HE, including the assessment of different approaches and frameworks that support our well-being agenda.

HEFCW is working **collaboratively** with partners to develop a co-created action plan on student mental health, one of several action plans underpinning the Well-being and Health Policy Statement. The action plan development will **involve** students via with the National Union of Students (NUS) and will develop a **preventative** approach to supporting student well-being and health. Supporting mental well-being is a **long-term agenda** and referenced in all **Public Service Boards needs assessments**. Therefore, we recognise that an **integrated approach** is vital to achieving systemic change.

Well-being objective four	Ensure that HEFCW is an exemplar organisation where equality, partnership and sustainability are fundamental to delivery of our mission.
<p>An example how we met objective four in 2018-19</p> <p>Our progress against well-being objective 4 is crossed-referenced against the seven corporate areas of change⁶ and the five ways of working:</p> <p>Corporate and Financial Planning</p> <ul style="list-style-type: none"> • The Well-being of Future Generations Act’s goals and ways of working are embedded in HEFCW’s Corporate Strategy 2017-2020. • HEFCW circulars encourage institutions to demonstrate how they support the Well-being of Future Generation Act, examples include: <ol style="list-style-type: none"> i. Enhancing higher education-further education collaboration in innovation and engagement activity (circular W18/06HE) 	

⁵ <https://peopleandplanet.org/university-league>
⁶ The seven corporate areas of change are: Corporate planning, financial planning, workforce planning, procurement, assets, risk management and performance management.

- ii. [Enhancing civic mission and community engagement \(circular W18/07HE\)](#)

Workforce Planning

To achieve organisational change, HEFCW is promoting new approaches to working, informed by the well-being goals and the ways of working to all staff, including Council members to embed these approaches across the organization. Training, including a seminar, has been delivered to all staff.

Procurement

- The Well-being of Future Generations Act has been embedded in [HEFCW's procurement policy](#). Although HEFCW's procurement is relatively low in value, we contribute towards the Act by following the Welsh Government's procurement policy and principles and utilising collaborative agreements which have considered and built in the requirements of the Act.

Assets

- HEFCW's physical assets are limited to information technology equipment, software and information assets which are recorded on an asset register. HEFCW is accredited against [ISO 27001](#). HEFCW's assets are reported in the annual report and accounts.
- HEFCW is co-located with, and shares some facilities with the Welsh Government.

Risk Management

We recognise that there are some risks HEFCW must take to achieve its objectives. We do so in a controlled manner to reduce risk exposure to a level deemed acceptable.

We have a Corporate Risk Register which is reviewed by HEFCW's Audit and Risk Assurance Committee and Council.

Performance Management

HEFCW's Corporate Strategy and well-being objectives frame the way we contribute to the well-being goals. Our progress and performance is monitored through our operational plan and reported through our governance structures, including to Welsh Government.

In 2018, we adapted our Impact Assessment process and adopted an **integrated** approach to take account of our responsibilities and duties in relation to equality and diversity, Welsh language and sustainability legislation. Staff were involved in developing the Impact Assessment process, including through a staff survey and review group.

HEFCW **collaborated** with other public bodies, sharing Impact Assessment policy and procedures with them through a public bodies' Well-being of Future Generation group.

Assessment of current position and future direction

The examples provided above outline the HEFCW has taken steps to move from a 'business as usual' mindset to embed the Well-being of Future Generations Act's approach in our way of working and to change our culture.

The Well-being of Future Generations Act requires a long-term approach. We will build on our current work, including by:

- continuing to implement advice from the Well-being of Future Generations Commissioner's Office;

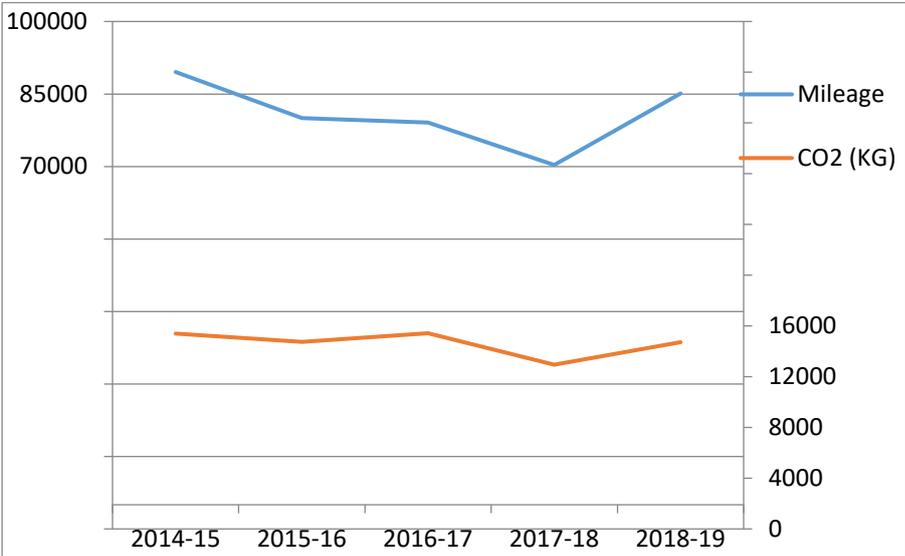
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- continuing to impact assess our risk assessment policy and processes when they are reviewed to take account of the Well-being of Future Generations Act requirements; and
- continuing to evidence progress and impact.

Business Travel

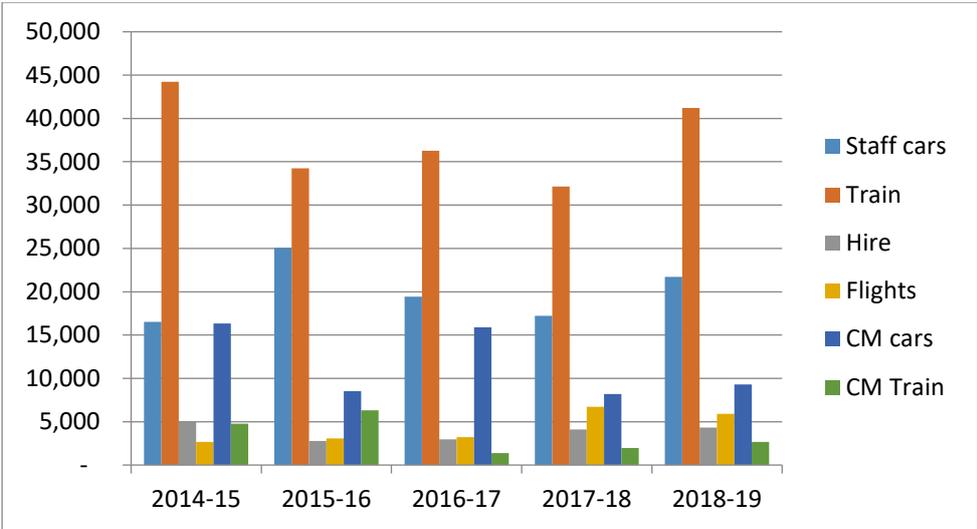
Carbon emissions associated with business travel have proved to be variable, in part due to changing workload together with changes in both the personnel and associated travelling pattern of Council members. As illustrated in the graph below, from 2014-15, business mileage reduced and had been broadly flat since then until 2018-19 when it began to increase again. This is in addition to an increased use of video conferencing and tele-conferencing.

HEFCW Business Mileage and CO2



Annual mileage and methods of transport will always vary depending on the impact of changes to Council members’ business travel and the general business need, though train travel remains the most frequent method of travel.

Business Travel Breakdown



Waste Minimisation

Having moved to the Welsh Government building at Bedwas in 2016, we are no longer able to capture detailed data relating to our own consumption of energy.

Summary

The current year has seen a 13% increase in carbon emissions arising from business travel (14,722KG), mirroring the overall increase of business travel (14,762 miles). As mentioned previously, annual mileage will always vary depending on the impact of changes to Council members’ business travel and the general business need. We continue to encourage staff to avoid business travel where possible and to use the train where viable, particularly for longer journeys.

Dr David Blaney
 Chief Executive and Accounting Officer
 11 July 2019

Accountability report

Corporate Governance report

The purpose of the Corporate Governance report is to explain the composition and organisation of HEFCW's governance structures and how they support the achievement of HEFCW's objectives.

Directors' report

Council membership

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

Chair

David Allen OBE (*Term of office: 5 May 2014 to 4 May 2020*). *Former Registrar and Deputy Chief Executive of the University of Exeter*

Chief Executive (and Accounting Officer)

Dr David Blaney

Other Council members:

Name	Personal history	Term of office	Committee membership
David Mason (Deputy Chair)	Former Principal/Chief Executive, Coleg Gwent	01/04/10 to 31/03/19	Audit and Risk Assurance Committee (Chair)
Professor Sir Robin Williams CBE, FRS	Former Vice-Chancellor, Swansea University	01/08/09 to 31/07/18	Research, Innovation and Engagement Committee (Chair to 31 July 2018)
Professor Mark Smith CBE	Vice-Chancellor, Lancaster University	01/01/13 to 31/12/21	Research Wales Committee [<i>previously the Research, Innovation and Engagement Committee</i>] (Chair from 1 August 2018)
Dr Arun Midha	Former Lay Council Member, Swansea University and Former Director of Strategy, School of Postgraduate Medical and Dental Education, Cardiff University	07/04/15 to 06/04/18	Student Opportunity and Achievement Committee Audit and Risk Assurance Committee

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Name	Personal history	Term of office	Committee membership
Dr Colin Wyatt	Independent consultant and Former Director of Business Development, Imperial College London	22/04/15 to 21/04/18	Human Resources Committee (Chair to 21 April 2018) Remuneration Committee Research, Innovation and Engagement Committee
Professor Sir Keith Burnett CBE, FRS, FLSW	Chair of the Nuffield Foundation and of the Academic Board of the Schmidt Science Foundation. President of the Science Council.	01/12/17 to 30/11/20	Student Opportunity and Achievement Committee (Chair) Research Wales Committee
James Davies	Executive Chair of Industry Wales	01/12/17 to 30/11/20	Research Wales Committee Student Opportunity and Achievement Committee
Sarah John	Director, Apprenticeship Learning Solutions Ltd (ALS)	01/12/17 to 30/11/20	Human Resources Committee Remuneration Committee Student Opportunity and Achievement Committee
Professor Helen Marshall	Vice-Chancellor of the University of Salford	01/12/17 to 30/11/20	Quality Assessment Committee (Chair)
Lesley Davies	Principal & Chief Executive, Trafford College	01/04/18 to 14/06/18	-
Professor Aaqil Ahmed	Professor of Media, University of Bolton and former Head of Religion and Ethics at BBC and Channel 4	07/04/18 to 06/04/21	Human Resources Committee (Chair from 17 May 2018) Remuneration Committee
Professor Christine Ennew, OBE	Provost, University of Warwick	22/04/18 to 21/04/21	Regulation Committee (Chair from 17 May 2018)

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Name	Personal history	Term of office	Committee membership
Rob Humphreys CBE, FLSW	Former Director of The Open University in Wales	15/06/18 to 14/06/21	Quality Assessment Committee Regulation Committee Student Opportunity and Achievement Committee
Dr John Graystone	Education consultant and former Chief Executive of ColegauCymru/ Colleges Wales	01/08/18 to 31/07/21	Audit and Risk Assurance Committee Quality Assessment Committee

The Chair of Council chairs the Nominations Committee (whose membership includes the Chairs of each of the other committees listed above) and the Remuneration Committee.

The Chief Executive is a member of the Regulation Committee and Nominations Committee.

Observers appointed by the Welsh Government

Huw Morris

Director, Skills, Higher Education and Lifelong Learning, Welsh Government

Neil Surman (to Oct 2018)

Deputy Director, Higher Education Division, Welsh Government

Chris Jones (from Nov 2018)

Acting Deputy Director, Higher Education Division, Welsh Government

Composition of Management Board

The HEFCW Management Board is responsible for our management and operation.

From April 2018 to January 2019, it consisted of the Chief Executive; Director of Strategic Development; Director of Institutional Engagement and Head Corporate Services. From February 2019, it consists of the Chief Executive; Deputy Chief Executive; Director of Policy and Funding; Director of Regulation and Analysis; and Director of Corporate Services.

Declarations of interests

Details of Council members' declared interests are available on our website.

www.hefcw.ac.uk/council_and_committees/council_members/council_members.aspx

Personal data related incidents

There have been no reported personal data related incidents during the year.

Statement of Accounting Officer's Responsibilities

Under paragraph 16(2) of schedule 1 to the Further and Higher Education Act 1992, Welsh Ministers with the consent of the Treasury, have directed HEFCW to prepare for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HEFCW and of our income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, our Accounting Officer 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 accounts; and
- prepare the accounts on the going concern basis.

The Principal Accounting Officer for the Welsh Ministers has designated the Chief Executive as Accounting Officer of HEFCW. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding HEFCW's assets, are set out in the Accounting Officers' Memorandum published by the Welsh Government.

Accounting Officer's statement

So far as I, as the Accounting Officer, am aware, there is no relevant audit information of which our auditors are unaware; and I, as the Accounting Officer, have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that our auditors are aware of that information. I also confirm that the annual report and accounts as a whole, is fair, balanced and understandable; and I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Dr David Blaney
Chief Executive and Accounting Officer
11 July 2019

Governance Statement

Governance Framework / Corporate Governance

Scope of responsibility

As Accounting Officer of HEFCW, I am accountable to the Permanent Secretary of the Welsh Government as its Principal Accounting Officer for the discharge of my responsibility to maintain sound systems of governance, risk management and internal control. These systems support the achievement of our policies and strategic objectives, while safeguarding the public funds and HEFCW assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Welsh Government guidance *Managing Welsh Public Money*. I am responsible for ensuring that the public funds and assets assigned to HEFCW are used economically, efficiently and effectively. I also acknowledge my responsibilities in respect of the funds provided to HEFCW, which are allocated to higher and further education providers and others for education, research and associated purposes.

HEFCW Council

Following a Welsh Government recruitment exercise in 2017-18, the Council has a full complement of 12 members. This has strengthened Council membership with respect to the Welsh Government's developing post-compulsory education and training (PCET) agenda by bringing on more members with a further education or business background. At the same time, the Council continues to benefit from a diverse membership in terms of gender balance and the mix of skills, knowledge and experience. We continue to monitor closely the diversity and skills mix of the membership of the Council's various committees and when seeking new external representation will actively encourage applications from currently under-represented groups.

- During 2018-19 there were 6 Council meetings; 2 Council Workshops; and 3 Council visits to regulated providers. There were a total 65 out of 72 possible member attendances.
- Representatives from the Welsh Government; Research England; the Scottish Funding Councils, and the President of NUS Wales, have observer status.
- The Council has established a number of [committees](#) to deal with particular areas of business outside of the main Council meetings.

Governance effectiveness

Our Council conducts an annual self-assessment effectiveness review of its governance. This includes an appraisal of each Council member's performance by the Chair, and an annual review by the Council of its key corporate governance documents and of the remits of each Council committee. Every three years the Council conducts a detailed self-assessment review exercise based around questionnaires completed by each member, and the outcomes are discussed at a Council Workshop. The most recent such exercise was carried out in 2015-16, from which the Council concluded that, overall, it was content with the effectiveness and appropriateness of its governance processes and practices, including with respect to the quality of information and data provided through Council and committee papers. We are of the view that our processes continue to be compliant with the Corporate Governance Code to the extent relevant to a Welsh Government Sponsored Body. At its review in 2018-19 the Council agreed to procure an external review of its governance processes, and this work will be carried out during calendar year 2019. The Audit and Risk Assurance Committee conducts a detailed effectiveness self-assessment exercise through which it benchmarks its operation against HM Treasury's Audit Committee Handbook. At the most recent review exercise

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in December 2018, the Committee was satisfied that, overall, it was operating in line with accepted best practice for audit committees.

We conduct an Annual Compliance Review against the requirements placed upon us in the Framework Document, which this year showed us to be fully compliant.

All Council resolutions formally recorded in the minutes, and action taken on matters delegated to the executive are reported back via a standing Matters Arising paper. The Council receives feedback on the work of its Committees through updates from committee chairs at each Council meeting; the receipt of all committee minutes; and the receipt of an annual report from each committee.

Meeting our statutory responsibilities

Our regulatory powers have been enhanced through the Higher Education (Wales) Act 2015, including specific duties to approve and monitor higher education providers' compliance with fee and access plans and to assess the quality of education.

Higher education providers in Wales that wish for their courses to be automatically designated for student support must submit a [fee and access plan](#) to us. If that fee and access plan is approved, the provider may charge under-graduate fees for full-time under-graduates and EU students as set out in the plan up to the maximum tuition fee limit for Wales, and its students will be able to receive student support up to that amount.

From 1 April 2018, higher education providers that wish for their courses to be designated for student support on a case by case basis now have to apply to HEFCW, with applications including supporting evidence. We consider this information and make recommendations to the Welsh Ministers on whether to designate specific courses on the basis of the evidence received from applicants.

We discharge our [statutory responsibilities for quality](#) under the Act through our Quality Assessment Committee. From AY 2016/17 we moved to revised quality assessment arrangements under our new [Quality Assessment Framework](#), which places greater responsibility on the governing bodies of regulated providers to be assured of the quality of the provision they make available and the awards offered.

We published our Welsh Language Standards Implementation Plan in April 2018 and have adjusted our operations accordingly.

The Council's Standing Orders commit it to ensuring that its decisions will be made in accordance with the sustainable development principle of the *Well-being of Future Generations Act 2015* – that is, that HEFCW is acting in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Our Well-being of Future Generations Annual Report is included Sustainability section of this Report.

The Council also approved this year the HEFCW Equality Annual Report 2017-18, setting out how we are addressing our statutory responsibilities under the Equalities Act 2010 and the Wales-specific public sector equality duties of 2011.

Reporting to Welsh Government

We have regular communication with the Welsh Government's Department for Education and Skills under the terms of the Framework Document. Staff from the Department and HEFCW meet quarterly which enables the Department to monitor progress against our operational plan and key performance indicators, and to monitor our risk register and the actions we are taking to mitigate risk.

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We received our remit letter for 2018-19 in March 2018. In July 2018 we submitted to the Cabinet Secretary for Education our Operational Plan for 2018-19, and were notified in September 2018 that the Cabinet Secretary had approved the document. Our Council receives regular reports on progress against our operational plan targets, and an annual report on progress against our corporate strategy targets.

The Cabinet Secretary for Education has a quarterly meeting with the Chair and Chief Executive, which enables the Minister to monitor our delivery against our strategic objectives and provides an opportunity for us to advise the Minister.

The Higher Education (Wales) Act 2015 requires that we produce for Welsh Government an Annual Regulatory Report, on an academic year basis, on how we have exercised our functions under the Act, with the Annual Governance Assurance Statement now forming part of this Report. Our Annual Regulatory Report for academic year 2017/18 set out how HEFCW had implemented and monitored its regulatory responsibilities under the Act, with no formal intervention required under HEFCW's regulatory powers in 2017/18.

The proposals arising from the establishment of the Welsh Government's Public Bodies Unit will in future have a number of implications for our governance processes and our working arrangements with our sponsor team. These proposed changes have yet to take effect but are expected to be implemented during 2019-20.

Dealing with complaints

We have a [Complaints Policy](#) based on the model Concern and Complaints Policy produced by the Public Services Ombudsman for Wales. This year we have amended our Complaints Policy to specify that it applies to any complaints about our compliance with the new Welsh Language Standards. No complaints against us were received during 2018-19.

Partnership working

We work with a range of partner bodies within Wales and the UK to achieve our objectives and meet Welsh Government priorities, and in many cases we have established [formal agreements](#) with these partner organisations.

Effectiveness of the internal control system

We operate a system of internal control which is designed to: identify and prioritise the risks to the achievement of our policies and strategic objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them effectively. This includes controls in relation to organisations in receipt of our funding. Welsh higher education providers funded by us are required to comply with a [Memorandum of Assurance and Accountability](#), which helps us to secure accountability for the regularity and propriety of the use of public funds provided to them. We consider a comprehensive range of returns provided to us by providers - including fee and access plans, their annual accounts and strategic plans - as part of our work to ensure the protection of the public investment in providers. This work includes seeking assurance that the public funds provided to providers have been used for the purposes for which they were intended.

Each of the key controls – the risk registers, the financial statements and the external auditors' report and comments thereon, internal audit reports and institutional risk reviews and assurance reports – has been considered by the Audit and Risk Assurance Committee which reports on them to our Council.

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The Audit and Risk Assurance Committee's annual opinion for 2018-19 highlighted no major issues or significant weaknesses in our internal controls in 2018-19 which warrant disclosure here.

The Head of Internal Audit has provided the following opinions to the Chief Executive and the Council:

- Sufficient internal audit work has been undertaken to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, risk management and internal control processes.
- Governance, risk management and internal controls arrangements for HEFCW have been adequate and effective during the year and the Council and Accounting Officer can therefore place reasonable reliance on them.

Information about the quality of the data used by the board, and why the board finds it acceptable

We use information about higher education providers collected via a number of data surveys and information requests, including student data collected by the Higher Education Statistics Agency (HESA) and Welsh Government on our behalf. We use the data for a variety of purposes, including the calculation of funding allocations and monitoring equal opportunities. The data we use are subject to rigorous checking and auditing processes.

We have developed a Knowledge Management System for use by Council members and HEFCW staff which contains a wide-range of performance data on each Welsh institution.

The Audit and Risk Assurance Committee has agreed that HEFCW should develop an assurance framework which will enable the Committee to identify and monitor more effectively all key sources of assurance and significant issues. The pilot stage has been completed and the documentation of further processes is ongoing. Indicative reporting formats have been provided to the Committee and these will inform the development of the database being used to collate the assurances

Tax assurance for off-payroll employees

There have been no payments to off-payroll employees during this year or in the previous year.

Whistleblowing arrangements

Our whistleblowing policy and supporting procedures were last revised in 2017-18 and scrutinised by our Human Resources and Audit and Risk Assurance Committees. The aim of the policy is to encourage staff to report matters of proper concern considered by them to be in the public interest, either at the workplace or externally, about a danger, risk, malpractice or wrongdoing. There have been no whistleblowing matters reported during 2018-19 and so it is not possible to report upon the effectiveness of these procedures. Our policy and procedures are next due for formal review in 2020, unless there are any matters reported before then which prompt changes to be made to improve the processes used.

Risk management

Our approach

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We recognise that we must take risks to achieve our objectives. We do so in a controlled manner to reduce exposure to risks to a level deemed acceptable, while at the same time balancing this against a desire to support innovation and an imaginative use of resources to achieve benefits.

We have a Corporate Risk Register, underpinned by team risk registers, and an Issues Log onto which we transfer risks that have crystallised. The Corporate Risk Register and Issues Log are reviewed by the Audit and Risk Assurance Committee three times a year, and by the Council at least once a year.

Any residual risks identified by our risk evaluation process, having given consideration and identified the controls already in place, or those we plan to implement, represent the real or potential threat to HEFCW at the time.

Alongside the main Corporate Risk Register, we maintain a separate Corporate Fraud and Bribery Risk Register which includes the risks above the tolerance boundary.

The Audit and Risk Assurance Committee and the Council also receive regular reports on our institutional risk review system, the process by which we assess and monitor the overall risk profile of each higher education provider.

Significant risks identified during the year

We have been managing the following key risks this year through our Corporate Risk Register. The identification of these risks does not mean they will definitely occur. Rather, the Corporate Risk Register indicates that these are areas of risk which we need to be aware of and respond to in order to perform our role effectively. Monitoring and assessing key risks and current controls allows us to evaluate the effect of these major uncertainties on our corporate strategy and operational plan objectives. Where appropriate, we can make adjustments to our control measures.

Area	Risks
Sustainability and assurance	<ul style="list-style-type: none"> HE providers in Wales which are sub-optimal in scale may be more susceptible to changes in funding and/or in demand, resulting in a need for action to maintain their financial sustainability.
Governance and assurance	<ul style="list-style-type: none"> HE providers in Wales which have unsatisfactory governance standards may result in poor oversight of decision-making and/or finances, potentially leading to financial failure.
HEFCW funding	<ul style="list-style-type: none"> HEFCW funding, post fee grants and efficiency gains, is insufficient and we are unable to support and secure effective contribution by the higher education sector towards Welsh Government priorities.
HEFCW operating risks	<ul style="list-style-type: none"> Excessive workload in HEFCW may impede employee morale, well-being and work-life balance, and reduce performance. HEFCW unable to encourage Welsh Government to engage effectively with, and use, HEFCW in relation to the implementation of its Post-Compulsory Education and Training proposals.

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An assessment of the residual risk levels involve deciding whether or not a risk can be tolerated, where HEFCW accepts the risk, subject to monitoring. Where such risks are not tolerated (as applies to all of the above risks), further actions are identified to improve our controls and to further mitigate the risks. Our risk management policy and procedures are regularly kept under review and are next due to be reassessed in 2019-20.

We have also been monitoring and taking actions to address issues that have been identified on our Issues Log. These have included seeking closer dialogue with Welsh Government to achieve more sustained, consistent and effective communication, so that HEFCW can contribute more effectively to addressing Welsh Government priorities. One of those priority areas relates to upskilling adults and widening access to higher education, and in this context we have been working closely with the sector to find ways to help it maintain sufficient opportunities for part-time higher education study in Wales.

Conclusion

As Accounting Officer of HEFCW, I am accountable to the Permanent Secretary of the Welsh Government as its Principal Accounting Officer for the discharge of my responsibility to maintain sound systems of governance, risk management and internal control. I have reviewed the evidence provided with regard to the production of the annual governance statement. The conclusion of my review is that our overall governance and internal control structures have been appropriate for our business, and have worked satisfactorily throughout 2018-19.

Dr David Blaney
Chief Executive and Accounting Officer
11 July 2019

Remuneration and staff report

Directors' remuneration policy and remuneration committee

The remuneration of the Chair and the Council Members is set by the Welsh Government and is governed by the Welsh Government's Scheme for Remunerating Chairs and Members of WGSBs and NHS Bodies introduced on 1 April 2004. NB Any information marked * within the Remuneration and staff report is subject to audit.

The Chief Executive's remuneration is approved by the Welsh Government and is not subject to performance-related awards.

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

We have a Remuneration Committee which is responsible for reviewing annually the performance of the Chief Executive and the directors. The committee, consisting of four members, three of which are Council members (including the Chair), has delegated authority from the Council to consider matters affecting the pay of the Chief Executive and can make recommendations for the approval of the Welsh Government.

The Committee met during the year and reviewed his performance. As the Chief Executive receives the same award as HEFCW staff, for 2018-19, no increase was payable in accordance with a two year pay package implemented in 2017-18. As a result, the Chief Executive's salary has remained unchanged at £127,544.

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Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of Council members and senior management.

Senior employees' remuneration (salary and pensions)*

Single total figure of remuneration *

Name and position	2018-19 Salary	2017-18 Salary	2018-19 Pension benefits	2017-18 Pension benefits	2018-19 Total	2017-18 Total
	£'000	£'000	£	£	£'000	£'000
David Allen (Chair)	20-25	20-25	N/A	N/A	20-25	20-25
Dr David Blaney (Chief Executive)	125-130	125-130	43,009	22,750	170-175	145-150
Bethan Owen (Deputy Chief Executive) from February 2019 (formerly Director of Institutional Engagement)	85-90	85-90	29,870	33,267	115-120	120-125
Celia Hunt (Director of Strategic Development) - retired January 2019	65-70	85-90	3,936	14,210	70-75	100-105
Nicholas Williams (Director of Corporate Services) - appointed February 2019	10-15	-	1,654	-	10-15	-
Dr Alyson Thomas (Director of Policy and Funding) - appointed February 2019	5-10	-	1,342	-	10-15	-
Dr Ewen Brierley (Director of Regulation and Analysis) – appointed February 2019	5-10	-	2,899	-	10-15	-

NB There were no benefits in kind or bonus payments in either 2018-19 or in 2017-18 for the above.

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The total salary for David Allen for the year 2018-19 was £24,264 (2017-18: £24,264).

The 'Pension benefits' figures above, are calculated for disclosure purposes, by our pension administrators. These figures are calculated as the 'real increase in pension' (see 'Senior employees' pensions' table below) multiplied by 20, plus the 'real increase' in any lump sum, less contributions made by the employee in the financial year.

In February 2019, HEFCW undertook a reorganisation which resulted in the appointment of the Director of Policy and Funding, Director of Regulation and Analysis and Director of Corporate Services. The full time salaries relating to these appointments are £55,000 to £60,000, £55,000 to £60,000 and £65,000 to £70,000 respectively.

Senior employees' pensions*

Name	Position	Accrued pension at pension age at 31/03/19 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/19 £'000	CETV at 31/03/18 £'000	Real increase in CETV £'000
David Allen	Chair	N/A	N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive	65-70 pension	2.5 – 5 pension	1,287	1,128	24
Bethan Owen	Deputy Chief Executive	25-30 pension	0 – 2.5 pension	495	418	15
Celia Hunt – retired January 2019	Director of Strategic Development	25-30 pension plus 75-80 lump sum	0 – 2.5 pension plus 0 – 2.5 lump sum	623	581	4
Nicholas Williams – appointed February 2019	Director of Corporate Services	15-20 pension	0 – 2.5 pension	370	376	2
Dr Alyson Thomas - appointed February 2019	Director of Policy and Funding	10-15 pension plus 30-35 lump sum	0 – 2.5 pension plus 0 – 2.5 lump sum	248	245	1
Dr Ewen Brierley – appointed February 2019	Director of Regulation and Analysis	15-20 pension	0 – 2.5 pension	234	226	1

Salary and pension disclosures*

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Dr David Blaney and Nicholas Williams were both members of the Premium defined benefit scheme throughout the year, whereas Bethan Owen was transitioned from the Premium defined benefit scheme to the Alpha pension scheme on 1 April 2016. Celia Hunt and Dr Alyson Thomas were members of the Classic defined benefit scheme and Dr Ewen Brierley was a member of the Alpha pension scheme. All three schemes are part of the Principal Civil Service Pension Scheme. The Classic scheme benefits include the payment of an automatic lump sum on retirement, whereas the Premium and Alpha schemes do not (see 'Pensions' below).

Dr David Blaney, the Chief Executive, has a permanent contract, which stipulates a three-month notice period. Other than the possibility of payment in lieu of notice, there are no explicit contractual provisions for compensation for early termination.

Directors also have permanent contracts, requiring a notice period of three months and the same terms as the Chief Executive in respect of contract termination.

The Chair 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 us. Council members (excluding the Chair and Chief Executive) receive non-pensionable remuneration of £5,076 per annum (see pages 19 to 21 for a full list of other Council Members).

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

Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or 'Alpha', which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service, joined 'Alpha'. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis ('Classic', 'Premium' or 'Classic Plus') with a normal pension age of 60; and one providing benefits on a whole career basis ('Nuvos') with a normal pension age of 65.

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, Nuvos and Alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and thirteen years and five months from their normal pension age on 1 April 2012 will switch into Alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to Alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. (The pension figures quoted for officials show pension earned in either PCSPS or in Alpha – as appropriate. Where the official has benefits in both PCSPS and in Alpha, the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (Partnership pension account).

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Employee contributions are salary-related and range between 4.6% and 8.05% for members of Classic, Premium, Classic Plus, Nuvos and Alpha. 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' initial 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 for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on their 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 Pensions Increase legislation. Benefits in Alpha build up in a similar way to Nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of Nuvos, and the higher of 65 or State Pension Age for members of Alpha (the pension figures quoted for officials show pension earned either in PCSPS or in Alpha – as appropriate. Where the official has benefits in both PCSPS and Alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.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 pension 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 taken.

Real increase in CETV

This reflects the increase in CETV that is 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.

Broadly by analogy (BBA) pensions

A BBA pension arrangement entitles the recipient to benefits that are similar to those provided by the PCSPS classic scheme described above. We are responsible for funding pension benefits. A BBA pension is held by the former Chair of Council, Professor Sir Roger Williams.

Fair Pay disclosures *

	2018-19 £'000	2017-18 £'000
Band of highest paid member of staff (total remuneration**)	125-130	125-130
Median total remuneration**	£ 36,817	£ 36,817
Ratio	3.5	3.5

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid senior employee in their organisation and the median remuneration of the organisation’s staff.

The banded remuneration of our most highly paid senior employee in 2018-19 was £125,000 to £130,000 (2017-18 £125,000 to £130,000). This was 3.5 times (2017-18 3.5) the median salary of all staff, which was £36,817 (2017-18: £36,817).

**For the purposes of calculating the ‘highest paid member of staff’ and the ‘median total remuneration’ above, ‘total remuneration’ only consists of salary costs. It does not include employer pension contributions or the annual ‘pension benefits’, shown above.

The median ratio has remained the same this year at 3.5. This is due in part to the 2017-18 pay award being a front loaded two year deal whereby there was no change to salaries in 2018-19. Whilst there have been staff changes during the year the overall effect has not resulted in a change in the median ratio. Due to the nature of our work, we have a high proportion of staff at middle job levels, resulting in the median shown above.

In 2018-19, no employees (2017-18: none) received remuneration in excess of the highest-paid senior employee. Remuneration ranged from £17,655 to £127,544 (2017-18: £17,655 to £127,544).

Staff report

Staff numbers by category

Higher Education Funding Council For Wales

We employed an average of 42 full time equivalent staff during the financial year ended 31 March 2019, as follows:

	2019 Number	2018 Number
Senior Management	5	3
Chief Executive's Office	4	6
Policy and Funding	14	-
Regulation and Analysis	9	-
Corporate Services	10	9
Institutional Engagement	-	13
Strategic Development	-	11
	<hr/>	<hr/>
	42	42

During the year, HEFCW undertook a re-organisation which resulted in a change in structure. The categories shown above for 2018-19 reflect the directorates as at the year end.

Two members of staff, one from Policy and Funding and one from Regulation and Analysis above were not permanent members of staff.

	2019 Numbers	2018 Numbers
Staff with a permanent UK employment contract with us	40	40
Other staff engaged on our objectives	2	2
	<hr/>	<hr/>
	42	42

Staff costs

(a) Analysis *

	Staff	2019 Council members (incl Chief Executive)	Total	Staff	2018 Council members (incl Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	1,761	204	1,965	1,760	196	1,956
Social security costs	191	19	210	196	19	215
Other pension costs	374	31	405	377	31	408
Voluntary exit costs	98	-	98	-	-	-
Total payroll costs	2,424	254	2,678	2,333	246	2,579
Staff on secondment	-	-	-	(46)	-	(46)
Less: charges to programme costs	(175)	-	(175)	(194)	-	(194)
Administration payroll costs	2,249	254	2,503	2,093	246	2,339

As at 31 March 2019, it should be noted that there are several job vacancies left unfilled due to the re-organisation and staff turnover during the year. The latter was also the case as at 31 March 2018.

(b) Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha”, are unfunded multi-employer defined benefit schemes, but HEFCW is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2018-19, our employer's contributions of £395,179 were payable to the PCSPS (2017-18 £403,156), at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

A former Chair of Council receives pension benefits broadly by analogy (BBA) with the PCSPS.

The BBA pension provision is unfunded, with benefits being paid as they fall due and guaranteed by us. There is no fund and therefore no surplus or deficit or assets. The scheme liabilities for service are calculated by the Government Actuary's Department every two years and was performed at the end of 2018-19 and amounted to £23,000 at 31 March 2019.

(c) Staff numbers by gender

	2019	2018
<i>Male</i>		
Directors	3	1
Staff	9	15
<i>Female</i>		
Directors	2	2
Staff	30	26
Total	44	44

NB In the tables above staff employed are reported as full time equivalent numbers, however the gender breakdown is reported as actual numbers.

(d) Sickness absence

	2019	2018
Sickness absence rate (%)	1.41	2.02
Average working days lost	2.44	2.77
Number of working days lost	163	241
Approximate cost of working days lost	£23,340	£34,402

NB The approximate cost of working days lost is based upon the salary at level 4 (step 4), a middle management staff level (including overhead costs).

1.41% of potential working time was lost in 2018-19 as a result of sickness absences (2017-18 – 2.02%). This represents a decrease from the previous year and continues to be below average for the public sector. In the CIPD report on *Health and Wellbeing at Work* (May 2019), it noted a sickness absence rate of 2.6% (5.9 days per employee) for the UK as a whole. The report also notes that the average number of days lost within the public sector was 8.4 days per employee, which is significantly higher than HEFCW's figure of 2.44 days.

Staff policies and other issues

We have introduced and/or reviewed a number of policies and procedures this year:

- Flexible working procedures
- Homeworking procedures
- Pay policy
- Recruitment and Selection policy and procedure
- Secondment procedure
- Restructure procedure

Each policy is subject to a full staff consultation for comment and is impact assessed in line with equalities, the Welsh language and sustainability. These policies are then

Higher Education Funding Council For Wales

reviewed by our Works Council (see below) and presented to the HR Committee for approval before being implemented.

Employee engagement and Trade Union activity

Regular staff meetings and seminars help ensure good internal communications and provide opportunities for staff to contribute to the way we work.

HEFCW recognises the PCS Union as its trade union for staff and is involved and consulted upon on a regular basis. A Works Council, through which representatives can raise issues of concern to staff and which includes representation from the PCS union, meets on a regular basis.

We conduct biennial staff attitude surveys, which support staff engagement. The survey is based upon the Civil Service People Survey and actions arising from this survey, together with other evaluations such as feedback from staff events, are included in our organisational action plan, which is accessible to all staff on our intranet.

Equality and diversity

We are committed to developing our equality and diversity policies to ensure that all employees are treated fairly, irrespective of any protected characteristic as defined by the Equality Act.

Our policy on recruitment is based on the Civil Service Recruitment Principles of appointments being made on merit on the basis of fair and open competition. We advertise all vacancies with the *Job Centre* and *Civil Service Jobs* in order to reach a diverse pool of applicants.

We have achieved the 'Disability Confident' accreditation and we are resolved to meeting the five commitments regarding recruitment, training, retention, consultation and disability awareness. This was re-assessed in April 2018.

In line with these commitments, any candidate declaring a disability, either internally or externally, will be offered an interview where they meet the minimum role requirements.

Reasonable adjustments are also made for staff, where possible, due to illness or a protected characteristic. These arrangements are made in discussion between the employee, their line manager and HR, or an employee returning to work following an absence.

Community and human rights matters

We have continued, as part of our special leave policy, to give the option of members of staff taking up to two days' paid leave per year to volunteer to support local charities or community groups. We have reinforced our links with local communities through our membership of SEWEN (South East Wales Equality Network).

We often host charity events, such as bake sales, or fund raising events to support good causes.

We embody the principles of Human Rights in our Equality and Diversity practices and our policy on Dignity at Work aims to ensure that all employees' rights are respected.

Health and safety at work

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HEFCW has a Health and Safety and Environmental Management (HSEM) Group which operates to advise management on health and safety and environmental issues. It also reports to the HR Committee and to the Works Council. During the year, where appropriate, a small number of our health and safety policies, procedures and guidance documents were updated to reflect operational changes within the organisation.

The group also reviewed risk assessments carried out by HEFCW's facilities' section and fire risk assessment reports carried out by external consultants, none of which identified any areas of concern. There was only one accident reported during the year, but this did not require reporting to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

Anti-fraud and anti-bribery matters

HEFCW's fraud and bribery policy and procedures were last reviewed and updated in 2017-18 as part of our three-year review cycle of our policies. This is part of our practice to safeguard HEFCW against bribery and fraud and to ensure that we fully comply with the Bribery Act 2010 and the Fraud Act 2006 and to ensure that our business is conducted in a socially responsible manner. No instances of either fraud or bribery were reported in the year and as part of our annual review of our fraud and bribery risk register, no individual risks were assessed at a sufficiently high level to be included in a Corporate Risk Register which would then have been reportable to both the Audit and Risk Assurance Committee and to our Council.

Staff support and wellbeing

Employees have access to an Employee Assistance Programme which provides access to advice and counselling 24 hours a day, 365 days a year. The resource is available on both our website and as a mobile application and promotes fitness, a healthy lifestyle and provides mental health support.

We introduced a Wellbeing Hour from the start of 2018-19, which allows staff to take time during the working day to undertake an activity that is of benefit to their health and wellbeing. This has been extended for another year into 2019-20.

Human capital management

As a small organisation, promotion opportunities can often be limited. However, when they do arise, we ensure that all staff are clearly aware of the vacancies to promote the opportunity for promotion. In support of this, we also offer training opportunities for staff, along with a structured performance management system. Staff have access to *Civil Service Learning* which offers a bank of online training. These aspects support staff employability, whether it is internally, or if they were to move to another organisation.

We also support individuals who wish to undertake work experience within HEFCW to assist with their future employability. We have supported individuals through both the Graduate Opportunities (GO) Wales project (European Social Fund project funded partly by the Welsh Government), and those still in secondary education in Wales.

HEFCW's Management Board conducts workforce planning and assesses future workforce needs accordingly, making changes and plans for the future to ensure that HEFCW has the resources to deliver its objectives.

Consultancy expenditure

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There was no consultancy expenditure during the year.

Off-payroll engagements

There have been no payments to off-payroll employees during the year.

Exit Packages

During the year HEFCW undertook a re-organisation exercise resulting in two members of staff departing under the voluntary exit scheme in the year (2017-18 – nil).

Exit package cost band	Number of departures
£25,000 - £50,000	1
£50,000 - £100,000	1
Total number of exit packages	2
Total cost	£98,367

Voluntary exit compensation costs are payable in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. All costs have been accounted for in full in 2018-19.

Dr David Blaney
Chief Executive and Accounting Officer
11 July 2019

The Certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales

Report on the audit of the financial statements

Opinion

I certify that I have audited the financial statements of the Higher Education Funding Council for Wales for the year ended 31 March 2019 under Paragraph 16(3) of Schedule 1 to the Further and Higher Education Act 1992. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of the Higher Education Funding Council for Wales' affairs as at 31 March 2019 and of its net expenditure, for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Further and Higher Education Act 1992.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Accounting Officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent

Higher Education Funding Council For Wales

otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on regularity

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

Report on other requirements

Opinion on other matters

In my opinion, the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under the Further and Higher Education Act 1992.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and has been prepared in accordance with Welsh Ministers' guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report or the Governance Statement.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- proper accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Responsibilities

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Further and Higher Education Act 1992 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I obtain sufficient evidence to give reasonable assurance that 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.

Adrian Crompton
Auditor General for Wales
16 July 2019

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of comprehensive net expenditure
for the year ended 31 March 2019

		2019		2018	
	Notes	£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	132,000		107,909	
Capital expenditure	3	10,000		5,995	
Other purposes	5	18,319		12,696	
		<u>160,319</u>		<u>126,600</u>	
<i>Council expenditure:</i>					
Staff costs		2,503		2,339	
Depreciation	8	57		56	
Amortisation	9	6		6	
Other expenditures	6	433		445	
		<u>2,999</u>		<u>2,846</u>	
Total expenditure		(163,318)		(129,446)	
Income					
Income from activities	2	17,867		12,226	
		<u>17,867</u>		<u>12,226</u>	
Net operating costs		(145,451)		(117,220)	
Interest receivable		8		-	
Appropriations	7	<u>(7)</u>		<u>-</u>	
Net operating costs transferred to taxpayers' equity		(145,450)		(117,220)	

All activities are continuing.

There are no recognised gains or losses in either 2018-19 or 2017-18.

The notes on pages 48 to 60 form part of these accounts.

Details of staff costs are shown on page 36 as part of the Remuneration and Staff Report.

Statement of financial position

as at 31 March 2019

	Notes	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Non-current assets			
Property, plant and equipment	8	48	66
Intangible assets	9	7	12
Repayable grants falling due after one year	10a	4,617	5,550
Total non-current assets		4,672	5,628
Current assets			
Repayable grants falling due within one year	10a	933	600
Trade and other receivables	10b	3,496	3,831
Cash and cash equivalents	11	26	1,956
Total current assets		4,455	6,387
Total assets		9,127	12,015
Current liabilities			
Trade and other payables	12	(705)	(935)
Provisions for liabilities and charges within one year	13	(1)	(1)
Total non-current assets plus net current assets		8,421	11,079
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(22)	(23)
Assets less liabilities		8,399	11,056
Taxpayers' equity			
General reserve		8,399	11,056
		8,399	11,056

The notes on pages 48 to 60 form part of these accounts.

Signed on behalf of HEFCW

Dr David Blaney
Chief Executive and Accounting Officer
11 July 2019

Statement of cash flows

for the year ended 31 March 2019

	Notes	2019	2018
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(145,451)	(117,220)
Depreciation charges		57	56
Amortisation charges		6	6
Decrease/(increase) in trade and other receivables due within one year		2	(2,517)
Decrease in repayable grants due after one year		933	600
Decrease in trade and other payables		(230)	(820)
Movement in provisions		(1)	(2)
Net cash outflows from operating activities		(144,684)	(119,897)
Cash flows from returns on investments and servicing of finance			
Interest received		8	-
Interest surrendered to the Welsh Government		(7)	-
Net cash flows from returns on investments and servicing of finance		1	-
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(39)	(81)
Purchase of intangible fixed assets	9	(1)	(18)
Net cash outflow from investing activities		(40)	(99)
Cash flows from financing activities			
Funding from the Welsh Government		142,793	120,142
Net cash flows from financing activities		142,793	120,142
Net (decrease)/increase in cash and cash equivalents		(1,930)	146
Cash and cash equivalents at beginning of period		1,956	1,810
Cash and cash equivalents at end of period	11	26	1,956
Net (decrease)/increase in cash		(1,930)	146

The notes on pages 48 to 60 form part of these accounts.

Statement of changes in taxpayers' equity
for the year ended 31 March 2019

	General Reserve £'000
Balance at 1 April 2018	11,056
Changes in taxpayers' equity 2018-19	
Net operating costs	(145,450)
Total recognised income and expense for 2018-19	<u>(145,450)</u>
Funding from the Welsh Government	142,793
Balance at 31 March 2019	<u>8,399</u>

The notes on pages 48 to 60 form part of these accounts.

Notes to the accounts

1. Statement of 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 have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by H M Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to our particular circumstances for the purpose of giving a true and fair view has been selected. The particular policies adopted by us are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

There are no new accounting standards issued but not yet effective that would have a material effect on these financial statements had they been applied in this reporting period.

(b) Grants for European Union (EU) projects

Income:

We receive grant income relating to EU projects from two sources. Grant income from the Welsh Government in support of European Social Fund projects is credited to the general reserve in the year in which expenditure is incurred. EU income in support of European Social Fund projects is credited to the statement of comprehensive net expenditure in the year in which expenditure is defrayed.

Expenditure:

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

(c) Funding

Grant in aid is received from the Welsh Government to fund general revenue activities. This amount of grant in aid is regarded as financing and is credited to the general reserve 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 funding provided to higher education providers, are brought to account when paid. In our opinion, 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 providers.

(e) Repayable grants

Repayable grants are funds provided to providers on an individual basis to support the initial costs of specific projects, which are normally recovered via an adjustment to their future funding.

(f) Pension costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) arrangements. We recognise the expected cost of providing pensions on a systematic and rational basis over the period during which we benefit from employees' services by payment to the PCSPS arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS arrangements.

A former Chair of HEFCW is covered by a pension scheme that is analogous with the PCSPS. We make payments to the former Chair as they are due. However, the expected cost of providing the pension is recognised through building up provision for the future liability calculated by using actuarially assessed assumptions.

(g) Property, plant and equipment

Property, plant and equipment are carried at fair value. Depreciated historical cost is used as a proxy for fair value for all classes of these assets as all have either short useful lives or low value, or both.

Information technology assets costing more than £500 and any other fixtures, fittings or equipment costing more than £1,000 are capitalised.

Depreciation is provided on all these assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, being a realistic reflection of the consumption of the asset, as shown below. A full year's depreciation is charged in the year of acquisition.

Information technology assets	- 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
-------------------	-----------

(i) Value Added Tax

As we are 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.

(k) Financial instruments

Financial assets: Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Cash comprises cash at bank on instant access terms.

Financial liabilities: Trade payables are not interest-bearing and are stated at their nominal value.

(l) Segmental reporting

The FReM directs public bodies to meet the requirements of IFRS 8 to report information concerning operating segments where the criteria under IFRS 8 are met. We consider our activities contribute to a single mission operating within the same business environment and there are no separable operating segments. As a result, we do not report by operating segments.

(m) Staff costs and secondments

Staff on secondment normally continue to be paid by us. The reimbursement of costs for seconded staff is netted off against staff costs in the note included within the Staff Report on page 36, which forms part of the Accountability Report.

2. Income from activities

	2019 £'000	2018 £'000
European Union – European Social Fund	903	860
Department for Business, Innovation & Skills – Research Capital Investment Fund	6,960	6,960
Y Coleg Cymraeg Cenedlaethol Scholarships	-	330
UK Research Partnership Investment Fund (a)	7,768	1,657
UK Joint Academic Network 6 (Janet 6)	-	65
Global Challenges Research Fund (b)	2,201	2,319
Prevent (c)	35	35
	<u>17,867</u>	<u>12,226</u>

- (a) This is funding from the UK Research Partnership Investment Fund (UKRPIF) for the Research Foundation in Compound Semiconductor Technology at Cardiff University.
- (b) Official Development Assistance (ODA) Research funding provided under the Global Challenges Research Fund (GCRF) is for the support of cutting-edge research that addresses the challenges faced by developing countries.
- (c) This is funding to report on compliance with the Prevent duty by higher education.

Higher Education Funding Council For Wales

3. Funding of higher education

	Recurrent £'000	2019 Capital £'000	Total £'000	2018 Total £'000
Higher Education Providers				
Aberystwyth University	9,116	750	9,866	7,229
Bangor University	10,287	939	11,226	8,357
Cardiff University	52,590	2,544	55,134	48,476
Swansea University	22,363	1,594	23,957	19,742
Wrexham Glyndŵr University	3,201	750	3,951	2,393
Cardiff Metropolitan University	3,072	909	3,981	1,359
University of Wales, Trinity Saint David	5,180	763	5,943	2,829
University of South Wales	13,781	1,751	15,532	12,260
University of Wales	186	-	186	162
Open University	9,397	-	9,397	8,251
Sub-total	129,173	10,000	139,173	111,058
Further Education Providers				
Grŵp Llandrillo Menai	579	-	579	480
Grŵp NPTC Group	67	-	67	46
Gower College Swansea	57	-	57	24
Sub-total	703	-	703	550
Other Organisations				
Advance HE	57	-	57	-
Engineering and Physical Sciences Research Council	135	-	135	-
Equality Challenge Unit	21	-	21	62
Hardisty Jones Associates Ltd	-	-	-	29
Higher Education Funding Council for England (HEFCE)	-	-	-	226
HESA	105	-	105	120
The Higher Education Academy	-	-	-	24
JANET (UK) Ltd	2,111	-	2,111	2,066
KPMG LLP	25	-	25	17
Leadership Foundation for Higher Education	-	-	-	69
National Centre for Universities and Business	-	-	-	22
National Union of Students	-	-	-	40
The Office for Students	336	-	336	-
Quality Assurance Agency	39	-	39	55
The Conversation Trust (UK) Limited	-	-	-	20
Universities UK	262	-	262	43
Welsh Government (a)	228	-	228	699
Other	195	-	195	234
Sub-total	3,514	-	3,514	3,726
Total	133,390	10,000	143,390	115,334
Less ESF funded expenditure (see note 5)	(1,390)	-	(1,390)	(1,430)
Total	132,000	10,000	142,000	113,904

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- (a) The Welsh Government leads and manages the Sêr Cymru I and II programmes. These fund additional Research Fellows and a number of Research Chairs in universities in Wales in order to boost research capacity. HEFCW provides its funding contribution for the programmes to the Welsh Government which makes the payments to universities.

4. Grants to providers

Included in these accounts are grants to higher education providers, which are subject to the recipients' external auditors' confirmation that they have been used for their intended purpose. The financial year of higher education providers ends on 31 July and their audited accounts are provided to us by 30 November. A review by us of providers' 2017/18 financial statements confirmed that each provider's external auditors had considered that grants had been used for their intended purpose and no adjustments to grants were necessary. The end of year calculation of clawback for credit-based teaching funding for 2017/18 resulted in a clawback of £1,341k. Any adjustment arising from the audit of 2018/19 accounts and student numbers will be made by us in future years.

We confirm that grants we have received from the Welsh Government have been used for their approved purposes.

5. Expenditure for other purposes

	2019 £'000	2018 £'000
European Social Fund	1,390	1,430
Research Capital Investment Fund (a)	6,960	6,960
Y Coleg Cymraeg Cenedlaethol Scholarships	-	330
UK Research Partnership Investment Fund (b)	7,768	1,657
Global Challenges Research Fund (c)	2,201	2,319
	<u>18,319</u>	<u>12,696</u>

- (a) An analysis of research capital funding by higher education provider is given below:

	2019 £'000	2018 £'000
Aberystwyth University	941	937
Bangor University	632	617
Cardiff University	3,787	3,845
Swansea University	1,600	1,561
	<u>6,960</u>	<u>6,960</u>

- (b) This is funding from the UK Research Partnership Investment Fund (UKRPIF) for the Research Foundation in Compound Semiconductor Technology at Cardiff University.
- (c) ODA Research funding provided under the Global Challenges Research Fund (GCRF) is for the support of cutting-edge research that addresses the

challenges faced by developing countries.

6. Other expenditures

	2019 £'000	2018 £'000
Administration costs		
Accommodation costs	92	127
Office costs	65	40
Bought-in services	19	11
Auditors' remuneration	25	25
Council members' travel and subsistence costs	12	24
Council members' meeting costs	13	12
Staff travel and subsistence costs	54	58
Staff related expenditure on training, recruitment etc.	38	34
Information technology costs	115	114
	<u>433</u>	<u>445</u>

Our auditor during the year was the Auditor General for Wales.

7. Appropriations

	2019 £'000	2018 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	7	-

8. Property, plant and equipment

	Information technology equipment	Fixtures & fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	467	73	540
Additions	39	-	39
Disposals	(35)	-	(35)
At 31 March 2019	471	73	544
Depreciation			
At 1 April 2018	417	57	474
Charged during year	47	10	57
Released on disposals	(35)	-	(35)
At 31 March 2019	429	67	496
Net book value at 31 March 2019	42	6	48
Net book value at 1 April 2018	50	16	66
Asset financing			
Owned assets			
Net book value at 31 March 2019	42	6	48

9. Intangible fixed assets

	Software licences
	£'000
Cost	
At 1 April 2018	48
Additions	1
Disposals	-
At 31 March 2019	49
Amortisation	
At 1 April 2018	36
Charged for the year	6
Released on disposal	-
	42
Net book value at 31 March 2019	7
Net book value at 1 April 2018	12

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10a. Repayable grants

	2019 £'000	2018 £'000
Repayable grants		
Balances as at 1 April	6,150	6,750
Repaid during the year	(600)	(600)
Balances as at 31 March	<u>5,550</u>	<u>6,150</u>
Balances as at 31 March		
Within one year	933	600
After one year	4,617	5,550
Balances as at 31 March	<u>5,550</u>	<u>6,150</u>

Repayable grants are funds provided to providers on an individual basis to support approved projects from the appropriate part of the programme budget.

The commencement of the repayment and the duration of the period over which the grants are repayable vary according to the conditions of the grant agreed with the provider.

None of the above grants is interest-bearing.

As at 31 March 2019, there was one provider (2018 – one) with repayable grants outstanding.

10b. Trade receivables and other current assets

	2019 £'000	2018 £'000
Amounts falling due within one year		
Prepayments and accrued income	325	518
Other receivables	3,171	3,313
	<u>3,496</u>	<u>3,831</u>
Intra-government balances		
Other central government bodies	276	411
Balances with other government bodies	-	-
Balances with non-government bodies	<u>3,220</u>	<u>3,420</u>
	<u>3,496</u>	<u>3,831</u>

At 31 March 2019, 'Other receivables' included £1,523k of funding due to be recovered from higher education providers relating to sector related costs paid on their behalf (2018 - £1,600k) and the clawback of £1,341k funding following the 2017/18 audit of student numbers (2018 – £1,495k re 2016/17 audit of student numbers).

11. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash held under Government Banking Service		
Balance at 1 April	1,378	1,519
Net change in cash and cash equivalent balances	(1,376)	(141)
Balance at 31 March	2	1,378
Cash held under commercial banks and cash in hand		
Balance at 1 April	578	291
Net change in cash and cash equivalent balances	(554)	287
Balance at 31 March	24	578
Total cash and cash equivalents	26	1,956

The Government Banking Service (GBS) is a Government-wide banking service that is provided by the Royal Bank of Scotland (RBS). We do not earn any interest on any balance held in GBS accounts. We have HM Treasury authorisation to continue making payments using commercial banking facilities which are interest bearing.

12. Trade payables and other current liabilities

	2019 £'000	2018 £'000
Amounts falling due within one year		
Accruals	705	935
Other taxation and social security	-	-
Sundry creditors	-	-
	705	935

Intra-government balances		
Central government bodies	119	-
Other central government bodies	-	-
Balances with other government bodies	119	-
Balances with non-government bodies	586	935
	705	935

13. Provisions for liabilities and charges

	2019 £'000	2018 £'000
Broadly by analogy pension liability (see Staff Costs note on pages 34 and 36)	23	24
Analysis of timing of liability		
Falling due within one year (2019-20)	1	1
Falling due between 2020-21 and 2023-24	7	7
Falling due between 2024-25 and 2033-34	15	16
	23	24

14. Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2019 £'000	2018 £'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	26	63
Later than one year and not later than five years	-	26
	<u>26</u>	<u>89</u>

Expenditure in the year on leasing costs of £63k is included in note 6. The current lease expires in August 2019. Negotiations to renew the lease are ongoing.

15. Capital commitments

	2019 £'000	2018 £'000
Contracted capital commitments at 31 March 2019 not otherwise included in these accounts		
<i>Property, plant and equipment</i>		
Contracted	47	4

16. Other financial commitments and contingent liabilities

	2019 £'000	2018 £'000
Revenue grants (a)	45,280	42,938
European projects (b)	5,733	7,111
	<u>51,013</u>	<u>50,049</u>

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

(b) European projects will be funded as follows:

	2019 £'000	2018 £'000
European Social Fund grants	3,902	4,837
HEFCW	1,831	2,274
	<u>5,733</u>	<u>7,111</u>

The European projects also have financial commitments of £776k to be funded by external match-funding contributions from higher education providers and small and medium-sized enterprises.

As at 31 March 2019, there were no contingent liabilities (2018 – nil).

The Welsh Government has confirmed that in the event of leaving the European Union without a deal or transition period, there would be no change in the existing arrangements for beneficiaries of current EU-funded projects. HM Treasury has

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guaranteed funding for all projects approved under the ESF programmes and will support programme expenditure within the normal course of expenditure until 31 December 2023, by which time the current HEFCW projects will have been completed.

17. Related parties

We are a Welsh Government Sponsored Body. The Welsh Government is regarded as a related party. During the year, we had various material transactions with the Welsh Government, which is regarded as the parent Department.

The following Council members have entered into relationships with organisations that are considered to be related parties, details of which are shown in the table below:

Name	Relationship with related party
David Allen OBE (Chair of Council)	◆ Son studying at Swansea University
Dr David Blaney (Chief Executive)	◆ Fellow, Higher Education Academy ◆ Daughter studying at Cardiff University
David Mason	◆ Honorary Fellow, University of Wales, Newport (now University of South Wales)
Professor Sir Robin Williams CBE, FRS	◆ Emeritus Professor, University of Wales ◆ Emeritus Professor, Swansea University ◆ Honorary Fellow, Cardiff University ◆ Honorary Fellow, Bangor University ◆ Honorary Fellow, Swansea University ◆ Honorary Fellow, Aberystwyth University ◆ Member, Advisory Group for Engineering, Swansea University ◆ Honorary Fellow, Coleg Cymraeg Cenedlaethol ◆ Member of Council, The Learned Society for Wales ◆ Daughter employed by Swansea University
Dr Arun Midha	◆ Partner employed by Cardiff University
Professor Sir Keith Burnett CBE, FRS, FLSW	◆ Fellow, The Learned Society for Wales ◆ Member, Universities UK ◆ Director (Non-Exec), National Centre for Universities and Business ◆ Fellow, Institute of Physics
Professor Mark Smith CBE	◆ Board Member, HESA ◆ Member, the Strategic Advisory Network, EPSRC ◆ Trustee and board member, Jisc ◆ Board member, Universities and Colleges Employers Association ◆ Research, Funding and Long term Strategy Network Groups, Universities UK
James Davies	◆ Honorary Fellow, University of Wales, Trinity Saint David

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Name	Relationship with related party
Sarah John	<ul style="list-style-type: none"> ◆ Director, Apprenticeship Learning Solutions Ltd (ALS) which is part of the Cardiff and Vale College Group of Companies. ALS has commercial undertakings with the following institutions: Cardiff Metropolitan University University of South Wales
Professor Helen Marshall	<ul style="list-style-type: none"> ◆ Academic Reviewer, Quality Assurance Agency
Rob Humphreys CBE, FLSW	<ul style="list-style-type: none"> ◆ Adviser to Welsh Government on routes into teacher education, including working with the Open University as the Government-chosen provider ◆ Elected fellow, Learned Society of Wales ◆ Global Wales project managed by Universities Wales

Any funds paid to the providers and organisations noted above are detailed in note 3, otherwise the funds paid in the year were nil. None of the above individuals has undertaken any material transactions with us.

18. Financial instruments

IFRS 7 and International Accounting Standards (IAS) 32 and 39 require an organisation to present and disclose information on the possible impact of financial instruments on its financial position and performance, and on the extent of its risk exposure.

Liquidity risks – In 2018-19 £142.8m or 88.9% of our income was derived from the Welsh Government (2017-18 £120.1m or 90.8%). The remaining income, £17.9m or 11.1% was derived from income from activities (2017-18: £12.2m or 9.2%).

We do not consider that our general activities are exposed to any significant liquidity risk, and we are satisfied that future income is sufficient to meet our commitments.

Interest rate risks – Some of the cash balances which are drawn down from the Welsh Government to pay funding commitments and operating costs are held in an instant access, variable rate bank account which on average carried an interest rate of 0.2% in the year. The cash balance at the year-end was £26k. HEFCW does not consider that its general activities are exposed to significant interest rate risks.

Foreign currency risk – Our general activities are not exposed to any significant foreign exchange risks.

Cash flow risk – We are not exposed to any significant cash flow risks.

19. Events after the reporting period

There have been no events, after the Statement of Financial Position date up to the date these financial statements were authorised for issue by the Accounting Officer on 11 July 2019, requiring an adjustment to the accounts.