

Cyngor Cyllido Addysg
Uwch Cymru
Higher Education Funding
Council for Wales

hefcw

Higher Education Funding Council for Wales Annual report and accounts

For the year ended 31 March 2020

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Annual report and accounts

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In this document financial year is shown as 2019-20 (April – March) and academic year is shown as AY18/19 or AY19/20 (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

It has been a year of achievements, against a backdrop of uncertainties and extraordinary disruption.

We were fortunate to see an increase in our annual budget early in the year, as a consequence of the Welsh Government starting to implement the recommendations of Professor Sir Ian Diamond's Review of higher education and student finance arrangements. As more funds became available for us to distribute, we considered how best to target that funding to provide the best public and institutional benefit. This included the re-introduction (following the recommendations of Professor Graeme Reid's review of research funding in Wales) of innovation and engagement funding.

We continued 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.

In order to assess how effective our service is, and how well our relationships work, we commissioned, in 2019, our third survey of stakeholders and partners. There were many things to take away from an extremely positive and encouraging report, and much to reflect on. It was no surprise to us that our greatest asset is our people, and our stakeholders value their relationships with us more than anything else. We would love to be able to spend even more time building relationships and conducting more business in person. However, we know that, as a regulator, we spend much of our time corresponding, requesting and reviewing information. We will look at the outcomes that cover areas such as bureaucracy and visibility to see how we can tackle them over the coming years.

The disruption to our year started in February. Our office building did not escape the devastation caused by Storm Dennis, and, as an organisation, we have been unable to access our office since 14 February, except to retrieve essential IT kit, and to monitor our IT servers.

Just a month later, we found ourselves working with Universities Wales and Welsh Government and higher education providers on the impact of the COVID-19 pandemic on institutions, staff and students. We began to re-assess our priorities for the coming months, particularly when it came to the weight of regulation, and formally published the outcome of these deliberations in early May 2020.

There are twelve high-level Performance Outcomes for 2020 included in our [Corporate Strategy 2017-20](#). We are currently on course to successfully deliver 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 115 activities, from a total of 119, 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 full-time equivalent staff resource of 44 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.

Key developments in year

The most significant development this year, in terms of its potential long-term impact on both the higher education sector and on HEFCW's future operations, was the COVID-19 pandemic, which resulted in a nation-wide lockdown from 23 March 2020. From the outset of the crisis, we began liaising closely with Welsh Government and higher education providers in Wales to assess the immediate and likely future impact of the pandemic on institutions, staff and students, and we also began to review our funding and regulatory priorities. We also immediately began close and regular contact with other higher education oversight bodies around the UK in order to share information and assess the potential consequences of the pandemic with respect to various UK-wide HE processes, including distance learning and assessments; HE admissions for the next academic year, quality assurance arrangements; and the impact on research activities. At the time of completing this report, much remains uncertain, though it is already clear that the impact of the pandemic is likely to be significant, wide-ranging and continue well into the next financial year, and possibly beyond.

HEFCW and its stakeholders

We must provide an effective service to our stakeholders, and ensure that accessible and strategic communications support our internal operations, and our relationships with the Welsh higher education sector, the Welsh Government and other external partners. The outcomes of this year's survey of stakeholders and partners were positive and encouraging, and gave us plenty to reflect on.

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Review of HEFCW Council governance arrangements

During the year, we also commissioned an independent expert review of the Council's governance arrangements, which were found to be both strong and effective.

Funding

As the Diamond Review-related reforms continue to be implemented, we saw increases in HEFCW funding this year, which enabled us to start to provide increased support in AY 2019/20 for a number of targeted areas including:

- Increased funding for QR and PGR in order to strengthen the research base in Wales and with the aim of updating these in line with equivalent increases provided in other UK funding bodies.
- Funding to allow growth in PT recruitment and a minimal level of funding to support higher-cost subjects.
- Funding to build capacity ahead of re-instating recurrent support for innovation activities through the launch of our new Research Wales Innovation Fund.
- Funding to support/improve institutions' Wellbeing and Equality and Diversity activities.
- Additional capital funding.
- Funding for additional medical education places.
- Facilitating two Welsh Government-funded PG bursary schemes.

Further funding increases to implement the Diamond recommendations were anticipated for the next academic year 2020/21 and we consulted on these during this year. However the Covid-19 pandemic and its impact on HEFCW's budget for next year has limited the scope for implementing significant future funding increases at present.

Research & Innovation

Key achievements this year relate to the delivery of HEFCW's [Vision for Research and Innovation in Wales](#), which we formally launched this year:

- We used additional in-year funding made available by the Welsh Government to build the research and innovation capacity of our universities.
- We consulted on the establishment of the Research Wales Innovation Fund (RWIF).
- We established the Research Wales Committee, to provide a greater visibility to policy support and strategy for research and innovation in Wales.
- We renewed our commitment to the Concordat for Career Development of Researchers, including through a launch event for Wales.
- We decided to develop a Wales model to align to the new Knowledge Exchange Concordat (KEC). The KEC sets out good practice and guiding principles for effective, transparent, and ethical engagement in knowledge exchange activities.
- We continued to promote and encourage the civic mission of our universities in relation to their research, innovation and engagement activities. This included funding Universities Wales activity to coordinate sector-wide civic mission ambitions.
- We created a permanent role within the RIE team specifically to increase our engagement with UK Research and Innovation (UKRI) in order to contribute to UK-wide policy decisions on research and innovation.

Regulation and oversight

Our key activities this financial year with respect to our regulatory responsibilities included the submission to Welsh Government of our first two Annual Regulatory Reports covering the academic years 2017/18 and 2018/19. The 2018/19 Annual

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Regulatory Report outlined our monitoring of Fee and Access Plans for 2017/18 and 2018/19, with this confirming that no regulated institution had failed to comply with the regulatory requirements associated with a Fee and Access Plan. There also were no failures to comply with the regulatory system as it relates to quality.

Whilst there were no instances of formal intervention in respect of any of HEFCW's regulatory responsibilities under the Higher Education (Wales) Act 2015, informal intervention was undertaken in respect of a fees issue at one institution, with this resolved satisfactorily. Informal intervention was also undertaken at one institution because of a breach of HEFCW's Financial Management Code (FMC), as a result of internal control issues. HEFCW reviewed a range of evidence and liaised with the institution to develop an action plan to address the issues identified. This action plan was approved by the institution's governing body and formally issued to the institution by HEFCW. We are closely monitoring the action plan to ensure the issues are being appropriately addressed.

HEFCW's overall assessment is that, across the regulated sector, institutions' compliance with the regulatory requirements imposed by the Higher Education (Wales) Act 2015 has been broadly satisfactory. Where particular issues were identified during the reporting period, the Council has pursued them rigorously with the institutions concerned.

In respect of HEFCW's monitoring role regarding adherence to the Prevent Duty by Relevant Higher Education Bodies in Wales, we published a revised monitoring framework in August 2019. Providers need to follow this framework to demonstrate 'due regard' to the duty. This framework sets out how we will gather information to demonstrate compliance. On an annual basis, HE providers are required to complete an Annual Assurance Return. Within this Assurance Return, we require the governing body or proprietor to confirm their compliance with the Prevent duty and with HEFCW's monitoring requirements.

We have consulted on potential changes to our processes for the monitoring and review of provider performance. Where appropriate, changes to processes will be made in due course.

In late 2019, HEFCW funded Universities Wales to commission a report on the governance arrangements of higher education institutions in Wales. The objective of the review was to enable governors to operate at the leading edge of good corporate governance, in terms of both compliance and boardroom culture. The report is accompanied by a Charter, which sets out the actions for change to further enhance existing governance arrangements. All higher education institutions in Wales have signed up to the Charter and will implement the accompanying 'Plan for Action'. HEFCW will monitor the implementation of these actions. In addition, we are funding AdvanceHE to provide governance training to each higher education institution in Wales.

We published [Revision to the external quality assurance requirements](#). This amended the second judgement on the external quality assurance review to focus on relevant baseline requirements (rather than all the requirements) and incorporated new Wales-only elements of the baseline. The relevant baseline requirements are defined as follows:

- That the academic standards of courses meet the requirements of the relevant national qualifications' framework, which, in Wales, is both the Framework for Higher Education Qualifications (England, Wales and Northern Ireland) and the Credit and Qualifications Framework for Wales.
- The Expectations of the UK Quality Code for Higher Education, in relation to both English and Welsh medium provision of the institution.

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- The Core and Common Practices of the UK Quality Code¹ for Higher Education, in relation to both English and Welsh medium provision of the institution.

In addition, we agreed via consultation the inclusion of an [additional governing body assurance statement](#) relating to quality, covering oversight by the governing body of degree outcomes and academic integrity. The statement will be implemented for the return for 2019/20. This also required us to update the [Quality Assessment Framework](#) to reflect the change.

Other developments

- The publication of the first progress report on the National HE Measures for HE, which monitor the performance of higher education (HE) providers.
- The launch of the case study series [Higher Education for a Healthy Nation: Student well-being and health](#).
- The Minister for Education opened our well-being and health conference in HE in November 2019.
- The publication of our [Policy Statement on Well-being and Health in HE](#).
- Providing £2.3m funding to support five HE-led student well-being and health projects.
- The publication of our new [Strategic Equality Plan 2020-2024](#).
- Continued our support of our regional, collaborative, widening access programme, Reaching Wider.
- Continued development of Degree Apprenticeships, with delivery of integrated qualifications in Digital, Engineering and Advanced Manufacturing.
- Continued delivery of the ESF-funded GO Wales: Achieve through Work Experience Programme, enabling universities to provide bespoke support to develop the employability of students in under-represented groups.
- Continued positive progress of Global Wales II.

The significant risks identified during the year are set out in our Governance Statement (part of our Accountability Report) on pages 31 to 33. Information in respect of community, human rights, anti-fraud and anti-bribery matters is provided as part of Remuneration and Staff Report on pages 43 and 44.

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 2019-20 outcomes

Of the 119 activities identified in our operational plan:

- 115 were completed.
- 3 were not completed within the planning period but will be actioned early in 2020-21.
- 1 was no longer applicable.

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Corporate Strategy

Although we developed a new three-year Corporate Strategy this year, our Council recognised that the context, in which it had been written, had changed due to the COVID-19 pandemic. The Council therefore decided not to submit or publish the new Strategy, but instead sought the agreement of the Welsh Government to extend our current Corporate Strategy for a further year, with a view to producing a new three-year Corporate Strategy by April 2021.

We will continue to assess progress, including through close monitoring of our national measures for higher education, and work with higher education providers to encourage improved performance.

Financial overview

<i>Performance in year</i>	2019-20 £000	2018-19 £000
Funding of higher education expenditure	(179,641)	(160,319)
Council expenditure	(3,217)	(2,999)
Income from activities	10,527	17,867
Interest net of appropriations	1	1
Grant in aid – funding from the Welsh Government	168,187	142,793
(Decrease) in Taxpayers' Equity	(4,143)	(2,657)

Grant in aid funding from the Welsh Government has increased by 17.8% since last year, alongside a decrease in 'income from activities'. The latter is mainly due to no UK Research Partnership Investment Fund (UKRPIF) being received in the year (see note 2 to the accounts).

Funding of higher education expenditure has increased by £19.3m. 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 49 and 52 for further details.

Expected future developments

As already noted above, although the full impact of the COVID-19 pandemic remains uncertain, it is already clear that its effects are likely to be significant in scope and long lasting. It is anticipated that assessing and trying to mitigate and address the effects of, the pandemic, will be the number one priority for HEFCW and the HE sector throughout the next financial year, and possibly beyond that. We will continue throughout next year to work with our HE providers in Wales, and with other stakeholders, to monitor the impact of the pandemic on student recruitment, higher education finances, and approaches to delivering and assessing learning and teaching and research. We will also continue in the year ahead to assess and adjust as necessary our funding and regulatory priorities and processes, as well as our other internal operations.

There remains a number of uncertainties and potential risks for higher education relating to the impact of the UK leaving the European Union on 31 January, and the subsequent transition period and trade talks that are due to be completed by 31 December 2020. We will continue to monitor those developments.

Subject to the Senedd's legislative process in the next Welsh Parliament, the next three years will see the replacement of HEFCW in 2023 with a new, intermediary body for post-compulsory education and training (PCET). We will continue to work closely with Welsh Government to help secure a smooth transition to the new arrangements.

Performance analysis

Corporate strategy objectives – summary

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

<p>Widening Access and Inclusion:</p> <p>We continued to fund the collaborative, widening access Reaching Wider Programme to increase awareness of, and participation in HE for people of all ages with the potential to benefit from it. Three regional partnerships and all institutions provide widening access opportunities prioritising people in selected areas, people with a care-experienced and caring background and adults without level 4 qualifications.</p> <p>We funded five collaborative student well-being and health projects totalling £2.3 million and provided an additional £1.5 million to develop safeguarding and promote period dignity.</p> <p>We published Higher Education for a Healthy Nation: student well-being and health, and our well-being and health policy statement.</p> <p>The Minister for Education opened our national well-being and health conference.</p> <p>We published our latest strategic equality plan.</p> <p>We invited providers to submit well-being and health strategies.</p> <p>We provided guidance on tackling violence against women, domestic abuse and sexual violence in higher education.</p>
<p>Student Experience:</p> <p>We published our <i>Procedures for assessing the quality of education</i>, informed by the outcomes of our consultation on procedures for quality that is, or is likely to become, inadequate.</p> <p>The UK Standing Committee for Quality Assessment (UKSCQA) published a HEFCW-endorsed Statement of Intent to ensure transparent, consistent and fair academic standards in UK higher education.</p> <p>We launched Towards Cymraeg 2050: HEFCW and Welsh language in higher education, reflecting on our work relating to the Welsh language.</p>
<p>Skills, Employability and Enterprise:</p> <p>HEFCW-funded institutions were invited to submit proposals for funding of Degree Apprenticeships 2019/20 against one or more of the pathways identified on the Digital Degree Apprenticeship (Wales), and the Engineering and Advanced Manufacturing Apprenticeship (Wales) frameworks. We committed to take forward bids to fund 585 new apprenticeships in 2019/20.</p> <p>WEFO approved a further extension to the ESF funded GO Wales: Achieve through Work Experience programme. It was also confirmed that estranged students were now eligible for support under the programme.</p>

Research Innovation and Engagement:

We launched our [Vision for research and innovation in Wales](#), which sets out our commitments and ambitions to secure Wales's position as a world-leading partner of research and innovation across the world.

We announced a new innovation and engagement fund and consulted on arrangements.

We continued to provide project support for civic mission in local communities and HE-FE partnership initiatives.

We created a new funding stream "Strengthening the Research Base", allocating an additional £6.6m research funding to support higher education research in Wales, based on the recommendations of the Reid Review.

With the other UK funding and regulatory bodies, we supported a public consultation on the managing of complaints and investigations relating to the application of the 2021 Research Excellence Framework.

Funding higher education:

We introduced new bursary schemes to attract Welsh students to: study Masters degrees in science, technology, engineering, mathematics and medicine related subjects; undertake a Masters through the medium of Welsh; and study for a postgraduate qualification over the age of 60.

Working in partnership with students:

We published revised [Student Charter guidance](#) which requires institutions to include a statement relating to student well-being, equality and diversity, safeguarding and the well-being goals of the Well-being of Future Generations (Wales) Act 2015.

Regulating higher education:

We consulted on our proposal to collect Transparent Approach to Costing (Teaching) TRAC(T) data in Wales.

We provided a new [framework](#) for monitoring how providers implement their statutory Prevent duty.

We published a [briefing note](#) on the impact of pension schemes in HE and their impact on their financial statements.

We commissioned a review of regulated institutions' Fee and Access Plan evaluation frameworks to support institutions evaluate the effectiveness of their Plans. Evidence-based advice and partnership working.

We consulted on an additional governing body assurance statement regarding quality.

We updated the [Quality Assessment Framework for Wales](#), which would impact on external quality assurance reviews from January 2020.

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<p>Evidence-based advice and partnership working:</p> <p>We implemented our new institutional engagement process.</p> <p>We worked with Global Wales partners and administered funds to enable the continued successful delivery of the Global Wales II programme.</p>
<p>Working effectively as an organisation:</p> <p>We carried out our third survey of stakeholders and partners, to help us to operate effectively, challenge how we work and seek improvements.</p>

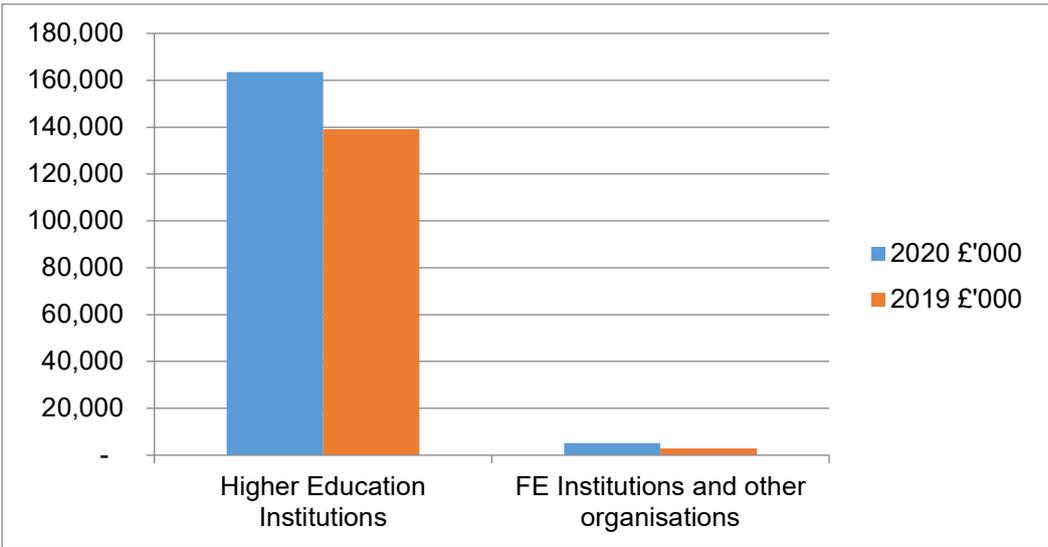
Financial analysis

In delivering the strategic aims and objectives as set out, we received £168.2m of grant in aid funding from the Welsh Government (2018-19: £142.8m). This is an annual increase in overall funding of £25.4m or 17.8%.

In addition to grant in aid funding from the Welsh Government, £10.5m of other income was receivable in 2019-20 (2018-19: £17.9m). The decrease of £7.4m is primarily due to the ending of UK Research Partnership Investment Fund (UKRPIF) funding in 2018-19 for a project at Cardiff University (see note 2 to the accounts).

Total expenditure in 2019-20 was £182.9m (2018-19: £163.3m). Of this, £179.6m (2018-19: £160.3m) relates to the funding of the higher education (£174.4m to higher education institutions and £5.2m to further education institutions and other organisations; 2018-19: £156.1m and £4.2m respectively) and £3.2m (2018-19: £3.0m) to our own costs incurred in delivering our duties in respect of higher education in Wales.

Funding of higher education expenditure (£'000)



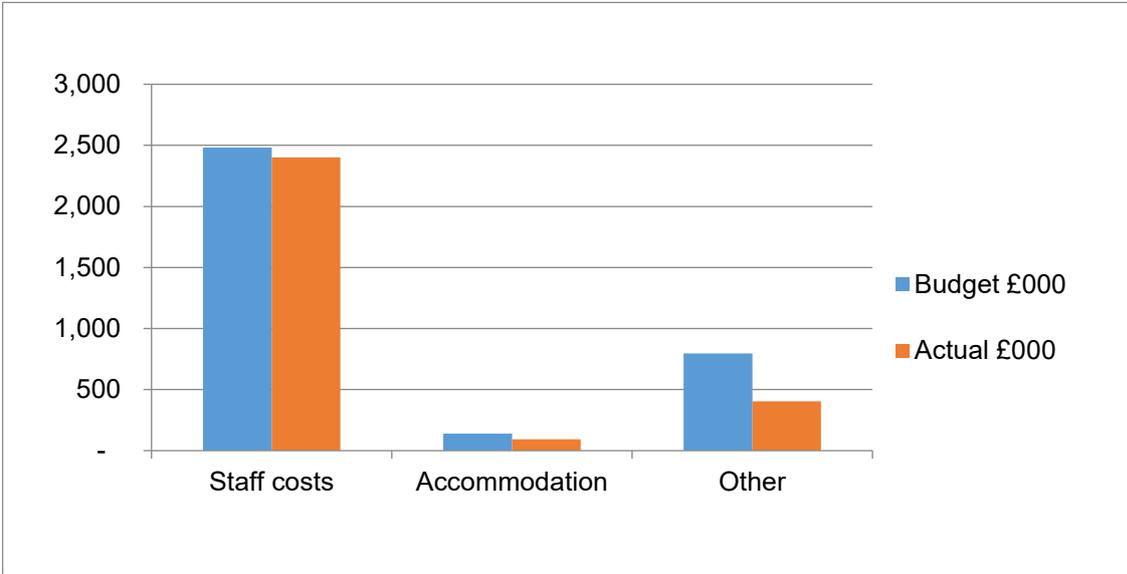
The increase in 'Funding of Higher Education' expenditure is attributable to an increase in recurrent funding of £16.9m, capital funding of £2.4m, as well as additional ring-fenced funding for degree apprenticeships of £2.5m, Post Graduate Taught bursaries for STEMM subjects, those taught through Welsh Medium and for students who are 60+ of £1.5m, Global Wales II of £0.7m, together with fee mitigation funding.

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The net operating costs for the year were £172.3m (2018-19: £145.5m). As noted in the 'Financial overview' section above, the grant in aid funding from the Welsh Government amounted to £168.2m (2018-19: £142.8m) and was credited directly to the taxpayers' equity general reserve (see 'Statement of financial position' on page 50 and 'Statement of changes in taxpayers' equity' on page 52). The cumulative taxpayers' equity general fund as at 31 March 2020, after crediting the grant in aid funding referred to above, was £4.3m (31 March 2019: £8.4m). 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. 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 £87k in the year (2018-19: £39k).

Other expenditure 2019-20 (£'000)



Other financial key performance indicators

The cash balance as at 31 March 2020 was £98k which represented 0.06 percent of total grant in aid funds available (2017-18: £26k, 0.02 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 2019-20, we paid 94.9% of invoices within ten working days, with an average payment time of 2.0 days (2018-19: 97.1% and an average of 1.1 days).

Sustainability

Well-being of Future Generations

Introduction

This section of the annual report and accounts provides an overview 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 2019 to March 2020.

HEFCW and the well-being duty

The Act (Part 2) places a well-being duty on specified public bodies, such as HEFCW, to set well-being objectives designed to maximise the contribution to achieving each of the Act's well-being goals, and taking all reasonable steps (in exercising functions) to meet these objectives.

The Act requires public bodies to publish well-being objectives and a supporting Well-being Statement.

Under Schedule 1 of the Act, HEFCW must publish, in respect of each financial year, a report of the progress it has made in meeting its well-being objectives. The report must be published as soon as reasonably practicable following the end of the financial year to which the report relates.

Annual reporting must confirm that: well-being objectives are contributing to the achievement of the well-being goals; all reasonable steps have been taken to meet the well-being objectives; and well-being objectives are consistent with the sustainable development principle.

HEFCW's policy context

In 2017, HEFCW published its [Corporate Strategy 2017-20](#). The Corporate Strategy (p.4) confirms our commitment to working 'in accordance with the sustainable development principle and five ways of working: 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'.

By embedding the Act's goals and the sustainability principle into our corporate planning, we have begun the process of corporate change referenced in the [Act's statutory guidance](#).

HEFCW's well-being objectives and well-being statement

Our [Well-being Statement](#) and well-being objectives are reviewed annually. HEFCW's well-being objectives identify HEFCW's contribution to the delivery of the seven well-being goals and they are consistent with the Sustainable Development Principle of the Act, as set out in table 1 below.

We will be conducting a detailed review of the Well-being objectives and statement to align with our new Corporate Strategy.

Table 1 HEFCW’s well-being objectives

HEFCW Well-being Objectives	Well-being of Future Generations (Wales) Act Goals
Ensure that higher education in Wales is relevant and accessible to all who could benefit from it, or contribute to it.	A prosperous Wales; A healthier Wales; A more equal Wales; A Wales of vibrant culture and Welsh language.
Champion internationally excellent higher education that also works to support global well-being, and sustainable development.	A prosperous Wales; A resilient Wales; A healthier Wales; A globally responsible Wales.
Promote a system of HE that is financially, economically, socially, and environmentally sustainable.	A resilient Wales; A Wales of cohesive communities.
Ensure that HEFCW is an exemplar organisation where equality, partnership and sustainability are fundamental to delivery of our mission.	A more equal Wales; A prosperous Wales; A globally responsible Wales; A Wales of cohesive communities.

HEFCW’s progress towards its well-being objectives 2019-20

This section provides information about HEFCW’s 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.

The examples selected below represent how the organisation has embedded the five ways of working and the sustainable development principle and aligns to our corporate objectives and functions of: We Fund; We Regulate; We work in partnership; and We operate effectively as an organisation.

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.
<p>Fee and Access Plan guidance</p> <p>In February 2019, we published our 2020/21 Fee and Access Plan application guidance circular W19/01HE. Section Two provides guidance on what should be included in a fee and access plan to evidence adequate support for equality of opportunity and the promotion of higher education. We revised Section Two to take account fully of the Welsh Government’s requirements that plans make a significant and lasting contribution to widening access to higher education in Wales. We state that institutions should take account of the Welsh Government’s widening access and other related expectations, including the Well-being of Future Generations Act (2015), its goals and ways of working.</p> <p>The Violence Against Women, Domestic Abuse and Sexual Violence (Wales) Act 2015</p> <p>In 2019, HEFCW consulted on its draft Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV) guidance (see circular W19/34HE), including inviting case studies of interesting practice. Our guidance was published in March 2020 on our website.</p> <p>In 2019, the Welsh Government (WG) published Nation of Sanctuary – Refugee and Asylum Seeker Plan (RAS) for Wales. The plan sets out priorities, including how the Welsh Government</p>	

aims to increase opportunities for refugees and asylum seekers to access further and higher education.

In response to the Welsh Government Plan, HEFCW published consultation circular ([W19/44HE](#)) setting out our proposed position on supporting asylum seekers and refugees in HE and inviting case studies of practice in HE. The guidance and case studies of interesting practice will be published in 2020 on our [website](#).

Well-being and health

In November 2019, following [consultation](#) which included discussions with partners, (e.g. Universities Wales Pro Vice-Chancellors Learning and Teaching Committee and the joint HEFCW/NUS roundtable event in March 2019) HEFCW published its [well-being and health in higher education policy statement](#).

In support of this statement, we held an event following our publication of [Higher Education for a Healthy Nation: Student well-being and health](#), in November 2019 which was introduced by the Minister for Education, Kirsty Williams. The event provided an opportunity to share interesting UK- and Wales-practice.

HEFCW received £2m in its [2018-19 revised remit letter annex](#) to support well-being and health in HE, including student mental health. Separately, HEFCW's Council approved £300k for a similar purpose, bringing the total allocation to £2.3m.

Following consultation, in April 2019, HEFCW published circular [W19/11HE](#) inviting collaborative, funded proposals, led by universities in Wales, for strategic projects to improve student well-being and health in HE. A summary of the projects is shown on pages 19-20, progress reports will be submitted by the projects and will be reported in the 2020 -21 annual report.

HEFCW, institutions and NUS Wales reviewed Student Charters and agreed to include well-being and health information from 2019/20. Revised guidance on student charters was published in 2019 (circular [W19/15HE](#)).

Advance HE

We fund [Advance HE](#) to support equality and diversity in higher education institutions (HEIs) as it relates to staff and students. Advance HE's work during the year included:

- facilitating Advance HE Wales Equality Diversity and Inclusion (EDI) Welsh Liaison Group meetings In 2020, the membership was extended to include Regulated Further Education Colleges;
- contributing to the Research Excellence Framework (REF) 2021 Equality and Diversity Advisory Panel to ensure coverage of Welsh legislation and providing REF 2021 training, including unconscious bias training to support the EDI related requirements of REF;
- publishing UK Religion and Belief guidance which included a Welsh university case study; and
- publishing an inclusive approach to careers advice and guidance for disabled students

GO Wales

HEFCW works with nine higher education providers to deliver the [GO Wales: Achieve through Work Experience programme](#) to advance equality of opportunity for students with additional barriers to employment.

The programme supports students with the following characteristics:

- students with a disability and/or work limiting health condition; students from black and ethnic minority backgrounds;
- students who are, or have been, in care;
- students who are estranged from their families;
- students with caring responsibilities; and
- students from areas of low higher education participation.

Well-being objective two	Champion internationally excellent higher education that also works to support global well-being, and sustainable development.
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Champion internationally excellent higher education that also works to support global well-being, and sustainable development.

In 2019, we published our [Research and Innovation: the Vision for Wales](#). As part of the response to the emerging research landscape in the UK, HEFCW’s new Research Wales Committee has developed a long term vision for research and innovation for Wales. The Vision sets the context of research ambition for the sector in Wales, within the range of policy drivers described above. A roadmap of activities that will underpin the ability of our HEIs and collaborative partners to respond confidently to the Vision is being developed in more detail, forming a valuable starting point on which to build. The roadmap commits HEFCW to work with Welsh Government to establish the Future of Wales Fund.

Research initiatives

We support a number of research collaborations within Wales, and also partner the other higher education funding bodies and other organisations in several UK-wide initiatives to benefit research.

Sêr Cymru

The [Sêr Cymru programme](#) aims to build upon and enhance research in Wales in line with the objectives of Science for Wales, the Welsh Government’s strategic agenda for science and innovation. Investment focuses on three Grand Challenge areas: life sciences and health; low carbon, energy and environment; and advanced manufacturing and engineering. We work with the Welsh Government to help fund and implement the programme.

The first phase (Sêr Cymru 1) committed up to £50 million to support four Sêr Cymru Research Chairs and a National Research Network in each of the three Grand Challenge areas.

The second phase (Sêr Cymru 2) focuses on attracting researchers to Wales at the early or mid stages of their careers. It is funded from European sources, with match funding provided by the universities, Welsh Government and HEFCW. Sêr Cymru 2 will provide investment of up to £60 million over the period up to 2021.

Global Challenges Research Fund (GCRF)

[The Global Challenges Research Fund](#) (GCRF) is a £1.5 billion fund that forms part of the UK’s Official Development Assistance (ODA) commitment. It is administered by a number of delivery partners, including the Research Councils, the four national academies and the UK higher education funding bodies.

We provide funding from the Global Challenges Research Fund to eligible universities in Wales to support research that addresses the challenges faced by developing countries. Institutions in receipt of GCRF funding from HEFCW are required to provide three-year strategies for the use of their allocations.

For further information can be found in circular [W19/36HE, Global Challenges Research Fund 2019/20](#).

UK Research Partnership Investment Fund (UKRPIF)

The [UK Research Partnership Investment Fund](#) (UKRPIF) provides funding for capital investment in major new research facilities in universities. The funding is made available for the whole of the UK by the Department for Business, Energy and Industrial Strategy (BEIS). It is awarded through UK-wide competitions managed by Research England, working in conjunction with the other UK HE funding bodies. Bids must include co-funding from the private sector in a ratio of 2:1 to the funding sought from UKRPIF. Wales has received funding for three programmes of investment through the UKRPIF scheme.

<p>Well-being objective three</p>	<p>Promote a system of higher education that is financially, economically, socially, and environmentally sustainable.</p>
<p>Our Annual Regulatory Reports provide assurance on how we have discharged our regulatory functions, as set out in the Higher Education (Wales) Act 2015. The latest report has been structured into three main chapters to report against those areas Welsh Ministers expect to be covered: Fee and Access Plans, quality of education and financial affairs.</p> <p>Institutional Risk Review</p> <p>Our Institutional Risk Review (IRR) covers a range of financial, social and environmental information drawn from the latest data returns and Council and officer engagements with institutions was used to risk-assess each one against six key areas:</p> <ul style="list-style-type: none"> • Governance and Management; • Finances; • Strategic Direction; • Research and Knowledge Transfer; • Students and Quality; and • Estates. <p>Procurement</p> <p>We endorse Welsh Government Procurement Policy by working with the sector to ensure that universities continue to consider equalities as part of their procurement practices and procedures. HEFCW undertakes annual visits to Higher Education Institutions (HEIs) to discuss procurement best practice. Annual procurement reports are submitted to HEFCW and enable us to monitor improvements and progress.</p>	

<p>Well-being objective four</p>	<p>Ensure that HEFCW is an exemplar organisation where equality, partnership and sustainability are fundamental to delivery of our mission.</p>
<p>Strategic Equality Plan 2020 -2024 In March 2020, we published our 2020-2024 Strategic Equality Plan. There are many benefits to improving equality and diversity in higher education and ensuring inclusive approaches. These benefits go beyond higher education and HEFCW as an organisation, as they contribute to the social, economic, cultural and environmental wellbeing of Wales. In developing our SEP, we worked collaboratively with the Wales’s Public Body Equality Partnership¹ to establish joint priorities. The SEP includes our long-term (beyond 2035) ambitions are the result of our short-term priorities and medium-term milestones. Our ambitions align with the Welsh Government’s long-term ambitions for Wales as set out in its Strategic Equality Plan 2020-24.</p> <p>Stakeholder survey In 2019, we published our Stakeholder and Partner Engagement Survey. The independent survey conducted by Strategic Research and Insight (SRI) aimed to gain a detailed overview.</p> <p>The survey reported that overall engagement and support in most areas of HEFCW’s work is good with half or more giving a positive rating. The highest rated area is statistics and data collection where 70% gave a very good or fairly good response. For many of the lower rated areas, there are high proportions of ‘don’t know’ responses which may include respondents who have no involvement with that area.</p> <p>The key areas for improvement in the next three years are:</p> <ul style="list-style-type: none"> • Engagement and relationships with institutions – more partnership and consultation; • Stronger representation of the Welsh HE sector to Welsh Government; • Funding and fees – innovation, rationale, monitoring and advice; and • Other areas including timing of circulars, deadlines, admin/bureaucracy, prioritisation of key policy areas, transparency and some efficiency improvements. <p>Biodiversity and Resilience of Ecosystems Duty Report In December 2019 we published our Biodiversity and Resilience of Ecosystems Duty Report. In developing this environment annual report we have aligned our response to the Nature Recovery Action Plan for Wales (NRAP) objectives 1, 4 and 6, as required for a ‘Group One’ organisation. We will conduct a review of our priorities and functions to make more progress towards meeting the requirements of the S6 duty in 2020.</p>	

Well-being and Health projects

Partnership	Project description
<p>Lead partner</p> <ul style="list-style-type: none"> • Bangor University <p>Partners</p> <ul style="list-style-type: none"> • Aberystwyth University • UW Wales Trinity St David • Grŵp Llandrillo Menai • Meddwl.org 	<p>Title: Improving mental health and well-being for students through the medium of Welsh</p> <p>The project aims to develop three initiatives to improve the accessibility of Welsh medium mental health support for students. The project includes:</p> <ol style="list-style-type: none"> 1. Creation of On-line Resources. 2. Reducing Risk and Building Resilience: supporting suicidal students.

¹ Wales’s Public Body Equality Partnership membership: Natural Resources Wales, Arts Council of Wales, National Museum Wales, HEFCW, Welsh Language Commissioner, Careers Wales, Welsh Revenue Authority, HEIW, Sport Wales, Cardiff and Vale University Health Board and Velindre University NHS Trust.

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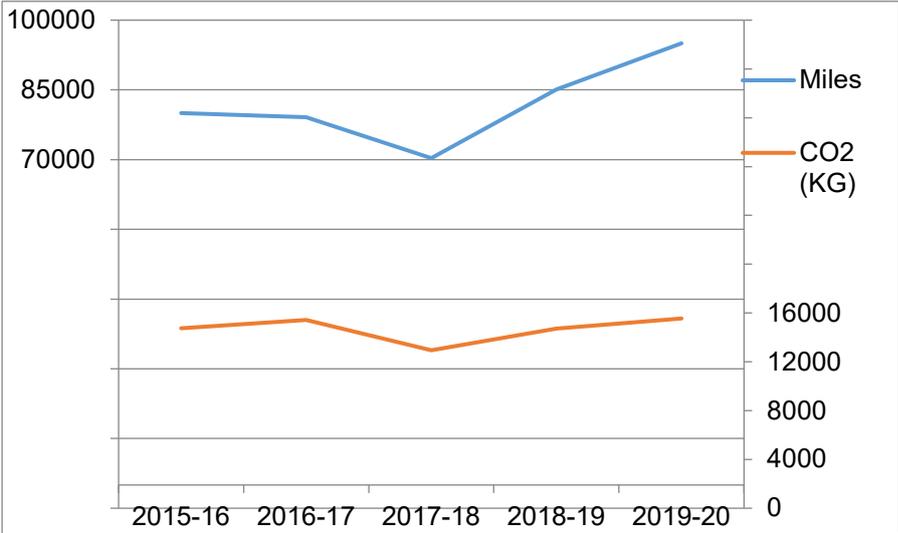
<ul style="list-style-type: none"> • Betsi Cadwaladr University Health Board's North Wales Clinical Psychology Programme • Coleg Cymraeg Cenedlaethol 	<p>3. All-Wales Welsh Language Mental Health Practitioners and Therapists Network.</p>
<p>Lead partner</p> <ul style="list-style-type: none"> • Cardiff University <p>Partners</p> <ul style="list-style-type: none"> • Cardiff Metropolitan University, • University of South Wales, • Public Health Wales, • Cardiff and Vale UHB, • National Centre for Mental Health, • Third Party Community Service providers 	<p>Title: Working partnership to improve student mental health in south east Wales.</p> <p>The project aims to create a multi-agency South East Wales 'Mentally Healthy Student Hub'.</p> <p>The project aims to improve access to a range of third-party support provided by health and third sector agencies for students who need it and create a step change in understanding of student mental health across the region.</p>
<p>Lead partner</p> <ul style="list-style-type: none"> • Swansea University <p>Partners</p> <ul style="list-style-type: none"> • Swansea University Student Union • University of Wales Trinity Saint David • Trinity Saint David Students' Union • Gower College • Neath Port Talbot College • Coleg Sir Gar / Coleg Ceredigion 	<p>Connect: facilitating connections to enhance well-being and social isolation.</p> <p>The project aims to develop three strands to enable long-term sustainability/continuation and delivery:</p> <ol style="list-style-type: none"> 1. Establish a society/network for students". underpinned by social prescribing and training staff and students to become "Connectors". 2. Through the Connectors, it will enable the enhancement of a supportive community across the partnership. 3. Establish a Student Innovation fund to promote the co-creation of interventions to enable collaborative working and sharing of practice.
<p>Lead Partner</p> <ul style="list-style-type: none"> • The Open University Wales <p>Partners</p> <ul style="list-style-type: none"> • Wrexham Glyndŵr University • Adult Learning Wales • The Open University Students Association • NUS Wales 	<p>The project aims to develop Welsh medium on-line Open Learn module resources to support students reflect on their well-being and health independently and with OU support staff. Resources will be designed to support part-time, mature students, but will be available for all students.</p>
<p>Lead Partner</p> <ul style="list-style-type: none"> • Wrexham Glyndŵr University <p>Partners:</p> <ul style="list-style-type: none"> • University of South Wales (USW) • WGU Student Union • USW Student Union • Community Care Collaborative Wrexham • Betsi Cadwaladr University Health Board • Wales Council for Voluntary Action 	<p>The project aims to develop social prescribing opportunities for students to be able to appropriately connect with non-clinical services within and beyond the University to support a range of health and wellbeing needs.</p>

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Business Travel

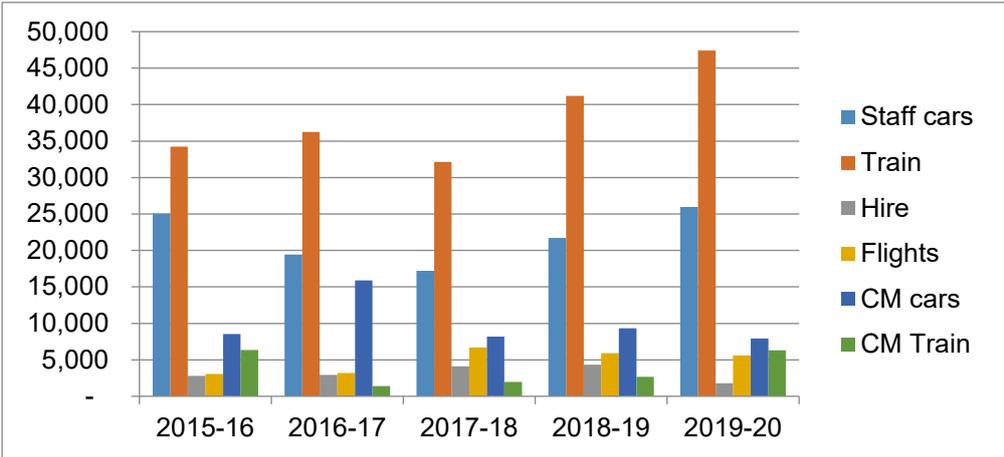
Carbon emissions associated with business travel have proved to be variable, in part due to changing workload together with changes in both the personnel and associated travelling pattern of Council members. As illustrated in the graph below, from 2015-16, business mileage had been reducing to 2017-18 but has gradually increased since then. 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 (miles)



Business travel summary

The current year has seen a 6% increase in carbon emissions arising from business travel (829KG), mirroring the overall increase of business travel (9,935 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.

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.

Assessment of our Well-being of future generations' current position and future direction

The examples provided above outline how we have made progress in embedding the five ways of working and the seven well-being goals across the organisation and progress towards meeting or Well-being goals.

We recognise that responding fully to the challenges identified by the Well-being of Future Generations Act requires a long-term approach. We will build on our current work, including by:

- continuing to evidence progress and impact;
- continuing to take steers from our committees, research reports and the Well-being of Future Generations Commissioner's office; and
- continuing to impact assessing our policies and processes to take account of the Well-being of Future Generations Act requirements.

Dr David Blaney
Chief Executive and Accounting Officer
24 September 2020

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 January 2021*). *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
Professor Mark Smith CBE (Deputy Chair)	President and Vice-Chancellor, University of Southampton	01/01/19 to 31/12/21	Research Wales Committee (Chair)
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) Remuneration Committee (Chair)
Professor Tracy Bhamra	Pro Vice-Chancellor, University of Loughborough	01/04/19 to 31/03/22	Audit and Risk Assurance Committee Research Wales 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 Resigned 16/05/19	Student Opportunity and Achievement Committee (Chair to May 2019) Research Wales Committee

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Name	Personal history	Term of office	Committee membership
James Davies	Executive Chair of Industry Wales	01/12/17 to 30/11/20	Research Wales Committee Student Opportunity and Achievement Committee
Professor Christine Ennew, OBE	Provost, University of Warwick	22/04/18 to 21/04/21	Regulation Committee (Chair)
Dr John Graystone	Education consultant and former Chief Executive of Colegau Cymru/ Colleges Wales	01/08/18 to 31/07/21	Audit and Risk Assurance Committee (Chair) Quality Assessment Committee Human Resources Committee Remuneration Committee
Rob Humphreys CBE, FLSW	Former Director of The Open University in Wales	15/06/18 to 14/06/21	Student Opportunity and Achievement Committee (Chair) Quality Assessment Committee Regulation Committee
Sarah John	Director, Apprenticeship Learning Solutions Ltd (ALS)	01/12/17 to 30/11/20 Resigned 30/11/19	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)

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

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

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Composition of Management Board

The HEFCW Management Board is responsible for our management and operation. It comprises: 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/en/about-us/governance/council-and-committees/

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 its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the 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;
- prepare the accounts on the going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that HEFCW's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Dr David Blaney
Chief Executive and Accounting Officer
24 September 2020

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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

At the end of 2019-20, the Council comprised 10 members including the Chair. Following a Welsh Government recruitment exercise during the year, two new member appointments were announced in May 2020, bringing the Council to its full complement of 12 members.

The Council continues to benefit from a diverse membership in terms of 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 2019-20, there were 6 Council meetings; 2 Council Workshops; and 3 Council visits to regulated providers. There were a total 44 out of 52 possible member attendances.

Representatives from Research England, the Scottish Funding Councils, and the President of NUS Wales have observer status on the Council.

The Council has established a number of [committees](#) to deal with particular areas of business outside of the main Council meetings.

Governance effectiveness

The Council is responsible for providing effective leadership and establishing the strategic aims and objectives of HEFCW. This includes approving and monitoring progress against HEFCW's corporate strategy and annual operational plans. The Council is also responsible for ensuring that effective arrangements are in place in HEFCW to provide assurance on risk management, governance and internal control.

The Council is required to demonstrate high standards of corporate governance at all times, and in carrying out their duties Council members must adhere to the Seven Principles of Public Life (Nolan Principles). Council decisions are made on the basis of collective responsibility, and conclusions reached by the Council are informed by empirical evidence and following detailed discussion, debate and challenge by Council members. Council resolutions are formally recorded in the minutes, and action taken on matters delegated to the executive are reported back via a standing Matters Arising

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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.

In 2019-20, we commissioned an independent expert review of the Council's governance arrangements. The review concluded that the Council was well governed and that Council members showed a high degree of commitment to their governance responsibilities, providing strong and effective oversight and constructive challenge. The review further added that the Council's arrangements were supported by a comprehensive set of high quality governance documents and processes. The review report included a number of recommendations from which the Council has agreed an action plan further to improve its governance processes. The action plan will be taken forward in 2020-21.

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 in December 2019, 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.

Meeting our statutory responsibilities

Our regulatory powers were 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.

Since 1 April 2018, higher education providers that wish for their courses to be designated for student support on a case by case basis 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.

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 in the Sustainability section of this Report.

The Council also approved this year the HEFCW Strategic Equality Plan 2020-24 and Annual Report 2018-19, setting out how we are addressing our statutory responsibilities

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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 formally six times a year.

We received our remit letter for 2019-20 in March 2019. In June 2019, we submitted to the Minister our Operational Plan for 2019-20, and were notified in August 2019 that the Minister had approved the document. Our Council receives quarterly reports on progress against our operational plan targets.

The Minister 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 Reports for academic years 2017/18 and 2018/19 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 2018/19.

Dealing with complaints

We have a [Complaints Policy](#) based on the model Concern and Complaints Policy produced by the Public Services Ombudsman for Wales. No complaints against us were received during 2019-20.

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 [Memoranda of Understanding](#) 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 2019-20 highlighted no major issues or significant weaknesses in our internal controls in 2019-20 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 2019-20 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 2020-21, unless there are any matters reported before then which prompt changes to be made to improve the processes used.

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Risk management

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 a number of 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.

An assessment of the residual risk levels involve deciding whether or not a risk can be tolerated, and whether HEFCW accepts the risk, subject to monitoring. Where such risks are not tolerated, further actions are identified to improve our controls and to further mitigate the risks. This year we commissioned an independent risk management consultant to review our risk management processes and procedures, and agreed actions from the review will be taken forward in 2020-21. Although arising late in the financial year, the most significant risks this year arose due to two external environmental events: flooding of the HEFCW office in February 2020, and the COVID-19 pandemic in March 2020.

Internal matters: HEFCW organisational risks

Due to flooding in mid-February 2020, HEFCW's office became unsafe to occupy, and remains so at the time of completing this report. We responded to the risk in the first instance by implementing our Business Continuity Plan to inform all staff and stakeholders of the situation; arrange for key IT equipment and information to be retrieved from the office; and establish arrangements for all staff to work remotely. As all members of HEFCW staff already had a dedicated tablet with a fully encrypted, secure VPN connection, work was able to continue remotely with full access to HEFCW's ICT systems and services, with phone systems redirected to staff homes and with uninterrupted use of email. In addition, we secured the use of meeting and office spaces at two local universities.

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From mid-March 2020, in the light of UK government advice, and ahead of the subsequent formal lockdown from 23 March, HEFCW made the decision to cease all travel and face-to-face meetings. With the use of video conferencing, and through existing electronic processes for securely distributing agendas and papers, we have been able to continue to hold Council and committee meetings, and internal meetings. To further bolster governance arrangements, the Council also has established an Executive Committee to consider and approve recommendations for Council decisions should it be determined that the Council was unable to function as normal.

HEFCW's ICT infrastructure is designed to cope with the additional demands from remote working, and at the time of this report has remained stable with no unplanned downtime working. However, we are conscious of the on-going risks of stretched IT staff resources, and of the need to ensure that our IT systems and the information stored on them remain secure. We are also mindful of the need to monitor closely the increased pressures on video conferencing services and how these might impact upon functionality and the quality of service.

As the pandemic lockdown looks likely to continue for some time, and given that HEFCW staff have been working remotely since mid-February, we also recognise the potential for increased risks and challenges with respect to staff wellbeing and health, including mental health. Recognising that our employees are our greatest asset, we have placed the issue of how we can best support staff well-being high on our list of priorities, and we will continue to consider how we might adapt and increase our current support arrangements.

A further operational risk we have been monitoring throughout this year is that of excessive workload in HEFCW, and how that might impact upon employee morale, well-being and work-life balance. We have been mitigating this risk through various of our policies and procedures aimed at helping with retention, managing absence and supporting employee relations. We have also been trying to identify areas where work could be reduced or transferred, with an emphasis on ensuring our Corporate Strategy and Welsh Government priorities were delivered, and to introduce effective work training and better delegation and forward planning. We have also been recruiting additional staff to improve our capacity in certain areas, and considering options for using agency staff.

Finally, we have recognised as a risk not being able to encourage Welsh Government to engage effectively with, and use, HEFCW in relation to the implementation of its PCET proposals, which potentially could have negative consequences for legislative and operational arrangements. We have been trying to mitigate this risk chiefly through our dialogue with relevant Welsh Government officials, to ensure they are fully informed of key issues when implementing changes, and through our representation on a number of the PCET workstreams. The HEFCW Chair and Chief Executive also discuss PCET development matters in their quarterly meetings with the Minister. In addition, we are maintaining and strengthening our relationships with other stakeholders who will be impacted upon by the PCET reforms.

External matters: risks to the HE sector in Wales

We have identified as a key risk having HE providers in Wales sub-optimal in scale and more susceptible to changes in funding and/or in demand, with potentially negative consequences for their longer-term financial sustainability. We have also identified as a key risk that if HE providers in Wales had unsatisfactory governance standards that might result in poor oversight of decision-making, including with respect to financial matters.

As independent autonomous bodies, institutions have the primary responsibility for controlling and mitigating these risks. However, with HEFCW's stated vision of having

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sustainable, accessible, internationally excellent higher education in Wales, and acknowledging the vital role played by higher education in the economy, culture, environment and society of Wales, we recognise that there is a broader public interest in trying to help mitigate these risks. HEFCW's controls in these areas include:

- Closely monitoring of and engagement with HE providers through our Institutional Risk Review process, which inter alia considers both financial sustainability and governance matters.
- Confirmation of financial viability as part of our regulatory responsibilities for approving institutions' fee and access plans.
- Liaising regularly with Senior Management at institutions, including Directors of Finance.
- Liaising closely with Welsh Government, as appropriate, regarding sustainability concerns.
- Funding this year a Review of HE Governance in Wales and an associated Governance Charter, which all institutions in Wales have committed to delivering on.
- Plans to deliver a HEFCW funded programme of training to each institution's governing body.

The COVID-19 pandemic situation is likely to exacerbate these institutional risks, as well as generate new risks. Immediately after the crisis hit in March we were provided with assurances by HE providers in Wales that they had responded swiftly to the outbreak in terms of prioritising the health and safety of students and staff, and also in adapting ways of working and modes of delivery to ensure that critical activities, such as programmes of study and end of year student assessments, could continue to completion.

Moving into 2020-21, we will continue to work closely with the HE sector and Welsh Government to monitor the risks and impacts of the pandemic as these develop and become more apparent, not least with respect to its effects on institutional income; student retention and recruitment next academic year; and the delivery of research and innovation activities. We will continue to monitor closely the approaches and adaptations by the HE sector of its governance arrangements, to ensure that the key decision-making processes continue to operate effectively. We also will monitor arrangements put in place by institutions to support the quality of teaching and maintain the standards of the student experience.

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 2019-20.

Dr David Blaney
Chief Executive and Accounting Officer
24 September 2020

Remuneration and staff report

Please note that only those sections in this report marked * are subject to audit.

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 deputy chief executive and 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 deputy chief executive and directors, are approved by the Welsh Government.

We have a Remuneration Committee, which is responsible for reviewing annually the performance of the Chief Executive, the deputy chief executive and the directors. The committee, consisting of five 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 the Chief Executive's performance and agreed that, based upon his performance in 2018-19, the recommended consolidated pay increase for 2019-20 should be the same as for HEFCW staff (in common with previous pay awards). This increase was subsequently confirmed as a 2% revalorisation award, which uplifted the Chief Executive's salary from £127,544 to £130,095.

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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	2019-20 Salary £'000	2018-19 Salary £'000	2019-20 Pension benefits £	2018-19 Pension benefits £	2019-20 Total £'000	2018-19 Total £'000
David Allen (Chair)	20-25	20-25	N/A	N/A	20-25	20-25
Dr David Blaney (Chief Executive)	130-135	125-130	47,429	43,009	175-180	170-175
Bethan Owen (Deputy Chief Executive)	90-95	85-90	50,810	29,870	140-145	115-120
Nicholas Williams (Director of Corporate Services)	65-70	10-15	22,073	1,654	90-95	10-15
Dr Alyson Thomas (Director of Policy and Funding)	60-65	5-10	34,492	1,342	90-95	10-15
Dr Ewen Brierley (Director of Regulation and Analysis)	60-65	5-10	35,749	2,899	95-100	10-15
Celia Hunt (former Director of Strategic Development) (retired January 2019)	-	65-70	-	3,936	-	70-75

NB There were no benefits in kind or bonus payments in either 2019-20 or in 2018-19 for the above.

The total salary for David Allen for the year 2019-20 was £24,264 (2018-19: £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.

The pension benefits' figure of £50,810 for Bethan Owen included approximately £15,000 which resulted from additional pension contributions made by the director during the year.

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In February 2019, HEFCW undertook a reorganisation, which resulted in the appointment of Dr Alyson Thomas as the Director of Policy and Funding, Dr Ewen Brierley as the Director of Regulation and Analysis and Nicholas Williams as the Director of Corporate Services. Their salary figures for 2018-19 shown above, only relate to the pay following their appointments on 1 February 2019. The full-time salaries relating to these appointments in 2018-19, were £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 31/03/20 & related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/20 £'000	CETV at 31/03/19 £'000	Real increase in CETV £'000
David Allen	Chair	N/A	N/A	N/A	N/A	N/A
Dr David Blaney	Chief Executive	70-75 pension	2.5 – 5 pension	1,377	1,287	28
Bethan Owen	Deputy Chief Executive	30-35 pension	2.5 - 5 pension	568	495	35
Nicholas Williams	Director of Corporate Services	20-25 pension	0 – 2.5 pension	394	370	22
Dr Alyson Thomas	Director of Policy and Funding	10-15 pension plus 35-40 lump sum	0 – 2.5 pension plus 2.5 - 5 lump sum	293	248	31
Dr Ewen Brierley	Director of Regulation and Analysis	15-20 pension	0 – 2.5 pension	273	234	24
Celia Hunt (retired January 2019)	Director of Strategic Development	-	-	-	623	-

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Salary and pension disclosures*

Dr David Blaney was transitioned from the Premium defined benefit scheme to the Alpha pension scheme on 1 April 2019 whereas Bethan Owen had transitioned in the same way on 1 April 2016. Dr Alyson Thomas was transitioned from the Classic defined benefit scheme to the Alpha pension scheme on 1 December 2019. Nicholas Williams was a member of the Premium defined benefit scheme and Dr Ewen Brierley was a member of the Alpha pension scheme, both throughout the year. 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. The Deputy Chief Executive and the 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 23-24 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

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appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (Partnership pension account).

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 the appointed provider – Legal & General. 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

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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 *

	2019-20 £'000	2018-19 £'000
Band of highest paid member of staff (total remuneration**)	130-135	125-130
Median total remuneration**	£ 39,639	£ 36,817
Ratio	3.3	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 2019-20 was £130,000 to £135,000 (2018-19- £125,000 to £130,000). This was 3.3 times (2018-19: 3.5) the median salary of all staff, which was £39,639 (2018-19: £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 reduced slightly this year to 3.3. During the year, all staff, including the Chief Executive had a pay award. Some staff were also due annual increments but not the most highly paid senior employee. 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 2019-20, no employees (2018-19: none) received remuneration in excess of the highest-paid senior employee. Remuneration ranged from £19,124 to £130,095 (2017-18: £17,655 to £127,544).

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Staff report

Staff numbers by category

We employed an average of 44 full time equivalent staff during the financial year ended 31 March 2020, as follows:

	2020 Number	2019 Number
Senior Management	5	5
Chief Executive's Office	4	4
Policy and Funding	13	14
Regulation and Analysis	11	9
Corporate Services	11	10
	<hr/>	<hr/>
	44	42

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

	2020 Numbers	2019 Numbers
Staff with a permanent UK employment contract with us	42	40
Other staff engaged on our objectives	2	2
	<hr/>	<hr/>
	44	42

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Staff costs

(a) Analysis *

	Staff	2020 Council members (incl. Chief Executive)	Total	Staff	2019 Council members (incl. Chief Executive)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	1,822	199	2,021	1,761	204	1,965
Social security costs	197	20	217	191	19	210
Other pension costs	494	39	533	374	31	405
Voluntary exit costs	-	-	-	98	-	98
Total payroll costs	2,513	258	2,771	2,424	254	2,678
Staff on secondment	(26)	-	(26)	-	-	-
Less: charges to programme costs	(163)	-	(163)	(175)	-	(175)
Administration payroll costs	2,324	258	2,582	2,249	254	2,503

As at 31 March 2020, it should be noted that there are several job vacancies left unfilled due to staff turnover during the year. There were also vacancies as at 31 March 2019 due to the re-organisation in February 2019.

(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 2019-20, our employer’s contributions of £529,472 were payable to the PCSPS (2018-19 £395,179), at one of four rates in the range 26.6% to 30.3% 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 2019-20 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.

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(c) Staff numbers by gender

	2020	2019
<i>Male</i>		
Directors	3	3
Staff	10	9
<i>Female</i>		
Directors	2	2
Staff	31	30
Total	46	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

	2020	2019
Sickness absence rate (%)	1.16	1.41
Average working days lost	2.00	2.44
Number of working days lost	142	163
Approximate cost of working days lost	£23,086	£23,340

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).

1.16% of potential working time was lost in 2019-20 as a result of sickness absences (2018-19 – 1.41%). This represents an ongoing decrease from previous years and continues to be below average for the public sector. In the CIPD report on *Health and Wellbeing at Work* (March 2020), it noted a sickness absence rate of 2.6% (5.8 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 8.0 days per employee, which is significantly higher than HEFCW's figure of 2.0 days.

Staff policies and other issues

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

- Code of Conduct and Conflict of Interest policy
- Probation procedures
- Leaver procedures
- Recruitment and Selection policy and procedures, including the recruitment application form
- Coronavirus staff guidance

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

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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/Find a Job* 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 March 2019 and accredited for three years.

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.

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Health and safety at work

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. All HEFCW staff were completed health and safety training via the Civil Service Portal.

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 was extended for another year into 2019-20.

Following flooding of the Bedwas office in February 2020 and the subsequent coronavirus outbreak in March 2020, a number of staff wellbeing initiatives and adjustments to working practices have been introduced:

- Wellbeing webinars covering working from home, managing remotely, resilience, coping with change.
- Wellbeing hour increased from one hour to two hours to encourage staff to take breaks in the difficult circumstances.
- Employee Assistance Programme promotion increased, reiterating that the service remains available and resources published frequently on a variety of subject areas.
- Sickness arrangement changes so that any absence directly resulting from coronavirus will not count towards trigger points and staff paid in full, regardless of length of service.
- Additional special leave for caring arrangements, in order to assist staff with balancing childcare or any other dependent care, with work.
- Homeworking expenses paid directly via payroll to the maximum tax-free allowance of £18 per month (to 31 March 2020 and £26 per month from April

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2020) and this will continue for as long as staff are not able to return to the Bedwas office.

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. During 2019-2020, we were finalising our re-organisation, which involved a number of staff promotions following both internal and external recruitment activities.

In support of staff development, 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

There was £41,348 consultancy expenditure during the year.

Off-payroll engagements

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

Exit Packages

There were no exit packages during the year.

Dr David Blaney
Chief Executive and Accounting Officer
24 September 2020

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

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 2020 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/United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2020 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 financial statements. 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 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

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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 Senedd 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 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 Report 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 either 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 Higher and Further Education Act 1992 and Welsh Ministers' directions made thereunder, 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.

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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 Senedd and the financial transactions conform to the authorities which govern them.

Adrian Crompton
Auditor General for Wales
2 October 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of comprehensive net expenditure
for the year ended 31 March 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Expenditure					
<i>Funding of higher education:</i>					
Recurrent expenditure	3	156,267		132,000	
Capital expenditure	3	12,400		10,000	
Other purposes	5	10,974		18,319	
		<u>179,641</u>		<u>160,319</u>	
<i>Council expenditure:</i>					
Staff costs		2,582		2,503	
Depreciation	8	62		57	
Amortisation	9	6		6	
Other expenditures	6	567		433	
		<u>3,217</u>		<u>2,999</u>	
Total expenditure			(182,858)		(163,318)
Income					
Income from activities	2		10,527		17,867
Net operating costs			(172,331)		(145,451)
Interest receivable			15		8
Appropriations	7		(14)		(7)
Net operating costs transferred to taxpayers' equity			(172,330)		(145,450)

All activities are continuing.

There are no recognised gains or losses in either 2019-20 or 2018-19.

The notes on pages 53 to 65 form part of these accounts.

Details of staff costs are shown on page 41 as part of the Remuneration and Staff Report.

Statement of financial position

as at 31 March 2020

	Notes	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Non-current assets			
Property, plant and equipment	8	73	48
Intangible assets	9	1	7
Repayable grants falling due after one year	10a	4,617	4,617
Total non-current assets		4,691	4,672
Current assets			
Repayable grants falling due within one year	10a	-	933
Trade and other receivables	10b	859	3,496
Cash and cash equivalents	11	98	26
Total current assets		957	4,455
Total assets		5,648	9,127
Current liabilities			
Trade and other payables	12	(1,370)	(705)
Provisions for liabilities and charges within one year	13	(1)	(1)
Total non-current assets plus net current assets		4,277	8,421
Non-current liabilities			
Provisions for liabilities and charges after one year	13	(21)	(22)
Assets less liabilities		4,256	8,399
Taxpayers' equity			
General reserve		4,256	8,399
		4,256	8,399

The notes on pages 53 to 65 form part of these accounts.

Signed on behalf of HEFCW

Dr David Blaney
Chief Executive and Accounting Officer
24 September 2020

Statement of cash flows

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for the year ended 31 March 2020

	Notes	2020	2019
		£'000	£'000
Cash flows from operating activities			
Net operating costs before interest		(172,331)	(145,451)
Depreciation charges		62	57
Amortisation charges		6	6
Decrease/(increase) in trade and other receivables due within one year		3,570	2
Decrease in repayable grants due after one year		-	933
Increase/(decrease) in trade and other payables		665	(230)
Movement in provisions		(1)	(1)
Net cash outflows from operating activities		(168,029)	(144,684)
Cash flows from returns on investments and servicing of finance			
Interest received		15	8
Interest surrendered to the Welsh Government		(14)	(7)
Net cash flows from returns on investments and servicing of finance		1	1
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(87)	(39)
Purchase of intangible fixed assets	9	-	(1)
Net cash outflow from investing activities		(87)	(40)
Cash flows from financing activities			
Funding from the Welsh Government		168,187	142,793
Net cash flows from financing activities		168,187	142,793
Net increase/(decrease) in cash and cash equivalents		72	(1,930)
Cash and cash equivalents at beginning of period		26	1,956
Cash and cash equivalents at end of period	11	98	26
Net increase/(decrease) in cash		72	(1,930)

The notes on pages 53 to 65 form part of these accounts.

Statement of changes in taxpayers' equity
for the year ended 31 March 2020

	General Reserve
	£'000
Balance at 1 April 2019	8,399
Changes in taxpayers' equity 2019-20	
Net operating costs	172,330
Total recognised income and expense for 2019-20	<u>172,330</u>
Funding from the Welsh Government	168,187
Balance at 31 March 2020	<u>4,256</u>

The notes on pages 53 to 65 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 (FReM) issued by H M Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM 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. The Welsh Government has confirmed that following the United Kingdom's departure from the EU on 31 January 2020, there would be no changes to the existing arrangements for beneficiaries of current EU-funded projects. HM Treasury has also guaranteed funding for all projects approved under the ESF programme 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.

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

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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
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(i) Value Added Tax

HEFCW's activities are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment.

(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 41, which forms part of the Accountability Report.

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2. Income from activities

	2020 £'000	2019 £'000
European Union – European Social Fund	989	903
Department for Business, Innovation & Skills – Research Capital Investment Fund	6,960	6,960
UK Research Partnership Investment Fund (a)	-	7,768
Global Challenges Research Fund (b)	2,532	2,201
Prevent (c)	35	35
Student Partnership Research (d)	11	-
	<u>10,527</u>	<u>17,867</u>

(a) This is funding from the UK Research Partnership Investment Fund (UKRPIF) for the Research Foundation in Compound Semiconductor Technology at Cardiff University, which was completed in 2018-19.

(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.

(d) This is a contribution from Welsh Government to cover the FE costs of exploratory research undertaken to assess and evaluate the current state of student partnership, engagement and representation in Wales within HE and FE.

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3. Funding of higher education

	Recurrent £'000	2020 Capital £'000	Total £'000	2019 Total £'000
Higher Education Providers				
Aberystwyth University	8,925	888	9,813	9,866
Bangor University	10,586	1,086	11,672	11,226
Cardiff University	61,744	3,846	65,590	55,134
Swansea University	24,325	2,247	26,572	23,957
Wrexham Glyndŵr University	4,655	750	5,405	3,951
Cardiff Metropolitan University	4,193	841	5,034	3,981
University of Wales, Trinity Saint David	4,737	750	5,487	5,943
University of South Wales	19,006	1,617	20,623	15,532
University of Wales	177	-	177	186
Open University	14,014	375	14,389	9,397
Sub-total	152,362	12,400	164,762	139,173
Further Education Providers				
Grŵp Llandrillo Menai	1,185	-	1,185	579
Grŵp NPTC Group	141	-	141	67
Gower College Swansea	105	-	105	57
Sub-total	1,431	-	1,431	703
Other Organisations				
Advance HE	132	-	132	57
UK Research and Innovation (formerly Engineering and Physical Sciences Research Council)	44	-	44	135
Equality Challenge Unit	-	-	-	21
HESA	-	-	-	105
JANET (UK) Ltd	2,118	-	2,118	2,111
KPMG LLP	34	-	34	25
National Union of Students	60	-	60	-
OB3	39	-	39	-
The Office for Students	178	-	178	336
Quality Assurance Agency	5	-	5	39
Universities UK	991	-	991	262
Universities Wales	70	-	70	-
Welsh Government (a)	100	-	100	228
Other	185	-	185	195
Sub-total	3,956	-	3,956	3,514
Total	157,749	12,400	170,149	143,390
Less ESF funded expenditure (see note 5)	(1,482)	-	(1,482)	(1,390)
Total	156,267	12,400	168,667	142,000

(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.

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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' 2018/19 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. In previous years, an end of year clawback has been calculated for credit-based teaching funding. However, due to the current covid-19 crisis, HEFCW's Council has agreed that no clawback will be applied arising from the monitoring and audit of academic years 2018/19 or 2019/20's student numbers due to the detrimental impact of the coronavirus pandemic on the financial position and anticipated cash flows of institutions during the forthcoming year.

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

5. Expenditure for other purposes

	2020 £'000	2019 £'000
European Social Fund	1,482	1,390
Research Capital Investment Fund (a)	6,960	6,960
UK Research Partnership Investment Fund (b)	-	7,768
Global Challenges Research Fund (c)	2,532	2,201
	<u>10,974</u>	<u>18,319</u>

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

	2020 £'000	2019 £'000
Aberystwyth University	905	941
Bangor University	634	632
Cardiff University	3,744	3,787
Swansea University	1,677	1,600
	<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, which was completed in 2018-19.
- (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.

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6. Other expenditures

	2020 £'000	2019 £'000
Administration costs		
Accommodation costs	150	92
Office costs	65	65
Bought-in services	64	19
Auditors' remuneration	25	25
Council members' travel and subsistence costs	17	12
Council members' meeting costs	10	13
Staff travel and subsistence costs	50	54
Staff related expenditure on training, recruitment etc.	37	38
Information technology costs	149	115
	<u>567</u>	<u>433</u>

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

7. Appropriations

	2020 £'000	2019 £'000
Receipts surrenderable to the Welsh Government:		
Bank interest (net of bank charges)	14	7

8. Property, plant and equipment

	Information technology equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 April 2019	471	73	544
Adjustment to prior year*	6	(14)	(8)
Additions	87	-	87
Disposals	-	-	-
At 31 March 2020	<u>564</u>	<u>59</u>	<u>623</u>
Depreciation			
At 1 April 2019	429	67	496
Adjustment to prior year*	6	(14)	(8)
Charged during year	58	4	62
Released on disposals	-	-	-
At 31 March 2020	<u>493</u>	<u>57</u>	<u>550</u>
Net book value at 31 March 2020	<u>71</u>	<u>2</u>	<u>73</u>
Net book value at 1 April 2019	<u>42</u>	<u>6</u>	<u>48</u>
Asset financing			
Owned assets			
Net book value at 31 March 2020	71	2	73

*Adjustments to prior year with respect to asset disposals with £nil net book value.

9. Intangible fixed assets

	Software licences £'000
Cost	
At 1 April 2019	49
Additions	-
Disposals	-
At 31 March 2020	49
Amortisation	
At 1 April 2019	42
Charged for the year	6
Released on disposal	-
	48
Net book value at 31 March 2020	1
Net book value at 1 April 2019	7

10a. Repayable grants

	2020 £'000	2019 £'000
Repayable grants		
Balances as at 1 April	5,550	6,150
Repaid during the year	(933)	(600)
Balances as at 31 March	4,617	5,550
Balances as at 31 March		
Within one year	-	933
After one year	4,617	4,617
Balances as at 31 March	4,617	5,550

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.

The scheduled repayment of grants originally planned for financial year 2020-21 has been deferred, due to the detrimental impact of the coronavirus pandemic on the financial position and anticipated cash flows of the institutions during the forthcoming year.

None of the above grants is interest-bearing.

As at 31 March 2020, there was one provider (2019 – one) with repayable grants outstanding.

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10b. Trade receivables and other current assets

	2020 £'000	2019 £'000
Amounts falling due within one year		
Prepayments and accrued income	857	325
Other receivables	2	3,171
	<u>859</u>	<u>3,496</u>
Intra-government balances		
Other central government bodies	764	276
Balances with other government bodies	-	-
Balances with non-government bodies	95	3,220
	<u>859</u>	<u>3,496</u>

At 31 March 2019, 'Other receivables' included (i) £1,523k of funding due to be recovered from higher education providers regarding sector-related costs paid on their behalf; and (ii) the clawback of £1,341k of funding following the academic year 2017/18 audit of student numbers. Sector agency costs are no longer recovered from the sector and the Council has agreed that any clawback related to academic year 2018/19 will be waived, therefore there are no equivalent debtors at 31 March 2020.

11. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash held under Government Banking Service		
Balance at 1 April	2	1,378
Net change in cash and cash equivalent balances	(1)	(1,376)
Balance at 31 March	<u>1</u>	<u>2</u>
Cash held under commercial banks and cash in hand		
Balance at 1 April	24	578
Net change in cash and cash equivalent balances	73	(554)
Balance at 31 March	<u>97</u>	<u>24</u>
Total cash and cash equivalents	<u>98</u>	<u>26</u>

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.

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12. Trade payables and other current liabilities

	2020 £'000	2019 £'000
Amounts falling due within one year		
Accruals	1,370	705
Other taxation and social security	-	-
Sundry creditors	-	-
	<u>1,370</u>	<u>705</u>

Intra-government balances		
Central government bodies	57	119
Other central government bodies	-	-
Balances with other government bodies	<u>57</u>	<u>119</u>
Balances with non-government bodies	1,313	586
	<u>1,370</u>	<u>705</u>

13. Provisions for liabilities and charges

	2020 £'000	2019 £'000
Broadly by analogy pension liability (see Staff Costs note on pages 39 and 41)	<u>22</u>	<u>23</u>
Analysis of timing of liability		
Falling due within one year (2020-21)	1	1
Falling due between 2021-22 and 2024-25	7	7
Falling due between 2025-26 and 2034-35	14	15
	<u>22</u>	<u>23</u>

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.

	2020 £'000	2019 £'000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	63	26
Later than one year and not later than five years	127	-
	<u>190</u>	<u>26</u>

Expenditure in the year on leasing costs of £63k is included in note 6. The current lease expires in March 2023.

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15. Capital commitments

	2020 £'000	2019 £'000
Contracted capital commitments at 31 March 2020, not otherwise included in these accounts		
<i>Property, plant and equipment</i>		
Contracted	11	47

16. Other financial commitments and contingent liabilities

	2020 £'000	2019 £'000
Revenue grants (a)	48,698	45,280
European projects (b)	5,012	5,733
	<u>53,710</u>	<u>51,013</u>

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

(b) European projects will be funded as follows:

	2020 £'000	2019 £'000
European Social Fund grants	3,440	3,902
HEFCW	1,572	1,831
	<u>5,012</u>	<u>5,733</u>

The European projects also have financial commitments of £578k to be funded by external match-funding contributions from higher education providers and small and medium-sized enterprises.

As at 31 March 2020, there were no contingent liabilities (2019 – nil).

The Welsh Government has confirmed that in the event of leaving the European Union on 31 December 2020 without a deal, there would be no change in the existing arrangements for beneficiaries of current EU-funded projects. HM Treasury has 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.

Higher Education Funding Council For Wales

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)	<ul style="list-style-type: none"> ◆ Son studying at Swansea University
Dr David Blaney (Chief Executive)	<ul style="list-style-type: none"> ◆ Fellow, Higher Education Academy ◆ Daughter studying at Cardiff University ◆ Daughter studying at Swansea University
Professor Sir Keith Burnett CBE, FRS, FLSW (resigned 16/05/19)	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ 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	<ul style="list-style-type: none"> ◆ Honorary Fellow, University of Wales, Trinity Saint David
Sarah John (resigned 30/11/19)	<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 2019-20, £168.2m or 94.1% of our income was derived from the Welsh Government (2019-20 - £142.8m or 88.9%). The remaining income, £10.5m or 5.9%, was derived from income from activities (2018-19: £17.9m or 11.1%).

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 £98k. 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 24 September 2020, requiring an adjustment to the accounts. This includes the onset of the coronavirus pandemic which occurred, just prior to the year-end. Any potential financial impact of the pandemic on HEFCW will be reflected in the 2020-21 financial year's accounts.